

**DUBAI (Bloomberg)** — Iraq failed to award most contracts it offered on Tuesday in a bidding round aimed at attracting foreign partners and ...

**SINGAPORE (Bloomberg)** — Crude oil is set to extend gains amid this week's volatility and may reach the \$76 a barrel level last traded in ...

**TEHRAN** — Commerce ministers of Iran and Afghanistan here on Tuesday signed a 17-article memorandum of understanding to promote bilateral trade ...

## China's Huawei needs makeover to win big markets

**BEIJING (Reuters)** — The meteoric rise of China's Huawei to challenge the world's top telecom gear makers has been mainly in secondary markets, but a serious push into larger, more profitable, developed markets may hinge on an image makeover.

Huawei Technologies has been winning client kudos and market share, especially in developing markets where pricing is a more critical factor.

But founder and CEO Ren Zhengfei's military background and the privately-owned company's lack of transparency have raised eyebrows and triggered alarms in countries such as the United States, the world's largest telecoms market.

Those concerns derailed an attempt by Huawei and partner Bain Capital to buy U.S.-based 3Com in 2007, and last month the Financial Times reported that Huawei had blamed unfounded security concerns in India for hobbling its growth there.

"If anyone wants to be a world class telecom gear maker it must be in those two markets," said Edward Yu, chief executive of Beijing-based researcher Analysys International, referring to the United States and Japan, the world's two largest markets.

Huawei has less than 2 percent market share in those markets.

"The best chance for Huawei, if it wants to gain more market share in those two countries, is to transform itself and become more transparent," Yu said.

This year, Huawei overtook Alcatel-Lucent as the world's No.3 mobile networking equipment maker, but still ranks far behind market leader Ericsson.

The 21-year-old firm's media shy founder was an officer in China's military and helped build its communications network before starting Huawei to make the switches, networks, routers and, increasingly, the software used to direct data around telecoms networks.

Huawei and cross-town rival ZTE Corp. have gained global market share via aggressive pricing policy and generous financial support from state-run banks.

**SYDNEY (AFP)** — Australian producers and Chinese buyers have missed a deadline to set benchmark iron ore prices, signaling the end of a 42-year-old system and risking new friction between the key trading partners.

Anglo-Australian mining giant Rio Tinto, which spearheaded the negotiations, refused to comment on whether talks would continue after the overnight deadline expired but said customers were free to buy at spot prices.

"If they choose to buy ore on the spot market, then they will," company spokesman Gervase Greene told AFP.

"Our position hasn't changed, which is while we prefer the benchmark system, it's always a matter for customers. If they prefer the spot market, then they will (use it)."

Talks had deadlocked on Chinese demands for deeper cuts than the 33-44 percent negotiated with Japan and South Korea on the benchmark, which sets ore contract prices over the coming year.

China, Australia's biggest iron ore customer, had reportedly called for 40-45 percent reduction, reflecting its growing influence in the market and increased volatility caused by the global financial crisis.

Analysts said Beijing was still smarting from last year's sharp rise in the benchmark price, while negotiations may have been further clouded by Rio's decision this

# Australia, China iron ore talks collapse



month to walk away from a massive Chinese cash injection.

"It's a very important line in the sand for them," said Tim Schroeders of Pergana Capital. "They're

showing they're not patsies, they're serious players when it comes to negotiations and they aren't just going to roll over."

The breakdown could desta-

bilize the market with producers finding it harder to plan capital expenditure and buyers exposed to fluctuations in price.

However, some experts say

the benchmark system has long been doomed since iron ore became more widely available and was bought by a greater number of countries, leading to a boom in the spot market.

Despite reports from China that the talks could continue, BHP Billiton, the world's biggest miner, is known to favor an index pricing system while shorter-term contracts would also help buyers be flexible.

"It's probably indicative that the old benchmark pricing system may have run its race," Schroeders said. "The most likely scenario is a combination of any of those types of price scenarios in a new pricing system."

Other media reports said Chinese steel mills were already circumventing the talks by agreeing to pay benchmark rates as spot prices soar.

Beijing-based metals consultancy Umetal, quoted by Dow Jones Newswires, said Chinese spot prices hit \$92 per metric ton this week, well above the \$75-\$76 which would have been set by the Japanese and Korean benchmarks.

"If the spot price rises they're forced to pay more than the benchmark negotiated with the Japanese -- that's a big 'if' but it's the risk they run," Schroeders said.

Rio Tinto's Australian-listed shares were down 2.5 percent early on Wednesday while BHP Billiton dropped 2.3 percent.

## All Nippon to sell shares to raise money for planes

**TOKYO (Bloomberg)** — All Nippon Airways Co., Japan's second-largest airline, will raise as much as 183 billion yen (\$1.9 billion) selling shares as it increased its order for Boeing Co. 787 planes.

The carrier will sell the shares this month, it said in a statement. Its shares fell the most since October in Tokyo trading after the Nikkei newspaper reported the equity sale earlier.

The airline is selling stock for the first time since 2006 as international passengers drop the most in more than five years amid Japan's worst postwar recession. ANA, as All Nippon is also known, plans to buy 55 Dreamliners, up from a previous order for 50 planes.

"ANA is taking advantage of a rebound in the stock market to sell shares," said Mitsushige Akino, who oversees \$615 million in assets in Tokyo at Ichiyoshi Investment Management Co. "It's risky because if there's a drop in the stock market then suddenly individual investors will get worried and hold back."

The airline fell 5.9 percent to 317 yen as of the close of trading on the Tokyo Stock Exchange on Wednesday. The



shares have fallen 10.5 percent this year as the Nikkei 225 Stock Average has surged 12 percent.

### Profit prediction

All Nippon, forecasting a profit this fiscal year, had 60 billion yen in cash and near cash on hand at the end of March along with 84 billion yen in securities, according to its earnings report.

Larger rival Japan Airlines Corp. said last week that it will borrow 100 billion yen from banks as it forecasts a second year of losses.

The carrier is predicting a loss of 63 billion yen this fiscal year compared with ANA's forecast of a 3 billion yen profit.

Boeing last week announced the 787 Dreamliner would miss its June 30 first-flight target after monitors on the body above the wing showed stresses beyond what models predicted. The aircraft maker hasn't announced a new schedule. The airline said the delay will not affect its business. The carrier increased its order of Dreamliners by five planes by switching to 787s from five 767-300ERs, which it had on order. It will still take delivery of another four 767-300ERs.

ANA had an 11.8 percent drop in overseas passengers in the fiscal year ended March, its biggest drop in five years.

## Sony struggling as Walkman hits 30th anniversary

**TOKYO (AP)** — When the Sony Walkman went on sale 30 years ago, it was shown off by a skateboarder to illustrate how the portable cassette-tape player delivered music on-the-go — a totally innovative idea back in 1979.

Today, Sony Corp. is struggling to reinvent itself and win back its reputation as a pioneer of razzle-dazzle gadgetry once exemplified in the Walkman, which Wednesday had its 30th anniversary marked with a special display at Sony's corporate archives.

The Japanese electronics and entertainment company lost 98.9 billion yen (\$1.02 billion) in the fiscal year ended March — its first annual loss in 14 years — and is expecting more red ink this year.

The manufacturer, which also makes Vaio personal computers and Cyber-shot cameras, hasn't had a decisive hit like the Walkman for years, and has taken a battering in the portable music player market to Apple Inc.'s iPod.

Sony has sold 385 million Walkman machines worldwide in 30 years as it evolved from playing cassettes to compact disks then minidisks — a smaller version of the CD — and finally digital files. Apple has sold more than 210 million iPod machines worldwide in eight years.

There is even some speculation in the Japanese media that Sony should drop the Walkman brand — a name associated with Sony's rise from its humble beginnings in 1946 with just 20 employees to one of the first Japanese companies to successfully go global.

"The Walkman's gap with the iPod has grown so definitive, it would be extremely difficult for Sony to catch up, even if it were to start from scratch to try to boost market share," said Kazuharu Miura, analyst with Daiwa Institute of Research in Tokyo.



Miura believes Sony can hope to be unique with its PlayStation 3 and PlayStation Portable video game consoles, but it has yet to offer outstanding electronics products that exploit such strengths.

The Nikkei, Japan's top business newspaper, reported recently that Sony set up a team to develop a PSP with cell-phone features. But Miura said the idea was nothing new, since the iPhone, another Apple product, has gaming features, and Sony isn't likely to have such a product soon.

Earlier this year, Sony Chief Executive Howard Stringer announced a new team of executives and promised to bring together the hardware electronics and entertainment content divisions of Sony's sprawling empire — an effort that he said will turn around Sony and restore its profitability.

But Stringer, and his predecessors, have been making that same promise for years.

When the iPod began selling like hotcakes several years ago, a Japanese reporter asked Shizuo Takashino, one of the developers of the original Walkman, why Sony hadn't come up with the idea. After all, the iPod seemed like something that should have been a trademark Sony product.

Takashino had been showing reporters the latest Walkman models, which played proprietary files. Sony has been criticized for sticking to such proprietary formats. One major reason for the iPod's massive popularity was that it played MP3 files, which are widely used for online music and compatible with many devices.

Other names were initially tried for international markets like "soundabout" and "stowaway." Sony soon settled on Walkman. The original logo had little feet on the A's in "WALKMAN."



## Asian stocks drop on share sale concerns, falling commodities

**TOKYO (Bloomberg)** — Asian stocks dropped for the second time this week on concern share sales will dilute the holdings of equity investors and as falling commodities prices drove resource producers lower.

Orix Corp., Japan's No. 1 non-bank lender, fell 4.8 percent after the Nikkei newspaper said it will sell stock. Frasers Commercial Trust plunged 13 percent in Singapore after the office landlord said it would sell shares at a discount. BHP Billiton Ltd., the world's largest mining company, sank 2.4 percent as oil and metals fell. Baoshan Iron & Steel Co. jumped 4.4 percent as Chinese manufacturing rose for a fourth month.

The MSCI Asia Pacific Index lost 0.2 percent to 103.03 as of 5:59 p.m. in Tokyo, after swinging between gains and losses. The measure rallied 15 percent in the first half of 2009, the best start to a year since 1999 and outpacing gains by gauges in Europe and the United States.

"I'm expecting to see more companies sell shares," said Yoshinori Nagano, a senior strategist at Tokyo-based Daiwa Asset Management, which oversees the equivalent of \$90 billion. "China's economy is on its feet again, thanks to government stimulus measures."

Japan's Nikkei 225 Stock Average retreated 0.2 percent. The Takan index of business confidence came in below economist forecasts, yet still showed the first improvement in sentiment in more than two years. The gauge of large manufacturers rose to minus 48 in June from minus 58 in March, the Bank of Japan said on Wednesday. Economists surveyed by Bloomberg News had predicted a reading of minus 43.

### Australia manufacturing

Australia's S&P/ASX 200 Index dipped 2.1 percent, the region's largest drop. The nation's manufacturing industry contracted for a 13th month in June, a survey showed. Home-building permits fell 12.5 percent from April, compared with forecasts for a 3 percent increase.

China's Shanghai Composite Index was the region's best performer, climbing 1.7 percent, led by industrial companies. Hong Kong's market was shut on Wednesday for a public holiday.

Futures on the Standard & Poor's 500 Index increased 0.8 percent. The index declined 0.9 percent on Tuesday as the Conference Board's index of consumer confidence unexpectedly slipped to 49.3 last month from a revised 54.8 in May. Economists had expected the gauge would rise to 55.3.

U.S. stocks were also hit by a government report that delinquency rates on the least risky mortgages more than doubled in the quarter ended March 31 from a year earlier, suggesting job losses pushed more Americans toward foreclosure.

### Share sales

"The disappointing numbers were a sobering reminder that we're still in for a tough second half of the year," said Chris Weston, an institutional dealer at IG Markets in Melbourne. "This downturn in confidence pushes the recovery story back, and has certainly led to a more defensive stance for traders."

### MAJOR CURRENCIES

Currency	To U.S. Dollars	To IR. Rial
Euro	1.40	13,976
100 Japanese Yen	1.03	10,282
British Pound	1.64	16,381
Canadian Dollars	0.86	8,572
Swiss Franc	0.92	9,169
Australian Dollars	0.80	8,025
Swedish Krona	0.13	1,293
U.S. Dollars	1	9,954

### COMMODITIES

Light Crude	\$ 69.89 per bbl.
Gold	\$ 927.40 per oz.
Silver	\$ 13.60 per oz.
Platinum	\$ 1,185.30 per oz.
Copper	\$ 2.27 per oz.