International Business News

iPhone 4 sales in South Korea start this week

AFP, Seoul

South Korean telecom operator KT Corp said on Sunday it planned to begin selling Apple's iPhone 4 this week amid growing competition to expand in the potentially lucrative smartphone market.

KT, the country's sole distributor for the gadget, plans to start sending out the gadgets on September 10 to around 270,000 customers who placed pre-orders, a company spokesman said.

"Our branches will also start selling the phones after the pre-ordered items are shipped off," he said.

KT, South Korea's second-largest wireless operator, has sold about 890,000 iPhones since the market debut of earlier models last November.

And tens of thousands of people jammed the company's website on August 18 as it started accepting online orders for the latest model of the popular smartphone.

Suzuki to build new auto plant in India

AFP, Tokyo

Japan's top minicar maker Suzuki Motor Corp. is to build a new auto assembly plant near the Indian capital New Delhi in a bid to meet growing demand in the country, a newspaper reported on Sunday.

Maruti Suzuki India Ltd., a local subsidiary of Suzuki, plans to construct the new plant in Manesar near its assembly base, with operation scheduled to begin in 2013, the Nikkei business daily said, quoting company sources.

The plant, its third in Manesar, will be built at a cost of 30 billion yen (356 million dollars) with an annual capacity of 250,000 vehicles, boosting Suzuki's annual production in India to 1.7 million units, the daily said.

Suzuki, one of the earliest foreign entrants into India's auto market, has built a dominant position there, boasting a market share of nearly 50 percent, the newspaper said.

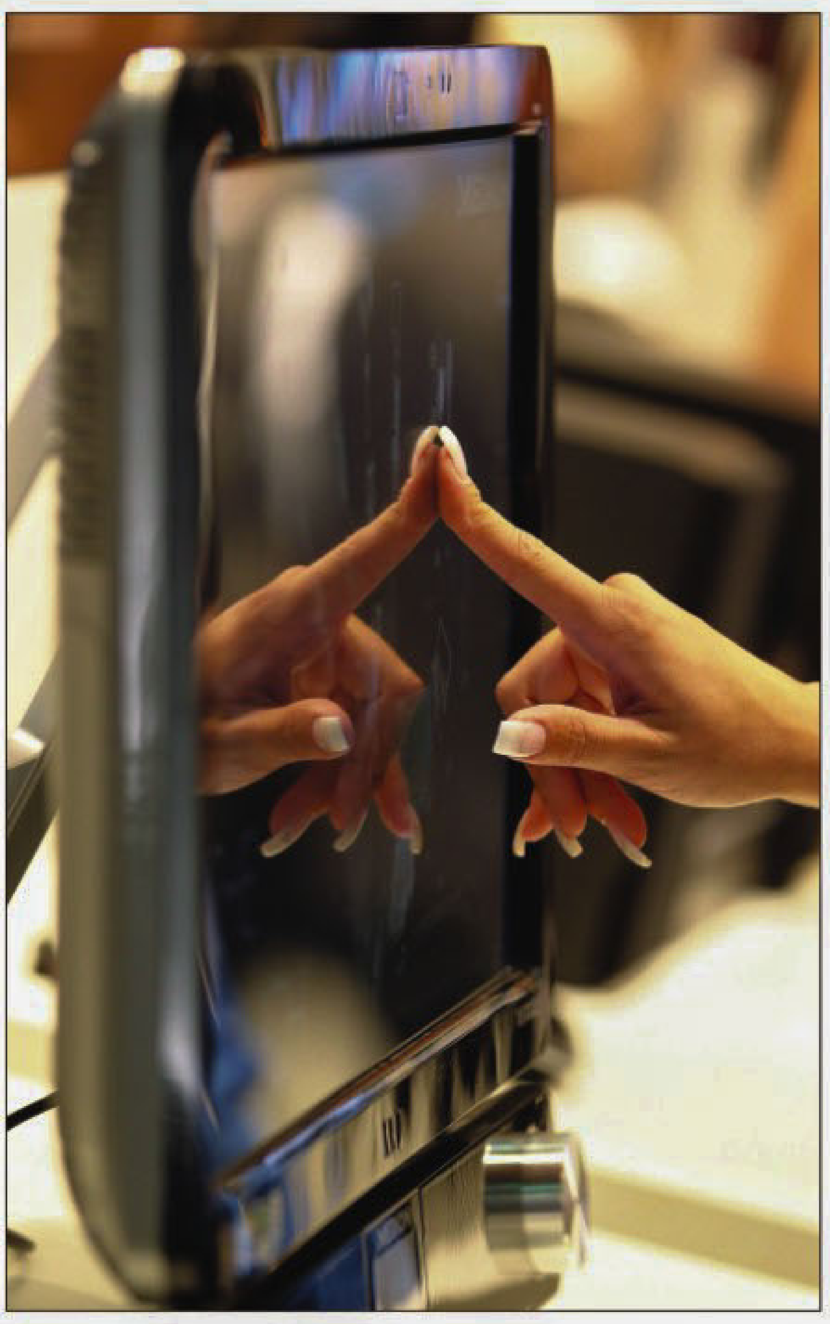
Samsung raises 2010 smartphone sales target

REUTERS, Seoul/Berlin

Samsung Electronics Co Ltd, the world's second-biggest maker of mobile phones, expects to sell up to 25 million smartphones this year, exceeding its earlier target, the company said on Friday.

JK Shin, head of Samsung's Mobile Communications division, was quoted as saying at the IFA trade show in Berlin that its 2010 smartphone sales would be far higher than its original target of 18 million units, due to the popularity of its Android-based Galaxy S model.

"Our smartphone shipments will easily surpass 20 million units this year, thanks to strong sales of recently released Galaxy S ... We expect the number could rise to as high as 25 million this year," Shin was quoted as saying by news provider EDaily.



AFP

A fair goer tries out a touchscreen television at the 50th edition of the "IFA" electronics trade fair in Berlin on Saturday. IFA, one of the world's biggest consumer electronics and home appliances fairs, opens to the public from Friday to Wednesday.

India's Tata Steel may seek $5.4b loan

AFP, New Delhi

The world's seventh-largest steelmaker, Tata Steel, is in talks with banks for a 5.4-billion-dollar loan for its British unit Corus, a report said Saturday.

The Economic Times newspaper said BNP Paribas, HSBC Holdings and Royal Bank of Scotland may be among the banks contributing funds for the 3.5-billion-pound (5.4-billion-dollar) loan.

The report noted that Tata Steel chief financial officer Koushik Chatterjee said last month that the Mumbai-based steelmaker planned to refinance as much as 6.5 billion dollars of its long-term debt.

Tata Steel took loans to fund its 13-billion-dollar acquisition of Anglo-Dutch steelmaker Corus in 2007, just before the global financial crisis hit demand for steel.

There was no immediate company comment on the report, which cited unidentified sources with direct knowledge of the matter.

LIFESTYLE

Solar power changes lives

IQRAMUL HASAN

In Chargazaria, a remote village of Shibchar in Madaripur with no link to the electric grid, Amir Ali had stopped performing his prayers in the local mosque. He is a devout man, but in the heat and humidity of the summer, Ali struggled to pray in the mosque, so he often performed his prayers at home instead.

That changed early this July, thanks to new solar panels on the mosque roof from a Bangladeshi manufacturer. Solar panels use sunlight to produce power. "I feel comfortable now in the mosque," he said. "It is my pleasure to come here and stand under cool of the fan and light of the bulb at night."

Electro Solar Power Ltd, the country's lone solar module assembler, installed the three-kilowatt (KW) solar panel at the mosque. The system supports six fans and three lights, and has enough extra to soon feed power to the nearby school. The system costs Tk 16.5 lakh, including installation.

Since it started selling in May, Electro Solar has found many eager customers. Branches of Mutual Trust Bank at Sirajganj and Ishwardi both bought one solar panel, each of which produces 1 KW -- enough to power 10 lights and one personal computer. Khulna University installed a solar panel on its campus.

Electro Solar hopes to sell panels that will produce a total of 5 to 8 megawatts (MW) in its first year. It may reach this target because it is also the country's only company that assembles high-quality solar panels at an affordable price.

Md Moshiul Alam, the firm's senior engineer, Sales and Marketing, told The Daily Star that there are two types of solar panel in the market, monocrystalline and polycrystalline: "The first one is li tle bit expensive; and of course better in quality."

"We produce only monocrystalline panel for its quality, but most of the time people do not understand the difference," he said. The main difference is that they are 17 percent more efficient and take up less space.

Although the panels may last for more than 50 years, Electro Solar gave warranty for 25. Alam said if it is kept in good condition, the monocrystalline panel will serve just 25 years and produce electricity at a cost of Tk 20 to Tk 25 per watt.

The real pay-offs are long term ones. A customer who buys a 20-watt monocrystalline panel that operates in five hours of sun per day will generate enough power to recoup his investment in 11.6 years at current electric rates. The longevity for a polycrystalline panel of the same cost is 12.8 years.

The prices of the high-quality solar panels imported from China and India range from Tk 170 to Tk 200 for each "watt peak". (The direct current output of a solar module per hour measured watts by an industry standard test before the solar module leaves the factory, abbreviated as WP).

The low-quality polycrystalline modules are also available for as little as Tk 100 per WP. Electro Solar high-quality solar panel costs Tk 140 to Tk 160 per WP.

Alam said the cost is less if the installation is part of the grid, and so it requires no battery. "Currently all the solar panel installed in the country are off the grid, and it is costlier." The battery increases the cost by 30 percent.

Off-the-grid solar power means the electricity must be stored for nighttime use. On-the-grid use saves demand on the power plants of the national grid, and can play a great role in reducing load-shedding.

The rate of power production depends upon the intensity of the sun's rays. In the rainy season and the winter, the production of power is reduced between 10 percent and 100 percent, depending on cloud thickness.

In Bangladesh, most companies that sell solar panels target rural customers. Electro Solar mainly focuses on urban consumers, who consume more power than villagers.

Solar panels may, according to Alam, also reduce the public use of expensive "Instant Power Supply" units that that store power from the national grid.

Electro Solar's plant is located at Savar in Dhaka district, on eight acres of land. The company can produce a set of solar panels with a capacity of 300 WP that are collectively known as solar array.

The company recently got an international certification of its safety and performance that enables it to export the panels. Engineer Ansar Uddin, Electro's managing director, said this certificate placed his company in the same level of other global companies that export solar panels.

"We've already supplied solar panels to different NGOs and individual companies that had imported solar panels from China or India," he added. Electro Solar also plans to bid for a government tender to install solar panels atop a government office.

It now imports all components from other countries to assemble the panels, but may soon buy the frames and glasses from the local companies. Alam said the sand of Cox's Bazaar and Saint Martin of Bangladesh contains high-quality silica, considered a perfect raw material for solar panels.

But it will require a Tk 300 crore to 500 crore investment to set up a plant that can produce silicon cells and wafers here, Alam said. He doubts that the initial turnover from the plant can justify the investment.

Meanwhile, the customers are keen on solar panels. Siraj Ahmed, a teacher at Chargazaria Primary School, said a solar-powered light and fan would encourage the students to attend class. In hot weather, students do not want to come to school.

And if the students learn a little more at school, it will surely light up their eyes a little brighter for the rest of their lives.

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ELECTRO SOLAR

A solar power system installed by Electro Solar in Ishwardi.

Panel installation

A rooftop solar panel installation should ideally get at least four hours of direct sun between 10am and 3pm. Such installation takes as little as two days, if it is not raining.

Industrial set-ups require more time to install, and in some cases, Electro Solar imports materials to fill the order, which can take more than two months.

The price of the solar panel and other accessories varies with the size and capacity of the system. Electro Solar offers packages that include the cost of installation.

For a 20-watt module for Tk 12,480 would power two 5-watt CFL or five 2-watt LED lamps (if it works for four hours a day).

A system for one 7.5-watt fluorescent tube, and a 17" colour TV, costs Tk 36,565.

To calculate your demand: First count the fraction of the hour of use for each appliance. And then, take the wattage rating of each appliance and multiply that by the time fraction. For example, a television that draws 200 watts and runs for three hours (200x3=600) will use 600 watt-hours.

If the total power consumption equals 1,200 watt-hours per day, then that's the amount of solar power needed -- plus 10 percent for battery losses. If a 200-watt solar panel sat in full sun for seven hours, it produces 1,400-watt hours (200 watts x 7 hours) = 1,400 watt hours. That's more than enough.

COLUMN

'Too big to fail' is too big to live

JOHN KEMP

Poor use of language reflects muddled thinking and compounds mistakes. No phrase in the debate about financial reform is more wrong-headed and pernicious than the description of certain institutions as "too big to fail". It should be expunged from the lexicon.

No institution is too big to fail. But some institutions are too big to liquidate. Such institutions pose an existential threat to the stability of the financial system and cannot be allowed to live.

If the size of an institution's positions in one market, or across a web of related markets, are too big to liquidate safely, they must be scaled back or the institution itself must be broken up to protect the safety and soundness of the system as a whole.

Too big to liquidate, not too big to fail, is the appropriate test for regulators and policymakers to apply when deciding whether to restrict the trading activities of banks and hedge funds or to forcibly break up some of the giant universal banks.

In an excellent history of supervision entitled, "Integrity, Fairness and Resolve", published earlier this year by the Federal Reserve Bank of Kansas City, author Tim Todd quotes legendary banking supervisor and one-time FDIC Chairman Bill Taylor on the subject.

In 1991, Taylor told his Senate confirmation hearing that nothing was too big to fail; it was instead a question of whether an institution was potentially "too big to liquidate" without causing wider damage:

"[T]here may be banks whose role in our financial system may make outright liquidation an inappropriate response if these banks cease to be viable. However this is not to say these banks cannot fail.

If they do fail, they can be merged, sold or recapitalised, with shareholders, managers and directors suffering the same adverse consequences they would if the institution had been closed and liquidated".

Taylor was speaking at the height of the savings and loan crisis, which took down thousands of mostly small institutions, and when memories of the failure of Penn Square (1982) and Continental Illinois (1984) were still fresh. The recent financial crisis has swirled around much bigger institutions. But the essential point is the same.

Some observers have focused on what they describe as the increased "interconnectedness" of the financial system as the critical weakness and mechanism by which the crisis was propagated, rather than the size of the institutions themselves or their positions.

The failure of the Long-Term Capital Management (LTCM) hedge fund in 1998 and the quant crisis in August 2007 highlighted dangerous interdependencies in networked markets.

But the highly networked nature of modern markets is not new and should not obscure the deeper problem, which was the sheer scale of the positions that needed to be liquidated. It was position scale -- not networking itself -- that lay at the heart of the crises.

If LTCM's and the quant funds' positions had been small in relation to the underlying markets, they could have been unwound with minimal impact on other market participants -- painful but not fatal.

It was because they had been allowed to amass enormous positions that liquidation unleashed a destructive vortex that fed upon itself.

The perilous nature of large positions also ensured that hedge fund Amaranth's natural gas positions had to be acquired by Citadel Investment Group and JP Morgan in an effectively off-market transaction in 2006.

More recently bankrupt Lehman derivatives positions were transferred by CME Group in an auction, some details of which CME fought in court to keep secret. Positions were so large they could not be safely liquidated on the open market without risking chaos and spreading defaults.

It was for exactly the same reason the Federal Reserve System and the U.S. Treasury launched the biggest of all the bailouts and assumed responsibility for AIG's derivatives positions.

Positions amounted to such a large share of the market that there was no way they could be liquidated without causing severe disruption and possibly threatening the continued existence of the market itself.

The peril of big positions is not new and should be well understood by regulators and the public. It was losses from a failed squeeze in the shares of the United Copper Company (UCC) in 1907 that triggered a wave of defaults and led to the banking panic that year.

In 1980, the collapse of the Hunt Brothers' corner of the silver market threatened to destabilise their broker and triggered fears "some Wall Street firms and even some large banks might collapse", according to Todd. "The dramatic collapse even fuelled concern about the very futures markets themselves".

A consortium of financial institutions had to be arranged to provide credit lines to the Hunts to protect the rest of the system.

Safe liquidation is the only effective discipline on financial institutions and the way to ensure markets remain healthy. It is a powerful argument to support current efforts to impose tougher position limits and curb proprietary risk-taking by the major investment banks.

The past two decades have seen a relentless increase in concentration -- which has actually worsened in the aftermath of the crisis due to the shot-gun absorption of failed banks. It is time to reverse that trend and recognise that a more diverse financial system, by permitting failure, is also a safer one.

Britain's banking behemoths and the other massive universal banks pose a serious threat both to themselves and to the safety and soundness of the system as a whole. While the industry will fight tooth and claw to keep them intact, regulators should be bold and insist on a break-up to reduce concentration.

REUTERS

A worker passes a street sign in the Canary Wharf financial district in London.

John Kemp is a Reuters market analyst. The views expressed are his own.