

GLOBAL ECONOMY 164
BUSINESS AND POLITICS IN THE MUSLIM WORLD

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GENERAL ECONOMIC AND BUSINESS DEVELOPMENTS IN THE WORLD

Emerging economies must address inflation: IMF official

March 21, 2011

BEIJING -- Rising inflation pressures in the emerging economies calls for fiscal and monetary policy adjustments, while fiscal sustainability is not an immediate concern for them, John Lipsky, first deputy managing director of the International Monetary Fund (IMF), said Monday. Lipsky, who is in Beijing for the China Development Forum which opened Sunday, told Xinhua that accelerating inflation has shown signs of overheating among the emerging economies, and the need is clear for near-term fiscal and monetary policy adjustment.

China is "suffering inflation pressure, with its increasing headline inflation index and rapid expansion of some assets prices, especially real estate prices," he said.

However, fiscal sustainability is not a major near-term concern for emerging economies in light of higher fiscal deficits and public debt in many economically advanced countries, Lipsky said.

"In advanced economies, public debt is piling up to unprecedented heights, creating worries about fiscal sustainability. While the situation is quite different in many key emerging economies," said Lipsky.

IMF analysis indicates that fiscal deficits of advanced economies will average about 7 percent of gross domestic product (GDP) in 2011, and the average public debt ratio will exceed 100 percent of GDP for the first time since the end of World War II.

While fiscal deficits in emerging economies fell last year to an average 3 percent of GDP and the figure will decline again this year. Debt ratios are also much lower than those of advanced economies.

China has just announced to lower its budget deficit in 2011 to 900 billion yuan (137 billion U.S. dollars) earlier this month, with the deficit ratio down from 2.5 percent of GDP in 2010 to 2 percent of GDP this year.

"The adjustment is appropriate," said Lipsky.

Lipsky said he also noticed the adjustment in China's 12th Five-Year Plan.

"The blueprint is challenging, but promising," said Lipsky, adding that the underlining a message in the blueprint is to preserve strong growth through structural change in the economy.

"The plan promises to shift sources of growth, boost domestic demands and create a social safety net, which will in turn reduce the high level of savings and is consistent with the theme of global rebalance," he added.

Lipsky revealed in the interview that the IMF anticipates global growth this year to be about 4.5 percent, following the 5 percent gain registered last year.

"The IMF is watching the situation in Japan," he said, adding that although the massive earthquake and tsunami have a negative influence on the Japanese economy, the IMF is still confident that the effect on economic growth will be contained if the nuclear leak is controlled in time.

http://news.xinhuanet.com/english2010/business/2011-03/21/c_13790510.htm

World Bank, EAC discuss regional integration support

March 21, 2011

NAIROBI -- The East African Community (EAC) has concluded a series of meetings with the World Bank and United States to discuss areas of cooperation and support to the regional integration.

EAC Deputy Secretary General in charge of Planning and Infrastructure, Alloys Mutabingwa who held the meetings with the World Bank Group and U.S. Treasury Department officials said the main focus was on common market priority areas and the related pipe-line projects and programmes of the EAC requiring support from development partners. "During the visit a detailed operational needs assessment was conducted to ensure the effectiveness of the EAC Financial Sector Regionalization and Development Project (FSRDP)," Mutabingwa said in a statement issued on Monday.

Under the project EAC will develop a set of regional laws, regulations and institutional framework to support integration of financial services and strengthen the market participants.

The EAC seeks to develop a regional bond market as one way of collectively mobilizing financial resources for investing into infrastructure projects such as railways. "The EAC and World Bank Group considered the importance of developing a Trade Finance Facility (TFF). The newly proposed Facility is intended to enhance access to bank credit especially by the youth and women entrepreneurs," the statement said.

It said the EAC and World Bank Group agreed to prioritize and work together to form an EAC commodities exchange market.

It said the establishment of an ICT Infrastructure and Platform for Exchange was considered during the meetings to enable electronic interactions between potential vendors and purchasers and market intermediaries.

According to the statement, among the issues considered were warehousing of commodities for exchange, to ensure safety and security of commodities and the Regulatory and Institutional Framework, to deal with any form of illegality, distortions while promoting market equity and fair competition.

Mutabingwa said a session was held to review progress and plan for support to the process of forming an EAC Public-Private Sector partnership framework. "The focus being on resource mobilization for EAC Infrastructure development. To this end a joint experts' session will be convened in April to, inter-alia, review of the draft PPP Bill initially produced as a private member's Bill from the East African Legislative Assembly and consider," he said.

U.S. Assistant Secretary to Treasury, Mme Marisa Logo appreciated the achievements made so far in implementing the various U.S. supported EAC integration projects and programmes.

Logo re-affirmed Washington's commitment to support EAC integration and communicated her plans to visit the EAC during the month of April to identify new areas of intervention and support to EAC integration.

http://news.xinhuanet.com/english2010/business/2011-03/21/c_13790730.htm

EU finance ministers lay out details of future bailout fund

March 21, 2011

BRUSSELS -- European Union (EU) finance ministers Monday laid out details of the permanent bailout fund which will have a capital base of 700 billion euros (987 billion U. S. dollars) to deal with future sovereign debt crisis.

"I can tell you that we have agreed on all elements relating to the ESM (the European Stability Mechanism) and I am delighted that that's the case," Eurogroup President Jean-Claude Juncker told a press conference after an extra meeting held before the spring summit of EU leaders on Thursday and Friday.

To have an effective lending capacity of 500 billion euros (705 billion U.S. dollars), the ESM will have a capital base of 700 billion euros (987 billion dollars), of which 80 billion euros (112 billion dollars) will be paid-in capital provided by euro area member states and the remaining 620 billion euros (874 billion dollars) will be in the form committed callable capital and of guarantees, according to Juncker.

The finance ministers also agreed that ESM will be able to grant short-term or medium term loans to euro area member states with severe financing problems and it can also buy bonds of them on the primary market. But the assistance will be subject to strict conditionality under a macro-economic adjustment program.

A board of governors consisting of finance ministers of euro area member states will make major decisions concerning granting of the loans, and the terms and conditions of the loans.

The ministers said that the ESM will involve the International Monetary Fund (IMF) in providing financial assistance on both the technical and financial level.

At the summit on March 11, euro area leaders decided that the finance ministers will finish their work on the ESM and the European Financial Stability Facility (EFSF), the 440-billion-euro (620-billion-dollar) bailout fund which will be replaced by the ESM after June 2013.

Juncker said the ministers are yet to decide how to increase the effective lending capacity of EFSF, adding the most possible way is by guarantees.

EU leaders will adopt a comprehensive package to deal with the debt crisis at the summit meeting held on Thursday and Friday.

"Following validation by the European Council at the end of this week work will continue, there will be the drafting of the treaty on the ESM, provisions for increasing the EFSF capacity and adjustments of the lending arrangements for Greece," Juncker said.

"Necessary steps will be taken to ensure that the package of measures can be put to national parliaments of euro zone countries. And they will then be able to adopt the overall package of measures before the summer," he added.

http://news.xinhuanet.com/english2010/business/2011-03/22/c_13790961.htm

Situation in Libya affects OPEC oil price significantly

March 21, 2011

VIENNA -- The weekly average price of the Organization of Petroleum Exporting Countries (OPEC) last week dropped slightly to 107.77 U.S. dollars per barrel last week, the Vienna-based cartel said Monday.

However, with the aggravation of situation in Libya once again, OPEC basket oil price has rebound strongly in the end last week.

Due to the drop during the first three days of last week, OPEC oil price began to drop after a continual rise for four consecutive weeks.

The situation in Libya of last week had obvious impact on OPEC oil price. Along with the government forces in the upper hand in fighting against rebels, the situation in Libya would be soon stable, leading to a decline in the international oil prices including the OPEC oil price.

OPEC oil price has dropped to 105.8 dollars per barrel till last Wednesday.

However, as the UN Security Council decided this month to establish a no-fly zone in Libya, OPEC oil price rebounded immediately to a high of 110.54 dollars a barrel.

The analysts believe that, along with the Western countries such as France, Britain and the U.S. started the military hit to Libya, the situation in Libya turns to be uncertain and instable again.

Although the daily production of crude oil of Libya only amounts to 1.6 million barrels, accounting for a small share in the international crude oil market, its volatile status has become a topic of market speculation regarding the oil supply stability, leading to a rise in international oil prices.

If the military attack from the Western countries could work as expected in short term, or would cause any impact on the crude oil output of other Arab countries, a new round of increase in oil price may come.

Japan is the 3rd largest crude oil importer over the world and its crude oil demand accounted for 5 percent of the global oil market.

The earthquake and tsunami hit the Japanese economy to some extent, which also led to some damage to refineries and petrochemical enterprises in Japan.

The huge natural disasters as well as the nuclear power plant accident make the future supply and demand of crude oil for Japan turn to be uncertain. It is reported that there are three refineries in Japan still closed so far, whose crude oil processing capacity amounts to 0.9 million barrels per day.

Therefore, the reopen of oil refining and petrochemical businesses in Japan, as well as the progress of reconstruction will also have an impact on the international oil prices.

http://news.xinhuanet.com/english2010/business/2011-03/21/c_13790687.htm

OECD sees modest impact of rising oil prices

March 22, 2011

PARIS -- The Paris-based Organization for Economic Cooperation and Cooperation (OECD) said Tuesday rising energy prices would affect gross domestic product and inflation only modestly in the short term.

The organization released its forecast in a Policy Note titled "The Effects of Oil Price Hikes on Economic Activity and Inflation," after analyzing recent oil price volatility.

According to OECD data, oil prices (Brent) have risen by about 40 percent since December. Till mid-March, North African political unrest spreading to Libya, a major oil producer, had remarkably pushed international crude oil prices above 100 U.S. dollars per barrel.

However, with respect to the global macro-economy, "a 10 dollar increase in the price of oil could reduce activity in the OECD area in the second year after the shock by two tenths of a percentage point," the report projected after doing assessment with OECD Global Model.

"The price shock is expected to raise inflation by roughly two tenths of a percentage point in the first year and by another one-tenth in the second year," it said.

As a result, if the 25-dollar increase in oil price that has taken place since the Tunisian uprising were to be sustained, "activity could be reduced by about 0.5 percentage points in the OECD area by 2012, and inflation could rise by 0.75 percentage points," the report said.

The advanced countries' advisory agency said it had no big concerns for inflation and economic growth in the near future for OECD countries, and did not see an urgent need to adjust monetary policies to counter the price hike.

http://news.xinhuanet.com/english2010/world/2011-03/22/c_13792859.htm

BRICS to account for half of world GDP by 2030

March 24, 2011

BEIJING -- Heads of the world's leading emerging economies will gather in China in mid-April to discuss post-crisis financial reforms. And mark the inclusion of South Africa as a member of the bloc.

According to latest research from the China Center for International Economic Exchanges, the BRICS countries are expected to account for almost half of the world's output by 2030.

According to the China Center for International Economic Exchanges, BRICS nations will lead world economic recovery with relatively fast economic growth. Their combined output will grow from 17 percent of global GDP in 2010, to a whopping 47 percent in 2030. The Center also predicts urbanization will drive future growth in these emerging economies.

Zheng Xinli, Vice Chair of China Center for Int'l Economic Exchanges said "Urbanization will be the most important driver for the five nation's economic future growth. It has the biggest potential. The urbanization process will create robust investment and consumption demand. Such demand will drive economic growth for a relatively long period."

But the BRICS nations are also warning of potential risks, especially from inflation. Rising commodity prices and imported inflation due to US qualitative easing, has forced these countries to tighten monetary polices.

To further coordinate economic policies and broaden cooperation, China will host the third summit of leaders from BRICS countries in mid-April. For the first time South Africa will participate as a member of the bloc.

http://news.xinhuanet.com/english2010/video/2011-03/24/c_13796241.htm

WB stresses importance of prevention in handling disasters

March 24, 2011

JAKARTA -- The World Bank stressed the importance of prevention in handling disasters, saying that it saves lives and minimizes destruction, a press statement said here on Thursday.

In a joint report with the United Nations, the World Bank said that preventive measures can lower vulnerability to natural hazards such as earthquakes, storms, and floods.

"Prevention becomes all the more necessary as the estimated number of people exposed to storms and earthquakes in large cities could double to 1.5 billion by 2050," it said.

The report launched on Thursday in Jakarta titled "Natural Hazards, Unnatural Disasters: the Economics of Effective Prevention," argues that by 2100, even without climate change, damages from weather-related hazards may triple to 185 billion U.S. dollars annually.

Factoring in climate change, costs could be pushed even higher. In the case of tropical cyclones, it would add another 28-68 billion dollars.

But the report argues that much can be done to reduce the toll from such hazards -- even in the face of increased risk from climate change.

"Seeing that most disaster mitigation efforts are financed through the contingency budget, the ability to properly take prevention measures becomes crucial. I find that the policy recommendations provided in this book are sensible to be implemented," said Agus Martowardjojo, Indonesia's Minister of Finance responding to the report.

A key message of the report is that "prevention pays, but you don't always have to pay more for prevention". Cost-effective prevention includes greater access to hazard-related information and providing secure building titles to encourage better repair and upkeep.

"The issues presented in the report are relevant for Indonesia and the entire region. Since helping rebuild Aceh and Yogyakarta after the disasters there, the World Bank has been actively helping Indonesia cope with disasters, and more importantly in helping communities better adapt to these disasters," says James Adams, World Bank Vice President for East Asia and Pacific.

"This report can become a valuable resource for the Indonesian government in building up a disaster risk management system sensible to the country's needs, geography and resource capacity," says Stefan Koeberle, World Bank Country Director for Indonesia.

Natural Hazards, UnNatural Disasters is a two-year collaboration of climate scientists, economists, geographers, political scientists and psychologists.

http://news.xinhuanet.com/english2010/business/2011-03/24/c_13796250.htm

Euro zone leaders agree new bailout fund

Euro zone members sign up to launch a permanent bailout fund in 2013 amid growing fears over Portugal's finances

March 25, 2011

European leaders have agreed to introduce a permanent euro zone bailout fund, broadly accepting a deal reached by their finance ministers on March 21.

The new fund, to be called the European Stability Mechanism (ESM), to be launched in mid-2013, will require €80bn in cash provided by euro zone countries in five equal annual installments as well as €20bn in guarantees.

Under the deal, the ESM would be able to use up to €500bn to come to the aid of debt-ridden countries such as Greece.

Friday's announcement was overshadowed by worries about Portugal's economy amid concern it will be forced to call upon the use of the euro zone's current bailout fund, the European Financial Stability Facility (EFSF), which the ESM will replace.

A major point of contention had been the speed at which nations would pay their contributions into the fund.

At the meeting of European leaders in Brussels, Angela Merkel, the German chancellor, was able to persuade her European counterparts to restructure the fund so that members will not have to pay cash into the fund so quickly.

The leaders issued a "term sheet" outlining details of the ESM on Friday which now has to be prepared as a legal text of an amendment to the European Union treaty.

Leaders want to sign the amended treaty by the end of June.

Before then, finance ministers will need to sort out some remaining technical details of the agreement and the overall deal will need parliamentary approval in several countries, including Germany.

The meeting of EU leaders also agreed to the restructuring of the EFSF, the current financial bailout fund, increasing its lending capacity to €440bn and announcing that it would be in place by the summer.

Euro zone ministers had agreed on March 11 that the lending capacity of the EFSF, now at €250bn, should be raised to €440bn, but had left it to their finance ministers to work out how this would be achieved.

"We have agreed to ensure that a temporary facility has an effective lending capacity of €440 billion euros. It will be in place in June," Herman van Rompuy, the European council president, told a news conference in Brussels.

Portugal fears

Jose Socrates, Portugal's outgoing prime minister, insisted on Friday that his country did not need a financial rescue package.

"Portugal does not need a financial rescue plan and I will maintain this in defending my country," Socrates told journalists following the EU summit in Brussels.

"I know what this meant for Ireland and Greece, and I don't wish it on my country," he said of the two fellow euro zone countries that were forced to take multi-billion-dollar bailouts in exchange for tough austerity measures.

"Portugal must demonstrate that it is a country that can resolve its own problems," added Socrates who resigned on Wednesday after his latest austerity measures were defeated in a parliamentary vote.

He warned that Europe would suffer if Portugal was forced to tap into the euro zone financial rescue fund.

"The idea that Europe would be defending itself if Portugal asks for external aid is childish. This would be detrimental to Europe, to the prestige of Europe," he said.

"Even worse, this would mean that we would put more countries at risk, giving credence to the domino effect."

All five opposition parties voted against Socrates' minority government's latest package of austerity measures, which proposed further tax hikes and social spending cuts.

However, the prime minister insisted that his country would meet its budget commitments for this year.

He said: "The 2011 objectives will be reached. All measures for this year have been implemented.

"I understand that a political crisis doesn't help, but this crisis will not distract Portugal from meeting its responsibilities for the country and for Europe.

"I hope the markets can understand that Portugal is a country that is committed to the European project and the single currency."

<http://english.aljazeera.net/news/europe/2011/03/2011325145911470110.html>

GLOBAL BANKING & FINANCE

IMF mulls better risk assessment after crisis

March 24, 2011

WASHINGTON -- The International Monetary Fund (IMF) is taking a new look at how it assesses risks and prospects for economies around the world in the wake of the global economic crisis.

The review is a bid to beef up its risk assessment efforts, according to an article carried on the IMF Survey Magazine, released Thursday on the IMF's website.

"Over the past three years, the IMF has worked to assist its 187 member countries in addressing the repercussions of the global financial crisis while also tackling gaps in its surveillance framework laid bare by the crisis," the IMF said.

Since the last assessment in 2008 and a number of other proposals, the IMF had taken several steps to sharpen its surveillance, including stressing early warning signs and potential vulnerabilities, the article said. It had begun to look at how the actions of big countries affected others, known as spillovers, and how to deal with financial crises after they took place.

Work on spillover reports is now under way for the five largest economies, the United States, Japan, China, Britain and the eurozone.

The Washington-based agency contended that it reviewed the effectiveness of its surveillance work every three years, but this time was particularly important due to lessons to be learned from the global economic crisis.

A recent report by the IMF's Independent Evaluation Office (IEO) said the Fund had not provided clear warnings about the build-up of vulnerabilities and risks associated with the impending crisis before its outbreak. The IMF had since taken steps to address pre-crisis weaknesses.

http://news.xinhuanet.com/english2010/world/2011-03/24/c_13796722.htm

INTERNATIONAL TRADE

Japan quake strains supply chain

Plant closures are threatening supplies to global manufacturers of items ranging from semiconductors to car parts

March 24, 2011

Global companies from semiconductor makers to shipbuilders faced disruptions to operations after the earthquake and tsunami in Japan destroyed vital infrastructure and knocked out factories supplying everything from high-tech components to steel.

Top mobile telecom equipment makers have joined automakers in warning of a damaging supply squeeze as the impact of Japan's devastating earthquake spreads, adding to fears in a sector hampered by shortages.

Japan, home to around a fifth of the world's semiconductor production, has seen factories making everything from chips to car parts shutdown following March 11 9.0-magnitude earthquake, threatening supplies to manufacturers across the globe.

Most are putting contingency plans in place, scrambling to source key components elsewhere while working out how much inventory they have available to keep production going.

Japanese companies are not only reeling from damage to factories and suppliers in quake-hit northeastern Japan but also suffering from fuel shortages nationwide and power outages in the Tokyo area that are affecting production, distribution and the ability of staff to reach workplaces. The following is a roundup of the impact of this month's earthquake and tsunami on Japanese manufacturers of cars and electronics:

Auto makers:

Toyota Motor Co - has halted operations at its 12 main assembly plants in Japan until at least Saturday, which will result in lost production of 140,000 vehicles. It will also delay the launch of the Prius wagon and minivan models in Japan from the original plan for the end of April. On Monday the firm began making car parts at plants near its base in Toyota City, central Japan, for overseas assembly facilities. It resumed making parts for service centres to repair vehicles already on the road last week.

Honda Motor Co - has extended its production halt in Japan to March 27. On Monday, Honda said one-fifth of its Japan-based Tier 1 suppliers affected by the earthquake had said it would take more than a week to recover. Honda made 69,170 cars in January in Japan, accounting for around a quarter of its production.

Mazda Motor Corp - has not set a time for resumption of full-scale production at its Hiroshima and Yamaguchi plants, but resumed limited operations on Tuesday to produce vehicle repair parts, vehicle parts to be shipped to overseas plants and semi-finished goods.

Suzuki Motor Corp - said its three car assembly factories in Japan will remain closed on Thursday and Friday, but the firm will operate an engine factory on those two days using parts in inventory. The firm has not decided on production plans for next week and beyond.

Fuji Heavy Industries Co - said all five of the car and parts-related plants for its Subaru-brand vehicles in Gunma prefecture, north of Tokyo, will be shut at least until Thursday. Production of vehicle parts to be shipped to overseas manufacturing plants started on Wednesday and production of vehicle repair parts is scheduled to start on Thursday.

Electronics makers:

Sony Corp - said shortages of parts and raw materials would force it to suspend or reduce production at five plants in central and southern Japan making digital cameras, camera lenses, flat-screen televisions and other goods. Another plant may be affected by rolling power blackouts. Six production sites in northern Japan have been halted since the quake. If shortages continue, Sony may consider temporarily shifting some production overseas.

Toshiba - said output was suspended at a factory in Iwate prefecture making system LSI chips for microprocessors and image sensors. On March 28, the company said it will power up production lines at the plant, but has not yet decided when it will restart production. An assembly line at a plant making small liquid crystal displays for smart phones and other devices will be closed for a month to repair damaged machinery.

Canon - said all of its domestic camera production remains suspended, citing difficulty obtaining parts, and it does not yet know when output will resume.

NEC - said it restarted production on Wednesday at all its four quake-hit plants in northeastern Japan, which include factories making communications equipment, routers and switches.

Nikon Corp - said it expects to resume production at all its north Japan plants, including those making optical pickups and other electronic parts, digital cameras and audio equipment, by the end of March. The company warned, however, that power cuts and parts shortages could make a

return to full production levels difficult and said it may not be able to fulfill all its customers' needs.

Panasonic - said it restarted a factory making printed circuit board materials in Koriyama, northeast Japan on Wednesday. Several other factories in the region remain closed, however, including one in Fukushima making digital cameras and audio equipment, and one in Sendai assembling optical pick-ups. The firm declined to give details about the other affected plants. *Renesas Electronics* - the world's No.5 chipmaker, said operations at three of its 22 factories in Japan remained suspended, after restarting four since March 19. The company added, however, that power cuts make it difficult to resume operations at some plants and unable to a return to full production levels at others.

Others include:

Shin-Etsu Chemical - the world's leading maker of silicon wafers, said two of its plants near the worst-hit areas remained offline and it is unsure when it will restart operations. Some of the wafers made in Japan are shipped to chip companies overseas. Shin-Etsu is trying to boost production elsewhere, particularly of 300-mm wafers, to make up the shortfall.

Jamco - a Japanese company making galleys for the Boeing 787 Dreamliner, said delivery could be delayed if oil products continue to be scarce.

<http://english.aljazeera.net/business/2011/03/20113246367263485.html>

WORLD ECONOMIES

UK inflation surges to 4.4 per cent

Annual inflation reaches highest level for more than two years, propelled by higher food and fuel costs

March 22, 2011

Britain's annual inflation rate jumped to 4.4 per cent in February, up from four per cent the previous month, and putting it at the highest level for more than two years.

Data from the Office for National Statistics (ONS) showed that the increase was propelled by soaring domestic gas and electricity bills, rising clothing costs and record fuel prices.

"Domestic heating costs and clothing are the most significant drivers behind the increase in annual inflation between January and February," the ONS said.

Tuesday's figure for the Consumer Price Index of inflation compared with market expectations for a year-on-year rise to 4.3 per cent, according to analysts polled by Dow Jones Newswires.

At 4.4 percent, the highest level since October 2008, the annual rate is now more than double the Bank of England's official target rate of two per cent.

Annual inflation in the UK has now risen for the past five months in a row, with surging world oil prices and a recent hike in government sales taxes helping to fuel the rise.

Retail price inflation, which includes mortgage payments and is used as a starting point for many wage negotiations, rose to 5.5 per cent from 5.1 per cent, its highest since July 1991.

Borrowing rise

The ONS also announced that public sector net borrowing (PSNB) totalled \$16.7bn in February, up from \$13.2bn for the same month in 2010 and well above economists' median forecasts of \$13bn.

The government's preferred measure, PSNB excluding financial sector interventions, rose to \$19.2bn.

Both measures were the highest for a month of February since records began in 1993.

Only one month now remains of the 2010/11 fiscal year, in which the government expects to borrow \$242bn, equivalent to ten per cent of GDP, down from \$255bn in the 2009/10 fiscal year. The government plans to virtually eliminate the budget deficit over the next four years.

<http://english.aljazeera.net/business/2011/03/2011322134340721773.html>

Britain downgrades economic growth forecast

Britain's economy expected to only grow 1.7 per cent as the country's finance minister unveils annual budget

March 23, 2011

Britain's government has cut its economic growth forecast for this year, saying it will be slower and inflation will be higher than previously expected.

George Osborne, the country's finance minister, said the official forecast for gross domestic product growth had been downgraded from 2.1 per cent to 1.7 per cent, because of rising commodity prices and last year's fourth quarter contraction.

The announcement came as Osborne unveiled his annual budget, which he said would help kick-start the country's weak economy despite the ongoing spending cuts designed to curb a growing public deficit.

"Let it be heard clearly around the world... that Britain is open for business," Osborne said as he announced a 2 per cent point cut to corporation tax.

A total of \$34bn of government spending cuts is due in 2011-12, around a quarter of the savings lined up by the Conservative-Liberal Democrat coalition by 2015.

The government is attempting to eliminate most of a deficit of 10 per cent of national output before the 2015 election, while also nurturing a fragile economy back to health.

'Worse to come'

Osborne, ignoring calls to reduce the size of the cuts, which are the deepest for decades, told parliament: "Britain has a plan and we're sticking to it."

Britain was in recession longer than the other Group of Seven industrialised nations and a shock 0.6 per cent contraction in gross domestic product growth in the final quarter of last year has heightened fears for the future.

Following last year's general election, Osborne delivered an unpopular emergency budget and spending review in which he announced plans to save \$132bn over five years in order to slash a record public deficit.

Tim Friend, Al Jazeera's correspondent in London, said there was still worse to come for the British economy

"What Osborne announced today wasn't really the most important thing he has had to say on the economy over the last few months. The kind of cuts that will shortly come into effect will impinge on families all over the UK," he said.

However Osborne "announced some measures today that will go some way to alleviate some of the pain. He's not going to let petrol increase as high as it might have done.

"He's going to give some help to first-time homebuyers... to get some growth back into the economy."

So far the government remains on course to undershoot his official borrowing target for the current 2010/2011 financial year that runs to the end of March, despite official data published on Tuesday showing that public sector net borrowing surprisingly hit a much larger-than-expected \$19.2bn in February - the highest level on record for the month.

Also on Tuesday separate data showed that British annual inflation had jumped to 4.4 per cent in February, the highest level since October.

<http://english.aljazeera.net/business/2011/03/2011323144353592542.html>

Japanese govt. puts quake cost damage to economy at 309 billion USD

March 23, 2011

TOKYO -- The Japanese government in provisional estimations on Wednesday said that the economic cost of the March 11 devastating earthquake and ensuing tsunami on the seven most affected prefectures in the northeast of Japan could total up to 309 billion U.S. dollars.

The Cabinet Office said that, without including the possible cost of planned power outages, the cost of rebuilding crippled infrastructures, businesses and housing could push the nation's GDP 0.5 percent lower and cost between 198 and 309 billion U.S. dollars.

"We provided the number based on data available so far, and cannot help having certain ranges in our estimate," economic and fiscal policy minister Kaoru Yosano told reporters.

"As there are some people who are concerned the Japanese economy could sink, I am saying the actual loss of GDP will be this size," Yosano said.

The government noted however that the domestic economic fallout could be offset to a degree by the massive forthcoming rebuilding and construction projects, which will span the northeast region of the country.

"We must keep in mind that because of the earthquake, production could slow down over an extensive area and for a lengthy period," Yosano added.

The World Bank's chief economist on Wednesday estimated the economic cost of the catastrophe to be in the region of 122-235 billion U.S. dollars, but suggested Japan's economic recovery would gain momentum in the fourth quarter.

"After the post-disaster reconstruction period spanning over the 2nd and 3rd quarters, the economy recovery will speed up," Justin Lin, chief economist at the World Bank, was quoted as saying.

The World Bank initially estimated that the total cost of the earthquake and tsunami damage to Japan could be in the region of 235 billion U.S. dollars and following the disaster on March 16, Goldman Sachs Group Inc. estimated the total cost of the disaster to reach just 197 billion U.S. dollars, which alone is 1.6 times the amount of the earthquake that hit Kobe in May 1995.

Meanwhile, Japan's National Police Agency reported that the death toll following the quake and tsunami rose to 9,408 on Wednesday, with 14,716 people still unaccounted for.

http://news.xinhuanet.com/english2010/business/2011-03/23/c_13794483.htm

Malaysia maintains GDP forecast despite Japan's earthquake

March 23, 2011

KUALA LUMPUR -- Malaysia maintains its gross domestic growth forecast of five to six percent this year, despite the strong earthquake and tsunami that struck Japan, which is also one of the top five trading partners of Malaysia.

Zeti Akhtar Aziz, governor of Bank Negara Malaysia, the country's central bank, told a press conference here on Wednesday that Japan's disaster was not going to have significant impact on Malaysia.

"Consumption, domestic demand, the growth momentum in investment by private sector, the Economic Transformation Program initiatives also contribute to the growth," said Zeti.

The governor said Malaysian economy in 2011 is projected to be firmly on a steady growth path --a moderate growth in the first half of the year, and a stronger growth in the second half.

The speculated slower growth could be due to slower demand in external trade, Zeti said, adding that but Malaysia has the economic fundamentals and activity to enhance the economy.

"Liberalization in the country also allow foreigners to participate in the higher end of the workforce. Our economy will be sustained," said Zeti.

In 2010, Malaysia's bilateral trade with Japan amounted to 130 billion ringgit (42.9 billion U.S. dollars). Japan has also been the top three investor for Malaysia since 2006.

From 2004 to 2008, trade grew at an average growth of 7.4 percent.

In 2009, Japan remained Malaysia's fourth largest global trading partner, fourth largest export destination and second largest import destination.

On oil price, Zeti said global economy would be affected if the commodity price escalates to 150 U.S. dollars a barrel for a certain period. The impact is especially larger for oil importers, she added.

"We are net oil exporters. Our contraction would be less than countries that are net importers. We are in a good position to mitigate the effect. Under current scenario, the government has breathing space to monitor the subsidy level," said Zeti.

http://news.xinhuanet.com/english2010/business/2011-03/23/c_13794653.htm

Thailand economy to be impacted by Japan's disaster

March 23, 2011

BANGKOK-- Disaster in Japan will only have short-term and minimal effects on Thai economy and investment but in the long term, some industries such as construction and food will gain benefit, the Federation of Thai Industries (FTI) said Wednesday.

The deadly destruction in Japan after massive quake and Tsunami may affect Thailand's gross domestic products (GDP) by 0.1 percent because it has caused short of supply particularly in auto parts industry and electronics industry as well as created adverse impact on tourism sector, according to FTI.

"The country's GDP should remain at 4.5 percent as it has been expected. Japan's disaster should not cause great impact on Thai economy," said Phuwadon Suwantara, director of the FTI.

"However, the situation in Libya which has so far prompted rocketing oil price and the upcoming general election in our country are more important and must be taken into account," the director of FTI added.

Exports sector will also face brief impact, especially intermediate products and product parts including computer parts, auto parts and electronic circuits. However, food products will see minimal effect as they are indispensable products.

"There will be 11-percent growth in exports to Japan as the federation earlier projected," FTI director said.

Construction materials are among the exported products which will be advantageous soon after the Japanese government starts reconstructing its devastated country, FTI reported.

Income loss in tourism industry is expected to total 15-20 billion baht (495-661 million U.S. dollars) as the number of outbound and inbound tours will decrease significantly. This sector might see improvement as early as the end of this year, FTI said.

An estimation of 980,000 Japanese tourists come to travel in Thailand each year and this amount accounts for about 6.2 percent of foreign holidaymakers of the country.

Direct investment from Japanese investors in Thailand will diminish for a while but in the long run the country and the region will witness massive transfer of production base, mainly in automotive and auto parts industries.

The federation members, however, voiced their concerns over production base transfer from Japan for fearing Thai companies may not be able to compete with the Japanese enterprises which have more advanced technologies and more capital.

"The Thai government should implement effective measure in screening those companies which want to move their production base to Thailand in order to protect local industries," said FTI director Phuwadon.

http://news.xinhuanet.com/english2010/business/2011-03/23/c_13794628.htm

Portugal PM quits after losing austerity vote

Jose Socrates quits after all five opposition parties vote against his latest proposal for spending cuts and tax hikes

March 23, 2011

Jose Socrates, Portugal's prime minister, has resigned after all five opposition parties voted against his minority government's latest proposal for spending cuts and tax hikes.

"Today every opposition party rejected the measures proposed by the government to prevent that Portugal resort to external aid," Socrates said in a televised address on Wednesday.

"The opposition removed from the government the conditions to govern. As a result I have presented my resignation to the president," he said after meeting with President Anibal Cavaco Silva for about 20 minutes.

Socrates had previously said he would no longer be able to run the country if the plan was defeated.

The ruling Socialist Party can count on the support of only 97 members in the 230-seat parliament.

The main opposition centre-right Social Democratic Party (PSD) had allowed past austerity plans to pass by abstaining from voting.

But on Wednesday it joined smaller parties on the left and right in voting for resolutions denouncing the latest cost-cutting plan, which include further tax hikes and cuts to social spending.

'Serious consequences'

The PSD argues that the measures hurt the weakest members of society hardest but the government has warned that failure to reach agreement on more austerity would push Portugal closer to needing a bailout.

"This crisis will have very serious consequences in terms of the confidence Portugal needs to enjoy with institutions and financial markets," Socrates said.

"So from now on it is those who provoked it who will be responsible for its consequences."

The setback could thwart efforts by European leaders to persuade nervous investors that all is well in the eurozone and force Portugal in to accepting financial assistance in common with Greece and Ireland.

Al Jazeera's Barnaby Phillips, reporting from Lisbon, said Portugal now enters a period of "extreme uncertainty just when this country needs it the least".

"What we can assume is that there will be some kind of caretaker administration." he said.

"The Portuguese constitution allows for elections within 55 days. Now that feels a little bit of a long way away given the economic crisis this country is in.

"There has been talk in parliament of amending that, bringing some kind of emergency legislation forward that would enable elections to take place earlier."

<http://english.aljazeera.net/news/europe/2011/03/2011323204230958398.html>

Global events spook U.S. consumers, businesses: expert

March 24, 2011

WASHINGTON -- From Mid East turmoil to rising oil prices to the massive quake that recently rocked Japan, global events are giving U.S. consumers the jitters, according to an analysis released on Thursday.

"The looming question is how much U.S. economic growth decelerates as a result of these headwinds -- and how will they affect sales, jobs and incomes?" said Bernard Baumohl, chief global economist at the Economic Outlook Group and frequent guest on PBS' Nightly Business Report.

"At the very least, evidence is building that companies and households are turning much more cautious about spending," he contended.

Up until Thursday morning, there was widespread expectation that business orders for durable goods would jump by more than 1 percent in February. But in a reversal of those forecasts, the government reported that companies cut orders by 0.9 percent, Baumohl noted.

One major reason for that decline was that core business capital spending, which can reflect confidence that companies have about the path of the economy, dropped 1.3 percent last month after plunging 6 percent in January.

Such a major decline means that factories will have less to produce in the months ahead, which can put a damper on hiring and slow household income growth, Baumohl found.

While it is a truism that manufacturing comprises just 12 percent of the economy, that sector is more sensitive than the services industry when it comes to reacting to changes in the business cycle, he contended.

It was manufacturing that led the United States out of recession in 2009, so any persistent weakness is worrisome, especially given the newly passed tax incentives Congress granted firms this year to write off 100 percent of their capital spending, according to Baumohl.

Angst over the unrest encircling Saudi Arabia, the cold war brewing between Saudi Arabia and Iran and the civil war in Libya have trumped the inducement to invest from the tax incentives, he argued.

And while fuel and food prices are surging, Americans have no leverage to demand more pay in this weak job market.

That leaves less money available for discretionary spending, and real income growth -- earnings adjusted for inflation -- has been either zero or falling the last four months.

"This erosion in purchasing power has very clearly frustrated consumers," he contended. "Several recent measures of consumer confidence show optimism over the economy and personal finances is rapidly falling."

Thursday's release of Bloomberg's weekly Consumer Comfort Index plummeted to the lowest level since last August, Baumohl noted.

The University of Michigan also detected rising anxiety among households. The university's Mid-March Consumer Sentiment Index confidence suddenly dropped to its lowest point in five months, he noted.

This erosion in confidence has not gone unnoticed among retailers and real estate agents. Earlier this week, the International Council of Shopping Centers reported that same store retail sales dropped 0.1 percent in the week ending March 19th.

Moreover, new home sales took a nose dive last month, dropping to a 250,000 annual rate, the lowest since such records began in 1963, and that followed a near 10 percent plunge in existing home sales in the same month.

Baumohl said he suspects the data in the coming months will show that businesses have chosen to put off major capital spending projects and scale back hiring in the face of so much uncertainty about future sales and earnings.

"Clearly, the head of steam the economy displayed when it entered 2011 appears to be dissipating," he argued.

Still, there may be some good news on the horizon.

"As gloomy as this sounds, we still expect some of that earlier momentum return in the second half of the year and 2012 as geopolitical tensions ease in the Middle East and once Japan begins its reconstruction program."

http://news.xinhuanet.com/english2010/business/2011-03/25/c_13797966.htm

France's fourth-quarter growth up to 0.4% : Insee

March 25, 2011

PARIS -- French national statistics bureau Insee on Friday revised the country's growth rate for the last quarter of 2010 up to 0.4 percent from a previous forecast of 0.2 percent.

The acceleration of French gross domestic product (GDP) stemmed mainly from an increase in consumer expenditures, which gained 0.4 percentage point to stand at 0.9 percent.

Foreign trade also helped the country to accelerate its GDP growth. The trade balance contributed 0.6 percent to overall GDP growth due to a good performance by exports, against a 0.4-percent negative impact during the third quarter.

French exports rose by 1 percent during the last three quarters of last year, offsetting a 1.2-percent fall in imports.

In a recent report, France Central Bank forecast economic growth of 0.8 percent over the first three months of the year due to higher services activities.

The French government has targeted 2 percent GDP growth this year from 1.5 percent in 2010, and 2.5 percent between 2012 and 2014.

http://news.xinhuanet.com/english2010/business/2011-03/25/c_13798572.htm

Australia's revenue hit by recent natural disasters: Treasurer

March 25, 2011

CANBERRA -- Australian Treasurer Wayne Swan on Friday said federal government revenues have been hit by the impact of recent natural disasters, raising "challenging circumstances" for this year's budget.

In the last few months, Australia's states have encountered devastating floods, cyclone and bushfires, which cost the federal government about 5.72 billion U.S. dollars for recovery efforts. Swan's comment came following the release of latest monthly financial statement, which showed that revenue collections for June 2010 to January 2011 period are tracking around 3.07 billion U.S. dollars lower than the mid-year economic and fiscal outlook (MYEFO) estimated.

"What we see in these statements are the challenging circumstances we face in putting together a budget that's been so affected by natural disasters both at home and abroad," Swan said in a brief statement released on Friday.

"Our strict fiscal rules have us on track for surplus in 2012/ 13 but there is no doubt the task has been made a lot harder due to the impact these natural disasters will have on the bottom line come budget night."

Swan will hand down his fourth budget on May 10.

Despite the understandable emotion that the natural disasters evoke, Federal Attorney-General Robert McClelland said the federal and state government as emergency responders and planners can be better prepared for mother nature's onslaught.

McClelland suggested prevention measures such as flood mapping, risk assessment and emergency warning plans.

"If we continue as a community, focusing on response rather than prevention, then we will conduct ourselves in a situation where (we will) impose a significant financial imposition on our country," he told Australia Associated Press in Sydney on Friday.

http://news.xinhuanet.com/english2010/business/2011-03/25/c_13798109.htm

ARTICLES/COMMENTARIES

Inflation, escalating threat to global recovery

March 20, 2011

WASHINGTON -- Two and half years ago when Wall Street giant Leman Brothers collapsed after the housing bubble burst in the United States, pundits predicted that inflation would be one of the ensuing risks facing the world economy.

Now this concern has become a reality.

ESCALATING WARNINGS

Led by food and energy costs, rising prices are felt all around the world, especially for the emerging markets and developing economies. Consumer Prices Index in Brazil hit 5.91 percent in 2010, the highest level in six years. Russia's inflation reached 8.8 percent last year while India just increased its inflation expectation for March from 5.5 percent to 7 percent.

Even advanced economies in Europe also witnessed increasing prices. According to European Union statistics, the inflation rate in the Euro area rose to 2.4 percent, the highest level since October 2008.

World Bank Group President Robert B. Zoellick has warned recently that rising food prices are at dangerous level.

Global food prices are "threatening tens of millions of poor people around the world," Zoellick said, "Now food security is a global security issue."

According to data released by the Washington-based international financial institution, rising food prices have driven an estimated 44 million people into poverty in developing countries since last June as food costs continue to rise to near 2008 levels.

The latest edition of Food Price Watch, a research publication by the World Bank, showed that food price index rose by 15 percent between October 2010 and January 2011, is 29 percent above its level a year earlier, and is only 3 percent below its 2008 peak.

In a recent briefing, the International Monetary Fund's spokeswoman Caroline Atkinson said the Fund was "extremely concerned" with rising food prices.

Steady rises in the global rising food prices may continue, and will have far-reaching impact, especially on the poor, cautioned IMF economists Thomas Helbling and Shaun Roache in a Finance & Development (F&D) magazine article released Friday.

Oil prices have spiked since January, rising as investors worry that unrest in the Middle East and North Africa could hurt global supply. More recently, the mega earthquake and tsunami that struck Japan, the world's third largest economy, have added new variables to the global inflation challenge.

U.S. INTACT?

As many countries are trying hard to fight inflation pressure, the U.S. economy seems an exception.

Data released on March 17 showed that the U.S. Consumer Price Index (CPI), which tracks inflation at the retail level, increased 0.5 percent in February.

Over the past 12 months, the index rose by 2.1 percent before seasonal adjustment. Excluding the volatile food and energy categories, the so-called "core" index rose only 1.1 in February on a yearly basis. It remains below the Federal Reserve's preferred range of 1.5 percent to 2 percent.

In a report sent to the Congress late February, the White House Council of Economic Advisors said that the U.S. economy has the great potential to grow without inflation. The report also predicted that CPI index in the U.S. would only increase 1.4 percent in 2011.

"I neither worry about inflation, nor worry about deflation," Robert Shapiro, former presidential economic advisor and Sonecon Chairman told Xinhua. "The key challenges for the U.S. economy are to expand growth and create more jobs."

However, more and more U.S. economists are concerned about the increasing prices.

"The economy continues to encounter strong headwinds. One headwind is the sharp rise in food and energy prices," said Ken Goldstein, economist at The Conference Board, an independent business membership and research association. "Still, the way inflation will move is unclear, given the degree of slack in the overall economy, and especially in the labor market."

Even the Federal Reserve, which was widely criticized as "exporting" inflation for its second round of government bond purchasing program launched last November, now is paying more attention to inflation.

"The recent increases in the prices of energy and other commodities are currently putting upward pressure on inflation," the Fed said in a release on March 15. It said that it will "pay close attention to the evolution of inflation and inflation expectations."

TEST FOR POLICYMAKERS

The spiraling pressure of inflation has posed a tough challenge to global macro-economic policymakers. Since the fourth quarter of 2010, some large emerging markets and developing economies, including China, India, Brazil and Russia have entered a round of interest rate increase cycle.

The European Central Bank (ECB) hinted earlier this month to increase its interest rate in April. IMF economists warned that the world is facing a prolonged period of high food prices. They said that the surge in international food prices has already caused consumer price inflation in many economies in early 2011. Such direct "first-round" effects are expected to be transient and will fade with time.

But if people expect food prices to continue to rise, they will begin to demand higher wages, and this will lead to "second-round" effects: an increase in core inflation.

Many economists say the kind of challenge will likely continue to confront policymakers, particularly those in emerging and developing economies.

Nevertheless, even the top economists are not sure whether the traditional as well as newly invented policy tools are completely effective to tackle inflation and many accompanying new risks arising from a profoundly changing global economy.

"Things are harder on the policy front," said Olivier Blanchard, chief economist of the IMF. Perhaps, "a step-by-step approach is the way to do it."

http://news.xinhuanet.com/english2010/indepth/2011-03/21/c_13789909.htm

Japan's lessons learned and lost

Japan has been studying its seismic foe for years, but subsequent generations often forget the lessons of past quakes

By: D. Parvaz

March 25, 2011

RIKUZENTAKATA - The town of 23,000 is accustomed to quakes and tsunamis, so when the twin natural disasters hit the community hugging Japan's jagged northeast coast, everyone knew what to do.

"We know we have 30 minutes to move after an earthquake," said volunteer fireman Akio Kin, 51.

"People who left immediately made it. And those who were late didn't."

Indeed, not everyone made it - so mighty were the waves that eight of the 11 emergency evacuation points in the city were taken out by the tsunami.

Here, where the 23m-high waves crashing 8km inland gutted everything in their path, at least 800 people have been confirmed dead and 1,646 are missing.

Of the 8,000 or so households here, 3,600 have been destroyed, leaving 8,500 people in emergency shelters.

Kin, for example, is still looking for his grandmother - she might be in a shelter, or she might have been washed away.

And Tomouki Murakami, a city planner whose mother is confirmed to be among the dead, is hoping his son is alive. Working at the disaster response centre, he said he was but one among many who had suffered such a loss.

Among the ruins

In fact, in looking at what is left of the town's once expansive and developed waterfront, that sense of loss is what dominates the wasted landscape for as far as the eye can see.

Now and again, masked figures, either cleanup crews or surviving residents, are seen scrambling over a heap of mangled things, the flotsome and jetsome of industry and domesticity, looking for what they miss.

Takeshi Osaka, 33, was looking for his grandmother, Noriko. He did not find her on that biting cold Wednesday. Nor did he find the childhood photos he was looking for. But then, he knew his chances were slim.

"My house was close to the beach," he said, pointing in a general direction somewhere in the field of debris. "Everything was washed completely away."

Osaka did not find what he was looking for, but then, it is not clear that he even knew where to look, because the tableau of destruction makes images of war zones seem tidy by comparison.

Now and again, the wind carries what seems to be the worrying smell of decaying flesh, making one almost grateful for the unseasonably cold weather which sporadically dusts the coast with snow.

Given the number of those missing, it is not a stretch to assume that the receding waves did not wash everyone away and that many remain obscured by the rubble of their town.

As it stands, there is a waiting list for funerals as each body must first be cremated - in accordance with Buddhist and Shinto traditions.

With electricity short and generators in heavy demand, we were told that there is a limit of eight ceremonies each day.

Nothing has been spared. Not the houses and cars, factories and parking lots, kindergartens and temples. Not the living, nor the dead, whose headstones have been disrupted.

If on an individual level the thought of rebuilding seems far from people's mind, it is a top priority for the government, because high atop the hills of Rikuzentakata, rows of pre-fabricated temporary housing are already being built.

Small town, small memory

That Japan is earthquake country is well known, understandably by the Japanese themselves, who have been not only surviving, but studying their seismic foe for years.

In fact, they are well aware of when they have fallen short in learning from earthquakes, with entities like the Japan Science and Technology Agency publishing papers such as the pointedly named "Failure Knowledge Database/100 Selected Cases" highlighting those shortcomings.

But some communities do not fail to learn.

Keiko Kashawazaki, 61, hangs her laundry on the deck in front of her house, which overlooks the rice paddies washed out in the tsunami.

The low-lying area is where houses were washed away in a tsunami in 1896 after the Meiji-Sanriku earthquake, in which the town lost 204 of its 1,059 residents, and 40 per cent of its homes. Nationwide, that magnitude 8.5 tsunami killed around 22,000 people and destroyed nearly 9,000 homes.

Kashawazaki points to a small grove of trees she can see from her deck.

"That's where my family's house used to be," she said. "After that, we built on high ground."

This small community of 1,500, in which so far one person has been reported missing and three homes were damaged has a lot to teach fellow coastal communities.

Yoshinori Yokoishi, 62, tells us that not every small town has a long memory, and that the lessons Yoshihama leaned over a century ago take a while to learn.

"Of course in the short term, the lesson is to build on high ground," said Yokoishi, pointing out that not every town has the same sense of history.

Many of the families living in Yoshihama now have been there for over a century. Yokoishi's own great grandmother was killed in the 1896 tsunami, as were three of her children.

"But in the long term, maybe 10 or 20 years, people will forget and ... they will build by the sea."

His observations are echoed by Kimiaki Toda, the mayor of Ofunato, just 20 minutes southwest of Yoshihama. Both communities are just a stone's throw away from Rikuzentakata.

Toda, who told Al Jazeera that Ofunato, the heavily-hit port town, where 245 people have been confirmed dead so far, would rebuild on the waterfront (this time, using reinforced concrete) said that lessons were learned from the Chilean earthquake that triggered a tsunami in Japan in 1960.

Clearly, he said, houses and buildings built on "flat planes at sea level ... is very dangerous".

"However," said Toda, "such case happens, let's say, once every 100 years, so probably, it will be easy for people to forget or to put aside such a historical learning - it's a problem."

An individual can remember, he said, but subsequent generations tend to forget. Then, quoting a Japanese novelist, Toda said: "Disaster happens when people forget previous disasters."

<http://english.aljazeera.net/indepth/features/2011/03/2011325112137360914.html>