

# Asia offers Murdoch growth, but also more hurdles

REUTERS, New Delhi

Rupert Murdoch knows something about power and how to wield it. In Britain, the media magnate's backing was long seen as a prerequisite for anyone hoping to become prime minister; in the United States Murdoch's Fox News has helped drive debate and the growth of the right-wing Tea Party.

In fast-growing Asia, though, Murdoch has considerably less clout.

Take India, where the 80-year-old has made frequent, whirlwind visits over the past decade.

"Whenever he came to India he felt he was entitled to an audience with the prime minister," said Sanjay Baru, a former media advisor to Prime Minister Manmohan Singh, who recalls a brief meeting between Murdoch and the Indian premier in 2005 during which Murdoch "sat for a few minutes and talked about what was happening in the world at the time and a few nice things about the Indian economy and then left."

"Afterwards, the prime minister turned to me and asked 'why did he want to see me?' and I said 'I guess he wanted to be able to tell everyone that he saw you,'" Baru added with a chuckle.

As pressure mounts on Murdoch on both sides of the Atlantic following a phone hacking scandal that has killed plans for a full buy-out of satellite television operator BSKyB, many point to Asia as News Corp's best hope of growth. But the meeting between Murdoch and Singh illustrates the Australian-born businessman's predicament there: Murdoch might be able to get in to meet a prime minister, but his influence is limited.

In India, Murdoch's television network Star India remains a gem in News Corp's global portfolio with 400 million weekly viewers in one of the



Rupert Murdoch

world's fastest growing markets.

At the same time, tight foreign media ownership rules, a quagmire of bureaucracy, powerful Indian media rivals with deep political sway and an entrenched suspicion of foreign media entrants have slowed Murdoch's expansion in the sub-continent.

China, too, has proved troublesome. Beijing introduced fresh curbs on foreign broadcasters in 2005, limiting access to its 1.4 billion people. Last August, Murdoch's protracted struggle to crack the country's hermetic, highly censored media market seemed to finally lose steam when News Corp sold off its controlling stake in three key TV channels.

With Murdoch now facing a parliamentary inquiry in Britain, an FBI probe in the United States, and a possible review of media laws in Australia, some say he might face fresh scrutiny in India and Asia.

"After what's happened, I think everybody would look twice before saying yes (to Murdoch)," Baru told Reuters. "There will be more questions asked now than there was in the past."

When Rupert Murdoch first entered India in the mid-1990s with the launch of Star India, the network's mix of cricket, MTV, Bollywood and soap operas proved a wildly popular cocktail of entertainment with many of the country's 1.2 billion people.

Murdoch saw Asia's potential at a time when regional broadcasting wasn't considered viable across a highly fragmented and culturally diverse region. In 1993, he bought a majority stake in a fledgling Hong Kong-headquartered network called Star TV that was launched just two years earlier by Richard Li, the son of billionaire Hong Kong tycoon Li Ka-shing.

As with his seemingly risky early bet on

BSKyB in the United Kingdom, Murdoch's timing was good, riding India's surging television viewership growth to transform Star into one of the leading regional broadcasters in Asia, where it now reaches 65 countries.

While Murdoch's newspapers in Britain fomented an aggressive and profitable era of tabloid journalism, he's largely escaped controversy in India by beaming tamer, lighter entertainment television fare, tailored to India's conservative and religious social fabric.

Suhel Seth, a media commentator and advertising industry player, said the tabloid scandal won't hurt Murdoch's Asia properties "at all. He's got an extensive, varied and very enriched portfolio of channels. He's got some remarkable joint ventures as far as regional channels are concerned."

Murdoch's revenues from Australasia, Latin America, the Middle East and Asia were around \$5.4 billion, or around 16.5 percent of News Corp's total revenues in 2010, a relatively small percentage but one with substantial growth potential.

News Corp provides no specific breakdown of its earnings from Star India or Star Asia, but media consultancies such as Media Partners Asia estimate Star India made \$106 million in profits last year off revenues of \$545 million, glowing results in a market with rampant piracy of cable signals and low fees.

"Star India saw particularly robust advertising growth and we continue to develop market-leading capabilities in that important and burgeoning region," wrote Murdoch in News Corp's 2010 annual report.

"With recent investments in Asianet and other regional channels in India, as well as Rotana in the Middle East, we are positioning ourselves to drive and capture growth in these rapidly developing markets," Murdoch added.

## India eyeing SWF, energy deals but RBI objects

REUTERS, New Delhi

India is considering setting up a sovereign wealth fund with more than \$10 billion in assets to buy energy assets abroad to feed growing domestic demand, senior government officials told Reuters on Wednesday.

But the sources said the plan to create the country's first sovereign wealth fund (SWF) was still at an early stage amid concerns from the central bank about setting aside part of the country's foreign exchange reserves for the scheme.

"There is a group which is examining this but no decision has been taken," Montek Singh Ahluwalia, deputy chairman of the powerful Planning Commission of the Indian government, told Reuters.

India's foreign exchange reserves stood at more than \$314 billion as on July 8.

"The original size of the fund was \$10 billion but since commodity prices have increased in the meanwhile, we believe that the size of the fund, if approved, could be increased," said another senior government official who is part of the group examining the proposal. The official declined to be identified.

"The final figure will only be decided after wider consultations," he said.

A senior official at the Reserve Bank of India, meanwhile, said the central bank was worried about financing a sovereign wealth fund, given the large amounts of capital the country needs to fund a massive current account deficit.

That deficit was 2.6 percent of gross domestic product for the fiscal year ending in March 2011.

"There is no formal exchange on this," the senior official told Reuters. "We have to see the proposal. But we have already made our stance clear that we can't use dollar reserves, which is borrowed money for setting up a SWF."

The proposal to set up such a fund was first mooted by the oil ministry a few years ago over concerns that India was falling behind China in acquiring energy assets abroad, particularly coal and gas fields and mining blocks in different parts of the world, including Africa.

## Philippines' economic outlook "favourable": IMF

AFP, Manila

The International Monetary Fund praised the Philippine government for its handling of the economy on Wednesday, saying the country's outlook was "favourable" despite the shaky global recovery.

The fund said it expected the Philippine economy to grow at five percent both this year and the next despite a minor slowdown experienced in the first half of this year.

"The near-term outlook for the Philippines is favourable, characterised by moderating but still rapid growth," the IMF said in a statement following a staff visit to the country.

Although growth eased in the first half of 2011 in part due to the effects of the earthquake, tsunami and nuclear crisis in Japan, economic activity is expected to pick up for the rest of the year, the statement added.

The fund also lauded the government of President Benigno Aquino, who took office in June 2010, for starting "reforms to address long-standing constraints to growth."

They include fiscal reforms aimed at raising the necessary revenues to allow for faster growth, which benefits greater numbers of the Philippine's impoverished population, the IMF added.

The country's financial sector had remained resilient while the central bank had acted "appropriately" by raising interest rates and banks' reserve requirement earlier this year to deal with inflation-

## Merkel switches to upbeat signals before debt crisis summit

AFP, Brussels

Germany switched signals on Wednesday, suggesting that deadlock over a Greek rescue can be broken at a eurozone debt summit, after the European Commission warned that Europe is at risk.

The German government voiced confidence that Chancellor Angela Merkel and French President Nicolas Sarkozy will reach an agreement during talks in Berlin on the eve of Thursday's summit of 17 eurozone leaders.

"Germany and France... must agree. If this does not happen then we can't make progress in Europe. There is confidence on both sides that such a common line can be worked out this evening," said Merkel's spokesman Steffen Seibert.

He told a regular government briefing in Berlin that Merkel was "very confident" that the summit in Brussels will produce a "good result."

His comments marked a change in tone after Merkel on Tuesday played

down expectations of a "spectacular," all-encompassing solution at the summit.

Berlin has been at odds with Paris and the European Central Bank over the terms of a second bailout for Greece, one year after Athens received a first 110-billion-euro (\$156-billion) EU-IMF bailout that failed to put the country back on its feet.

Berlin insists that private bond holders must share the costs of a new bailout, even if it means triggering some sort of Greek default, an outcome vehemently opposed by the ECB and France.

Nervous markets are awaiting the outcome of the summit with bated breath after several rocky days for the euro and stock markets with debt crisis contagion threatening to engulf Italy and Spain.

"Nobody should be under any illusion: The situation is very serious," European Commission President Jose Manuel Barroso said in a speech.

"It requires a response. Otherwise the negative consequences will be felt in all corners of Europe and beyond," he said.



Angela Merkel

## Samsung takes shot at iPad with new Galaxy Tab

REUTERS, Seoul

Samsung Electronics Co launched a thinner and lighter version of its Galaxy tablet in its lucrative home market, trying to chip into blockbuster sales of Apple Inc's iPad.

The Galaxy Tab 10.1 inch is an upgraded version of the 7-inch introduced in October. Priced from \$500 onwards in the US market, the same as the 9.7-inch iPad, it faces tough me-too competition from more than 100 devices, mostly running Google's Android operating system.

However, so far, Apple and Samsung have the market to themselves as tablets, initially viewed as Web entertainment gadget for consumers, have caught the imagination across businesses such as luxury hotels, airlines and wedding planners.

Competing products including Research In Motion's PlayBook and Motorola's Xoom have received lukewarm reviews, Hewlett Packard's TouchPad is a late entrant and Internet retailer Amazon.com Inc unveiled plans only last week to join the overcrowded market.

Apple's market-beating June-quarter sales for iPad reported on Tuesday underscore the challenge for the South Korean company. Shares in Samsung closed up 3.5 percent, boosting the market capitalisation of Asia's most valuable technology company to about \$130 billion, in a strong market for technology stocks.

Apple sold 14 million iPads in the first half of this year, compared with analysts' sales estimates of about 7.5 million units for the Galaxy Tab over 2011.

"Apple's quarterly results showed again it's indeed the strongest rival to beat. Samsung will have a tough second half due to growing competition from Apple as it is set to introduce a new iPhone," said James Song, an analyst at Daewoo Securities.

Samsung is Apple's nearest rival



South Korean models show Samsung Electronics' new tablet computer, the Galaxy Tab 10.1, during its launch in Seoul yesterday. Samsung Electronics launched a new version of its Galaxy Tab in South Korea hoping to lure consumers away from Apple's iPad with a larger, faster and lighter tablet computers.

in the booming mobile device industry as it leverages its cost competitiveness and access to chips and core tablet components.

It has sharply narrowed the gap with Apple in the smartphone market, but remains a distant second in the tablet market, which research firm Gartner forecasts will surge to 108 million devices next year from an estimated 70 million in 2011.

"As our smartphone business grew very fast within a very short period of time, I believe it's just a matter of time for our tablet business to improve," J.K. Shin, head of Samsung's mobile division, told reporters.

Apple said on Tuesday that concern over iPad 2 supply constraints had eased and demand was still outstripping supply in some markets.

Samsung is leading the non-iPad camp challenging Apple, whose overall tablet market share is expected to shrink to below half in 2015 from an estimated 69 percent this year, Gartner says.

Some analysts however said Samsung faced a tough race.

"Samsung's overall software is

still far behind iPad, which makes me doubt if Samsung can succeed to catch up any time soon," said Lee Min-hee, an analyst at Dongbu Securities.

"Its tablet sales were quite disappointing at around 2 million units in the first half and there's a big question mark whether Samsung can meet its target for this year."

Nomura forecast Samsung's tablet sales at 7.5 million units this year, far outpacing estimates of 2.4 million for Acer, 2 million units for Motorola and 1.4 million units for RIM.

Non-iPad tablet shipments are set to jump 134 percent next year, outpacing the overall market growth rate of 80 percent, Nomura said in a 90 page global tablets report titled "Prepare for the next course."

The sale of the Tab in Korea is Samsung's fifth launch after its U.S. debut a month ago and its sales kickoff in Indonesia, where the company says it commands a 65 percent market share. It has also launched the device in Italy and Sweden.

The Galaxy Tab 10.1 runs on Google's newest Android version and Nvidia's dual core processor Tegra 2.