BIIA NEWSLETTER

Market Intelligence - Industry Developments & Trends - Information Technology - Regulatory Issues - User Community

BIIA NEWSLETTER ISSUE 11 - 2007

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BIIA

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BIIA Members are Invited to Network with their Peers and Important Trade Credit Managers

January 23, 2008
JW Marriott Hotel
Hong Kong

BIIA FORUM 2008 TIMELY AND RELEVANT

For Program Details access: http://www.biia.com/page.php?id=2

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WHAT INFORMATION COMPANIES SHOULD TELL CLIENTS

The credit crunch caused by the subprime mortgage crisis is now affecting economies and trade credit in Asia's major export markets. The credit crunch is slowing growth in the Euro Zone, the USA and Australia. Growth rates of Indian exports are expected to slow and the growth rates of exports from China to the USA have already significantly declined as a result of the credit crunch. As the credit climate worsens, banks tighten credit and credit managers are reporting difficulties in collecting receivables on time. The topics discussed in the BIIA Forum 2008 are therefore timely and relevant for credit managers and information executives to face these new challenges. **Trade credit and information are intertwined, which is a compelling reason for credit managers and information executives to network in the annual BIIA Forum.**

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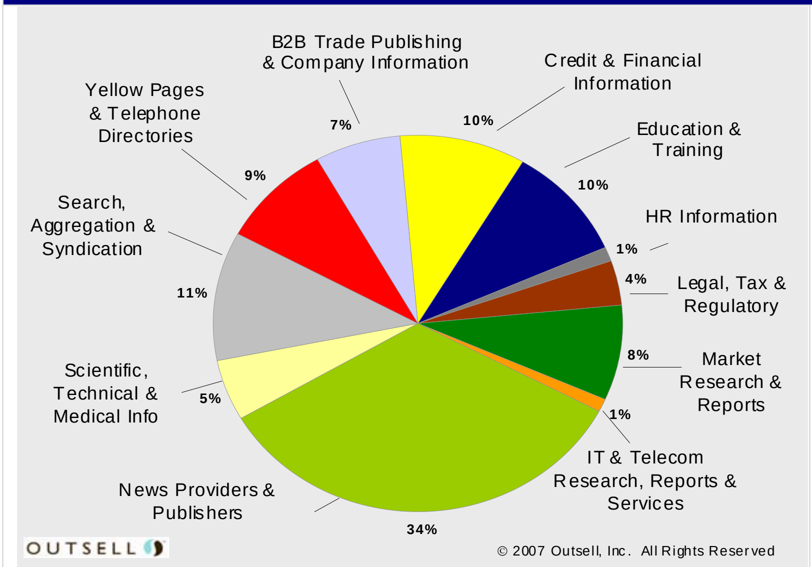
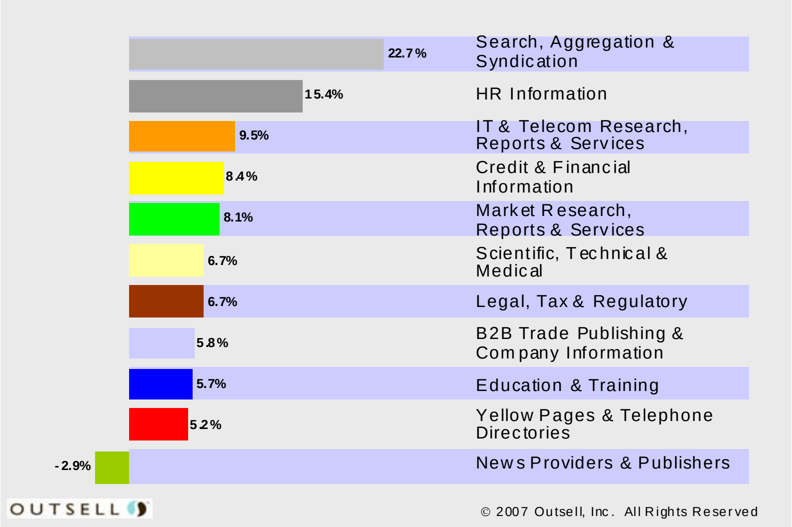
BIIA NEWSLETTER ISSUE 11 - 07

OUTSELL: INFORMATION INDUSTRY OUTLOOK

CONTENT IS STILL KING: A US$ 448 BILLION INDUSTRY BY 2010



Information Industry US$ 380 Billion in 2007



Four Year Compound Annual Growth Rate, 2007 - 2010

BIIA member **Outsell Inc.** predicts that the information content industry will reach US$ 448 billion by 2010, accounting for a compound annual growth rate (CAGR) of 5.4% from 2007 to 2010. The third largest segment, **Credit & Financial Information (C&F)** is expected to outpace the industry average with a compound annual growth rate (CAGR) of 8.4%.

Outsell expects the information industry continue to grow steadily through 2010. However, the growth rate will be somewhat slower than the 6.2. CAGR generated between 2002 and 2006.

Fast Track Segments:

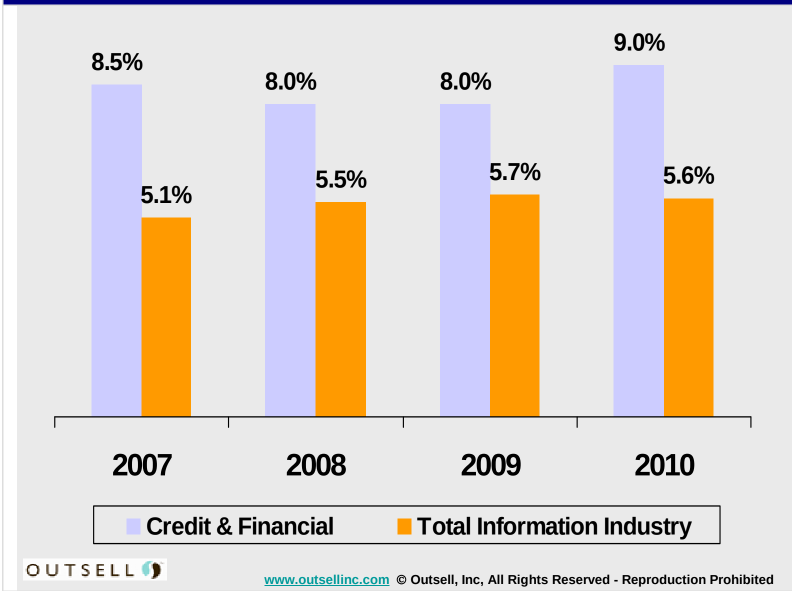
Lead by Google, Outsell predicts that Search will continue to drive industry growth, generating a 21.8% CAGR from 2007 to 2010 and US$ 75 billion in revenue by 2010. HR Information, IT Research, **Credit & Financial Information** and Market Research segments are also expected to grow strongly from 2007 to 2010, CAGRs of 15.4%, 9.5%, 8.4% and 8.2% respectively.

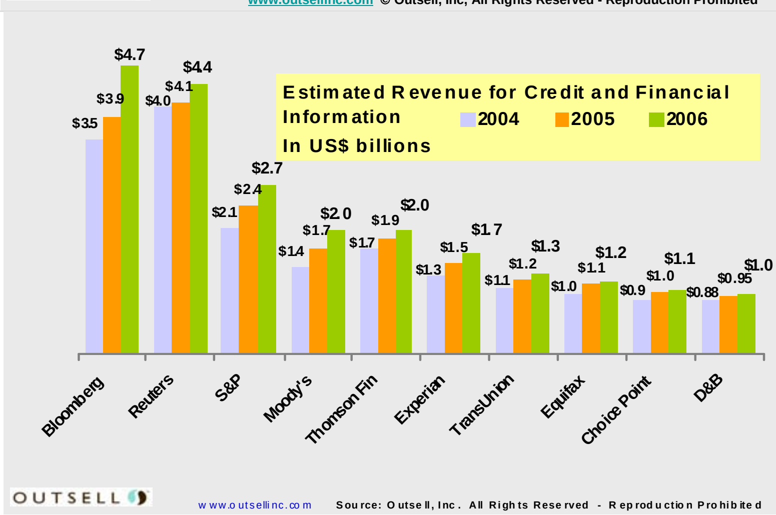
Source: The data was provided courtesy of BIIA member Outsell Inc., who is the only worldwide market research company and consulting company who delivers must-have intelligence and advice to publishers and information providers.

http://www.outsellinc.com/

OUTSELL: INFORMATION INDUSTRY OUTLOOK

C&F MARKET SEGEMENT GROWTH OUTPERFORMS INDUSTRY AVERAGE





The top 10 companies represent US$ 22.1 billion, or 62.3%, of the US$ 35.5 billion C&F segment. This is up from 61% in 2005. Growth of the top ten companies in this segment was 11.7% (11% in 2005), easily exceeding the overall segment rate of 9% and the industry average of 6%.

The **Credit & Financial Information (C&F)** segment continued to outperform the information industry as a whole in 2006, with growth of 9% against total industry growth of 6% to achieve a total market size of$35.5 billion. Outsell forecasts that growth in the Credit & Financial Information segment will slow slightly in 2007, from 9% to 8.5%, and to a low of 8% in 2008 and 2009. This segment is forecast to reach a total market size of $47.4 billion in 2010, with a compound annual growth rate of 8.4%.

Driving this continued impressive growth rate has been strong global demand for credit and risk management information, protection of personal information, and expansion into new market niches and geographies.

As has been the case for several years, Credit & Financial Information companies derive a large majority of their revenues from mature markets in the Americas and Europe (83%, down from 84% in 2005). The vast majority (96%) of the revenue earned by Credit & Financial Information companies is from content which is delivered electronically. Revenue is much more concentrated in electronic media in this segment than in the information industry as a whole, where only 41.5% of revenues are derived from the delivery of electronic content. ***Source: Outsell C&F 2007 Market Forecast and Trend Report***

http://www.outsellinc.com/

OUTSELL: INFORMATION INDUSTRY OUTLOOK

Credit & Financial Information: Growth Drivers

Factors which will drive the growth of companies in the Credit & Financial Information segment include:

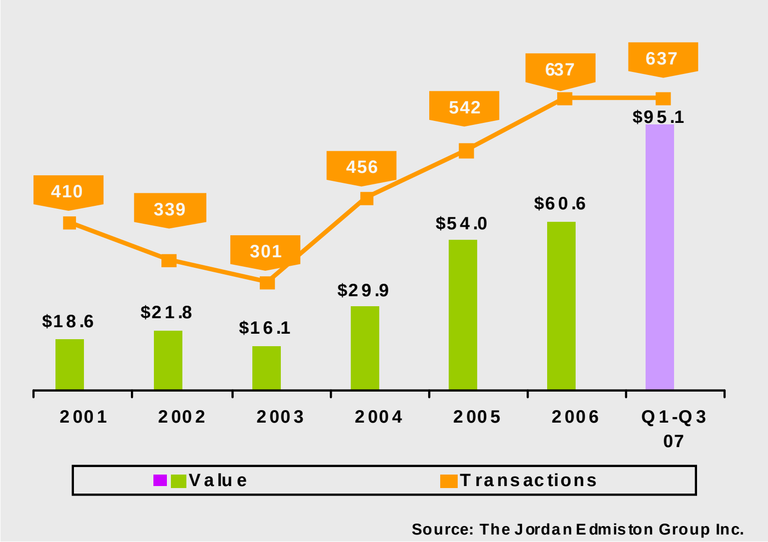
- *Increasing importance of consumer markets.* Concerns over privacy issues and identity fraud continue to increase, and show little sign of abating.
- *Diversification into niches and new services.* As online tools become ever more complex, publishers across a variety of sectors are finding success in choosing discrete areas of specialization, rather than trying to provide broad service ranges for large end-user groups.
- *Partnerships.* The networked nature of the internet has increased the value of partnerships.
- *Geographic expansion.* Credit information providers tend to move into new geographic markets either through alliance or acquisition.
- *Local competition.* Governments sometimes provide financial or other support to locally-based ratings agencies and may from time to time establish official ratings agencies, credit rating criteria, or procedures for evaluating local issuers.
- *Integration of content into workflow.* Creating and delivering software and tools which are tightly integrated with content and embed the information provider deeply into its customers' workflow is the Holy Grail for publishers in a range of information segments, from B2B, to C&F, to Scientific, Technical & Medical (STM) publishing. This factor holds particular resonance for C&F players because of their reliance on electronic content.
- *Delivery of content to mobile platforms.* The use of content via mobile devices, particularly BlackBerrys, is rife in the financial marketplaces, and it seems likely that content delivery will evolve over the next few years to encompass mobile platforms more comprehensively.
- *Importance of compliance toolsets:* In addition to providing financial data, C&F publishers increasingly recognize the important role they can play in helping their existing customers to conform with the strict regulations applicable to the industries in which they operate, such as the Patriot Act, Sarbanes-Oxley, and the European Commission's Markets in Financial Instruments Directive (MiFID), which came into force in November 2007.
- *Extension of service offerings along the value chain.* Rather than launch a new product in a new market, publishers across a range of market segments have been trying over the last few years to gradually expand their range of services to provide offerings that align to different sections of their value chain.
- *Acquisitions tend to be of technology rather than information companies.* Examples include ChoicePoint's acquisition of ePolicy.

Organic Growth was more important than acquisitions for the C&F segment in 2006 and this trend has continued into 2007, with the exception or large deals such as the Thomson=Reuters merger. The top five players in 2006 were Bloomberg, Reuters, Standard & Poor's, Moody's Corporation and Thomson Financial.

Source: Outsell Inc. Market Intelligence Service: Market Analysis – Credit & Financial information: 2007 Market Forecast and Trends Report. To buy the full report contact Outsell Inc. www.outsellinc.com

INDUSTRY NEWS:

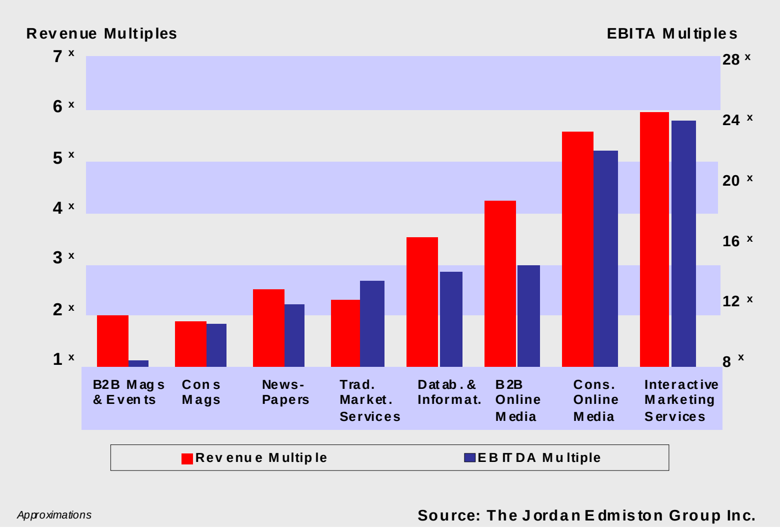
JEGI STILL BULLISH ON INFORMATION INDUSTRY M&A ACTIVITIES



Through September, 637 transactions were announced totaling over US$ 95 billion in value, as tracked by JEGI across 11 media and information sectors.

The Jordan Edmiston Group (JEGI), a US based leading investment bank to the Media and Information Industries, presented its Q3 2007 Media & Information Industries M&A Overview at the recent by invitation only ***Outsell Signature Event.***

According to **JEGI**, the M&A market for media and information companies in the most recent quarter was clouded by credit market disruptions and concerns for a potential advertising and broader economic downturn. While a large number of transactions were announced, the pace slackened and some notable previously announced deals stalled. Nonetheless, M&A for the media and information industries scaled to a record high in the first three quarters of this year.

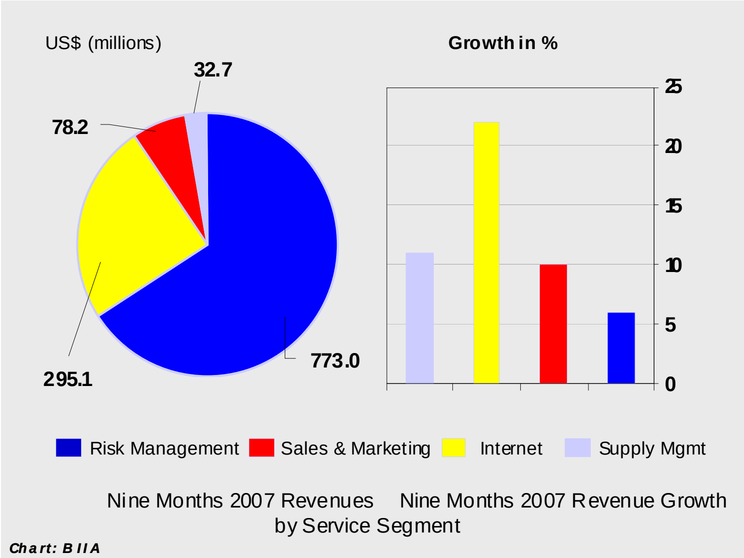


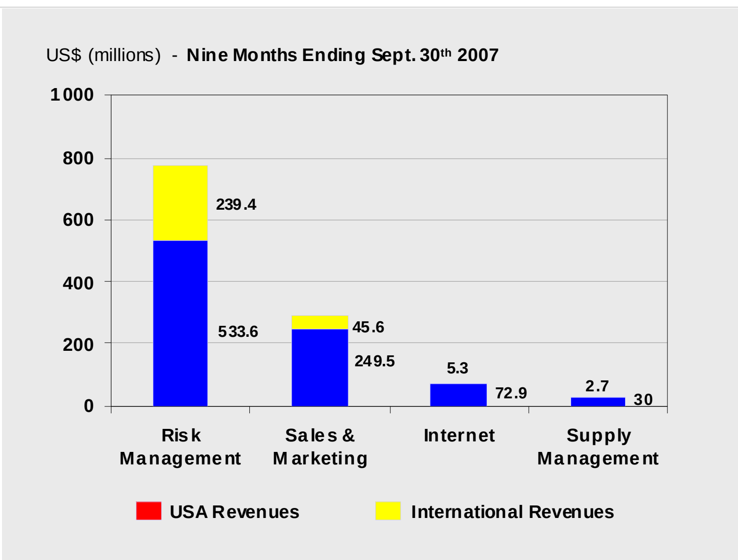
According to **Wilma Jordan, Founder and CEO of JEGI**, transaction multiples are a strong indicator for buyers' assessment of high growth sectors and increasing competition for deals are driving up multiples. For that reason *Private Equity* firms find media businesses appealing. Buyers were prepared to pay higher 'strategic multiples'. Notwithstanding the current credit crunch a vast pool of invested capital existed and she remained optimistic about the prospects for the industry.

Source: Jordan Edmiston Group Inc. www.jegi.com

MEMBER NEWS:

D&B ANNOUNCES TWO STRATEGIC INITIATIVES AND Q3 RESULTS





Source: D&B Press Release and Conference Call

In announcing two new strategic initiatives and its Q3 results, management confirmed its previous guidance for the full-year of 2007: Core revenue growth of 6 % to 8 %; operating income growth before non-core gains and charges of 8% to 10%; free cash flow of US$ 310 million to US$325 million and diluted EPS of 13% to 16% before non-core gains and charges. For 2008 D&B forecasts a range of 7% to 9%, all of which will be organic. D&B revenues were not impacted by the credit crunch and management seemed not to be worried about any negative effects of a potential economic downturn at this point. The incremental revenue impact for both initiatives will be in the range of US$25 – US30 million.

D&B and Tokyo Shoko Research (TSR) have signed an agreement to form a joint venture **D&B-TSR Ltd.** extending an existing partnership with TSR to jointly focus on high value business information solutions. D&B will merge its Japanese business into the joint venture, while TSR will contribute existing subscription agreements of its largest customers. D&B and TSR have been in partnership since 1994. The latest step creates a one-stop shop for both companies' products. It is a logical extension of the current reciprocal supply and distribution arrangement taking it into the large customer information solutions sphere. D&B will deliver its know-how and tools, and TSR brings in local data and customer relationships. The JV does not require any cash investment. D&B will own 60%, TSR 40% of the equity.

MEMBER NEWS:

D&B ACQUIRES PURISMA FOR US$ 48 MILLION

D&B has acquired **Purisma**, a small but fast growing software company which delivers a breakthrough, solutions-driven approach to master data management (MDM). *Purisma Data Hub™* is a Master Data Management (MDM) solution for enterprises that can be quickly installed behind a company's firewall. D&B selected Purisma because it had built some of its applications around D&B Sales and Marketing solutions. Bob Hagenau, Co-Founder and VP of **Purisma** stated in a recent interview with ***B-Eye Network*****,** that D&B resembled the 'gold standard of corporate data'; however this standard is not necessarily the way a corporation interacts with customers. Multiple users require different views of customer relationships, thus **Purisma** taking D&B data as a baseline, defining it how a client wants to view customer data, customizing and maintaining it.

Source: Outsell Insight / D&B Press Release

MALYSIAN CREDIT BUREAU TO IMPROVE SME TRANSPARENCY

In July BIIA reported the creation of SME Credit Bureau in Malaysia. It is a joint venture between the Credit Guarantee Corporation Malaysia Berhad (CGC) and Dun & Bradstreet Malaysia Sdn Bhd (D&B). **The credit bureau has become active and is encouraging SMEs and financial institutions and suppliers to register with the credit bureau.**

The Government and Bank Negara Malaysia are supportive of the initiative by the Credit Guarantee Corporation to establish a credit bureau focused exclusively on SMEs. The SME Credit Bureau would synthesize the data it receives from all parties and provide credit ratings of the SMEs reported in the database. **The Government recognizes the fact that SMEs, particularly the smaller ones, face constraints relating to their perceived creditworthiness due to a lack of easily available information on them.**

Small and medium enterprises (SMEs) are a significant component of the Malaysian economy, accounting for 99.2 percent of business enterprises and provide employment to more than 5.6 million people in Malaysia. SMEs represent a heterogeneous segment of the economy, ranging from micro businesses to medium scale enterprises with the potential for public listing on the stock exchange and are found in almost all economic sectors. Their financial requirements are therefore also diverse and for most, it is recognized that access to financing, a prerequisite for growth and development, could be an inhibiting factor. Given that access to the capital market can be further improved via greater transparency and readily available information on such SMEs, it is imperative that SMEs with viable businesses have convenient and timely access to the credit markets provided by financial institutions and suppliers. ***Source: Asian Banker and SME Credit Bureau Website***

DON'T MISS TO ATTEND THE BIIA FORUM 2008

KNOW YOUR CUSTOMER AND SUPPLIER: Dr. Chris Kuehl will speak on what one should know about organized crime, corruption and terrorism and the impact on businesses and the financial sector. Businesses are becoming more and more victims of **credit fraud.** Criminals are becoming bolder, more aggressive, sophisticated and efficient. Fraud is now spreading to other industries that were once considered at low-risk. How to determine when one is being victimized or exploited and what to do to protect oneself? www.biia.com

MEMBER NEWS:

STANDARD & POOR'S TESTIFIES BEFORE SENATE COMMITTEE

Vickie A. Tillman, Executive Vice President of Standard & Poor's Credit Market Services and head of Rating Services testified on September 26, 2007 before the US Senate Committee on Banking, Housing and Urban Affairs in conjunction with the subprime mortgage loan crisis. BIIA has received the transcript of this testimony. Below is a condensed excerpt of statements made by S&P.

"S&P stated that it had learned hard lessons from the recent difficulties in the subprime mortgage area. S&P fully agreed with the recent statement of Treasury Secretary Paulson's observations that "the subprime mortgage market improved access to credit and homeownership for millions of Americans," **it appears that abuses may have occurred in the origination process.** S&P support Congressional efforts to investigate those abuses and to prevent their reoccurrence. S&P pointed out that it does not rate the underlying mortgage loans made to homeowners or to evaluate whether making those loans was a good idea in the first place. Originators made the loans and performed due diligence. In turn, issuers and arrangers of mortgage-backed securities bundle those loans and perform due diligence. These issuers set transaction structures, identify potential buyers for the securities, and underwrite those securities. **For the system to function properly, S&P relies, as it must, on these participants to fulfill their roles and obligations to verify and validate information, before they pass it on to others, S&P included.** S&P was fully aware that for all its reliance on analysis of historically rooted data, that sometimes go as far back as the Great Depression, some of that data proved no longer to be as useful or reliable as it has historically been and that the collapse of the housing market itself has been both more severe and more precipitous than S&P had anticipated. S&P also stressed unprecedented change in credit behavior of mortgagees. **The level of early payment default trends in recent subprime loans had not occurred before. Individuals who purchased homes generally made mortgage payments, before paying off their credit card debt, that notion does no longer to be true to the extent is once was.** One interesting aspect from the testimony is that S&P relied on 70 different types of input as well as FICO scores (which S&P classifies as an industry standard) to monitor the credit quality of the portfolio. The lessons learned from this episode are that in spite of these safeguards the credit climate shifted more quickly than previously experienced. "

S&P stated "there is no doubt that subprime loans made from late 2005 through at least early 2007 are behaving very differently from loans in prior periods, even when the loans share the same characteristics." "There are a number of anomalies that make more problematic applying a number of historically-rooted assumptions about the behavior of borrowers." To counter criticism about the lack of early warning, S&P stated that it has been warning the market, and taking action to tighten its criteria in response to deterioration in the subprime market since early 2006. ***Source: Government Affairs Office McGraw-Hill Companies***

RATING AGENCIES INSULTED BY UK PARLIAMENTARIANS

Representatives from all three rating agencies, Moody's Investors Service, Standard & Poor's and Fitch Ratings were summoned to appear in front of a UK House of Commons Treasury Select committee hearing on financial stability and transparency. Several parliamentarians decided to take a tough line and used insults such as 'they are an absolute shower" – (English slang for "trash") and statements "They are all foreigners". The latter comment was most likely a reference to the fact that Moody's had sent two French representatives. The Financial Times noted that at certain points during the hearing it was clear that the parliamentarians did not fully understand the role of ratings nor the role rating agencies had in the financial system. Since the EU is holding similar hearings one can only wonder what to expect next. ***Source: Financial Times***

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INDUSTRY NEWS:

MOODY'S SAYS THAT LEGAL ISSUES WILL HIT RESULTS

Moody's stated that legal or tax issues may have a material impact on a quarter's results, even if none of these issues are expected to have a materially negative impact on the company's overall condition. Moody's is feeling the pressure from a series of regulatory probes against its rating practices such as rating policies for mortgage debt instruments and offering of unsolicited ratings.

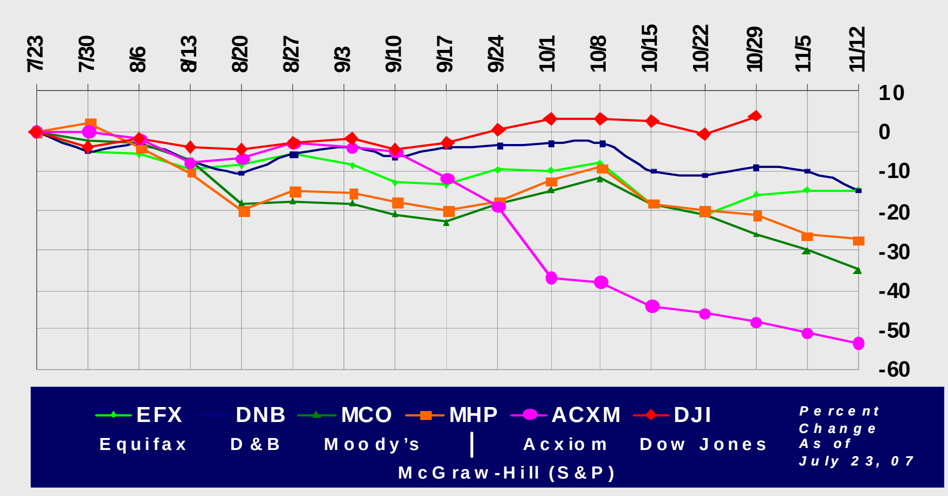
Moody's released its third quarter earnings, showing a **7% decline in operating income and earnings per share (EPS).** The company did have an increase of 6% in recorded revenue over Q3 2006, up from $495.5 million to $525 million. But Moody's net income toppled 13% from $157 million in the third quarter of 2006 to $136.9 million this year, primarily on the back of subprime mortgage defaults. This was also reflected in the slight slip from $310.3 million to $306.6 million in domestic revenues. U.S. structured finance revenue fell 14%, though strong growth from commercial mortgage-backed securities provided a backstop for declines seen across all other asset classes, notably a 52% decrease in revenue from rating residential mortgage-backed securities.

"Based on expectations of continued weakness in the debt markets, we are revising our 2007 earnings guidance downward," said Raymond McDaniel, Moody's chairman and CEO. "We now expect full year revenue to grow in the high-single-digit to double-digit percent range. Given this revised outlook, we are moving aggressively to reduce expenses and expect to record a restructuring charge in the fourth quarter."

The move in reductions will likely include job cuts. The company's operating costs rose double digits in the third quarter and Moody's is projecting that full-year operating margin, excluding any 2007 restructuring charge or the one-time gain of its building in 2006, will fall by approximately 220 basis points.

Source: Reuters and NACM

CREDIT CRUNCH AND SHAREHOLDER VALUE



Source: Yahoo Finance (Approximation)

Rating Agencies

Shares of Moody's and McGraw-Hill (S&P) have further declined since the end of October as regulators are taking aim to push for a new round of regulatory measures.

Who will be next?

INDUSTRY NEWS:

INDIA OPENS UP CREDIT BUREAU MARKET

India's retail banking sector is taking off and banks are beginning to develop new product offerings, which means that accurate data is essential to minimize risk. This is one of the reasons why the Reserve Bank of India will be granting licenses to private sector credit bureaus. It did not take long for **Experian** to apply for a license, while Indian interests plan to launch a credit bureau called **High Mark**.

The current credit bureau **CIBIL** however has a head start of several years and is beginning to benefit from critical mass of accumulated credit experiences in its database. CIBIL has contracted with **TransUnion** to assign three-digit credit scores to credit records. The new scoring tools are to be launched this November and should help Indian banks to meet the Basel II regulations deadline of March 2008. According to CIBIL's chairman S. Santhanakrishnan the credit scores will help to further reduce non performing loans (NPLs) and should reduce interest rates for borrowers with healthy credit histories. The new scores are also to provide a framework to evaluate subprime borrowers, the majority of India's population. The availability of data and credit scores will allow Indian banks to expand into rural areas, which were far too risky for banks in the past. However for this to happen financial industry experts believe that CIBIL had to improve its hit rate on subprime borrowers which is currently lower than 30%. Bankers would like to see a hit rate of at least 65 – 70%. Nevertheless it has to be recognized that an improvement in the hit rate can only be achieved by banks taking initial risks based on limited data availability. As new loan transactions result in payment experiences, critical mass in the database will grow and the hit rate will improve.

Source: Asian Banker Issue 73.

BISNODE IPO WITHDRAWN DUE TO CREDIT CRUNCH

The shareholders of BISNODE (D&B's Franchise partner in Scandinavia, Central & Eastern Europe) RATOS and BONNIER announced the withdrawal of the IPO for BISNODE Business Information Services, briefly stating that the IPO offer was not fully subscribed despite a substantial interest from a large number of investors. In August BISNODE reported relatively strong results for the first half of 2007 with revenues growing at 19.69% to US$ 278 up from US$232 mil prior year period. BISNODE continues to grow largely through acquisitions increasing its service and geographic scope and to augment existing databases. During this year it made 13 acquisitions, divested three businesses and invested in one start-up. In spite of these achievements and continued good prospects the IPO was undersubscribed. Blame it on the Credit Crunch. ***Source: Outsell Insight***

ALIBABA IPO SPARKED EXCITEMENT IN HONG KONG

The **Alibaba** IPO hype had all the trimming of Internet Fever of the end of the 90s. As soon as **Alibaba** released its prospectus in October the issue was oversubscribed. The excitement surrounding Alibaba had even an effect on other players in the market. Incredibly, several media outlets also reported that demand for Alibaba shares was also pushing up the Hong Kong dollar as international investors converted into the local currency in order to buy shares. The share price of Alibaba.com tripled on its opening day on the Hong Kong stock market from HK$13.50 to $39.95. At its peak price for the week, HK$40.50, the company was valued by the market at over US$26 billion; some 300 times projected 2007 earnings. After the initial run-up in its shares, the market value of Alibaba stood at 146 times earning based on its projections for 2008. One would have thought after the first Internet bubble such figures would indeed belong in the land of fairy tales. Will it last? (52 wk range HK$27.00 – HK$ 42.50. It closed on Nov. 23rd at HK$ 34.45) ***Source: Business Strategies Group / Forbes.com***

FROM THE USER CORNER:

ICISA PUBLISHES CATALOGUES OF CREDIT INSURANCE TERMS

This electronic catalogue is published by the International Credit Insurance & Surety Association, the leading credit association.

The catalogue of credit insurance terms aims at clarifying most of these terms and is for the benefit of anyone not familiar with credit insurance, but also as an easy reference manual for those working with or in the industry. It offers descriptions of the most commonly used terms in clear and simple language. General trade and insurance terms are not included as these are defined in various other sources. This catalogue was conceived and drafted by ICISA's Credit Insurance Committee who has labored effortlessly to describe the terminology used.

The catalogue of credit insurance terms is posted on the BIIA website:

http://www.biia.com/library.php#155 Industry Library – Heading: Credit Insurance Terminology

Print versions of this catalogue are available free of charge from the ICISA Secretariat: Secretariat@ICISA.org www.icisa.org

ATRADIUS ENTERS TURKEY

Atradius received a license for operating domestic and export credit insurance in Turkey. The **Atradius** Turkey office, located in Istanbul, will serve Turkish companies as well as local subsidiaries of international companies nation-wide. Mrs Selda Eke has been appointed Country Manager. Mrs Eke comes from Aon Risk Services Istanbul.

Thomas Langen, Regional Director for Germany, Central and Eastern Europe, says: “Turkey is one of the rising stars of the global economy. With its location Between Europe, Asia and the Gulf States, the country has been a trading hub for thousands of years. With an office in Istanbul, **Atradius** now wants to support Turkish and international companies entering new markets.” Isidoro Unda, Chairman of the Board and CEO, says: “Starting to conduct business in Turkey is an important step in executing our global growth strategy. **Atradius** offers credit insurance services in 40 countries and thus plays an important role in insuring the growth of world trade.” ***Source ICISA***

FIRST FOREIGN MICRO-FINANCE COMPANY SET UP IN CHINA

MicroCred Nanchong, the first wholly foreign invested company in China has started trial operation in Nanchong City. The bank with an aggregate investment of 55 million Yuan (about US$ 7.37 mil) from MicroCred SA of France, International Finance Corporation, FW Bankengruppe of Germany and American International Group, targets small firms, rural households and self-employed businessmen.

Its financial services range from credit loans to secured loans to mortgage loans. The loans vary between 5,000 Yuan and 75,000 Yuan (US$ 670 to US$ 10,054) at a monthly interest rate of 1.1 percent. The minimum loan period is three months while the maximum is 18 months.

As the unprecedented business model was still nascent, MicroCred Nanchong is not allowed to take deposits and has yet to acquire the license required for financial institutions. The Nanchong Bureau of the China Banking Regulatory Commission, however, is responsible to guide and supervise its operation. MicroCred Nanchong has secured a business license from the Sichuan Provincial Bureau of Industry and Commerce to start the trial operation. ***Source:Xinhua***

NEWS FROM CHINA:

CHINA TO ACCELERATE LISTING OF STATE-OWNED ENTERPRISES

China will accelerate the listing of its eligible centrally administered state-owned enterprises (SOEs) or their main businesses in three years. Most SOEs in oil chemicals, telecommunications, transportation and metallurgy have been fully listed in recent years. In 2006, the total assets of central SOEs hit 12.2 trillion yuan (US$ 1.6 trillion), up 46.5 % from 2003. Consolidated SOE revenues amounted to 8.3 trillion yuan (US$ 1.112 trillion), up by 85.3 percent.

The assets regulator, set up in 2003 to take control of big state companies, has been reducing the number of major SOEs by promoting mergers and acquisitions and allowing poorly performing state firms to go bankrupt.

Source: Xinhua / Assets Supervision and Administration Commission (SASAC)

CHINA BUSINESSES INVEST IN ASEAN COUNTRIES

ASEAN member states have invested a total of 41.9 billion U.S. dollars in China since the country began its reform and open-up drive in late 1978, according to statistics from the Chinese Ministry of Commerce. With China's fast development, Chinese investment in ASEAN countries increased rapidly in recent years. In a single move at the exposition, China's Guangxi State Farms Group alone inked 42 investment projects with ASEAN enterprises, involving a total value of 19 billion yuan (2.5 billion U.S. dollars). So far more than 1,000 Chinese companies have made investment in ASEAN member countries, mainly in the sectors such as agriculture, manufacturing, mining, tourism, electricity and infrastructure construction. ***Source: As reported by Xinhua***

CHINA HANDLED 60,000 IPR INFRINGEMENT CASES IN PAST FIVE YEARS

China's industry and commerce authorities have handled more than 60,000 intellectual property rights infringement cases amid stepped-up efforts in IPR protection after its entry into the World Trade Organization. From 2002 through the first half of this year, the country's industry and commerce departments at all levels have dealt with 60,203 IPR infringement cases valued at 1.4 billion Yuan (186 million U.S. dollars) according to a statement made by Li Wenzhang, deputy director of the fair trade bureau of the State Administration of Industry and Commerce (SAIC). ***Source: As reported by Xinhua***

During the just-concluded 17th National Congress of the Communist Party of China IPR chief Tian Lipu reiterated that China needed a long time to get the notion of IPR into people's heads. More efforts are needed to raise awareness of intellectual property rights (IPR) protection among the Chinese people.

CHINA LAUNCHES PATENT WEEK

China launched its first ever **"Patent Week"** on Friday to promote patent protection, the State Intellectual Property Office (SIPO) said. Trade fairs, exhibitions and lectures will take place in Beijing and about 20 other provinces and municipalities including Tianjin, Shanghai and Jilin, over the next five days. "Patent Week" is to become an annual event. In 2006, the SIPO accepted 573,000 patent applications, up 20.3 percent year-on-year, of which around 210,000 were patent applications for new inventions, SIPO statistics show. ***Source: As reported by Xinhua***

Since 2001, China's supreme court has ordered the establishment of special courts for IPR cases across the country and lowered the threshold to prosecute people manufacturing or selling counterfeit products. Statistics from the supreme court indicate that Chinese courts handled 769 IPR cases in 2006 and prosecuted 1,212 offenders, up 52.2 percent and 62.21 percent respectively from 2005. ***Source: As reported by Xinhua***

NEWS FROM CHINA:

CHINA NEEDS MORE EXPERTS IN INTELLECTUAL PROPERTY RIGHTS

A consultant to the World Intellectual Property Organization (WIPO) commented recently that China needed more vigorous law enforcement, rather than just publicity campaigns. China needs to train a large number of professional enforcers who can immediately and effectively detect piracy. It also needs to adopt tougher punitive measures to prevent people from committing IPR infringements.

Professor Zheng Shengli, dean of the IPR School at Peking University seemed to hone in on this issue. He stated in a recent forum on IPR that according to internationally accepted standards the proportion of IPR professionals to researchers and developers should be between 1 percent and 4 percent. There were 3.284 million scientific personnel nationwide in 2004, and correspondingly at least 32,800 IPR professionals were needed. However, only about 3,000 IPR professionals had been trained by universities over the past 10 or more years because universities have been slow to teach the subject. It is obvious; the shortage of IPR professionals will hamper the development of IPR protection, which will consequently slow down the progress in scientific and other related research areas. Eighteen universities have established IPR education and research institutes by now. Renmin University was the first to establish an IPR education and research institute in 1986.

Source: As reported by Xinhua

CHINA TOUGHENS RESTRICTIONS FOR FOREIGN ONLINE PUBLISHERS

The **China Law Blog** reports that The National Development and Reform Commission in China has released new guidelines for foreign invested enterprises. This section is of particular interest to online and print publishers:

"Continued restriction and prohibition of participation in publishing, media, market research and social research. In recognition of the influence of the Internet as an alternative publishing source, various Internet based businesses have been added to the prohibited category. This denial of access for media and publishing is a hot button for the United States and the Chinese do not seem willing to budge a bit on this."

As the online population in China continues to rapidly expand, the number of online publications also continues to increase. It appears that the government in Beijing has no plans to open this area to foreign enterprises and investors can expect more regulations designed to close loopholes such as this.

The China Law Blog notes that the English version of the new regulations is not yet available.

Source: Business Strategies Group www.bsgasia.com

BAIDU LAUNCHES FINANCIAL NEWS AND DATA SERVICE

Baidu announced this week that it will launch a finance channel offering information similar to Google Finance. **Baidu Finance** will allow users to easily search information covering stocks in Hong Kong and China, mutual funds, bonds, trusts and other financial products. Real-time stock quotes, charts and company related information will also be a part of the service.

Source: Baidu press release (Chinese) China Web 2.0 Review

CREDIT CRUNCH:

WHAT CREDIT INFORMATION COMPANIES SHOULD TELL THEIR CLIENTS

It is very evident the credit crunch caused by the subprime mortgage crisis is now affecting other economic sectors and is having a negative impact on *trade credit*. Information companies should therefore tell clients to revisit credit procedures, reassess credit lines and to intensify monitoring and workout. Here are a number of headlines reflecting a rapidly changing credit environment:

BUSINESS CONDITIONS DETERIORATE IN THE USA: The October member survey by the National Association for Business Economics (NABE) found a disheartening trend for the third quarter as business activity and capital spending slowed. The outlook for the near-term remains sour as the disintegration of the housing and subprime markets continues to make everyone nervous. Euler Hermes ACI Chief Economist Daniel C. North commented on a recent survey of manufacturers and service sectors that companies are having difficulties with cash flow and are unable to pay their bills on time. Comments from respondents of the survey suggest that the deterioration in the rest of the economy may be starting to catch up with credit managers.

CREDIT CRUNCH SLOWS GROWTH IN EUROZONE: The combination of the credit squeeze and the strength of the Euro have affected growth in the Eurozone nations and by most accounts the impact will be felt through at least the early part of 2008. The index of purchasing manager's output has been released and shows a fourth straight month of decline. The service sector seems to have been especially hard hit by the credit squeeze as the large finance sector in Europe has been in a very cautious mode since the debacle started in late summer. Manufacturing seems to have been hit hard by the loss of export opportunities.

CHINA'S EXPORTS WILL SUFFER AS A RESULT OF AN ECONOMIC DOWNTURN IN THE USA WARNS CHINA'S COMMERCE MINISTRY: China's exports to the US have slowed since the start of 2007 dropping from a 20.4% year-on-year rise in Q1 to a 15.6 % increase in Q2. Following the start of the subprime loan crisis, growth fell to 12.4% in Q3. A global economic slowdown and the credit squeeze from the subprime loan crisis "will be the biggest challenge to China's economy next year", according to a report issued by the commerce ministry. China's central bank estimates that every 1 per cent drop in US economic growth translates into a 6 per cent fall in Chinese exports.

CREDIT CLIMATE DETERIORATES IN AUSTRALIA: According to recent reports released by D&B Australia the credit crunch will have a negative impact on Australian businesses: Almost ten per cent of Australian companies are rated at very high risk of experiencing financial distress or insolvency in the next twelve months. D&B's quarterly Trade Payments Analysis revealing that on average companies are paying their bills more than three weeks past the due date. The average payment period across all sectors in the September quarter was 51.6 days. The findings from a Newspoll survey conducted exclusively for D&B Australia indicates that the credit crunch is expected to impact pre-Christmas credit plans of Australians. Low-income and young Australians will feel the credit squeeze in particular. ***To read the full story on the Australian Credit Climate go to http://www.biia.com/press.php***
Source: NACM, Financial Times, D&B Australia

QUOTE OF THE MONTH

"Too many investors apparently relied too strongly on the judgments of rating agencies. Their ratings can only be one element of, not a substitute for, risk analysis" ***Josef Ackermann, chief executive officer, Deutsche Bank, reportedly urging banks to adopt a more comprehensive approach in risk management. Source: Asian Banker***

CREDIT CRUNCH:

US ECONOMIC OUTLOCK: HARD LANDING OR RECESSION?

The risk of a hard landing by the US economy and perhaps even of a recession has been rising in recent weeks. True, the sub-prime mortgage crisis, if it continues to unfold gradually, is something that could probably be digested without disastrous consequences. But the latest reports of losses related to the mortgage market by such giants as City Group, AIG, and Morgan Stanley make it clear that the problems are far from over, that the pain from last Summer's credit crunch is, in fact, rippling out from the first small group of companies who were hit the hardest. The US housing markets remain in a downturn, with falling prices eroding the equity of homeowners and with it their ability to fund consumer spending. The financial markets are now beginning to worry about shaky corporate debt. While default rates on outstanding junk bonds, at 0.4% of total, are at their lowest in more than a quarter-century, this could change quickly as the business cycle turns.

Also true, the fundamental justifications for oil prices near USD 100 a barrel are flimsy and the main reason for the surge in quotations has been speculation. For now, world supplies of petroleum are abundant, relative to demand, both above and below ground. Production is set to increase and the cost of production, even in the most challenging fields (such as those in Alberta, Canada) is not much over USD 30 a barrel. It is only about USD 4-5 in places like Saudi Arabia. The risk of Iranian exports being cut is, at least at this point, not very high. But, while investors such as hedge funds, banks, and pension funds have been largely responsible for driving up prices, there is nothing that says that this influence will wane anytime soon. And whereas the prices of gasoline and heating oil so far have trailed those of crude petroleum, the markets are now beginning to talk about a surge that will cut deep into households' disposable incomes.

True, furthermore, is that the dollar's plunge in the exchange markets has distinct benefits, inter alia because it makes it far easier for US exporters to gain a competitive edge abroad. But its fall to record lows and the latest reports of countries with huge reserves such as China wanting to diversify their holdings have created a confidence crisis for the greenback that is adding to the general anxiety and is undermining consumer confidence. Furthermore, in the US political arena, any hint of a growth agenda has vanished since the Democrats took both Houses of Congress last year. Listening to the debates that have taken place so far, one finds that every Democratic presidential candidate wants to repeal the Bush tax cuts if he or she wins the Oval Office next year. While the average corporate income tax in the EU is now 24.2% (versus 35% in the US) and proposals for tax cuts abound abroad, barely a day goes by in the US without lawmakers proffering new proposals for tax increases. **The US economy could almost certainly withstand any one of the adverse trends without trouble. But together, these forces are conjuring up a much more potent threat than each one could pose on its own.** ***Dr. Hans P. Belcsak, President of Rundt & Associates; www.rundtintelligence.com***

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