

# Yen drops on Moody's Japan debt warning

**TOKYO, (AFP)** - The dollar jumped against the yen in Asian trade Tuesday after ratings agency Moody's said it could lower Japan's Aa2 government debt rating.

The greenback rose to 81.23 yen in Tokyo afternoon trade from 80.79 yen in late Monday. The euro fetched \$1.4382, up from \$1.4264, and 116.82 yen from 115.24 yen.

Markets in London and New York were closed on Monday for public holidays.

Moody's said Tuesday it could cut Japan's sovereign debt rating within three months, voicing doubt its leaders would be able to contain the industrialised world's biggest debt.

Japan's government debt is already twice the size of its roughly \$5 trillion economy and is set to grow with reconstruction costs from the March 11 quake, tsunami and nuclear disasters.

With one of the lowest birth rates and highest life expectancies, Japan's population of 127 million started shrinking several years ago, reducing the labour pool and raising welfare obligations.

Moody's in its warning cited "heightened concern that faltering



economic growth prospects and a weak policy response would make more challenging the government's ability to fashion and achieve a credible deficit reduction target."

"Without an effective strategy, government debt will rise inexorably from a level which already is well above that of other advanced economies." Takako Masai, general manager of markets sub-group at Shinsei Bank, told Dow Jones Newswires: "There is uncertain-

ty how the government is going to come up with supplementary budgets, and it is unclear how the revenue for the recovery is funded." Japanese politics can be yen-selling factors" in coming weeks, she added, while noting the uncertainty over the US economic recovery and Greek debt problem may support the Japanese unit in the longer term.

The euro earlier rose against the dollar after The Wall Street Journal

reported that Germany was considering dropping its push for a rescheduling of Greek bonds, said a dealer in Tokyo.

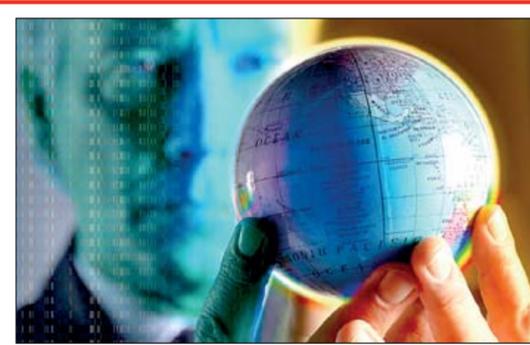
The gain was magnified amid thin trading, he said.

But Daisaku Ueno, chief analyst at Gaitame.Com Research Institute, said: "It remains unclear whether Greece may be able to recover without a debt restructuring in the long-run even if concerns somewhat recede over an early debt restructuring for now." Talks with auditors from the EU, International Monetary Fund and European Central Bank have dragged into an unprecedented fourth week and Athens' ongoing debt woes are causing friction in European capitals and market concern.

The greenback was largely lower against regional Asian currencies, falling to Sg\$1.2319 from Sg\$1.2342 on Monday, to 1,076.95 Korean won from 1,080.55 and to Tw\$28.69 from Tw\$28.77.

The unit also dropped to 8,537.50 Indonesian rupiah from 8,552.50 and to 30.30 Thai baht from 30.32.

The greenback edged up to 43.30 Philippine pesos from 43.26.



## Economies around the world are growing more slowly

**WASHINGTON:** From the United States to Europe and even to booming China, the global economy is showing signs of strain.

Most major economies are expected to keep growing. But evidence is mounting that many around the world are struggling to expand as fast as they did last year.

European governments are struggling with debts and squeezed budgets. Britain's economy scarcely grew at the start of the year. Even Europe's strongest economy, Germany, may face a slowdown.

High unemployment, depressed real estate and still-high oil prices are slowing the U.S. economy, which grew at a scant 1.8 percent annual rate from January through March. And after its earthquake and nuclear crisis, Japan has sunk back into a recession.

In China, interest-rate hikes designed to reduce inflation are slowing growth.

Overall, the world economy will likely grow just 3.5 percent this year, down from 4.1 percent in 2010, according to the research firm IHS Global Insight. IHS has cut that forecast from 3.8 percent.

As leaders of the Group of Eight rich democracies met in Paris last week, slowing global growth was on an agenda already packed with concerns about instability in the Middle East, Greece's debt crisis and who will be the next head of the International Monetary Fund. It wasn't a priority item at the meeting, though.

"The eurozone is a big mess, and the Europeans don't want to talk about it," said Simon Johnson, a former chief economist of the IMF.

The most serious such problems exist in Greece, Spain, Portugal and Ireland, which are overwhelmed with debts run up during the financial crisis and the recession that followed.



## India GDP quarterly growth slips to 7.8%

**NEW DELHI, (AFP)** - Indian economic growth slipped in the last quarter of its fiscal year, posting a rise of 7.8 percent as an aggressive series of interest rate hikes slowed activity, official data showed on Tuesday.

Giving figures for the full fiscal year to March 2011, India's Central Statistical Organisation reported expansion of 8.5 percent, an increase from the 7.4 percent of 2009/2010.

The performance in the fourth quarter was below the expectations of economists who had projected that Asia's third-largest economy would grow by 8.2 percent, according to a poll by Dow Jones Newswires.

The Indian central bank has

raised interest rates nine times in the past 15 months to curb stubbornly high inflation running at 8.6 percent that has caused huge hardship to hundreds of millions of poor people.

Indian Prime Minister Manmohan Singh warned at the weekend that the country's economic growth in 2011/12 would likely miss the government's nine percent target as rising commodity prices, especially oil, and continuing inflation slow activity.

India's central bank earlier this month lowered its growth projection to eight percent, a forecast echoed by many private economists.

"The process of taming infla-

tion will ultimately be damaging to growth," said Morgan Stanley economist Chetan Ahya in a commentary published Tuesday.

Controlling prices is an overriding priority for Singh's Congress-led government, with poorer households -- the backbone of the Congress party's support -- especially hard-hit by rising food and fuel costs.

At the same time, the government says it needs double-digit economic growth to overcome crushing poverty in the nation of 1.2 billion people.

High growth is essential to fund social projects such as the proposed Right to Food Act to feed India's poverty-stricken millions, ministers have said.

## UK business group cuts growth forecast, sees rate rise

**(REUTERS)** - The British Chambers of Commerce (BCC) cut its growth forecasts for this and next year on Monday, pointing to the impact of the government's tough fiscal policy and high inflation on consumers' ability to spend.

The BCC reduced its forecast for gross domestic product (GDP) growth in 2011 to 1.3 percent from a previous prediction in March of 1.4 percent. It reduced its forecast for 2012 to 2.2 percent from 2.3 percent.

That would argue for the Bank of England continuing to keep interest rates very low to support growth, but the BCC also raised its forecasts for inflation and said that would lead the Bank to raise rates for the first time in August.

The business lobby said the government's tough austerity measures to cut a record budget deficit, combined with higher than expected inflation, would squeeze disposable incomes, meaning economic recovery would be slow over the next 18-24 months.

## Japan recovery takes hold, but debt downgrade looms

**(REUTERS)** - Japan's economy offered more signs of recovery from the deadly March earthquake on Tuesday, but Moody's ratings agency warned both growth and government action may fall short of what is necessary to bring Tokyo's ballooning debt back under control.

Industrial output rose 1 percent last month after

a record plunge immediately after the magnitude 9.0 quake and a tsunami it set off, and companies said they planned to further crank up output in May-June, bringing it close to pre-disaster levels.

The upbeat outlook spurred talk that the world's third-largest economy could be poised for a V-shaped recovery



after the disaster knocked Japan back into its second recession in three years and a third downturn in a decade.

Manufacturers' optimism, however, failed to impress Moody's which on Tuesday put Japan's

sovereign debt on a watch for a possible downgrade, citing huge costs of dealing with the quake's aftermath and concerns that the government's response to economic challenges may prove inadequate.

CONTD. FROM P13

## Challenge of...

Colombo's ability to maintain its competitive position vis-à-vis other regional hubs and increasingly efficient Indian ports will also depend on its ability to replicate the level of efficiency attained by the South Asian Gateway Terminal (SAGT) in the operations run by the Sri Lanka Ports Authority and the new facilities being constructed in the South Harbour.

### The way forward

Sri Lanka's major exporters, particularly apparel manufacturers, have been successful in circumventing the challenges posed by the country's poor logistics performance. They have done so by restricting themselves to niche higher value markets with relatively long order cycles. In future, they will be under pressure to expand their product lines and shorten order cycles.

Undergarment manufacturers are already increasing use of air freight to reduce delivery time. Another category of successful exporters have got around the logistics challenges by maintaining their competitive advantage through use of locally available raw materials.

Going forward, national export and growth targets can only be met through a change in the mix of local and imported goods to diversify the export base. Improving logistical performance would be an important part of meeting the competitive challenges that arise from this. Failure to raise our game on logistics will undermine the country's prospects for achieving the export targets which are crucial for meeting growth and employment objectives. Poor logistics is undermining the competitiveness of the economy.

Manufacturers have demonstrated the ability to reduce the time and cost of export production,

while increasing reliability. However, the logistics sector has not been similarly proactive in developing supply chain solutions that can increase competitiveness by reducing delivery time and driving down total supply chain costs. Improving the domestic component of supply chains is important for achieving this objective.

However, the relatively small size of the economy and the concentration of GDP in the Western province impose some limits in this regard. As a result, even greater benefits can be derived by restructuring the international components of supply chains so that value can be captured locally.

### Conclusion

Improving Sri Lanka's logistics performance requires concerted action by both the Government and the private sector. At present the Western Province accounts for about 50% of GDP around the Colombo Port and the Bandaranaike International Airport.

The Government's programme of road, ports and airports development is designed to support more balanced growth across the regions. In rolling out these programmes, a holistic approach should be adopted to infrastructure provision and improved logistics for exports. Equally, the private sector needs to be more proactive in providing logistics solutions that enhance export competitiveness.

Significant improvements in domestic and international connectivity would need to be planned for and implemented if exports are to drive accelerated growth in Sri Lanka. In a world of increasing competition and tightening margins, improving logistics performance is an important element of strengthening the country's competitiveness.

## Can we...

### Inclusion of women

Abdela, based on very practical and real evidence suggests that the inclusion of women in all stages of the peace-building process has a significant effect on the outcome of the peace effort. Women, whilst being at the forefront of those most affected by the brutalities of war, are also the most suited for the post conflict re-building process for enduring peace. Unfortunately, the reality is that, at a local and global level, women are often the first to be excluded from the peace negotiation table. The overwhelming majority of senior posts in international peace building processes and post conflict recovery are still staffed by men.

In 2000, an United Nations Security Council's resolution (UNSC 1325), declared unanimously that as women play a significant role in the prevention and resolution of conflicts, they must be equally involved in the process of maintaining international peace and security. Sadly even by 2005, out of 50 Special Representatives of the Secretary-General on peace support operations, only two were women; an ongoing 'blind spot' in global and local thinking.

### Barack Obama

Last week, we saw a six-day US State visit by President Barack Obama and his wife Michelle, unfold across Europe. In each country, they were greeted like superstars, by both public and government dignitaries, with Obama receiving a standing ovation in Westminster, at a formal event attended by Royalty and several generations of British premiers.

It's clear that in most quarters of the world,

Barack Obama, with his highly developed style of communication, has gained a positive reputation, even as a global 'peace maker'. What it is about Barack Obama's communication style that has gained him such an overall reputation?

To explore this further, a small survey of adults aged 30 and over, was conducted by Oxford Psychometrics. Professionals ranging from CEO's to Accountants to Scientists, from a range of countries that included Belgium, UK, Germany, France, Holland, Sweden and of course Sri Lanka, were asked to categorise Obama against two very distinctive communication styles.

The findings, as voted by over 75% of the sample, revealed that Obama, in his interactions and communications uses strategies that convey a message of: valuing people connections, preserving the relationship, promoting equality and symmetry, seeking common goals, a willingness to take instruction from others (if it is perceived as forming a connection), maintaining interactions and seeking greater connection and understanding. In the above survey, the participants (70% male and 30% female) were unaware that they were being asked to measure Obama against two distinctive styles of communication - one that was typically associated with males and the other with females.

What is interesting is that Barack Obama, consciously and actively employs many aspects of a style of communication and negotiation that is typically, though not exclusively, used by women.

It seems that Barack Obama moves across the male/female boundaries of communication with relative ease, and in doing so accesses information, which might otherwise have

fallen upon his blind spots. This finding supports a similar opinion recently expressed in the Washington Post.

We all know that inflexibility of thinking has dire consequences upon our problem solving abilities. Whilst we may not all have the mental agility and confidence of Obama to travel freely across cultural, racial, social or gender boundaries, what is clear is that to eliminate our many 'blind spots', we need to cross these boundaries.

It's been shown repeatedly that companies with a diverse workforce, especially with women represented at all functional levels, has a much greater chance of success. This success is derived predominantly from the reduction of 'blind spots'.

Whilst we would not consider backing a three-legged horse to win at the races, we routinely invest in companies without looking in to their strategic management style.

### Ominous warning

Returning to London, Abdela concluded that as we continue to face significant challenges throughout the world where security issues remain high on the agenda, if we are to have any chance of success, we must draw upon the capacities and talents of the entire talent pool.

In the absence of women at most peace tables, Abdela cautioned, we will continue to fail, like the Greek God Sisyphus, in all our peacemaking and peace-building attempts. This ominous warning went out to a crowded and silent room of military and civil representatives in London: that post-conflict nations, such as Sri Lanka, must include many more women at all levels of the peace-building effort, if enduring peace is to be achieved.



**BEIJING:** China's safety watchdog has found nearly one in ten toys in the domestic market is unsafe, highlighting widespread quality problems in the country's poorly regulated manufacturing industry.

Twenty out of 242 toys selected randomly in eight provinces and metropolitan areas were found to be substandard, the General Administration of Quality Supervision, Inspection

said in a statement Friday.

Three of the toys contained heavy metals such as lead and chromium, which can be poisonous,

while other products had sharp edges and "dangerous protruberances", the statement said.

The safety watchdog also tested other items including children's shoes, bicycles and baby walking chairs. Up to 20 percent of each product were found to have problems including excessive levels of formaldehyde and durability issues.

The reputation of China's domestic manufacturing indus-

try has been tarnished in recent years by a series of product safety scandals including contaminated food, toys coated with toxic lead paint and dangerous tyres.