

< Surface

FROM A6

LIGHTER, THINNER AND BIGGER SCREEN

Interest grows among corporate users

The Surface Pro 3 may not dramatically move the needle for Microsoft's tablet market share—but it should help, Mainelli said.

"I was very impressed by the device," he said. "It has the potential to really jump start the 2-in-1 category."

The launch of a larger device rather than a Surface Mini—at least for now—may also reflect new CEO Satya Nadella's strategy of focusing on what Microsoft can uniquely do. That would be producing hardware that emphasizes productivity and that connects to the company's growing array of cloud services.

Nadella started Tuesday's event with a brief appearance on stage, saying Microsoft is not interested in building hardware purely for hardware's sake.

Rather, the company's focus on hardware starts with an "obsession of empowering every individual to do more and be more. That is what we at Microsoft are all



Microsoft CEO Satya Nadella



MARK LENNIHAN / THE ASSOCIATED PRESS

Microsoft's Panos Panay shows off Surface Pro 3: "I am sure that this is the tablet that can replace the laptop."

about," he said. Panos Panay, a Microsoft vice president in charge of Surface computing, declined to say whether the company is working on a Surface mini, saying just that it's working on a wide variety of products.

It was Panay who gave most of the morning's presentation, introducing the specifics of Surface Pro 3, which Microsoft executives repeatedly emphasized was a laptop replacement.

Panay said he and his team worked on making the device larger and lighter than its predecessor; improved its "lapability"—the ability to work on the device while it's on one's lap—through improvements in the kickstand hinge and keyboard latch; improved the cover's trackpad; and created a stylus pen to write on the screen.

The Surface Pro 3 has a 12-inch screen with a 3:2

aspect ratio and a thickness of 9.1 millimeters, and weighs 800 grams (1.76 pounds)

The Surface Pro 2, in comparison, has a 10.6-inch screen with a 16:9 aspect ratio and a thickness of 13.5 millimeters, and weighs 900 grams (1.98 pounds).

Panay also emphasized that the Surface Pro 3 is lighter than the 13-inch MacBook Air, which weighs almost 3 pounds.

In addition, the new hinge allows the Surface Pro 3 kickstand to move from 22 degrees to 150 degrees.

The new Surface Pro Type Cover (sold separately) has a larger trackpad with reduced friction and smoother scrolling, as well as a magnetic latch that allows the user to shorten the distance between the bottom of the tablet and the top of the keyboard, providing a stronger, more stable connection between keyboard and de-

Surface Pro 3

Operating system: Windows 8.1 Pro

Size: 7.93 x 11.5 x 0.36 in.

Weight: 1.76 lbs.

Display: 12 in. diagonal

Color: Silver

Processor: Fourth generation Intel Core i3, i5 or i7

Battery: Up to nine hours of Web browsing

Price: Starts at \$799

Accessories: Surface Pro Type Cover (keyboard) \$129.99

Source: Microsoft

that BMW Group, Coca-Cola and LVMH-Moët Hennessy Louis Vuitton have already committed to buying and employing the device in their companies.

Mainelli, the IDC analyst, thinks Surface Pro 3 will help Microsoft gain traction for its tablets among corporations.

In IDC's focus groups, he said, there's growing interest in 2-in-1 devices and the Surface in particular.

"This product certainly is even more desirable than Surface Pro 2," Mainelli said. "IT buyers that have traditionally supported Windows, I think, will look at this product as a viable option."

Michael Silver, an analyst with research firm Gartner, regards the Surface Pro 3 as "a really competitive entry," especially for corporate users.

"It's high end," he said. "It's not clear that [Surface] can capture the hip factor from Apple yet."

Silver said it will take hands-on time to see if the Surface Pro 3 can be a true laptop replacement.

"Any time you look at a machine that tries to do more than one thing, there are trade-offs," he said.

But the Surface Pro 3, Silver said, "probably comes closest so far in terms of minimizing trade-offs. ... You're seeing some innovation from Microsoft, maybe going a different way from the rest of the industry."

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< Housing

FROM A6

MANY HOMEOWNERS TRAPPED BY DEBT

First-time buyers squeezed out

prices in parts of the country to levels that squeeze out many first-time and middle-class buyers.

The problem is most pronounced among starter homes with prices averaging around \$100,000, 30.2 percent of whose owners are burdened by underwater mortgages, sometimes called negative equity.

"The unfortunate reality is that housing markets look to be swimming with underwater borrowers for years to come," said Stan Humphries, chief economist at Zillow.

The share of mortgage holders with negative equity is projected to drop to 17 percent at the start of next year, according to Zillow.

Several major U.S. metro areas are stuck with residents who have high rates of negative equity.

In Chicago, nearly 45 percent are underwater or effectively underwater. The rate is 53.1 percent in Atlanta, 50.6 percent in Las Vegas, 46.6 percent in Charlotte, 44 percent in St. Louis and 43.2 percent in Tampa.

Sales of existing homes have slowed after strong growth in the first half of 2013.

Americans bought homes at a seasonally adjusted annual rate of 4.59 million in March, the lowest level since July 2012, according to the National Association of Realtors.

It was the seventh drop in eight months.

Nationwide, the median sales price in March was \$198,500, up 7.9 percent year-over-year.

There were nearly 2 million homes for sale at the end of March. But at the current sales pace, that's enough to last only 5.2 months, below the six months' supply that's considered normal.

The realtors association will release April sales figures on Thursday. Economists surveyed by FactSet expect a slight 2.2 percent increase in the annual sales rate to 4.69 million.

< Russell

FROM A6

EXCLUSIVE TALKS WITH LSE GROUP

Any sale might only include indexes

the fit," said Ceron.

He said LSE Group might spin off the asset-management part, or at least come up with a good explanation to shareholders on why it's getting into the asset-management business.

LSE has trailed rivals such as Deutsche Boerse in providing derivatives to invest-

ors. Owning an index operator would make it easier to provide futures and options contracts based on different gauges.

The challenge in the index industry is that "branding is all important. If you want to offer retail product, you need brand. You can create something new. But if investors have never heard of it, the hurdle is almost insurmountable," Rolet said on the earnings call.

That's where the Russell indexes come in: They have pretty powerful name recognition.

They would help "move forward" the LSE Group's booming index business,

said Morningstar's Ceron.

Peter Lenardos, analyst at RBC Capital Markets wrote in a note that "a potential acquisition of Russell's index business makes both strategic and financial sense."

He said combining Russell and FTSE "would propel LSE Group to the No. 3 provider of indices to ETFs (exchange traded funds) globally, behind S&P Dow Jones and MSCI, would add more recurring, predictable revenue, and would allow LSEG to fully penetrate the U.S. market, where half of the world's assets under management resides."

Russell Investments attracted interest from suitors

including Blackstone Group and Bain Capital, people with knowledge of the matter said in March.

The business may fetch about \$3 billion, according to two of the people, who asked not to be identified because the talks weren't public.

Northwestern wants to keep it whole rather than split it up, two of the people said in March. But LSE hasn't specified whether it's interested in all or part of the business.

The London Stock Exchange Group traces its history back to 1801. It employs about 2,800 people worldwide and owns the

eponymous stock exchange, one of the world's oldest.

It also operates other exchanges where equities and bonds are traded, such as Borsa Italiana in Milan.

Russell was founded in Tacoma 1936 and transplanted to Seattle in 2010. The fact that Northwestern is now negotiating only with a suitor that may be interested only in part of Russell's business could stoke uncertainty about the future of some of the company's 1,800 employees.

Material from Bloomberg News is included in this report. Angel González: 206-464-2250 or agonzalez@seattletimes.com. On Twitter: @gonzalezseattle

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Week 4

EXPLORING ASIA: ASIAN CITIES — GROWTH AND CHANGE

MIGRATION AND URBANIZATION IN CHINA

By Dr. Kam Wing Chan, Department of Geography, University of Washington

Editor's note: This article is the fourth of five featuring pieces by Dr. Anand Yang, Dr. Anu Taranth, Dr. H. Hazel Hahn and Dr. Nathaniel Trumbull.

In the last three decades, China has undergone rapid and massive urbanization. Today, more than 700 million people live in cities and towns, more than triple the nearly 200 million in 1980 (see graph.) While this epic rural-urban shift has many of the trappings of urbanization, as observed elsewhere in the world, the Chinese case is much more complex.

Underlying China's glittering modern urban facade and prosperity is one crucial dynamic that is unique in modern times and yet largely ignored in the popular literature: its institutionalized two-tier, rural-urban divide. This outcome of Mao-era social engineering continues to this day. This division not only manifests itself in economic and social terms, as in many Third World countries in the throes of urban transition, but also in tightly enforced clear legal terms, mainly through a system of hereditary residency rights called the hukou, or household registration.

The hukou system differentiates the population into two classes: an urban class whose members have access to basic social welfare programs and full citizenship, and an underclass of peasants with neither of these privileges. In Mao's era, peasants were forbidden to go into the cities and confined to tilling the soil to grow food for urban workers. When China opened up in the late 1970s, peasants were allowed to enter the cities to work in low-paying factory and service jobs, many of which involve dirty and dangerous work. At the same time, however, peasants were and still are

denied access to urban services and other opportunities because the great majority of them are not allowed to change their hukou from rural to urban.

Rural migrants work and live in the city but are not part of the urban class—not now and not in the future, no matter how many years and how hard they have worked in the city. Together with their families, they form a mammoth "floating population," in the range of about 220 million and still growing. The fact that they are purposely held down as a massive permanent underclass is precisely why China has a huge and almost inexhaustible pool of super-exploitable labor. Perhaps that explains why China is the world's largest—and most "competitive"—manufacturing powerhouse!

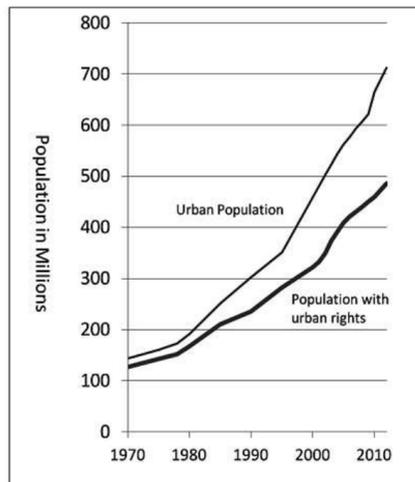
China's rapid urban population growth, as represented by the thin line in the accompanying graph, is familiar to many. But that single-line depiction leaves out an important point: the majority of migrants to the city do not have urban rights. Alarming, the gap between the total population living in cities and those who possess urban rights (the thick line) has widened as the country moves forward. If this trend continues, the colossal underclass will definitely spell trouble for the country in the years to come.

The media has often portrayed rapid urbanization in China as leading to a larger middle class and greater consumption rates. That narrative, however, seems problematic given China's current configuration of economic and legal inequities. There are many myths behind the perception and sustainability of China's recent economic rise. Urbanization remains one of the biggest.



Migrant Workers in Guangdong

China's Urban Population Growth, 1970-2012



Sources: China National Bureau of Statistics and Ministry of Public Security



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