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**Peter Fisk on  
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Leonardo da Vinci**

**N. Korea: World's  
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ASIA-PACIFIC

# Business & Technology

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# Korea: The Land of the Morning Calm

BY EUN YOUNG CHOUGH

**Korea is one of the few countries blessed with its distinctive four seasons – especially summer and winter – that allows people to engage in various leisure sports and seasonal festivals throughout the year. Thus, many travelers visit Korea to experience this gift from nature that is not present in their homeland.**

In the spring, Korea has various destinations where travelers can enjoy the white cherry blossom petals, pink azalea and yellow forsythias that cover the villages and mountains. Along with metropolitan areas that boast cherry blossom flowers in the spring – such as Yunjungno in Seoul, Yeouido and Mount Namsan – Gochang in North Jeolla Province, Jinhae in South Jeolla Province and Bosung in South Jeolla Province are also some of the best sites to visit during April and May.

Gochang offers beautiful walking paths filled with barley and camellias. Historical ruins such as the Seonunsa Temple and Gochang Eupseong Fortress are must-see sites for travelers visiting Gochang.

Jinhae is also renowned for its beautiful cherry tree roads in spring. The most popular spots there when the flowers are in full bloom are the Naval Base, Anmin Road and Jehwangsan Park. Last year, more than 2 million visitors flocked to see the cherry blossom trees during the annual Jinhae Gunhangje cherry blossom festival.

Boseong, the largest tea-producing site in Korea, is also a magnificent place to visit during the spring, and it has also been a favorite filming location of Korean movies, commercials and TV dramas. The Bosung Green Tea festival is also a popular festival in spring, where visitors can attend events, view tea exhibitions, and experience hands-on programs such as tea making, green tea kimchi making, and picking tea leaves.

The summer in Korea is hot and humid, a perfect climate to engage in water activities at the beach. There are many beautiful beaches where visitors can also enjoy the nightlife of Korea in these locations as well. Daecheon Beach on the west coast in South Chungcheong province is very popular, es-

CHARM LEE | PRESIDENT OF KTO



Q & A

BY EUN YOUNG CHOUGH

In July 2009, Charm Lee, President of the Korea Tourism Organization (KTO), was appointed as the first German-born naturalized Korean to lead a state-run enterprise. Coming from Germany in 1978, Lee became a Korean citizen in 1986 after being inspired by the creativity and future potential of Korea. Before being appointed as the head of the KTO, Lee worked as a committee member of Visit Korea Year, Seoul City ambassador, and a member of the Hanshik (Korean traditional food) Globalization Promotion Team. Under Lee's unique management philosophy and initiative, last year, the KTO managed to receive the highest evaluation mark by the Korean government, which is an unprecedented achievement.

The next few pages are excerpts from the interview KTO President Charm Lee gave to Asia-Pacific Business & Technology Report.



pecially with its Boryeong Mud Festival, one of the most popular Korean festivals where travelers can experience mud wrestling, mud slides and mud baths. On the south coast, Haeundae Beach in Busan is great for swimming due to its shallow waters, and various festivals such as the Haeundae Sand Festival also take place there.

In autumn, the crimson foliage and hiking paths make Mount Seoraksan and Mount Odae two of the best locations to en-

joy the colorful scenery in Korea.

In the winter, skiing tourism is well known among travelers, due to popular images portrayed in Korean TV dramas. Resorts in Gangwon Province are also popular, including Yongpyong Resort, Daemyung Vivaldi Park, and Phoenix Park Ski Resort. Traditional spas, including Onyang Hot Spring in South Chungcheong Province, Suanbo Hot Spring in North Chungcheong Province, and Baegam Hot Spring in North

Gyeongsang Province, are sites which travelers visit to rest their body and mind in the winter.

With travelers nowadays flocking to enjoy the uniqueness and beauty of Korea, the Korea Tourism Organization (KTO) announced its goal of attracting 10 million foreign visitors this year. To realize this goal, Charm Lee, President of KTO, has been aggressively marketing Korea to various countries by branching out KTO's offices



worldwide, encouraging both the domestic and foreign tourism development of Korea while advancing Korea's tourism infrastructure. Along with the efforts of the KTO, the Korean government also announced its plan in March to attract 12 million visitors by the year 2014 by promoting the tourism and leisure industry, aiming to create 40,000 new jobs by boosting domestic demand of tourism and raising the per capita of annual domestic travel days in a year to 14 days.

Lee thinks the plan of attracting 10 million foreign visitors can be realized. Consider that in 2005, more than 6 million travelers visited Korea, and the number exceeded 8.8 million in 2010, which was a 12.5 percent increase from the previous year. After the Japan earthquake, many trips were canceled, but Lee said that the incident which dampened tourism growth here "will wear off, people will be less worried about it, and towards the end of the year there will be

strong growth."

According to recent data released by the Bank of Korea, Lee's prediction turned out to be correct. Korea's income from tourism showed an increase in April. In that month, the income from tourism rose 65 percent from the previous year to US\$770.1 million. In the previous month of March, the income had risen to US\$926.4 million, a 28.3 percent increase from the previous year. The number of travelers also increased 3.3 per-

### **In the past, Korea's tourism industry was criticized due to its low stature and lack of tourism resources. What attempts are being made to enhance Korea's tourism competitiveness under your leadership?**

First of all, I don't agree with the criticism. In the case of tourism resources, we've got plenty of them. It depends on what you mean by the past; if it's 30 years ago, that's a different thing, but these resources are basically there. We've got nature, culture, history, urban culture and a lot of new trends that are coming out of Korea.

In order to improve our tourism competitiveness, there are two things that we need to do. One is to improve the domestic tourism culture in Korea. Infrastructure is not usually built for foreign visitors only; it is built mostly for domestic tourists to enjoy. Japan, for example, has 900,000 hotel rooms fit for tourism, whereas Korea only has 70,000. The reason Japan has so many hotel rooms is because the Japanese travel a lot and they use the hotel rooms. But in Korea, Koreans don't travel very much to the countryside or the tourism areas in Korea. If they do, they usually don't stay overnight. So, what we need to do is to create more of the domestic tourism culture in the Korean market to improve our tourism competitiveness.

Another point is to get the word out on the Korean tourism resources that Korea does have. This is a great country to be inspired by. Korea has a lot of energy to give, so when the people come here they can recharge their energy. We need to create the logic of why you should come to Korea rather than somewhere else.

### **KTO announced its plan to attract 10 million foreign visitors to Korea. However, we see a decline in Japanese tourists after the earthquake. Do you think it will be possible to reach that goal regardless of the disaster in Fukushima?**

I think so. The point is that in the first five months until now, we had an overall growth of incoming tourism of about

3.5 percent over last year. So, we are actually getting more visitors than last year. But in order to get 10 million visitors we would have to have a growth rate of about 13.5 percent over last year. For the last two years we always had two-digit growth. This year, we were expecting the continuation of that trend. But, because of the earthquake in Japan and the subsequent nuclear fallout, a lot of trips were canceled. It didn't stop the growth, but it dampened it. But I believe that in the second half of the year, actually, this trend can be reversed, and we will see very strong growth in the third and fourth quarters. We will have more Japanese coming here, since their domestic tourism industry is down. Instead of traveling inside of Japan, more Japanese will want to go outside their own borders. So I think we will see more benefit from that.

### **Each year, Chinese tourists visiting Korea are increasing. Last year, the KTO successfully attracted more Chinese tourists by using the Foreign Independent Tourist (FIT) marketing strategy. Can you tell me more about FIT marketing and certain points you focus on when making plans to attract Chinese tourists?**

For the FIT marketing, we are working on different segments of the market very strongly. For example, to approach the "Gold Miss," referring to young independent ladies in their twenties, thirties, and forties, we have a strong campaign going on called "Single." Apparently, the word single also means freedom in Chinese. We also have an animated character called Xinger (星兒), played on the word single, meaning not married and freedom in Chinese. So, it also has a meaning of free travel. And then we have another segment showing strong growth in the wedding market. People come to Korea for their wedding photos and honeymoons. Because of the popularity of Korean dramas and K-pop, it's a dream for young people in Asia to go to those film and TV locations and take their wedding photos. Since Korean fashion is also popular, many couples buy clothes, wedding gowns, suits, and even have their wedding here. An-

other segment is the retired and elderly people. Children of these people send their parents on trips, so we are focusing on this segment as well.

### **Recently, the KTO opened an office in Hanoi, Vietnam. What role will the Hanoi office play? What are the reasons for targeting the Vietnam market?**

We already have 90,000 visitors coming from Vietnam every year. Vietnam is booming and the number of people who can afford to travel overseas are increasing very fast. So our office will target that segment of the market, in Hanoi and Ho Chi Minh City. Actually, the segment is quite strong already. Vietnam has a population of more than 85 million people, and much of the population is becoming wealthier. The economy is also growing much stronger. Since we already have a growing strong segment in Vietnam, we decided to open an office there.

### **Do you have plans to open additional offices in other countries?**

We have plans to open offices in Indonesia this month, and in both Turkey and Manila next year. Also in the latter half of this year or early next year, we will be opening three more offices in China. They will be opened in the interior regions. Right now most of our offices are located around coastal areas such as in Beijing, Shanghai, Guangzhou and Qingdao.

### **What efforts are you making to bolster the domestic tourism industry? In order to encourage more Koreans to travel inside Korea, what kinds of incentives are you offering to domestic tourists?**

We have a campaign called "Korea Gusuk Gusuk (Nooks and Crannies of Korea)" and a very popular application for smart phones called "Gusuk Gusuk Daehanminkuk" in Korean, or "Visit Korea" in English. A million people have downloaded the application already. We also do a lot of articles with the press

as well. Many newspapers have regular articles recommending places to go, and we work with many television programs that introduce domestic tourism spots.

### **Can you please tell us more about some of your projects to promote hanok (Korean traditional houses) and hanshik (Korean traditional food) to foreigners?**

We have booklets introducing hanok and hanshik in many languages and websites. We also have a group called "Hanok Supporters," which is a group of young bloggers visiting hanoks. They get the support to travel and stay in hanoks for a certain period of time and write about their experience.

When we open our Jakarta office in June, we will promote hanshik as well. Also, when we go to trade fairs and international tourism exhibitions several times a year, we always introduce hanshik at those events. In an exhibition in Berlin, we had a 'temple food tasting and making' event, as well as a bibimbap (a Korean traditional dish that has rice mixed with vegetables, meat, an egg, and red pepper paste in a bowl) event.

### **Medical tourism is a new buzzword in the Korean tourism industry. To attract patients from abroad, the KTO initiated an overseas medical program, created an application called "MediApp Korea" and launched a social commerce website, "Medipon." Can you please tell us more about the achievements of these projects? What other projects are currently underway to promote Korea's medical tourism?**

The application and the websites are one of our strategies, but we also do a lot of promotional events. We had one in Vietnam this year, one in Vladivostok, and also one in the Middle East. Every year we have several events overseas where we have Korean doctors from Korean hospitals come with us and give a presentation on Korean medical services. We invite the local press, medical service people, and travel agents to these presen-



cent from April of the prior year, reaching 754,458, and 1.5 percent from March of last year, reaching 781,286. It seems that many tourists originally planning to visit Japan have been visiting Korea instead following the nuclear incident.

One of the major issues the Korean tourism industry faces, even with the number of increasing foreign travelers, is the lack of tourism infrastructure. To lure more tourists and reach the goal of 10 million, this problem needs to be solved. Lee said the KTO is working on this issue as well, but to tackle this problem, domestic tourism

and tourism culture needs to be developed first. Lee said, "In most of the countries that are comparable to Korea, such as the OECD countries and more industrialized countries, 80 percent of the tourism infrastructure is used by domestic tourists." He added that since Koreans generally don't tend to spend a night in a hotel, instead planning to take one-day trips, and since they don't travel as often as others in different nations do, it is more challenging to foster development of tourism infrastructure here.

To encourage more Koreans to travel domestically, KTO initiated the "Korea Gusuk

Gusuk (Nooks and Crannies of Korea)" campaign and launched a smart phone application called "Gusuk Gusuk Daehanminguk" in Korean, or "Visit Korea" in English. The KTO is also working with the press to boost domestic tourism by publishing articles and making television programs that recommend tourism spots to Koreans. Lee said the organization will try to enforce these efforts.

"Because of the foot-and-mouth disease outbreak that began last year and was going on until April, a lot of local festivals were canceled and many local communities recommended not visiting those sites," Lee



said. He repeatedly stated that it was a big loss for the tourism industry. "The local restaurants, shops, taxi drivers, and guides had no income for many months. We need to help them regain the loss of their income, so we are preparing campaigns to encourage people to travel domestically."

Another promising market in Korea's tourism industry is the medical tourism sector. Due to Korea's advanced IT and biotechnology, combined with state-of-the-art medical services, foreign patients that choose to have medical treatment in Korea increased to 80,000 in 2010 from 60,000 a year earlier. As a response to the expanding global market of medical tourism, KTO conducts promotional events overseas, giving presentations to the local press regarding

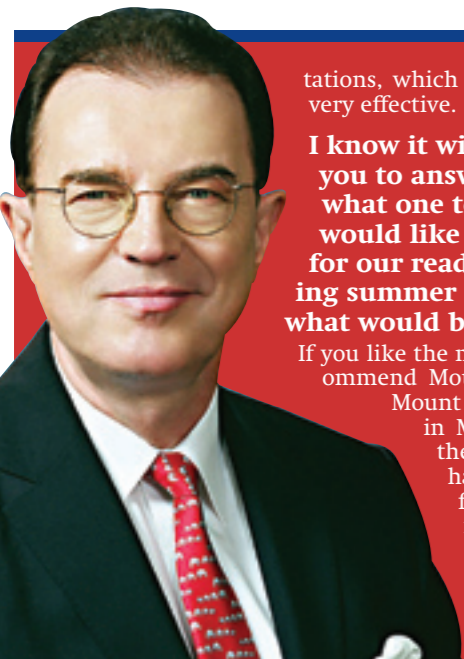
Korean medical services provided by Korean doctors; these presentations are given to people within the medical industry and travel agents. The Ubiquitous Health Center (U Health Center) in Vladivostok is one of these projects. The health center is adjacent to KTO's branch office, where people can come and have video conferences with Korean hospitals and consult with Korean doctors.

Lee stated, "In Vladivostok, we have Russian doctors also who do the translation and basic medical testing. So a very profound consultation can take place. This way the patient can gain confidence with the doctors." He continues to assert that KTO is collaborating with Korea's Yonsei Severance Hospital and some plastic surgery clinics.

"This project is very successful and a lot of people are on the waiting list to get a consultation."

For those who say Korea is lacking in tourism resources and competitiveness, Lee said Korea is a country that is filled with rich tourism, so the key to increased competitiveness would be how Korea utilizes these resources and spreads the word about them.

"Not only European or American tourists but also Asian tourists, including Japanese tourists, come here and say they like the passion, energy and enthusiasm they can find here," said Lee. "So we need to emphasize these points in a way that shows how Korea has something over other countries that they can't find anywhere else." **A-P**



tations, which have turned out to be very effective.

**I know it will be difficult for you to answer, but if asked what one tourist site to you would like to recommend for our readers for the coming summer holiday season, what would be your answer?**

If you like the mountains, I would recommend Mount Jiri, Mount Sorak, Mount Odae, and the valleys in Muju Gucheondong. In the summer season, we have cool valleys with fresh water so it is very refreshing. If you like the beaches, on the west coast, I would recommend ones in Boryung, Byeonsan

Peninsula, and the islands in Sinan County. In Sinan County, we have very nice resorts. The Eldorado Resort located in Jeungdo Island is one of them. On the east coast, we also have beautiful beaches, such as ones in Gangneung, Sokcho, Pohang, and Ulsan. The most famous ones are Gyeongpodae and Jeongdongjin. And the south also has beautiful beaches located in Hanryeo Waterway and Busan. In Busan there are urban beaches, mostly known as beach party places, such as Haeundae and Gwananri.

**Your first visit to Korea occurred in 1978 and you decided to become a naturalized Korean citizen in 1986. What attracted you to Korea most?**

It was the contrast between the very ancient culture and the young culture within the country, which I thought had a very bright future and a creative spirit where I could expect a lot from the future.

**In 2009, you became the first German-born naturalized Korean to lead a Korean public enterprise. Soon after you were appointed as the president of the Korea Tourism Organization (KTO), there**

**were concerns questioning your abilities to lead the organization, due to the special characteristics of Korean public enterprises. What efforts were made to eliminate these concerns after you became the head of the KTO?**

We did a lot of reorganizing and streamlining of the company. I established a new corporate philosophy, which is based on creativity, fairness, and open communication. In order to encourage the members of the company to come up with new ideas, we needed an environment where the member could be fairly rewarded and judged for their ideas. Also, we tried to reflect a vast majority of the people's ideas to the center of the company. We have monthly meetings and lots of conversational meetings with different levels to promote open communication. We established a program that gives incentives to people that contribute more, but we also have a program to identify underachievers. Over a one year evaluation process, these underachievers go through a re-education process. They have only three chances to pass the process, so the people are more on their toes. In general, I think the organization became more vitalized, creative and active. The speed at which the projects are realized has improved dramatically. Last year,

we received the highest marks in management evaluation from the Korean government. For the first time in the history of the KTO, we got an A.

**As the leader of the KTO, what is your management philosophy?**

Besides creativity, fairness and open communication, we have "SamGwanORim." SamGwan refers to the three principles in customer relations, which are observation, interest and relationship. We need to observe what the customer wants and have interest in our consumers – not a fleeting interest but a deep one – and we have to build a relationship with them. Also, tourism needs to have ORim, meaning the five elements based on the Five Elements Theory, which are vibration, attraction, harmony, resonance, and movement. In any type of product, event or marketing we need to have the SamGwanORim of tourism in it. That's our philosophy.

**Is there anything else you would like to share with our readers?**

Please come to Korea. Recharge your energy, refresh your spirit and remodel your body. Korea is a country that keeps reinventing itself all the time. Reinvent yourself in Korea. **A-P**

# Latest Policy Perspectives for Korean Investment in India

BY PROFESSOR M. M. GOEL

**O**ver the past twenty years, the business environment in India throughout its 28 states and 7 union territories (UTs) has improved dramatically, in what is termed the post-reform era (since July 1991).



The legal framework is being liberalized considerably towards creating a conducive climate for growth in almost all sectors, with the energy sector getting top priority. However, although infrastructure has been strengthened with concrete action plans, there is still plenty of scope for improvement which requires large foreign direct investments.

The Indian economy is amongst the fastest growing economies of the world. It is the 11th largest in terms of nominal GDP and 4th largest by purchasing power parity, with a large pool of human and natural resources and a growing pool of skilled professionals. According to the Economic Survey for 2010-11, 57.3 percent of the Indian GDP comes from its service sector, 28.5 percent from the industrial sector, and 14.2 percent from the agriculture sector. The industrial sector employs 14 percent of the total labor force of half a billion, and the services sector 34 percent. Significantly, there has been no significant impact of the recent global economic crisis on the Indian economy, as evident from the private savings rate having remained 'sticky' in the range of 30.1 percent to 31.9 percent during the past six years.

The above survey indicates that there is still plenty of room for economic growth in India. A recent study from Goldman Sachs forecast that India could grow economically at a sustainable rate of 8 percent until 2020. To fulfill the investment needs for infrastructure under the public private partnership (PPP) policy

of Indian States, Korean direct investment can play a significant role. For instance, in the state of Haryana, foreign direct investment (FDI) is still minuscule against its potential. It is pertinent to note that the Indian government has declared 2011 as the 'Year of Korea', indicating the intention of strengthening relations between the two nations. The FDI policy concerns in India were made evident in the Indian budget speech for 2011-12 by the Indian finance minister on Feb. 28, 2011.

The Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act) and corresponding acts at the state level show that statutory fiscal consolidation targets have a positive effect on macroeconomic management of the Indian economy. To make the FDI policy more user-friendly, all prior regulations and guidelines have been consolidated into one comprehensive document, which is reviewed every six months. The latest review was released in September of 2010, with the specific intent of enhancing clarity and predictability of Indian FDI policy to foreign investors. Discussions are underway to further liberalize this policy.

Foreign institutional investors (FIIs) are now allowed to invest in mutual fund schemes. To liberalize the portfolio investment route, it has been decided to permit SEBI registered mutual funds to accept subscriptions from foreign investors who meet the KYC requirements for equity schemes. This would enable Indian Mutual Funds to have direct access to foreign investors, thereby widening the class of foreign investors in the Indian equity market.

To enhance the flow of funds to the infrastructure sector, the FII limit for investment in corporate bonds, with a residual maturity of over five years issued by companies in the infrastructure sector, is being raised by an additional limit of US\$20 billion bringing it up to a limit of US\$25 billion. This will raise the total limit available to the FIIs for investment in corporate bonds to US\$40 billion. Since most of the infrastructure companies are organized in the form of SPVs, FIIs would also be permitted to invest in unlisted bonds with a minimum lock-in period of three years. However, the FIIs will be allowed to trade amongst themselves during the lock-in period.

There is a possibility of a Special Economic Zone for Korean investments in Haryana based on the pattern of Gujarat which is essential for making Haryana conducive for industrial development. This state's New Industrial and Investment Policy has been announced recently and has certainly raised high hopes for its future growth. The special focus on the agricultural and food-processing sector, which includes a number of incentives such as a reduction in stamp duties, change of land use charges for units established in undeveloped areas, and exemption of market fees on fruits and vegetables, has been well received.

Additionally, there is potential for developing Haryana as a tourism hub by giving it the status of industry which possesses the highest employment multiplier potential with direct and indirect employment. A strong case can be made towards urging every foreigner who visits India to visit the state of Haryana.

Housing in India and elsewhere in the world, including Korea, falls under the domain of human resource development (HRD), which is essential for sustainable development. The Government of India is playing an important role in shaping policies and programs related to housing in the country as a whole. Apart from deciding national policy issues, the central government is also allocating resources to state governments through various centrally-sponsored schemes and providing finances through national financial institutions throughout the country. The total housing shortage in India has officially been assessed as 24.71 million dwelling units for 67.4 million households, where 98% of this shortage was in the low income and economically weaker sections (EWS) segment. India needs to learn

from the housing construction expertise of South Korea, which is well-equipped with technology and trained manpower. India also needs to be cost effective and environmental friendly in all aspects of housing development in both urban and rural areas.

For reducing the incidence of crimes of various kinds in India, there is the need to replicate Korea's policy of CCTV camera installation that has been proven effective in reducing lawbreaking, such as it has in Seoul.

The subway metro travel system in Seoul, known worldwide for its operation and commuter efficiency, is also something that India can benefit greatly from by adopting its standards and principles to its own urban centers. Korea also has earned worldwide recognition for its excellence in IT and hardware manufacturing. As India is known for its software engineering, it is this writer's humble opinion that these two great nations can certainly create a win-win situation by joining hands and exchanging experts and technical skills of hardware and software to grow together.

With the tremendous potential mutual advantages of strengthening economic relations between India and Korea having been recognized by these countries' leaders, the future looks bright indeed. **AMP**

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*The subway metro travel system in Seoul, known worldwide for its operation and commuter efficiency, is also something that India can benefit greatly from by adopting its standards and principles to its own urban centers.*

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# Peter Fisk on Learning from Leonardo da Vinci

BY VICTOR FIC

Born in the wilds of Northern England, Peter Fisk started his business career managing brands like Concorde. Then he became the transforming CEO of the world's largest marketing organization, the Chartered Institute of Marketing. An expert in brands and marketing, he nowadays leads the GeniusWorks (www.theGeniusWorks.com). It inspires business leaders to think differently through "Innolab", an accelerated innovation process, and "Fast Track", an executive training program. His new book *Creative Genius* cites rock stars, rocket scientists, entrepreneurs and designers on thinking better and faster. *Business Strategy Review* hails him as among the leading "new business thinkers."

He gave this exclusive interview to Victor Fic (vfic@hotmail.com).

## Create or Die: Innovation for Survival, Success



### Peter, how does your book on creativity stand out?

My approach is not academic theory, but rather, it is based on my personal experience of what works for large and small businesses. It differs from other approaches firstly in its process. Namely, that innovation starts from the "future back" rather than typically focusing on present opportunities. Most incremental or "forward" innovation is quickly copied and irrelevant.

The best innovations emerge from unarticulated needs, undefined markets. Nobody needed or wanted an iPod, iPhone or iPad until Apple created them. Innovation must combine future thinking, customer immersion, scientific discipline, aesthetic design, and commercial rigor to fuse different perspectives, skills and mindsets. It gathers visionaries, anthropologists, scientists, artists, designers and marketers as a science and art requiring logic and intuition.

My book's style also differs. I learn from the world's most interesting case studies, not just old markets like America and Eu-

rope, but new ones like Brazil, China, and India, combining their approaches, opportunities and energy. I cite Philippe Starck in industrial design, Dave Stewart the rock star, Donna Karan the fashion designer, Mohammed Yunus the social entrepreneur and Guo-Qiang the fireworks artist.

### Why do you bill yourself as an expert?

I have 25 years of experience with many different companies, people, and approaches. I'm still learning. My expertise is not just specialist knowledge, but also the ability to perceive the practical challenge. For example, technical innovation is easy. But persuading colleagues to accept it is not; for instance getting people to invest in your new start-up. Similarly with customers, the best inventions fail unless people grow to want, need, pay for and love them.

### Your role model is Leonardo Da Vinci, but isn't he a genius far beyond imitation?

We can learn so much from Leonardo not by imitation but through his unique approaches. In sculpture, geometry, anatomy and mechanics, he embraced the border crossing principles of the Italian Renaissance to transform art and science. 400 years before Newton, he saw life differently, placing context above subject, recognizing the power of paradox and parallels, embracing fusion and design. We explore how to apply his 7 talents to business today.

### Please explain these.

They start with relentless curiosity, or an insatiable hunger to question, to search for better answers, to articulate his ideas in pictures, and propose new possibilities. Second, he saw more, using all his senses to appreciate richer detail and align perspective and perception. He was thinking bigger, appreciating art and science, logic and imagination, and thinking more broadly, embracing rigorous analysis whilst trusting intuition. Fourth, he made connections, embraced the intersection between the natural

We can learn so much from Leonardo not by imitation but through his unique approaches. In sculpture, geometry, anatomy and mechanics, he embraced the border crossing principles of the Italian Renaissance to transform art and science.

and physical world, from the tiniest seeds to the stars above. He also loved paradox, thriving on ambiguity and uncertainty, creating mystery and depth through the contrast in his sketches or in questions without obvious answers. Sixth, he took courageous action, seeking to prove his hypotheses, to experiment and test, to make his ideas tangible. Last, he had an enlightened mind, constantly renewing mental and physical fitness, exploring new worlds to spark ideas and not being a slave to work but to living a full life.

### You propose drawing to develop creativity. Isn't this too childish for business people?

Reject that attitude. Maybe children have many answers while adults are restricted by what they think is right and wrong. The best art or advertising is not childish. But they don't require pages to explain them.

### How does it actually help them?

Proctor and Gamble insists that any new business proposal, such as a new product concept, or plan to enter a new market, be on one page, like a poster, if possible.

Why? It zeroes in on the core idea; articulates this in pictures worth a thousand words; additionally, images, color and shapes are more memorable.

### Brainstorming is a well-known technique, but you have specific instructions on it...please explain.

Conventional brainstorming is not enough. 20 minutes of cold thinking initially generates mediocre ideas. "I use "advanced brainstorming." It involves a series of brainstorming, increasingly focusing in on the most interesting areas, using random catalysts to make it more radical, inviting unusual people to join the team, and giving time limits and prizes to 'incentivise' people. It opens people up. And then it connects to other design processes before evaluating or closing down on the best ideas. But you need to read my book for the full explanation!

### What is cross-pollination and how does it work?

It is about border crossing or fusion. Out all the creative techniques, the most powerful is connecting two unrelated ideas. As with the Medici family during the Renaissance, you bring unfamiliar ideas, situations, talents, challenges and solutions together. But I am more driven by the ancient Chinese wisdom of yin and yang, the opposing forces that always seek each other and combine in beauty and harmony.

In The Ascent of Man, Jacob Bronowski claims that "a genius is a person who has two great ideas" and can fit them together. Consider Indian sitar player Ravi Shanker doing this with the music of India and Eu-

rope, Paul Klee combining the influences of cubism and primitive art, or Salvador Dali combining scientific perspective with random visualisation.

### Give us concrete examples.

An easy way to think more creatively in business is to apply existing ideas from outside your market. Examine events in other sectors, countries, companies, and creatively explore how to apply these. These ideas are already tested so they can be reproduced, and people will be sure to buy them, albeit in a different context. The challenge is to find the relevant parallels and apply them in new, relevant ways.

For instance, ask "How could we do an iPod in our industry that encourages people to conceive of the whole business model where devices and content, distributors and customers cooperate for profit?" It might deliver an idea for digitalizing the basic products into components, renegotiating relationships with suppliers for exclusive content, letting customers select and combine them like iTunes, or creating the most aesthetically-pleasing storage and usage device like the iPod itself.

### What about fusion?

Fusion is about more radical cross-overs. Although I studied particle physics long ago, I still use its simple ideas in my innovation projects with clients. Understanding atomic structures is a model for thinking differently about how products and services work together. And applying the characteristics of astrophysics gives me a categorization tool for managing portfolios. Or I might apply my love of running. Imagine applying the discipline of track athletics to the entertainment industry to create more drama in games and shows, or seeking to replicate the breakthrough of Nike's Air sole to new types of bottles for chilled beers. It's an exciting and radical process!

### What other techniques do you suggest?

My book also explores crowdsourcing like Huawei does; frugal innovation like Tata; unlocking technology like Nintendo or WuXi Pharma; fusing the yin and yang principles like Banyan Tree and Samsung; combining the network reach of Alibaba and Baidu; delivering faster growth like Air Asia and Li and Fung, or with more social impact like Aravind and Grameen. In total there are 50 great examples of creative genius in action from all parts of the world.

### Tell our readers the inspirational lesson of how Alexander Graham Bell invented the phone.

Innovators are rarely motivated by the thought of the final product or even money and fame. In the Boston of 1870s, he tutored the deaf and his favorite student was Mabel Hubbard. They grew closer, but her mother

disapproved. When Bell visited Mabel's Nantucket home one rainy night, Mother Hubbard rejected him. He left feeling dejected, but resolved to apply his ingenuity to reach Mabel. Telegraph lines were expensive. So he jammed many distinct signals down one line, instantly revolutionizing the applicability and economics of the telephone line. So this multiplex telegraph came from his love of a Nantucket girl.

### You also relate how Singapore airlines makes itself unique by appealing to our noses – how so?

Customer experiences are emotional. Business managers should use their intuition based on all their senses to make better decisions and equally to enable customers to be multi-sensory, too. We know the far greater impact of our non-aural senses, meaning what we see, feel and touch. Yet it is easy to dismiss these in the rush to maximize transactions. Singapore Airlines' scent is subtle, but it grows on you and relaxes you. Their experience design team spent thousands of hours perfecting it and they sell a bottle of it. Similarly, as you test drive a new Lexus car, the scent and softness of the leather seduces you, not just the acceleration.

### So you must bring the design to life?

Exactly. Make it a multi-sensory experience, not a sterile one. Add to your touchpoint map what customers should see and feel. One way is personalized service responsive to each customer. Find ways to connect with them. Study databases about their expressed preferences rather than following a standardized list of procedures for everyone.

### You warn that most new ideas fail. Why and what to do?

Yes, most new ideas do fail. 3M estimates that it needs 3,000 clearly specified ideas to cull 300 prototypes for 30 strong concepts whittled down to 3 market entries for one successful innovation. Innovations fail because they emerge from mediocre ideas. A quick brainstorm will not improve peoples' lives. Creativity is an opening-up process requiring stretch and challenge, time to see perspectives, time to think. The acceleration comes after the great ideas to make the great ideas real.

Innovations fail because leaders are not open to new ideas, to changing what they do; organizations have too many sacred cows; nobody cares about innovation in some companies – it is not tangible; there is no urgency; there is no structure or method; it lacks process to be consistently adopted; not enough time is allowed; thinking is seen as a luxury; or we cannot implement ideas because we have no process; it needs long term effort whereas the short-term is stressed. Or it is dismissed as another fad that real companies don't do. [A-P](#)



Maram | Dreamstime.com

## Growing Profile of Cosmetics Industry in Asia-Pacific

BY SHAMILA JANAKIRAMAN

**E**very one of us has used some form of cosmetic at some point in our lives. Even talcum powder, lip balm, hair oil and shampoo fall under this category.

Any product used for cleansing or for making a person more attractive by changing his or her appearance is called a cosmetic.

Although soap does not figure in this list, all coloring, conditioning, and cleansing products used to protect the skin, hair, nails, lips, eyes, and teeth of humans are considered cosmetics.

Ancient civilizations in India, China, and the rest of Asia abounded in wealth, and kings, queens and the common people used natural preparations as cosmetics, as is often mentioned in classical poetry and literature from these regions. The Egyptians used a plethora of such preparations way back in the 4th millennium B.C. Cosmetics were used widely in the Roman Empire too.

Then the European region became relatively devoid of cosmetics until the Middle Ages when they were reintroduced from the Middle East. The usage of cosmetics was derided by many at the time and considered too flashy and fit only for actors.

However, things changed drastically, of course, and now every social class has its own set of cosmetics, ranging from foundation, face powder, rouge, eye make-up colors, and lipsticks of every hue.

The hair has its own set of pampering cosmetics, from shampoo, conditioners,

hair colors, curlers, and straighteners. As cosmetics help enhance the personality of a person and not just physical beauty, antiperspirants, mouthwashes, depilatories, astringents, and bath crystals also get included.

In the 1900s cosmetics were scientifically prepared in France, spawning a huge industry which has grown in leaps and bounds to date, with western brands like Revlon, Elizabeth Arden and Asian ones like Biotherm, Amorepacific Shahnaz, Lotus and Biotique gaining popularity for the quality and the entrepreneurial acumen of the brand owners.

The 21st century witnessed the formation of large cosmetic companies and the value of the industry growing into the billions of dollars. Many cosmetics of today originated in Asian countries, especially the herbal kind, with India being a major source. "The beauty business has been overwhelmingly taken over by the herbal cosmetics industry here, as organic and ayurvedic cosmetics gain precedence over chemical concoctions," said Shahnaz Husain, an Indian beauty expert.

Along with Shahnaz, several herbal beauty products adorn shop counters such as Biotique, Himalaya, VLCC, Dabur and Lotus along with L'Oreal, Revlon etc. The Indian cosmetics market is valued at US\$4 billion and is fast growing at a seven percent rate. Hindustan Unilever is the largest cosmetics company in India, followed by L'Oreal.

Organic cosmetics are preferred as they do not hinder vitamin D absorption by the skin. From time immemorial henna (Lawsonia inermis) has been used to color hair, homemade kajal is used to line the eyes, sandal wood paste to smoothen skin and turmeric paste as a hair remover. Egg white and almond oil help condition hair, while oiling the hair keeps its sheen and postpones hair whitening. With so many cosmetics available in the kitchen cupboard the industry needs to satisfy consumer awareness and serve its customer base in increasingly wholesome ways.

Mary Kay Cosmetics, launched by American businesswomen Mary Kay Ash, ventured into India with plans to invest US\$20 million over a 3-4 year period to develop infrastructure, execute technology trans-

fer and provide training. It is now opening brand experience centers in all major cities, where beauty consultants will provide consumers with customized beauty care. With growing income levels, sales figures are expected to grow as the products target the upper echelons of society with its mass prestige range featuring uniquely designed products for the Indian populace.

Marico's Kaya skin care products for both men and women is backed by the philosophy of offering personal confidence through expert skin care which synergises looking good with feeling good about ones inner and outer self at all times. With clinics spread across India, the Middle East and Bangladesh, the customized and personalized services from Kaya serve all cosmetic needs.

China became a popular destination for Japanese cosmetics major Shiseido, which entered in the year 2003 to leverage the huge Chinese population, which was then ten times greater than Japan's. Huan Cai Jian, the company's cosmetics store, was opened with 223 different cosmetic items in Shanghai.

As a large cosmetics producer, China is expected to benefit more owing to the positive regulatory environment and the growing Chinese economy. With more multinationals keen on opening shops there, this is bound to happen in spite of the prevalence of counterfeit cosmetics which act to discourage foreign investments in the industry.

Asia-Pacific cosmetics companies are going all natural and organic for ensuring safety and to garner a big piece of the market already occupied by American and European brands like Avon, Oriflame, and Garnier. Many natural cosmetics companies in the Asia-Pacific region are following certified natural and organic cosmetic standards to differentiate their products from that of competitors.

The Malaysian company I-Green was successful when it launched the first Asian line of certified organic baby care products under the Buds Cherished Organic brand. The Australian brand Jasmin Skincare saw success in China by marketing its products as 'the best organic skincare in the world', said Organic Monitor sources.

The sudden awareness regarding cosmetics containing synthetic ingredients follows warnings to consumers about a range of Taiwanese skin care products which were found to contain an antibiotic called clindamycin a few years back, and that asbestos was detected in NUK baby talcum powder and L'océan cosmetics sold in China. Educated and informed consumers are now wary and go through many stages before zeroing in on any product.

According to Datamonitor surveys, Asia-Pacific consumers are more concerned about safe use of cosmetics than global consumers. A survey conducted in 2008 showed that about 63 percent of respondents from Asia-Pacific preferred 100 percent natural ingredients in their health and beauty products, while only half this number felt the same in other regions.

Also in a 2009 survey, about 40 percent of Asia-Pacific consumers revealed that they were ready to pay more for organic beauty products, which is more than the 33 percent global average.

This consumer preference served as an advantage for Asian companies which filled the void, offering safe natural and organic products that were not yet offered by western brands. Readymade Ayurvedic concoctions and home cosmetic recipes turned into huge brands overnight. This niche has to be retained by Asian brands through developing consumer loyalty to keep multinational brands at bay.

Cosmetics Leaders Asia is a "live forum" designed to bring cosmetic manufacturers, formulators, scientists, sales and marketing professionals together on one platform along with ingredient suppliers and cosmetics packaging suppliers. Conferences, brainstorming sessions, an exhibition of new ingredients, etc., form part of the annual CLA event. This is expected to give impetus to the cosmetics industry as a whole.

Even small countries like Taiwan form a lucrative market for skin care products, color cosmetics and hair care products. Singaporeans demand better sun care products and men's grooming products, while Thailand shows demand for skin care products and perfumes. In Vietnam and Indonesia, domestic cosmetic producers supply to the middle and low-end market segment while multinational brands serve the affluent.

### What's New – Nutricosmetics

Taking 'skin deep beauty' even deeper, Nutricosmetics products promise to make skin, hair and nails even more healthy and beautiful. In spite of the recent economic downturn, the nutricosmetics sector is growing fast, says market research company Kline. Projected growth for the global skin care market is about 11 percent per year up to the year 2012, owing to an increase in new product launches.

These products include foods with caro-

### Factoids

- Asia Pacific consumers prefer 100 percent natural ingredients in their health and beauty products and are ready to pay more for organic beauty products.
- Global sales of male specific cosmetics stand at US\$28 billion which is growing at 12 percent a year.

tenoids, cod liver oil, fish oil, multivitamins and others. Promoting these products is difficult as most consumers feel that they do not need them as they are already on a healthy diet, and many consumers feel nutricosmetics do not work. Consumers still prefer a topical cosmetic product over functional foods or beauty supplements.

Nutricosmetics is still widely unknown to many, which prevents product penetration into new markets. But the realization that beautiful skin does not happen overnight and that many consumers use nutricosmetics along with their regular beauty regimen seems to be encouraging for this new sector. The high levels of loyalty that consumers have for nutricosmetics once they use them will serve this industry in the long run.

Oral supplement and skin care specialist Ferrosan launched its male grooming nutricosmetic, management, an anti-ageing supplement treatment which can prevent dry skin, lines, wrinkles, and protects against UV damage and increases moisture levels in the skin. In the U.K., response to the product was not so good, while in Singapore and the United Arab Emirates sales were remarkably high.

Another brand, Functionalab, also witnessed good responses from Asian countries

when compared to the United States as nutricosmetics was easily integrated with the usual beauty routine here. Nurturing the skin from inside out offers long-lasting results, as nutricosmetics ensures.

Nestlé has developed an edible beauty bar for Kit Kat brand along with Tokyo Beauty Clinic which comes in variants like bitter almond and aloe yoghurt. Breakfast cereals like Moody Muesli, embellished with pumpkin seeds, cereals, cranberry, goji and grapes make them an anti-ageing nutricosmetic. Nestlé Malaysia has introduced a coffee with 3-in-1 collagen complex supposedly to strengthen skin elasticity.

The fact that beauty, nutrition and pharmaceuticals go hand in hand has inspired big and small companies to launch innovative products and promotions.

### Male Grooming Products

Beauty treatments are for men as much as they are for women, as proven from the fact that global sales of male specific cosmetics stands at US\$28 billion. And this number is growing at 12 percent a year, what with new salons cropping up, while barber shops upgrade to beauty salons with increased celebrity endorsements.

What was a quick shave a generation back now encompasses an entire skin, hair and body regimen. Men of all ages and classes are open to using new products. Even hair removal creams for men are gaining popularity, and even in India, which is considered a conservative market. Social pressures, competition at work and acceptance by many seems to encourage men to move from a simple massage to facials, hair coloring, hair styling and so on.

Cosmetics for men have gone natural straight away with the launch of several

**Continued on Page 37**

## Huawei Now Spreads its Business to Brazil

BY VINTI VAID

**F**or a long time now, Brazil, Cuba and other South American companies have had Big Brother U.S. fending for them by investing in various sectors of the continent, along with consumption of what they produced.

However, in the post-2008 era, owing to the international economic slowdown, increasing unemployment rates and its own poorly performing economy, the U.S. is today being laid down by its own burdens and it simply does not have the abundant resources to spend on the emerging markets in its southward neighborhood that it once did.

Perhaps the only country that has withstood the whirlpool recession of 2008 is China. The few gusts of wind that were experienced there as part of the global economic slowdown could not hold China back for long, and it now continues on its war path of development toward becoming

the world's dominant economic power. An illustrative point is the manner in which Chinese global investments have grown, as well as how China has been able to maintain the balance of payments in its favour. This is largely due to the well-established and strategically well-positioned Chinese companies such as Huawei. Perhaps there is no bigger example to illustrate China's emerging super power status than this multi-industrial giant.

Brazilian companies are finding that Chinese companies such as Huawei are quickly filling in the gap left behind by European and American investments. Tele Norte Leste Participacoes SA in Brazil found in Huawei its match for network equipment with a financial deal it would have been foolish to miss. Huawei was offering deferred payment over a period of two years, with an interest rate of 2 percentage points more than what the London interbank was offering.

Huawei was able to offer this because of the financial edge it has over its competitors. Like other Chinese companies, it has access to credit from China's Development Bank to the tune of US\$30 billion. This fund was created to nurture investments in oil, telecom and alternative energy. The Bank offers a lending rate that is much lower than what is offered similarly by U.S./European development funds. These lower rates

are what give Huawei and its closest competitor ZTE Corp the ability to garner global market share.

In the Tele Norte Leste deal, the Brazilian company needs to pay 5.99 percent as interest, while in the case of the Chinese deal, the company gets a seven-year credit limit and an interest rate of 4 percent.

This was also what happened with America Movil SAB, a Mexico city mobile-phone carrier and one of the largest service providers in the region. It got its US\$1 billion credit at very low-interest rates and upgraded its network successfully while remaining very competitive.

Huawei spokesmen are quick to point out that the company gets only the financial backing from the Chinese Development Bank while remaining a private company without Chinese government board members that is owned by its employees.

Today Huawei stands next only to Ericsson AB at 15.7 percent in the niche segment of carrier network infrastructure, translating to a net worth of US\$7.8 billion of the global market. Garner Inc. research conducted as recently as April 2011 shows that Ericsson heads this telecom sector with 19.6 percent market share. This is a small bridge to cap for a telecom giant such as Huawei with the backing of low-interest backing from the China Development Bank. **A-P**

## Indian Companies on an Acquisition Spree Overseas

BY ANSHU SHRIVASTAVA

**I**ndian companies are no longer the frogs in the well of the licensee-raj era. They have transformed into long distance birds, flying out of Indian business boundaries to find new markets and potential companies for acquisition, merger and investment.

A decade back, the news of acquisition overseas by an Indian company would have created ripples, generated glee as well as raised eye-brows; but now, it has become the trend and the norm. The confidence level of Indian companies has grown manifold, and they have become more adept at successfully acquiring and managing companies overseas. "Indian companies are now more experienced in dealing with overseas M&A transactions and are considered serious contenders for acquiring global businesses," Mahad Narayanamoni, a partner in the corporate finance division of Grant Thornton, said in an article published in the Financial Times.

For a little more than a decade now, the cash rich Indian companies have been on an acquisition spree, and that has added considerable value to Brand India. A report by Columbia University finds that India has emerged as the world's 21st largest outward investor, with more than US\$75 billion in overseas investment in the past decade. During 2009-10, the investments by domestic companies in overseas joint ventures and wholly-owned subsidiaries stood at US\$10.3 billion, as per the Reserve Bank's report. This data shows a rosy picture of Indian business against the backdrop of the global economy that is still recovering from recession.

The first major acquisition was of the popular U.K. brand Tetley, for US\$407 million, by Tata Tea in 2000. At the time of the acquisition, Tetley had three times the turnover of Tata Tea in India. It's now the flagship brand of Tata Global Beverages (formerly Tata Tea) and is present in over 70 countries across the globe, offering around 500 different tea varieties. In the last decade, Tata Global Beverages has purchased more than ten overseas beverage firms at a cost of over US\$1.5 billion. The company acquired Good Earth, a US maker of green and herbal teas in 2005, and US-based firm Eight O'Clock Coffee for US\$220 million in 2006. It also bought a third of Joekels, South African tea producer, in 2006. Tata Global Beverages is currently the world's second-largest branded tea maker. Last year in May, it was reported that Tata Global Beverages is eyeing acquisitions in America and Eastern Europe. In a bid to re-enter the vitamin water space, the company also has acquired a minority stake in US-based beverage and

bottled water firm Activate.

Over the years, Indian companies have become bolder in their approach, and have acquired and invested in companies that are much larger at the global business platform than their India-based ones. One of the biggest takeovers to date was Tata Steel's purchase of British steel company Corus for US\$12.1 billion in 2007. At the time of acquisition, Corus was five times bigger than Tata Steel, and was ranked eighth largest in the world. The acquisition propelled Tata Steel, ranked 65th, to the fifth place in world steel production.

The Tata Group returned to U.K a year later to acquire luxury car brands Jaguar and Land Rover from Ford Motors for US\$2.3 billion. Both luxury car brands were draining Ford financially. The post-purchase talks from industry experts were full of skepticism. Yet earlier this year, Jaguar Land Rover announced record-breaking sales performances in March from key international markets, specially the UK, China and India. The company said that Jaguar and Land Rover combined were up 6 percent globally in March and 13 percent ahead of 2010 for the first quarter. Phil Popham, director of group sales operations of Jaguar Land Rover, says that despite a challenging business environment, Jaguar Land Rover is flourishing on a global scale, with March sales reflecting the confidence consumers have in the company's brands and products.

Within two weeks after Tata struck a deal with Corus, Aditya Birla Group announced the takeover of Canadian Novelis for around \$6 billion by its flagship company Hindalco Industries. Today, Hindalco and Novelis, based on their combined strength, are the world's leading aluminum rolled products producer.

"Indian companies have been acquiring foreign companies, and when they do, the studies show those companies perform better," notes Peter Cappelli while writing a blog piece, Indian Companies: Doing Well Because They Do Good, in Harvard Business Review.

The wind of business has started to blow from east to west, and who could have thought that once upon a time a colony of the British Empire would return in the shape of Tata Group to become the largest employer in the U.K. The story of acquisition is not limited to a handful of companies, or to particular service and product areas. Several leading Indian companies are acquiring companies in a wide range of areas, including FMCG, minerals, chemicals software, engineering hospitality, agriculture, oil and gas, pharmaceutical, telecommunications, and more.

Indian companies are also exploring the African continent for opportunities to invest in agriculture. Thus far, investments worth \$3 billion have been made in Ethiopia, Kenya, Mozambique, Senegal and Madagascar



to produce a wide variety of food crops and also cultivate food crops that can be used to make biofuel. To the governments of African countries, the Indian Government is providing cheap lines of credit to encourage land acquisitions.

Also, since the Indian telecommunications market is almost saturated, major Indian telecom players are formulating acquisition strategies to enjoy African Safari and explore untapped markets for business growth and expansion. Last year, Bharti Airtel bought the African operations of Kuwait-based Zain for US\$10.7 billion, reportedly the largest overseas acquisition in Africa by an Indian company. Thanks to this acquisition, Bharti Airtel now has a presence in fifteen African countries.

Additionally to secure mineral flow for their industries, especially coal and iron ore resources, Indian companies are increasingly looking outward. Ernst and Young's study notes that the Indian companies have turned aggressive in the span of a year and have invested considerably in mineral resources. For the first time, India-based companies have scored winning points over Chinese counterparts in the acquisition of overseas mineral assets, notes the study. Indian companies invested US\$4.64 billion in 2010 to acquire companies overseas, and in comparison, Chinese outbound investments declined by more than half to US\$4.45 billion.

India's largest private sector oil refining and production group Reliance Industry is eyeing major acquisitions in the U.S. ONGC, in 2009, took over the control of U.K. firm Imperial Energy for £1.3 in 2009. It was one of the biggest overseas acquisitions by ONGC Videsh (OVL), the overseas arm of ONGC. State-run explorer Oil India, last year, indicated its plan to buy shale gas assets in the United States and Australia. In what is seen as the single largest investment by an Indian company in Australia, Adani Enterprise acquired the Australian coal assets of Linc Energy in a cash and royalty deal worth US\$2.7 billion.

Some other major acquisitions of recent times include the acquisition of the Grosvenor House Hotel by Sahara India – considered to be one of the highest profile international acquisitions; the flagship company of Venkateshwara Hatcheries Group, Venky, acquired the 135-year old English premier division football club, Blackburn Rovers; the Essar Group-owned back-office firm, Aegis, acquired Actionline, one of the largest BPO firms in Argentina; Dabur India acquired Turkish personal care products company

Hobi Kozemtik Group; and more.

Some of the factors that are driving this acquisition spree are access to global markets; the urgency to secure raw materials; global brands in the company's portfolio; acquisition of assets abroad to supplement domestic resources; access to innovative technology with international companies; and the growing demand for valuable natural resources.

It's not always a smooth sail for Indian companies seeking to acquire or invest in companies overseas. Each country has its own regulations and often, they turn out to be the biggest stumbling block in overseas takeovers. The acquisition talk between South Africa's MTN Bharti Airtel failed mainly because of the regulatory requirements and the South African government's objection to the deal. Locals are also often hostile toward a foreign takeover, fearing losses of jobs and change of management. Also, there are potential cultural rift issues that Indian companies have to face.

Indian business still has a long way to go before it becomes omnipresent, to the point where Indian brands gain the same world-wide respect and umbrella/product brand recognition that companies like GE, Shell, Apple, Nokia, Microsoft, Coca Cola, and others get and boast of. Currently, Indian companies are still setting up their bases overseas. It will take some years before they begin to show the profit evaluations from present acquisitions. However, there is no denying that Indian companies have become ambitious and adventurous, and they are confident about successfully expanding their operations worldwide. The confidence reflects the attitude of the new Brand India. **A-P**

## Sales for Samsung Electronics Hits 1-Year Low in 1Q

BY JY CHEONG

**S**amsung Electronics Co., Ltd. announced its performance for the first quarter of 2011 on April 29th, 2011.

For the first quarter of 2011 ending March 31, its revenues totaled 36.99 trillion Korean won on a consolidated basis, a seven percent year-on-year increase (consolidated basis includes performance from overseas branches as well). This data showed that sales have slowed since the first quarter of the previous year.

### Worst Decline of Operating Profit in Seven Quarters

Samsung Electronics' consolidated operating profit for the quarter stood at approximately three trillion won, plunging 33 percent from a year earlier. Its operating profit per quarter dipped below three trillion won for the first time in seven quarters since the second quarter of 2009. The number is approximately one half of its best performance in the second quarter of 2010 when it recorded an operating profit of five trillion won.

### Semiconductor: Constant Good Performance Despite Poor Seasonality

Samsung's Semiconductor Business represented two thirds of the total operating profit, driving the sales growth of Samsung Electronics. Consolidated operating profit of

the semiconductor segment was posted at 1.64 trillion won in the first quarter, down from a 1.96 trillion won total a year ago. Its recorded revenue stood at 9.18 trillion won, a 12 percent increase over the same period last year.

Despite the weak demand for PCs caused by seasonal factors, Samsung's memory division recorded 5.87 trillion won in revenue for the quarter, up 5 percent year-on-year. The increasing popularity for smartphones and tablet PCs has led to strong demands for server DRAM and high-density memory.

Sales for the System LSI Division doubled to 2.32 trillion won year-on-year, on the back of rising demand for smartphone application processors and image sensors.

### DP (Display Panel): Weak Shipments, Slowed Demands

The Display Panel Business unit's revenue was 6.51 trillion won, representing a 5 percent sales dip year-on-year. DP segment recorded an operating loss of 230 billion won. Overall market shipments of LCD panels declined 8 percent quarter-on-quarter due to weak seasonality, set-makers' conservative inventory management and slower sales in China.

### Telecom: Smartphone Sales Boosted

The Samsung Telecommunications businesses include mobile communications and telecommunication networks. The telecom segment posted an operating profit of 1.43 trillion won on revenue of 10.64 trillion won. The businesses maintained an operating profit margin of 13.5 percent for the **Continued on Page 33**

## China on Tightrope as 1Q Shows Trade Deficit

BY PRIYANKA SHARMA

**A**s results of the first quarter of the financial year begin to trickle in, things are on a tight rope in China.

One has to look as far back as 2004 to the last time when China had to pass through a deficit in the first quarter.

The reason for this year's deficit is attributed largely to the phenomenal rise in oil prices, the strengthening of the yuan and a boom in importing technology as well as the increase in prices across the globe.

The General Administration of Customs data revealed a US\$1.02 billion trade deficit for the first quarter of 2011. February saw a massive deficit of US\$7.3 billion followed by a slight recovery surplus of US\$139 million in March.

Though it does not indicate drastic impact, it serves as a harbinger of the tautness

in the tight rope that China is walking to transit from its conventional economic stance to the dynamic state of market forces. The dangers loom large although a first-quarter deficit is unlikely to topple the balancing act China has been pursuing over the past few decades.

Forbes analysis indicates that China would have cause for great concern if the costs of input increased in relation to a drastic fall in exports. If the fall is consistent over a few months, then the deficit will certainly take its toll on the overall financial structure of the nation.

However, with the slight recovery in March, the quarterly trade deficit serves as a mere warning that China needs to have a back-up policy against external pressures – i.e., varying commodity prices, higher costs of imports or natural calamities such as the Japanese earthquake. The latter did have a notable impact on the Chinese economy as Japan constitutes about 8 percent of its exports. Moreover, the rate of growth of Chinese goods to Japan is increasing by around 6 percent of

its overall export growth.

China's attempt to control inflation as an internal factor is, however, influenced by external growth inhibitors and it has to remain cognizant of these to remain balanced.

Trade reports over the last few weeks indicate that China's current account is all set to broaden by close to 6 percent in the next two years. Though these figures would be much less than what it had achieved during the prolonged boom of recent decades, the global economy on its recovery path recommends that China's overall trade surplus should not go beyond the peak records set in 2008.

The US and other global powers at the Global Economic Discussion in Washington will ask China to increase its imports and encourage local spending, as well as support of the free rise of the yuan in global markets.

The forecast is that the Chinese trade surplus will be around US\$150 billion in 2011 as compared with US\$180 billion the previous year. **A-P**

## China Resourcing for Raw Materials Reaches Australian Shores

BY VINTI VAID

**T**oday's China is a symbol of growth. Spread across the country, hundreds and thousands of industries, most of them located in special purpose export hubs, have been leading China's march on its way to becoming an economic powerhouse.

While the smaller-scale industries are of the homebred variety, those in charge are local collaborators backed by massive multinational companies. Almost every one of them, regardless of their size, is a builder, producer or manufacturer of consumer products of a total worth of more than several million dollars. China is today the manufacturing hub for nearly every possible industrial segment, from premier automobile brands, agri-based industries, pharmaceutical industries, residential-commercial-industrial construction goods to leading names in electronic consumer goods. And today, nearly every known brand name sources its goods from China.

The other side of this 'Long March' to development is the insatiable need for raw materials and natural resources. Almost eighty percent of these industries require natural raw materials in one form or another. The list ranges from silica and rare earth materials for electronics and defense equipment to minerals, wood, paper, steel and all forms of energy resources. Manufacturers need massive quantities of coal and other energy resources such as oil, gas, nuclear power, etc., to keep up the pace of production and match global market demands.

As energy and resource consumption grows at an exponential rate, China is reaching critical mass with its own resource exploitation. Unless it can strategize better in planning for the future, it will be exhausting nearly its entire resource base in the next few decades, given its double digit growth rates. Substantiating local resource reserves with imported energy resources is the only route forward for China Inc., as its demand for iron ore, steel, and other energy resources has led China to a position of panning for resources abroad.

### China Following US Resources-Growth Plan

The situation demands that the country look beyond its own natural resources for alternatives as demand far outstrips supply. This is almost similar to the gestational stage that post-Second World War America was in. Feeding its burgeoning industries and commerce was made possible, despite its own colossal reserves, by meeting it in large part with imports from neighbouring countries. The US supplemented its own resources with long-term resource supplies

from across the globe, which it found fast and at low-cost prices. From across the Panama Canal to the Hudson Bay, America built a large network of feeder lines for oil, gas and other energy resources, for example.

China is in many ways replicating that developmental stage of the US. In the past couple of decades, China has been building strategic relations with most of the resource-rich nations the world over. China's investments in Africa, South America, parts of Middle Asia and recently Australia are likely to satisfy its long-term energy and resource requirements.

### Focus on Australian Resources

Australia's expansive resource-rich land tracts beckon Chinese investment to augment its perennial need for long-term natural resources supply. With its limited population and rich mineral resources, Australia needs Chinese capital to fund its own growth. Australia has traditionally traded its raw materials to seek capital investments in key areas of its economy in order to boost its paced growth.

However, over the past two years, the Australian dollar has strengthened to an extent that exporters there are today finding it difficult to remain competitive major players. As exports of raw materials from several mines across the island-continent reach the Chinese mainland, Australia's dollar has been on the rise.

Analysts opine Australia was spared the global recessionary side effects of the 2008 economic meltdown because of the millions of dollars Chinese mainlanders poured into the mining sector of the country. Today close to 25 percent of Australia's exports are keeping the giant wheels of Chinese industries in constant motion.

China's shopping list for iron ore, coal and energy resources has found the best goods in the vast land tracts of Australia. In just under a month, the China Sovereign Wealth Fund of US\$200 billion (quite substantial considering the relevant economic stagnation of most countries) has begun to fund various projects in Australia.

### China Moving from Purchasing to Mining

The norm for China thus far has been the purchase of minerals and ores of billions of dollars worth from established mining companies such as Rio Tinto and BHP Billiton. However, the widening disparity between supply and demand is forcing it to move into owning mining operations.

China is opting to lease land for mining purposes at these resource rich sites. While China manages and invests in these projects, the royalties and the substantial taxes reach the local governments' coffers. The local population too benefits with better employment and development of the area. A case in point is the electrification and commercialization of remote villages in Russia, as oil lines pass through them and cross the Bering Strait to fuel Chinese industries. A recent project has also funded the devel-



Carol Buchanan | Dreamstime.com

opment of a port with a 2 km breakwater along the Indian Ocean.

### Some of the High Profile Investments

The biggest and the most massive of all the coalmines in the Pilbara region is North-West Australian Citic-Pacific Corporation's Sino Iron project. It will be an opencast mine and will start production by the end of the year. It will be the single largest magnetite iron-ore mine in the world and will be using sophisticated hydraulic excavators and a customized power source of 450MW.

The net weight of iron ore to be mined from this site is projected to be a minimum of two billion tons. This will last for close to twenty four years, given China's present rate of consumption.

Close to US\$25 billion is being invested into purchasing ore and local small-scale mineral producers or suppliers to buffer against future price escalations. In the past month, Fortescue Metals Group, a resource rich Australian company, is under the Chinese buyer's scanner. Acquiring Fortescue will be opening up resources worth several million tonnes that will last for a minimum of two to three decades. It will be one of many such Chinese-owned Australian mines.

This increasing presence of China in the Australian mining sector is under observation by some local political parties. All mining contracts, etc., are subject to Australian regulator examinations before a deal is struck, though Chinese companies are eligible to make purchases of up to 9.8 percent without regulatory permission.

### Symbiotic for China and Australia

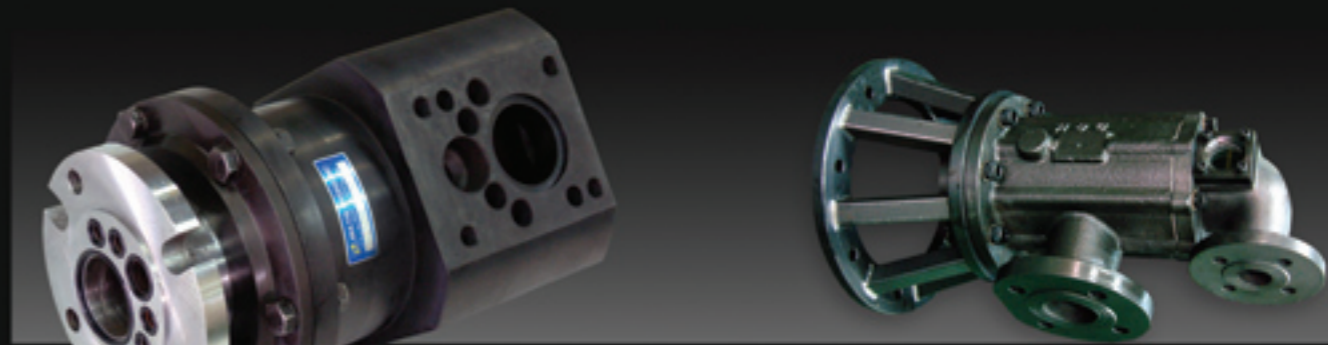
One major Australian mine, Fortescue, which had put its expansionist plan on hold due to lack of funds, has been fortunate to find reliable Chinese foreign investment in the present recession. To the Chinese, on the other hand, getting access to rich resources at an 80 percent discount has been like a godsend.

As Australia's current fiscal budget is being proposed, the government continues to gamble on China's steady growth rate and is relying on the millions of dollars committed through Chinese investments in mining and related sectors.

The Prime Minister of Australia has had a daunting job defending "Made in China" investments as her government grapples with carbon tax, greenhouse and gas emissions, all in all a definite aftermath of the intensive energy consumption sector. Yet the recent China visit by the Prime Minister Julia Gillard and the intense round of talks between the two has established a better road map for both countries. **A-P**

# MULTIS HYDRO

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## Dream of Mt. Kumgang Turns into Nightmare for Hyundai Asan

BY DONALD KIRK

**F**ew natural wonders are more distinctive than Mount Kumgang, that is, Diamond Mountain, in the southeastern corner of North Korea.



Looming a few miles above the eastern end of the demilitarized zone that has divided the Korean peninsula since the Korean War, Kumgang is not one mountain but several thousand crags of granitic rock jutting up in spire-like formations of widely differing shapes and sizes. The possibilities for hiking and climbing among them are almost as numerous, most of them unexploited if not unexplored.

For the late Chung Ju-yung, founder of the Hyundai empire, Kumgang was a dream that beckoned long after he had run away from his home in a nearby village named Asan to seek his fortune in Seoul during the Japanese colonial era. For him, Kumgang stood not only for Korean reunification but also for penetration into the North for South Korean business and industry. One of his proudest achievements, three years before he died in March 2001, was to open up tourism by boat from the South Korean port of Donghae to a small port near the base of Kumgang built by Hyundai Engineering and Construction, the mother company of his empire.

Soon, however, the dream turned into a nightmare that epitomizes the frustrations of gaining significant entrée into the North. No company has suffered more than Hyundai Asan, founded by Chung to build up facilities at Kumgang as well as the Kaesong Industrial Complex at the ancient Koryo capital of Kaesong, beside the 'truce village' of Panmunjom north of Seoul. Named for his native village, Hyundai Asan has invested well over US\$1.5 billion in both Kumgang and Kaesong. The payoff for the Kumgang deal has been tragedy, bankruptcy – and, most recently, North Korea's announcement that it is abrogating its contract and taking over all Asan's operations at Kumgang.

The downfall of the Kumgang program bears a discomfiting parallel to the continuing frustrations over the past two decades in getting North Korea to do away with its nuclear program, as promised in a North-South denuclearization agreement in 1991. The sense is that failure follows hope in a pattern in which North Korea forever finds ways to violate all agreements, diplomatic or commercial. What could have been more devastating than the failure of the 1994 Geneva agreement under which North Korea made a show of shutting down its nuclear weapons program in exchange for the promise of twin nuclear energy reactors to fuel its failing economy?

When that agreement flew apart eight years later with the discovery that North Ko-

rea had a separate, secret uranium enrichment program, Hyundai Asan was bringing thousands of South Korean and foreign tourists every week to Mount Kumgang. On the way, they witnessed the construction by South Korean companies of a single-track railway paralleling the newly paved road into North Korea – the partner of another line from the South to the Kaesong complex. Hyundai Construction did most of the new construction while Hyundai Merchant Marine ferried the tourists up the coast, all under the aegis of Hyundai Asan.

All seemed to be going well when Chung Ju-yung's fifth son, Chung Mong-hun, as chairman of Hyundai Asan, persuaded the North Koreans to open the way by relatively fast, cheap tours to Kumgang by road rather than by boat, which cost more and took longer. Here was living proof of the success of the 'sunshine' policy that Kim Dae-jung, president of South Korea from 1998 to 2003, had propounded when he flew to Pyongyang in June 2000 to meet North Korean leader Kim Jong-il for the first inter-Korean summit. The dream turned tragic, however, when Chung Mong-hun jumped to his death from the Hyundai headquarters in Seoul in August 2003 amid investigation into Hyundai Asan's funneling hundreds of millions of dollars to North Korea to get Kim Jong-il to agree to the summit.

Chung Mong-hun was also said to have been depressed by the troubles of Hyundai Construction, forced into bankruptcy in 2001 partly as a result of heavy losses on Kumgang. A decade later, the core Hyundai Group of Mong-hun's widow, Hyun Jeong-eun, was still judged not to have the funds to buy Hyundai Construction back. Instead, the creditor banks this month sold it to the booming Hyundai Motor Group, spun off to Chung Ju-yung's oldest son, Mong-koo.

Chung Mong-hun's passing, however, was not the only tragedy surrounding the Kumgang project. On July 11, 2008, a 53-year-old South Korean housewife, Park Wang-ja, was shot and killed by North Korean soldiers after she wandered outside the fence surrounding the tourist zone to gaze at the sunrise. South Korea's President Lee Myung-bak, suspending tours to Kumgang, insisted the South investigate the killing. North Korea refused while North-South relations spiraled downward after the South cut off the donations of rice and fertilizer that Kim Dae-jung and his successor, Roh Moo-hyun, had showered on the North for a decade.

The standoff on Park's death assumed a broader symbolic significance as President Lee demanded the North give up its nuclear program as a prerequisite for aid. The abrogation of North Korea's agreement with Hyundai Asan on Kumgang may portend the end of occasional 'reunions' of divided families, agreed on at the June 2000 summit, that North Korea said had to be held at Kumgang. Stilted affairs, monitored by the North Koreans, these reunions offered brief solace to those lucky enough to go but provided a cruel reminder of the sorrows of millions who died without seeing their loved ones again.

My own memories of Kumgang go back to 1995 when I went there with a group of Korean-Canadian tourists from the North Korean side after attending a bizarre "sports and cultural" festival in Pyongyang featuring professional wrestlers. The facilities had much improved, but the basic tour route had hardly changed when I went from the South Korean side by boat four years later and then again by land in 2004. You hiked several miles above a stream leading to a waterfall. You were taken to look at 'Sea Kumgang,' outcroppings in the sea that look like a miniature version of Mount Kumgang. You got to see a circus featuring high-wire trapeze artists in glittering attire. And the same guides warned of fines and worse for anyone spied littering the trail with a speck of trash.

Under the circumstances, Kumgang was not exactly a destination for relaxation, much less exploring on your own or, after one visit, seeing anything new. Still, Kumgang represented an opening. Instead of fulfilling Chung Ju-yung's dream, however, the Kumgang experience shows how clouded was the vision.

If the fantasy of North-South harmony endures, the reality is that of frustration for Hyundai Asan, for North-South commerce, and for talks on the North's nuclear weapons. The lesson of Hyundai Asan is that no business can be confident of success in dealings with the current regime in the North – just as no trains are running on those new tracks that I've seen glistening beside Hyundai-built highways to both Kumgang and Kaesong.

Still, the outlook is not entirely bleak. The Kaesong Industrial Complex may not be a tremendous money-maker but has shown enough promise for 120 small and medium-sized South Korean companies to set up light industrial units there employing 55,000 North Korean workers. Hyundai Asan and the Land and Housing Company, a subsidiary of a South Korean government agency, jointly "own" the land – that is, North Korea sold it to them in a complicated deal in which the North reaps most of the profits in the form of wages paid to North Korean workers and payment for the rights to do business there.

As at Kumgang, North Korea can take over the Kaesong complex any time an incident explodes into a standoff or crisis in North-South Korean relations. Nonetheless, the profits the North reaps from Kaesong are important enough for the cash-strapped regime not to want to risk complete disruption. The detention of a South Korean worker for Hyundai Asan, charged with trying to tempt a North Korean waitress to flee to the South, and obstructions to access on the

highway across the line from the South to the complex have made headlines but not stopped production. The betting is that the complex will endure simply because it's a sure source of funds for North Korea.

Similar considerations offer some hope for resumption of tours to Mount Kumgang from the South Korean side. North Korea claims to have taken over properties to which it had granted ownership rights to Hyundai Asan, including a luxury hotel with hot spring bathing facilities, a shopping mall, a power plant and a road into the tourist zone.

## 3G to Put Thailand's Tablet Demand in Line with Asia

BY DING DING

**A** new report from market analyst Ovum has indicated that tablet computers are the second biggest driver for mobile broadband traffic in Asia, next to the smartphone.

Netbooks and laptops, which topped the list last year as key growth drivers, dropped to third place. Smartphones are excellent devices for mobile Internet use but in a corporate environment, tablet PCs offer a bigger potential due to their comparatively higher functionality.

While this trend is true for most of the Asia-Pacific countries with established and more mature mobile broadband infrastructures, the same could not be said for Thailand, where 3G technology is not yet available publicly. Except for certain limited areas in Bangkok and Chiang Mai, mobile Internet on a smartphone is a slow and painful experience using Thailand's current EDGE technologies, which will definitely not achieve the full potential of Apple's iPad, Samsung Galaxy Tabs and other tablet PC devices.

Aside from the huge gap between Thailand's existing EDGE technologies and its 3G infrastructure, affordability is another issue that hinders mainstream tablet use for both commercial and business users. Compared to netbooks, tablets are more expensive and the lack of proper Internet facilities offers little or no incentive for users to invest in this greater cost. The deployment of 3G will change all this, however, giving a better and much improved online experience for smartphone users and the potential for increase of the tablet market in Thailand.

### An Overview of Thailand's Telecom Industry

Thailand is one of the few telecom markets in the world that still lacks a public 3G infrastructure. The current mobile industry is a combination of private companies and government-owned entities. Mobile use and penetration however, is very extensive in Thailand and the potential for mobile data services such as web browsing and social networking is very huge indeed.

Hyundai Asan also built and legally "owns" the small port that originally carried tourists from Donghae to Kumgang. The problem for North Korea is that tourists are not coming in large numbers from China to Kumgang. It is not an enticing destination for Chinese or for other foreigners who may want to go to take a look at the North Korean capital of Pyongyang but do not have the time to for a side trip to Kumgang.

Hyundai Asan, attempting to recoup its losses on Kumgang by diversifying into other businesses in South Korea, still enter-

tains hopes that North and South Korea will manage to reconcile some of their differences enough for tours to resume from the South. Might North and South Korea come to face-saving terms after Lee steps down as president and a new president, perhaps more inclined toward reconciliation, takes over in February 2013? In the meantime, a Hyundai Asan official blames the standoff on "the hard-line stance" of both sides. "In the near future, we are trying to resume our business," he says. "It will take a little time," but "we are prepared for any situation." **A-P**



Georgy | Dreamstime.com

One of the three major fixed-line operators in the country is government-owned, while the rest are controlled by private companies. Teledensity was registered at 10 percent last year and fixed-line services will remain an important sector in the telecoms industry in the country despite being outnumbered by mobile phone services at a ten to one ratio. Thailand's Ministry of Information and Communications Technology began to promote DSL broadband services to boost the fixed-line industry, but since 2006 up to the present time, broadband Internet penetration had only achieved a 4 percent level.

The mobile segment of Thailand's telecom market, on the other hand, is experiencing steady growth. New players are entering the market to challenge the duopoly of the two major telecoms operators in control there. Putting this competition aside, the real challenge for these telecom operators is for the Thailand government to finally issue 3G licenses to create a major impact on the direction and future of the telecoms market.

### Smartphones and Tablets Driving APAC Mobile Internet Industry

The report from Ovum in partnership with Telecom Asia indicated that 50 percent of survey respondents see smartphones as the major driver for broadband traffic in Asia, followed by another 25 percent who opted to use tablets for mobile Internet use. The survey also indicated that social networking and online video usage head the list of online activities for most users surveyed from over twenty countries in the Asia-Pacific region.

Thailand's telecom industry is ripe and **Continued on Page 29**

## Samsung Mobile Biz Valued at US\$5 Billion

BY EUN-JUNG KIM

**S**amsung Electronics' handset division was valued at five billion dollars this year, ranking 23rd among mobile vendors and wireless carriers worldwide.

According to the data analyzed and released on June 1st of this year by London-based brand evaluation consultancy Brand Finance Plc. in a report titled "Top 500 Telecom Brands", four South Korean firms were named in the top 100 companies.

The market values of SK Telecom and KT Corp. were at estimated at US\$2.7 billion (49th) and \$2.4 billion (55th), respectively. LG Uplus, noted as LG Telecom in the report, entered the top 100 with US\$906 million (89th) of brand value.

Samsung's handset division received a brand rating of AA+. SK Telecom received a brand rating of AA. Although its rating fell one notch from a year ago, its brand value leaped by US\$369 million.

KT's brand value increased by approximately US\$570 million, from \$1.837 billion last year to \$2.497 billion this year. The firm maintained the same brand rating of AA. LG Telecom's brand rating improved from AA- to AA.

Vodafone was evaluated as the company with the highest brand value for the second consecutive year, with an estimated worth of more than US\$30 billion.

Meanwhile, Samsung Electronics is currently enjoying a boost in the sales of its smartphone 'Galaxy s2'. Sales of the handset reached one million units in just a month after its release. According to industry analysts, the company sold a total of 1.36 million units of handsets in May alone. This figure indicates that Samsung currently holds 59 percent of the total market share in South Korea's handset market. **A-P**



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## The Indian Automobile Industry: Zooming Ahead

BY SHAMILA JANAKIRAMAN

**T**he growth of the Indian automobile industry has been phenomenal to say the least.

De-licensing there in 1991 set the ball rolling, as it attracted foreign majors to enter the country with long-term plans. Production facilities were set up, which boosted the Indian automobile production from 5.3 million units in 2001-02 to 10.8 million units in 2007-08.

The large middle class population with growing earning power formed a large customer base. Other growth factors in the auto sector were the remarkable upsurge in technological capabilities and the availability of trained manpower.

In 2006-07, the Indian automotive industry made significant economic contributions by providing direct employment to more than 300,000 people and exporting auto components valued at US\$2.87 billion. This contributed to 5 percent of the GDP which encouraged the Indian government to eliminate the need for foreign companies to establish joint ventures. Global auto giants thus made forays into the auto segment, opening manufacturing units and increasing production and exports.

Dominated by the two-wheeler segment some years back, the Indian auto scenario is fast racing towards more passenger cars, especially luxury ones, and more commercial vehicles, owing to industrial development. Passenger car production is expected to cross three million units within a few

years, with sales increasing at a CAGR of 10 percent. Auto exports will exceed domestic sales and auto component exports will be substantial by 2013, according to analysts.

The Indian auto industry is predicted to cross the US\$50 billion mark by 2015. Its success can be attributed to the efforts of the Society of Indian Automobile Manufacturers (SIAM), which is the apex industry body representing 46 leading vehicle and vehicular engine manufacturers in India. The society synergizes the efforts made by all stakeholders and serves as a bridge between the industry and government and national and international organizations. It is also responsible for establishing rules, regulations and policies concerning the auto industry in India.

The government's liberalization policies have spearheaded the industry's rapid growth. Examples include the relaxation of foreign exchange and equity regulations, reduced tariffs on imports, and banking liberalization. The introduction of convenient EMIs has encouraged customers to buy vehicles, contributing to much of this growth.

The Indian consumer is becoming spoiled for choice. They now get attractive loans to buy even more attractive cars. Foreign brands and Indian manufacturers are in the fray, offering vehicles ranging from the small Tata Nano to Hybrid cars. The major Indian auto companies are Maruti, Tata Motors, Mahindra, Ashok Leyland, Hero and Bajaj. International names like Volkswagen, Toyota, Honda, Ford, Volvo, Audi, BMW, Benz and Hyundai also have a strong presence in India.

The auto manufacturing scenario in India is made up of light passenger vehicles, multi-utility vehicles, SUVs, commercial vehicles like trucks and buses, tractors for farming, earthmoving and construction equipment, two-wheelers including motorcycles, scooters and mopeds, and three-wheelers including passenger carriers and goods carriers.

### Global Forays by Indian Companies

Indian auto majors are also crossing boundaries and acquiring foreign companies, such as the Tata takeover of Jaguar, and Mahindra & Mahindra's acquisition of South Korean auto company Ssangyong.

Mahindra & Mahindra has planned for eight to ten new model launches within the next twelve months. M & M is expected to introduce its new sports utility vehicles Korando-C and Rexton from Ssangyong in India. The company looks forward to automobile sales in the country to grow by 15-17 percent in 2011-12, with around twenty to thirty new vehicle launches planned by automobile companies overall in India.

M & M also witnessed a 20 percent boost in tractor sales in 2010-11. The increase is projected to be 10-12 percent in 2011-12 for tractor sales, owing to the Indian government's continued focus on developing the rural economy.

Tata Motors began exporting its Nano minicar from April of 2011, which is touted to be the world's cheapest car, a fact that is helping to reduce its sales dependency on just the domestic market. Besides owning luxury brands like Jaguar and Land Rover, Tata Motors made its presence felt in the world market by exporting 498 units of

the Nano in the first month. The company plans to send Nano units to Indonesia, Thailand, Sri Lanka and Africa by December of this year.

In targeting developed and developing markets, Tata Motors will be soon selling its Pixel, a new city car for Europe based on the Nano. The vehicle will be fitted with a 1.2-liter turbo-charged diesel engine, or an electric one similar to that used in its Indica Vista EV hatchback.

The Tata group is even planning to open facilities abroad for the production of Nano cars, as it is considering locations in Latin America, South East Asia or Africa. These places are characterized by a good supply chain of components, along with their good local market potential for car sales. Nepal is also considered a good site for manufacturing, said Tata sources.

### Reasons for Growth

Doing well both in the domestic market and internationally, the Indian automotive industry is poised for more growth due to the increase in the working age population. Although many consumers are moving to four-wheelers, demand for two-wheelers, especially fully-loaded ones, will see an increase from the burgeoning youth. Two-wheelers are preferred by both women and the rural populace.

More consolidations and alliances are expected to meet demands for advanced technology, manufacturing facilities, service and distribution networks. The components sector in particular will benefit from India's cost-effectiveness, profitability and engineering capabilities.

Collaborations will result with different companies taking over various specializations, opine experts. This will allow standardization and simplify the industry and investment requirements, while catering to customer needs. Growth is envisioned owing to preferences and government legislations that are focusing on green technology. Gas-based public transport vehicles and the need for urban mass mobility systems to cover the expanding boundaries of cities will further boost vehicle production.

In India, the push for green vehicles may be relatively slow due to the high prices involved. Dual-fuel technologies are preferred by manufacturers more than battery-powered sources, as support infrastructure (i.e., recharge stations) is not yet fully available. Electric motorcycles may garner a huge portion of the market as they are very prevalent in India. Emphasis is, however, being given to optimizing conventional combustion engines for all sorts of vehicles before the industry ventures into newer, more expensive technologies.

The increase in private vehicle ownership has reduced the use of public transport. To bear the huge traffic problems that are expected, road infrastructure in major cities needs an urgent makeover. More public investment has to be made in Urban Mass Mobility Schemes such as metro systems and buses to transport the newly migrated population, the elderly and students. Also important is the improvement of links between various modes of transport.

The changes in the Indian automobile market are conducive for companies which have made suitable alliances and resource-sharing agreements and for those who have

invested in green technologies. Auto manufacturers also have to be flexible to face demands for light transport vehicles and mass transport systems.

Some of the milestones reached by the Indian auto industry are the largest three-wheeler market in the world, the second largest two-wheeler market in the world, the fourth largest passenger vehicle market in Asia, the fourth largest tractor market and the fifth largest commercial vehicle market in the world.

Reasons behind this phenomenal growth include a higher GDP, extensive mass transport systems, increasing disposable income with the service sector and the rapid replacement of aging four-wheel vehicles. Safety and convenience is driving many to change from operating four-wheelers to two-wheelers. In rural areas good agricultural yield and compensation for land takeovers by government projects has resulted in more disposable income which is being converted to plush cars. In urban areas the concept of having a second car is fast catching on.

### Green Is In

The recent budget proposals for 2011-12 were vociferous about using green and clean technology for the fast-growing Indian automobile sector. Tax sops to promote environment-friendly vehicles were proposed, along with the establishment of the 'National Mission for Hybrid and Electric Vehicles'.

Excise duty cuts were made for the development and manufacturing of hybrid vehicle kits to 5 percent from 10 percent, besides fully exempting customs and countervailing duty (CVD) on the import of special hybrid parts.

The National Mission for Hybrid and Electric Hybrid Vehicles will give a fillip to the manufacturing of environment-friendly vehicles while promoting the development, manufacturing and sale of hybrid vehicles in India. This initiative highlights the Indian government's interest in electric and hybrid vehicles.

The Automotive Component Manufacturers' Association of India (ACMA) said that this will improve the environmental impact of the automotive industry. It stressed the need to encourage local manufacturing so that the complete supply chain, including components, is manufactured within India.

The ACMA is the nodal agency for the Indian auto component industry. It strives to develop the industry with activities like trade promotion, technology up-gradation, quality enhancement and the collection and dissemination of information.

The ACMA has signed Memoranda of Understandings with similar organizations in the USA, Canada, UK, France, Italy, Spain, Japan, South Korea, Malaysia and many other nations. It represents over 479 companies that supply components to vehicle manufacturers, Tier-1 suppliers, state transport undertakings, defense establishments, railways and even to the replacement and

### Factoids

- India has the largest three-wheeler market in the world, the second largest two-wheeler market in the world, the fourth largest passenger vehicle market in Asia, the fourth largest tractor market and fifth largest commercial vehicle market in the world.

- The National Mission for Hybrid and Electric Hybrid Vehicles will give a fillip to the manufacturing of environment-friendly vehicles while promoting the development, manufacturing and sale of hybrid vehicles in India.

export market.

### Pollution Control

According to the 2010 Environmental Performance Index (EPI) published by environmental experts at Yale University and Columbia University, India has been ranked 123rd in pollution control, which is an improvement from previous rankings. This shows that original equipment manufacturers are making less polluting vehicles with support from the government which is keen on reducing carbon emissions at all levels.

Reva Electric Car Co., Honda, Toyota and other manufacturers have launched green vehicles, but they have not yet garnered substantial markets owing to their higher prices. But the interest is fast catching on. The need of the hour is to deploy more charging facilities for electric cars and more fueling stations for CNG vehicles, along with a more cost effective technology for manufacturing.

Bharat Forge, a supplier of forged and machined components and engineering, and KPIT Cummins Infosystems Limited, an IT consulting company, have joined to develop a new hybrid technology for India.

The new parallel hybrid system would allow the motor and engine to work together. This makes the vehicle operate as a conventional fuel vehicle even if the batteries are completely drained. The vehicle can then be charged using a standard external electricity source.

Although growing at break neck speed the Indian automobile industry has problems to reckon with. Poor road conditions, pollution and road accidents due to traffic act as damp squibs. However, massive highway projects launched a few years back and extensive land allocations for factories with easy accessibility to ports in some cities like Chennai are expected to help sustain the growth. **A-P**

### FURTHER READING:

- ACMA [www.acmainfo.com](http://www.acmainfo.com)
- Bharat Forge [www.bharatforge.com](http://www.bharatforge.com)

## Chinese-Made MG on British Roads again

BY RASHMI GUPTA

**H**ere is good news for MG fans. It is going to be back on the road again, thanks to its being revived by Chinese automotive giant Shanghai Automotive Industry Corporation, the present owner of the brand.

About 87 years ago, Morris Garage was the first wave of automobile sports fashion to happen to Britain. It is synonymous with everything a sports car needs to be. MG Rover Group, as it was known then, eventually went into the red and was acquired by NAC, one of China's oldest carmakers. With NAC merging with Shanghai Automotive Industry Corporation, it was time for the MG Marquee to make a comeback. Shanghai Automotive Industry Corporation is owned by the state and has built up a formidable reputation in the automotive industry despite the highly competitive environment.

The MG Birmingham, located at Longbridge site, is to roll out the new MG form here. MG6 Fastback condition for the first time since 16 years ago. The new MG will be a British engineered and designed fastback car built largely in China.

The 1956 MG coupe will see its new avatar as the MG Fastback, with sporty snout, trunked boot, pronounced grille, and steel alloy with five-door hardtop. This will essentially replace the open-topped and carefree sports cars that Britons loved to let their hair nip around while they zoomed down the highways or across the countryside.

The revival of the MG Birmingham plant with close to 40 workers may not measure up to the 20,000 plus workforce that worked here earlier, but there is at least hopeful benefit as localities keep their fingers crossed for a possible future for more MG work.

The MG6 is to be assembled at Longbridge with the body parts – body shells, engines and gearboxes – manufactured in China and shipped over to the Birmingham plant.

The MG6 is essentially a Roewe 550 that was showcased at the 2008 Beijing Motor Show and has been styled by Britisher Tony Williams-Kenny and an ex-employee at the Japanese carmaker Mitsubishi. Therefore, the car has a distinct Sino-British flavour but also a strong overdose of other features similar to the new German Audi and the Octavia Skoda. There are design comparisons to the Ford Focus and the Vauxhall Astra as well.

Perhaps the MG-6 will revive the West Midlands and will give an opportunity for the old MG badge to kiss the air as a new generation of car drivers are introduced to the core of driving a MG Rover around town.

The Shanghai Automotive Industry Corporation needs to be commended for keeping faith in this good old British car and reviving it, given the levels of competition and saturation that presently exist in the local as well as global markets. It is an exciting step forward for the MG6, as its survival would see the lease of a new life for the MG insignia to run on British roads again. **A-P**

# Top Trends in China's eBook Industry

BY KEVIN LIU

In a recent report from the Association of American Publishers (AAP), eBooks have surpassed traditional printed paperbacks as the most preferred book reading format in the United States.



Anton Maltsev | Dreamstime.com

This was evidenced by the bigger sales garnered by eBooks over printed media, earning revenues of up to US\$90.3 million dollars in February of 2011 alone – a 202 percent increase from the same period last year.

This trend is not unique in the United States, but rather, it is already widespread, and particularly in China. The transition there from traditional printed books to digital readers is fast gaining ground, estimated by DisplaySearch as reaching 3 million units in 2010. Although the volume is still quite small compared to the world market, the growing number of Chinese manufacturers entering this marketplace is steadily growing.

In a report from China Daily, over 80 percent of Chinese publishing houses are coming out with eBook versions of new and existing publications, with over 60,000 titles already in circulation. There is no denying the tremendous potential of eBooks in the Chinese marketplace. But with this promising market come several issues and challenges, which include pricing issues, copyright protection, piracy and the lack of technical and legal solutions to address these issues.

With the burgeoning eBook industry in China focused on curbing piracy and providing solutions to copyright disputes in 2011, the eBook market will certainly continue to flourish there. With over 50 percent of China's 400 million internet users accessing the web via the use of smartphones and other mobile devices that are also capable of reading eBooks and other digital media, eBook popularity has nowhere else to go but up.

## The Current State of the Chinese eBook Market

In a previous survey conducted by the Chinese Academy of Press and Publication for 2010, there were over 613 million eBooks read by Chinese people of ages ranging from 18 to 70. The survey indicated that mobile phones were the most favored eBook reading gadget used by at least 23 percent of the 19,000 respondents. Another 18 percent of these respondents read eBooks books directly from the Internet, 3.9 percent used eBook readers, while 2.6 percent used PDAs or MP4 players.

77 percent of these respondents prefer to read eBooks because of the relative ease

and convenience of searching and downloading a particular book online. The survey revealed that 50 percent of eBook readers in China using mobile phones came from rural areas. It also indicated that 1.33 yuan, or approximately \$0.2, was the acceptable price for downloading an eBook from the Internet, but up to 54 percent of the recipients would readily pay up to 3.45 yuan to download a good eBook.

Readers would spend an average of 42 minutes a day to read eBooks online or through their readers. These figures are expected to increase as new devices such as tablet PCs and the new generation of eBook readers are made available to the public, bringing with them a more convenient and efficient way of reading information from one's eBook of choice. On top of that, the introduction of cheaper eBook readers and tablet PCs will make these devices readily available for more and more users.

## China's eBook Industry and Copyright Infringement Issues

The blossoming eBook industry in China is racked with several challenges based mainly on piracy and copyright infringement issues. Just recently fifty Chinese authors, the China Written Works Copyright Society and major online publishers such as Shanda Literature Corporation accused Baidu, China's largest search engine, of violating copyrights and fostering online piracy. Shanda is China's largest online publisher, owning over 80 percent of online publications in the country, and it operates seven of the leading literature websites in China. Shanda is claiming up to one billion RMB in annual losses due to online piracy.

In similar developments, Dangdang Inc, operator of the largest online bookstore in China and a major advertiser in Baidu, announced it will stop advertising with the search engine amidst clamors of piracy and copyright violations from Chinese authors and other members of the Chinese public. Dangdang has been an avid supporter of anti-piracy policies and these latest intellectual property infringement issues hurled against Baidu forced the company to stop the flow of advertising funds into the site. Dangdang has stated it will now in turn provide financial assistance to parties pursuing Baidu for piracy.

Such tremendous claims from publishers, Chinese authors, advertisers, copyright societies and other major Chinese players in the online publication industry are a clear indication of how serious the threat of online piracy is to this burgeoning eBook industry. The social uproar prompted the government and even China's Premier Wen Jiabao himself to promise intensified efforts in curtailing intellectual property rights violations not only for eBooks but for other manufactured products as well.

## Are eBook Readers Soon to Become a Thing of the Past?

Even before tablet PCs and smartphones came into popularity in China, it was not an uncommon sight to find people hunched over eBook readers or other digital media players, leisurely reading a downloaded book while on the bus, train or any other convenient spot. However, revenue forecasts this year for eBook readers will be far below what was previously expected, signaling the decline or potential end of this electronic device.

This early possible demise of the eBook reader in the Chinese market is being brought about by poor software support, as well as the tremendous competition these devices are getting from tablet PCs and other similar devices that are all capable of running or displaying downloaded eBook files. IT research company Analysys International projects eBook reader sales for this year at only 1.05 million units. This is way below previous sales estimates for these devices as well as that of tablet PCs, which are expected to reach at least 4.5 million units in sales for this year.

The shortage of high-quality eBook screens is another drawback for the industry from a hardware standpoint. Manufacturing support is now more focused on tablet PC touch screens, making it easier for small and medium enterprises to get tablet PC screens rather than traditional eBook reader screens. Tablet touch screens are very much in demand and market projections have placed sales to increase from 15.4 million units in 2010 to a whopping 136 million units in 2014.

Screens are not the only hardware deficiencies eBook reader manufacturers are faced with. The shifting focus to tablet PCs has also prompted semiconductor manufacturers to shift directions in their chip architecture development as well. These chip manufacturers, however, are planning to develop a dual-purpose chip that can be used for both tablet PCs and eBook readers.

With such scenarios facing the market, more than half of Chinese eBook reader manufacturers are being forced to recuperate their reduced profit margins by upgrading their production capabilities and venturing into the hottest device market hitting the industry – tablet PCs. Many companies have already switched production and some are planning to launch their versions of the tablet PC within this year. Only five or six of the biggest players will remain to maintain a niche market for eBook readers in the country.

## Another Google Bid – This Time Through China's eBook Market

While Google has lost its hold as the

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# Hannover Industrial Fair Highlighted Energy as Key Factor in Production: Asia was on "Everybody's Lips"

BY MANIK MEHTA

If there was any single theme that dominated the Hannover Industrial Fair, held in April, it was undoubtedly energy, the relevance of which was underscored by the recent nuclear-reactor explosions in Japan.

This drove home the point that the industrial world could not rely solely on nuclear power to fuel industrial development and, consequently, would eventually have to resort to alternative forms of energy.

The prudent and safe production of energy for industrial use was a ubiquitous theme in various panel discussions at Hannover; indeed, energy had by itself become a "fair within a fair" at the show, which is rated as the world's largest industrial event and also serves as a barometer that provides a reading of the global economic health. The huge fair is divided into 13 individual sections, each of which is, in itself, a major sub-fair.

The atomic reactor explosions in Japan have unleashed a heated debate in many European countries, particularly in Germany, on the prudence of long-term reliance on atomic energy to meet the countries' industrial needs. The conservative-liberal German government, which came under tremendous pressure to stop operations of energy-producing nuclear reactors in the country, quickly imposed a moratorium on atomic-energy reactors in the country.

However, Thomas Lindner, the president of the apex German Machinery and Industrial Plants' Manufacturers' Association, popularly known by its German acronym VDMA, said that without transparency in the energy sector, Germany risked losing its position as a leading industrial production site.

Turbine manufacturers, meanwhile, were bullish about the expansion of solar-thermal power stations which would be an attractive market for German turbine manufacturers. The capacity of such power stations would increase to 20 gigawatts by 2020, corresponding to an annual growth of some 35 percent (solar-thermal power



stations are popular in the world's "sun belt").

## The German Wind Energy Industry

Hannover itself vividly demonstrates the growing interest in wind energy, with huge windmill-like panels greeting visitors that stream into the city by rail, road and air. Expanding the country's wind-energy production could meet some 65 percent of Germany's energy requirements, according to a study by the Fraunhofer Institute for Wind Energy and Energy System Technology. "Wind energy can replace atomic energy," Peter Albers, president of the German Association of Wind Energy, declared categorically.

Germany, which has a network of 22,000 wind-energy producing units with a total capacity of some 27,000 megawatts, is expected to increase capacity eighty fold, according to the Association.

European manufacturers of wind-energy producing generators were saying at Hannover that their industry was poised to grow once again. The growth would come, largely, from Asia. After a 6.5 percent decline in new installations last year, the industry is expecting to post single-digit growth in 2011, according to Thomas Herden, the executive director handling wind-energy issues at the VDMA.

China and India, where more than half of all new installations were undertaken last year, have replaced Europe as the world's biggest markets. But for German manufacturers and suppliers, these two markets are not easy to tap. There are as yet market barriers in financing and lack of quality standards which create difficulties for foreign manufacturers. Many European companies have set up plants in these markets rather than just exporting their products to these countries.

Some Western experts favour a mix of various forms of energy. Oliver Frese, who looks after the Hannover Fair at the organizing agency Deutsche Messe AG, remarked, "The debate over energy mix was for long a central theme of the exhibition. Therefore,

the companies are in the process of building up conventional atomic power stations as, for example, Siemens, Hitachi, General Electric or Alstom are doing. Even if we some day managed to have 30 to 40 percent renewable energy in the energy mix, it would imply, conversely, that 60 percent would still have to be produced conventionally. That would call for high innovation prowess."

## Upbeat Mood at Hannover

The mood at the show was upbeat, with exhibitors and trade visitors hailing the "end of the destructive recession".

The VDMA revised its production growth forecast for 2011 from 11 percent to 14 percent. VDMA president Thomas Lindner stated on the eve of the trade fair that the production value of the German machine-building sector had increased to some 190 billion euros.

Germany's heavily export-dependent machine-building industry was bullish about foreign demand. German exports in 2010, recovering from the crisis year 2009, surged by a real 11.5 percent to 124.8 billion euros, although the industry fell short of the record value of the pre-crisis year 2008.

China emerged in 2010 as the fastest growing export market for German machinery products, posting nearly 35 percent growth over the previous year and accounting for nearly one-eighth of German machinery exports. German machinery exports to the United States posted 18 percent growth over the previous year. India, Russia and Southeast Asia each absorbed one-fifth more of German machinery exports compared to the previous year. Asia, as many Western machinery suppliers were saying, is on "everybody's lips".

But Germany has also become the biggest machinery importer in Europe. Total worldwide imports of machinery and industrial plants into Germany in 2010 amounted to 45.9 billion euros, posting a 17.5 percent growth over 2009. Almost 60 percent of these imports were sourced from European Union countries, corresponding to an import value of 27.4 billion euros. Italy, as in the past year, was the biggest supplier of machinery to Germany. But imports from Asia also rose by 33.7 percent to some 8 billion euros, with machinery products from China posting a 33.1 percent growth rate to 2.9 billion euros. Imports from the USA surged 28.5 percent to 3.9 billion euros.

There were also large exhibitor contingents from Asia showcasing their products, innovations and technology at the Hannover show, particularly those from China, Taiwan, India, Indonesia and Malaysia.

## India Flexes Technological Muscles at Hannover

India, whose exports of machinery, parts and components have been growing, was a dominant presence at the show. In an interview, Bhaskar Sarkar, the additional executive director and secretary of the Kolkatta-based EEPIC India (the official agency that promotes India's exports of machinery and engineering products) said that after the slump in 2009, India's engineering exports in 2010 had dramatically surged.

Besides the traditional markets in the West, India is also eyeing the dynamic markets of China and Southeast Asia. Malaysia

has become the largest importing nation in Southeast Asia of Indian machinery and engineering products. While Malaysia's imports of Indian engineering productions in the 2009/10 fiscal year amounted to US\$985.63 million, its imports of these products from India jumped to US\$1.237 billion in the six-month period from April to October in the fiscal year 2010/11.

India's global exports of engineering goods amounted to US\$57 billion annually, and included base products used for production castings, forgings, industrial machinery, machine tools, automobile components, etc. According to Sarkar, the share of engineering goods in India's overall exports has increased from 20 to 25 percent. India's biggest market is the United States, followed by the European Union and the ASEAN region.

EEPC India has also been organizing its own shows in a number of countries, such as the INDEE (Indian Engineering Exhibition) in Kuala Lumpur, Malaysia, in September 2008. A similar exhibition is scheduled to take place in Bangkok in June this year.

## German Suppliers See Opportunities in Asian Demand for Simple and Affordable Products

China has become the single most important market for the world's machinery suppliers, and German machine-building companies agree that Asia is becoming an increasingly important market for them. However, China stands out from the rest of the pack because it is the "strongest growth engine", as Peter Molnar, Siemens' head of strategy section industry sector, was telling journalists at the show.

Bosch Rexroth, another major supplier of power transmission and control system technologies, also considers Asia an important market. Its turnover touched some 4.1 billion euros in 2009, with Asia accounting for a turnover of 1 billion euros, the same as Germany's 1 billion euros.

Many German machinery-supplying companies have now changed their strategy with regard to the Asian market. Many products are considered unsuitable there because of their complex operating character. Asian users prefer simpler machines, according to Ralf W. Dieter, chairman of Duerr AG, a world market leader in the laquer and cleaning technologies.

The prices of products manufactured for Asian customers are lower than the hi-tech machinery produced for Europe. These products also open up new opportunities for the companies in other emerging markets. For example, Duerr is currently building a plant in Morocco for which parts are being manufactured in the company's plant in China.

Another company, Demag Cranes, for example, has identified its so-called "mid-segment", the segment between the low and upper-end product categories, as suitable for India, for which it has developed a special crane.

But the companies are very cautious about the extent of technology they are willing to share with Asian markets. This is aimed at preventing or minimizing the chances of copyright violations. Also, many products are being custom-designed for certain markets in Asia by German machinery manufacturers.



But German companies are also - somewhat uneasily - watching China's development as a supplier of such products, as it emerges as a potential competitor in the future. According to VDMA, China is eyeing three markets - Brazil, Russia and India - which, together with China, make up the BRIC group.

But not all German machinery producers are enthused by China as a manufacturing site. Indeed, some German executives say that none of the BRIC states are presently suitable. The packaging machinery producer Multivac, for instance, manufactures exclusively in Germany. It considers BRIC to be a difficult terrain for the company to relocate its production capacities. For Multivac, Chile and Argentina are more interesting than Brazil and China.

## Researchers from Universiti Putra Malaysia Showcased Innovations at Hannover

A three-member team from the Universiti Putra Malaysia (UPM) of Selangor Darul Ehsan, Malaysia, presented its innovations at Hannover. Hidayah Ariffin, a senior lecturer at UPM, said her department had worked on the conversion of palm oil waste into bio-acids used in the chemical industries, notably the food industry, followed by further fermentation to produce bioplastics which, she stressed, was renewable.

"We are trying to sell our products here because we believe there will be interest among environmentally-conscious Europeans," she said, admitting that bio-degradable polymers are not "as cheap as conventional polymers".

However, Malaysia will need to make greater marketing efforts in the future if such products are to make a mark on European consumers.

The UPM displayed a promising innovation, a wire-mesh collimator, a part used in Gamma camera machines. "Our wire-mesh collimator enhances the life and efficacy of Gamma camera machines; this part also helps save enormous costs that would be incurred if entire machines are replaced with new ones, instead of just fitting in the new part," explained M. Iqbal Saripan, a UPM researcher, in an interview.

Iqbal claimed that leading multinational companies such as Siemens, Phillips, Toshiba, General Electric, etc., were customers of UPM. "Our product is available for commercial sale," he added. Iqbal was also exhib-

iting a software invention called "MyOBE" (Outcome-based Education Management System).

"Our software product is widely used in Malaysia. We have received enquiries from Middle Eastern companies and we are looking for European distributors. We had one German company which wants to represent us in the whole of Europe," he said.

The ongoing energy debate in Europe, particularly in Germany, could open up opportunities for Malaysian suppliers of industrial products used in the energy sector. Kulim Technology Park Corp. Sdn. Bhd., near Penang, was highlighting the Phase IV development of the park which will have an additional 400 acres to the already existing 4,032 acres. The park has already attracted a cluster of top-notch international companies that have set up operations to take advantage of the facilities available here.

"We see a great deal of demand from solar companies. Atomic reactor closures in Germany could push some German companies to move to Kulim. We already have First Solar of Arizona, USA, which has set up plants there," said Annuar Mohd. Saffar, vice president of industrial development and research).

Against the backdrop of the German energy debate, the German industry has, for example, been closely observing the progress made by Q-Cells in Malaysia. Obviously, there is interest to tap the natural resources of Malaysia which can benefit not only from investment but also from technology which German companies will be bringing in.

The Malaysian contingent had 16 exhibitors who were participating under the aegis of the Federation of Malaysian Manufacturers (FMM).

China will be the "partner country" at the Hannover show next year. **A-P**

## Continued from Page 33

the coming of 3G will eventually boost the industry in terms of much-needed cash flow as well as advancements in mobile technologies that will signal the delayed growth for smartphones and tablet PCs in the country. Other countries with established broadband infrastructures are currently ahead of Thailand in terms of mobile Internet culture - but with 3G coming into view, Thailand is confident that this gap will eventually narrow down in the near future. **A-P**

## FURTHER READING:

- ZDNet Asia  
www.zdnetasia.com
- Asia Telecom News  
www.asiatelecomnews.com
- Telecom Asia  
www.telecomasia.net

## COMPANIES MENTIONED IN THIS ARTICLE:

- Ovum  
www.ovum.com
- Apple  
www.apple.com
- Samsung  
www.samsung.com

# Asia-Pacific Travel Market Surpasses U.S. to Become Second Largest Regional Travel Market Worldwide

BY LYNETTE WU

The Asia-Pacific travel market is diverse and dynamic, and coupled with an equally robust online growth, the travel industry in the region quickly rebounded from the recent global economic slowdown and has catapulted its way to the top as the second largest regional travel market in the world – overtaking the United States in the process.

In a report from PhoCusWright research, the Asia-Pacific travel market grew by 17 percent in 2010, registering the fastest rate over all other regions and reaching sales levels of up to US\$255.8 billion.

A significant contributor to this growth is the online leisure and business APAC travel markets which are poised for double-digit growth in the coming months. The online travel market in the Asia-Pacific region reached US\$53 billion in 2010 sales and is expected to continue through 2012, where gross bookings are forecasted to reach levels of up to US\$70.6 billion. This tremendous growth has been brought about by a significantly increased level of Internet usage among Asia-Pacific economies, most of which are shifting towards an e-commerce focus and purchasing via online means.

With these trends, the Asia-Pacific travel market has evolved into a more mature and stable industry, although there are still some variations with online travel penetration among the various APAC countries. More developed economies such as Japan, South Korea and Australia have more advanced digital infrastructures and are more mature in terms of online travel and e-commerce. However, it's the emerging online markets like China, India, Vietnam, Indonesia and Malaysia that are driving massive regional growth, with China and India taking the helm.

## Current Trends in the Asia-Pacific Travel Market

India and China are the two digital economies spearheading growth in the APAC travel market, with the Chinese marketplace experiencing up to 60 percent average annual increases in online travel bookings, which is expected to break the US\$15.4 billion mark in 2011. Aside from its astronomical Internet user population, this growth in the Chinese travel market is spurred also by China's overall economic growth plus the relaxation of policies that had restricted overseas travel restrictions in the past.

The travel market of India, on the other hand, grew at an average annual growth



rate of 46 percent, starting from 2007, and is expected to reach the US\$4 billion level by 2011. What has contributed most significantly to this growth are the increased sales of budget airline and railway tickets purchased by India's growing middle class. The proliferation of online travel agencies, or OTAs, operating in the country have emerged in response to this growing demand in the travel market.

Industry experts are looking at an overall growth of 30 percent to 40 percent per year for the Asia-Pacific online booking market. This is much larger than most mature markets such as the United States, where growth has stabilized at 5 percent per year. Leading international online booking sites like Expedia are expecting bigger numbers to come from the Asia-Pacific region in the next two years, with booking revenues there growing from the current 5 percent to up to 20 percent.

One of the most significant factors driving this growth is the availability of low-cost airlines. Most of these airlines are focused on adapting online channels for marketing, attracting young or first time travelers with cheaper flights and offering them the ability to make their own bookings online with ease. Aside from this, credit card facilities in the region are becoming more secure and available for young travelers, making online bookings faster and more convenient.

Older and more mature Internet users will likewise be attracted to use e-commerce channels for travel with the significant improvements in security as well as usability among these online booking websites. This trend is set to grow much further as Internet penetration continues to increase in the Asia-Pacific economies.

Corporate travel for Asia-Pacific executives is another driving factor for growth. Travel bookings and other arrangements can be done more conveniently and effec-

tively online. Once again, emerging markets such as China and India are spearheading growth in the Asia-Pacific corporate travel market, which is expected to reach 35 percent growth in volume by 2011.

## Mobile Solutions for Asian Travel

One of the key areas that travel agencies need to focus on and gain leverage with in the Asia-Pacific travel market is mobile technology. There are over 2.1 billion mobile subscribers now in Asia, and out of this figure, 450 million subscribe to mobile Internet. Travel agencies need to find new ways on how to utilize mobile solutions for promotions, branding, and e-commerce in order to give a boost to their overall sales.

Mobile internet is a big thing in Asia as compared to other regions in the world. For most Asians, accessing the Internet through their web-enabled handsets using 3G technologies is more affordable and more practical than purchasing personal computers or laptops. Social networking is another factor that is driving Asian mobile Internet through the roof. The Pacific region now registers the highest social network penetration and usage levels in the world.

Mobile Internet will continue to grow as telecommunication networks in the area are investing heavily on new 3.5G and 4G technologies that will drive mobile Internet and mobile e-commerce to the next level. According to Juniper Research, mobile e-commerce will be a US\$630 billion market by the year 2014 and the Asian market will be taking a large chunk from these transaction revenues due to its subscriber base – an already enormous number that is forecasted to grow by more than 50 percent per annum until the year 2020.

Travel agencies will be looking to tap into this tremendous potential and drive targeted traffic into their multi-channel commerce travel sites. Providing the mo-

bile solutions that travel agencies will need to achieve this are various services providers for the travel market, with Abacus leading the pack with its wide variety of mobile solutions and applications. Such solutions provide web-based point-of-sales solutions for pricing, reservations, and ticketing anytime and anywhere using the client's smartphones or tablet PCs. Trip itineraries can be sent directly to clients' mobile devices even while they are on the go.

Travel agencies should also be seriously regarding the potential of mobile apps made available through more than 38 app stores in the online world, each catering to every native machine environment that users' smartphones or tablets are designed with. Apps designed for the travel market offer a wide variety of uses and applications designed to cater to every potential need of commercial or corporate travelers. Mobile travel itinerary apps, automatic flight notifications, trip-specific messages, one-click access to trip details, booking status and other tools needed to organize trips are made available through these apps – accessible 24 hours a day.

## Issues and Challenges for the Asian Travel Market

As the Asia Travel market repositions itself in the global tourism market, premium Asian destinations are faced with issues and challenges on how to market to the growing middle class in the region. Premium resorts in Asia were originally designed to cater to the vacation habits of more established travel markets such as Europe or the United States. However, these premium accommodations may not be suitable or attractive to the growing number of South Asian travelers. Asian economies recognizing this potential are revamping their tourism strategies and are putting in middle-market accommodations to compliment their premium properties.

One challenge online travel agencies are faced with is fare coding, particularly in the big travel markets such as China and India. For one thing, it is difficult to get accurate fare information in China, resulting in information vacuums that make e-ticketing very complex. Another

## Continued from Page 21

quarter, Samsung sold a total of 70 million mobile handsets during the quarter, down 14 percent year-on-year.

However, strong sales of smartphones and high-end mobile devices helped to increase Samsung's average sales price and boost operating profit. Smartphones made up 18 percent of Samsung's total handset unit sales for the quarter, up from 4 percent during the same period last year.

## Digital Media & Appliances (DM&A): Fresh Demands in EM Prop up Sales

In the first quarter of 2011, the Digital Media & Appliances business recorded revenue of 13.52 trillion won and an operating profit of 0.1 trillion won. Amid weak seasonality, Samsung's overall shipments of flat panel TVs fell 31 percent to 8.8 million units from a year earlier. Profit was driven by increased sales of LED TVs, which now make up 39 percent of TV sales.



issue is the lack of hotel chains in China for commercial travelers, although this has proved to be very beneficial and economical for business travelers who can avail of a \$35 luxury room in some of the few hotel chain companies in the country. But this will soon change in the near future as hotel chain companies are ramping up their room figures in a short span of time – a different take in hospitality real estate that can happen only in China.

Another challenge to focus on is the issue of credit cards in China. Just like most vertical industries, credit card processing is a monopoly there, with China UnionPay at the driver seat. This has created a huge challenge for other major credit card players like Visa, MasterCard and Amex, all of which cannot establish clearinghouses in China. Everything must pass through China UnionPay in order for processing to take place, so it is important for these players to establish data integration in order to sync in with China's system.

Faced with these issues and more, the Pacific Asia Travel Association (PATA) recently conducted their 60th Anniversary and Conference with a focus on topics such as the rapidly changing travel demographics, re-

sponsible tourism, aviation issues and adoption of new technologies. Now the world's second largest travel market in the world for both inbound and outbound tourism, the Asia-Pacific travel market is definitely changing the world tourism project that will continue to steer the global industry in the post global economic crisis era. [A-P](#)

## FURTHER READING:

- Travel Weekly Web [www.travelweeklyweb.com](http://www.travelweeklyweb.com)
- PhoCusWright Research [www.phocuswright.com](http://www.phocuswright.com)
- 4 Hoteliers [www.4hoteliers.com](http://www.4hoteliers.com)

## COMPANIES MENTIONED IN THIS ARTICLE:

- Expedia [www.expedia.com](http://www.expedia.com)
- Abacus [www.abacus.com](http://www.abacus.com)
- UnionPay [www.en.unionpay.com](http://www.en.unionpay.com)

demands for growth in the smartphone and tablet PC market are also positive factors for the NAND and System LSI products segments.

Samsung has forecasted that demand for LCD panels will begin to gather momentum in the latter part of the second quarter, as set-makers restock inventory for the peak sales season ahead.

Samsung Electronics introduced its new smartphone model GALAXY-S in April, with the device slated to be rolled out by 140 mobile service providers in 120 countries. Samsung is also scheduled to expand its tablet PC portfolio with the introduction of the new GALAXY Tab 10.1 model soon.

The Telecom Business is expected to outperform the market in the second quarter as Samsung's newly launched mobile handset, GALAXY SII, sold more than million units in the Korean market alone within a month of its introduction. [A-P](#)

Source: Samsung Electronics Co., Ltd. Investor Relations



# Joo Jae Man

BY STAFF REPORTER

The Asia-Pacific Business and Technology Report had the privilege of sitting down with Joo, Jae Man, director of the Gyeonggi Daejin Technology Transfer Center of Gyeonggi Daejin Technopark, to ask him about the Technopark and technological transactions in Gyeonggi province and Korea in general. Dr. Joo has extensive experience in technology transfer, starting with a strong foundation of a Bachelor's degree in Mechanical Engineering from Chung-Ang University, a Master's degree in Mechatronics and Product Automation at KAIST, also a Master's degree in Management of Technology from Chung-Ang University and recently finished a doctorate in Management of Technology from Korea University of Technology and Education. With that kind foundation in technical education he spent over 15 years working for big company like as Hyundai Heavy Industries, LG Chemicals, Ssangyong Cement, Kolon Construction & Engineering and LS Cable. He specialized in new business projects importing and absorbing technology from Germany, the US, and Japan etc.. He also worked for the inventors for 4 years dealing with intellectual property applications and management in a patent office. Finally, he has also spent 4 years working as a senior research scientist at the Gwangju Institute of Science and Technology(GIST), and as the general manager of the GIST Technology Institute(GTI). He considers his experience in the private, public, and academic sectors to uniquely qualify him for the position he is now holding since 2008.

The following are some excerpts of the interview he give to Asia Pacific Business & Technology Report.

## Fertilizing, Growing, Harvesting, and Trading Technologies: Gyeonggi Daejin Technology Transfer Center

### Can you give us a little introduction to the Gyeonggi Daejin Technopark?

Gyeonggi Daejin Technopark (Director: Dr. Cho, Dong Hyeon) is an institute officially designated by the Ministry of Knowledge Economy and established by the funds from Gyeonggi Province, Pocheon City, and Daejin University Foundation in the consortium and collaboration of other universities and organizations. Gyeonggi Daejin Technopark was established in 2005 to assist small and medium-sized enterprises (SMEs) in the northern area of Gyeonggi province. We aims to revitalize the local economy, develop specialized industry and technology, share information on industry and technology and cultivate competitive human resources. Out of a total of 18 Technoparks located all around Korea, we are almost the last to be established. We are located in Pocheon City, in the northern part of the province. And our building is located on the Daejin University campus. There are a total of about 31,000 SMEs in our area.

There are about 80 professors in Daejin University who serve as advisors to the Technopark. I think it is enough staff to assist enterprises for now. In September, our new building will be finished and we will move in. After that, many more companies are expected to enter the Technopark.

### How do you assist these companies?

We are a government-funded, public organization. We use our funds to assist the enterprises in a variety of ways. For instance, we help them out with research and development (R&D), the commercialization of their technologies, and give them management consulting. We also provide a technology management assistance platform for some companies. The earliest that we start helping companies is while the founders are still in university. We can give them two years of business incubation while still in school, and when the founders graduate we



can continue to support the development of their business.

We also spend time looking for excellent technologies, and evaluating them. We do research about the potential market size and business potential. We conduct business feasibility studies. We also seek out companies who need the new technology. Its a kind of technology marketing for these small businesses. So we assist enterprises in that way.

### Are you related to the Gyeonggi Small and Medium Business Center?

Yes, we are. We have a business understanding with them, and work together occasionally. Gyeonggi province has two Technoparks and two Small and Medium Business Center. The Gyeonggi Technopark is responsible for the southern area of the province, and we are responsible for the north area. Like as this, the Gyeonggi Small

and Medium Business Center is responsible for the southern area of the province, and the Gyeonggi Northern Small and Medium Business Center which located in Pocheon-city is responsible for the north area. Gyeonggi province has 31 local governments. The southern area has 21 local governments with which it cooperates, and the northern area has 10.

We both do technology commercialization and assist small and medium-sized enterprises (SMEs), but there are a few differences between us and the organization in Small and Medium Business Center. That office is funded by the Small & Medium Business Administration(SMBA), but we are funded about 50% by the Ministry of Knowledge Economy, and 50% by the provincial and local government.

### Do you do research? What kind of research facilities do you have?

There are actually no research-related facilities in some of the technoparks in Korea right now, but some of them have grown large enough to have enough momentum to be capable of basic research and development on their sites. So they want to expand into doing pure research. However, the Ministry of Knowledge Economy does not yet support basic research at its technoparks. Maybe in the future the government will approve of pure research in technoparks, and provide some funding. We are looking forward to that in the future.

### How do you choose which companies to help?

First we advertise in the newspaper and/or our homepage to find companies who are interested in entering the technopark. Then the companies submit application documents, and we do examine the documents and due diligence at the site if necessary. The competition ration is about 3:1. After being accepted, companies enter into our technopark program. We can help companies for a total of 6-8 years, in theory. The venture company can incubate businesses

which are started by university BI center for up to 2 years. Then, the company can graduate and join the technopark itself for a 2-3 year program. After 2-3 years, we can prolong their stay twice, for one year each. So after a maximum of 2 years in the university incubation program and 4-6 years with us, the companies must move on independently. Actually, it depends on company's capability.

### Do you have any preference for a specific field, or do you help any company?

We specialize in six different technological areas. The first that we are especially interested in is renewable energy, such as wind, solar power, or biogas. The second is furniture design, such as making desks, chair, tables, beds, and even houses(interior). The third is textile materials. The fourth is information display technologies. The fifth is video cultural content. And the sixth is environmentally-friendly biodegradable materials. The reason we have chosen these areas is because those are the most popular sectors among the enterprises in northern Gyeonggi-do, which we determined after extensive research. The top two are the furniture and textile industries, which are most popular in the Pocheon-city area.

### But furniture and textiles seem to be low-tech areas. What kind of technology incubation can you help with in this area?

You might think that furniture design is low-tech, but I have realized differently. Nowadays, furniture is not just putting two boards together and calling it a day. Companies are changing the way furniture is designed fundamentally to appeal to more customers. They have to insert original creative design and feelings into the design of furniture. In order to come up with these new types of organic designs, companies use information technologies in new ways. There is a fusion of IT and furniture design going on in the Daejin area. They are re-designing furniture with special functions to appeal to today's consumer. So it is not that simple.

### Can you give some well-known companies from the Daejin area which illustrate the region's strengths?

There are approximately 900 furniture companies in northern Gyeonggi-do. Geumseung Total Furniture and The Raja Furniture are two well-known companies that do furniture design and manufacturing. They are major exporters of furniture. Simpline is also a small company which we have helped to create new designs for furniture.

There are a lot of renewable energy companies in the area. One of them is Taeyoung construction. It is a construction and engineering company. It uses biogas technology for energy generation. And DSK engineering company which is Gyeonggi Daejin Technopark's technology development partner also uses biogas technology for energy regeneration. Korea Institute of Energy Research(KIER) and Byucksan Engineering also uses biogas technology for energy regeneration. NPW is another company which specializes in wind power. It designs small-capacity units that produce 3 kilowatts of power.

**Gyeonggi Daejin Technology Transfer Center is a government-designated institute for technology transfer which is managed by Korea Institute for Advancement of Technology(KIAT) and sponsored by the Ministry of Knowledge Economy, Gyeonggi Province and Pocheon City. It was established for revitalizing the local economy of the northern Gyeonggi region through technology transfer and commercialization of new technologies.**

**It supports the active start up of technology-based enterprises and helps small and medium venture companies to commercialize newly developed technologies. In addition, in order to spread the R&D achievements by technology innovators within the northern Gyeonggi region, it supports technology sharing between technology suppliers and technology users.**

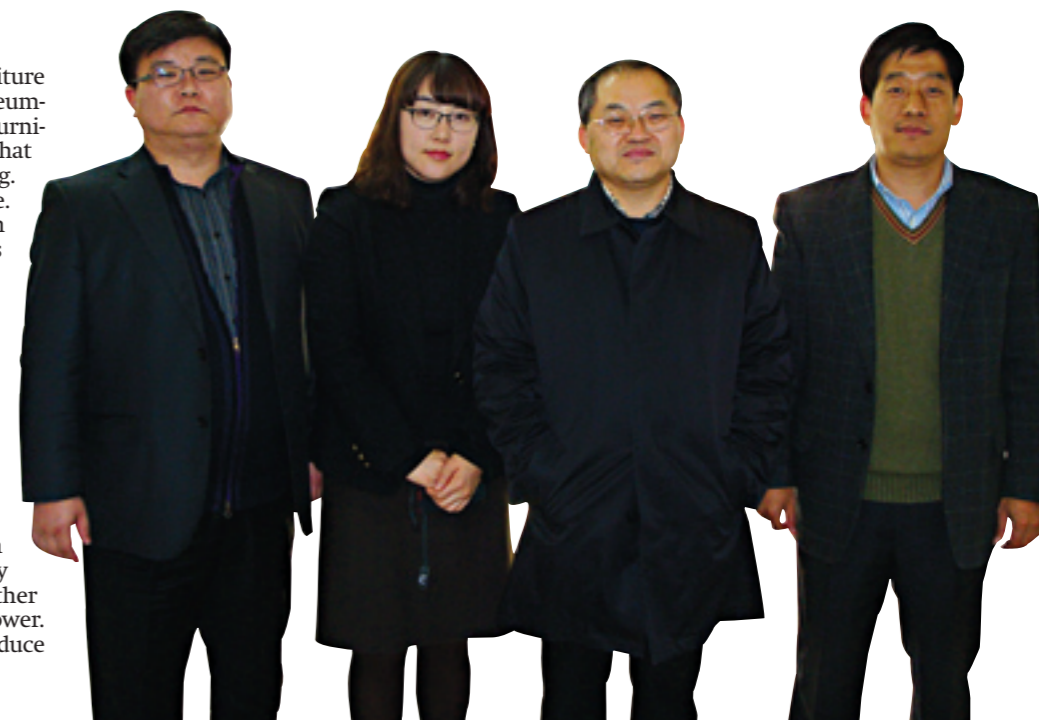
### Are you planning to do any technology transfer or export to other companies in Asia, such as India?

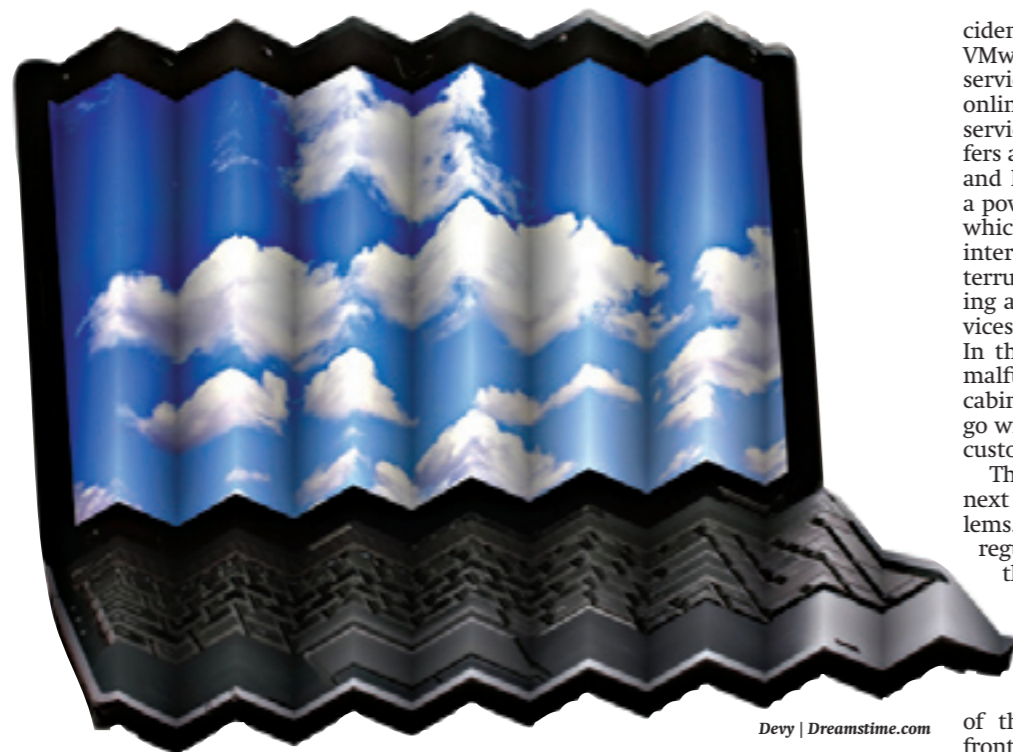
When I was working in other companies, I imported technology from overseas, and worked in the new businesses created by that importation. I already have experience in working with China, Japan, Germany, and the US in trading technologies. Currently Gyeonggi Daejin Technopark has a working relationship with three private technology companies. ED Research is one of these. They have a partnership with OceanTomo, an American technology auction company. OceanTomo bids on technology throughout the world. If an OceanTomo customer wants to buy the technology, they work through the company. There is also the European Enterprise Network (EEN) which represents organizations in the EU. They have a partnership with the Korean government, and ED Research has a certificate to handle that type of relationship. So ED Research looks at our private sector partners, searching for technology to export to the EU and US. Another company that we work with is Down.com, which has a Chinese office in Peking. They import and export technology into and out of China. The third company that we work with is called Eurastech, which

focuses on trading technologies between Russia and Eurasian 13 countries. So these three private companies have partnerships with us and we co-work them to import and export technologies overseas. So whenever we want to find new technologies to import, we use them. In the future we want to establish a relationship with India, so we are looking into finding a company with a similar placement.

### Is there any other information you would like to share with our readers?

My responsibility is technology transfer. Our government strongly assists our organizations. They have a lot of infrastructure in place to buy and sell technology to citizens or other companies overseas. So if you want to buy our country's technology, please visit our online web site, [www.ntb.or.kr](http://www.ntb.or.kr), which is the national technology bank. They have about 100,000 technologies on the site. Our government also developed on-line technology evaluation system, so the web site divides the technologies by grade evaluation and potential money made, valuation. It is very useful. And we also have some experience in that, so hopefully you can visit our site as well, [www.gdtp.or.kr](http://www.gdtp.or.kr). We can help you.





Devy | Dreamstime.com

## Fallacies of the Cloud:

### Magical New Technology Still Subject to Human Error

BY ZACH BARDON

**T**he cloud is the new thing. Put your apps in the cloud! Put your business processes and web services there too! Hey, why not upload your customer data and company history while you're at it?

The cloud is always there, always accessible, and always will be. Keeping your data on your own servers is so 1990s. Having your own IT department is so 1980s. A company doesn't need anything but an Internet connection and some computers to run everything now! It's a US\$1.6 billion industry this year, so what could go wrong?

At least this is the impression you get when hearing people talk about cloud services, or reading about the latest advancements in cloud computing. However, while cloud services can be an effective part of a good computing strategy for your business, they are not going to be the perfect magical bullet to every problem. Why? Because cloud services are still just run by people, and they exist in the world where accidents still happen. You remember that time when your power went out and there wasn't enough gas in the backup generators to run your company's servers for more than thirty minutes? It could still happen, if you're on the cloud, to the cloud's servers. And remember that time when the tape backups caught on fire and you lost 20 years worth

of data storage in an afternoon? The cloud is not immune from such mishaps.

Such was the case on Thursday, April 21 of this year, when the most famous cloud services company, Amazon Web Services, suffered an outage of its cloud computing services. Full restoration of its available offerings was not completed until Saturday. The company that shrugged off an Anonymous DDoS attack as though it was nothing experienced a network error that resulted in a prolonged outage of services. Most of the affected customers were on the East Coast of the US. Customers experienced hours of downtime, system latency issues, and high error rates. The Elastic Compute Cloud (EC2) and the Amazon Web Services Elastic Beanstalk were just not stretchy enough. Some prominent Amazon customers that were affected were the web sites Quora, Reddit, and Foursquare.

The exact technical error, according to a report released by Amazon, said, "A networking event early this morning triggered a large amount of re-mirroring of EBS [Extended Block Store] volumes ... This re-mirroring created a shortage of capacity ... which impacted new EBS volume creation as well as the pace with which we could re-mirror and recover affected EBS volumes." So something or somebody screwed up and caused a lot of copying on the network, which ate up system resources and slowed everything down. Just like when you accidentally copy that huge movie file from one place to another on your hard disk, it becomes just a little bit more difficult to play that game you're playing.

This was not the only cloud-related in-

cident in the past month. A few days later, VMware's cooler-named Cloud Foundry service suffered its first outage after being online for just two weeks. It is a similar service to Amazon Web Services, which offers a platform for web developers to build and host web applications. But there was a power failure in one of the data centers, which escalated and caused a lot of service interruptions for two days. Most of the interruptions resulted in developers not being able to make any changes to their services - things simply stayed as they were. In the end, the problem was traced to a malfunctioning power supply in a storage cabinet. That is a very simple thing to have gone wrong to cause so much grief to paying customers.

The problem was recovered from, but the next day human error created more problems. While developing a set of rules and regulations in order to avoid this type of thing happening in the future, one of the operations engineers in the data center accidentally touched a keyboard which should not have been touched. They pressed the wrong button, and caused the full outage

of the network infrastructure sitting in front of the Cloud Foundry. That included all load balancers, routers, and firewalls. It took offline some of the DNS servers. The end result was that the two-week-old Cloud Foundry service from VMware was completely disconnected from the Internet. So despite the latest in technology and cool names, the Cloud Foundry was still brought down by human error.

Multi-billion-dollar corporation Microsoft is also not immune to the cloud computing outage fairy. Their cloud computing outage happened in August of last year. Microsoft has signed up 40 million paid users of their Microsoft Online Services cloud computing offering, which includes 9,000 business customers and 500 government entities. Microsoft didn't release too many details of their particular cloud outage, but it happened over two hours and affected most of North America. Services were unreachable during that time, most notable being Microsoft's Business Productivity Online Suite, the service that the company has been pushing the hardest.

These three incidents illustrate one of the biggest drawbacks of the cloud, which is that you are turning over your business to a third party. There is hardly a single business today that can operate effectively without computing resources. If a company trusts a cloud service provider to give them all of the network, storage, and computing required to run their business, and the cloud service provider has an outage, the company cannot do anything to fix the problem. They simply have to wait for the third party to get its act together. However, in the older model of computing, the company buys all the resources that they need and stick them on their own property, so that if something goes wrong they can call their IT guys in there to fix it as fast as possible. Thus a cost-benefit analysis is something that each company must do in order to determine which solution is right for them. Cloud computing must be examined closely with a full understanding of the implications before a company chooses whether or not to use it. Be forewarned. **A-P**

## Will Investing in Chinese Information Technology Companies be Another Tulip Speculation?

BY AMANDA MIN CHUNG

**U**S-listed Chinese IPO (Initial Public Offering) companies have always caught investors' attention.

On May 4th, Chinese social networking site 'Renren', also known as the Chinese Facebook, listed in the New York stock exchange at US\$14 per share. The stock price soared to \$24 during the day before ending at \$16 per share.

The company's IPO raised a total of US\$743 million which is 72 times the worth of its sales from last year. Initially the company planned to raise US\$584 million, yet eager investors demanded more opportunity, which led the company to raise share prices higher. It is an eye-popping amount of money considering the fact that the original Facebook was valued at only 25 times its previous annual sales in a recent Goldman Sachs investment in the company.

These eager investors have understandable reasons to be eyeing Chinese IPOs. There is huge potential growth in the Chinese Internet market, considering the number of Renren users is only 120 million out of a 1.6 billion population. Since about two-thirds of the population is not yet online, the future growth potential is tremendous. Also, the Chinese economy has been growing several times faster than most other countries for decades now. If China continues its 10 percent economic growth expansion, the size of the future market would be much bigger than it stands at present.

Renren is not the only company which has benefited from this consensus. Last year in December China's largest video sharing website, well known as Chinese Youtube, 'Youku', listed in the New York stock exchange. Although the company was then showing losses and is still not expected to enjoy profits over the next couple of years, the share price surged 161% on the first trading day from the IPO price of US\$12.80. The company is valued at 100 times that of last year's sales, based on the May 5th share price.

Chinese computer anti-virus products provider Qihoo 360 also joined the US-listed Chinese companies in March 2011. Its IPO price was US\$14.50 per share and it raised

**Continued from Page 19**

successful mass market products made of naturally derived ingredients. They include moisturizers, aftershave products, face washes and face scrubs, shower gels, and shave gels. Aftershave products contained perfumes and alcohol before, but now they contain soothing balms.

South Korean men are forming a lucrative market as they seem to be more interested in their looks and eager to fight ageing indicators. Hyundai Department Store, a major retailer, increased its male sales staff



US\$175.6 million dollars on the first day. The price valued Qihoo 360 at about 30 times of its total 2010 sales. The share price of Qihoo on May 5th was US\$27.20, which valued the company value at more than 57 times its last year's sales.

Baidu, the dominant search engine in China, was also listed in the Nasdaq in 2005. The company raised US\$109 million at its IPO price of \$24 per share. Baidu is valued at 35 times more than last year's sales based on the May 5th price of this year. In comparison, Baidu's competitor Google's value is only 5.5 times on the same base. This is surprising considering that Google is the most popular search engine in the world. Baidu's share price was around US\$140 on the same day.

So why has the title of this article made mention of a 'Tulip speculation'? Of course, the 'Chinese mania purchasing' has its potential problems as well. As China has become the second largest economy, investors have been speculating on anything China-related. People buy Chinese properties, Chinese currency Yuan and Chinese stocks, which is primarily based on the belief that China will continue to grow at 10 percent. Experts who are familiar with the matter say differently, however. The Chinese government tends to focus on wealth equity rather than economic growth for its next 5 Year Plan, and it already lowered the projected economic growth rate from 10 percent to 7 percent. Ursula Schaefer-Preuss, ADB Vice President for Knowledge Management and Sustainable Development, has said that China faces a middle-income trap along with India, Indonesia and Vietnam in a recent report at the annual Asian Development Bank meeting in May. Expecting continuing high economic growth rates as in recent decades would be too naive.

Chinese companies also need to innovate to surpass their American benchmark

strength to sell cosmetics. Lotte Department Store representatives say that men are moving away from traditional products towards Biotherm and Amorepacific lotions, sprays, ointments, tonics, gels and creams. Needless to say sales figures have been jacked up.

Military personnel and others working outdoors are early adopters of skin care products. The male cosmetics segment is going places for sure. The well-groomed look is in and the rugged, hairy look is passé. Marketers are quick to take the ball and roll with it, like Amorepacific in Korea, which is organizing grooming classes at college cam-

panies. Companies such as those mentioned in this article are collectively known as "Chinese something", as their business ideas came from American companies. Renren took the idea from Facebook. Youku is another Youtube, and even the name is similar. While Facebook is the dominant social network website overall, Renren has many competitors in China. Renren users total only 120 million, whereas popular internet messaging service QQ has 600 million users. That's why some IT experts claim that Renren is not actually the Chinese Facebook but rather 'one of the Chinese social network services'. Youku also has similar service competitors in China. Without innovation, these companies won't stay in their current positions for long.

And without the Chinese government's overprotection, these companies might not find a place to stay at all. Chinese search engine Baidu enjoys its dominant player position while competitor Google struggles with Chinese government regulatory bodies. Renren and Youku were able to grow fast while the original Facebook and Youtube had been banned in China. Thus, Chinese users didn't have options but simply chose the Chinese versions of social network and video sharing service when the world's largest services were blocked in their country.

Some skeptical analysts point to a second 'IT bubble'. In the early 1990's, companies with IT services were considered as promising ventures. Thrunet was one of them. The first US-listed Korean company Thrunet soared to US\$44 per share on its first trading day in Nasdaq in 1999. Considering the initial price was \$18, this was a considerable value jump in just one day. This young and promising looking company, however, was delisted in 2003 due to the continuous price listing of less than \$1. The company had been losing money due to massive initial investment in its network system. An IPO was the only way to draw in money when the company was on a burying platform, then-CEO Mr. Kim Do-Jin of Thrunet confessed later in his blog.

So is the current Chinese mania based on an IT bubble, or perhaps it is overly generous economic growth expectation, or even overprotective Chinese governmental policies? We don't know the answers yet. But it is well to remind ourselves that the well known case of the Tulip stock price surged 4 times in 4 months and then plunged to its original price in the next 3 months. **A-P**

uses and workplaces to teach men to dress in style and take skin care seriously.

"Asia is regarded as the most important region for ingestible beauty, driven by consumer demand and also because the regulatory system there is more sophisticated than in Europe," said experts.

The FOSHU (Foods for Specified Health Uses) rules specify what can and what cannot be claimed for a product. Sun protection and whitening for skin care products, and volume and growth for hair care products are allowed as claims as long as they are not exaggerated. **A-P**

## Another Pixel Laid in Redrawing Privacy Line

BY MATTHEW WEIGAND

**T**he privacy war rages daily, this month on the streets and sidewalks of Seoul.

On May 3, 2011, South Korean police raided Google Korea's local offices, taking computer equipment related to Google's AdMob section.

Acting on the behalf of the Korean Communication Commission (KCC), they were collecting evidence to determine whether or not Google's AdMob service was collecting the location information of local mobile phone users without their consent. Google said it was cooperating fully with police investigation but that it did not break the law. Apple Inc. was also asked to clarify to the KCC in writing whether or not it was collecting the geographical data of iPhone and iPad users.

These events are related to recent information that has come to light about the behavior of iPhone and Android smart phones, which are both equipped with GPS trackers. The iPhone seems to collect and store GPS information without its user's consent, and Apple was sued by two individuals in the US in late April in order to determine what exactly the iPhones are tracking and what happens to the information. The lawsuit claims that Apple is "secretly recording movements of iPhone and iPad users."

After this story hit the news, users of other smart phones also wondered whether or not their GPS movement was also being recorded, which eventually led to the KCC inquiring into Google's AdMob service. AdMob is a service to deliver mobile advertising to smart phone users, and was acquired by Google in the fourth quarter of 2009 for US\$750 million. The service delivers mobile ads to both the iPhone and Android platforms.

The Seoul police reported that they were unhappy with the raid, because they felt that

they had failed to secure key evidence which was located on a server in the United States.

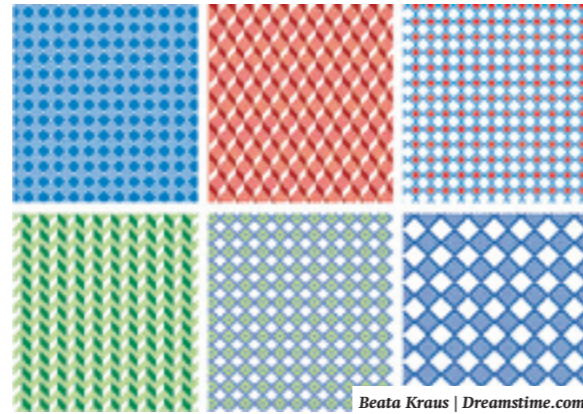
This is the second time this year that the police have visited Google's offices here. The first time was in January, when the Korean government accused Google of illegally collecting Wi-Fi network data while photographing all the streets in Korea for its Street View service. This is a problem that other governments such as Germany have also had with Google.

Google has also been under attack from other South Korean Internet corporations, who filed complaints with an antitrust watchdog in April claiming that Google was stifling competition in the mobile phone search market in South Korea. To be fair, Daum Korea, one of Google's competitors in the online search market here, also had its offices raided on the same day amid the same types of accusations.

### Privacy Concerns

All of these events share the same theme, which is the concern over privacy. Another privacy-infringing giant, Facebook, was left out of this latest fracas in Seoul, but it can't be said to be blameless. All told, this is one big world-spanning, head-scratching, unsettling debate that is now going on. Individuals nowadays have to face the fact that the mundane minutiae of their lives – where they go, what they're thinking about, what they like, and what they buy – is worth money to someone somewhere. And apparently it's worth big money. Other information such as what you have connected to your Wi-Fi connection, who your friends are, and what type of music you listen to is worth even bigger money. So who gets this money? And who really owns the information?

Just a scant 20 years ago, marketers were still in the Stone Age, relatively speaking. They divided their potential customers into demographics, and they speculated on what these customers might possibly act like and want. They did polls, they conducted studies,



Beata Kraus | Dreamstime.com

and they poured over sales numbers, all in a vain attempt to determine what everybody in their immediate area or in their nation wanted. Then the Internet came along, and with it Google. Google's users gleefully told it nearly everything about them through the medium of online search, and Google found itself to be the bringer of a marketing renaissance. No longer did marketers have to speculate, extrapolate, and downright guess on gut instinct what the nearest 10 million people wanted. Google could tell you exactly how many people had a passing interest in rubber chickens strong enough to search for them online, or what segments of the population had their minds on the latest episode of a new TV show. Google followed the only choice it could with this in-depth and intimate look at our collective consciousness – it started trying to sell us stuff and used our private details to do so.

Now while it is sometimes convenient for someone to sense what you desire and try to give it to you, it can also get uncomfortable really fast. If a saleswoman in a department store sees you eyeing the latest fashions in gloves and points out something that you love, you might feel thankful. But if that same saleswoman were to follow you around, taking meticulous notes about all your activities day and night in a mad attempt to be ready for you the instant you needed a new pair of gloves, she would have crossed a line. Unfortunately this age of rapid technological progress has heavily blurred the line of appropriate with the line of privacy. Individuals, organizations, governments, and

Continued on Page 47

break though the Chinese market – and all it needs is a government pass.

### What the Future Holds

During the recent eBook Industry Summit Meeting for 2011, the report on China's E-Book Industry for this year was released, helping major players analyze the existing problems the industry is currently faced with and come up with necessary solutions to address these issues. The summit also focused on getting support from the government in addressing the needs of the eBook industry, particularly in terms of formulating and implementing more effective regulations.

Considering the tremendous forecasts in tablet PC and smartphone sales in the near future, coupled with similar forecasts for eBook adoption and sales, the future of the eBook industry in China looks very promising indeed. However, the need to address a myriad of challenging issues remains in or-

der to avoid falling into the mistakes that other new media such as MP3s have faced. **A-P**

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## North Korea: The World's Fastest Growing Mobile Phone Market

BY XIE-YAN

**I**t may not be surprising for many people to know that the biggest mobile phone market is in Asia, but what would surprise most people a great deal would be that the fastest growth rate in this industry is not in China, India or some developing Southeast Asian nation, but North Korea.

According to the Chosun Ilbo, a South Korean newspaper, mobile phone subscriptions in the Democratic People's Republic of Korea grew at a staggering rate of 18,750 percent, jumping from only 1,600 subscribers in 2008 to over 300,000 during the third quarter of last year.

These North Korea phone market figures came from the Egyptian company Orascom Telecom, which introduced 3G services to the country in 2008 through its partnership with the North Korean Post office. This brings to light another fact – that North Korea is practically the only country in the mobile market with 100 percent 3G service coverage.

Orascom has a monopoly in North Korea but it must also abide within the strict policies on censorship imposed by the government, particularly on Internet use. In cop-



Lightzoom | Dreamstime.com

ing with these strict regulations and other difficulties in the North Korean market, Orascom would only accept payment in dollars or yuan to operate.

### Telecommunications in North Korea

North Korea's telephone system is still in a very inadequate state according to the CIA World Fact book. Telephone directories were not even available to list the approximately 1.18 million main line users as of 2007. The month of November in 2002 saw mobile phones first introduced in the country, and by the same month the next year, more than 20,000 North Koreans had already bought their own mobile units.

However, in 2004 the use of the mobile phone was banned by the government, with a limited mobile network for government officials existing only in Pyongyang. Foreigners are not allowed to use or keep mobile phones while in North Korea, except for a few high profile visitors who were given rental phones for temporary international communications.

Orascom eventually entered the market when Pyongyang finally opened up a mobile phone service in 2008 using a 3G phone service called Koryolink. Since then, a large

demand for the service emerged with even ordinary citizens joining in the clamor, as indicated by the astounding growth rate registered last year. Since then, the numbers have continued to grow to over 535,000 subscribers during the first quarter of this year, according to Orascom.

Koryolink already has 341 base stations that cover a mobile network extending over 22 highways and 14 major and 72 minor cities, including the capital Pyongyang, totaling the equivalent to 13.6 percent of the total Democratic People's Republic of Korea territory. The healthy growth rate exhibited last year continues to expand at present, according to Orascom, and it is expected to continue to do so in the coming periods now that Koryolink has offered MMS to its subscribers.

According to the Chosun Ilbo, the figures provided by Orascom might be tuned down a little, as in reality there might be over a million mobile users already existing in the country – if illegal users near North Korea's border with China are to be counted. Still, these figures show a favorable trend and might be considered a welcome light through a crack in North Korea's dark wall of isolation. **A-P**

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## Chinese Computer Companies Adopting Multi-Model Strategies to Stay in Market

BY KEVIN LIU

**W**hen Apple first released the iPad2 in March of this year, it kept the price the same as the original tablet PC, marketing the new version as an improved version available at the same price.

Two months later, Chinese enthusiasts finally got to see this newer iPad version, but Apple made a different marketing move this time, lowering the price by as much as 300 yuan.

This maneuver by Apple is putting a lot of pressure to other computer companies based in China, such as Samsung, Motorola and Lenovo, who are all now considering redesigning their existing products to compete with the latest iPad. These computer manufacturers will have to adopt multi-model strategies in order to compete with Apple in the blossoming tablet PC market in China.

**Competition in the Chinese Computer Market**  
International Data Corporation reported that more than

800,000 units of iPads were purchased by Chinese buyers in 2010. This figure is expected to double this year and may reach levels of up to 2.5 million units sold. The first quarter of 2011 is showing a strong trend for Apple, with the iPad taking up to 78.33 percent of the tablet market there. Samsung's sales of its Galaxy Tab are way behind at only 5.12 percent of the market share.

According to Analysts International, tablet and smartphone products from Apple are considered like Louis Vuitton bags in China, as the leading goods from a branded accessory perspective. This popularity can be attributed to fast introductions of new and better products coupled with the strategy of cutting down the price tags of existing products for a new product launch.

Other computer makers are now more pressured to compete with Apple. China's leading computer maker, Lenovo, has joined the tablet bandwagon in China when it launched its Android-based LePad. Two versions were made available, either supporting WiFi or 3G. Planning to gain a larger share of the tablet of the tablet market and catching up with Apple's big lead, Lenovo will launch an upgraded version of their tablet PCs by the fourth quarter of this year.

Other manufacturers, whether global or local manufacturers, will be introducing various models of products with

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# Kevin Lee, Human Rice Food Co. Ltd.

BY STAFF REPORTER

For 26 years, Kevin Lee, CEO of Human Rice Food Co. Ltd., has been fully devoted to the Korean traditional food industry. With his passion to globalize Korean cuisine, Lee established Human Rice Food Co. Ltd. that specializes in instant frozen rice cups under their brand Our Food Story (OFS). The company is exporting products, including ones such as Sannamul Bibimbab Rice Cup (Rice meal topped with six seasoned vegetables with sauce) and Kimchi Rice Cup (Rice meal topped with fried kimchi in sweet and hot sauce), to countries like U.S., China, Singapore, Canada and France. The company has also branched out worldwide by opening franchises in Singapore, and is working to establish a subsidiary company in Los Angeles, U.S. As the Secretary General of the Korean Cuisine Culture and Tourism Development Corporation, Lee is also working on a five-year government sponsored project to establish Korean Food Valley in Yangpyeong located in Gyeonggi province. He believes the Korean Food Valley will function as a mecca of Korean traditional cuisine.

Here are the excerpts of the interview Mr Kevin Lee give to Asia-Pacific Business & Technology Report.

## Can you tell me about the history of Human Rice Food Co.Ltd., and the meaning behind the company's name?

The meaning of Human Rice Food is to manufacture food with love by using food resources with high quality. I have been in the Korean traditional cuisine industry for 26 years, but during the Korean IMF crisis our company was one of the many companies that could not avoid economic climate at that time. Our company also suffered from the crisis. From that point on, we decided to export our products than to release them for the domestic market. So our entire products are designed, created and manufactured for the foreign market not the domestic market. But it is important that our company does not claim to export each and every food material or resource from Korea. If certain resources can be localized in that country our company is opt to do that.

## Of the many Korean dishes, what made you choose rice as the main material for your products?

The worldwide trend of food consumption is changing. Especially in western countries, where meat and fried food are main source of their food; their diet is now changing towards to a more natural and healthier one. With these trends, I thought rice would be a popular dish for people who are looking for healthy food. Also, compared to meat, rice is a resource that is very abundant, goes well with any type of food or side dishes and is not that expensive. Rice has all the advantages as an export product.

## What are the valuable aspects of bibimbab?

People in the modern society have many stomach problems. This is because they have a lot of stress, eat too much meat and enjoy food that has artificial seasoning, such a MSG, food coloring and preservatives. Whereas the seasoned vegetables in bibimbab is good for the stomach and capsaicin in the red pepper paste helps people lose weight. Also, the addictive taste of the red pepper paste blends well with the seasoned vegetable, creating a unique flavor when eaten together.

When making food products, one cannot make food that is only good for the health or delicious. It has to have both features to sell. Our food aims to make food that is



**We think our products have all the potential to become a global item, just as the hamburger.**

healthy for the body, but at the same time delicious. We think our products have all the potential to become a global item, just as the hamburger.

## Tell me about the representative products of your company.

The Sannamul Bibimbab Rice Cup and Kimchi Rice Cup are the main products of our company. In the domestic market, the Kimchi Rice Cup is more popular than the Sannamul Bibimbab Rice Cup, but in the foreign market the Sannamul Bibimbab Rice Cup has more demand than the Kimchi Rice Cup.

## What is Human Rice Food's philosophy?

Our philosophy is to develop fine food resources, and create delicious food products that anyone can eat it easily at a reasonable price.

## The special double-container that can divide the rice and sauce seems very unique. How did you get this idea?

Korean traditional food is very difficult to eat, so foreigners have a hard time adjusting to this food culture. So, our company developed a handy size, special double-container that helps foreigners to hold the products and eat it with one hand. It is also possible to eat the vegetables and rice altogether by positioning the container upside down and placing all the ingredients on a plate. The special double-container came from the concept of a hamburger and our company is the first to develop this. The product also applied for patents in major countries.

**Human Rice Food Co.Ltd is working on the globalization of Korean traditional cuisine by focusing on the market overseas rather than the domestic market. There are opinions that the globalization of Korea traditional cuisine might be unfeasible due to the difficult production process of Korean tradition cuisine. Do you agree with this opinion? Tell me if you experienced any difficulties while promoting the globalization of Korean traditional cuisine with your products.**

It is not an easy process to develop the Korean traditional cuisine business abroad to a restaurant scale. One has to master the country's food eating and making culture to succeed. Companies that are producing cuisines at their local restaurants, the production process may be difficult. When we export our products, we do more than promoting the image of Korean traditional cuisine because we are exporting our domestic agricultural products as well. Companies that operate restaurants use most of the food ingredients that are produced locally, but we make our products by Korean food materials, make it into a frozen form and export it worldwide. In this sense I think Human Rice Food is a company that promotes the true form of globalization of



Korean traditional cuisine.

## Tell me about your main clients and your main exporting countries.

Our company exports the products mostly to the U.S., Canada, Singapore, and Japan. We have plans to build factories in every continent. Also, we are planning to open franchise stores in Dubai, Toronto, Los Angeles and Thailand. Our goal is to have franchise stores all over the world like McDonald's. We are also looking for qualified clients who can cooperate with us in the manufacturing, distributing and franchising field. Our company has ongoing plans to develop and export rice vending machines as well.

## What are some of the different marketing methods your companies used to approach various countries to export your products?

In developed countries, the vendor-managed system is well established. In Canada, it is hard to enter the big markets without these vendor companies. So, for Korean companies, it is hard to move beyond the Korean community market in Canada. In Thailand and Singapore, it is possible to access these mainstream markets, but advanced countries it is hard to do so. When approaching consumers abroad, the company must make adjustment in terms of taste, invest in designs and change standards according to each country. It's a very time consuming process that needs to be planned in advance for years.

Our company has plans to create a collective retail company, K-Food (Korean Food), that can help small-sized companies that have good items but needs consulting to globalize and export their products. In Korea, I believe there has to be more general trading companies like us that can help other companies to develop their items that is in need of marketing support.

## Your company opened the Singapore branch in 2009. How is it being operated, and do you have plans to open additional branches abroad?

We sell around 1,000 to 1,500 Singapore dollars worth of products daily at our Singapore branch. We sell around 15 products

at our Singapore branch. The sauce for the products is made in Korea, and the rice is made in Singapore. We are also planning to receive the R&D support from the Korea Ministry of Food Agriculture, Forestry and Fisheries.

## Many countries are looking for Korean food as an effect of Han-lyu, or Korean wave. Currently, the Korean Wave reached Europe. How is your company doing in the European market?

Currently, we are exporting our products to France and England, and planning to enter the market in Spain and Chile. The consumers in Europe are the most difficult to approach, since Europeans prefer their own traditional dishes instead ones from other countries. It is hard to change or adjust their taste. More and more Europeans are looking for Korean food due to the Korean wave, but it is the role of the producer to develop products that can work well in the local market.

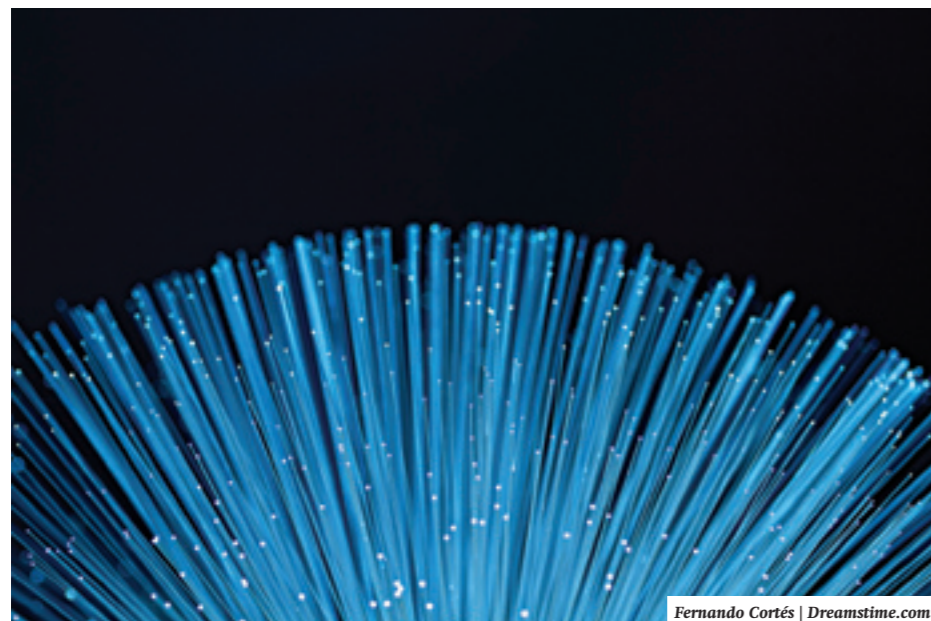
## What are the short term and long term goal of your company?

We are planning to open a branch in Shanghai this fall and build a factory afterwards. We also have plans to approach the market in India. After we distribute our products in India, we will decide on whether to build a factory there. Our long term goal is to build factories in each province of Korea, and build more in the U.S. China, Southeast Asia and Japan. Ultimately, we hope to build our factories in each continent. Our company's goal is to become the next Coca-Cola Company or Nestlé.

## Do you have any message you would like to send to our readers?

I would like to make a globalized food product in collaboration with Indian companies. Since India is a country full of human resources and people eating rice as their main dish, I think it will be meaningful for our company to tie-up with local companies there. It will be a chance to expand our business further in the European regions. Frozen food many not be popular in Korea, but in foreign countries frozen food is in demand. By our quick-freezing technology, it will possible to eat food that has nutrition closest to its natural condition. A-P





Fernando Cortés | Dreamstime.com

## The Growing Web of Fiber Optic Technology in Asia

BY SHAMILA JANAKIRAMAN

**A**lbert Einstein wondered about the experience of moving at the speed of light.

With fiber optic transmission, we can at least achieve movement of data at the speed of light.

Communication is what brings the world closer, making it into one global village. It is what makes us say, quite literally, "It's a small world after all." We know what is happening at the other end of the world within minutes. Calamities, atrocities, the fall of governments, achievements, the revealing of previously unexplored territories, and so on are just some of what is now being made available on our desktops, laptops, telephones or television sets.

Behind all this are various technologies which have developed in the past few decades thanks to technological revolutions. Breakthroughs in fiber optic technology, one such innovative field, have helped greatly in this revolutionary era of communications. Now new fiber amplifiers make direct transmission of high-speed signals possible over transcontinental distances without electronic regeneration.

The fiber optic backbone network (FOBN) deployed in countries across the world serves three types of services – telephone, data and scientific/technical testing. Fiber optics are replacing copper wire for signal transmission as they cover longer distances and form a backbone for network systems serving television broadcasting, university campuses, office buildings, industrial plants and electric utility companies.

Fiber-optic Internet connections are much faster as they employ light-transmitting optical fibers made of glass, whereas cable and asymmetric digital subscribers' line (ADSL)

technology uses copper wiring to transmit signals at a comparatively slower speed.

Optical fibers are thin, flexible and transparent and act as waveguides or light pipes to transmit light between the two ends. These fibers are employed in fiber-optic communications for transmitting signals over longer distances and at higher bandwidths. Fibers are preferable over metal wires as signals travel with less loss of strength, and they are not affected by electromagnetic interference. Optical fibers are also used as sensors and fiber lasers.

Such fibers are comprised of a transparent core surrounded by a transparent cladding material with a lower index of refraction. Total internal reflection ensures that the light stays within the fiber or waveguide which is classified as multi-mode fiber (MMF) having a larger core diameter, which is useful for short-distance communication, or single-mode fiber (SMF), used for making communication links longer than 1,000 meters.

Experienced technicians are required to perform fiber optic network architecture and constructions, system design and power budget calculations, as well as building hybrid fiber / UTP network systems. Fiber optics installation encompasses indoor, underground and aerial installations, fusion splicing, termination and cross connection activities. Cable troubleshooting, fault res-

**The fiber optic backbone network (FOBN) deployed in countries across the world serves three types of services – telephone, data and scientific/technical testing.**

toration, fiber acceptance testing, optical loss testing and maintenance are other technical jobs associated with fiber optics deployment.

Such deployments are remarkably high in Asian countries, and according to the FTTH Council, South Korea ranks number one with respect to the percentage of residences and buildings connected by optical fiber. Second and third on this list are Japan and China, with these three nations registering a huge overall total of all global optical fiber used.

Other nations are also desirous to implement these latest technologies, with Telekom Malaysia deploying Fiber to-the-Home (FTTH) and SingTel keen on increasing deployments in Singapore. Telekom Malaysia will serve Brunei also.

Thailand, Vietnam, Taiwan and Hong Kong will soon be catching up to these trends also, while PT Telkom in Indonesia is installing fiber cables in all new housing complexes and apartments. The Philippines also figures in the FTTH scene, with various PLDT and Smart undertaking deployments happening there.

### Connecting Continents by Fiber

We think of ships carrying people and goods between continents, but there are also ships which install data cables across oceans. The fiber optic cable across the Pacific Ocean is an undersea information super highway which enables faster data and video delivery with 20 percent more Internet carrying capacity between Asian nations and the U.S.

Google and five other international companies have installed this cable, which will be leveraged by the NASDAQ Exchange to digitally handle stock trades in real time, as even milliseconds of delay can result in significant financial loss. Safe from earthquakes and trawlers and attended to by robot engineers, the undersea cable is helping to make the world an even smaller place.

The SEACOM cable system connects Asia with the rest of the world to the west. This system enables Tata Communications, which is an anchor tenant, to offer integrated network services from South Africa, Mozambique, Tanzania and Kenya to its networks in Europe, Asia and India. Tata Communications Transformation Services Limited (TCTS) takes care of the network administration, operations, and maintenance of the cable, which supports 1.28 Tbps (terabits per second) of capacity.

The landing point in Mumbai is maintained by Tata Communications and on the South African side by Neotel. Seamless connectivity between the SEACOM cable system and the Tata Communications global network is ensured via Neotel's converged

network in South Africa. Increased bandwidth and connectivity has been made possible in this market which had previously relied on expensive satellites.

To make communication even faster, telecommunication carriers in Southeast and North Asia launched a submarine fiber optic cable network in January 2011 that will connect Japan, the Philippines, Malaysia, Hong Kong and Singapore. Continuing construction of the network is to be carried out by Fujitsu and NEC Corporation in agreement with NTT of Japan, PLDT of the Philippines, StarHub of Singapore and Telekom Malaysia. This new undersea cable network is to be christened the Asia Submarine Cable Express system, or ASE.

NTT Communications (NTT Com) and Hong Kong-based NTT Com Asia, are launching the 40Gbps high speed, high capacity ultra-long haul optical transmission system, using around 7,200 kilometers of cable with a total carrying capacity of more than 15 Tbps. Total construction costs are estimated at approximately US\$430 million. Hong Kong will be added to the network in December 2012 via a separate route. Connections to Mainland China and other Southeast Asian countries will be served through other major carriers.

The ASE features 40 Gbps optical technology and can enhance the capacity to meet growing global traffic demands while also offering low network latency and reliability by choosing the shortest possible distances between Japan, Hong Kong and Singapore. The ASE will be able to incorporate 100 Gbps optical technology later on. It will also be durable enough to withstand earthquakes and typhoons.

Japan-based NEC will supply a 40G long-haul system for ASE, which will incorporate OADM, or Optical Add-drop Multiplexer, for multiplexing and routing different channels both to and out of the optical fiber. The manufacturing and installation of various components like repeaters, OADM branching units, cable power feeding equipments and submersible plant monitoring systems will be undertaken by NEC. Fujitsu will provide the supply of submarine line terminal equipment and management controlling.

### Asia-Pacific Wired

FTTH Councils of Asia Pacific, Europe, and North America revealed in 2007 that the Asia-Pacific region ranked high in FTTH market penetration, with significant figures in homes having broadband communication services over fiber optic networks.

Taiwan and China were in this technological race, while Japan and South Korea are poised to launch an advanced digital network. Not far behind is India, a strong contender in FTTH access technology, with plans afoot to invest heavily in fixed access lines using fiber optics. Clearly, there is no looking back for the region, which is gaining prominence in the fiber optic market and in fiber optic test equipment (FOTE) markets.

In view of the recent economic downturn, North America and Europe have shifted their manufacturing hubs to the Asia-Pacific region, along with implementing research and development initiatives in design and manufacture of innovative products and solutions. India and China are facing great demand for fiber optic cables following major

### Factoids

- Asia Submarine Cable Express system is a 40Gbps high speed, high capacity ultra long haul optical transmission system that was launched in January 2011 to connect Japan, the Philippines, Malaysia, Hong Kong and Singapore.

- The FOTE market is expanding at a compound annual growth rate of more than 6 percent and is expected to reach US\$225 million in revenues by 2013.

sports events and the deployment of high-speed, broadband optical communications networks, as well as the continuing building of an Internet backbone. This has led to recent establishment of manufacturing facilities while also offering opportunities for relevant test and measurement vendors. Applications that are instrumental for Asia-Pacific FOTE market growth are triple play services encompassing broadband Internet access, television, and telephony offered by a single provider.

Fiber optic equipment like optical time domain reflectometers (OTDR) and other FTTH access technology are in great demand in the Asia-Pacific market, which is expected to grow to US\$12 billion in 2013, with major markets being Japan, China and India. Australia also started deploying fiber optic technology in a big way in 2007. The Asia-Pacific FOTE market is expanding at a compound annual growth rate of more than 6 percent and is expected to reach US\$225 million in revenues by 2013.

### FTTH in Singapore

Telecom giants in Singapore have extensive plans to use fiber-optic technology for broadband Internet connection for 10x faster online connectivity that will replace cable connections. According to Alan Young, OpenNet corporate development director, high-end cable Internet may soon become obsolete as fiber-optic broadband technology gains precedence.

Young added, "We have received a record number of inquiries from clients opting to have fiber-optic Internet connection, with OpenNet's call centers in Singapore having recorded three times the volume of average calls in the first two days of the launch."

Not to be found lagging behind are M1, StarHub, Singapore Telecommunications and newcomer SuperInternet, which unveiled fiber-optic broadband packages in some areas of Singapore.

Since mid-2009 OpenNet has wired about 60 percent of local households, and full operations are slated to start by 2012. OpenNet is a joint venture between Canada's Axia Netmedia, Singapore Press Holdings, SingTel, and SP Telecom. A huge subsidy from the Singapore government enabled OpenNet to deploy fiber connections to homes free of charge as a trial.

Hong Kong, Japan, Singapore and South Korea register high broadband penetration when compared to China and India, where more investments are set to flow in the 3G and IPTV sectors. Like everything else, demand for fiber optic products is increasing in telecommunications, defense and aero-

space, testing and measurement, bio-medical, automotive, chemical, manufacturing, medicine and other fields in the Asia-Pacific region.

High-capacity optic fiber networks ensure high-definition television (HDTV), fast music downloads, homeland security and broadband Internet protocol television (IPTV) for a burgeoning subscriber base.

Considering the optical components market, Ovum a market research agency, has revealed that the Asia-Pacific region is going strong, catering to 48 percent of all global manufacturing activities owing to the numerous contract manufacturers in the region. Finisar, Sumitomo and Avago Tech are major suppliers of optical components, ranked in that order, according to Ovum. **A-P**

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### Continued from Page 39

different functionalities and price ranges. Some of these products will be made available at a much lower cost, as many consumers in China would want to have a tablet PC that would cost less than 1000 yuan. This multi-model strategy is what many computer manufacturers are adopting now to reduce Apple's dominance of the market.

### Multi-Model Strategy in the Computer Market

In the consumer market, it is common for a particular company to have a multiple model approach in marketing their products through segmentation. This strategy can also be effective in the Chinese computer market, with companies like Lenovo releasing multiple models, each having their own different set of unique features.

Market segmentation can increase a manufacturer's influence on consumers, particularly if they have products that can cater to each of their customer's specific needs. A single product simply cannot position itself in the whole market and provide relevance to each of the various sectors. **A-P**

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## Trends and Popularity of Web-connected Devices in Asia

BY ANURADHA SHUKLA

**T**he future of mobile Internet will be in Asia – this according to the latest statistics compiled by several market analysts, all of which see enormous potential for mobile web in developing Asian countries.

For these developing nations, most of which are faced with low PC penetration to a rapidly growing population, the mobile web is the most affordable as well as the most accessible doorway to the Internet.

This trend towards mobile Internet connectivity is paving the way for another revolution of mobile devices in Asia, this time with more advanced web-connected devices like smartphones, tablets and netbooks. In China, for example, where the Internet market is still considered to be in its infancy, a whopping 227 million users are accessing the web through their mobile devices.

In a report from the Wireless Federation, the smartphone market in Asia will reach 200 million users by 2016, double that of the 100 million level in 2010 and growing at a compounding annual rate of 12 percent. This constitutes over 32 percent of mobile subscriptions in the region, which is expected to increase to 54 percent penetration levels by 2015, according to Abacus International. In a region where PC access is limited, web-connected devices are the great enabler – giving Internet access to people even while they are on the move.

### Mobile Internet Trends in Asia

Smartphones and other web-connected devices are very popular everywhere else in the world, but with the special economic circumstances developing nations in Asia have, mobile Internet and the devices that let people gain access are now more popular than ever.

- **China** – with over 457 million web users, this number has surpassed the entire population of the United States, which numbered 308 million at the end of 2010. According to the China Internet Network Information Center, 66.2 percent of these Chinese Internet users access the web through their mobile phones. Mobile Internet market value reached 6.44 billion RMB during the first quarter of 2011 according to ePathChina, registering a 23 percent growth rate from the previous year.
- **Thailand** – Online stats company Turehits.net reported a 40 percent increase in Thailand's mobile Internet usage. Apple's iPhone is the most dominant device among the country's four million active mobile web users, followed by Nokia, iPad



Amagraphic  
Dreamstime.com

and RIM's BlackBerry. With declining smartphone prices, it is expected that these figures will continue to grow exponentially.

- **Indonesia** – Since April of 2011, Indonesia has claimed the top spot among Southeast Asia's mobile Internet users with a staggering 63 percent adoption rate from its total of five million Internet users, a 158 percent increase from the previous month. The popularity and increasing affordability of smartphone devices in the country has contributed largely to this tremendous growth, with these web-enabled devices used primarily for accessing information, business transactions and e-Commerce.
- **Philippines** – Mobile Internet usage in this country is expected to reach 12 million mobile web users in 2011, up from the previous 8.8 million in 2010. This is evident due to the increased proliferation of affordable smartphones and unlimited data plan options available there, particularly to those who cannot afford laptops or personal computers. Aside from push e-mail, instant messaging, and a wide variety of downloadable apps, Filipinos use mobile web primarily to access social networking sites. A recent report from 24/7 Wall Street dubbed the Philippines as the Social Networking Capital of the World, with an incredibly high 95 percent social network penetration among web users.
- **India** – The country boasts itself as the second largest mobile network in the world next to China, with over 771 million mobile subscribers registered. In a similar manner, mobile internet usage in the country is soaring in parallel, registering over 12.1 million active mobile web users in 2010 and is expected to hit 30 million users by the end of 2011. A study conducted by the Boston Consulting Group made predictions that India's mobile web users will continue to grow and reach up to 237 million users by the year 2015.

### Which Mobile Internet Devices are Most Popular among Asian Users?

In the recent Mobile Broadband Indus-

try Survey in the Asia-Pacific, conducted by Ovum in partnership with Telecoms Asia, 50 percent of respondents indicated that mobile handsets will still be the major driver for mobile Internet in the region, while another 25 percent point to tablets as the main driver for mobile Internet growth. Tablets have overtaken laptops and netbooks in popularity due to their more mobile features and the tremendous availability of downloadable apps for a wide variety of purposes.

In the same survey, respondents tallied social networking as the highest activity for mobile Internet use at 31 percent, followed by video browsing and sharing at 30 percent and general mobile web browsing at 17 percent. This trend has shifted from the previous years, with web browsing and mobile video as the leading traffic drivers. This is attributed to the increasing popularity of mobile social networking services, and the affordability of mobile Internet subscriber plans that offer special rates such as the unlimited access to social networks offered by mobile operators in the Philippines.

The Asian youth is a significant factor for mobile Internet usage influence in Asia, with 56 percent of the world's mobile phone-owning youths living in Asia. In China, 84 percent of Chinese Youth use mobile phones to access the web, next only to the 87 percent rate of Hong Kong, which also has the highest mobile phone ownership rate in the whole Asia-Pacific region. In India, less than 50 million youths have access to the Internet but experts forecasts this figure to reach 350 million mobile phone-owning youths by 2012.

Similar trends are being seen in other parts of Asia, such as in Japan where 60 percent of its youth access social networks through their mobile phones. While iPhone grabs the biggest share among smartphone users in Asian countries such as Malaysia, BlackBerry outsells Apple by a 12-to-1 ratio in Indonesia. In the Philippines, mobile operators are expecting that 70 percent of their revenues in 2012 will come from mobile Internet accessed through smartphones.

### Mobile Internet Penetration among Asian Businesses

While the popularity of mobile Internet and web-connected devices in Asia is concentrated among individual users for commercial or personal usage, smartphones and mobile Web are slowly finding their hold on enterprise and corporate users in the region as well. Asian businesses adapting to the changing global markets are finding the deployment mobile or remote workers a necessity, and many find great use for smartphones and tablets for a wide variety of business applications.

Small and medium enterprises in Asia are leveraging this popularity of mobile web and web-enabled devices by developing e-Commerce sites that are specifically targeted towards mobile web users. SMEs can now go beyond the geographical limitations of traditional marketing and are using full online access to reach a bigger national or even international market reach. Many are investing marketing budgets on the development of advertising tools catering to mobile platforms and mobile ad networks.

Some are taking mobile web marketing a step further by developing business apps

to gain an even better foothold among mobile phone users. According to Gartner, mobile apps that are intended for use on the iPhone, iPad and other similar devices will go beyond US\$15 billion in revenues within the year 2011, exceeding the previous year's revenues by over 190 percent.

This trend towards mobile Internet use enterprise is not unique to small and medium enterprises. Even large, multinational companies in the region coming from various industry niches and markets are moving toward mobile Internet channels for marketing and advertising. This includes major players in the retail, travel, hospitality, finance and pharmaceutical industries. One example is Otsuka Pharmaceutical Company in Japan, which recently purchased over 1,300 Apple iPads for deployment among its sales representatives to be used as tools for marketing. The company finds iPads effective for providing online medical information to doctors and medical purchasers quickly and effectively.

### Future Trends for Mobile Internet in Asia

According to Ovum, an analyst firm which focuses on the mobile broadband market, mobile Internet users will reach one billion by the year 2015. This will account for at least 28 percent of total registered mobile broadband users. According to Ovum, the Asia-Pacific region will play a major part in this forecast and will actually dominate the mobile Internet market, growing from 119.1 million users in 2011 to a forecasted 518.4 million users by 2015.

Aside from the high mobile-only penetration rate of 34 percent among Asian web users, this tremendous trend towards mobile Internet is being brought about by the lack of fixed-line broadband facilities in highly populated countries in the Asia-Pacific region. According to Ovum, fixed broadband will also grow in parallel with mobile broadband and large percentages of users are actually purchasing plans from both services at the same time.

As telecom companies in several Asia-Pacific countries are now poised to make next generation 3G mobile networks available to the public by 2012, coupled with new and very affordable offerings of web-enabled mobile phones, tablets and other gadgets, more and more people in these countries will soon experience a better and more exciting digital mobile web experience. [A-P](#)

### FURTHER READING:

- **Enterprise Innovation**  
[www.enterpriseinnovation.com](http://www.enterpriseinnovation.com)
- **Asian Correspondent**  
[www.asiancorrespondent.com](http://www.asiancorrespondent.com)
- **The Hindu**  
[www.thehindu.com](http://www.thehindu.com)

### COMPANIES MENTIONED IN THIS ARTICLE:

- **Ovum**  
[www.ovumkc.com](http://www.ovumkc.com)
- **Apple Inc.**  
[www.apple.com](http://www.apple.com)
- **Research in Motion (RIM)**  
[www.rim.com](http://www.rim.com)

## New Privacy Laws in India, China Death Knell for Outsourcing Customer-Related Work

BY ZACH BARDON

**A** new law passed in India and a new set of laws being considered in China may spell the end for many types of outsourcing to the two countries.

On April 13 of this year, India issued final regulations to implement the Information Technology (Amendment) Act of 2008, dealing with the protection of personal information. These regulations will effectively eliminate the possibility in both India and China that companies can effectively collect and utilize the personal data of customers. Essentially, this means that call centers, sales centers, and support centers can no longer keep or transmit the personal data of callers to anyone. Since so many companies from the EU and US outsource business divisions to India or China specifically to deal with customers, if the outsourced companies can no longer collect or transmit digital information about said customers, the companies are thus rendered almost completely useless to their EU and US affiliates.

The already-passed regulations in India proscribe extremely strict regulations for companies dealing with personal customer information. First of all, companies must obtain written consent by letter, fax, or e-mail from each customer before they can collect data from them. The customer can choose to opt out of this at any time and withdraw their consent. Companies will also be under significant restrictions in how they can disclose this personal data to third parties. And even if they meet all the data disclosure restrictions, a company can only send the data to an organization that provides the same level of security as the Indian regulations. Finally, customers have the right to review the personal data collected about themselves and correct it. And just to be clear, these regulations apply to any personal information at all, not just to personal information of Indian nationals. This is a sudden and terribly huge headache for any EU or US company that is now using Indian firms as office processing centers. Companies that have set up working relationships with Indian firms are now most likely going to have to bring that functionality back to their home countries or risk losing or never again gaining access to their own customer data.

The regulations in China are similarly strict, but not yet approved. Companies that hold personal data in China must receive explicit consent to show the data to third parties. There are a lot of restrictions under consideration to govern the collection, processing, use, transfer, and maintenance of personal information. And for the clincher, personal data cannot be exported out of the country unless specifically allowed by law or government authorities. The same problems with the Indian regulations will pop up in China if they are approved, as it looks like they will. The regulations were put on the table in response to China's bad international image of a country of on-line espionage and shoddy IT security.

Another aspect of these new regulations is that companies cannot even collect personal information about their own employees without explicit consent. So companies which have outsourced their HR departments to India, or even Indian companies themselves, will have more paperwork to process the consent of their own employees just to let the company store their personal information.

China and India experts are currently warning outsourcing companies to prepare for big changes. Despite the draconian nature of the laws, they do seem to have strong backing and are not likely to change in India's case, or are likely to be passed in some similar form in China's case. There is just too much momentum behind these laws for businesses involved to change them. Expect to see some significant changes in the outsourcing sector in Asia soon.

While these privacy laws are very strict and pose a significant business problem, from the perspective of an individual, the laws also seem to have much merit. No longer would companies be able to share mailing lists of customers, or bother you with offers for irrelevant junk after you signed up for some service 10 years ago from another company. Also, the ability to review and correct information, or to revoke the company's ability to even keep information about you at any time, is a huge boon for those concerned with personal privacy. Citizens of countries other than India might start looking in envy to these laws or even move to get something like them passed at home. Imagine what Facebook and Google would have to do if laws like these governed their collection of customer personal data. It seems like the citizens of China and India will soon be well-protected from the fears of a corporate invasion of privacy, while European and American citizens will still have to sit in vague unease while the great big eye in the sky of corporate scrutiny continues to stare down at them. [A-P](#)

## U.S. Lags as China Goes on Science Overdrive

BY RASHMI GUPTA

**T**he China of today as an economic powerhouse is rapidly achieving technology self-sufficiency.

Now China is rewriting its scientific history as well. Said to once have been the cradle of human civilization and the land that gave the world many firsts, including gunpowder, paper, the compass and printing, China is today straddling the frontiers of New Science.

In fact, China's rather bridled approach to development has led to a steady, paced growth on the scientific horizon, making path-breaking research a part of its everyday scientific routine. In fact, surveys today show that its scientific prowess is fast surpassing nations such as the United States.

However, China is not set to overtake America in the next half-century or so. In fact, it is already on par with the U.S. today in terms of scientific research presentations, and in the next one or two years, it is likely to overtake the U.S. on most scientific milestones.

These predictions are not mere flights of fantasy, but are actually substantiated findings from leading and reputed organizations such as The Royal Society of the U.K., the National Science Academy.

Parameters that define the growth of quality science are usually the amount of research that is published and made accessible to the scientific community at large for peer review.

The Royal Society's study, termed 'Study, Knowledge, Networks and Nations' reveals the emergence of China in juxtaposition to conventional predominance by the U.S., Europe as well as Japan.

The study is based on the Elsevier published work which is found listed by Scopu Services. That is, the indicators of research and the scientific status of a country are based on the number of research papers published by Elsevier and found listed on Scopu Services.

### Some Statistics on Research Papers Published

In the base year of 1996, for comparative growth study, the U.S. had published 292,513 papers. In comparison, the Chinese Scientific community published 25,474 papers. However, by 2008, against the U.S.'s 316,317 papers, China had published an astounding 178,318 research papers, a good seven times more than its numbers from only twelve years previous.

Considering the steady pace at which papers were published around the base

years, analysts proposed that by 2020, Chinese scientific progress would surpass even America's science research. In the meantime, the Chinese science juggernaut had sidelined the U.K. as the second leading country to submit research papers. Today analysts are using a simple but effective linear interpretation of Elsevier's publishing data to establish that China's overtaking of America in this measurement will happen as early as 2013.

### Report on Chinese Research

Professor Sir Chris Llewellyn Smith, an eminent research expert, chaired the Royal Society team report cited. He substantiates the report findings and interprets the phenomenal growth over the past few years, attributing this great burst of scientific activity to the huge amount of investment as well as impetus given to research and development by the Chinese government in the past two decades.

Starting with 1996 as the base year, the investment into research and development has grown by 20 percent per year. Considering this against the recession and economic meltdown in the past few years, it is clear that China has not let its investments into key scientific research become sidelined.



Eagleflying | Dreamstime.com

In fact the overall Chinese budgetary allowance for research has now reached over US\$100 billion.

### Investing in Research Infrastructure and Scientific Talent Pays Dividends

Augmenting this focus on laboratory research has been the nourishing of talent and intellectual thought in engineering and scientific colleges and universities, particularly from 2006. The infrastructure to fire scientific temper with added incentives such as scholarships, professional and career benefits to participate and present research papers has definitely helped in the quantum increase in core activities happening at premier Chinese universities and research labs.

The number of graduates majoring in core science and engineering subjects is close to 1.5 million in aggregate from 2006 onwards. The focus on every engineering and scientific branch, from food production/processing industry to construction, is rapidly being adopted for scientific study. Traditional sciences that form the fundamental core of Chinese scientific structure are also being further delved into, and today there are multitudinous research papers being presented about the benefits of indigenous Chinese ingredients such as green tea

to green batteries for captive power generation.

A very important aspect of Chinese progress has been the issue of patenting. China today has the highest number of patents being filed each year thanks to its unique approach; rewarding patent filing with monetary awards as well as career opportunities, which is encouraging greater patent filing by premier research organizations and in lesser numbers of individuals.

### Quality is Always in Question

In the first quarter of 2011, China patent filing numbers surpassed even U.S. patents. However, experts as well as patent-researchers the world over are raising questions on the overall quality of these Chinese patents that are being filed. Similar concerns are being raised about the quality of research that China is placing before the global scientific community.

Yet given the historical precedent and the geo-political developments following the fall of Communism in Russia and the disintegration of Russian scientific structure, China has obviously learned some valuable lessons. The need to compete on the world stage and bolster its global status is fast motivating China to reach for the untread paths of science and development.

With its future growth into a superpower and its perceived need to retain its political ideology-based sovereignty, China has motivated a phased development that is qualitatively different from development in the past era of the Communist regime.

Still, many questions on the unprecedented rise in patents and research papers there are today being regarded by the world scientific analysis community as game of numbers that are meant to increase the prestige of the country on the world scientific platform.

However, a highly regarded indicator to prove the worth of research is the number of times other scientists or other types of work will cite or quote these research results as reference in the international community. U.K. scientific research is the second-most cited scientific work used as quality reference material, for example. It remains to be seen how the Chinese scientific literature will measure up in terms of this reliable qualitative indicator.

### Quality to Catch Up by 2020

Dr. Cong Cao, the Associate Professor at the Nottingham University School of Contemporary Chinese Studies, supports various survey results asking for improvement required in Chinese scientific research papers. The quantity and quality of research papers are a mismatch. Dr Cao, who is also a leading sociologist from Shanghai, is able to review the entire process more objectively, and he reiterates that there are millions of graduates from the premier science and engineering organizations who 'easily' get permission to publish their research. However, for these papers to reach the standard and quality of international research community will require a greater catch-up period far exceeding the 2013 time lines that mere quantitative research paper presentations will assume. [A-P](#)

## Robots Learn to Share

BY MATTHEW WEIGAND

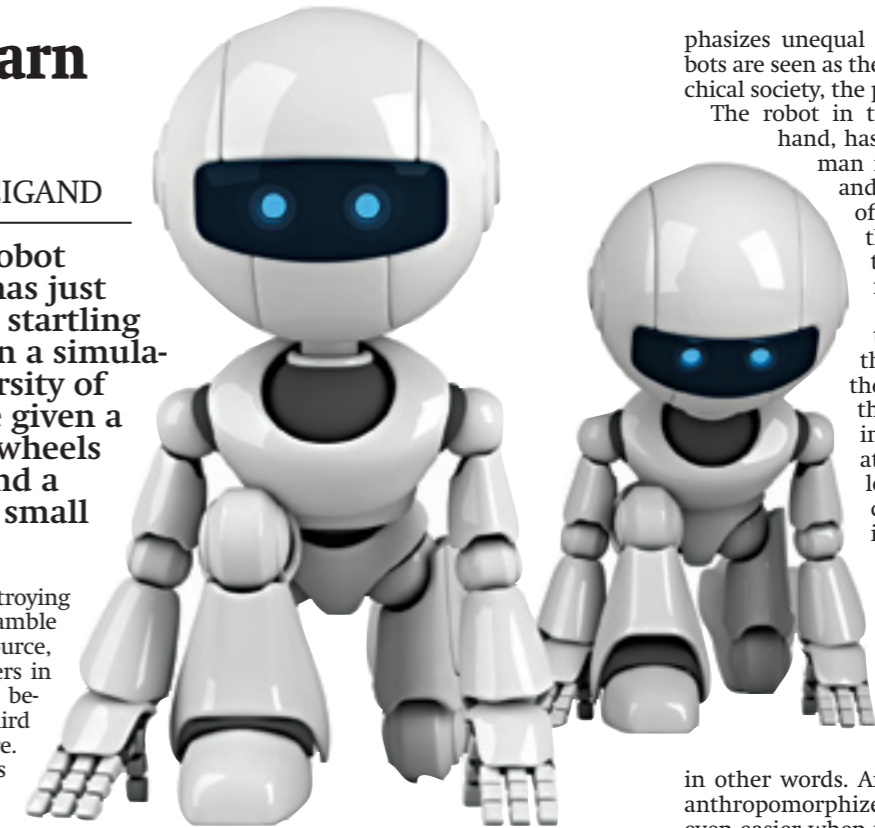
**T**he coming robot apocalypse has just had another startling setback. Robots in a simulation at the University of Switzerland were given a camera for eyes, wheels for movement, and a desire to pick up small discs for food.

Instead of ruthlessly destroying each other in a mad scramble for the limited food resource, or turning on their masters in a sudden yet inevitable betrayal, the robots took a third path. They learned to share.

There were two aspects to the experiment. First, robots were created in the lab to be about two centimeters high. They had two wheels with which to move, a camera, some infrared sensors that could pick out food disks from the background, and a small neuronal network for a brain on the inside. They were given a desire to collect small disks. Then their movements and other aspects were recorded and put into a simulation so that the scientists – Markus Waibel and Dario Floreano – could see how variations on the design would compete over time. The simulation could easily run through hundreds of generations of robots, each slightly different from the other. After simulating 500 generations of evolution, the latest and most successful designs were put back into the real robot bodies to evaluate their performance in the real world.

When the simulation and real world behaviors of the robots were verified to correlate, the researchers added one more factor to the robots – the robots were given the ability to share food disks. Since robots were evaluated based on how many food disks they collected, two robots who had worked independently to collect average amounts of food disks would most likely be eliminated, while one robot that had gotten a large amount of food disks from a helpful neighbor would be more likely to survive to the next round. Also, larger food disks were introduced that required several robots to move. Robots who were closely related 'genetically' worked together to collect larger disks that singular predator robots could not steal, ensuring that their genetic line would succeed and be passed onto the next generation. Robots who behaved in this altruistic manner became very successful.

However, this same batch of robots first developed more primitive abilities, such as lying in wait for other robots and preying on them by stealing their food. Some also learned to circle the walls, looking for food caches created by other robots, rather than searching for their own food. The altruistic



Victoria Suhanova | Dreamstime.com

behavior developed later, after a harsh and cutthroat predator-prey period.

### Potential Impact

In the age when robotics development is being so heavily pushed in Japan and Korea, knowing that robots can do something besides blindly follow orders and make everyone vaguely uneasy is heartening. The robots in this study learned to share with each other, thinking of the group more than the individual. They also learned to cooperate and accomplish tasks that none of them would be able to do alone. These are both important steps in robotic development and should be looked into as fundamental parts of robotic programming in the development of robots the world over.

In Japan, the singing and dancing robots under development there have not been very practical when trying to deal with the Fukushima nuclear disaster, in which robotic help would be very useful. Nevertheless, the robotics development in Japan in the area of entertainment and companionship keeps progressing. Korea also has some singing and dancing robots, along with soccer-playing robots. It has the Robo World Cup out of one of its top research universities, KAIST, and works to develop robots to fight fires and keep watch over the Demilitarized Zone. There is also a development underway in Korea to create an English-teaching robot to meet the high demand for English language education in the country. Robots are seen differently in these countries than they are in the West. In older Japanese culture, for instance, robots may be associated with clockwork-driven wooden dolls that were popular in the Edo period. The entertainment and companionship aspects of Japanese robotic development definitely agree with this interpretation. In Korea, a Confucian society which very strongly em-

phasizes unequal power relationships, robots are seen as the new low in their hierarchical society, the perfect servants.

The robot in the West, on the other hand, has been a standard bogeyman in science fiction books and movies for hundreds of years now. Even before the term robot was introduced, the golem of fiction was pretty much the same thing. Also, the iron men created by the Greek gods to protect their treasure operated in the same way that we now imagine robots to operate. The inhuman, relentless, plodding presence can easily bring terror into the heart of anyone. Robot-related worry is twofold. First, robots would invariably be developed to do jobs that people do not want to do, and they would always have to work for us. They would be created to be slaves,

in other words. And since it is so easy to anthropomorphize almost anything and even easier when the object looks vaguely human, people always get the impression that robots would resent their slavery, as humans would. Then it is one simple further step from imagining a robot that resents its sub-human status to a robot that would rebel and demand something more from its creators.

Robotic rebellion has driven billions of dollars into the entertainment industry, and it is still often in the minds of people when they see benign robotic singers or vacuum cleaners in IT shows.

But if robots can learn to work together, and if they can learn to cooperate to accomplish greater tasks, they can certainly learn to work together with humans. They can be taught to understand that cooperation helps us all achieve greater tasks than those we could only do alone, or that those Swiss robots could do alone. If all robots could be built like these tiny 2-centimeter high heroes, the future robotic world would certainly be a safer place to dream. [A-P](#)

### Continued from Page 38

corporations must now struggle to re-draw the line between appropriate and inappropriate privacy intrusions.

This push from the Korean government to redraw the privacy line for its citizens has been lauded by many as a warning to large corporations to stay out of the lives of its citizens. But it has also been criticized by some as a shallow ploy to put pressure on a foreign intruder into the domestic search market; the Korean government would simply rather have local players violating its citizens' privacy than international corporations. If the detractors are right, perhaps this is one of the first steps in nations beginning to view their citizens' privacy as national resources to be exploited for national gain, like oil or forests. Whether or not this happens, the future of privacy will look very different from the privacy of today or of yesterday. [A-P](#)



# Frank Farwell's Hard Won Advice on Self Employment

BY STAFF REPORTER

Frank Farwell grew up in the suburbs north of Chicago and earned a B.A. in English from Trinity College, Connecticut. He ended up in New York three years later where he became managing editor of Ski Magazine (monthly circulation of 400,000) at age 25. After four years in New York, having grown tired of publishing's limited pay scale, he set out on his own from a small office in the attic of his home.

Enduring a humbling first 2-3 years, his company became a 3-time INC. 500 (America's fastest growing privately-held companies) honoree in 1986-1988, was co-winner of the catalogue's industry's best apparel catalogue in 1990, and won the industry's national customer service award in 1995. He sold his company in a competitive bidding process, became a commercial- and instrument-rated pilot, as well as a competitive age-group athlete in marathon cross-country skiing and flat water canoe racing in his early 50's. His book about starting his company, *Chicken Lips, Wheeler-Dealer, and the Beady-Eyed MBA: An Entrepreneur's Wild Adventures on the New Silk Road*, was recently published by John Wiley & Sons-Asia.

## Oasis of Steady Pay, Desert of Failure or Heaven of Success?

### Frank, tell us about your steady jobs before you quit them.

After college, I worked for 7 months as a cub reporter at US\$120/week for a small, 7,000 circulation daily newspaper in rural New Hampshire, and then co-founded a small town weekly newspaper across the Connecticut River in Windsor, Vermont. It lasted for 25 years before folding a few years back. I left the Vermont paper after a year to attend the MBA program at Chicago's Northwestern University. After two semesters, I took a summer job at the giant Times-Mirror Magazines in New York City, which eventually hired me full time as managing editor of Ski Magazine. Times-Mirror offered to pay for part of my MBA at night at Columbia University, but I was too busy with my day job for more MBA work, so I never completed it. After a couple of years I tired of the modest pay and high workload at Times-Mirror and went to Ziff-Davis. I had a more senior position and better pay, but a less impressive title. After two years I realized my friends in other professions were advancing, but I was trapped in the editorial side of publishing. So I moonlighted on a new product idea for five months, starting in May 1979, working evenings and weekends. In October I quit Ziff-Davis and left the Land of Steady Paychecks.

### What was your first attempt at a small business?

I co-founded the weekly newspaper in Windsor, Vermont. It was huge work, but I was then young and resilient. Another reporter and I put in US\$1,000 and that was matched by two silent partners. So we had US\$4,000 of start-up capital, and we just about broke even the first year, though we lacked money for a full audit by a CPA firm.

### Why did it fail?

This business endured for a long time and died a natural death as newspaper publications everywhere in the US are doing; it's all a result of the Internet, and its free content.

I also had another start-up in 1979. That involved re-publishing my deceased grandmother's cookbook, after 20 earlier printings. I figured that with my New York experience it could be a slick winner. I spent



Farwell explaining a point to a client recently in his Michigan office.



Farwell calculating response advertising campaign analysis for a recent client.

from May to October 1979 working hard during free time from my day job, and the revised cookbook appeared in mid-October. But guess what? It was a total, absolute failure. By polishing up the herbal cookbook with photos and good interior layout, I neutered its appealing homespun character.

### How did this change your life practically?

I kept hustling for another product to build a business around. My wife was working full-time in the small town outside New York City where we lived and she helped me some evenings and Saturdays. I freelanced

articles for extra cash. We put out a mini-catalog of other herbal books – it too failed.

### What did you learn from that?

I learned humility and the sour taste of failure. I knew some people were laughing behind our backs knowing that I left a really nice job to go out and...fail. But over time I realized that these early failures are an essential part of learning. I don't think there is any successful entrepreneur who has not failed early on. I was fortunate to make my failures on a really small financial scale that allowed quick recovery—if only we could find the right product combination for our catalogue. So we tried a country store motif catalog, but that too failed, though barely.

### It sounds like self employment is far too dangerous...

It is, unless you are very careful. Anyway, we needed a big, powerful change to revitalize my initial energy. So we sold our house in the spring of 1980 for a handsome profit and returned to the Midwest – Madison, Wisconsin, a fantastic college town with the highest concentration of PhD's in the US. We put the proceeds of our house sale in a local bank, which gave us some interest income. We rented a tiny house for US\$450 a month and my wife was 8 months pregnant. We were motivated to succeed...

### Then you found a product from China – how did it occur to you?

I worked nearly around the clock from a basement office in our little rented house. I had a table between the furnace and the hot water heater, with tiny windows and a cold cement floor. My friends thought that I was absolutely nuts for not giving up. But I sensed that I was on the verge of figuring out business. Sure enough, in our country store motif catalogs that fall and winter, a group of three products sold to us by a small New York importer sold very well – knitted silk clothing for winter warmth.

### And that was your first step from the muddy path of failure to the golden road of success?

Yes. I realized this was my hot product. So I tested selling them in advertisements



Farwell in his aircraft hangar in 2004 prior to a flight to the East Coast for his investment business, after selling his company via a successful bidding process.



Farwell at the controls of his Beechcraft King Air climbing on instruments through 11,500 feet en route to a final cruising altitude of 24,000 feet over Lake Ontario, Spring, 2004.

in the Wall Street Journal, New Yorker and a large daily newspaper. When the ads ran on cold days, we had spectacular response, sometimes pulling seven times the ad's cost. This evolved back into a catalog of knitted silk products that we developed and imported directly from South Korea, Hong Kong, and China (to get better prices than from the New York importer).

### What is the status of the company now?

I sold the company in 1990 to institutional investors from New York, and in five years they changed the product line into silk fashion items, and the company soon went bankrupt. The new owners walked away from the company having wasted US\$20 million. The number three man in the company stayed and turned it around by going back to our fundamental, tried-and-true roots – a focused, simplified product line with no fashion items. Within two years he was cash positive and soon sold part of the company to a contra-seasonal cataloguer in Florida. He ran the company for a few more years, building sales to US\$75 million. Then he and the Florida partner sold it to a large corporate buyer.

### You write about finding the right people to assist – elaborate.

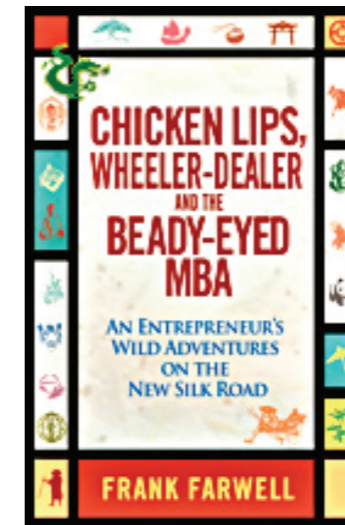
It's hard to find good people and harder still to keep them. This makes it difficult to build an organization. But once I persuaded a friend with people skills to come in during year seven and be the operations chief, everything got immensely easier. I know now with the wisdom of age and experience that caring for good people is just as important as finding the right product mix.

### Tell us some of the people skills that he used.

He was an extrovert who could easily and firmly deal with people and establish company-wide protocol. I was an introvert and so I was out of my comfort zone dealing with so many people all day long. I didn't enjoy it.

### As for debt financing, isn't it dangerous?

Not if done properly. I used debt financing through bank loans that needed to be paid each year because I could find no equity investors, meaning no one who would put in money in return for part ownership of the company. In hindsight, that was a



*“This is a book that entertains and instructs; it is as much Ha-Ha as it is How-To. It is a must-read for all budding entrepreneurs, for businesspersons dealing with China's complex retail supply chain, and for business and general-interest readers who simply enjoy a great story.”*

— JOHN WILEY & SONS, PUBLISHERS

good thing because debt financing worked really well for me. An old-timer had stopped by one day and given me priceless advice: “If you can't service your debt load, then you don't have a viable business.” It sounds simple, but it's so true. If your business isn't profitable and growing, and you can't service your debt, then you shouldn't be in that line of business. There is a lot of pain in this model, but there is also a lot more profit in the end. I owned 100 percent of the firm because of debt financing.

### Why do you warn to avoid partners?

That's another reason to go the debt financing route. You don't want partners, ever, if you can avoid it because they will take up your time and energy, and every decision will have to be discussed, and perhaps compromised. Unless it is a very special person you have known for a long time, avoid partners. When it was time to close a deal, I held 100 percent of the stock, got paid 88 percent in cash and 12 percent in 3-year notes, and walked away four months later.

### The smart decisions were debt financing and a simple product. What were your errors?

They are too numerous to list. Overall, I was unprepared for how difficult it would be to start a small business. I guess I was just young and foolish. But I was also young, energetic and determined. Most importantly, I made the step to go out on

my own. Like the Chinese proverb says, “A long journey begins with a single step.” You must be willing to make that step. Like all things in life, it may lead you to a grand adventure. There will be many challenges that you must overcome, and you will most likely fail at first. But if you can make your failures on a very small scale then you will gather wisdom with each step, and eventually grow into a confident operator in your product or service area. You will gain a wisdom that you would not achieve working for a normal company, where you take no risks, other than the possibility of losing your job. Working for yourself will force you to make more frequent, and bigger, decisions. You will be a different person when the adventure ends, and I doubt you will ever regret it.

Besides gaining monetary rewards, you will also gain the priceless gift of free time when you grow and then sell your company. You can then do it again on a bigger scale, or spend more time with your family, your hobbies, or your charitable pursuits. In my case I gave many gifts of money to environmental causes, and then volunteered as a pilot for medical transport missions and environmental surveillance. Eventually I moved up north to a beautiful part of the world, which I had dreamed of doing all my life, and my wife and I had another child, who is now 7 years old. To raise him in a clean and beautiful part of the world is very special. At a normal job, I could not do that. I would still be living in or outside New York City, or possibly Chicago. A-P

# Scientists and Entrepreneurs: Valuing More Emotional Intelligence

BY KEVIN KANE  
CHIEF TECHNOLOGY ADVISOR

**W**ith the world inundated with technology start-ups all wanting to emerge as the next Samsung, Exxon-Mobile, Facebook, or Apple, entrepreneurs and scientists seek each other out with the belief that the best professional minds will create the best profit-based results.



Both the scientist and the entrepreneur share the common goal of taking technology to the market, yet they may remain so focused on their goals that they overlook developing a solid emotional foundation for success. This is comparable to the way in which many couples focus on chasing their dreams before building mutual roots of respect within their relationship; in overlooking the need to plant and nurture seeds of communication, they then often fall victim to unfulfilled dreams and divorce.

No fault of the scientist and entrepreneur, however; society in general fails to teach us the merits of emotional intelligence, such as the core values of respect, empathy, and communication. One direct consequence of this that even some of the world's greatest scientists and entrepreneurial minds are troubled with is in choosing the wrong business partner. We might say that emotional intelligence is very necessary in order to succeed in business because it allows us to subdue the ego, master communication, and separate our emotional biases from our professional objectivity when evaluating others and ourselves.

## Emotional Intelligence

So how can we further define emotional intelligence?

It is not an IQ measurement per se, but rather, it can be more readily viewed as a process. The first step to this emotional intelligence process requires learning about oneself. To 'know thyself', as the famously wise advice of the Oracle puts it, gradually leads to overcoming insecurities. The need to be right gives way to self-confidence, which is necessary for objectivity.

The second step in the emotional growth process is to develop the ability to listen carefully to others, thereby creating the ability to process the perspectives of others by objectively rationalizing their perspectives and values. The third and final step requires taking the lead as a persuasive communicator, primarily by explaining the views of both sides — yours and theirs — insightfully the individual who is able to do this well emerges as the group's innate leader, through the subliminal processes of creating mutual understanding and trust. Whether these processes emerge from the world of the scientist or the entrepreneur, they are highly likely to result in the foundation for an organically strong partner relationship.

To illustrate the emotional intelligence process further, consider the following subjective recommendations that reflect some of my own insights based on experiences both personal and indirect through peers. These opinions and recommendations are designed to create pause, reflection, and insight that generate internal criticism in the individual who elects to pursue


growth in their own emotional intelligence quotient...

## Scientists Need to Understand That:

- Technology does not sell itself. Businesses sell technology. Therefore, technology is nothing without a business plan and an appropriately qualified business partner. Put another way, technology will never make it to market solely on the merit of a scientist's vocal insistence that it is valuable to people.
- Inventing technology is not the same as inventing the company that will take it to market. Building a successful business is equally a delicate and sophisticated science as inventing a technology; therefore, the scientist must understand that sharing equity / ownership of the company established by the entrepreneur is essential. A great salary offer may attract an uninventive salary man. Equity in the next Apple will attract the next Steve Jobs.
- Entrepreneurs meet many scientists who promise technology that never makes it past R&D, and so they tend to be skeptical, intrusive, and they expect the scientist to understand that one's reputation is not enough to convince potential investors that their technology will sell in the market. That is, title and hope do not sell, but quantifiable and transparent cost-competitive results do.

## Entrepreneurs Need to Understand That:

- Scientists know more about technology and its relative benefits and costs than any research report or venture capitalist's hearsay, and so listening carefully is key to thinking outside of the box, or outside of the herd. One may find a scientist who is thinking of Blue Ocean markets that industry performance standards are not capable of evaluating. Therefore, do not try to fit the invention to the market. Something greater may be invented, such as a new market instead.
- If you lack passion for the science of the technology coupled with objectivity, you will be blindly leading a company that is unprepared for the peculiarities of that given market. Consider who leads the world's five major oil companies: engineers with business experience. You do not have to be a scientist to build a business around technology, but you have to understand it enough to speak about it with a commanding voice. It takes courage to pass opportunities that you know deep down you lack competence in. Do not let greed or ambition lead you and the scientist to failure.
- Scientists often fail to think like consumers and expect people to see what they themselves see in their own technology. All too often they merely focus on repeatedly trying to teach people to understand why they should invest in their product. Therefore, patience is required to explain that you are not asking to invent both technology and a new market, which is likely a costly task. The businessperson and the scientist must meet in the middle, objectively evaluating and communicating the collective ability to succeed.

The scientist and entrepreneur can ultimately offer each other a successful marriage between innovative technology and business; their relative merits seemingly position each other to create a Fortune 100 Company. They are, however, highly likely to fail without adequate emotional intelligence, which, again, is achieved through reflection, listening, empathy, and open communication. The more we continue this process, the more we advance our emotional intelligence, similar to the process outlined above that merits correction or criticism. Thus, it may be said that entrepreneurs and scientists who succeed together are more than intelligent; they are emotionally intelligent. 

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