

## International Business News

## Nokia profit drops 66pc in Q2

AP, Stockholm

The world's top cell phone maker, Nokia Corp, on Thursday said earnings fell 66 percent in the second quarter as the global recession sapped demand for handsets.

Net profit was 380 million euros (\$535 million), down from 1.1 billion euros in the same period a year earlier. Sales tumbled 25 percent to euro9.91 billion.

Analysts polled by SME Direkt had forecast a profit of 327 million euros and sales of 10.1 billion euros. Nokia shares fell 8.1 percent to 10.20 euros in Helsinki after the report.

The Finnish company, which sells about four in 10 mobile devices worldwide, dropped its target to increase market share this year, saying it expects its share of the mobile market to remain unchanged from 2008.

Nokia CEO Olli-Pekka Kallasvuo said the company "put in a solid performance in what was another tough quarter."

Its global market share climbed to 38 percent in the second quarter, from 37 percent in the previous three months, but was still down from 40 percent a year earlier.

"We are balancing short-term priorities with our longer-term growth ambitions as elements of the mobile handset, PC, Internet and media industries converge to form a new industry," Kallasvuo said in a statement. "Consumers will increasingly expect devices and services designed as integrated solutions. To capture this opportunity we are accelerating our strategic transformation into a solutions company."

## JPMorgan Chase posts Q2 profit

AP, Charlotte, NC

JPMorgan Chase & Co posted a 36 percent jump in second-quarter profit Thursday, easily surpassing Wall Street expectations as strength in its core consumer and investment banking businesses offset a jump in credit losses.

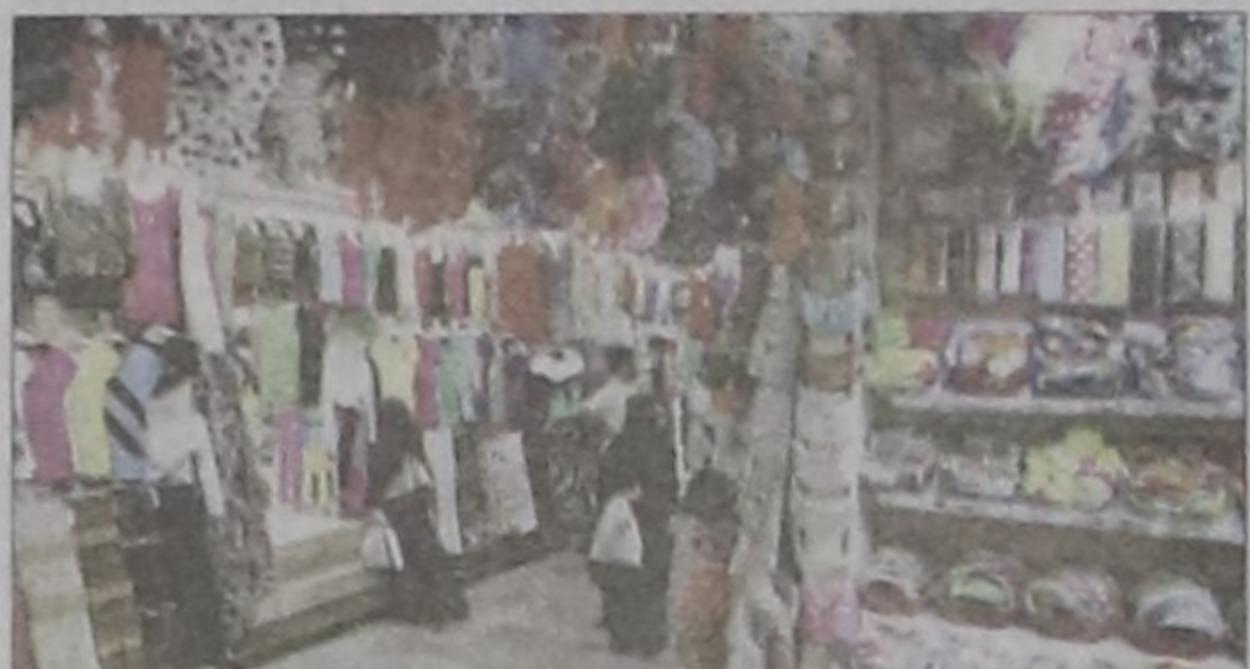
The New York-based banking giant, the second big financial institution in a week to release upbeat earnings news, reported net income of \$2.72 billion, or 28 cents per share, up 36 percent from \$2 billion, or 53 cents per share, a year earlier. Revenue rose 39 percent to \$25.62 billion from \$18.4 billion.

Earnings per share fell despite an increase in profit because the company had more stock outstanding in the most recent quarter ending June 30.

Analysts forecast earnings of 4 cents per share on revenue of \$25.89 billion for the quarter.

The profit came despite a \$1.1 billion charge, or 27 cents a share, as JPMorgan repaid in full \$25 billion in loans it received from the government as part of the Troubled Asset Relief Program, or TARP. The bank was also hit by a 10-cents-a-share FDIC special assessment penalty.

CEO Jamie Dimon said he was "pleased" by the results, even as the company's latest numbers were weighed down by higher credit costs, particularly in the company's consumer lending and credit card businesses.



Emirati women walk through an empty shopping street in the old town of Dubai on Wednesday. US Treasury Secretary Timothy Geithner, on a visit to the oil-rich Gulf, stressed the need to create the foundations for balanced global economic growth to avoid future crises.

## Toyota, Mazda to form tie-up on hybrids

AP, Tokyo

Toyota is in talks with Mazda about providing its key hybrid technology in a tie-up, the nation's top business daily reported Thursday.

Both automakers said no decision has been made.

Toyota Motor Corp, the world's leader in hybrids with the Prius, reiterated Thursday it sees boosting global hybrid sales as important, and will consider any request from automakers to share its green technology.

"But there has been no decision on a policy to offer hybrid systems to Mazda," said Toyota spokesman Paul Nolasco.

Mazda Motor Corp, which does not have its own hybrid system, denied the story as "a reporter's speculation."

Its stance of making more ecological gas-engine cars and working on its own green technology is unchanged, it said.

"Nothing has been decided on tie-ups at this point," Mazda said in a statement.

The Nikkei, Japan's top business daily, reported in its Thursday editions that Toyota and Mazda were in the final stages of talking about a possible tie-up in hybrids, under which Toyota would supply Mazda the key components of its hybrid system, including the battery, motor and electronics parts.

## British government report urges banking crackdown

AP, London

Britain needs to tighten up regulation of the banking sector to prevent another meltdown, and force senior staff to reveal pay and bonuses, a highly critical government-backed report said on Thursday.

Sir David Walker, charged by Prime Minister Gordon Brown with tackling corporate governance in the financial sector, said that boardrooms needed to stop the kind of excessive risk-taking which sparked the global financial crisis.

"Many boards inadequately understood the type and scale of risks they were running and failed to hold the executive to high standards of sustainable performance," Walker said in his preliminary findings.

"Bonus schemes contributed to excessive risk-taking by rewarding short-term performance. And shareholders failed to exercise proper stewardship," added Walker, whose report was commissioned in February.

## ANALYSIS

## On economy, it's all his now

AP, Washington

With four simple words -- "Give it to me!" -- US President Barack Obama took possession of the economy.

For months, the White House and Obama's economic team have laid the economic crisis at the feet of President George W Bush. But there comes a point in a presidency when inheritance becomes ownership. Obama made that pivot this week in Michigan, the state suffering the worst unemployment in the nation.

"I love these folks who helped get us in this mess and then suddenly say, 'Well, this is Obama's economy,'" the president said, pointedly deviating from his prepared text. "That's fine. Give it to me!"

It was a defiant moment, reminiscent of Bush's own "Bring 'em on!" taunt in 2003 to militants in Iraq.

Like Bush's brash challenge, Obama's could haunt him, too. It's a calculated risk that confronts his critics head-on and casts him as an activist, on-the-job president.

"My job is to solve problems, not to stand on the sidelines and harp and gripe," he said Tuesday, his sleeves rolled up, barely disguising his targets as congressional Republicans.

Still, most economists and Obama's own advisers foresee a slow economic recovery. The Federal Reserve, in a forecast released Wednesday, said unemployment would top 10 percent this year and stay above 9.5 percent next year. The president himself conceded Tuesday that unemployment, already at a 26-year high, will likely "tick up for several months."

Republicans see the economy as Obama's Achilles' heel come next year's elections, and they have found a political vulnerability in the continued rise in unemployment despite a \$787 billion economic stimulus that Obama pushed through Congress in February.

Choosing Michigan to attach his name to the economy, Obama picked a state where figures released Wednesday showed the unemployment rate jumped 1.1 percent in June to 15.2 percent, which could linger as evidence of policy failure.

As home to the U.S. auto industry, it could also stand as a symbol of one of his first economic successes. Both General Motors and Chrysler have emerged in surprisingly swift fashion from bankruptcy protection proceedings that were imposed by the Obama administration.

"Remember, folks said there was no way they could do it?" Obama told



US President Barack Obama walks down the West Wing Colonnade as he arrives to speak on healthcare reform in the Rose Garden of the White House in Washington, DC, on Wednesday. On the economic front, he says, his job is to solve problems, not to stand on the sidelines and harp and gripe.

his audience in hard-hit Warren, Mich. "They've gotten it done already, in record time, far faster than anybody thought possible."

After a week spent overseas, Obama aims to regain the agenda from his critics with a feisty, confrontational approach.

In one bold step this week, the

Obama administration singled out Sen. Jon Kyl, a member of the Senate Republican leadership, for calling for an end to economic stimulus spending. Using Obama's Cabinet members as muscle, the White House on Tuesday made public letters from four department secretaries listing transpor-

tation, housing, Indian education and other projects in Kyl's home state that they said would be eliminated if the senator had his way. The letter was addressed to Arizona's Republican governor, Jan Brewer.

At the same time, Obama is appealing for patience on his eco-

nomic remedies. In his weekly radio and Internet address Saturday and in a newspaper opinion piece, Obama argued that the stimulus program was designed as a two-year plan and that it had already halted the economic free fall. Indeed, the Fed now expects that the economy this year will shrink at a slower pace than it had predicted in April.

It hasn't helped Obama, however, that the jobless rate now stands at 9.5 percent, even though his economic team initially predicted that the stimulus would prevent unemployment from going higher than 8 percent.

Obama and his advisers say the recession turned out to be worse than anticipated when they made that forecast in January. Still, 2 million jobs have been lost since Congress passed the stimulus package.

"I want the president's economic stimulus to work, but guess what? It's not happening right now," Rep Candice Miller, R-Mich, said Tuesday, voicing a common GOP refrain. "I don't even think we have Wendy's jobs anymore. Where's the beef? Where's the jobs?"

Obama's unflinching embrace of his economic policies means he now is responsible for their consequences. If the free fall is now in check, as he claims, then the economy can no longer be Bush's legacy alone.

What's more, even amid indicators that show the economic plunge is slowing, unemployment in recent recessions has been slow to recover as quickly as the rest of the economy. And jobs are the clearest yardstick by which the public measures success. For Obama and his fellow Democrats, the danger lies in unemployment rates that remain high in time for next year's congressional elections, or in a slow recovery that peters out and leads back into a recession.

Obama has already taken ownership of the nation's foreign policy. In March, he announced a new approach in Afghanistan that included sending an additional 17,000 combat troops. Marines have just kicked off an offensive in Taliban strongholds in the south of the country. And two weeks ago, American troops in Iraq handed over security urban areas to Iraqi security forces, the first step toward meeting Obama's pledge to end an unpopular war.

Now, just days shy of the symbolic six-month anniversary of his presidency, Obama has laid claim to the full measure of the job. When it comes to the economy, no one -- certainly not his Republican critics -- is going to keep him from taking it.

## GLOBAL RECESSION

## China's economy on stunning rebound

AP, Beijing

China's economy grew 7.9 percent in the second quarter of 2009, the government said Thursday, in a stunning turnaround for the Asian powerhouse that offered some hope for the rest of the world.

With help from 580 billion dollars in government pump priming, the world's third biggest economy picked up pace again after the global economic crisis dragged growth down to 6.1 percent in the first quarter.

"The economy is rebounding and the strength of the recovery is increasing," National Bureau Spokesman Li Xiaochao said at a media briefing to release the data.

China's gross domestic product grew by 7.1 percent in the first half of 2009 compared with the same period a year earlier, according to the bureau.

This put China back on track to achieve its goal of 8.0 percent growth for the year, despite the financial crisis hitting its crucial export sector particularly hard.

Analysts said the rebound in China would offer a boost of confidence for the global economy as it struggles out of the worst economic crisis since the Great Depression of the 1930s.

China is the first big country to have made a strong comeback, so its rebound will definitely offer a stabilising signal for the world economy," said He Jun, a Beijing-based analyst with the Anbound Consulting research group.

However, He and other analysts cautioned that immediate and direct benefits would be limited to countries that import heavily into China, chiefly resource-rich exporters and neighbouring nations in Asia.

Before the global economic crisis struck, China experienced double-digit annual growth from 2003 to 2007, and again for the first two quarters of last year.

To fight the downturn, the government began implementing a four-trillion-yuan (580-billion-dollar) stimulus package from November last year.

Li described the impact of the package as "remarkable", but he also warned pitfalls

lay ahead amid concerns of bubbles in real estate and other key sectors.

"There are many difficulties and challenges existing in the current national economic performance. The base for recovery is still weak. The momentum for picking up is unstable," he said.

Economists also warned that China's rebound was unbalanced, with the export sector still struggling while massive bank lending had fuelled the potential for asset price bubbles and inflation.

"Although private sector investment has picked up, growth still relies heavily on the central government's expansionary policies," said Lu Zhengwei, a Shanghai-based economist with the Industrial Bank.

Nevertheless, Lu and other analysts said China's economy would likely grow by around 8.0 percent growth in 2009, in line with the government's target.

The figure is generally seen as the minimum growth needed to create enough jobs and prevent major social unrest in the nation of 1.3 billion people.

China's exports dropped 21.4 percent year-on-year in June, the government said last week, the eighth straight monthly decline.

However, industrial output, which illustrates activity in the nation's millions of factories and workshops, expanded by 9.1 percent in the second quarter of 2009 from a year earlier, the bureau said.

In June, industrial output increased by 10.7 percent, and by 7.0 percent for the first half of 2009.

China's urban fixed asset investments, a measure of government spending on infrastructure, rose 33.6 percent in the first half of 2009 compared with the same period a year earlier, the statistics bureau said.

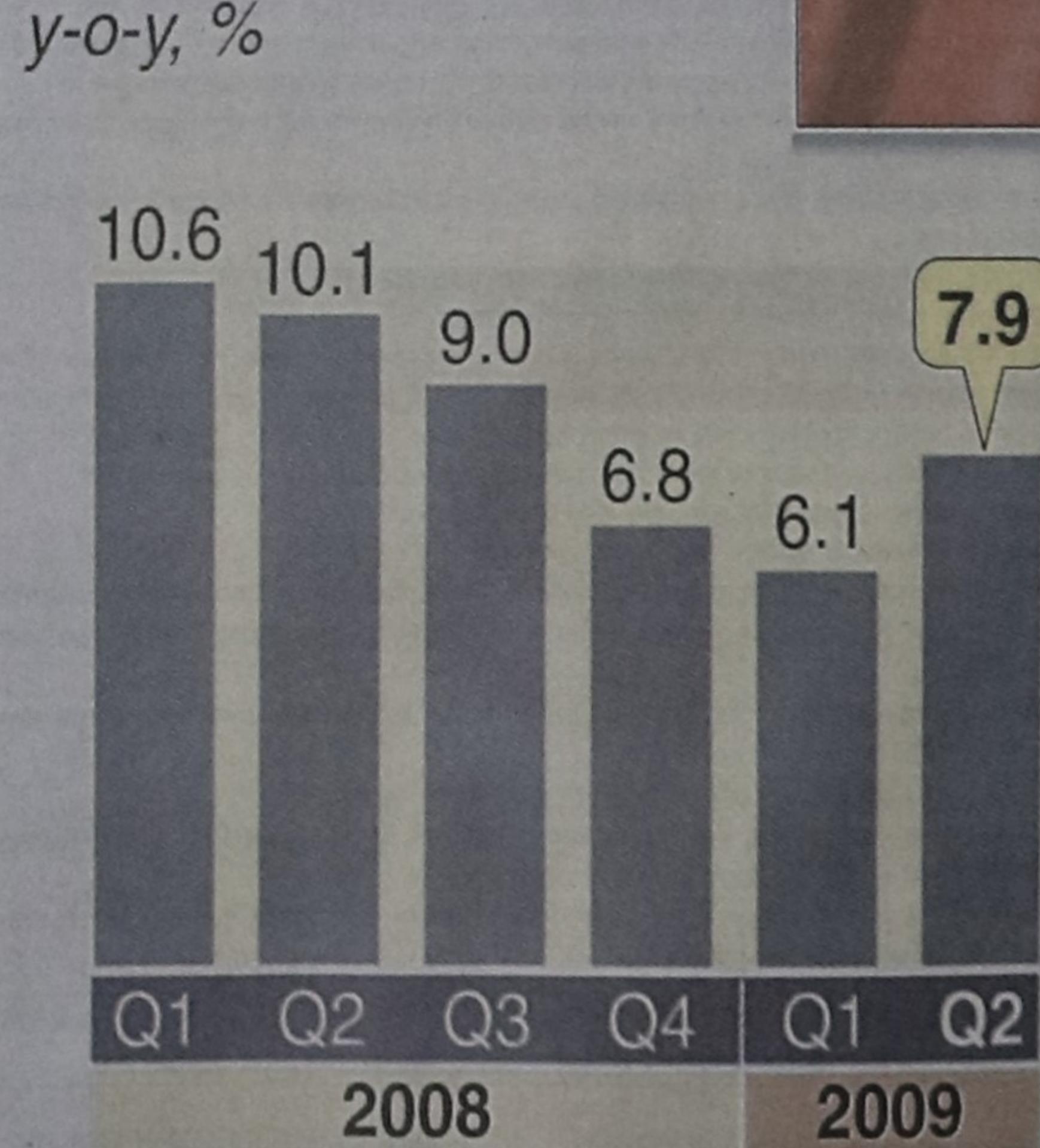
Investments in urban fixed assets increased by 35.3 percent in June year-on-year, according to the bureau.

And the consumer price index, the main gauge of inflation, fell 1.7 percent in June compared with the same month a year earlier, a further decline from May's drop of 1.4 percent, the bureau said.

## China GDP

## Quarterly changes

y-o-y, %



2008

2009

Source: China NBS

AP 160709