

## International Business News

### Obama urges banks to unfreeze credit for small businesses

AFP, Washington

President Barack Obama urged US banks Saturday to unfreeze credit for small businesses, calling them "the engine" of the country's economy.

"Small businesses have always been the engine of our economy - creating 65 percent of all new jobs over the past decade and a half - and they must be at the forefront of our recovery," Obama said in his weekly radio address.

He added that it was time for large American banks that received government assistance at the height of the current economic crisis "to stand by creditworthy small businesses, and make the loans they need to open their doors, grow their operations, and create new jobs."

The president recalled that his administration had already provided five billion dollars worth of tax relief to small businesses and guaranteed some of Small Business Administration loans up to 90 percent, which has supported nearly 13 billion dollars in new lending to more than 33,000 businesses.

But he argued that more needed to be done by private banks, particularly now that the situation in the financial sector has stabilized.

### Hong Kong tightens lending on luxury homes

AFP, Hong Kong

Hong Kong's government has announced measures aimed at cooling the property market as low interest rates have spurred a dramatic surge in prices and fears of a possible bubble.

The Hong Kong Monetary Authority said it had sent a circular to banks on Friday telling them to cut the amount they lend to buyers of luxury homes with immediate effect.

Loans on properties valued at 20 million dollars (2.6 million US) or more would be capped at 60 percent, down from 70 percent. For cheaper properties the maximum loan would remain 70 percent but would be capped at 12 million dollars.

The HKMA, Hong Kong's de facto central bank, also reminded banks to exercise prudence when valuing properties and calculating borrowers' ability to repay loans.

"These are prudential measures designed in the interest of maintaining banking stability, to enhance banks' risk management on mortgage lending to high-end residential properties," HKMA chief executive Norman Chan said in a statement.



A man talks his mobile phone in front a government telecommunication billboard in New Delhi yesterday. India's federal criminal investigation agency Central Bureau of Investigation raided the Department of Telecommunications on suspicion that mobile phone network licences were awarded to companies below the market rate. India's telecom minister A Raja denied any corruption in the awarding of new licences to telecom companies in the country last year.

### US existing home sales surge 9.4pc

AFP, Washington

Existing US home sales surged 9.4 percent in September as consumers scrambled to take advantage of an expiring tax credit for first-time buyers, industry figures showed Friday.

The National Association of Realtors said sales of previously owned homes and apartments jumped to a seasonally adjusted annual rate of 5.57 million units, well ahead of expectations for a pace of 5.35 million.

The report showed sales at the highest level in over two years for the troubled sector at the epicenter of the global financial crisis.

"Much of the momentum is from people responding to the first-time buyer tax credit, which is freeing many sellers to make a trade and buy another home," said association chief economist Lawrence Yun.

"We are hopeful the tax credit will be extended and possibly expanded to more buyers, at least through the middle of next year, because the rising sales momentum needs to continue for a few additional quarters until we reach a point of a self-sustaining recovery."

### 'Worst over' for airlines, says industry chief

AFP, New Delhi

The head of the airline industry body IATA said on Friday that the tough conditions suffered by carriers hit by the global economic crisis were improving.

"The worst is over but the recovery will be a long story," Giovanni Bisignani, head of the International Air Transport Association (IATA), told reporters in New Delhi.

He said the aviation industry had forecast a worldwide drop in revenues of 80 billion dollars, from 535 billion dollars in 2008 to 455 billion dollars in 2009.

"A drop of this dimension will not be easy to address. It will take three or four years to return to the old levels," he said.

## REGIONAL SUMMIT

# Asian states look to 'lead world'

AFP, Hua Hin, Thailand

Asian leaders discussed plans at a major summit Saturday to "lead the world" by forming an EU-style community, while urging action from pariah states North Korea and Myanmar.

The premiers of regional giants China and India also sought to foster unity on the sidelines of the regional summit in Thailand after months of trading barbs over long-standing territorial issues.

Japanese Prime Minister Yukio Hatoyama's proposal for an East Asian community that could take a leading role in global efforts to recover from the economic crisis took centre stage on Saturday.

"It would be meaningful for us to have the aspiration that East Asia is going to lead the world and with the various countries with different regimes cooperating with each other towards that perspective," Hatoyama, who took office last month, told the Bangkok Post newspaper.

The community would involve the 10-member Association of Southeast Asian Nations (ASEAN) with regional partners China, Japan, South Korea, India, Australia and New Zealand, Japanese officials have said.

But there was debate at the summit in the Thai beach resort of Hua Hin over whether it would also include the United States.

Hatoyama said Tokyo's alliance with Washington was the "cornerstone" of Japanese policy but said the region should "try to reduce as much as possible the gaps, the disparities that exist amongst the Asian countries".

China would "doubtless" grow further, particularly economically, "but I do not necessarily regard that as a threat," Hatoyama said.

Thai Prime Minister Abhisit Vejjajiva welcomed the proposal.

"We're very interested to hear from the prime minister his vision concerning the East Asia community, partly because I don't think anybody would see differently in terms of the need for greater integration," he told reporters late Friday.

"The trend is there and I think the political will is also there, the issue is more about the... steps by which that could be achieved."

East Asian nations would carry out a feasibility study for a huge free trade zone covering ASEAN, China, Japan and South Korea and a larger group also involving India, Australia and New Zealand, officials said.

Increased integration has been a recurring theme of the meetings in Thailand, as the rapidly changing region seeks to capitalise on the fact that it has recovered more quickly from the recession than the West.

ASEAN leaders have been discussing plans to create their own political and economic community by 2015. They also launched the region's first ever human rights watchdog on Friday.

Leaders of the Southeast Asian bloc in a statement on Saturday urged military-ruled Myanmar to hold free and fair elections in 2010 but made no mention of detained pro-democracy icon Aung San Suu Kyi.

The group has faced international criticism in the past for failing to press Myanmar's junta to free Suu Kyi. The Nobel Peace Prize winner was sentenced to a further 18 months under house arrest in August.

The statement also said that communist North Korea should "comply fully with its obligations" under UN Security Council resolutions on its nuclear programme and



Putting up Thai traditional handmade parasols, Japanese prime minister's wife Miyuki Hatoyama (R), Thai prime minister's wife Pimpen Vejjajiva (C) and Indian prime minister's wife Gursharan Kaur (L) stroll at the Thai Imperial villa Mrigadayavan Palace in the southern Thai resort town of Hua Hin yesterday. Asian leaders discussed plans at a major summit to "lead the world" by forming an EU-style community.

month by the Dalai Lama, the exiled Tibetan spiritual leader.

Arunachal Pradesh and the Dalai Lama were not discussed at Saturday's meeting, an Indian delegation official said. The two nations fought a border war in 1962.

Thailand and Cambodia remained at loggerheads over the fate of fugitive former Thai premier Thaksin Shinawatra, after Cambodian Prime Minister Hun Sen bizarrely offered him a job as his economic adviser.

Around 18,000 troops and dozens of armoured vehicles have been deployed in Hua Hin after the summit was twice postponed by anti-government protests, with another 18,000 on standby or on duty in Bangkok.

Despite the region's calls for unity, cross-border disputes have continued to dog the summit.

Chinese Premier Wen Jiabao and his Indian counterpart Manmohan Singh held "productive" talks on the sidelines of the summit Saturday but did not discuss their spat over territorial issues, officials said.

"We have reached important consensus on promoting bilateral ties," Wen was quoted as saying by the Chinese state news agency Xinhua.

Beijing has voiced its opposition to a recent visit by Singh to Arunachal Pradesh, an Indian border state at the core of the dispute, and to a planned visit there next

month by the Dalai Lama, the exiled Tibetan spiritual leader.

Arunachal Pradesh and the Dalai Lama were not discussed at Saturday's meeting, an Indian delegation official said. The two nations fought a border war in 1962.

Thailand and Cambodia remained at loggerheads over the fate of fugitive former Thai premier Thaksin Shinawatra, after Cambodian Prime Minister Hun Sen bizarrely offered him a job as his economic adviser.

Around 18,000 troops and dozens of armoured vehicles have been deployed in Hua Hin after the summit was twice postponed by anti-government protests, with another 18,000 on standby or on duty in Bangkok.

## TECHNOLOGY

# Innovation needed even in recessions

AP, New York

A theme is emerging from the flood of recent corporate earnings reports: Cost cuts are boosting profits.

Investors are cheering, but they shouldn't. Even in these tough times, more CEOs should be talking about how they are seeking out investments, developing new technologies and making acquisitions.

That's what will set their companies up for a stronger future.

Intel Corp's former CEO Gordon Moore had it right when he said years ago that "you can't save your way out of a recession." He meant that even in the toughest times, companies have to spend money on new ideas.

Recessions always end, Moore often said, and when they do, companies that embraced innovation during the downturn won't be stuck with obsolete products and services. Instead, they'll have new things to offer once demand picks up again.

"Customers don't come out of recessions spending the way they did before," said Chunka Mui, who has studied how companies can capitalize on opportunities during crises at his Chicago-based consulting firm, The Devil's Advocate Group. "They demand something different."

Surprisingly few companies are following Moore's advice of innovating during recessions.

Companies in the Standard & Poor's 500 index cut 25 percent on average from their capital expenditures and 5 percent from research and development costs between the end of the third quarter last year and the second quarter this year, according to S&P.

Many have been crippled by the pullback in consumer and business spending as well as tight credit conditions, which is making it harder for companies to get loans to fund their operations. That's driven some to hoard cash and make drastic cost cuts. They're slashing jobs and wages and closing stores and factories.

The aggressive cuts have allowed companies to exceed Wall Street's expectations for their earnings. In fact, the "good" news has sent the Dow Jones industrial average above 10,000 for the first time in a year.

The problem is that too many companies are making widespread, not focused cuts. They're

telling every division to cut 10 percent of their work force or slashing marketing

dollars by the same amount company wide. That is a quick way to rid a company of costs. But it doesn't help it get in a better position going forward, says Cesare Mainardi, managing director at the consulting firm Booz & Co and co-author of the new book "Cut Costs, Grow Stronger."

"A downturn like this should force people's hand," he said. At Intel, Moore's philosophy has been used consistently since he led the chipmaker starting in the late 1970s. Over the years, the Santa Clara, California, company's top executives continue to openly discuss the company's strategy of investing heavily in downturns.

During the 2001 recession,

which hit tech companies particularly hard, Intel cut thousands of jobs and shut down unprofitable ventures. But it also ramped up spending on research and development on its core business of

making computer microprocessors, even as its profits faltered. That helped the company diversify its product mix. Apple Inc had been struggling in the late 1990s as competition in the computer business intensified. But that didn't stop the Cupertino, California-based company from boosting its spending by 30 percent on research and development from 1999 to 2002, even as revenues fell.

As a result, the iPod was launched during a downturn in October 2001. Apple also made headway on its iTunes music store at that time, enabling it to launch in 2003. Southwest Airlines has also expanded during past recessions. The carrier, which is based in Dallas, was founded during a

period of weak economic growth and soaring energy costs during the early 1970s.

It boosted its fleet of aircraft and expanded its routes during the early 1990s and 2001 recessions, allowing it to steal market share from competitors.

To be sure, some companies are in fact heeding Moore's advice.

Intel announced plans to spend \$7 billion over this year and next to build new manufacturing facilities so it can produce faster chips.

Walt Disney Co is planning to give a high-tech makeover to its stores that will make them into mini-theme parks.

Proctor & Gamble is overhauling its Gillette shaving operations in Boston.

Toys R Us Inc has been buying up competitors, including high-end specialty chain FAO Schwarz. Cisco Systems Inc has made five acquisitions this year, including two in the last month with a combined price tag of nearly \$6 billion.

Google Inc said it is ready to step up its hiring and plunge money into up and coming businesses, in areas like mobile technology.

"We now have the business confidence to invest heavily in the next phase of innovation, helping to invent the future as we see it," Google CEO Eric Schmidt told investors earlier this month.

It's a leap of faith -- and the right time to do it.