Emerging world drives cheap smartphone boom

AFP, *Barcelona*

Phone and internet firms are rolling out cheaper handsets and may turn to hot-air balloons to boost network coverage in developing countries, where sales of smartphones are booming.

Even though mobile network coverage is generally weaker in the developing world, firms are mining a gold rush of new clients in China, India and beyond, as smartphone demand slows in the rich world.

Several top phone and internet companies attending this week's Mobile World Congress in Barcelona, the biggest wireless telecom fair on the planet, have unveiled new products aimed at developing markets.

Smartphone sales grew by 23 percent worldwide in 2014 to 1.3 billion units, according to a study by German research institute GfK.

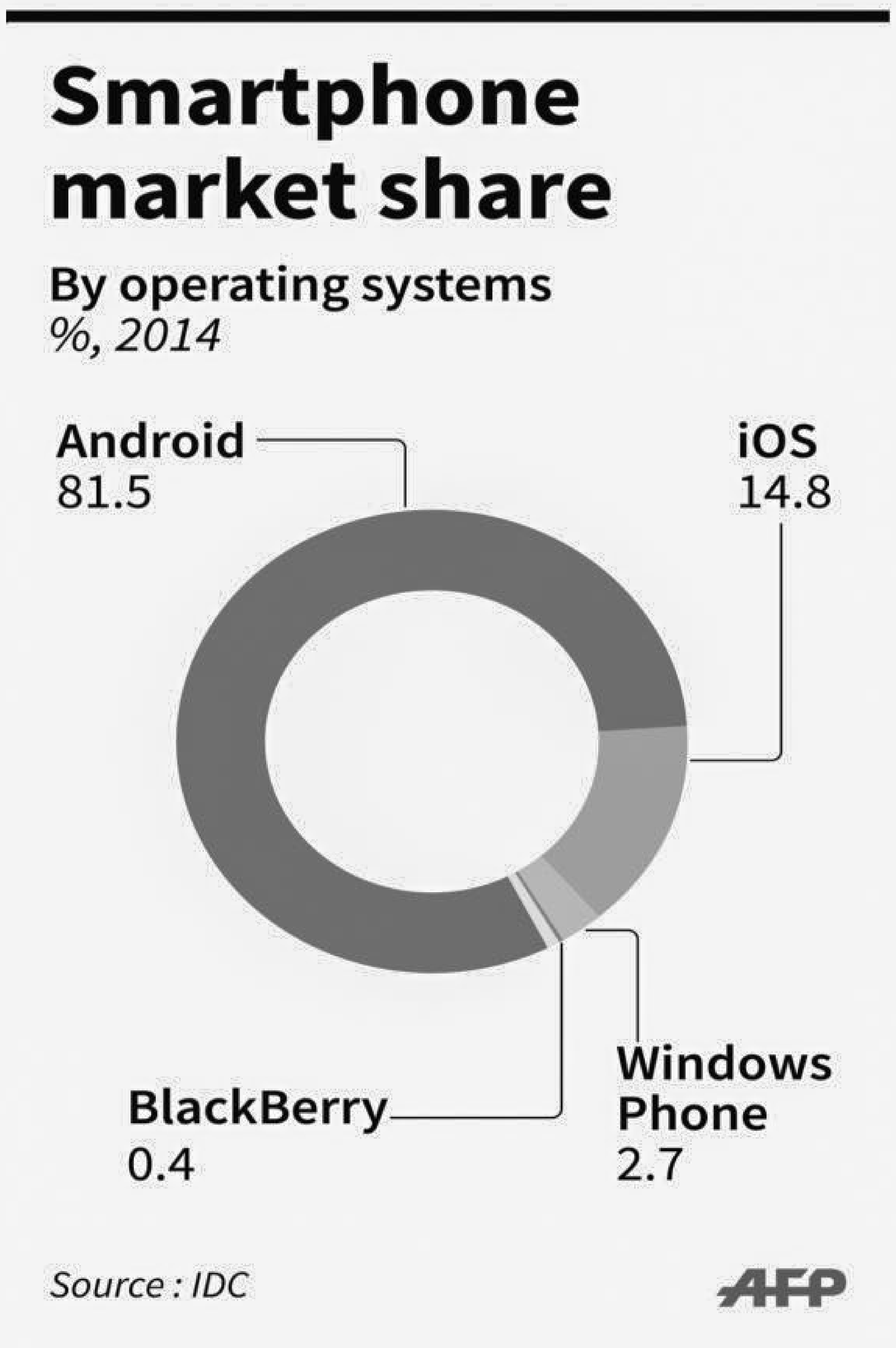
As demand has slowed in smartphone-saturated markets such as western Europe, Japan and north America, it has exploded in Latin America, southeast Asia and Africa.

In response, US online giant Google has launched a low-cost smartphone in India for $105 (94 euros).

Its US rival Microsoft says it plans one that will cost $29 while the Mozilla foundation, owner of the Firefox search engine, plans one for $25.

The world's biggest seller of smartphones, South Korean firm Samsung, has also launched products tailored for the Indian market, as its major US competitor Apple focuses on its higher-end iPhone line.

The rise of budget smartphones has also been driven by manufacturers such as Xiaomi of China, which overtook Samsung for sales in the Chinese market last year.



By 2020 about three quarters of the world's smartphones are expected to cost less than $100, consulting group Gartner estimated in a study.

"You get good lower-end smartphones for $20 and the higher end for the mass market is now around $60," said Sigve Brekke, Asia director for Norwegian telecom group Telenor, which operates in six countries in the region.

"We think that we will see these prices continue to fall this year."

He forecast there would be smartphones connected to the 4G mobile network -- currently the most advanced -- for $45 by the end of this year.

It's not just about the price, though.

In areas where home computers are scarce, "a smartphone is often the only way to get on the internet," said Annette Zimmermann, a telecom specialist at Gartner.

Smartphone users in such markets typically demand common messaging and social applications such as Facebook and Whatsapp, online radio, a torch light, text messaging and a reliable battery, she said.

Consumers in developing markets also often want a phone with two or three SIM network cards so they can switch between different telecom operators to get the cheapest rates, or share the phone with other users.

Network coverage infrastructure still puts limits on what smartphones can do, however.

Many districts, particularly rural ones, only have the 2G coverage standard, which offers relatively low capacity to transfer data. It can handle emails and basic versions of apps, but not much more.

Some 60 percent of users in African are restricted to 2G, according to the GSMA world phone sector consortium.

It expects the number of smartphone users in the world to swell to more than three billion by 2020, compared with 2.2 billion in 2013.

To improve coverage in remote parts of the world, Google has also proposed deploying hot-air balloons or drones equipped with network cells to areas where telephone lines and towers do not reach.

The giant US-based social media network Facebook has also partnered with several telecom companies to expand internet coverage for customers in developing rural areas.

"We're trying to help people connect with other people and share with each other," Facebook's founder Mark Zuckerberg told an audience at the congress on Monday.

Singapore remains world's most expensive city

BBC News

Singapore has retained its position as the world's most expensive city, according to research by the Economist Intelligence Unit (EIU).

The top five most expensive cities in the world remain unchanged from a year earlier and include, in descending order, Paris, Oslo, Zurich and Sydney.

The EIU's survey comprises 133 cities worldwide and uses New York as a base.

It compares the cost of more than 160 services and products including food, clothing and utility bills. Singapore was found to be 11 percent more expensive than New York for basic groceries.

And together with Seoul, it was found to be the most expensive place in the world for clothes, "with prices 50 percent higher than New York", the EIU said. "Most significantly, Singapore's complex Certificate of Entitlement system makes car prices excessive, with Singaporean transport costs almost three times higher than in New York."

The information gathered for the survey is designed to be used online as a way to calculate the cost of relocating and living for expatriates and business travellers.

The EIU said it was "very rare" to have an unchanged top five in their survey, especially considering the worldwide drop in oil prices together with deflationary pressures in many markets.

Foreign currency movements and falling oil prices had an effect on the cost of living in several cities. Most notably, a weaker currency in Venezuela saw Caracas slide 124 places in the ranking, from the sixth most expensive city last year, to one of the cheapest this year.

However, the survey does not take into account the recent jump in value of the Swiss franc.

The EIU said that Zurich would top the list if that was included in the cost analysis.

In 2014, Singapore replaced Tokyo, which topped the list in 2013.

Japan's capital fell to 11th place this year as its currency weakened against the dollar and deflation continued to impact the economy.

Some of India's cities stand out as the least expensive in the world, with Bangalore, Mumbai and Chennai included in the five cheapest.

The EIU said low wages and price subsidies on some staples had contributed to Indian cities' place in the survey.

Asia's third-largest economy has continued to battle an economic slowdown as well as deflationary pressure in recent years.

Last month, the country's central bank said it had seen a sharper-than-expected decline in the price of fruit and vegetables since September last year. It used this factor as one reason for cutting its benchmark lending rate in a surprise move earlier this year.

BTI

Tuhin Sultana, brand and marketing manager of BTI Ltd, and Md Kamruzzaman, head of personal bank division at Dutch-Bangla Bank, attend the signing of a deal at a programme on Monday. The bank's cardholders will enjoy special privileges at Home n Décor and from the real estate company.

REUTERS/FILES

Men make phone calls as they sit on a railing with Bharti Airtel billboards installed on it in Kolkata, India. The mobile operator said it would collaborate with China Mobile Ltd on growing fourth-generation mobile data services. The two companies will also work on a joint strategy for procurement of 4G devices, including smartphones, Bharti Airtel said in a statement.

Taiwan banishes Alibaba over investment violation

AFP, *Taipei*

Taiwan has demanded Chinese e-commerce giant Alibaba withdraw from the island within six months for violating investment restrictions on mainland-controlled firms, officials said Tuesday.

The island's Investment Commission has ordered Alibaba to withdraw or transfer its holdings from its Taiwanese branch, saying that it registered as a foreign company when it was in fact a mainland company.

Alibaba can appeal the ruling, which also carries a T$120,000 ($3,820) fine.

Although restrictions on Chinese investment have eased since Beijing-friendly President Ma Ying-jeou came to power in 2008, foreign companies are still subject to fewer limitations than mainland firms.

China and Taiwan have been governed separately since the end of a civil war in 1949, but Beijing still considers the island part of its territory, awaiting reunification.

Alibaba is registered as a foreign company in Taiwan under the name Alibaba.com Singapore E-commerce Private Ltd.

"Alibaba violated Taiwan's investment regulations which stipulate that mainland Chinese investors cannot apply to set up companies as foreign investors," said commission spokeswoman Chu Ping.

She said Alibaba should be registered as a Chinese firm as more than 30 percent of it was controlled by mainland investors, information which came to light after the company's IPO on the New York Stock Exchange last year.

Chu said it could re-register in the future as a mainland company.

Alibaba can appeal to Taiwan's cabinet and the commission would reconsider its decision should it make a successful appeal, Chu said.

The company said in a statement that it would seek to clarify the issue and "take proper actions" to protect its interests if necessary.

It said the Taiwan branch was set up as a foreign company in 2008 and had acted in accordance with the island's regulations.

"Since Alibaba Group, the parent company of Alibaba.com, went public in the US last September, the authority took a different view about the internal structure of Alibaba Group and deemed it as a mainland Chinese company," the statement said.

"We will actively communicate with the authority and provide the required supporting materials to comply with the latest requirements," it said.

In 2009 Taiwan partially lifted its decades-old ban on investment in the island by Chinese companies or individuals as ties improved under President Ma, who came to power on a platform of boosting trade with China and was reelected in 2012 for a final four-year term.

Costly shift to new credit cards will not fix security issues in US

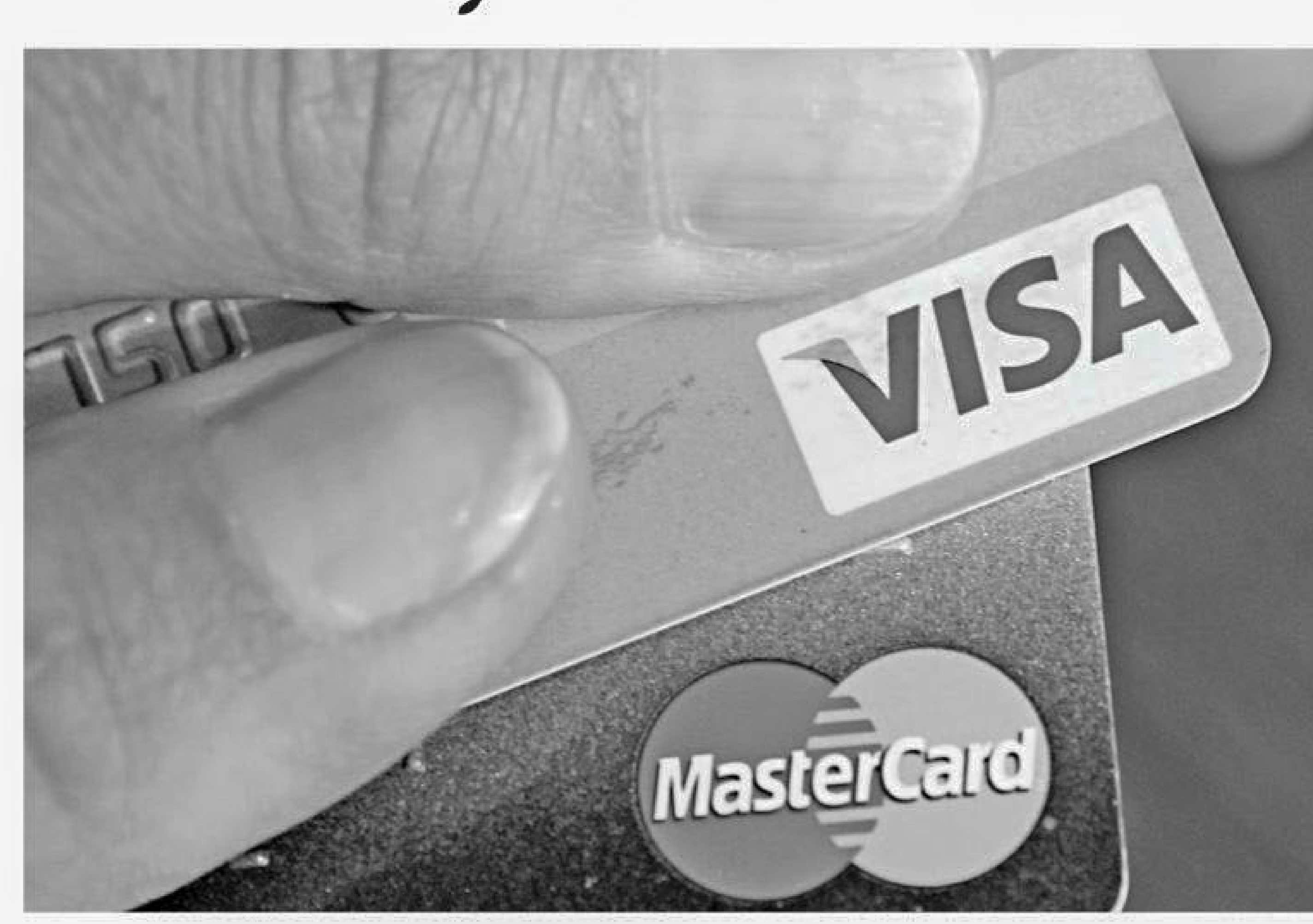
Reuters, *Chicago*

New technology about to be deployed by credit card companies will require US consumers to carry a new kind of card and retailers across the nation to upgrade payment terminals. But despite a price tag of $8.65 billion, the shift will address only a narrow range of security issues.

Credit card companies have set an October deadline for the switch to chip-enabled cards, which come with embedded computer chips that make them far more difficult to clone. Counterfeit cards, however, account for only about 37 percent of credit card fraud, and the new technology will be nearly as vulnerable to other kinds of hacking and cyber attacks as current swipe-card systems, security experts say.

Moreover, US banks and card companies will not issue personal identification numbers (PINs) with the new credit cards, an additional security measure that would render stolen or lost cards virtually useless when making in-person purchases at a retail outlet. Instead, they will stick with the present system of requiring signatures.

Anre Williams, president of global merchants services at American Express, cited cost and complexity as reasons for not issuing PIN numbers, which would require a much larger investment by card issuers. "It is the PIN management system that takes the effort," Williams said, in part because of the additional customer support it requires.



Chip technology has been widely used in Europe for nearly two decades, but banks there typically require PINs. Even so, the technology leaves data unprotected at three key points, security experts say: When it enters a payment terminal, when it is transmitted through a processor, and when it is stored in a retailer's information systems. It also does not protect online transactions.

"The simplest way to circumvent chip-and-PIN is to use a stolen card number to make an online purchase," said Paul Kleinschnitz, a senior vice-president for cyber security solutions at card processor First Data Corp.

Analysts predict that credit card fraud at brick-and-mortar retailers will fall after the introduction of chip-enabled cards, but that online fraud will rise, as has happened in other countries using the technology. Research and consulting firm Aite Group estimates US online card fraud will more than double to $6.6 billion from $3.3 billion between 2015 and 2018.

Retailers and security experts say it would make more sense for the United States to jump instead to a more secure system, such as point-to-point encryption. This technology is superior to chip-and-PIN, which first was deployed about 20 years ago, because it scrambles data to make it unreadable from the moment a transaction starts.

But the newer technology would cost as much as twice what the chip card transition will cost, and does not have the older technology's long track record.

Moreover, some security experts say that mobile payment services such as Apple Pay, a service from Apple that stores data on the cloud, have the potential in coming years to secure payments without the need to swipe or tap a card at all.

The dispute over the effectiveness of dueling payment security systems offers insight into a broader battle over who bears liability for breaches: retailers or the financial firms that extend the credit.

Currently, card issuers are generally liable for fraudulent charges. After the October deadline, if a retailer is not using a terminal that can read the new cards and a security breach occurs involving a chip card, the retailer will be liable, though consumers will still deal with their banks in the event of a fraudulent charge. If the retailer is chip-and-PIN enabled, the card issuer will be liable.

The liability issue has engendered anger on the part of some retailers, but it has also provided an incentive for compliance with the new standards.

"When banks and card companies are only concerned about shifting the liability to the retailer, you have to comply first," Brooks Brothers Chief Executive Officer Claudio Del Vecchio said. "And then think of solutions that will fix your problems."

The clothing retailer expects to meet the October deadline, but Del Vecchio declined to give details on the cost involved.

Banks and card companies argue that chip-enabled cards are a needed first step toward defending against the use of lost, stolen, or counterfeit cards. "The first thing we need to do as a country is secure face-to-face transactions," said Carolyn Balfany, senior vice-president of product delivery for MasterCard, one of the companies involved in setting the new standards known as EMV, which stands for Europay, MasterCard and Visa.

And there are reasons that banks and card companies haven't yet embraced newer, more secure systems.

"A payment standard that is accepted globally will substantially reduce transaction costs for them," Rick Dakin, chief executive officer of cybersecurity risk and compliance firm Coalfire. "Also they have already done the heavy lifting for EMV so they are ready and pushing for it," he said.

Dakin, who is advising a group of banks on payment security, said no industry standard exists for the newer point-to-point encryption systems, and banks and card companies are hesitant to make large-scale investments before the standards are set.

Banks and card companies said a chip card alone can make stolen data less useful for hackers and the technology has worked in reducing counterfeit card fraud in Europe and elsewhere.

Security experts said the shift cannot prevent massive consumer data breaches of the sort that recently hit Target and Home Depot. But the technology will make it more difficult to use stolen data.