DUNIA E-Newsletter

DUNIA CONSULTING GROUP

The Company which helps You to establish Your Business in the WORLD!

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CONTENTUTI NL 11:

M&A TUTTO È IN VENDITA

DI RALPH KLEMP

A dimostrazione del continuo impegno della nostra società DUNIA LTD e consociate nell'attività delle fusione a acquisizioni (M&A) a livello internazionale, desideriamo chiarire alcuni punti fondamentali:

TRE BUONE RAGIONI PER VENDERE UN'AZIENDA

1. Problemi legati ai PASSAGGI GENERAZIONALI, la dinastia fondatrice non ha un erede
2. Volontà DI GARANTIRE UNA 'VITA MIGLIORE' alla propria creatura associandola ad un gruppo che possa svilupparla e farla crescere
3. FARE CASSA e concentrazione sul 'CORE BUSINESS' con la dismissione di attività non strategiche

CINQUE OTTIME RAGIONI PER COMPRARE UN'AZIENDA:

1. ENORME RISPARMIO DI TEMPO, dato che l'azienda in acquisizione ha già superato le malattie d'infanzia e può contare su una rete capillare di vendita e su una base di mercato (clientela) già consolidata
2. CAVALLO DI TROIA, possibilità di utilizzare una realtà 'locale' su un mercato lontano (ma strategico) per veicolare i prodotti dell'acquirente verso nuovi lidi
3. CRESCITA ESPONENZIALE, le sinergie dell'acquisizione fanno crescere l'acquirente sia 'a casa' sia sui mercati Esteri con brevetti nuovi e metodologie di produzione complementari alla propria struttura
4. RAGIONI FINANZIARIE, la nuova azienda migliora in modo drammatico la redditività dell'acquirente, grazie a realtà di marchi, di sourcing o produttive oppure di forza di mercato (penetrazione internazionale)
5. RAGIONI PATRIMONIALI, l'azienda in acquisto porta in dote una struttura patrimoniale (brevetti, immobili, marchi, avviamento) che spingono immediatamente a rialzo il valore dell'insieme del gruppo

More News

- DIFESA PREVENTIVA DALLA CONTRAFFAZIONE CINESE: ORA SI PUO'!!
- 13 RAGIONI PER NON INVESTIRE IN CINA
- La missione di Prodi in Cina, ma che cosa ci è andato a fare?
- Il colpo di Stato in Tailandia
- La classifica e valutazione dei 100 Marchi più importanti a livello mondiale
- Tariffario 2006/2007 per la REGISTRAZIONE DEI MARCHI in 154 Paesi del Mondo
- Le importazioni in Europa da Indonesia, Malaysia e Tailandia nel 2005
- Le esportazioni dall'Europa in Indonesia, Malaysia e Tailandia nel 2005
- Le importazioni in Italia da Indonesia, Malaysia e Tailandia nel 2005
- Le esportazioni dall'Italia in Indonesia, Malaysia e Tailandia nel 2005
- Le esportazioni dall'Italia e Unione Europea in CINA nel 2005
- Le importazioni in Italia e Unione Europea dalla CINA nel 2005

COUNTRY PROFILES
ASIA

MA QUANTO VALE UN'AZIENDA?

La dottrina economica distingue due metodologie di valutazione, il metodo patrimoniale e il metodo reddituale:

IL METODO PATRIMONIALE esprime il valore dell'azienda in funzione del valore del suo patrimonio, quantificandone il valore come valore di ricostituzione del patrimonio nella prospettiva di funzionamento aziendale.
Il valore, infatti, coincide con l'investimento netto che sarebbe necessario ad avviare una nuova impresa con una struttura patrimoniale identica a quella oggetto di valutazione. _ La valutazione operata con il metodo patrimoniale si caratterizza come stima:

- ANALITICA, perché effettuata distintamente per ciascun elemento del patrimonio;

- A VALORI CORRENTI, in quanto direttamente o indirettamente basata sui prezzi di mercato del momento in cui ha luogo la valutazione;

- DI SOSTITUZIONE, perché l'ipotesi assunta è quella del riacquisto o della riproduzione per gli elementi attivi e della ri-negoziazione per quelli passivi.

Il metodo patrimoniale ha due evidenti LIMITI:

1. Il valore dell'azienda viene determinato sulla base del saldo algebrico tra attività e passività e quindi su dati storici, ponendo in secondo piano la capacità di generazione futura di reddito o di flussi di cassa;
2. Si attribuisce un valore corrente ad ogni voce di bilancio, attiva o passiva, prescindendo dalla sua appartenenza al complesso aziendale unitario e funzionale.

IL METODO REDDITUALE fonda il valore dell'azienda sulla sua capacità di generare reddito.

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L'obiettivo del metodo è valutare l'azienda come complesso unitario sulla base della relazione valore = redditività.

Il valore dell'azienda viene calcolato mediante l'attualizzazione dei risultati economici attesi.
Il metodo reddituale semplice si basa sulla stima di un flusso

- BIRMANIA
- CAMBOGIA
- CINA
- INDIA
- INDONESIA
- JAPAN
- MALAYSIA
- SINGAPORE
- SOUTH KOREA
- THAILAND
- THE PHILIPPINES
- VIETNAM

di redditi costanti, ovvero su un reddito “ medio” , “ normale” , “ duraturo” (sia per aziende con vita futura limitata che illimitata).

Il metodo reddituale complesso costituisce un’evoluzione del precedente. Attualizza, infatti, i flussi di reddito previsti anno per anno, fino al termine dell’orizzonte temporale preso in considerazione (applicazione pressoché limitata alle aziende che elaborano piani e programmi di gestione di durata non superiori a 5 anni).

TUTTO DIPENDE DAL PUNTO DI VISTA

Ovviamente, in questo caso influisce molto l’ottica dell’osservatore, in quanto il valore può essere molto basso, se non addirittura negativo *per un venditore* che si ritiene arrivato al capolinea, accumulando anno dopo anno solo debiti per una gestione difficile,
mentre dal punto di vista *dell’acquirente* la stessa azienda rappresenta un enorme risparmio di tempo ed energie (per non parlare delle sinergie) nell’entrata in un nuovo mercato, e quindi ha un valore notevole.

Infine, influisce in modo determinante anche lo stato psicologico sia del venditore sia dell’acquirente:
infatti un venditore ‘esasperato’ (da problemi finanziari e di cash flow) sarà disposto a cedere la sua azienda anche a gratis pur di disfarsene, mentre un compratore pressato dai suoi azionisti ad una costante crescita a volte sarà disposto di sopravalutare i potenziali futuri redditi prospettici e quindi darà un valore elevato all’acquisizione.
Sul lato opposto troviamo un venditore emozionalmente attaccato alla sua creatura (fatta crescere come se fosse un figlio con ininterrotta dedizione e cura), che non sarà disposto ad accettare un prezzo basso, oppure troviamo un compratore garantista, che sopravaluta i potenziali rischi e costi di una fusione con una nuova realtà e quindi è restio a ‘rischiare’ il suo capitale.

Un esempio pratico: QUANTO VALE ALITALIA?

Che questo tema sia più attuale che mai lo vediamo ad esempio nella battaglia per (vendere) Alitalia. La domanda è, ma la nostra compagnia di bandiera vale almeno il suo (sproporzionato) indebitamento e gli impegni che rappresenta?
E la risposta, ovvia, è: *che dipende dalla strategia di*

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- Creazione di Reti di Vendita internazionali
- Ricerche di Mercato e di Partner
- Registrazione di Marchi e Brevetti
- Assistenza per la Delocalizzazione in Asia
- Alleanze Strategiche
- Investimenti
- Coaching
- M&A

sviluppo dell'acquirente.

E' opinione di chi scrive che una strategia '*low-cost-carrier*' tipo Ryan Air, potrebbe dare un'enorme spinta sia ad Alitalia che come indotto al sistema-paese Italia, una strategia '*business as usual*' invece, non può che precipitare la compagnia verso il sicuro e meritato fallimento. (e farla eventualmente rinascere come una fenice dalle proprie ceneri, com'è successo ad esempio a Swissair, rinata Swiss sotto l'ombrello protettivo di Lufthansa).

Why ASIA is important for You !

Asia is a crucial partner for the EU, politically, economically, and culturally. The region accounts for

- more than half of the world's population,
- a quarter of the economic wealth created every year,
- and is home to four of the ten largest economies in the world (Japan, China, India and Korea)

yet countries such as Bangladesh, Cambodia, Laos, Mongolia, Burma/Myanmar remain among the poorest. Many parts of the region are prone to natural disasters, and several countries are dealing with internal conflict which is often coupled with generally weak civil societies, making them more vulnerable and open to human rights abuses.

INDIA

Presentiamo il nostro nuovo Partner:
ITALTEC CONSULTING PVT LTD

Oggi l'India, settimo Paese più grande del mondo, registra un mercato interno pari ad 1.2 miliardo di persone. In termini di parità di potere di acquisto, l'economia indiana si trova al quinto posto nel mondo, registrando una crescita PIL di più di 9% ogni anno che fa dell'India la seconda economia mondiale con il maggior tasso di crescita.

L'India offre una grande opportunità alle aziende italiane che, a loro volta, possono mettere a disposizione una tecnologia avanzata nei settori più svariati. Il settore privato indiano è molto dinamico ed altamente competitivo ed è stato la base dell'attività economica indiana rappresentando più del 75% del PIL ed offrendo una considerevole opportunità per joint-venture, collaborazioni e trasferimenti di tecnologia tra le società italiane e le società indiane.

L'economia indiana vanta capacità manageriali e tecniche tra le migliori disponibili nel mondo nonché una classe media di 200 milioni di persone con un elevato potere di acquisto.

La nostra organizzazione è a Sua completa disposizione per assistere la Sua azienda in India. LA NOSTRA CONSOCIATA: **ITALTEC CONSULTING PVT LTD**, è una delle principali società di consulenza in India ed è la prima iniziativa del settore privato indiano, creata appositamente per assistere le società italiane in India e nel sub-continente indiano (Nepal, Bangladesh, Sri Lanka) per promuovere Il "Made In Italy" in India. Offriamo dei servizi esclusivamente alle aziende italiane che intendono sviluppare del business nel mercato indiano.

Siamo presenti con la sede principale a Delhi e con delle sedi regionali nelle altre principali città della nazione e disponiamo dei professionisti italiani e indiani in grado di offrire i servizi di seguito elencati:

1. **Creazione strategia d'ingresso in India**
2. **Creazione nuova societa' 100% italiana**
3. **Creazione JV con partner indiano**
4. **Ricerca del partner ideale per il progetto india**
5. **Due diligence ed analisi in merito alla competenza, professionalità e solvibilità del partner indiano**
6. **Ricerche di mercato**
7. **Studi di fattibilità**
8. **Consulenza fiscale**
9. **Assistenza import-export**
10. **Creazione rete nazionale di importatori-distributori-agenti**

India still Asia's reluctant tiger

With its economy growing at more than triple the speed of Britain's, India has become a global leader in information technology and other hi-tech products.

But how has this been possible in a country where poverty is so widespread and where more than a third of people are still illiterate?

Bangalore's hi-tech enclaves are an oasis of excellence
In the words of Nobel laureate economist Amartya Sen, "the danger of India moving in the direction of being half California and half sub-Saharan Africa is a real one."
The contrast between hi-tech, silicon enclaves such as Bangalore and the primitive conditions of many Indian villages and urban slums strikes even the most casual tourist.
So is the dramatic rise of Indian IT firms just a Californian bubble in the sub-Saharan deserts of Indian poverty? Not according to Anand Mahindra, managing director of a family business, Mahindra and Mahindra, that has grown into one of India's largest conglomerates, producing everything from tractors to telecommunications.
"The IT sector was a kicker to growth," he says. "Its impact was psychological. It signalled to the world that India was much more than its old historical stereotypes.
"It suddenly in an exaggerated manner, if you ask me, made the world think that every Indian was smart and could fix their computers.
"But that helped entrepreneurs in India from all industry segments, because it gave them a more receptive environment in which to do business."
The number of Indian IT professionals has leapt from 56,000 in 1991 to a million today. That's still tiny relative to a population of over a billion, but a rare achievement in a global market where IT has traditionally been the preserve of advanced industrial economies.
If you want to make a million Barbie dolls, this is not the place to come
Anand Mahindra
Reliability costs
But how do hi-tech Indian companies survive and prosper in an environment where even basic infrastructure like transport, power and water is so notoriously unreliable?
Phiroz Vandrevala, executive director of Tata Consultancy Services, India's oldest and largest IT firm, says: "What we've actually done is within our own environments created global circles, oases of excellence.
"So if we build any facility, we create a 24-hour power back-up," he says,"or if you employ x number of people, you actually transport everybody from their home to their place of work."

"But it certainly is a cost to doing business."

While IT firms are cocooned within their oases of excellence, poor infrastructure can be a crippling cost for other sectors, such as large-scale manufacturing.

Anand Mahindra, whom many consider the sub-continent's most thoughtful businessman, warns that India cannot live by IT alone.

"Even Bill Gates when he came to India said, 'IT is not the answer for employment. You're going to have to emulate China and its manufacturing sector, because that's where the jobs are and that's where the multiplier effect is the highest,'" says Mr Mahindra.

"So it was a nice, sobering thought to come from the Messiah of IT himself.

"If you want to make a million Barbie dolls, this is not the place to come. Then you go to China. This is not a widget-making manufacturing economy, and that is largely and possibly only due to our poor infrastructure.

"We simply don't have the power in terms of energy to meet such high capacities. We don't have the port infrastructure and the transportation infrastructure to ship out such a high volume of goods in a reliable and timely manner."

Education, education

So instead of making widgets, Indian manufacturing is currently building on its comparative advantages in engineering-intensive goods, which require versatility, flexibility and innovation.

One example is carmaking, with domestic and foreign firms now investing an estimated $6.6bn in new Indian factories.

But growth in these high-value sectors is also running up against a skills shortage fuelled by lack of what's called social infrastructure - primarily good education.

Manufacturing is the backbone of India's strong economic growth

Although Indian universities churn out three million graduates a year, only 15% of them are suitable employees for blue-chip companies.

That's nowhere near enough for Phiroz Vandrevala of Tata Consultancy Services.

"We have a tremendous amount of availability, but the suitability quotient is slightly low. If you look at about a hundred engineers from different educational institutions, in a company like ours about 20% make the cut," says Mr Vandrevala.

"Every industry is going to have to make significant investments in training for their own skills."

Despite growing investment in education, India still lags way behind its Western competitors. Thirty-five per cent of its population is still illiterate; only 15% of Indian students reach high school, and just 7% graduate.

Change is messy

Privatisations, or at least public-private partnerships, are now widely seen as the way to open up essential infrastructure like education, transport, power and even water to competition and new investment.

But local delivery depends on the quality of local leadership and its willingness to cut back its own powers.

Indian democracy undoubtedly makes structural change a lot slower and more messy than in China, but there is genuine optimism among Indian economists that the system will eventually deliver.

"Our confidence in rapid growth is quite recent, because rapid growth itself is recent, and so for the state to gear up to provide the infrastructure that's appropriate for 8 to 9% growth is taking a while," says Suman Bery, head of a leading Delhi think-tank called the National Council for Advanced Economic Research.

"We're not one of these countries like France or China which does things in advance and pre-emptively.

"The shoe has to pinch before we get round to it.

"Infrastructure strikes me as an issue that will solve itself. It may hold growth back a little bit, but I don't think it's fatal."

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Indian economy expected to slow …

Agriculture has lagged growth in other sectors.

India expects its economy to grow by 8.7% in the financial year ending March, the slowest rate of expansion in three years.

Finance minister Palaniappan Chidambaram said the lower-than -expected growth was due to a slowdown in agriculture.

Growth remains strong in the country's services, construction and communications sectors.

India's economy expanded by 9.6% in the year ended March 2007.

India is Asia's second-fastest growing economy after China.

Both are expected to slow slightly in the coming year as a severe US downturn saps demand for exports.

Agriculture lags

Agriculture, which provides livelihoods for some 70% of India's population of more than 1.1 billion, is forecast to grow at 2.6% in the year to end March, down from 3.8% in the previous financial year, the government's statistics bureau said.

Industrial growth was also expected to slow slightly.

By contrast, activity in services, trade, hotels, transport and communications industries was expected to expand by 12.1%.

"I am reasonably confident that figures may be revised and economy will grow at close to 9%," Mr Chidambaram said.

"The central statistical organisation figures are lower than what I had anticipated. We are disappointed but we are not despondent," he added.

CHINA

CHINA: The fight against Trademark COUNTERFEITING

Timothy P. Trainer

ot only are Coca-Cola ® , Disney ® , Marlboro ® , Mercedes ® , Microsoft ® , and Nokia ® among the world's best-known brands, but they are also some of the world's most valuable assets. BusinessWeek recently listed these six trademarks—and the patent, trade-secret, copyright, and integrated-circuit topography assets that they incorporate—as among the 10 most valuable in the world, with a combined estimated value of more than $238 billion. These trademarks and others are competing for part of the enormous Chinese market, despite the fact that China's counterfeiting industry puts them at constant risk.

Worldwide scourge

Companies and the PRC and US governments are taking steps to battle the industry—but they have their work cut out for them. China's own Development Research Center, the research institution affiliated with the State Council, reported that counterfeiting in China is a $16 billion industry. China's transition to a market economy, its large work force, and the availability of newer technologies all contribute to the growth in counterfeiting, as some manufacturers seek easy profits by illegally using others' intellectual property (IP) assets. Unauthorized manufacturers blatantly and consistently use famous trademarks to sell their products and profit from well-recognized brand names.

The flow of Chinese-made manufactured counterfeit goods has kept US Customs officers busy: From October 1996 to March 2002, US Customs seized 3,866 shipments of counterfeit goods, worth more than $111 million, from China—far exceeding those from any other country. Though these numbers may seem low, it is important to remember that US Customs is able to inspect only a small percentage of the goods that enter the country.

The European Union recently issued a report stating that 18 percent of the 95 million pirate and counterfeit goods seized at external borders in 2001 were of Chinese origin, a percentage exceeded only by Thailand. If counterfeits that come through Hong Kong and those seized in eastern Europe are included, China becomes Europe's top counterfeiter.

The future of foreign investment in China's manufacturing sector depends on the effectiveness of the country's anticounterfeiting enforcement

The owners of the world's most famous trademarks have found China-made counterfeit and pirate products in countries around the world, including Brazil, the Czech Republic, India, Indonesia, Japan, the Philippines, Russia, Saudi Arabia, and South Africa, to name just a few. And counterfeit exporters take extreme measures to evade detection. In one case, New Zealand customs officers found counterfeit tobacco products valued at $900,000 hidden inside furniture.

The products targeted by counterfeiters is cause for concern. Counterfeiters in China target a wide range of products, including apparel, auto parts, cigarettes, computers, electronics, food, mobile phones, pharmaceuticals, skin-care products, tools, and toys. Counterfeiters applying famous trademarks and brand names to skin lotions and foodstuffs are unlikely to worry about quality standards—they are looking to earn profits. Thus, companies that own those trademarks must try to keep the market safe for consumers and prevent damage to their own reputations. Substandard counterfeit pharmaceuticals and machinery are particularly dangerous.

PRC government efforts

PRC government agencies have, during the past several years, amended an impressive number of IP laws and regulations to meet World Trade Organization (WTO) obligations, including the country's laws on copyrights and trademarks. But the real test of the system occurs when the owners of these assets, whether Chinese or foreign, attempt to obtain the protections that the laws afford. IP owners, despite available recourse via police, customs, and administrative authorities, often face reluctant prosecutors and an ill-trained judiciary when trying to address IP theft. In some cases, collusion between local officials and counterfeiters has been suspected.

Chinese officials have raided counterfeiters' facilities, seizing a broad array of counterfeit products, from alcoholic beverages and air conditioners to printer cartridges, mobile-phone products, and watches. Many famous trademark owners nevertheless contend that, despite these raids, prosecutions typically result in penalties that are too low to have a deterrent effect. Moreover, officials often fail to search for documents that might provide information about counterfeiting operations and the people involved.

Successful counterfeiters who run highly profitable operations will not be easily deterred. They have sophisticated networks that are difficult to uncover fully. In addition, the longer the counterfeiters are able to operate without fear of serious penalties, the more entrenched they become in the economy and the more brazen their illegal activities. The Chinese enforcement system must include harsh penalties such as the destruction of goods, seizure of equipment, monetary fines that are sufficiently high to remove financial incentives, and imprisonment for individuals who don't pay fines or who engage in large manufacturing operations.

The Chinese government will need to take bold steps at the national, provincial, and local levels to be effective. It will need to target all products and involve every aspect of the enforcement system: administrative agencies, police, prosecutors, and judges. Indeed, industry representatives, foreign governments, and intergovernmental organizations have conducted many enforcement training seminars throughout China over the past several years. Given the scope of the problem and the size of the country, however, much more education and training is necessary.

The owners of the world's most famous trademarks have

found China-made counterfeit
and pirate products in countries around the world.

Companies take a stand

Trademark, copyright, and patent owners have long realized that they need to be active in the fight against counterfeiting and piracy (see The CBR, November-December 2000, p.28). Accordingly, companies have made substantial investments to protect their assets. Though all have different strategies depending on the perceived size of the problem, most maintain internal staff to work with appropriate enforcement authorities, whether they are police, customs, or other administrative authorities. Companies confronting large-scale counterfeiting and piracy problems need additional human and financial resources. Outside lawyers and investigators can be used to find counterfeit retail outlets or production sites.

Companies are also working together to try to preserve precious resources. A smart counterfeiter is likely to produce fakes of several companies' products in a particular product line. If a counterfeiter is illegally using one shoe manufacturer's trademark, they reason, why not use the marks of several others? This duplication occurs in many product lines, whether software, film, batteries, or auto parts. Thus, companies that are normally competitors in the legitimate market can work together to share the expenses for investigations and raids in order to stretch their enforcement dollars. Many corporate
victims have formed associations, such as the International AntiCounterfeiting Coalition, Inc. and the Quality Brands Protection Committee, to combat the problem both operationally and politically.

Criminal Enforcement Against Counterfeiters

The explosion of counterfeiting in China over the last 10 years is clearly a side effect of the country's breakneck economic growth. The rising tide of counterfeit exports likewise reflects China's ability to sell just about anything at a competitive price. Most observers assume that the weakness of the "rule of law" in China prevents the government from keeping counterfeiting in check. This assumption is basically correct, but as with anything else in China, the reality is a bit more complicated.

The courts

In China, as in all other countries, trademark owners can pursue counterfeiters civilly (usually for compensation and an injunction against further violations) or criminally. Chinese courts handle only a very small percentage of the counterfeiting cases that arise each year, however. The vast majority are instead dealt with by a range of administrative enforcement bodies, including local offices of the General Administration of Customs, the State Administration for Industry and Commerce (SAIC), and the Technical Supervision Bureau, the enforcement powers of which are generally limited to confiscating fakes and imposing monetary fines. Predictably, most counterfeiters have come to regard the threat of such economic penalties as a mere cost of doing business, and brand owners with experience in the field regard such fines as having little or no deterrent impact.

The most recent statistics from the PRC Supreme People's Court indicate that the success rate of China's criminal justice system in pursuing counterfeiters is no better this year than it was in 2001. Between January and May 2002, the criminal tribunals of the People's Courts convicted only 187 trademark counterfeiters. This number represents far less than one percent of the tens of thousands of counterfeiting cases that administrative authorities dealt with during this period.

Enforcement resources

In China, and most other countries with serious counterfeiting problems, civil remedies and administrative penalties are considered secondary tools for dealing with violations. Counterfeiters worldwide normally operate in the shadows, and it is inherently quite difficult for brand owners to recover compensation for damages, including investigation and legal costs, and for enforcers to collect administrative fines.

In recognition of these difficulties, the World Trade Organization's (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) explicitly requires that criminal enforcement be made available to address both counterfeiting and copyright piracy (see p.12).

In most countries, trademark owners complain of the lack of resources and training for criminal enforcement. The same is true in China, and will likely remain so for the foreseeable future. (For a comparative view of counterfeiting in China and other countries, see the most recent "301 Report" of the International AntiCounterfeiting Coalition at www.iacc.org.)

But in response to concerns of both local and foreign rights holders, including the 83 American, European, and Japanese corporate members of the Quality Brands Protection Committee (QBPC, a Beijing-based industry group that promotes anticounterfeiting efforts with the PRC government, judiciary, and other stakeholders), the Chinese government recently began providing more resources and training to Chinese police and prosecutors for anticounterfeiting work. As a result, a few foreign companies report significant increases in criminal prosecutions against targets they have pursued over the last year. Unfortunately, most QBPC members still report that the level of counterfeiting they suffer in China is the same as, or worse than, it was a year ago.

Ambiguities in the law

China's Criminal Code (last amended in 1997) allows prison terms of up to three years for counterfeiters if the circumstances are deemed "serious" or the sales "relatively large" and up to seven years if the circumstances are "especially serious" or the sales "huge." These penalties are consistent with international standards. Government enforcers and brand owners a like have long complained, however, that police and prosecutors have been reluctant to commence criminal investigations and prosecutions because of the lack of guidance from the central government over the meaning of the terms "relatively large" and "serious."

In April 2001, just prior to China's WTO entry, the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Public Security issued two documents that attempt to clarify the standards for prosecution and imposition of criminal liability in cases involving trademark counterfeiting, the production and sale of "fake and shoddy goods," trade secret violations, and a range of other economic crimes. Unfortunately, most of the new counterfeiting standards in these documents are either ambiguous, unreasonably high, or both.

In connection with China's WTO review this fall and in response to complaints from local and foreign brand owners, the government and judiciary are now conducting research that may lead to new criminal liability standards in the coming months. Industry associations, including QBPC, hope that any new standards will, in particular:

1 Clearly define how the value of products seized in raids

should be calculated, and set minimum valuation levels that are not unreasonably high;

2 Provide clear and practical standards for criminal prosecution of repeat offenders, particularly those who have already received administrative sanctions for counterfeiting or related offences;

3 Require criminal prosecution of counterfeit manufacturers or vendors that operate without a valid business license (so-called "underground operators"); and

4 Establish less onerous standards for criminal action against counterfeiters that target "well-known" trademarks.

Aside from criminal enforcement reforms, brand owners hope that new Customs regulations will eliminate or substantially reduce the obligation of brand owners to pay bonds and storage fees following seizures of counterfeit products. Perhaps more important, industry associations are seeking corresponding reforms that will require Customs to transfer promptly to police all cases involving the seizure of significant quantities of counterfeit goods.

Brand owners were encouraged by China's revised Trademark Law and its implementing regulations—which took effect December 1, 2001 and September 15, 2002, respectively—particularly provisions that raise maximum fines for infringers and that seem to require mandatory confiscation of all infringing products seized by local SAIC offices. The provisions also give trademark owners access to preliminary injunctions and allow up to ¥500,000 ($60,500) in compensation for statutory damages. The recently amended Copyright Law and Patent Law include similar changes.

To date, most of these new weapons for administrative and civil enforcement remain untested by foreign companies. The Supreme People's Court and SAIC's Trademark Office are expected to issue guidelines and interpretations by the end of 2002 to help brand owners and enforcement authorities use them effectively. But given the inherent limitations of civil and administrative enforcement measures, all eyes remain firmly fixed on reforms in the pipeline that may facilitate criminal enforcement.
—Joseph Simone

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Joseph Simone is partner with Baker & McKenzie Hong Kong/Beijing. He is currently vice chair of the Quality Brands Protection Committee (www.qbpc.org.cn), representing British American Tobacco plc.

A smart counterfeiter is likely to produce fakes of several companies' products in a particular line. If a counterfeiter is illegally using one shoe manufacturer's trademark, he reasons, why not use the marks of several others?

Battles on all fronts

The global counterfeiting problem requires a strategy that includes not only ground-level operational raids, seizures, and arrests, but also political work to make decisionmakers understand the severity of the economic and social consequences, such as loss in government tax revenues, tolerance for crime, and risk to public health and safety. Chinese authorities are willing to take action when public health is threatened. The Straits Times recently reported that PRC officials discovered more than 100 fake brands of pharmaceutical products that were either ineffective or deadly.

The sheer volume of counterfeit goods from China poses a massive challenge to customs agencies around the world. European and US customs officials must continue to expand cooperation with Chinese customs authorities to improve detection rates. And as counterfeiters produce increasingly sophisticated goods, customs officials should refine targeting techniques and information exchanges with IP owners (see The CBR, January-February 1999, p.8).

War of attrition?

IP owners will have to decide if enough is being done to warrant their continuing presence in China. Unfortunately, leaving China may only make the situation worse—PRC authorities are unlikely to pursue counterfeiters if the IP owners are absent.

As counterfeiters produce increasingly sophisticated goods, customs officials should refine targeting techniques and information exchanges with IP owners.

Ultimately, the success of China's counterfeiting industry is exacting a huge toll on China itself—the industry injures consumers, damages China's international reputation, undermines confidence in its legal institutions, and robs domestic inventors and innovators. Indeed, as China's own industries develop, the call for IP protection from domestic companies may prove to be the most important factor in improving China's IP enforcement record. The battle to gain control of a market rife with counterfeit products requires time and commitment at all levels. The question for some companies may be simply: How long can we afford to wait before the fight to protect these assets pays off?

All this reasons show how advisable it is to rgister your Trademark in China now!, before it is too late!

.asia

Domain name for .ASIA up for grabs

The so-called landrush for the latest domain name suffix - .asia - has begun.
DotAsia, the organisation overseeing the registration, is expecting huge demand for the first domain name extension for the Asia Pacific region.

There are big hopes for take-up of .asia
But some in the industry are concerned about the proliferation of domain name suffixes in recent years.
While others think that the business of buying domain names has become more about protecting brands than promoting them.
Cybersquatting
Work to create the .asia domain began in 2000 with the DotAsia Organisation winning official approval to set up the domain in 2006.
A so-called sunrise period, where companies can reserve domains to match their trademarks, has been ongoing since October.
Now the process has been opened up for anyone to register and the first .asia domains will go live on the internet in March.
Thomas Herbert, a product manager from UK hosting firm and registrar Hostway, believes the nature of buying domain names has changed, largely due to the lucrative businesses

of cybersquatting.
"People are willing to pay big money for a domain and with domain name reselling on the increase, it has become a matter of protecting your trademark," he said.
As well as cybersquatting there can be legitimate battles over suffixes.
For example, in the sunrise period for the .eu domain, there were some 95,000 conflicting claims for domains.
The www.polo.eu domain was applied for by car maker Volkswagen, fashion house Ralph Lauren and sweet manufacturer Nestle.
To limit squabbles and cybersquatting this time around, the DotAsia Organisation, has put in place certain rules.
Companies must be already registered in the Asia/Pacific region to qualify and if there are any conflicts of interest, the domain will be auctioned off to the highest bidder.
Such restrictions are likely to increase as more domain names come online, thinks Mr Herbert.
Leona Chen, spokeswoman for the DotAsia Organisation, anticipated plenty of interest and hoped the suffix could have as significant an impact in Asia as .com has globally.
"We are ready for something big. All of our people and systems are in place and we look forward to the commencement of the .asia landrush," she said.
Too many?
UK domain name registrar NetNames pointed out that the number of firms registering interest is considerably lower than for the sell-off of the eu domain in April 2006.
"Only 30,780 applications have been filed for .asia domain names so far compared with 330,000 at the same point in the launch of the .eu domain name," said Jonathan Robinson, chief operating officer of NetNames.
He advised firms to get onboard quickly.
"Once it starts, there's far less protection for companies' trademarks and its open season on the .asia domain name for cybersquatters, online speculators and competitors," he said.
According to a report from Nominet, the overseer of the .uk registry, there is an active market in buying, selling and storing domain names, with sales regularly exceeding £100,000 and peak values reaching more than £1m.
While some of these resales are legitimate there was also a big market for speculators, said Nominet chief executive Lesley Cowley.
She was concerned that a sudden leap in the number of domain names could leave companies confused as to which ones they need to register for.

"The current process being developed by Icann (the Internet Corporation for Assigned Names and Numbers) means there could be a couple of hundred or even thousands of new suffixes to bid for by the end of the year," she said.
The .asia domain name extends to some 70 countries, from the Middle East to Australia. 60% of the world's population lives within the Asia-Pacific region and there are 400 million internet users.
Other regional suffixes for Africa and Latin America are expected to follow.

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Registering a .ASIA Domain Name

The DotAsia Organisation is the Sponsoring Organisation and the Registry Operator of the .ASIA Top-Level Domain. To register a .ASIA domain name, you must go to an Accredited Registrar or their authorized resellers and affiliates.
.ASIA Accredited Registrars:
If you do not see the registrar you normally work with for your domain names, they may be in the process of becoming a .ASIA Accredited Registrar, or they may be a reseller or agent of an Accredited Registrar. You may contact your trusted domain registration company with further inquiries about registering a .ASIA domain name.

Economy	Registrar Name	Website
ustralia	Bottle Domains, Inc.	http://www.bottledomains.com.au
ustralia	Distribute.IT Pty Ltd	http://www.clickngo.com.au
ustralia	Domain Directors	http://www.instra.com
ustralia	Melbourne IT Ltd	http://www.melbourneit.com.au
ustralia	PlanetDomain Pty Ltd	http://www.planetdomain.com
ustralia	TPP Domains Pty Ltd,	http://www.tppinternet.com
arbados	Namescout Corp.	http://www.namescout.com
anada	Arctic Names Inc.	http://www.arcticnames.com
anada	DomainPeople, Inc.	http://www.domainpeople.com
anada	DotAlliance Inc.	http://www.dotalliance.com
anada	In2net Network Inc.	http://www.in2net.com
anada	Netfirms, Inc.	http://www.netfirms.com

anada	Rebel.com Corp.	http://www.rebel.com
anada	Register.ca Inc.	http://register.ca
anada	Tucows Inc.	http://services.tucows.com
anada	Webnames.ca Inc.	http://www.webnames.ca
hina	35 Technology Co.ltd	http://www.35.com
hina	HiChina Web Solutions (HK) Ltd	http://www.net.cn
hina	Todaynic.com, Inc.	http://www.todaynic.com
hina	Xiamen eName Network Technology Co., Ltd.	http://www.ename.cn
hina	Xinnet Technology Corp.	http://www.xinnet.com
enmark	Ascio Technologies, Inc. - Denmark	http://www.ascio.com
rance	French Connexion dba Domaine.fr	http://www.domaine.fr
rance	Gandi SAS	http://gandi.net
rance	INDOM	http://www.indom.com
rance	MailClub	http://www.mailclub.fr
rance	Nameshield	http://www.nameshield.net
rance	NORDNET	http://www.nordnet.net
ermany	1API GmbH	http://www.1api.de
ermany	CPS-Datensysteme GmbH	http://www.cps-datensysteme.de
ermany	CSL Computer Service Langenbach GmbH	http://joker.com
ermany	EPAG Domainservices GmbH	http://www.epag.de
ermany	European NIC, Inc.	http://www.europeannic.eu
ermany	InterNetWire Communications GmbH	http://www.internetwire.de
ermany	Key-Systems GmbH	http://www.key-systems.net
ermany	PSI-USA, Inc.	http://www.psi-usa.info
ermany	Secura GmbH	http://www.domainregistry.de/asia.html
ermany	Variomedia AG dba puredomain.com	http://www.puredomain.com
ong Kong	0101 Internet Inc.	http://www.0101domain.com
ndia	Answerable.com India Pvt. Ltd.	http://www.answerable.com
ndia	Direct Internet Solutions Pvt. Ltd.	http://www.publicdomainregistry.com
ndia	Good Luck Internet Services Pvt Ltd.	http://www.glis.in
ndia	M. G. Infocom Pvt. Ltd	http://www.dotcomgenie.com
ndia	Net 4 India Ltd.	http://www.net4.in
ndia	Netlynx, Inc.	http://www.netlynx.com

ndia	QuantumPages Technologies Pvt. Ltd.	http://www.ownregistrar.com
ndia	Visesh Infotecnics Ltd. d/b/a	http://www.signdomains.com
ndia	Web Werks India Pvt. Ltd.	http://www.dfordomains.com
srael	Communigal Communications Ltd	http://www.galcomm.com
srael	Domain The Net Technologies Ltd.	http://www.domainthenet.com
srael	Sitename.com LLC	http://www.galcomm.com
TALY	Register.it S.p.A.	http://we.register.it
apan	Firstserver, Inc.	http://www.firstserver.co.jp
apan	GMO Internet, Inc.	http://www.onamae.com
apan	Interlink Co., Ltd.	http://www.gonbei.jp
apan	PSI-Japan, Inc.	http://psi.jp
orea	Asadal, Inc.	http://www.asadal.com
orea	Dotname Korea Corp.	http://www.dotname.co.kr
orea	Gabia, Inc.	http://www.gabia.com
orea	Hangang Systems, Inc.	http://www.doregi.com
orea	IBI.NET, INC	http://www.ibi.net
orea	Inames Co., Ltd.	http://www.inames.co.kr
orea	Korea Information Certificate Authority, Inc.	http://www.domainca.com
orea	Netpia.com, Inc.	http://www.ibi.net
orea	Today and Tomorrow	http://tt.co.kr
orea	Wooho Technology Co., Ltd	http://www.r.co.kr
orea	Yesnic Co. Ltd	http://yesnic.com
iechtenste n	documentdata anstalt	http://www.documentdata.li
uxembour	EuroDNS SA	http://www.eurodns.com
alaysia	Web Commerce Communications ltd	http://www.webnic.cc
onaco	NAMEBAY	http://www.namebay.com
ussia	Regtime Ltd.	http://www.webnames.ru
ingapore	IP Mirror Pte Ltd dba IP Mirror	http://www.ipmirror.com
pain	Entorno Digital, S.A.	http://www.entorno.com
weden	AB NameISP	http://www.nameisp.com
weden	Domaininfo AB	http://domaininfo.com
weden	Nictrade Internet Identity Provider AB	http://www.nictrade.se
witzerland	CORE Internet	http://www.corenic.org

	Council of Registrars	
aiwan	Net-Chinese Co., Ltd.	http://www.net-chinese.com.tw
hailand	DotArai Co., Ltd.	http://www.dotarai.com
K	BB Online UK Limited	http://www.nominate.com
K	Group NBT plc aka NetNames	http://www.netnames.com
K	Mesh Digital Limited	http://www.domainmonster.com
K	Net Searchers International Ltd.	http://www.netsearchers.com
K	NOM IQ Ltd DBA Com Laude	http://www.comlaude.com
K	Safenames Ltd	http://www.safenames.net
S	007Names, Inc.	http://www.007names.com
S	Blue Razor Domains, Inc.	http://www.bluerazordomains.com
S	CSC Corporate Domains Inc.	http://www.csccorporatedomains.com
S	DBMS, Inc.	http://www.enom.com
S	Domain-It!, Inc	http://www.domainit.com
S	Dotster, Inc.	http://www.dotster.com
S	DSTR Acquisition PA I, LLC, dba Domainbank.com	http://www.domainbank.com
S	Dynadot LLC	http://www.dynadot.com
S	eBrandSecure LLC	http://www.ebrandsecure.com
S	ELB Group Inc.	http://www.elb.com
S	EnCirca	http://www.encirca.com
S	eNom, Inc.	http://www.enom.com
S	Go Australia Domains, Inc.	http://www.goaustraliadomains.com
S	Go Canada Domains, Inc.	http://www.gocanadadomains.com
S	Go China Domains, Inc.	http://www.gochinadomains.com
S	Go France Domains, Inc.	http://www.gofrancedomains.com
S	**Go Italy Domains, Inc.**	**http://www.goitalydomains.com**
S	GoDaddy.com, Inc.	http://www.godaddy.com
S	Imperial Registrations, Inc.	http://www.imperialregistrations.com
S	Ladas Domains LLC	http://www.ladasdomains.com
S	MarkMonitor Inc.	http://www.markmonitor.com
S	Moniker Online Services LLC	http://www.moniker.com
S	MyDomain, Inc.	http://www.mydomain.com
S	Name.com LLC	http://name.com
S	NamesBeyond.com dba GoodLuckDomain.com	http://www.namesbeyond.com

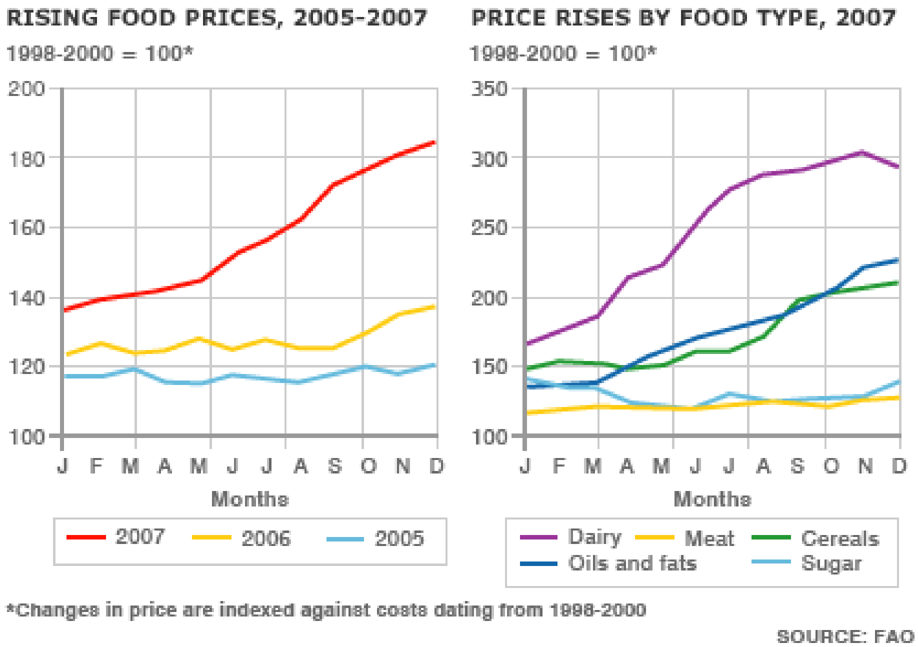
S	OnlineNIC, Inc.	http://www.onlinenic.com
S	Register.com, Inc.	http://www.register.com
S	Spot Domain LLC dba Domainsite.com	http://domainsite.com
S	TierraNet Inc. DBA DomainDiscover	http://www.domaindiscover.com
S	Wild West Domains, Inc.	http://www.wildwestdomains.com

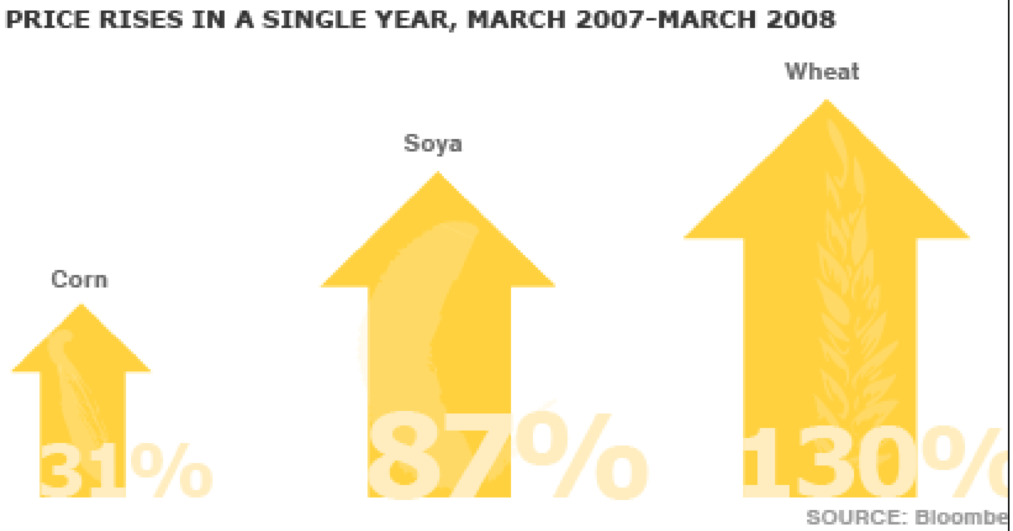
Note: This list of Accredited Registrars will be updated from time to time. Please check back to see whether your trusted registrar has become accredited. For a list of all ICANN Accredited Registrars, please refer to: http://www.icann.org/registrars/accredited-list.html. We encourage you to inquire with your trusted registrar about registering .ASIA domain names.

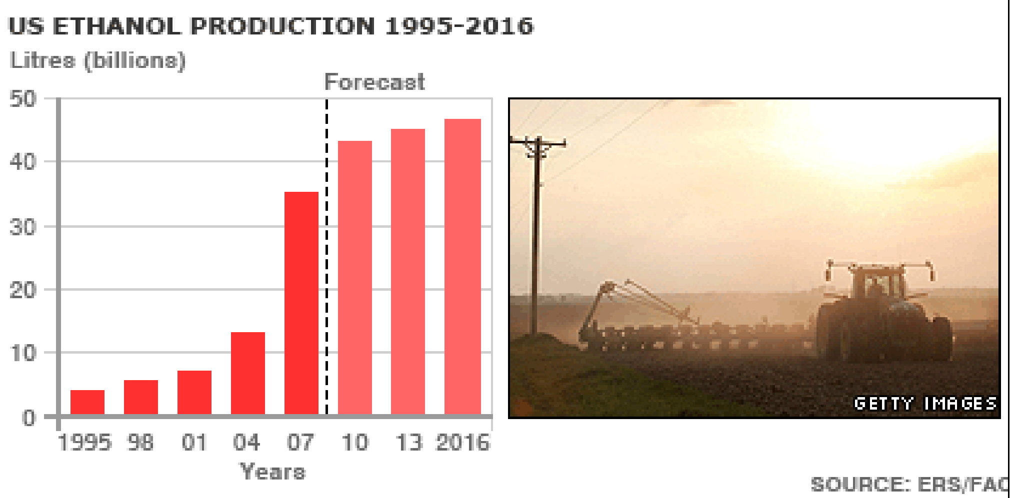
FOOD PRICES

World warned on food price spiral

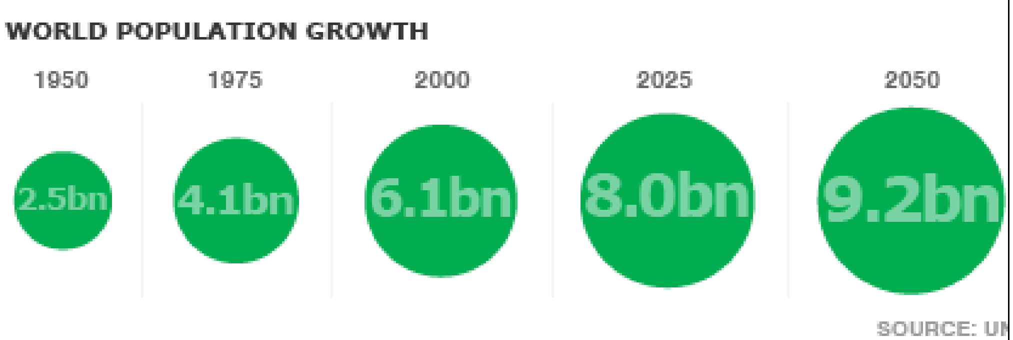
Explore the facts and figures behind the rising price of food across the globe.



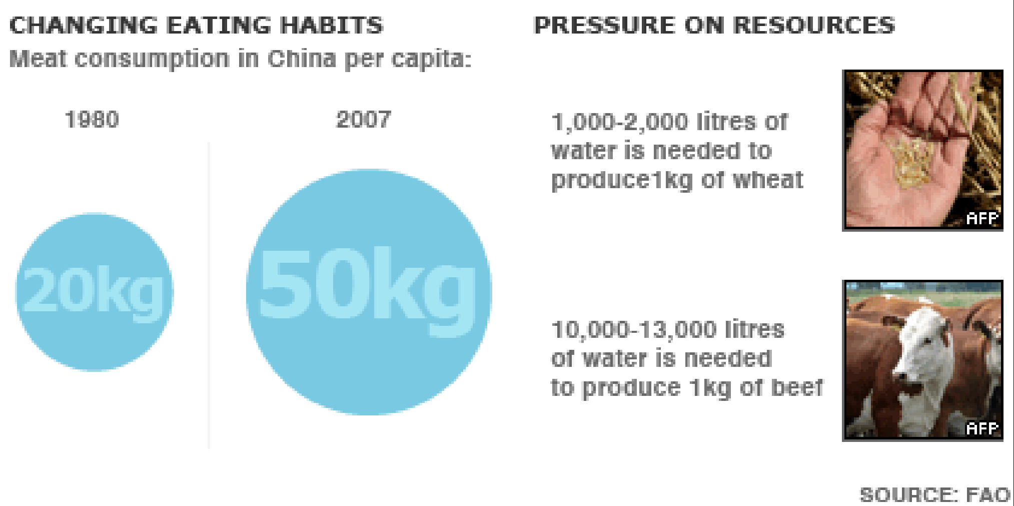


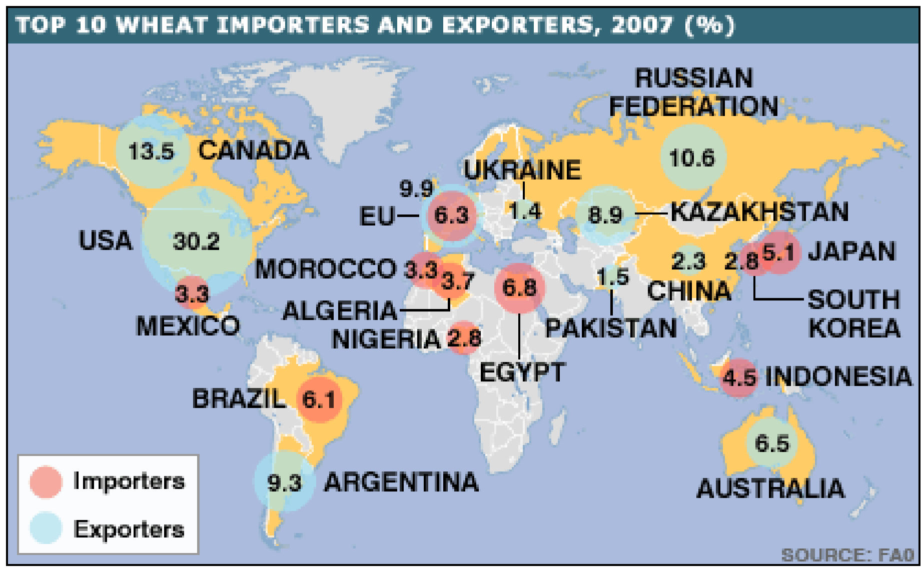


Rising oil prices and fears over climate change have seen a massive rise in the use of maize to make bio-fuels, pushing up food prices



There will be billions more mouths to feed by 2050, making an increased demand for food a long-term trend





CHINA

Sharp jump in China trade surplus

China has introduced measures to cool exports

China's trade surplus ***soared 22.7%*** in January as the economy continued to boom despite efforts to cool the rate of growth, official figures have shown.

The **surplus** - the gap between what China exports and

what it imports - grew to $22.7bn **(€14.4 bn**) last **month**, compared with $15.9bn a year earlier.
China's exports in January increased 26.7% to $109.7bn, the biggest year-on-year rise in six months.
Imports rose 27.6% to $90.2bn, the biggest increase in almost two years.
Yuan dispute
The latest trade surplus figure was bigger than market estimates and is likely to renew criticism from the US and European Union, who have accused China of undervaluing the yuan to make its exports artificially cheap.
The trade surplus figure is a bit lower than in the previous months, but still very strong

Yiping Huang, Citigroup chief China economist
While Beijing still does not allow the yuan to float freely against other currencies, it counters that the currency's value has increased by 13% since 2005.
The Chinese government also argues that it cannot move any faster on liberalising the yuan for fear it could destabilise the country's export-led economic boom.
China has instead moved to cool both exports and its overall breakneck economic growth through policies such as increased taxation, interest rate rises and limits on how much money banks can lend to businesses.
Analysts said it would now be interesting to see how China's exports were affected by continuing recession fears in the US.
"The first point is that we haven't really seen any significant softening of the growth numbers in terms of both exports and imports," said Yiping Huang, chief China economist with Citigroup in Hong Kong.
"The trade surplus figure is a bit lower than in the previous months, but still very strong."
The International Monetary Fund said on Friday (15/02) that the Chinese economy is likely to grow by 10% this year, down slightly from 11.4% in 2007.

US arrests four 'Chinese spies'

Details about the space shuttle may have been passed on to China
Four people have been arrested in the United States for allegedly passing secret defence information to China.
A 72-year-old former Boeing engineer is accused of giving

China details about the space shuttle and other aerospace programmes.
In a separate case, two men and a woman are accused of handing over US defence department documents about Taiwan.
A US justice department spokesman said the cases represented serious breeches of national security.
Spying charges
Chinese-born Dongfan "Greg" Chung, 72, of California, faces charges including eight counts of economic espionage, conspiracy, and making false statements to FBI investigators.
The US justice department said Mr Chung, a naturalised US citizen, worked in the aerospace industry for about 30 years - mostly at Rockwell International and Boeing on the space shuttle programme.
Certain foreign governments are committed to obtaining the American trade secrets that can advance the development of their military capabilities
Kenneth Wainstein
Assistant Attorney General for National Security
It added that he retired in 2002 but was working for Boeing as a contractor until 2006.
The charges claim he took Boeing trade secrets relating to the space shuttle, the C-17 military transport aircraft and the Delta IV rocket for the benefit of China.
He is also said to have sent China 24 secret manuals relating to the B-1 Bomber.
Mr Chung received instructions from Chinese officials from as early as 1979, prosecutors said.
In a letter he sent back to China, he is reported to have expressed "a desire to contribute to the Motherland", US Attorney Tom O'Brien told reporters.
Mr Chung is thought to have had links to Chinese-born engineer Chi Mak, who was found guilty of conspiring to export sensitive defence technology from the US to China last year, the justice department said.
If convicted, Mr Chung faces about 100 years in prison.
Taiwan focus
In a separate case, a defence department employee and two others are accused of passing US government documents and information to China. The three suspects are Tai Shen Kuo, 58; Yu Xin Kang, 33; and Gregg William Bergersen, 51.
Mr Bergersen, a weapons systems policy analyst for an agency within the defence department, was charged with conspiracy to disclose national defence information "to persons not entitled to receive it".

Tai Shen Kuo and Yu Xin Kang are charged "with conspiracy to disclose national defence information to a foreign government".
Mr Kuo has Taiwanese and US passports and is alleged to have cultivated a relationship with Mr Bergersen to get information including details of potential sales of US military goods to China, according to court documents.
Ms Kang, a Chinese national living in the US, ferried information between Mr Kuo and Chinese officials, prosecutors said.
Different styles
Mr Kuo and Ms Kang each face up to life in prison if convicted. Mr Bergersen faces up to 10 years in prison.
Assistant Attorney General for National Security Kenneth Wainstein said the cases represented different styles of espionage, but both with the same objective.
"Certain foreign governments are committed to obtaining the American trade secrets that can advance the development of their military capabilities," he said.
"Today's case demonstrates that the justice department is equally committed to foiling those efforts through the arrest and prosecution of those who conduct economic espionage at the expense of our economic and national security."

The Squeeze on PetroChina

With domestic production falling, it must buy costly oil abroad to sell at subsidized prices at home

A PetroChina gas station: Raising prices is tough in China
Feng/Color China Photo/SIPA
A PetroChina gas station: Raising prices is tough in China
Feng/Color China Photo/SIPA
PetroChina (PTR) has been the sweetest of China plays for global investors in recent years. Warren Buffett started investing in the mainland's biggest oil producer back in 2003, and the company's shares appreciated more than sevenfold from that point until last November. Last fall, when PetroChina listed in Shanghai, it enjoyed a surreal market capitalization of just over $1 trillion, a figure roughly equal to the economic output of India and $600 billion more than the value of ExxonMobil (XOM) shares.
These days the mood is likely far more subdued at PetroChina's Beijing headquarters. It's a primary target of a divestiture push by human rights groups. They are outraged by the investments of PetroChina parent China National Petroleum Corp. (CNPC) in Sudan, which has drawn

international criticism over atrocities in the war-torn province of Darfur. And PetroChina's shares on the Shanghai and Hong Kong stock exchanges have fallen 40%-plus over the last four months, thanks in part to a slower earnings outlook. (Weep not for Buffett: He sold off his estimated 2.3 billion shares, or 1.3% stake, in the company last October and made a killing.)

EARNINGS PRESSURE

PetroChina still boasts plenty of strengths: It has global scale and $105 billion in annual revenues, and it drills for crude and refines gasoline and other products in a hypergrowth, domestic economy. Yet it's now caught in a painful squeeze. It must pay around $100 per barrel in international oil markets for imports to offset its declining production at home.

At the same time, PetroChina is under government orders to subsidize domestic fuel prices for consumers. Gas and diesel "prices in China reflect $60 a barrel for oil, not $100 a barrel," says Hernan Ladeuix, head of oil and gas research for CLSA Asia- Pacific Markets in Singapore. (PetroChina executives declined to comment for this story.) Nor is Chinese President Hu Jintao's government likely to cut much slack for PetroChina. Consumer price inflation on the mainland hit an alarming 7.1% annual pace in January. Beijing officialdom fears social instability among lower-income Chinese above all and won't let domestic oil companies push through price increases.

True, PetroChina rakes in profits on the oil it produces abroad and then sells in global markets. But two years ago Beijing slapped on a windfall profit tax that generates $8 billion in government revenues used to subsidize energy-hungry Chinese industries. In March, China's legislative body, the National People's Congress, may hike other taxes related to oil production. Beijing "thinks it's good to take money from the very rich oil companies to help more vulnerable parts of the economy," says K.F. Yan, a Beijing-based analyst at Cambridge Energy Research Associates.

At the same time, PetroChina is coping with declining production at its aging domestic oil fields in the northeastern city of Daqing. Crude output grew only 0.9% in 2006, to 830.7 million barrels, while in the first half of last year it inched up 0.1% year-on-year. PetroChina did announce a major find along the tidal waters near the northern city of Tianjin that the company expects will eventually provide some 200,000 barrels a year. Still, Morgan Stanley (MS), which forecasts PetroChina's 2007 net profit to come in at about $22 billion, is predicting profit growth this year of only

4.5%. Back in 2006, earnings rose 6.6%.
The hunt for more oil has prompted PetroChina (and parent CNPC) to explore energy sources in Kazakhstan, Sudan, and Venezuela. But in Sudan's case, it also has put the company in hot water with human rights groups. "Absent China and PetroChina's involvement, it might be easier to bring sanctions against the Sudanese government," says Sophie Richardson, Asia advocacy director with New York-based Human Rights Watch.
Another risk: In a politically unstable country such as Sudan there is always the possibility of an abrupt change in government and the seizure of foreign oil assets. PetroChina, like other global oil companies, faces risks such as "nationalization, rising taxation, and changing contract structures," says Xu Xiaojie, director of the Institute of Overseas Investment at CNPC's Research Academy of Economics & Technology.
The outlook for PetroChina in the far more stable natural gas business appears bright. The company already operates the country's transnational gas pipeline from the western region of Xinjiang to power-hungry Shanghai. On Feb. 22, PetroChina began building a second extension that will run to Guangzhou. It also has teamed up with Chevron (CVX) to produce natural gas in Sichuan province.
Yet until PetroChina can close the gap between the high price of oil it buys abroad and the subsidized prices at which it must sell it at home, its earnings and stock price will remain under pressure. Savvy investor Buffett appears to have timed his departure last fall just about right.

China inflation hits 11-year high

Chinese inflation hit an 11-year high in January after rising price pressures were exaggerated by fierce snow storms, official figures show.
Soaring food prices were largely blamed for pushing consumer inflation up to 7.1% last month, from 6.5% in December.
Inflation in China continues to rise despite higher interest rates and other measures by Beijing to keep the economy from overheating.
The worst winter for decades hit food supplies, sending food costs up 18%.
Massive snowfalls wrecked crops and killed millions of livestock.
But analysts cautioned that the severe weather was not the

only factor behind rising food costs, and warned that prices could still increase further.

Food prices are rising due to rising demand and inadequate supply

Unrest

January's inflation rate of 7.1% was the highest figure since September 1996, when consumer price inflation hit 7.4%.

Non-food inflation rose only slowly, hitting an annual rate of 1.5%, the figures showed.

Chinese leaders have been under pressure to control spiralling food costs, the biggest factor behind historical periods of social unrest in a country where according to the World Bank 300 million people live in poverty.

Measures taken by the government include giving farmers incentives to rear more pigs.

Last year, the government also raised interest rates six times in an attempt to keep inflation under control.

Analysts said in light of the latest figures they expected further interest rate rises.

Power problems continue in China

A total of 39 Chinese counties still have little or no power following the nation's worst weather in decades.

Power has been restored to 17 million households, according to state media, but more than 130 counties remain affected in some way.

A total of 11 electricians have now died while working on power lines.

Heavy snow and ice has killed dozens of people, and left millions stranded as they try to get home for the Lunar New Year celebrations later this week.

Four million people in Chenzhou in central Hunan province were entering their 11th day without power on Tuesday.
Residents had to queue for water and food, and there were reports of cash running low as supplies were unable to reach the city.
A resident who gave her name as Hong told the Associated Press that people were taking turns to use water.
"It is extremely cold and inconvenient. I haven't had a shower for about 10 days," she said.
'Arduous task'
At a press conference in Beijing, a spokesman for the State Electricity Regulatory Commission (SERC) said the main task was to ensure that power was restored to all towns before the major new year celebrations.
"Since time is running out, our task is still an arduous one," said chief engineer, Gu Junyua.

People in Chenzhou had to queue for food and water
He said that Chenzhou had power for three hours on Monday evening before it failed again.
The commission also said that power supply in 131 of China's more than 2,000 counties was affected, and that 39 of these counties still had little or no electricity.
Transport across China is beginning to recover after nearly two weeks of disruption.
Flights have resumed from all affected regions, but Xinhua reported that 47 flights were cancelled due to heavy fog on Monday and 1,006 flights were delayed in the eastern cities of Hangzhou, Nanjing and Changzhou.
The weather is estimated to have affected more than 100m people and caused 54bn yuan (£3.8bn) of damage.
Premier Wen Jiabao said recently that Chinese people must "have faith" that the situation could be overcome.

China factory output growth cools

China's industrial output weakened in January and February as firms were hit by lower exports, official data shows.
The measure of factory production grew by 15.4% in the two month period, down from 18.5% in the same period of 2007.
Chinese firms are having to deal with higher raw material costs after crude oil prices climbed to record levels.

China is heavily reliant on its exports. They have also been hit by a stronger yuan, weakening US demand, and poor

weather at the start of the year, which hampered transport and distribution. "Exporters are facing big problems and they are unable to make profit," said Andy Xie, an independent economist based in Shanghai. Recent figures showed that Chinese exports increased by 16.8% in the eight weeks to the end of February, less than half the growth rate of 41.5% in the same period a year earlier.
As well as the external problems facing Chinese producers, the government also is taking steps to slow output in an attempt to stop the booming economy from overheating. China's continuing economic expansion has pushed up the rate of inflation, and prompted higher interest rates.
"With heightened inflation risks, we expect that further tightening measures by the government coupled with a gradual softening in exports will likely lead to downward pressure on industrial production," Goldman Sachs said.

INDONESIA

INDONESIA The lasting legacy of Suharto

If Suharto, who has died at the age of 86, had the kind of pumped-up ego we usually associate with powerful politicians, he never let it show.
In stark contrast to his fiery and extrovert predecessor Sukarno, Indonesia's first president, Suharto exuded a sense of calm detachment, his face an enigmatic mask that gave away little.

In fact he rarely betrayed any emotion.

Suharto gave himself the title Father of Development
He kept himself aloof from foreigners and Indonesians alike, almost never granting interviews, only addressing the public sparingly in set-piece speeches which he delivered in a monotone mumble with all the charisma of a junior civil servant.
He left no statues of himself, no parks or roads were named after him, and only on special occasions did you see his face up on billboards, although in the last years of his rule it did appear on the largest-denomination banknote.
Indonesians often found it difficult to pin down what they felt about the man who had towered over their lives for so long.
For most he remained an opaque, distant figure.
They certainly feared him.
He preferred indirect methods to disable his opponents, but was prepared at times to unleash terrifying violence to defend his so-called New Order regime.
Slaughter
The bloodshed which accompanied his rise to power, after a mysterious coup attempt in 1965 which he blamed on Indonesia's then-powerful Communist Party, was on a scale matched only in Cambodia in this region.
Within the space of a few months at least half a million people were slaughtered in anti-communist pogroms that, at the very least, Suharto and the military tacitly encouraged.
The trauma of that period scars Indonesia to this day, and was a key tool in Suharto's armoury.
The spectre of a communist revival was used time and again, right up to the end of his rule, to discredit dissidents, even though the party was completely destroyed in the 1960s.
In the wake of those killings, 200,000 people were detained, half of who remained in prison for more than a decade, most without trial.
They included some of Indonesia's best-known artists and intellectuals.
But it was his ability to manipulate the fear left over from the 1960s which was Suharto's key talent.
He created a network of intelligence agencies whose job it was to sniff out any dissent before it could gain momentum.
Two million people were officially tainted with left wing associations right through to the 1990s - that might just mean having had a grandparent connected in some way with the old Communist Party.
Such a taint could bar you from a government job, or a place at university.
His intelligence agencies proved adept at provoking incidents

that gave them a pretext to crush incipient opposition, or at persuading opponents to switch sides.

The student movement was crushed in the 1970s, Islamic activists were either co-opted or jailed in a series of show trials in the 1980s, and independent media outlets were crippled in the mid-1990s.

RISE AND FALL OF SUHARTO

Born in Java, June 1921

Comes to power in 1965 after alleged Communist coup attempt

Formally replaces Sukarno as president in March 1967

Modernisation programmes in the 70s and 80s raise living standards

East Timor invaded in late 1975

Asian economic crisis of the 1990s hits Indonesian economy

Spiralling prices and discontent force him to resign in May 1998

Judges rule he is unfit to stand trial for corruption in 2000

Transparency International says he tops the world all-time corruption table in March 2004

Economic growth

Suharto had an unrivalled political cunning, an unerring instinct for wrong-footing possible rivals.

But he also carried with him the mindset formed by his small-town upbringing, and believed the mass of the rural poor should be disconnected from politics, and focus only on improving their lives.

His preferred title was revealing - Bapak Pembangunan, meaning "father of development".

His approach to ruling the country was as a stern but benevolent father, who enjoyed dispensing folksy advice and assistance to awe-struck farmers, but would brook no criticism.

It was an approach that delivered impressive stability and development, but at a price.

When he took over in 1966 the economy was in ruins, inflation out of control, and abject poverty was everywhere.

For the next three decades he steered Indonesia through a period of almost unbroken economic growth, improving its infrastructure, its agricultural and industrial output, and the living standards of most Indonesians.

But the oppressive political climate stifled intellectual development, and smothered attempts to address Indonesia's many ethnic and religious disputes, which then erupted after Suharto's downfall with great loss of life.

Suharto was also lucky. His accession to power coincided with the escalation of the Vietnam War, when the United

States was desperate for reliable allies in the region and willing to turn a blind eye to his human rights record.
It also coincided with the first oil boom, which poured riches into the government's coffers.
This only fuelled the culture of patronage and corruption which was endemic in Suharto's paternalistic style of government.
It was one of his great blind spots, a corrosive drag on his economic achievements he never seemed to recognise.
He was notably weak in confronting the conflicts of interest surrounding his six children, who became spectacularly rich during the boom years of the 1980s and 90s.
Suharto himself lived modestly, but he surrounded himself with people who did not, and who flagrantly abused their access to him to become even richer.
Obscure retirement
Was he a great Asian leader? The many thousands of victims of his brutal purges would surely say no, and yet most Indonesians probably accepted his rule as largely beneficial right up to his last few years in power.
He enjoyed great respect in the rest of the region as a leader who had led Indonesia away from chaos and confrontation with its neighbours.
Had he felt able to step down a few years earlier, his reputation in his country would have been assured.

Suharto's retirement was a cause for celebration for many
As his New Order began to show its age in the 1990s, there was much fevered speculation over how violent Suharto's departure would be, whether it would be as bad as Indonesia's only other experience of a power transfer in the mid-1960s.
Many saw Indonesia as another Yugoslavia, an unwieldy sprawl of islands and ethnic groups that was doomed to fall apart once Suharto's vice-like hold on power was loosened.
Yet, when finally confronted with overwhelming opposition in May 1998, he did not, as many feared, use the military to defend his regime, but instead accepted his defeat, and stepped back into obscure retirement.
After a shaky few years, Indonesia has developed into one of Asia's most lively democracies, and is enjoying strong economic growth again.
One look at nearby Burma, a country with some striking similarities, is enough to know how bad things could have been in Indonesia under different leadership.

INDONESIA: Poised for Rapid Growth?

Democracy plus low labor costs make the world's largest Muslim country **a potential economic powerhouse**. One problem: a restrictive legal system

Here's a quick quiz:
What country produces 60% of Mattel's (MAT) **Barbie Dolls**, limited edition false **eyelashes** worn by J.Lo and Madonna, and nearly two thirds of all the world's **zippers**?

No, the correct answer is not China, but Indonesia. The world's largest Muslim country and its third-largest democracy, Indonesia has become a model of religious tolerance that is admired by the Bush Administration. The country has also been able to prevent the escalation of terrorist attacks since the Bali bombings of 2003 and an explosion at the Australian embassy in 2004. After the end of the 30-year authoritarian rule of President Suharto in 1998, Indonesia has established democratic elections. It has even achieved peace in rebel Aceh province, devastated by the tsunami in 2004.

Trade Minister Mari Pangestu is eager to convert that political success into economic growth. "Indonesia is the world's biggest untold story," she boasts. Since taking her post with the election of President Sisilo Bambang Yudhoyono in 2004, Pangestu has been campaigning to boost Indonesian exports beyond traditional resource sectors involving mining, oil and gas, and forest and agricultural products. "We are trying very hard to diversify our product mix, including the services sector," says Pangestu, an ethnic Chinese Christian who holds a PhD in economics from the University of California at Davis.

It won't be easy. Foreign investors enamored of the growth stories in China, India, and Vietnam can easily overlook Indonesia. Foreign direct investment was just $5.9 billion last year, down 33% over 2005. That compares with $69.5 billion for China. The country's economy still relies heavily on its rich hoard of natural resources. Its vast reserves of gold, nickel, bauxite, coal, and timber, not to mention oil and gas, have enabled the country to benefit enormously from strong commodity prices of recent years. Last year exports grew 17.5%, to $100.8 billion. The economy grew 5.6% last year and is on track to expand by 6.3% in 2007, according to a forecast by Bank Indonesia, the central bank.

That's respectable by standards of developed countries but not so impressive compared to the double-digit growth rates in China or the 8%-plus growth in India and Vietnam.

Risk of Being Steamrolled by China

And while Indonesian exports have continued to climb, reaching a 15% year on year growth during the first eight months of 2007, Pangestu warns that more than half this growth owes its success to higher prices for palm oil, coal, and minerals such as nickel, and that the country needs to focus aggressively on attracting investment to non-resource-based industries.

Like other low-cost-of-labor countries such as the Philippines and Mexico, Indonesia risks being steamrolled by the Chinese manufacturing juggernaut, as well as the emerging one in Vietnam (BusinessWeek, 12/16/06).

Although Indonesia has benefited to some degree from a trend among garment and shoe customers such as Nike (NKE) to diversify their supply sources to avoid total dependence on China, it faces tough competition from the Vietnamese. Nonetheless, Pangestu bravely insists that there's room for Indonesia to develop. "Countries have to change their strategy to find a niche so as not to compete directly," she says. "Indonesia can develop a niche because of its artistic capability and cultural heritage."

Special-Order Eyelashes for J.Lo and Madonna

That's where faux eyelashes come in. One of the country's leading eyelash manufacturers is Royal Korindah. The company, which is owned by a Korean family, produces about 14 million sets of eyelashes per year for companies such as MAC cosmetics of Toronto and Japan's Shu Uemura, which outfitted singers Jennifer Lopez and Madonna with special-order lashes made of mink and red fox fur. The company's 2500 employees, virtually all women in their twenties, thread each pair of lashes by hand for about $57 per month.

Chief Operating Officer Cheung Shu Fong says Korinda tries to avoid direct competition with Chinese rivals by "emphasizing the highest quality fancy styles" such as special order Shu Uemura Diamond-studded lashes for the Material Girl. Sales have doubled in the past five years, to about $5 million, and the company expects 20% growth in 2008 once a new factory that will increase capacity by 20% comes on stream.

Another area the government is pushing to promote is the animation and film industry. One promising example is Castle Production, a Jakarta-based studio that has been doing animation since 2000. With 100 artists, 20 of whom do

3D computer animation, Castle got its first overseas contract for a 13-part animated series called Carlos Caterpillar commissioned by Dallas-based Sunny-side Entertainment. The show has aired in the U.S. and Spain. Castle is now working on a 26-part series subcontracted by an Indian company on behalf of a French client. "Our business is going really well and growing," says Maria Tjhin, Castle's general manager.

Flexing Its Muscles in Animation

That said, even Tjhin admits that it's tough convincing prospective clients that Indonesia's animation industry is up to global standards. And it doesn't help that Castle is competing with bigger rivals throughout the region. From India to Vietnam to Hong Kong, animation studios across Asia (BusinessWeek, 10/15/07) are trying to produce TV shows and movies for Western audiences.

Not all of Indonesia's problems come from competition. The country's labor codes make it more costly to lay off workers than to keep them. That is a big turn-off for foreign companies. "You can't sack anyone without paying a lot of money and going to court," says a foreign lawyer with a local firm, who requested anonymity." Indonesia's legal framework is also a huge obstacle to foreign companies. The slow pace of reform of the legal system continues to deter investors, large and small, from coming to Indonesia. "It may continue to be the country's Achilles' heel" says Rajiv Louis, head of investment banking for UBS (UBS) in Jakarta.

Another problem for investors comes from the decentralization of government in the past decade. "Everything used to be very top-down, but now with decentralization it is difficult for central government to coordinate with provincial governors and difficult for the governors to coordinate with subprovinces," says Mirza Adityaswara, director of equity research at Credit Suisse in Jakarta. "The situation has become investment-unfriendly, but this is a long-term learning process for Indonesia."

THAILAND

THAILAND World Bank: Economic Monitor including the economic outlook for 2008

The World Bank has once again released its biannual issue of the Thailand Economic Monitor reviewing the state of the Thai economy in the second half of the year. The report, which is prepared by the World Bank's Bangkok office, offers up a wide range of information, including the economic outlook for 2008, the state of structural reforms in Thailand and statistics on a plethora of economic indices.

According to the report, real GDP for 2007 is expected to grow by 4.3 percent this year, which is slightly lower than the 5 percent figure in 2006. This slowdown in growth has already been widely known due to a number of factors that placed strain on the economy last year. As noted by the World Bank, much of this was due to a weakening in domestic demand stemming from political uncertainties, a decrease in consumer and investor confidence from higher oil prices, and the reduction in the growth of export receipts in terms of baht because of the baht's appreciation against the dollar. Comparatively, the report mentions that world real GDP is expected to be around 3.5 percent in 2007.

Throughout 2007, exports remained one of the key drivers of growth for the Thai economy and are expected to continue to hold prominence in 2008 as well. The report points out that exports remained resilient despite the baht's strength and a slowdown in the US economy, which is Thailand's largest export market. The decrease in exports to the US was offset by strong growth in other markets, including Japan, the EU, ASEAN and China. Overall, manufactured exports remained solid, while agricultural exports slowed, mainly due to the affects of the baht's appreciation. Total export growth, meanwhile, was expected to finish at around 14.5 percent for last year.

One thing that could potentially impact the state of Thailand's exports this year is the Japan-Thailand Economic Partnership Agreement (JTEPA), which came into effect on 1 November 2007. The agreement is expected to have a profound effect on Thailand's economy due to the fact that

Japan is Thailand's largest trading partner and source of foreign investment. The World Bank anticipates that JTEPA will strengthen both manufactured exports and agricultural export products to Japan, in addition to enhancing the potential of garments, textiles, jewelry and chemical products. The report further notes a study by the Thailand Development Research Institute (TDRI) that showed that value of tariff payments potentially saved by Thailand this year from JTEPA could amount to US$418 million, or about 1.9 percent of Thailand's total import value.

In addition to JTEPA, it was recently reported in the media that Thailand and South Korea have finally cleared up the last remaining hurdles for Thailand's entry into the ASEAN-South Korea free trade agreement. After undergoing five rounds of negotiations, both sides struck a deal this past December that would enable Thailand to join the regional trade agreement that is estimated to be worth more than US$62 billion per year. Thailand's entering into the FTA will entitle nearly all of its exports to South Korea to tariff cuts or revocation, including immediate reductions on electrical appliances, wood, frozen shrimp, tapioca flour and squid.

After record highs in the gross inflows of foreign direct investment into Thailand in 2006, FDI contracted somewhat last year. The report notes, however, that these figures are likely to rebound once more this year as political uncertainties begin to clear and as more Japanese companies invest in Thailand in the wake of the recent entry into force of JTEPA.

The report also makes mention of that fact that Thailand's macroeconomic fundamentals remain strong. Headline inflation slowed to around 2 percent last year, marking a 2.7 percentage point decline from 2006. Additionally, the country's current account has been in surplus since 2006 and is expected to reach 4.9 and 2.2 percent of GDP for last year and this year, respectively. This has helped raise international reserves to US$80 billion by October of last year. Furthermore, public debt has continued its descent, from 46.5 percent of GDP at the end of 2005 to 40.5 percent at the end of 2006 down to 38.0 percent as of August last year.

Although last year saw an interim government managing the country, the World Bank points out that a number of reform measures issued during its tenure "have laid the foundation for future growth." The report goes on to say that the Cabinet "has endorsed many acts and regulations that would lead to great liberalization, competition and improved governance." It goes on to specify a number of bills, such as the National Productivity Master Plan, which is aimed at raising productivity at both the sectoral and aggregate levels. Likewise, it mentions the Intellectual Master Plan, which aims to promote knowledge creation, dissemination and innovation. The report also points to the latest 15-year Higher Education Development Plan, which it says should "help raise the skill levels of future Thai workers, increase innovation and move Thailand towards a knowledge economy."

Last year also saw investment applications submitted to the Board of Investment hitting a record high, with a total application value of 655.8 billion baht (or close to US$19 billion). This impressive figure marked a 32 percent gain over the previous year. Project approvals from the BOI also shattered records last year, increasing twofold to 744.5 billion baht (about US$21.5 billion).

The BOI's secretary-general, Satit Chanjavanakul, was obviously pleased by last year's figures. "Even though the country has faced political turmoil," Mr. Satit was quoted as saying, "investors have remained confident in the Thai economy and the availability of infrastructure to support their investments in Thailand." Another positive sign mentioned by Mr. Satit was the number of industrial estate developers who have asked for BOI privileges. The interest of these developers is significant because no new industrial estates have been launched in Thailand since the economic crisis over a decade ago.

An economist for the World Bank, Dr. Kirida Bhaopichitr, was recently quoted as saying that new investment should grow in 2008. She also pointed out that 280 billion baht (approximately US$8.1 billion) in BOI approved projects from 2006 are expected to begin operations this year, noting the two year lag time between project approval and real investment. This sentiment was also echoed by the World Bank's report. The report mentions a delay in the investment of a number of projects approved by the BOI in 2004 and 2005, saying that "as the investment climate improves next year [2008], these approvals will start to be translated into actual investments."

With a new government on its way, it is anticipated that domestic uncertainties will begin to clear and domestic demand will regain some of its steam. The report notes that growth this year is expected to jump up to 4.6 percent. The fact that Thailand's GDP will grow at all next year appears to be a positive sign, as the report mentions that the global economy is expected to slow down to a mere 3.4 percent growth rate this year, with real GDP growth in developing countries set to slow this year as well. In many ways then, this year certainly offers a lot of promise for investment in Thailand.

The THAI NEW GOVERNMENT

Thailand's new Prime Minister, Samak Sundaravej, along with his thirty five cabinet ministers were sworn into office on February 6 at Chitralada Palace. The ceremony took place less than two months after Mr. Samak's People Power Party succeeded in winning the largest number of MP seats (233 out of 480 available seats) in the country's parliamentary elections. The cabinet list includes representatives from each of the six political parties that make up the current coalition government. The swearing in of the new cabinet was warmly welcomed by the international community.

Shortly after his confirmation as prime minister, Mr. Samak held a press conference at Government House with reporters, stating that: "I intend to serve the country and the public interest. The new cabinet and I won't have any honeymoon period. We'll start working right away and will try to manage several of the most important issues and projects simultaneously especially the economy and mega-infrastructures, as well as the prolonged unrest in the South."

The government has also placed a great deal of emphasis on stimulating investment and consumption during its first year in office. In order to spur domestic consumption, the government plans to provide an 80 billion baht (US$2.3 billion) village fund, in addition to seeking more funds for small and medium-sized operators to borrow at low interest. Additionally, the Board of Investment has already presented seven proposals to the Industry Minister aimed at promoting investment. The proposals include promoting investment in a number of sectors as well as launching an increased number of road shows to attract investment from overseas.

As the new government begins its work, Dunia's Thailand Investment Review profiles some of the individuals holding key ministerial posts and their plans for their term in office.

" We must send a clear signal that nothing is retroactive and we are not shutting our door to foreign investment "
Dr. Surapong on the FBA

Samak Sundaravej,
Prime Minister and Defense Minister

Prime Minister Samak has been a figure in Thai politics dating back almost forty years. He has served in a number of cabinet posts under various governments, including deputy agriculture and cooperatives minister, interior minister and transport minister. Most recently, between 2000 and 2003 he served as the governor of Bangkok. Last year, he was chosen to lead the People Power Party in parliamentary elections and after forming a six-party coalition government he was formally chosen to be the country's prime minister. In addition to that post, he will also hold the post of defense minister in the current cabinet.

Suwit Khunkitti,
Deputy Prime Minister and Industry Minister

The newly appointed industry minister plans to restore foreign investor confidence through a new campaign dubbed "Thailand Investment Year 2008." Mr. Suwit has said that his top priorities are attracting foreign investment, the continued development of small and medium enterprises and the reduction of industrial pollution. As part of this, the ministry will target projects that use high-tech and environmentally friendly technologies, with an emphasis placed on the electronics, automotive and steel industries.

The minister has also already assigned the Board of Investment with the task of drawing up the plan for Thailand Investment Year to target markets in Japan, Europe, the United States, China and the Middle East. Mr. Suwit expressed his confidence that foreign investment would continue to be strong this year. He was quoted as telling local newspapers that "projects applying for Board of Investment privileges should be at least 500 billion baht [more than US$14 billion] this year since the government has a clear direction to promote (foreign direct) investment in the country."

Surapong Suebwonglee,
Deputy Prime Minister and Finance Minister

The former information and communications technology minister under Thaksin Shinawatra's government, Dr. Surapong has now been given the task of heading the Finance Ministry. He has stated that his first priorities will be to stimulate the local economy by focusing on domestic consumption, restoring investor confidence and implementing large-scale infrastructure projects.

Speaking on his first day on the job, Dr. Surapong stated that "the government will establish a clear investment program to help revive confidence in the economy. We are confident that the program will help restore confidence among both investors and consumers." He further explained that the government's plans to stimulate investment and domestic consumption are in part to mitigate any potential slowdown in the country's exports due to a sluggish global economy.

Dr. Surapong said that the new government expects the economy to grow by at least 5.5 percent this year, with growth potentially reaching 6 percent. Furthermore, he has also pledged to meet with the Bank of Thailand to discuss possible changes to the 30 percent capital controls and to speak about trends in the baht's value.

Mingkwan Sangsuwan,
Deputy Prime Minister and Commerce Minister

Prior to taking up his present post, the country's new commerce minister previously served as a senior executive at Toyota Thailand and as the director of the Mass Communication Organization of Thailand (MCOT). On his first day of work, Mr. Mingkwan announced seven priorities that the ministry plans to focus on.

One of those priorities will be to expand trade to new export markets in order to diversify the currencies of the country's export revenues. He stated that the country plans to seek expanded trade with China and other rapidly expanding markets such as the Czech Republic and the Middle East. As a result, the ministry anticipates that exports to these newer markets will increase to 49.1 percent of total exports this year, up from 46.6 percent last year.

" Of four engines – exports, consumption, investment and public spending – the last engine could be restarted quickly and is under our control. Thus, the state must take a lead. Mega-projects are the key. "

Dr. Surapong

In addition, Mr. Mingkwan also plans to revamp the export policy of a number of agricultural products to ensure maximum export value. Another one of the ministry's priorities is to create fair practices for intellectual property rights that will be able to cope with growth trends in the digital technology sector.

Santi Promphat, Transport Minister

The new transport minister announced plans to proceed with the construction of nine mass-transit projects in and around Bangkok. “Investments in mass transit rail projects are expected to boost the country’s economic growth,” reported Dow Jones Newswires, “partly by reducing bottlenecks on Bangkok’s heavily-congested roads, and spur private investment.”

The minister further stated that he will begin by supporting the expansion of the Purple Line on the subway from Bang Yai to Bang Sue. Additionally, the Mass Rapid Transit Authority reported that it expects to be able to sign an agreement with the Japan Bank for International Cooperation to obtain 10 billion baht (about US$290 million) in loans to finance the construction of the Purple Line shortly.

Thailand’s Tourism Industry

An attractive venture

Thailand’s tourism industry continues to enjoy healthy growth and remains one of the shining sectors of the economy. Despite uncertainties raised over the past year, tourism confidence in Thailand remained high as the government’s estimate of 14.8 million people visiting the Kingdom in 2007 was expected to be reached, bringing about 547 billion baht in revenues. And, in fact, the Governor of the Tourism Authority of Thailand (TAT) notes that an estimated 60%of arrivals are repeat visitors. This represents a good increase over the previous year’s figure of 13.82 million visitors, and 487 billion baht tourism revenue.

The country continues to receive high praise with a Travel and Leisure Magazine survey listing Bangkok as the top city within Asia; three awards from the Chinese market, including “The Best Destination for Leisure - Short Haul” by readers of TravelWeekly China Magazine, and Travel News Magazine in Norway has awarded Thailand its Grand Travel Award 2008, naming Thailand as “the best tourist country in the world” for the fifth consecutive year. According the TAT, Chinese visitors to Thailand will cross the one million mark for 2007. And this year the Authority will open offices in Dubai, Moscow and Vietnam, while maintaining a focus on attracting quality visitors.

Thailand continues to command nearly one quarter of the regional market share and 0.7% of world market share in

2006, according to a report issued by the World Travel & Tourism Council, which also estimated 5.3% growth per annum, in real terms, from 2008 through 2017. That same report estimated that the travel and tourism industry would employ about 4 million people, or 11.3% of Thailand's total workforce, a figure that would double within the next ten years.

In an effort to further enhance regional tourism, Thailand is set to join with Malaysia and Indonesia in a five-year plan to boost tourism among the three countries, under the framework of the Indonesia Malaysia Thailand Growth Triangle (IMT-GT). Under this program, Thailand will work to enhance tourism in fourteen southern provinces, drawing a 30% increase in tourism from Malaysia and Indonesia and improving the economies of the southern region.

In addition to Thailand's traditional tourism attractions, such as the wonderful temples of Bangkok, Chiang Mai and many other cities, or the beautiful beaches of Phuket, Krabi and Pattaya, new areas have recently been added to the mix. Yachting for one has been made easier with the elimination of import taxes and the continuing expansion of marinas. A more recent newcomer to the industry is the surge of Thailand's spa industry, which has met with great success and continues to expand at a healthy pace.

Meetings, Incentives, Conventions and Exhibitions (MICE) also proved to be a robust sector and contributor to tourism in Thailand. The industry continues to experience growth and according to the Director General of the Thailand Convention and Exhibition Bureau income from MICE could reach 100 billion baht, or 10% of total annual tourism revenue within the next three years. One big win and validation of the country as a premier MICE destination is the selection of Thailand to host the 91st Lions Clubs International Convention in early 2008. An event that will bring in 30,000 delegates! Thailand was also selected to again host ASEAN's Tourism Forum 2008 (ATF 2008), which is an annual travel industry summit meeting, in early 2008. Thailand maintains its goal of becoming the ASEAN MICE hub within the year 2010 and with the Kingdom's reputation for service, hospitality, excellence and safety there is optimism that this goal will readily be reached.

Another sector of the burgeoning tourism industry is the attraction of Thailand as a medical hub of Asia and a steady influx of medical tourists who are able to combine excellent health at low costs and all of the amenities that the Kingdom offers. Over one million foreign patients come the Thailand

each year.
The Tourism Authority of Thailand has a worldwide marketing package under the banner "Seven Amazing Wonders", with which it hopes to surpass the 2007 level of international arrivals to reach 15.7 million in 2008, and to increase domestic tourism by one million to reach 83 million trips. The seven wonders range from experiencing the art of Thai living to enjoying the fun factor of the country, which includes events such as the annual Phuket Regatta and even elephant polo.
As indicated by TAT, a key part of that campaign is the "nine Royal Discovery Initiative projects, which were conceptualized and created by His Majesty the King and members of the Royal Family as part of Thailand's "sufficiency economy" practice." TAT Governor Mrs Phornsiri noted, "This year, we are commemorating His Majesty the King's 80th Birthday Anniversary. His Majesty is now the world's longest reigning monarch and within two years, will become the longest reigning monarch in world history. This will be another cause for glorious celebration."
The Board of Investment offers investment promotion incentive to a wide range of tourism projects, including construction of convention halls and international exhibition centers, but also to hotels, to aquarium construction, amusement parks and cultural centers. With wide government support, and with so much beauty and majesty to offer, it is little wonder that Thailand remains a destination of choice for millions of travelers, foreign and domestic alike.

THAILAND'S INDUSTRIAL FUTURE

Last month, the Ministry of Industry and the Industrial Economics Office organized a key seminar on the state of the country's main industries entitled 'Thailand's Industrial Future.' The seminar included representatives from each of Thailand's five core industries—automotive and auto parts, electronics and electrical appliances, processed foods, textiles and plastics—all of which plan to become the region's leading exporters by 2012.
The director of the National Food Institute of Thailand, Mr. Yuthasak Supasorn, revealed that the overall condition of Thailand's processed food industry has grown consistently over the past six years, averaging 11 percent year-on-year growth over that period. In 2007, the sector's market value

was over US$17 billion baht, with both agricultural products and processed products accounting for roughly US$9 billion baht each of total value. He further noted that Thailand's processed food industry is currently ranked as the seventh largest exporter in the world. The institute, however, plans to see Thailand becoming one of globe's three largest exporters in the future. In fact, by the year 2012, he noted that Thailand will export roughly US$16.7 billion (based on current exchange rates) in processed food products, with its three major areas of focus being Halal chicken meat, health food, and condiments.

Meanwhile, the executive director of the Thailand Textile Institute, Mr. Virat Tandaechanurat, stated that Thailand's textile industry has expanded over the past several years. He explained that the major markets driving growth in the textile industry are Japan, Europe, and ASEAN. Furthermore, the institute has set a target to become the "Italy of ASEAN" with more than 10 percent year-on-year growth in 2012 by emphasizing fabric development. It is also estimated that Thailand's textile exports to ASEAN members will reach US$1 billion in 2008 with aims at reaching US$3 billion by 2012. Mr. Virat further noted that Thai textile industry's main strength is its intensive supply- chain from upstream to downstream.

In terms of electronics and electrical products, the Thailand Electronic and Electrical Institute expects Thailand to become an ASEAN leader in E&E production and exports by 2012. It plans to attain this goal by focusing on environmentally friendly and energy-saving products.

. The electronics industry's main strategy is to turn the industry into a production-based one and to lead value creation into other new wave industries over the next decade. The electrical appliances sector has set its sights on increasing competitiveness through innovation and featured designs. On top of this, it also plans to maintain existing markets and expand into emerging markets with a focus on green manufacturing, eco-products and green society. Charuek Hengrasmee, the institute's president, was quoted as saying that "…with our strategies, we forecast our exports will rise from about US$50 billion last year to US$200 billion in 2012." Lastly, he also noted that the energy sector aims to move from a net importer to being one of ASEAN's largest exporters.

The seminar also heard from the director of the Thailand Automotive Institute. Mr. Vallop Tiasiri stated that Thailand's automotive industry's vision for 2012 sees Thailand as an automotive production base in Asia that adds value to the country through its strong domestic supplier base. It is forecasted that Thailand will produce 1,800,000 vehicles, out of which 55 percent will be for export and 45 percent for domestic sales. Moreover, he said that Thailand will produce internationally-recognized and standardized replacement equipment manufacturing (REM) parts and OEM. Exports of these items in 2006 were more than US$6 billion and the institute expects exports will achieve roughly US$11.5 billion by 2012. Lastly, the Thai automotive industry plans to increase its capability to produce auto vehicles and parts through local design, research, and development to create value added of more than 70 percent.

Last, but not least, was a look at Thailand's plastic industry, which is expected to be a leader in the processed plastic industry for high value added products in ASEAN, China, and South Asia. In addition, the sector plans to support the substantial growth of other linkage industries by 2012. The industry has stated its strategies as: developing technology and management, increasing market capacity, and creating a database on the plastic industry. The Petroleum Institute of Thailand has projected that this industry will expand 7 percent a year on average with its value exceeding US$14 billion in 2012, up from US$9 billion in 2006. The industry also plans to boost production of transformed plastic by 5 percent per year, reduce plastic imports at 20 percent a year and increase the average value of plastic items by 25 percent.

Japan

Japan enjoys strong growth rate

Strong export demand and business investment saw Japan's economy grow at an annualised rate of 3.7% in the last three months of 2007, figures show.

The size of the growth surprised analysts, who had been expecting a growth rate of about 1.4%.

However, there are warnings that a slowdown in the US - Japan's key export market - will dent 2008 growth.

The better-than-expected growth figure boosted Japanese shares, with the Nikkei 225 index closing up 4.3%.

There are concerns that a US slowdown will hit Japanese exports

"Amid the recent slack economic data and fears of a recession, today's GDP data helped ease worries," said the head of the equity department of Daiwa Securities, Kazuhiro Takahashi.

Despite the growth, the Bank of Japan is widely expected to keep interest rates on hold at 0.5% on Friday, with rates forecast to be pegged, or possibly cut, during 2008.

The Cabinet Office figures showed that, compared with the previous quarter, the economy grew by 0.9% between October and December.

A 2.9% rise in business investment during the quarter, after a 1.1% increase between in July and September, was one of the main reasons for the growth, analysts said.