

International Business News

Germany loses trade crown to China as exports plunge

China overtook Germany last year to become the world's leading exporter as German trade suffered its sharpest slump since 1950, figures from Germany's national statistics office showed on Tuesday.

"According to information of the Chinese Ministry of Commerce, Chinese exports amounted to 1,201.7 billion dollars (876.5 billion euros), while German exports totalled 1,121.3 billion dollars" last year, the Destatis office said.

The total value of 2009 German exports came to 803.2 billion euros, a drop of 18.4 percent, while imports fell by 17.2 percent to 667.1 billion euros compared with 2008, the Destatis office said in a statement.

"This was the highest decline recorded in foreign trade in relation to both imports and exports since 1950," the statement said.

Europe's largest economy also reported, however, that its exports were 3.4 percent higher in December compared to December 2008 -- the first year-on-year gain since October 2008 and a key indication that a recovery is underway.

Imports fell by 6.5 percent over the same period. Compared with November 2009, exports were 3.0 percent higher and imports gained 4.5 percent, further signs of a pick up in global trade that should help Germany pull out of its worst recession since World War II.

UBS makes Q4 profit, but withdrawals continue

Swiss bank UBS AG posted a fourth-quarter profit of 1.205 billion Swiss francs (\$1.12 billion) Tuesday, beating analysts' expectations partly thanks to a tax credit, but said rich clients' withdrawals had continued.

The result is a significant swing from last year, when the bank reported a net loss of 9.58 billion francs in the fourth quarter. It also comes after three consecutive quarterly losses in 2009 and efforts to salvage the bank's reputation among customers leery of its ongoing struggle with bad investments and US tax authorities.

"We have taken decisive action to transform UBS, and it is now a focused, efficient and resilient firm," Chief Executive Oswald Gruebel said in a statement. "We expect that our return to profitability will increase clients' confidence in UBS and restore our reputation."

On average, analysts had predicted that UBS would report a net profit of 321 million francs in the final quarter.

UBS beat those expectations by a wide margin, citing a revised U.S. tax estimate -- for a gain of 480 million francs -- and lower costs. The bank cut staff numbers by 16 percent last year to just over 65,000, helping to drop fixed costs by 20.2 billion francs.



Tourists walk past demonstrating former Olympic Airways employees outside the Labour Ministry in Athens yesterday. Greece's debt-hit Socialist government will raise the average rate of retirement by two years to 63 by 2015 as part of a spate of measures to clean up its loss-making public sector, the labour minister said yesterday.

SingTel net profit up 24pc in Q3

Singapore Telecom said Tuesday that strong gains in its home market and Australia helped it post a 24 percent jump in net profit in the third quarter.

Southeast Asia's biggest telecommunications firm by revenue also announced improved contributions from its Indonesia associate helped earnings beat expectations.

Singapore Telecom, or SingTel, said net profit was 991 million Singapore dollars (698 million US) in the three months to December, while group revenue totalled 4.45 billion dollars, up 20.2 percent year on year.

The firm said that as of December 31 it had a regional mobile customer base of 285 million, up 23 percent from a year ago.

SingTel's group chief executive Chua Sock Koong said: "The Singapore and Australia businesses stood out for their exceptional performance in mobile under highly competitive market conditions."

India's software exports face protectionism

India's flagship software and services exports industry is facing rising protectionist sentiment in key markets, officials of a trade body warned Tuesday.

"The industry is alive and kicking after the global crisis," said Pramod Bhasin, chairman of the the National Association of Software and Services Companies.

"But protectionism, sustained unemployment" in developed nations "will be huge continuing hurdles to deal with," he added.

Nasscom last week forecast India's software and services exports will post double-digit export revenue growth of 13 to 15 percent to hit up to 57 billion dollars in the year to March 2011.

AUTOMOBILE

Toyota recalls 437,000 hybrids

Toyota says it is recalling about 437,000 Prius and other hybrid vehicles worldwide to fix brake problems -- the latest in a string of embarrassing safety lapses at the world's largest automaker.

"I don't see Toyota as an infallible company that never makes mistakes," President Akio Toyoda said at a press conference Tuesday in Tokyo. "We will face up to the facts and correct the problem, putting customers' safety and convenience first."

The recall is the latest blow to Toyota Motor Corp., which is in the midst of recalling more than 7 million vehicles worldwide because of problems with floor mats, which can trap gas pedals, and faulty gas pedals that are slow to return to the idle position. The 2010 Prius wasn't part of those recalls.

There have been about 200 complaints in Japan and the US about a delay when the brakes in the Prius were pressed in cold conditions and on some bumpy roads. The delay doesn't indicate a brake failure. The company says the problem can be fixed in 40 minutes with new software that overrules the controls of the antilock brakes.

"Let me assure everyone that we will redouble our commitment to quality as the lifeline of our company," Toyoda said.

Toyota officials went to Japan's Transport Ministry earlier Tuesday to formally notify officials the company is recalling the 2010 Prius gas-electric hybrid -- the world's top-selling hybrid car. The automaker is also recalling two other hybrid models in Japan, the Lexus HS250h sedan, sold in the US and Japan, and the Sai, which is sold only in Japan.

The 223,000 cars being recalled in Japan include nearly 200,000 Priuses sold from April last year through Monday, according to papers the automaker filed with the ministry. The Prius is Japan's top-selling car.

In the US, Toyota will recall 133,000 Prius cars and 14,500 Lexus HS250h vehicles. Nearly 53,000 Priuses are also being recalled in Europe.

Owners in Japan of the 2010 Prius can get their cars fixed starting Wednesday, said Ryusuke Itazaki, chief of the recall department at the Transport Ministry.



A mechanic uses a handheld computer device connected to a recalled Toyota Prius Hybrid vehicle to determine if the brakes need repair at a Toyota dealership near Chester in north-west England yesterday. Toyota said it was recalling hundreds of thousands of hybrid vehicles globally, including its best-selling Prius, plunging it deeper into crisis as lawsuits in the United States piled up.

He said Toyota would suspend production of the Sai and Lexus HS250h in Japan as the company doesn't have the updated software for those models yet.

If drivers experience any delayed reaction when depressing the brakes in any of these models, they should keep pressing, he said.

Itazaki said complaints about the brakes started coming in as the weather got colder, particularly from northern Japan.

He also said Toyota should have taken action sooner. "If the company had paid more attention to consumers' viewpoint, it could have realized that there was a safety problem."

Toyoda, the president, has been criticised for being largely invisible during the two weeks after the company announced Jan. 21 the gas pedal recall in the US, Europe and China.

He apologised at his first public press conference last Friday, but was criticised by the Japanese media for failing to outline concrete steps to tackle the safety crisis and reassure customers around the world.

In contrast to his halting English in response to questions

from foreign reporters at last week's news conference, Toyoda seemed much better prepared Tuesday, reading from an English statement after doing so in Japanese.

"We will do everything in our power to regain the confidence of our customers," Toyoda said.

He said he planned to go to the US soon to talk with American workers and dealers to bring the ranks together.

Analysts said fears of an even bigger consumer backlash prodded Toyota into recalling the Prius.

"If they hadn't done the recalls, their image would have suffered even more," said Ryoichi Saito, auto analyst at Mizuho Investors Securities in Tokyo.

US safety officials have launched an investigation into problems with the brakes.

The problem is suspected in four crashes resulting in two minor injuries, according to data gathered by the National Highway Traffic Safety Administration, which is investigating the matter. Toyota says it's cooperating with NHTSA's investigation.

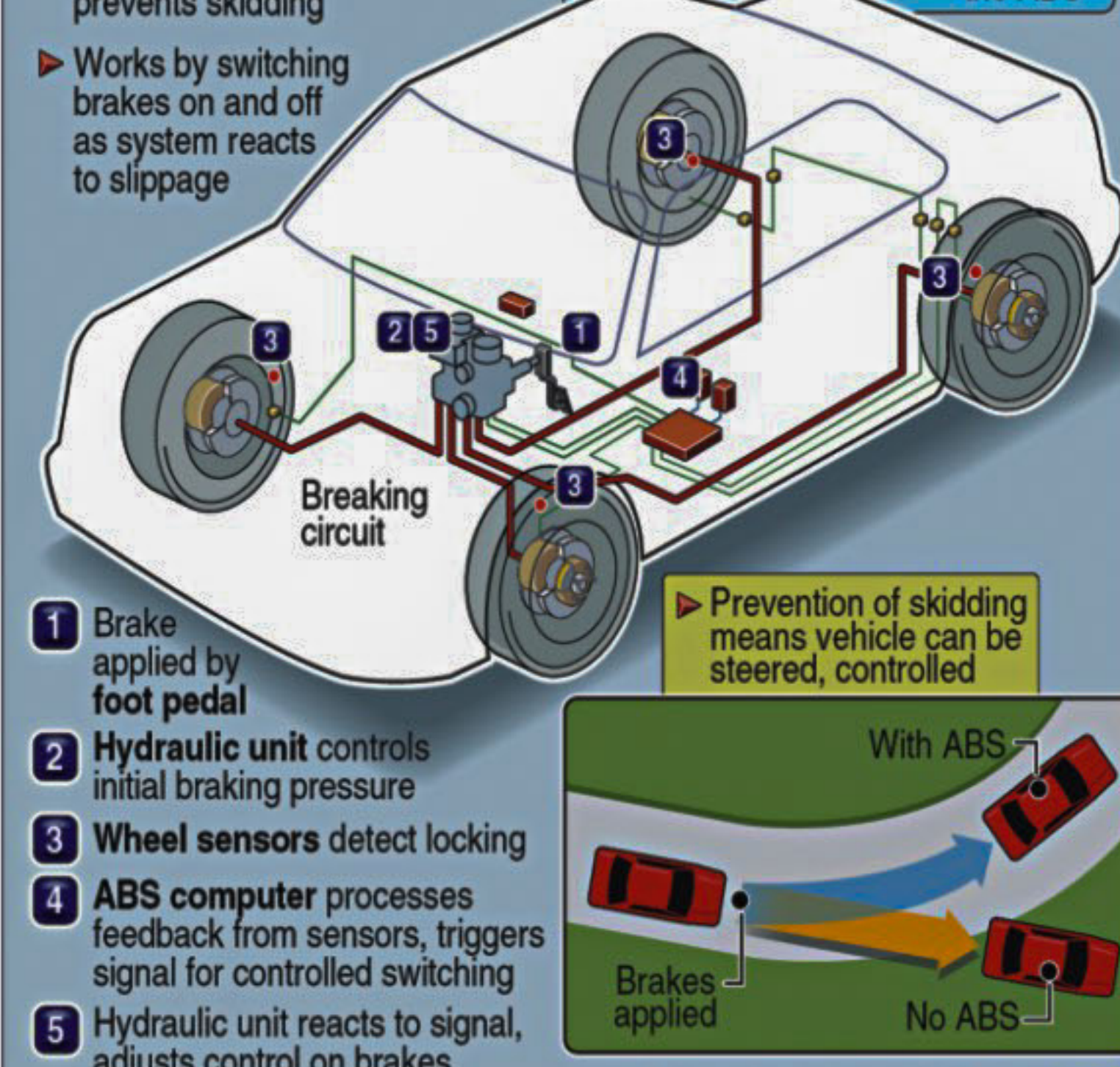
Problems with hybrid braking

Toyota recalls hybrids for brake problem

199,666 cars recalled Tuesday

Anti-lock Brake System (ABS)

- Complex braking system that prevents skidding
- Works by switching brakes on and off as system reacts to slippage



Models recalled: Prius, Sai, Lexus HS250h. Drivers experiencing delay when they step on brakes. Company says it has redesigned the ABS.

1 Brake applied by foot pedal
2 Hydraulic unit controls initial braking pressure
3 Wheel sensors detect locking
4 ABS computer processes feedback from sensors, triggers signal for controlled switching
5 Hydraulic unit reacts to signal, adjusts control on brakes

Prevention of skidding means vehicle can be steered, controlled

With ABS: Brakes applied, No ABS: Brakes applied

Source: Toyota/Merriam-Webster 090210 AFP

AVIATION

JAL rejects Delta, stays with American

Japan Airlines, wooed for months by Delta Air Lines with promises of cash and a broad global network, spurned the world's biggest carrier and opted to keep its alliance with American Airlines.

The Japanese carrier said Tuesday it will strengthen its partnership with American, and the two airlines will jointly seek antitrust immunity on trans-Pacific routes.

The decision brings to an end a fierce tug-of-war over Japan's ailing flagship carrier, which is restructuring under bankruptcy but offers the US airlines access to lucrative Asian routes.

In an aggressive courtship, Delta and its partners offered JAL \$1 billion to leave Oneworld. American and its partners said they would give JAL as much as \$1.4 billion to stay.

Delta in a statement didn't directly address JAL's choice, instead asserting it remains a big player in Asia.

"With recently announced plans to invest \$1 billion in our product, Delta remains committed to providing a leading option for travel across the Pacific," the airline said.

American, based in Fort Worth, Texas, said in a statement it believes JAL made the right choice. It reiterated that American and its Oneworld partners plan to deliver to JAL roughly \$2 billion in ongoing and incremental revenue over three years. The agreement does not involve a cash injection from American, JAL officials said.

"American and JAL will now focus on building a joint venture that can offer JAL significant revenue growth beyond the stability that oneworld offers today," American said.

Its victory seemed improbable just a few



The file photo shows Japan Airlines passengers checking in at Haneda International airport in Tokyo on January 11. The carrier, which declared bankruptcy last month, has said it will expand its alliance with American Airlines and its Oneworld partners rather than switch to Delta Air Lines.

weeks ago when Japanese officials, convinced of the long-term revenue benefits, were pushing JAL toward Delta and its SkyTeam partners. But after taking over last month, new JAL chairman Kazuo Inamori insisted that management would re-evaluate both proposals from scratch.

JAL's loyalties swung back to American in the end as executives decided an alliance switch would do more harm than good during a restructuring that is expected to take three years. The process of shifting partners would have confused customers at a time when JAL needs to focus solely on recovery, it said.

"If we don't survive the first two years,

there will be no future for JAL after the third year of restructuring," Daiji Nagai, senior vice president of corporate planning, told reporters. "We decided that we can minimize risk by staying with American."

Moreover, the regional dominance of a JAL-Delta tie-up would likely raise concerns about unfair competition, complicating any bid to score antitrust immunity. Immunity is seen as the key to a closer revenue-sharing relationship between U.S. and Asian carriers.

The Centre for Asia Pacific Aviation called Tuesday's news a "massive win" for Gerald Arpey, CEO of American's parent company AMR Corp.

"American stood to lose more than Delta, which already has a significant presence at Narita Airport" the Sydney-based aviation research group said in a report.

It expects Delta to strengthen its presence in Tokyo on its own and expand in other Asian markets through its ties with SkyTeam members Korean Air and China Southern Airlines.

In their fight over JAL, American and Delta were vying to keep pace with the Star alliance, which includes United Airlines, Continental Airlines and All Nippon Airways. Star alliance has 31 percent of US-Japan market share.

United, Continental and All Nippon Airways have applied for antitrust immunity so they can form a joint venture and work together more closely on flights across the Pacific. Delta would have submitted its own application if it landed Japan Airlines. But it will be American, part of the Oneworld alliance, taking on that task now.

A joint venture allows airlines to share costs and revenue on certain flights regardless of which airline owns or flies the aircraft. It differs from a codesharing agreement where one airline bears all the cost but another airline might get a share of the revenue for booking a customer on a flight.

JAL President Masaru Onishi said the Tokyo-based company analysed the issue "in great detail".

He said management "firmly believe that the advantages of this development with American Airlines can strongly support JAL at a time when we are striving toward the revival of our business, which we are determined to achieve."

There is no guarantee American and Japan Airlines will be able to get antitrust immunity, either. But JAL in the end wasn't willing to take the risk of moving to Delta.