Samsung, Asian tech firms set to step up challenge to Apple

REUTERS, *Seoul*

Nimble Asian technology firms led by Samsung Electronics appear well placed to slow the runaway success of Apple, as news of its visionary CEO Steve Jobs taking medical leave battered Apple's shares.

Jobs' latest medical leave, the third time since 2004, comes at a time when the world's most valuable technology firm faces the biggest threat from Google, through its Android mobile operating system, which has seen torrid growth as the preferred choice of both iPhone and iPad rivals.

Samsung, at the forefront of the long queue of rivals determined to halt Apple's runaway boom in smartphones and tablets, is seen as a key threat, and its shares jumped more than 3 percent to a record, partly helped by such expectations.

"There'll be no fundamental change in Apple but the news of Jobs taking leave could sentimentally hit Apple shares and offer investors an opportunity to take profits from its shares, which have risen so much recently," said Lee Seung-woo, an analyst at Shinyoung Securities.

"Then Samsung is the best alternative for investors seeking exposure to the tech sector as it's the most formidable threat to Apple for now."

Apple's surprise announcement -- made on a US market holiday -- dragged its shares down more than 6 percent down in European trading on Monday. They are up 62 percent in the past 12 months on the Nasdaq stock exchange.

Samsung, under the Lee family, has become a top global brand in the space of 10 years and now boasts a market value of $136 billion, equal to the combined value of Sony Corp, Nokia, Toshiba Corp and Panasonic corp.

Still it's worth less than half of Apple, which boasts $320 billion market value.

A rapid rise of competitors adopting Android phones would also mean little differentiation and weaker profit margins for many Asian firms rushing to introduce copycat products, compared with Apple's estimated 40 percent-plus margins on the iPhone.

REUTERS

Samsung 'Wave' smartphone is seen during the Mobile World Congress in Barcelona.

Sony has also joined the foray, declaring it wants to become No.2 tablet maker after Apple by 2012, although it has yet to unveil its own tablet and needs to regain the ground lost to Asian rivals first before targeting Apple, analysts said.

"Sony... has branched out into movies, games music and other areas and that has meant Sony has had to spread its people across a wide set of objects. It means they lose sight of what consumers want," said Akihide Knugawa, a fund manager at T&D Asset Management, which owns Sony shares.

"Also in the past Sony didn't have to compete against Taiwanese or Korean companies...Samsung's strength plus exchange rates (of a weaker won) make it difficult for Sony to come up from behind."

Deemed irreplaceable by many Apple fans and investors, pancreatic cancer survivor Jobs said on Monday he would take medical leave. The announcement, which came just a day ahead of the company's quarterly results, did not specify why or for how long he would be absent, unlike the previous time.

The announcement revived concerns over the long-term future of Apple, although Jobs said Chief Operating Officer Tim Cook would take responsibility for day-to-day operations once again.

The impact of the Apple news could be mixed on the Asian technology sector. Many firms, including Taiwan-based Hon Hai, South Korea's LG Display and even Samsung depend on the iPhone and iPad maker by manufacturing the hot selling devices and by supplying display, chips, phone cases and other accessories.

But analysts said the impact on Apple's operations and its Asian rivals and partners should be limited in the short term, since its product line-up was strong, although his absence would be a worry if it became prolonged. Cook ran day-to-day operations during Jobs' last absence in 2009.

"Apple's roadmap is all set and its iPhone 5 is ready to go, leaving little room for competitors to cut into its share," said Bonnie Chang, an analyst at Yuanta Securities.

"HTC may have to design more cutting-edged high-end products, but its roadmap for this year has already been laid out, it may have to wait till H2 if it wanted to do anything."

Shares of Samsung, the world's top memory chipmaker and No.2 handset vendor, jumped 3.4 percent on Tuesday before closing up 2.1 percent. Shares of Hon Hai, which counts Apple as its major client, were unchanged, those of LG Display, which supplies flat screen for Apple, fell 0.1 percent and smartphone maker HTC dropped 0.2 percent.

Android has rapidly overtaken Apple and Research in Motion's BlackBerry to become the second-most popular platform worldwide after Nokia's Symbian, and the most popular in North America and East Asia.

Riding a boom in Android-based phones, Samsung has sold 10 million units of Galaxy S smartphone since its June launch and around 1 million units of the Galaxy Tab tablet since October.

It has also launched the Nexus S smartphone recently based on the latest version of Android and plans a series of new product launches in February to double its smartphone sales this year to around 50 million units.

IEA says high oil prices pose real economic risk

AFP, *Paris*

Oil prices near the $100 a barrel level already pose a real risk to the world economy, the IEA warned on Tuesday, as it said Chinese daily demand broke through 10 million barrels for the first time.

"Recent price levels already pose a real economic risk -- something of deep concern to producers and consumers alike," the International Energy Agency said in its latest monthly Oil Market Report.

Oil prices of $100 a barrel represent an 'oil burden' of five percent of gross domestic product on the global economy, the IEA calculated, and said such levels in the past "have clearly been associated with economic problems.

"Ultimately, oil producers, financial investors and consumers (notably import-dependent developing countries) all suffer under such a scenario," said the report.

Optimism about the global economic recovery and interest from bullish investors have pushed crude prices close to $100 a barrel in recent sessions, levels last seen in October 2008.

The rise in crude has been attributed to the rebound in the global economy, a harsh winter hitting Europe and parts of North America, as well as growth in China and other developing nations.

Oil was mixed in afternoon Asian trade Tuesday, with New York's main contract, light sweet crude for February delivery, dropping 50 cents to $91.05 a barrel and Brent North Sea crude for March delivery up 21 cents at $97.64.

The IEA, the energy policy and monitoring arm of the 34-member Organisation for Economic Cooperation and Development, said growth in oil demand in 2010 was at one of the strongest rates in three decades, albeit from a low crisis level.

Oil demand grew by 3.2 percent, an increase of 2.7 million barrels per day (mbd) year-on-year to 87.7 mbd, it said.

Moreover, "such demand strength appears to be more related to a buoyant economic recovery than to the frigid weather conditions that prevailed in most of the northern hemisphere in late 2010."

AFP

Schoolchildren from National Green Corps participate in a drawing contest on the "Save Fuel and save money" theme in Hyderabad yesterday. State-run fuel firms increased their prices for the second time in a month, raising pressure on India's central bank to hike interest rates to rein in inflation.

Poor, emerging nations make first with world investment

AFP, *Geneva*

Developing and emerging nations attracted the lion's share of the world's foreign direct investment of more than one trillion dollars for the first time last year, a UN agency said on Monday.

Fresh estimates from the UN Conference on Trade and Development showed that overall global foreign direct investment (FDI) inflows grew by just 0.7 percent to 1.12 trillion dollars in 2010.

"The bad news is that FDI is still stagnant," despite the global economic recovery and output returning to pre-crisis levels, said UNCTAD economist James Zhan.

"The good news is that FDI to developing countries and economies in transition has for the first time in history exceeded the investment flows to developed countries," he told reporters.

FDI is a measure of corporate investment across borders, including items such as new "greenfield" plants or business abroad, additional investment in foreign subsidiaries and mergers or acquisitions.

Worldwide it remains about one quarter below the levels recorded before the global financial crisis due to the slow recovery in wealthy nations, Zhan said.

Instead, developing nations in Asia and Latin America offset a further decline in the industrialised world, according to UNCTAD's estimates, while investment in Africa fell 14 percent in 2010.

UNCTAD forecast a rise in global FDI flows to 1.30 to 1.50 trillion dollars in 2011.

Zhan estimated that transnational corporations had accumulated up to five trillion dollars in investable funds but were reluctant to release them because of the uncertain economic climate.

A recovery in global FDI "will depend very much on a steady recovery of the developed economies," he said.

Last year, China crossed the symbolic 100 billion dollar barrier by attracting FDI inflows of 101 billion dollars, an increase of more than six percent, according to the UNCTAD Investment Trends Monitor.

Flows to Latin America grew by more than one fifth to 141.1 billion dollars.

But foreign corporate investment in India fell by nearly one third to 23.7 billion dollars, less than one quarter of the amount garnered by China.

Russia, Japan eye joint LNG plant

AFP, *Moscow*

Russia's natural gas giant Gazprom said Monday that it had signed an initial agreement with Japan to study the potential construction of a liquefied natural gas (LNG) plant in Russia's Far East.

The world's largest natural gas producer said that the two sides would conduct a joint feasibility study into how LNG may be compressed in the region and then transported offshore from Vladivostok, the region's main city, to Asia.

The agreement -- which was signed by the company's chief executive Alexei Miller and Tetsuhiro Hosono, the head of Japan's Agency for Natural Resources and Energy -- provided no firm dates for the plant's potential construction.

A joint engineering design of the plant would be undertaken this year, Gazprom said in a statement.

The agreement came amid reports that the Japanese trading houses Mitsui and Mitsubishi were looking to take stakes in what could be Russia's largest natural gas project, planned for Siberia's remote Yamal Peninsula.

That gas would be exported from the northwest Siberian area, north of the Arctic Circle on the Kara Sea, to Europe and Asia by LNG carrier ships in the summer months, starting as early as 2020, a Japanese news report said.

Mitsui and Mitsubishi already participate in the Sakhalin-2 natural gas development project on

Foreign investment in China hits record in 2010

AFP, *Beijing*

Foreign direct investment in China hit a record $105.7 billion last year, the government said Tuesday, highlighting growing confidence in the economy even as Beijing seeks to rein in growth.

Investment by overseas companies rose 17.4 percent year-on-year, with more than a fifth of the money flowing into the red-hot property sector, commerce ministry spokesman Yao Jian told a regular briefing.

China attracted $14.03 billion in foreign direct investment (FDI) in December alone, up 15.6 percent from a year earlier, Yao added.

"The improvement in the investment environment has become a new driving force of China's FDI," Yao told reporters.

Blistering growth in the world's second-largest economy and expectations for a stronger currency have attracted a growing number of foreign investors to China, hoping to get a better return on their money, analysts said.

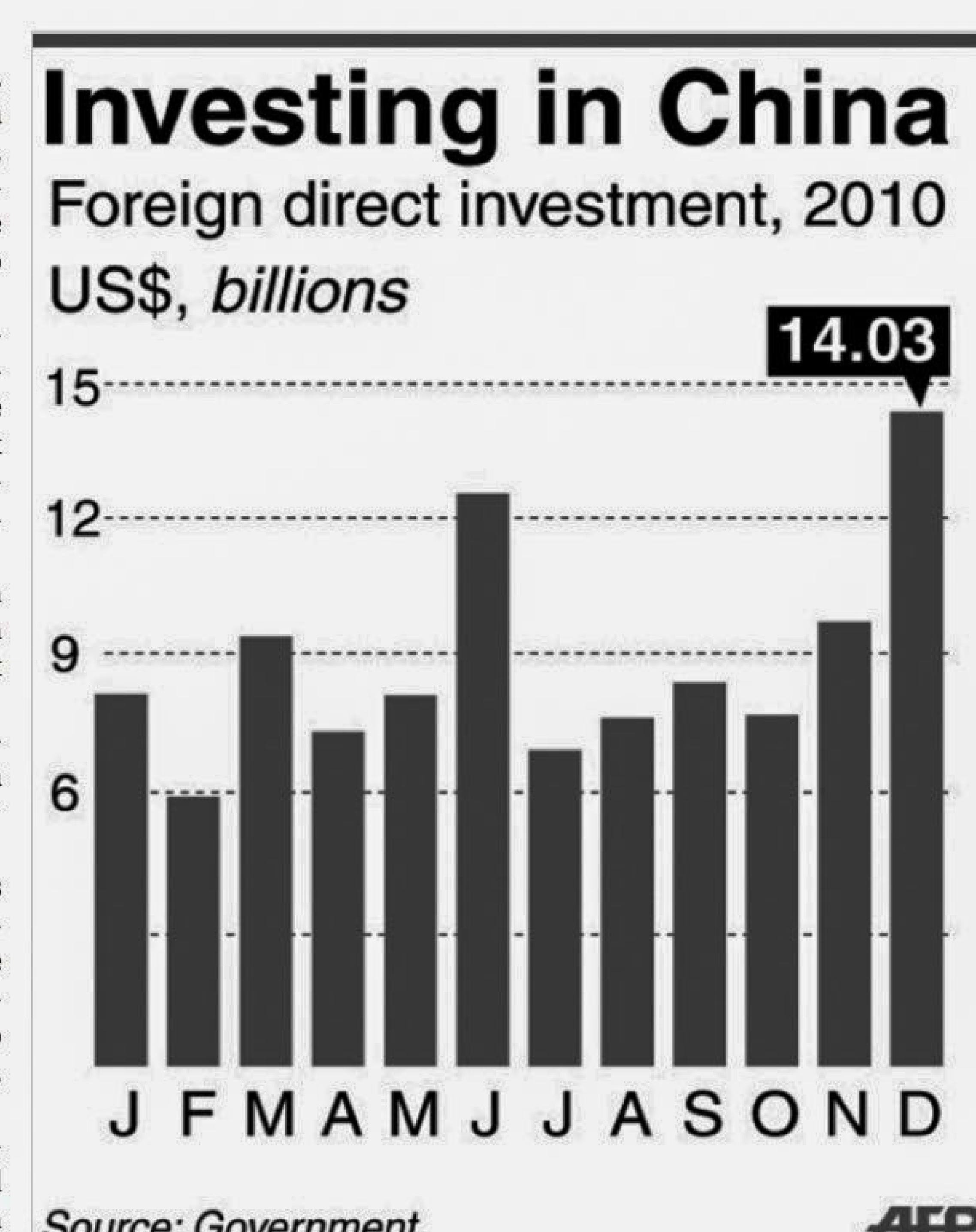
"The strong full-year FDI figures show that the world is still largely sold on the China growth story, viewing China as a high-growth, high-returns location," said Alistair Thornton, an analyst at IHS Global Insight.

"Tepid growth prospects in the eurozone and United States have only served to heighten this."

The data were released ahead of key figures due later this week that are expected to show the Chinese economy expanded by a rapid 10 percent in 2010.

Beijing, alarmed by soaring food and property prices, has been trying to reduce the volume of money flowing into the economy as inflation continues to soar -- in November, it rose at the fastest pace in two years.

The large amount of foreign funds into the real estate market -- 22.7 percent of total FDI -- will likely be a "concern" for Beijing, Thornton said.



FDI slowed sharply in August, rising just 1.4 percent year-on-year compared with 29.2 percent in July and 39.6 percent in June.

But in September it picked up again, increasing 6.1 percent year-on-year, while in October it rose 7.9 percent and then leapt 38.17 percent in November.

The data include investment by overseas companies in industries such as manufacturing, real estate, services and agriculture but exclude money put into banks and other financial institutions.

China's investment abroad in non-financial sectors also hit a record in 2010, rising 36.3 percent on year to $59 billion as the country pumped more money into overseas energy, mining and agricultural projects.

Despite the sharp increase, Yao said China wanted even greater access to foreign markets and highlighted the recent obstacles encountered by Chinese firms when trying to invest in the US steel, manufacturing and telecom sectors.

"China is improving our investment environment and legal system. We hope relevant countries will further open their markets and areas available for foreign investment," he said.

Overseas investment through mergers and acquisitions totalled $23.8 billion, accounting for 40.3 percent of the total.

At the end of 2010, the country's accumulated overseas investment in non-financial sectors stood at $258.8 billion, Yao said.