

International Business News

GE profit drops 46pc as finance unit struggles

AP, Washington

In a discouraging report for the American economy, General Electric Co. posted a 46 percent drop in fourth-quarter earnings on Friday and warned of a tough environment this year as it struggles with its ailing finance business.

The results cap a difficult 2008 for one of the world's largest industrial companies and point to risks ahead.

GE's businesses touch on most sectors of an economy mired in a recession, from medical equipment and real estate to TV stations. And its longtime profit engine, GE Capital, has seen profits sapped as businesses and consumers limit borrowing or default.

"The environment in total is very tough," GE's Chief Executive Jeff Immelt told analysts on an investor conference call.

Shares of the Fairfield, Conn.-based company fell \$1.45, or 10.8 percent to \$12.03 Friday, after hitting a 52-week low of \$11.87 earlier in the session.

After paying preferred dividends, GE's earnings totaled \$3.65 billion, or 35 cents per share for the three months ended Dec. 31, down from \$6.7 billion, or 66 cents per share, a year earlier. Those results included \$1.5 billion in charges from a restructuring of GE Capital and increased reserves. But they also included a significant tax boost of \$1.38 billion.

Beijing relaxes rules on foreigners buying property

AFP, Beijing

Restrictions on foreigners buying property in the Chinese capital have been relaxed for 2009, state media reported Saturday, as Beijing moves to stimulate a sluggish housing market.

Limits were introduced in 2007 in response to rocketing property prices in the densely crowded capital, which meant only expatriates who had been in Beijing for more than a year were allowed to buy a home and no foreigner could buy multiple properties.

"In simple words, foreign expatriates in Beijing could buy only one house then," Li Wenjie, general manager of real estate agency Centaline China's North China branch, told the Xinhua news agency.

"The house price skyrocketed at that time. The government wanted to curb foreign capital in driving up the property price."

The rules had the effect of cutting foreign purchases, which had accounted for up to eight percent of all real estate transactions, but dropped to around 0.5 percent, the report said.

Xinhua said nine governmental departments had decided to relax the residency requirement and remove restrictions on property numbers for foreigners as part of a series of measures to revitalise the slowing housing market.



AFP

People buy flowers at a Lunar New Year fair in Hong Kong yesterday. Hong Kong streets are bustling with people shopping for the Lunar New Year celebration but a sharp economic slowdown has left many worried about hardships ahead in the Year of the Ox.

Australia boosts economic stimulus to save 50,000 jobs

AFP, Sydney

The Australian government Saturday unveiled a four-billion-dollar (2.6-billion-US) stimulus plan for the building industry, taking its spending to combat the global economic crisis to 40 billion dollars.

Prime Minister Kevin Rudd said the global credit crunch meant some cash-strapped foreign banks would withdraw their support for existing Australian projects, placing up to 50,000 construction jobs in jeopardy.

"The government will not sit idly by and watch these jobs and small- and medium-size businesses be wiped out by fluctuations in global credit markets," Rudd said.

The prime minister stressed that the "extraordinary" initiative did not reflect the health of Australia's banking system.

"The banking sector remains well capitalised and Australia has withstood the impact of the global crisis better than many of its international counterparts," he said.

"However, Australia is not immune from the global crisis and the actions being announced today will help shore up our system against ongoing uncertainty."

Japan to offer public funds to non-financial firms

AFP, Tokyo

The Japanese government plans to provide public funds for industries beyond the banking sector in a bid to support non-financial firms hit by the economic crisis, news reports said on Saturday.

Japan has so far formed a system to inject capital into banks, but the proposed framework would be the first of its kind specifically to assist non-financial firms, the Nikkei business daily and Kyodo News said.

By casting a broader safety net, the government aims to help companies bounce back from sluggish earnings and encourage private banks to provide loans for cash-strapped firms, the daily said.

Under the framework, the government-run Development Bank of Japan will purchase preferred stock to be issued by companies whose earnings are deteriorating, Kyodo said, quoting sources.

The government plans to secure several hundred billion yen (several billion dollars) for the framework by March, while considering raising the funds to a few trillion yen by March next year, the Nikkei said.

GLOBAL CHALLENGES

Gloomy tone for economy

AFP, Washington

The world economic crisis deepened Friday as US President Barack Obama called for urgent action, Britain slumped into its first recession since 1991 and profits at US giant General Electric plunged.

Obama, who came to power this week amid economic turmoil and has pushed for an 825-billion-dollar (641-billion-euro) stimulus plan for the US economy, said the downturn was "unprecedented" and should be dealt with "rapidly."

"Frankly the news has not been good -- each day brings I think a greater focus on the problems that we are having not only in terms of job loss but also in terms of some of the instabilities in the financial system," he said.


Wall Street joined in the jitters during morning trading, with the Dow Jones index down 1.41 percent and the Nasdaq inching up just 0.34 percent. The broad-market, Standard & Poor's 500 index retreated 0.1 percent.

Obama's comments came after Britain joined the United States, the eurozone and Japan in a recession at the start of what promises to be an extremely challenging year for top world economies reeling from a credit crunch.


Government figures showed that Britain's gross domestic product (GDP) shrank 1.5 percent in the fourth quarter of 2008 compared with the previous quarter, when it contracted 0.6 percent -- signalling the start of a recession.


ASIA-PACIFIC MARKETS

January 23 closings





TOKYO
NIKKEI-225

 7,745.25
3.81% (- 306.49)





SINGAPORE
ST INDEX

 3,342.7
4.1% (- 144.1)





HONG KONG
HANG SENG INDEX

 12,578.60
0.6% (- 79.39)




SHANGHAI
COMPOSITE INDEX

 1,990.66
0.71% (- 14.29)





TAIPEI
WEIGHTED INDEX

Closed
for holiday





SEOUL
KOSPI INDEX

 1,093.40
2.1% (- 22.83)




SYDNEY
S&P/ASX 200

 3,342.7
4.1% (- 144.1)



BANGKOK
SET INDEX

 433.52
1.08% (- 4.75)

230169

APAC

Howard Archer, an analyst at IHS Global Insight, warned of worse to come.

"Our current forecast is for UK GDP to contract by 2.9 percent in 2009 ... This would be the sharpest contraction since World War II," he said.

British Prime Minister Gordon Brown said before the announcement on Friday that he was using "every weapon at our disposal" to fight the economic crisis.

But the report of recession immediately hit the British pound, which has already been trading at historic lows against the US dollar and the euro.

Sterling dropped to 1.3503 dollars during the day in London, hitting its lowest level against the US currency since September 1985.

Meanwhile the crisis showed no signs of respite in other parts of the world.

US software giant Microsoft announced it would have to cut up to 5,000 jobs, Japanese tyre maker Bridgestone said it was shedding hundreds of workers and German computer chip maker Qimonda went bust because of a slump in demand.

Finland said its economy

The stock market provided a rude shock for US President Barack Obama, displaying renewed volatility as investors grew increasingly cautious about prospects for an economic recovery. In Asian trade on Friday, Japanese share prices tumbled 3.81 percent, hit by overnight losses on Wall Street

would shrink by more than 2.0 percent this year, Spain's unemployment rate surged to 13.91 percent and a top government panel in India warned that economic growth would slow to 7.1 percent this year.

In Russia, new figures showed industrial production falling by 10.3 percent last month compared to December 2007 while the Russian ruble was expected to fall further after the central bank allowed it to devalue by up to 10 percent.

European stocks also posted a poor performance in volatile trading, with London's FTSE 100 index of leading shares closing up 0.01 percent, Frankfurt's DAX showing a loss of 0.96 percent and the Paris CAC 40 shedding 0.71 percent.

In Asian trade, Japanese share prices tumbled 3.81 percent after technology giant Sony forecast its biggest-ever operating loss, as the global crisis saps demand for televisions, cameras and video game consoles.

The Sydney stock market shed 4.1 percent as Prime Minister Kevin Rudd warned the slowdown in China would slash at least 5.0 billion dollars from Australia's economy -- a further sign of the fallout from the Asian giant's crisis.

Oil prices also continued a downward march as demand dropped amid the global slowdown. New York's main futures contract, light sweet crude for March, slid 1.29 dollars to 42.38 dollars a barrel in trading in London.

COLUMN

HABIBULLAH N KARIM

An open letter to Obama

Dear Mr President Obama,

The last two decades have seen the geo-political lines redrawn on a scale not seen since the Second World War. The drama is still playing itself out at many war theaters around the world from Afghanistan to Iraq, from Congo to Sudan, from Abkhazia to Chechnya, from East Timor to Tibet and from Assam to Kashmir the global village is more akin than ever to a cauldron of suffering humanity fought by warmonger chieftains supported in many cases by the war machines of great powers, the greatest of which is of course the USA.

Into this mayhem throw in the financial meltdown in your economy the largest in the world, a whopping one-fourth of the global economy, large enough to pull down many other economies to the gutters. This double whammy of war-infestation and near financial bankruptcy of the world is bound to create pronounced tectonic movements in the geo-political arena that is already overcast with gloomy forebodings.

This is the world in which you have claimed your prize at 1600 Pennsylvania Ave in Washington DC last week. With your coronation as the 'elected monarch' of the richest and mightiest democracy in the world, a great sense of hope has been created. The combination of President Abraham Lincoln's sense of fairness and civil rights leader Martin Luther King's humanist optimism in your calls for a new beginning have found a hopeful echo in hearts around the globe.

You have raised the hopes of your own people on uniting your nation and earned back the respect of the world. They will be looking up to you to save them from the scorn in foreign lands, from flattening income levels at home and from the seeds of intolerance at home and abroad.

The people of the world will be hoping for the biggest military might in the history of human civilisation to rein in its festering browns that have been banded about the world without a care in

the past, they will be hoping for you to rise above the exceptional doctrine of your predecessors and truly be a compassionate statesman of the world, they will want to see the land of the free pay cognizance to the freedoms and investments of people outside the borders of your homeland.

From the poorest to the richest, from the humblest to the mightiest, from the smallest to the biggest all nations must have equal dignity and an equitable opportunity to better their lots just as you are spreading hope to the disadvantaged minorities in your own country, so that they are able to fend for themselves with the right kind of policy imperatives.

The assumption of the office of the president of the USA by the first African-American has raised expectations around the world like no other US president has ever done. In your own words, this marks a new beginning in a country where your black father could not have entered any restaurant he wanted because of his ethnicity only a few decades ago. This humble citizen of a not-so-high-and-mighty South Asian country would like to see your presidency bring true equity in international relations, especially in trade and economic relations. While your country is going through the worst job loss in recent memory, brought on by the financial market woes, you must not look inwards and ignore the ripple effects of your softening economy on the world's less fortunate souls, such as the poorest of the poor in a country like ours who make do with less than a dollar a day.

The situation obviously will test your patience and belief in globalisation but I hope you will not lose faith in the power of global trade in goods and services, in enhancing worldwide human equity and dignity. I hope you will not make service outsourcing a political scapegoat and try to stem the flow of service jobs to lower-cost destinations. I hope you will resist populist tendencies and rather work with world leaders in finding synergies amongst the



economies of the world.

President Obama, You are a white woman's pride, a black man's gift, a far-eastern noblesse, and a Hawaiian hoop of joy. Please help this world become a peaceful home of the human

race exalted by the multiplicity of nations dwelling in the one and only life-inhabiting spaceship called Earth.

May all that is good steer you on the path of righteousness and human goodwill in your eventful

journey.

The writer is the founder CEO of Technohaven Company Ltd and the current president of Bangladesh Association of Software and Information Services (BASIS). He welcomes feedback at hnkarim@gmail.com.