

Like father, like son

AFP, Seoul

SAMSUNG heir Lee Jae-yong has spent his life trying to prove himself worthy of his father's legacy, and on Friday he followed in the older man's footsteps by being convicted in the same courtroom.

Lee, 49, is vice chairman of Samsung Electronics, the world's largest smartphone maker and the flagship of the Samsung Group founded by his grandfather in 1938. Lee's father Lee Kun-Hee went on to build up the tech empire but was

transforming a once-obscure electronics firm into a global powerhouse that today is the biggest maker of mobile phones as well as memory chips.

But his son is not seen as having inherited his management prowess, with some critics instead ascribing him a "Minus touch" after several of his pet projects at Samsung fizzled out.

The junior Lee earned a degree in Asian history at South Korea's top Seoul National University before studying business at Japan's elite Keio University and later Harvard.

elite coterie of Samsung veterans at the now-disbanded Future Strategy Office, which dictated key management decisions at the sprawling empire.

VISION THING

Since a heart attack three years ago left his father bedridden, Lee has functioned as the public face of Samsung, attending key events and meetings with visiting luminaries.

But how much he has contributed to Samsung's business decisions remains unclear.

The Lee clan is known for its secrecy, with neither the scion nor



Lee Kun-Hee



Lee Jae-yong

convicted of bribery in 1996. The Seoul Central District Court also found him guilty of tax evasion and other charges nine years ago but suspended sentences meant he never served time in jail.

Similarly, Lee's grandfather was engulfed in a huge case of smuggling by his fertiliser manufacturing company in 1966. He avoided being charged after "donating" the firm to the state.

But on Friday it proved third time unlucky for the Lee dynasty, with the scion jailed for five years, convicted of bribing the then-South Korean president Park Geun-Hye and her secret confidante.

MINUS TOUCH

Mild-mannered and often smiling inscrutably, bespectacled divorcee Lee Jae-Yong cuts a different figure from his father -- a visionary but eccentric and reclusive leader who rarely made public appearances.

The senior Lee is credited with

In 1998 he married the granddaughter of the founder of South Korean food giant Daesang. The couple had a daughter and son but divorced in 2009 and Lee remains single.

He started his career at Samsung Electronics in 1991 before a rapid climb up the corporate ladder -- common among offspring of the founding families of the South's powerful, family-run conglomerates known as chaebols.

He became an executive in 2001, a vice president in 2010 and a president less than a year later, when the firm was growing rapidly thanks to its burgeoning smartphone business.

He was made vice chairman in 2012, a banner year when Samsung dethroned Apple as the world's top smartphone maker and shattered profit records every quarter.

But the stellar performance was largely credited to his father and an

his father ever having given a media interview.

The Park scandal put Lee under an unprecedented level of public scrutiny, fumbling for words and being shouted at by lawmakers at a live-televised parliamentary hearing.

In court, Lee's lawyers and his co-accused, four other former Samsung executives, painted him as an inexperienced and overcautious heir who was sidelined by seasoned Samsung veterans handpicked by his father, in what was seen as a strategy to save him from legal responsibility.

Lee himself told the court his knowledge of the group's overall operations was "limited", he was still "learning" from other executives and "simply following" their advice.

Former senior executives consider Lee indecisive and detail-obsessed while lacking broader vision, according to Shim Jung-Taik, author of several books on Samsung, including a biography of Lee Kun-Hee.

Downfall of ex-Samsung strategy chief leaves salarymen disillusioned

REUTERS, Seoul

OVER four decades, Choi Gee-sung, the fourth son of a poor civil servant, worked his way to the top of South Korea's Samsung Group, one of the world's leading business empires, inspiring a legion of salaried workers.

On Friday, a Seoul court sentenced Choi to four years in jail for his part in a corruption scandal that toppled the country's president, and handed his billionaire boss, Lee Jae-yong, a five-year jail sentence.

Song Wu-cheol, lead defence attorney for Choi, Lee and others, said they would appeal the convictions.

Choi's downfall has fuelled a sense of disillusionment at a time when the country's biggest conglomerate looks to its army of loyal "Samsung men" to navigate a potential leadership vacuum.

Choi was Lee's mentor and headed up Samsung's Corporate Strategy Office - dubbed the 'control tower' - for more than four years before it was disbanded earlier this year after it came under fire for its role in the graft scandal.

The office, which oversaw the Samsung group, orchestrating the big decisions on asset sales or arranging support for weakened group affiliates, was closed in February, and Choi stepped down.

The Samsung scandal is the latest in a series to mire South Korea's so-called chaebols - the powerful, family-run conglomerates that dominate Asia's fourth-largest economy - which are criticised for their often cozy ties to politicians.

The involvement of Choi - who rose as high in a conglomerate as possible for someone from outside the powerful chaebol families - has shocked many Samsung employees who admired his business acumen and work ethic that helped Samsung become a global technology powerhouse.

"Choi has been portrayed as a poster child of a successful businessman ... I am dejected and angered by this scandal," said one Samsung employee who declined to be identified.

A Samsung company official said: "It's hard to do a job like that without loyalty. If the previous generation's frame of thinking was loyalty,

that's got to change going forward."

Known for his tenacity, attention to detail, and focused drive, Choi took credit for helping Samsung Electronics, the group's crown jewel, overtake Nokia and Apple Inc in mobiles and Sony Corp in television manufacturing. It is also the world's leading chipmaker.

"I played a part in today's Samsung standing tall as the No. 1 in semiconductors. We surpassed (mobile firm) Nokia when everyone

Electronics in 2010.

"Some people like me think that the higher up you go, the harder you have to work and the more unjust things you have to deal with," said a 33-year-old Samsung employee, who declined to be identified. "I think he (Choi) may have agonised, though it was his choice to take the job."

As head of the 'control tower', Choi said he accepted greater responsibility than Lee, and the decisions he made over matters related to the



REUTERS/FILE

Choi Gee-sung, chief executive of South Korea's Samsung Electronics, speaks during an annual shareholders' meeting at the company headquarters in Seoul.

thought it couldn't be done," Choi recalled during his trial testimony, as Lee and other charged Samsung executives sat alongside.

"The day media reported Samsung surpassed Intel as the No. 1 in semiconductors was the 40th anniversary of my first day at Samsung. It was also the day when the court hearing continued until 2 a.m.," he said, referring to late July when Samsung reported record earnings on strong chip sales.

"I was overwhelmed with feelings of regret, reflection and sadness."

Born into a poor family during the Korean War in 1951, Choi joined Samsung in 1977 to "put food on the table" after studying at the prestigious Seoul National University.

Having worked in all Samsung's main businesses - from chips and mobile to display screens - Choi was among the few to rise to the top without an engineering background. He became CEO of Samsung

scandal were inevitable to "protect" Samsung from political pressure.

The chaebols dominate the local economy, providing millions of jobs and defining many people's identity in South Korean society. Salaried workers are expected to serve them with long hours and unquestionable loyalty. That culture puts top executives under pressure to take the blame for their boss, experts say.

"It's like Japan's samurai, who sacrifice their lives for the sake of their masters," said Chung Sun-sup, head of Chaebol.com, a corporate analysis firm. "It's very regrettable, but that's the reality of what's expected from professional managers."

It's a path Choi felt he had little option but to take.

"If you were to hold Samsung responsible, please blame me. I am aging and lost judgment ... Others just trusted me and followed my judgment," he told the court during the trial.

Draghi mum on stimulus, pleads for open trade



REUTERS

From left, Governor of the Bank of Japan Haruhiko Kuroda, United States Federal Reserve Chair Janet Yellen and President of the European Central Bank Mario Draghi walk during the annual central bank research conference in Jackson Hole, Wyoming on Friday.

AFP, Washington

EUROPEAN Central Bank chief Mario Draghi on Friday delivered a plea for maintaining trade liberalization but acknowledged the widespread perception that lowered trade barriers had fuelled inequality.

However, Draghi's widely anticipated address to an annual gathering of global central bankers in Jackson Hole, Wyoming made no mention of when the ECB may wind down its multi-trillion-euro bond-buying stimulus program adopted in the wake of the 2008 financial crisis.

The decision not to discuss Europe's "quantitative easing" policy saw the euro's value spike against the dollar, with the European currency up nearly 2.5 percent against the greenback following the release of Draghi's remarks at 1900 GMT.

Both Draghi and Federal Reserve Chair Janet Yellen skirted discussion of pressing policy matters in their remarks at Jackson Hole on Friday so as not to unsettle markets.

"After all the excitement about possible Draghi fireworks in Jackson Hole, the just delivered speech was an anti-climax, a non-starter," said Carsten Brzeski and Bert Colijn of ING in a research note.

"The demand for an ECB game plan on tapering will only get stronger and Draghi will have to address it."

Draghi said that without greater productivity growth the current recovery cycle would "converge downwards" to slower growth rates, according to prepared remarks.

But he also warned against the threat of protectionism, which has risen as the developed world grows increasingly discontented with free trade.

"People are concerned about whether openness is fair, whether it is safe and whether it is equitable," Draghi said.

Britain's shock vote to exit the European Union and Donald Trump's nationalist presidential campaign opposing open borders have sent waves of unease through quarters that normally promote trade liberalisation, such as the International Monetary Fund and World Bank.

"A turn towards protectionism would pose a serious risk for continued productivity growth and potential growth in the global economy," Draghi said.

He called for stronger public policies to support those left behind by globalisation, including education and vocational training.

Echoing remarks made earlier Friday by Yellen, Draghi also offered a forceful defence for continuing the robust financial regulations adopted after the 2008 meltdown, adding that there was "never a good time for lax regulation."

Low aircraft sales see US durable goods sink in July

AFP, Washington

US sales of big-ticket manufactured goods sank to their lowest level in three years in July as orders for civilian aircraft dropped sharply, government data showed Friday.

Analysts had been expecting July to see a steep downturn following June's spike in sales at aircraft giant Boeing. But the overall decrease was more than enough to reverse the gains recorded in June.

Durable goods orders have now been down for three of the last four months, possibly weighing on economic growth.

Analysts said however that through the volatility the report showed some solid gains.

Total orders for durable goods fell 6.8 percent from June to \$229.2 billion, the biggest one-month drop since August of 2014.

Analyst had been expecting a fall of only six percent.

Year-to-date, however, orders were still five percent higher than they were for the first seven months of 2016.

Civilian aircraft fell 70.7 percent for the month, after June's 129.3 percent gain.

Excluding the volatile transportation segment, however, orders rose 0.5 percent, the third monthly rise in a row.

The defense sector was July's strongest point. Excluding defense goods, orders fell an even steeper 7.8 percent.

Orders for military aircraft rose 47.8 percent while defense capital goods gained 14.7 percent.

Trump moves to squeeze Venezuela's access to finance

AFP, Washington

THE White House on Friday ramped up pressure on Venezuela's cash-strapped government, restricting access to vital US capital markets and escalating a standoff between Washington and Caracas.

In a move aimed at leveraging America's vast financial power against Nicolas Maduro's regime, President Donald Trump banned US trade in new bonds issued by the government or its cash-cow oil company PDVSA.

That could choke off access to New York debt markets and substantially raise the likelihood of Venezuela being forced into default.

Maduro's government -- which has faced months of deadly mass protests -- has been accused of hijacking state institutions and moving ever deeper into autocratic rule. The measures will "deny the Maduro dictatorship a critical source of financing to maintain its illegitimate rule," the White House said in a statement.

Venezuela denounced the new US sanctions as the "worst aggression" against the country's people and accused Washington of trying to stoke a humanitarian crisis in the oil-rich, cash-poor country.

"What do they want? They want to starve the Venezuelan people? What is it they're looking for?" said Foreign Minister Jorge Arreaza after talks with UN Secretary General Antonio Guterres in New York.

Maduro on Friday called an "urgent" meeting of American companies that buy Venezuelan oil to discuss the Trump administration's sanctions.

He said the sanctions had created a situation akin to a "financial and economic blockade" and accused opposition leaders in his country of pushing for the US action, calling for National Assembly chief Julio Borges to be tried for treason.

Maduro's government has been keen to blame the United States for



REUTERS/FILE

US President Donald Trump waves as he steps out from Air Force One in Nevada.

its economic woes and leapt on Trump's recent suggestions that Washington could intervene militarily -- using that as a tool to unite the military.

"You are with Trump and the imperialists, or you are with the Bolivarian national armed forces and the homeland," he said. "Never before has Venezuela been threatened in such a way."

Trump's national security advisor HR McMaster played down the prospect of an armed intervention, saying "no military actions are anticipated in the near future."

But Trump's order will ratchet up the fight on another front.

Venezuela's outstanding debt is estimated at over \$100 billion, while oil revenues have declined and currency reserves have shrunk to just \$10 billion.

October and November will be a crunch period for repayments. That's when a hefty \$3.8 billion in bond payments need to be paid by Venezuela and PDVSA.

S&P Global Ratings predicted a contraction in the country's gross domestic product of around six percent this year and the need to finance around \$7 billion in debt in 2018.

The agency earlier this year lowered Venezuela's sovereign debt ratings, warning of the risk of default.

Treasury Secretary Steve Mnuchin confirmed that the measures could apply to any future debt restructuring, shutting one possible escape hatch for the government.

But a carve-out for Wall Street banks for existing deals will dull the short-term impact of the ban.

"It will have a limited immediate impact," said economist Henkel Garcia. But "it closes the doors to new financing."

Still, the message, he said, seems to be that those holding Venezuelan debt should think carefully.

US officials said the latest sanctions were also designed to stop the government from stripping state assets in order to pay the bills.

Maduro's "officials are now resorting to opaque financing schemes and liquidating the country's assets at fire sale prices," one official said.

Earlier this week, US Vice President Mike Pence vowed that Washington would not allow "the collapse of Venezuela," saying such an event would "endanger" countries in the wider region.