

International Business News

Japan's technology titans hit by fresh trouble

AFP, Tokyo

Japan's technology giants on Thursday revealed fresh wounds from the global economic crisis, prompting 4,500 job cuts at Toshiba and a profit warning from once-invincible Nintendo.

Computer chip maker NEC Electronics said it would axe 1,200 workers after sliding into the red, while office equipment maker Konica Minolta said it was also losing money.

Toshiba Corp. predicted an annual net loss of 280 billion yen (3.1 billion dollars) -- a far cry from last year's profit of 127.4 billion yen.

"The current market condition is very severe, and I think this turbulent situation will continue for a while," chief executive Atsutoshi Nishida said.

Sony Corp. fell into the red in the fiscal third quarter and said it remained on course for its biggest ever loss in the year to March as the economic crisis drives down demand for televisions, cameras and games consoles.

Sony's chief financial officer Nobuyuki Oneda blamed "the rapid deterioration of the economy" and the rising yen for the poor results.

"The third quarter was particularly rough," he said.

Even Nintendo Co., which has enjoyed spectacular growth in earnings in recent years thanks to surging sales of the Wii and other game consoles, cut its annual net profit forecast by one-third to 230 billion yen.

Shell suffers \$2.8b loss on tumbling oil prices

AFP, London

Anglo-Dutch energy giant Royal Dutch Shell said Thursday it made a net loss of 2.81 billion dollars (2.15 billion euros) in the final quarter of 2008 as plunging oil prices slashed the value of inventories.

The loss compared with net profit of 8.47 billion dollars during the fourth quarter of 2007 when crude prices were far higher, Europe's largest oil company said in a statement.

"During the fourth quarter 2008 worldwide oil and gas related commodity market prices declined significantly," Shell said.

"As a consequence, net working capital decreased by some 15 billion dollars during the fourth quarter 2008, mainly due to the lower valued inventory in oil products" held by the group.

Shell's earnings were battered badly in the three months, with oil prices slumping to near five-year lows below 33 dollars a barrel as the global economic slowdown curbed demand for energy.

The sharp drop in prices came after oil struck historic highs above 147 dollars in July as the markets focused on simmering geopolitical tensions in major crude exporters Iran and Nigeria.



AFP

Customers relax and drink their beverages at a Starbucks Coffee shop on Wednesday in Miami, Florida. Starbucks will lay off about 700 non-store workers by mid-February, including about 350 at its Seattle headquarters, as part of a reduction of 6,000 positions worldwide over the next eight months. The company also will close about 300 underperforming stores, according to a memo from CEO Howard Schultz.

Banks losses estimated at \$2.2 trillion: IMF

AFP, Washington

The IMF said Wednesday global banking industry losses may reach 2.2 trillion dollars in the current financial crisis, sharply revising up its previous estimate of 1.4 trillion dollars.

The International Monetary Fund said that a deteriorating credit crisis made it to revise its estimate for losses for US-originated credits, largely from the real estate sector, that have hit banks worldwide.

"The worsening credit conditions affecting a broader range of markets have raised our estimate of the potential deterioration in US-originated credit assets held by banks and others from 1.4 trillion dollars ... to 2.2 trillion dollars," an IMF report said.

Much of the deterioration occurred in the area of corporate and commercial real estate securities "but degradation is also occurring in the loan books of banks, reflecting the weakening outlook for the economy," the Washington-based institution said in an update of its October global financial stability report.

India's Maruti Suzuki Q3 net profit down 54.3pc

AFP, Mumbai

India's largest carmaker Maruti Suzuki India, majority owned by Japan's Suzuki Motor, said Thursday that third-quarter net profit fell 54.3 percent, hit by high input costs and low volumes.

Net profit for the October to December quarter fell to 2.13 billion rupees (43 million dollars) from 4.67 billion rupees a year earlier.

Net sales fell three percent to 45.12 billion rupees, the company said in a notice to the Mumbai stock exchange. The company sold 173,494 vehicles in the last quarter, down 14 percent from a year ago.

Maruti shares rose 21.75 rupees or 4.18 percent to 542.25 in afternoon trade, while the benchmark Mumbai stock exchange Sensex index was down 54 points or 0.58 percent at 9,203.47.

"The reduction in net profit has been due to lower volumes and a rise in material costs," the company said.

DAVOS SUMMIT

Protectionism under scanner

BBC, Davos, Switzerland

The global economy is set for a year of recession and then low growth until 2012, economists at the World Economic Forum in Davos have said.

They also warned that the downturn could persuade politicians to introduce trade barriers and steer investments only into their own economies.

This would harm developing countries the most, said South Africa's finance minister Trevor Manuel.

Meanwhile, there are growing calls for better financial sector regulation.

Speaking at a panel taking stock of the state of the economy, Stephen Roach, chairman of Morgan Stanley Asia and long-time prophet of the economic downturn, said one could not "overestimate the dangers the world economy faces in 2009".

The global economy was likely to shrink this year for the first time since World War II, he said, and nobody on the panel or in the audience was prepared to contradict him.

The general gloom was echoed by the International Monetary Fund, which has predicted that world economic growth will fall to just 0.5 percent this year, its lowest rate for 60 years.

Justin Yifu Lin, senior vice president at the World Bank, said there were "lots of downside risks; the current projection is a protracted recession and we have not reached the bottom yet".

Roach added that demand from US consumers, for many years the main driver of global growth, was in steep decline, while on the supply-side China had seen its economy shrink during the last quarter of 2008.

The economies of the rest of Asia had become China-centric, Roach said, and now that China's economy had "hit a wall", exports were plummeting, down 42 percent in Taiwan and 35 percent in Japan.

Roach said that after 2009, global growth would be anaemic at around 2.5 percent in the three years to 2012, which prompted one well-known economic commentator, Martin Wolf of the Financial Times, to accuse him -- probably only half-jokingly -- of "optimism" and "getting soft in his old age".

Indeed, wherever one goes in the congress centre in Davos, pessimism pervades all conversa-



(From L to R) Former British Prime Minister Tony Blair, Chinese movie star Jet Li, former Microsoft chairman Bill Gates look on as former US President Bill Clinton hugs Nobel laureate Muhammad Yunus in Switzerland yesterday during the Davos Philanthropic Roundtable.

tion, although one participant counselled that "irrational exuberance has been replaced by irrational despair".

The return of protectionism? The biggest concern of all panellists, however, was the risk that the downturn could herald a return to protectionism.

This being Davos, the majority of participants are proponents of free trade, but it was striking that the representatives from developing and emerging economies were particularly worried about rising trade barriers.

Africa was "at risk of decoupling, derailment and abandonment together," said South Africa's finance minister Trevor Manuel.

Protectionism could close Western markets and then flood emerging markets with cheap subsidised products.

Panellists warned not just about the threat to free trade, but also the danger that Western governments could steer their nationalised or recapitalised banks

towards investing only at home.

Already, foreign direct investment in emerging economies had dropped more than 80 percent, said Ferit Sahenk, chairman of Turkish conglomerate Dogus Group.

And Li cautioned that developing countries did not have the "fiscal space" to launch economic stimulus packages of their own. They would need the help of richer nations to kick-start their own economies.

Most importantly, all panellists agreed, only concerted multilateral action would allow the economy to get out of the current crisis.

However, government spending alone was not enough to solve the problem, warned Heizo Takenaka of Keio University, pointing to the experience of Japan's "lost decade" of economic slump.

Monetary policy and a co-ordinated global regulatory framework were key to getting the global economy back on track, they agreed.

Less than an hour later, a closed session tried to tackle this issue. To encourage frank debate, participants and panellists in these sessions cannot be quoted by name, but the thrust of the debate was fairly unanimous: More and better regulation, and especially enforcement of regulation is coming.

The financial system had evolved over the past 30 years, and financial institutions that used to be on the fringes of the system had grown to become a central but only lightly regulated part of it.

"If it walks like a bank and quacks like a bank, then it should be regulated like a bank," said one participant, who also mused that in five or 10 years some hedge funds might find themselves under much closer scrutiny by regulators.

More importantly, regulators had simply failed to see what was going on: "Things that they thought would reduce risk actually introduced extra risk into the system."

But there was disagreement as well. Bankers and investors still made the case for a lighter touch and better self-regulation, warning that a tougher approach could kill off entrepreneurs and prevent the creation of wealth that had lifted millions out of poverty.

"How large should the French garden of a well-regulated financial sector be, and where should we allow it to go grow into a wilderness," asked one participant. As the panellists warmed to the metaphor, they also agreed that any regulation would have to be based on some internationally agreed framework.

Anything else would result in "regulation arbitrage" where financial firms go where regulators have the lightest touch.

And while it is fashionable in Davos right now to pillory the bankers, one of them asked the pointed question: "Are the regulators themselves accountable? You were so tough, but when the crisis happened, you guys disappeared."

GLOBAL CRISIS

Jobs gloom mounts as US rescue plan passes first hurdle

AFP, Berlin

A surge in Germany's unemployment rate and more widespread Asian job cuts plunged the world economy deeper in the mire Thursday as Barack Obama's plan to cushion the impact on the US passed its first hurdle.

Official figures showed the jobless rate in Germany jumped 387,000 over the last month to almost 3.5 million, well above forecasts for Europe's largest economy, which is due to hold national elections later this year.

There was also grim news on the jobs front in Asia's largest economy with Japan's Nippon Sheet Glass Company saying it will shed 5,800 jobs by 2010 and Toshiba announcing plans to cut 4,500 jobs this year after going into the red.

Toshiba chief executive Atsutoshi Nishida told reporters that the company aimed to cut 300 billion yen (3.3 billion dollars) in costs in the next financial year to weather the global crisis.

Other titans of Japanese industry were also showing the strain with Sony Corporation warning it remained on course for its biggest ever loss in the year to March following a fall in demand for televisions, cameras and games consoles.

Even Nintendo, which has enjoyed spectacular growth in earnings in recent years thanks to surging sales of the Wii and



President of Japanese electronics giant Toshiba, Atsutoshi Nishida, adjusts his glasses during a press conference to announce the company's restructuring plan at the Tokyo Stock Exchange yesterday.

Toshiba will cut 4,500 jobs by the end of March after projecting it would go into the red this year due to the global slowdown.

Other game consoles, cut its annual net profit forecast by one-third to 230 billion yen.

The International Monetary Fund had forecast on Wednesday

actions, financial strains remain acute, pulling down the real economy," it said, in an update of November forecasts that shaved about 1.75 points off its prior global growth estimate.

A forecast in the IMF report the US economy was set to contract by 1.6 percent in 2009, underlining the severity of the crisis facing the country's new president as he sought to win the backing of lawmakers for a 819-billion-dollar economic stimulus package.

"We must move swiftly and boldly to put Americans back to work, and that is exactly what this plan begins to do," said Obama after the House of Representatives approved the measure by a vote margin of 244-188.

But despite clearing its first hurdle comfortably, Obama notably failed to win over any Republican members of Congress and even 11 representatives from his own Democratic party voting against.

Republicans, who lacked the votes to block the bill in the House but have significantly more clout in the Senate, promised not to be merely "the party of no" and signaled they would keep fighting for tax cuts as the best remedy.

European governments have also rolled out a raft of stimulus packages but a new survey released Thursday showed that consumer and business confidence sank to a

record low in January.

The European Commission's economic sentiment indicator for the 16 countries sharing the euro fell to 68.9 points in January from 70.4 points in December, hitting the lowest level since the survey began in January 1985.

French President Nicolas Sarkozy was meanwhile facing a first large-scale protest to his handling of the economy with strikes forcing many workers to stay at home for the day.

Sarkozy has announced a 26-billion-euro stimulus package for industry but has pledged to press ahead with unpopular reforms to trim the public sector workforce and liberalise the labour market.

The financial crisis has cast a long shadow over the annual gathering of political and business leaders in the Swiss resort of Davos where the head of the OPEC oil cartel said members need an oil price above 50 dollars a barrel to make exports worthwhile.

"We are not happy with 40 even 50 dollars a barrel," OPEC Secretary General Abdalla Salem El-Badri told a panel discussing energy security at the World Economic Forum.

Reflecting the crisis in the oil sector, Anglo-Dutch energy giant Royal Dutch Shell said Thursday it made a net loss of 2.81 billion dollars (2.15 billion euros) in the final quarter of 2008 as plunging prices slashed the value of inventories.