

Japan quake stirs unease about global supply chain

AP, Beijing

A shortage of auto parts and other components after Japan's earthquake has stirred unease about two pillars of manufacturing: the country's role as a crucial link in the global supply chain and "just in time" production.

Manufacturers slashed costs by adopting Japanese-style small inventories and close links to a tight circle of suppliers. But that left them without a cushion of raw materials to ride out disruptions, forcing factories as far away as Louisiana to close when the March 11 quake and tsunami battered Japanese producers.

"There's no question people are saying: Look, we may have gone too far. Let's revisit this and do some different things about just-in-time," said Jim Lawton, vice president of D&B Supply Management Solutions, a unit of Dun & Bradstreet Inc.

Companies can use more suppliers spread over more countries but that would mean they have less bargaining power to lower costs. Manufacturers may hold more inventories. That might mean higher prices for consumers.

Tsunami damage and power shortages that idled thousands of Japan's factories highlighted its role as a key - and sometimes the only - source of auto parts, graphics chips and other high-end components. Lack of parts from Japan prompted General Motors Co. to temporarily shut down a Louisiana factory that makes pickup trucks. Other



AFF
A businessman walks past a share price board in Tokyo yesterday. Japan's share prices rose 249.71 points to close at 9,708.79 points at the Tokyo Stock Exchange, as a weaker yen spurred buying after the previous day's losses, with investors closely watching efforts to contain Japan's worst nuclear crisis.

companies have warned of possible disruption in supplies of mobile phones, personal computers and other goods.

CEOs embraced "just in time" production in the 1990s, imitating Japan's automakers and other manufacturers. They boosted profits by cutting stockpiles of parts and won discounts by buying more parts from a smaller group of suppliers.

"All these things have made companies lower-cost and much more competitive but they have

made them much more brittle in cases like this," said Lawton, a former procurement executive for Hewlett-Packard Co.

GM, Nokia Inc. and other major companies said they were closely watching their supply chains in Japan but declined to say how their long-term strategy might change.

Already, suppliers of electronics and other components in Taiwan and Southeast Asia are seeing a spike in orders as customers look for alternatives to Japan or

Japanese companies outsource work from their idled factories.

"There has been indeed an increase in our orders because many Japanese chipmakers have suffered damage from the quake and tsunami," said CEO Morris Chang of Taiwan Semiconductor Manufacturing Co. The company is the biggest contract producer of chips used in mobile phones, computers and video games.

Taiwan's Foxconn Technology Group, which manufactures Apple Inc.'s iPod and other prod-

ucts, and Wistron Corp. have received extra orders from Sony Corp. to produce TV screens and digital cameras, according to local news reports. Spokespeople for both companies declined to confirm that.

South Korean companies, which compete with Japan in electronics, autos and steel, stand to benefit but have avoided talking about that publicly, possibly for fear of appearing to profit from a disaster that killed as many as 18,000 people.

Samsung and Hynix Semiconductor Inc. could sell more flash memory chips to Apple and other customers that used to rely on Japanese suppliers, said Lee Min-hee, who follows the industry for Dongbu Securities in Seoul.

Samsung said in a written statement it was assessing the impact of the disaster but did not respond to questions about how its business might change.

Also in South Korea, LG Chem Ltd. used chemicals from Japan to make batteries for laptop computers and electric cars but might switch to Korean suppliers or make parts itself once its stockpiles run low, said a company spokesman, Terry Lee.

"In the long-term if Japan is struggling it could cause some trouble," Lee said.

Japan's own makers of autos and electronics already were shifting production to China and Southeast Asia in search of lower costs. That might accelerate as they look for less disaster-prone manufacturing bases.

Nokia sues Apple again over patents

AP, Helsinki

Nokia is suing Apple in the United States for allegedly infringing patents in its mobile phones, portable music players, tablets and computers, the Finnish company said Tuesday.

The complaint, filed with United States International Trade Commission, ITC, is the latest in a string of lawsuits by Nokia and comes as the world's largest handset maker struggles to keep up with smartphone rivals such as Apple Inc.

Apple and Nokia Corp. have been locked in a long-running legal battle over patent claims, with each side accusing the other of infringing on patents that cover features such as swiping gestures on touch screens and the built-in "app store" for downloading updated programs.

The major phone makers - including Apple, Nokia, Microsoft, Motorola and Taiwan's HTC - are increasingly turning to patent litigation as they jockey for any edge to expand their share of the rapidly growing smartphone market. Companies such as Nokia are also seeking to protect their business as the popular iPhone encroaches on the rest of the industry.

The lawsuits cover all aspects of basic phone use, from technology used to synchronize email, calendars and contacts, to methods to extend battery life.

Although these legal disputes generally don't stop products from reaching consumers, litigation can be used to extract licensing fees from competitors. It can also help distract rivals and even discourage them from entering a particular market.

Nokia said the seven patents in the new complaint relate to its "pioneering innovations" that Apple allegedly is using "to create key features in its products, including in multitasking operating systems, data synchronization, positioning, call quality and the use of Bluetooth accessories."

Last week, the United States International Trade Commission found no violation in an earlier complaint. Nokia said it "is waiting to see the full details of the ruling before deciding on the next steps in that case."

India's 'digital divide' worst among BRICs

AFF, New Delhi

Most Indians are missing out on the "digital revolution" due to poor Internet access for the nation's poor, despite the economy boasting one of the world's strongest growth rates, a study found.

The study said India was at "extreme risk" from a lack of "digital inclusion" -- along with sub-Saharan Africa -- as a vast proportion of its 1.2 billion population were being left behind shut out of the so-called.

"Digital inclusion has the potential to bring education to people in countries where educational infrastructure is limited and the development of cadres of teachers is still constrained," said Alyson Warhurst, head of risk analysis firm MapleCrest, which carried out the survey.

Digital inclusion is also crucial in helping people take part in economic activities and improves democratic governance, Warhurst added.

A Digital Inclusion Index compiled by British risk analysis firm MapleCrest found that of 186 countries surveyed India was in the lowest category, well behind its peers Russia and China in the so-called BRIC grouping of emerging economies.

India's economy is one of the fastest growing in the world and, having powered out of the global financial crisis, this year is expected to expand 8.6 percent and 9.0 percent next year.

However, the study found that its population is not feeling the benefit and was being largely deprived of access to the Internet.

On a scale of one to 138 with one being the worst, India stood at 39, in the same "extreme risk" category as Niger, which ranked number one, Chad and Ethiopia.

Russia stood at 134, Brazil at 110 and China at 103, all of whom are classified as being at "medium risk",



REUTERS
A customer shows the iPhone 3G after buying it at an outlet in New Delhi, India.

still well behind those in developed economies.

The Netherlands came top of the index at 186, with Sweden at 183 and Britain at 182.

India is the world's fastest-growing mobile market with some 771 million mobile subscribers and monthly additions averaging around 19 million.

But the survey found it was just the wealthier segment of India's population, mainly based in urban areas, who use modern communications technology.

Rural areas and the poor have little access to information communication technologies. India's Prime Minister Manmohan Singh has called the digital divide between the country's urban and rural sectors a matter of serious concern.

The biggest impediments to wider use of the Internet in India was expense, lack of education -- India has an adult literacy rate of

just under 63 percent -- and poor connectivity in many parts of India, the study found.

However, India now is rolling out third-generation (3G) phone services which give access to the Internet and this is expected to be a major boost to rural Internet usage.

China has the largest number of Internet users in the world with 420 million, accounting for over half Asia's Internet users.

But MapleCrest said Internet freedom in China remained a problem.

"Despite the Chinese government's efforts to expand Internet connectivity across the nation having seen how it can aid economic growth, the Internet remains heavily controlled," the study said.

The survey looked at 186 countries to identify those nations whose populations were being stifled by a lack of "digital inclusion." It used 10 indicators to assess communications technology, including mobile and broadband subscriptions.

Spain to combat black economy

AFF, Madrid

Spain's government is to approve a plan to combat the country's black economy, which represents almost one quarter of its economic output, Prime Minister Jose Luis Rodriguez Zapatero said Wednesday.

"In the month of April we are going to put in place a plan that will be approved by the cabinet aimed at making a special effort to legalise underground employment," he told parliament, confirming measures announced at last week's EU summit in Brussels.

"So that it is effective, this plan ... will include a toughening of sanctions for the heads of companies."

The government will give companies until the end of 2012 to cease employing illegal workers, before enforcing the new measures.

"The existence of a potential market in illegal employment clearly prejudices the whole of the Spanish economy, for companies that respect the law because they find themselves faced with unfair competition and for employees who do not pay contributions because they are deprived of social and labour protection," the prime minister said.

According to the most recent figures released by the Gestha union of tax inspectors, the black economy represented 23.3 percent of Spain's economic output in 2009, or 244.9 billion euros (\$344.7 billion).

The association of Spanish savings banks estimates that some four million people work in the black economy, while Spain's unemployment rate soared to 20.33 percent last year.

Greece says new S&P downgrade is 'unbalanced' and 'unjust'

AFF, Athens

Greece on Tuesday said a two-notch cut on its credit ratings by Standard & Poor's was unbalanced and unjust as it failed to take key European support decisions into account. "This seems to be an unbalanced and unjust assessment for a number of reasons," the Greek finance ministry said in a statement.

"It reflects neither the effort made to date and the achievements nor Greece's economic prospects," the ministry said.

The Athens stock exchange closed with a 1.97-percent drop after the news.

S&P, one of the top three ratings agencies, said the Greek downgrade -- and a one-notch cut for Portugal also announced on Tuesday -- reflected concerns that a new eurozone debt rescue system agreed at an EU summit last week would be to the detriment of creditors.

Both Athens and Lisbon have been

downgraded repeatedly in recent months and money markets are wagering that they will have to restructure their debt at the expense of investors.

In Greece's case, it constituted a new blow to its efforts to return to the money markets before the end of this year and prove that a painful economic overhaul is restoring confidence after a brush with bankruptcy in 2010.

"The recession is tapering out and there is light ahead, even if it still dim," Finance Minister George Papaconstantinou said in a Monday interview.

"We are ahead of our deficit reduction targets in the first two months of the year," he told Flash Radio.

Greece last year reduced its soaring budget deficit by six percentage points by adopting an unpopular austerity programme of state spending cuts mandated by the European Union and the International Monetary Fund as part of a 110-billion-euro (\$150 billion) bailout.



AFF
Workers pump fuel at a filling station in downtown Hanoi yesterday after a new petrol hike in a month. Vietnam has raised fuel prices for the second time in just over a month, further stoking concerns about inflation that is the highest in Southeast Asia. A litre of petrol jumped 10 percent to \$1.01, the Ministry of Finance announced on its website.