

***“Looking East:
Successful Business Ventures
in China & India”***

***Business Intelligence:
“It is all about Making Accurate and
Timely Decisions”***

Presented by: Joachim C. Bartels
Chairman, Intrepid Explorers, Inc. at the
INTERNATIONAL BUSINESS LAW INSTITUTE APRIL 2007



PREAMBLE

“Imperfect Information Makes Imperfect Markets”

Joseph E. Stiglitz, the former Chief Economist of the World Bank.



- ***THE CONSEQUENCES OF ASYMMETRIES IN INFORMATION***
- ***THE REASONS FOR THE INFORMATION DEFICIT***
- ***OVERCOMING THE INFORMATION DEFICIT***



PREAMBLE

Business intelligence is important during every phase of establishing and maintaining a relationship, especially when that relationship includes a cross-border party and the transaction takes place in another country.

China and India are developing business intelligence networks that are making the process of gathering information easier. However, it takes experience to tap into the right network and assess the available information for transparency, limits and applicability. In terms of the effectiveness of information to be used in investment and credit decisions one has to consider the state of information in the respective markets which are under scrutiny.

There are five key factors that drive information availability: Public sector information, mandatory disclosure, regulatory framework, access to bank information and trade information are considered to be the most critical success factors for providing accurate, reliable and timely credit information. All of these factors are outside the control of an information supplier. While decision makers demand uniform decision support and information services across the globe, credit information and rating service levels are still asymmetric due to a fragmented information industry, underdeveloped public sector information, lack of access to bank information and negative attitudes towards mandatory and voluntary disclosure.

"Imperfect information makes imperfect markets", is an often quoted comment by Joseph Stiglitz, the former Chief Economist of the World Bank. Concerning China and India we are faced with the dilemma of 'Imperfect Information', notwithstanding the advances made in information technology (ICT) and the Internet. This presentation illustrates current conditions concerning business intelligence, investment and credit information, trends and what needs to be done to overcome 'Imperfect Information'.

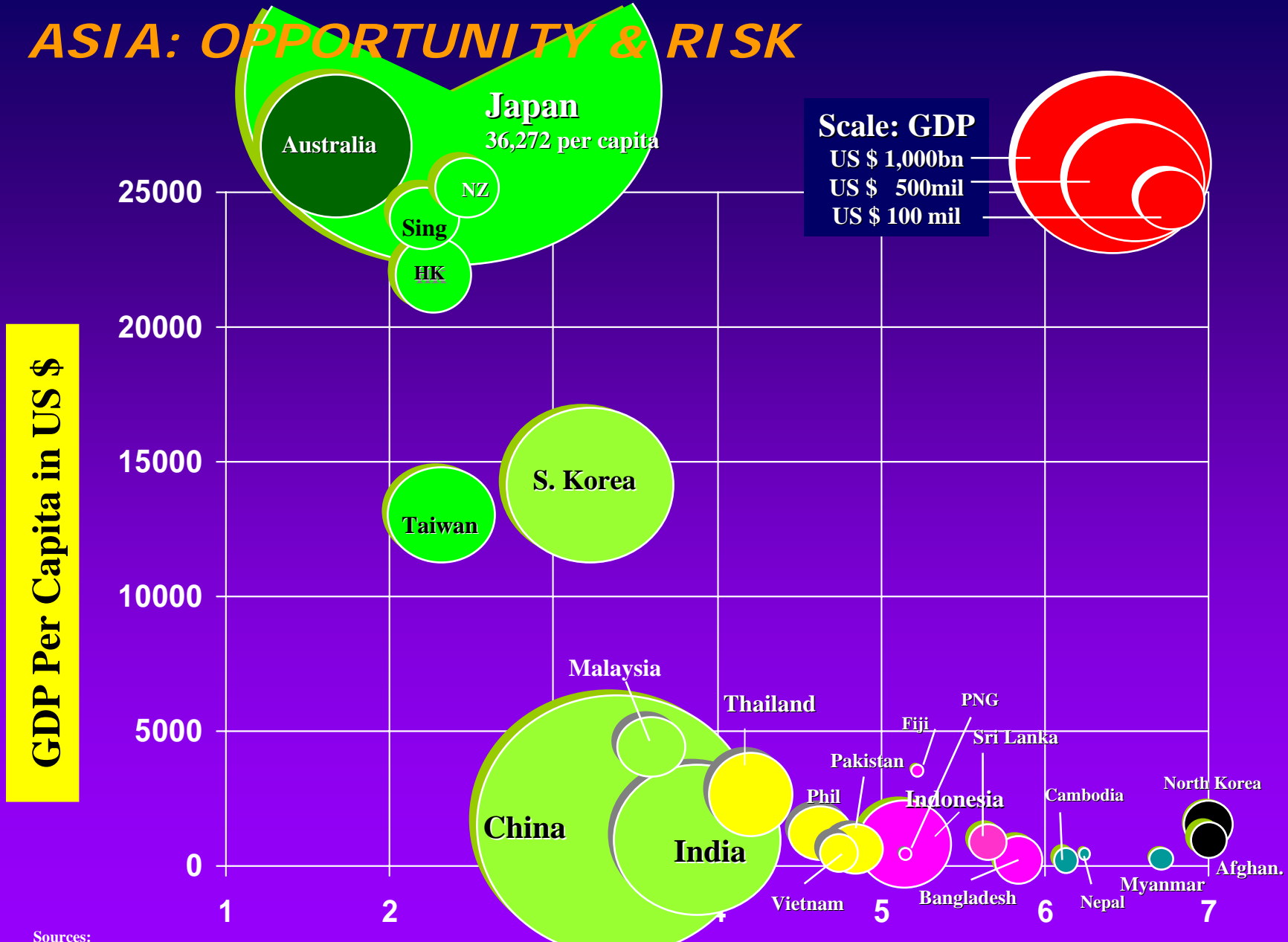


DISCUSSION TOPICS

- *IMPERFECT INFORMATION*
 - *THE CONSEQUENCES:*
 - *ASIA IN CONTEXT: OPPORTUNITIES AND RISK*
 - *COUNTRY RISK*
 - *PAYMENT TERMS & DELAYS*
 - *ASYMMETRIES IN INFORMATION*



ASIA: OPPORTUNITY & RISK



GDP Per Capita in US \$

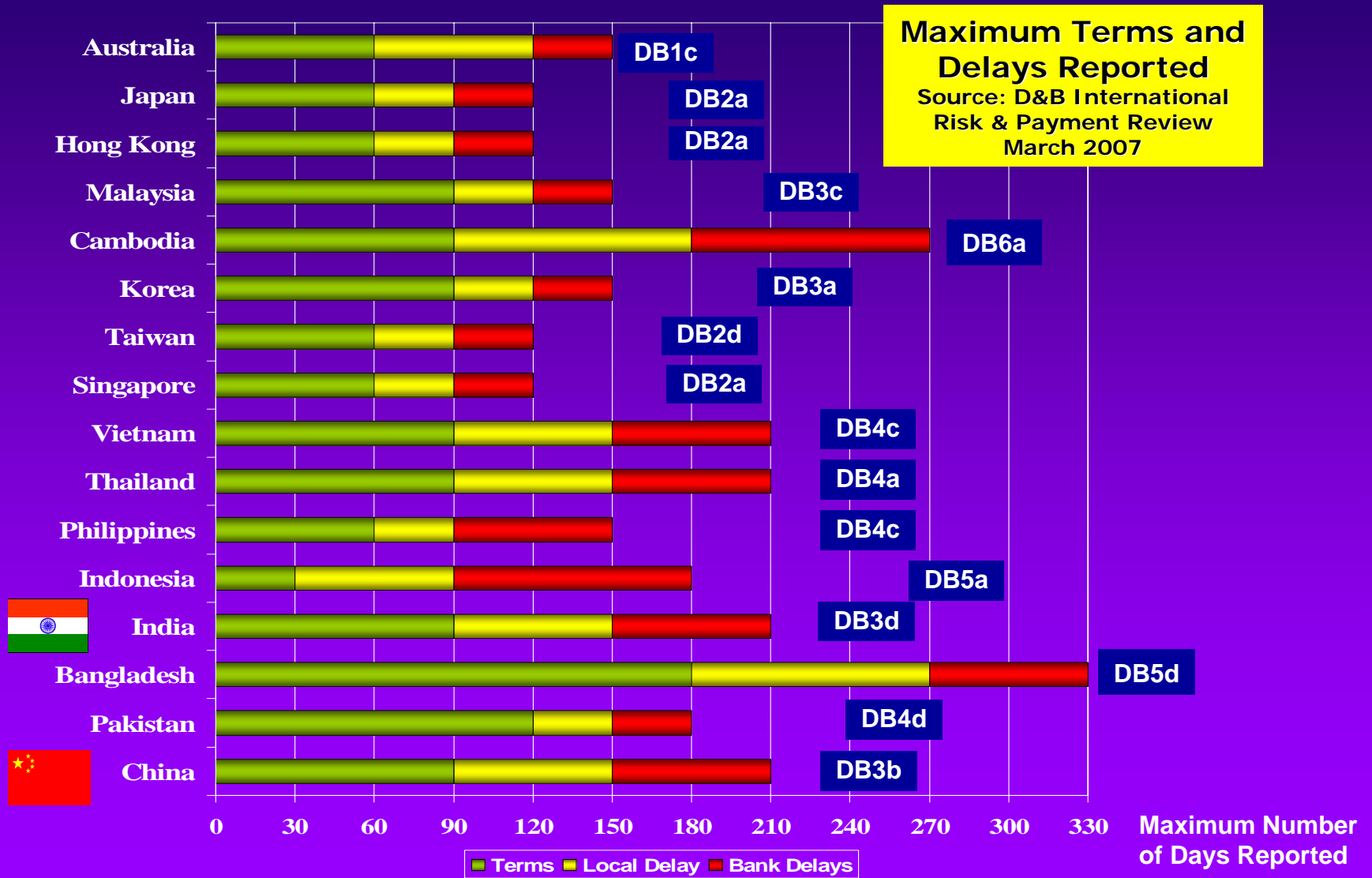
Country Risk Indicator

Sources:
 GDP Data: Economist 2006 Edition
 Country Risk Data: D&B IRPR March 2007



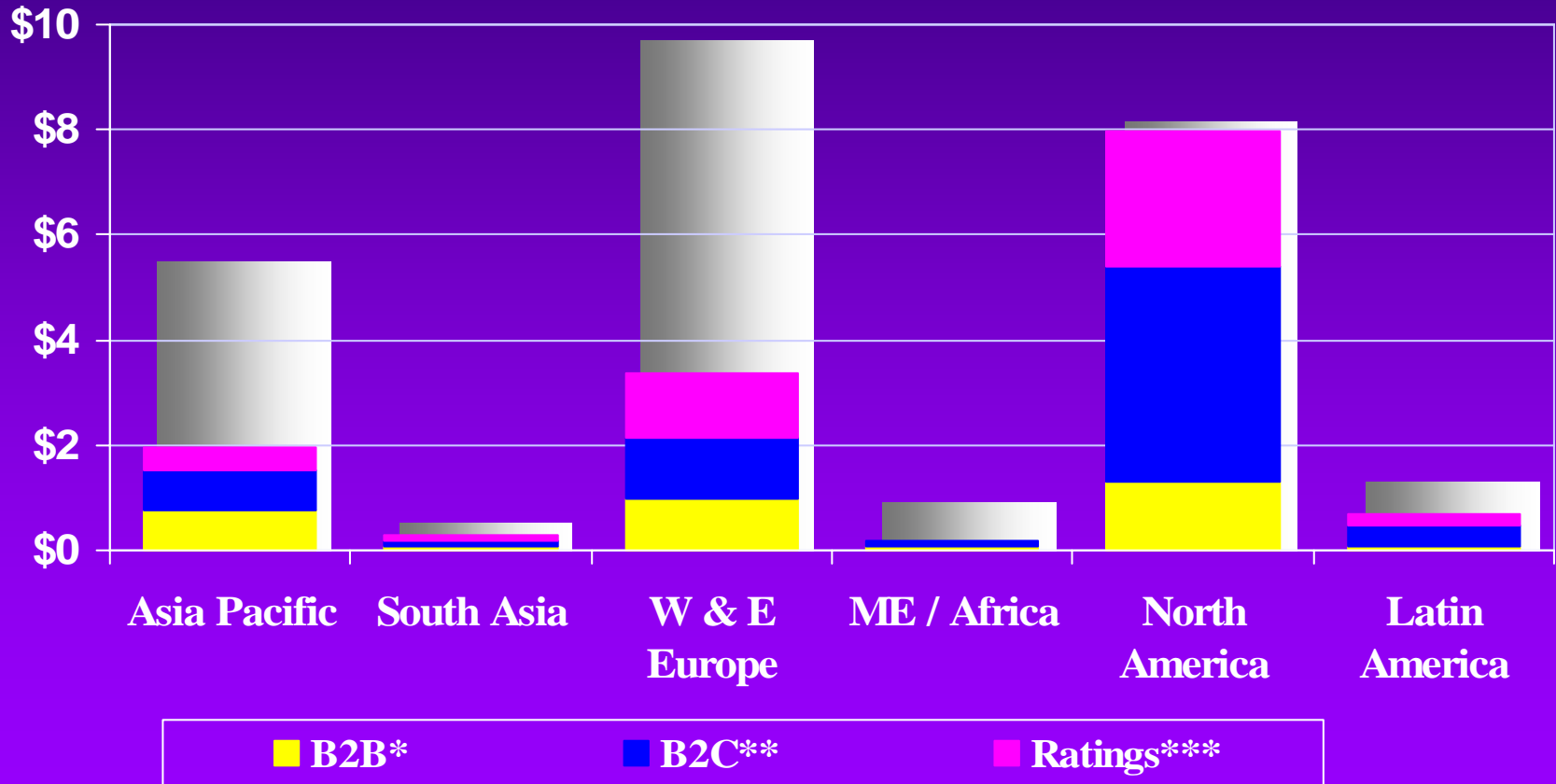
CREDIT TERMS & PAYMENT DELAYS

Export Transactions Inbound



ASYMMETRIES IN INFORMATION

*Information Consumption Based on GDP (Benchmark North America)
Current Information Consumption US\$ 14 bn - Potential US 25 bn+*

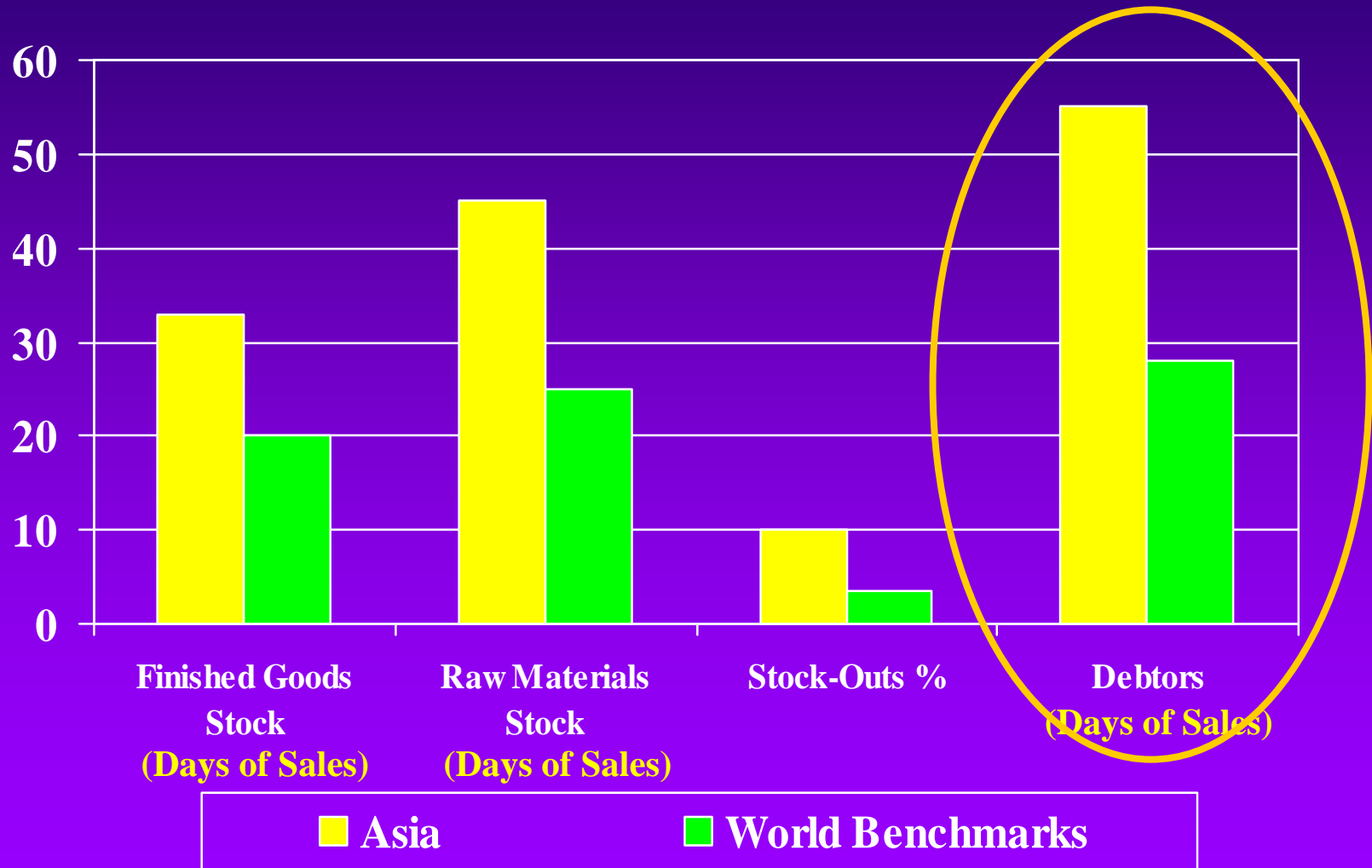


* Business Credit Information ** Consumer Credit Information *** Credit Rating Services



CONSEQUENCES OF IMPERFECT INFORMATION

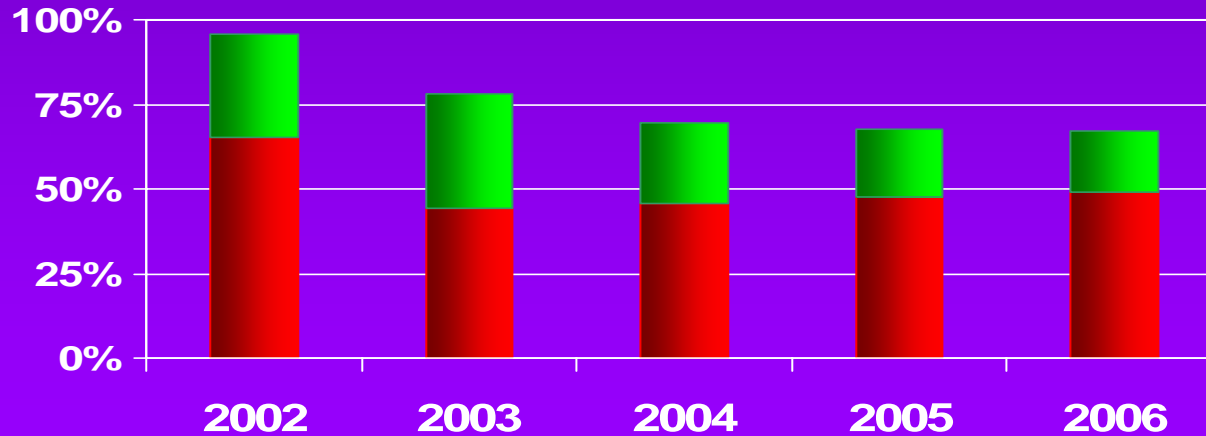
ASIAN SUPPLY CHAIN PAINS - Source: Estimates by McKinsey Global Institute



CONSEQUENCES OF IMPERFECT INFORMATION

- **NON PERFORMING LOAN PORTFOLIOS – BANK BAIL-OUTS**
- **DEFRAUDED INVESTORS**
- **HIGH LOSS RATIOS IN TRADE CREDIT TRANSATIONS**

Credit Insurance Loss Ratio in % of Earned Premium



DISCUSSION TOPIC

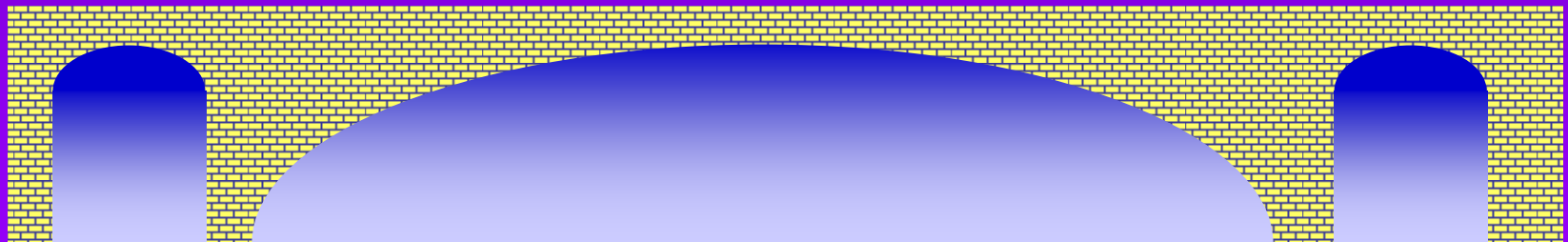
- ***THE CONSEQUENCES OF ASYMMETRIES IN INFORMATION***
- ***THE REASONS FOR THE INFORMATION DEFICIT***
 - ***VALUE CHAIN OF LENDING AND INVESTING***
 - ***SUCCESS FACTORS LEADING TO RELIABLE INFORMATION***



ECONOMIC GROWTH AND INFORMATION



World Bank



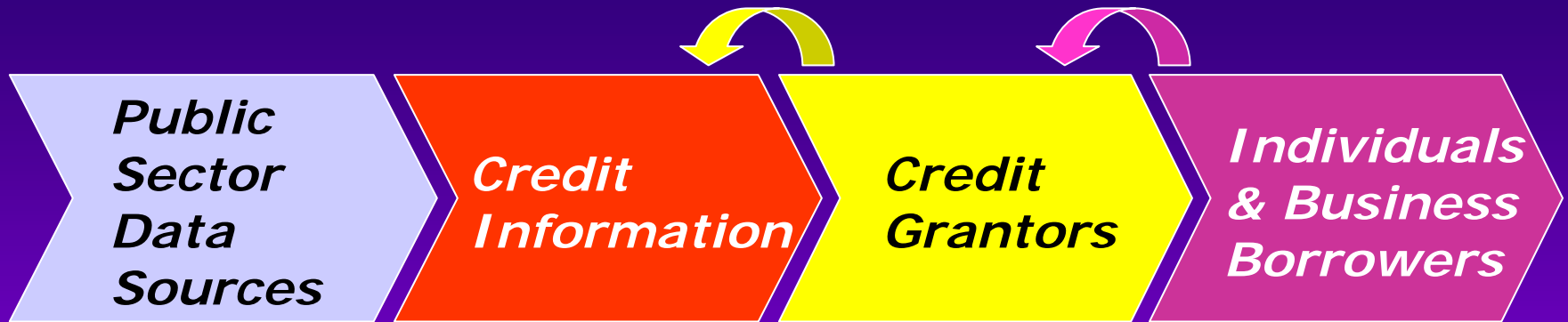
ECONOMIC GROWTH AND INFORMATION



World Bank



VALUE CHAIN IN LENDING / TRADE CREDIT GRANTING & INVESTMENT



THE DIGITAL DIVIDE

**Public
Sector Data
Sources**

**Private
Sector
Credit
Information**

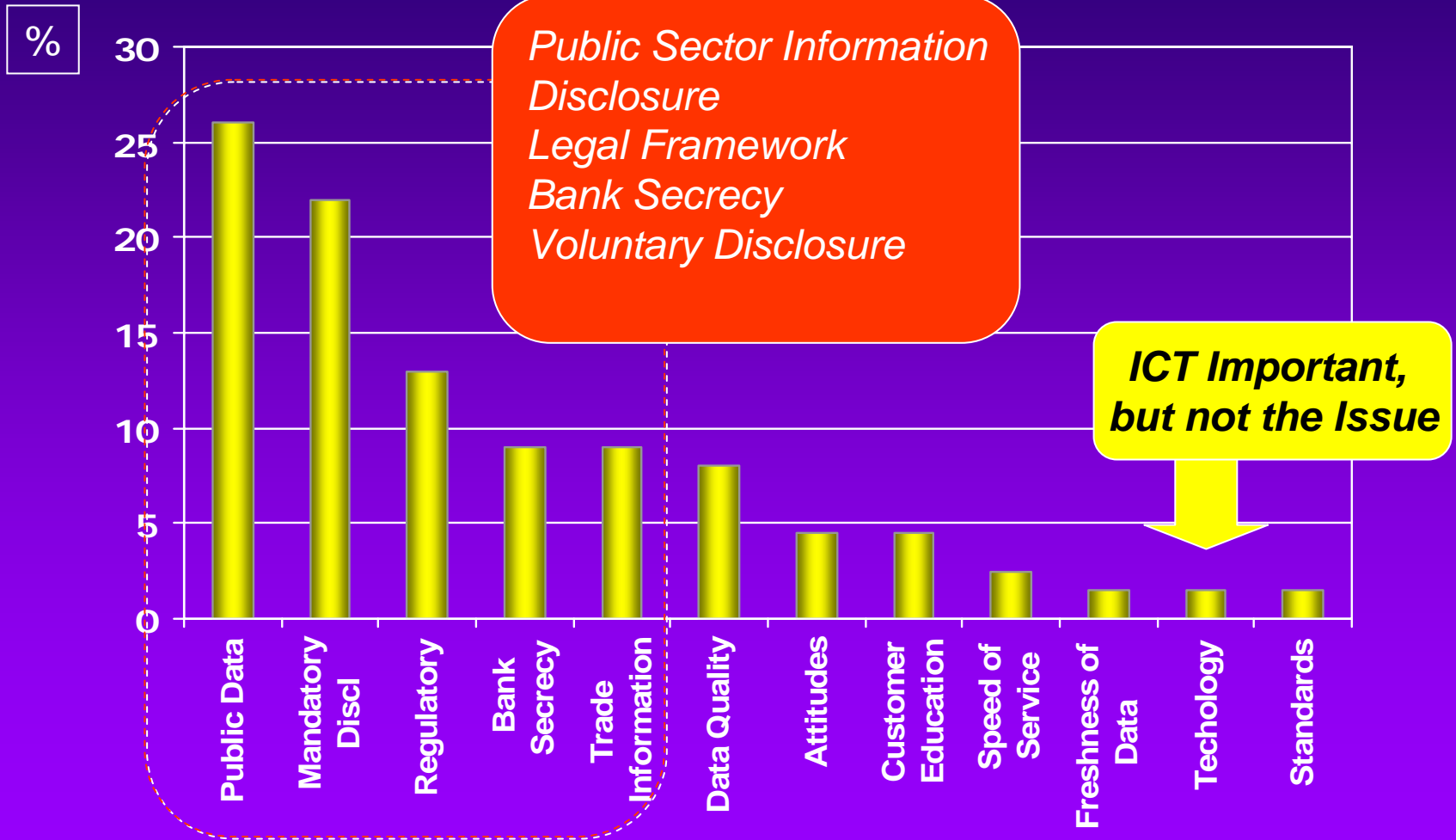
**Private
Sector
Credit
Grantors**

**Private
Sector
Borrowers**

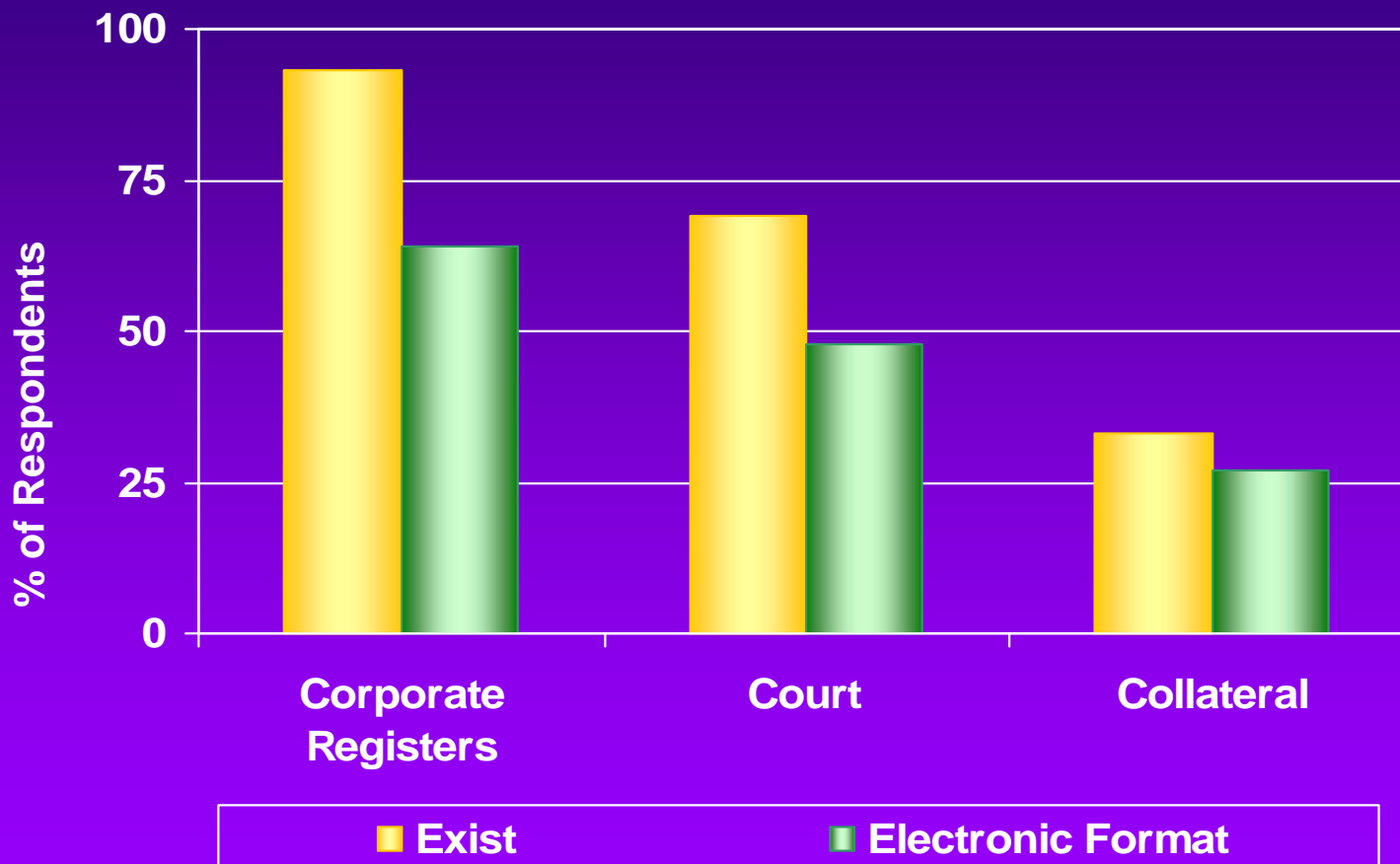
***IMPERFECT INFORMATION =
IMPERFECT DECISIONS
IMPAIRED ECONOMIC DEVELOPMENT***



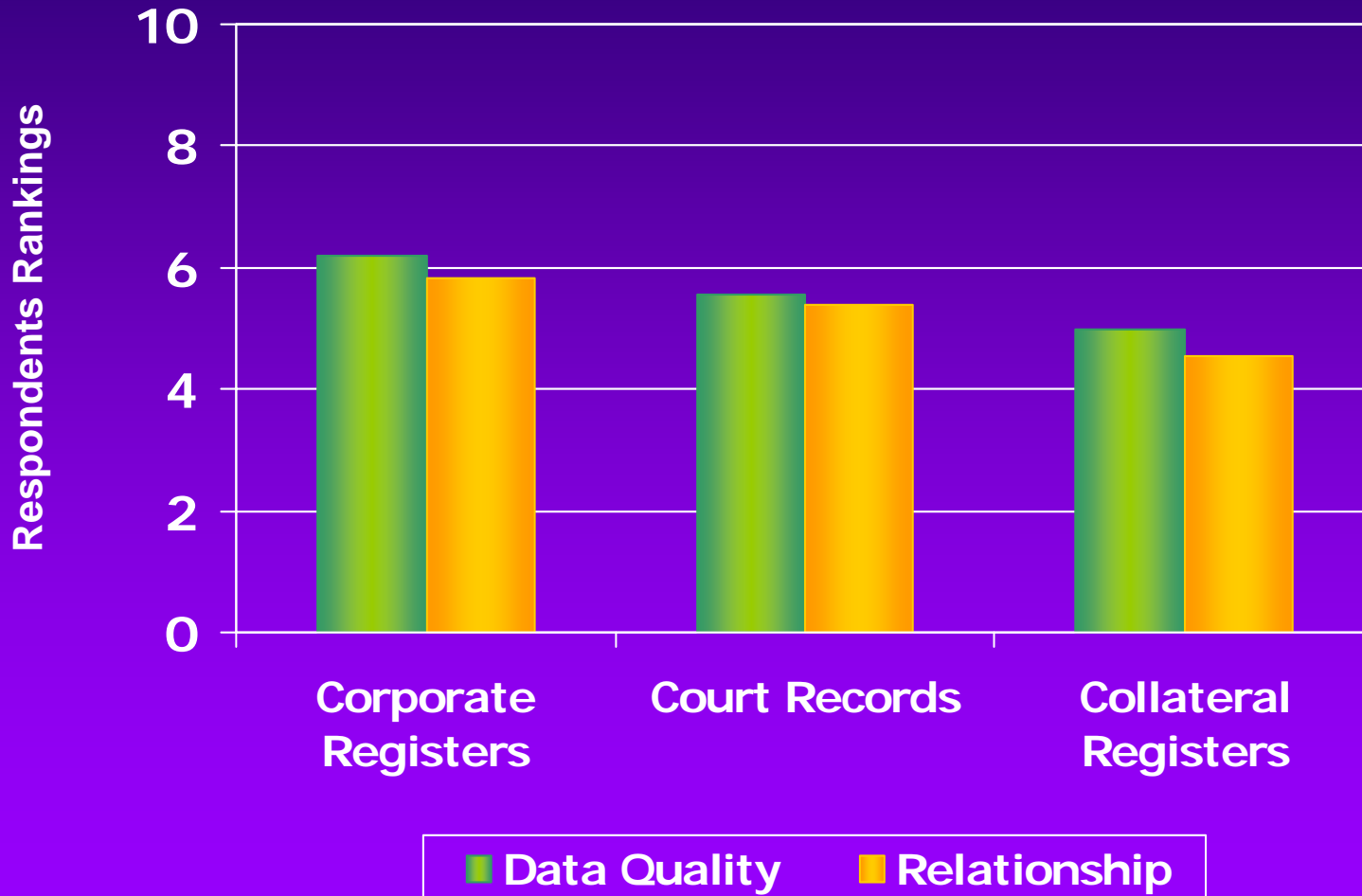
SUCCESS FACTORS - INFORMATION



DEFICIENCIES IN PUBLIC SECTOR INFORMATION (PSI)

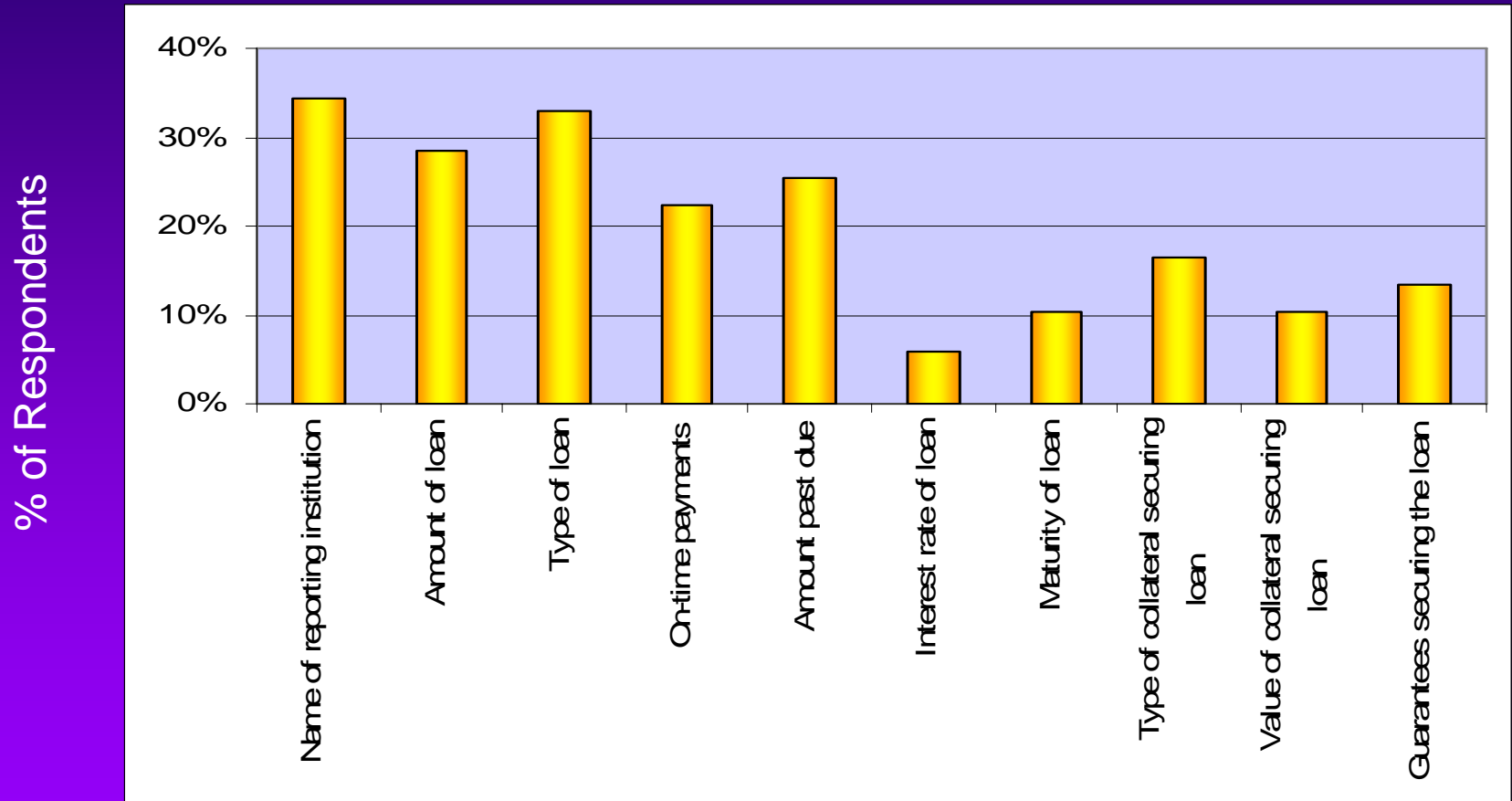


PSI – QUALITY AND RELATIONSHIP



DISCLOSURE OF LOAN INFORMATION

Lack of Legal Framework and Reluctance of Banks to Share Loan Performance Data



Source: World Bank Survey 2006



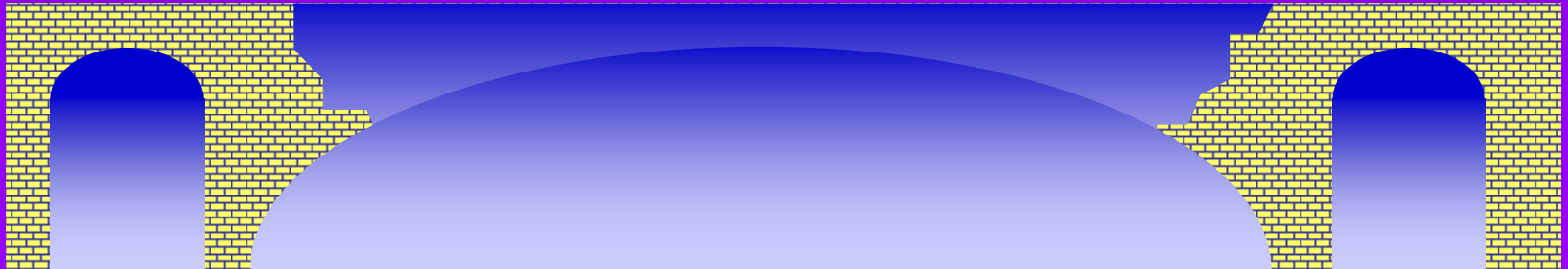
THE IMPERFECT WORLD OF INFORMATION

• Underdeveloped Infrastructures

- Difficult to Access*
- Paper Based*
- Poor Quality – Out of Date*
- Lax Compliance*
- Lack of Legal Framework*

• Attitudes of Businesses

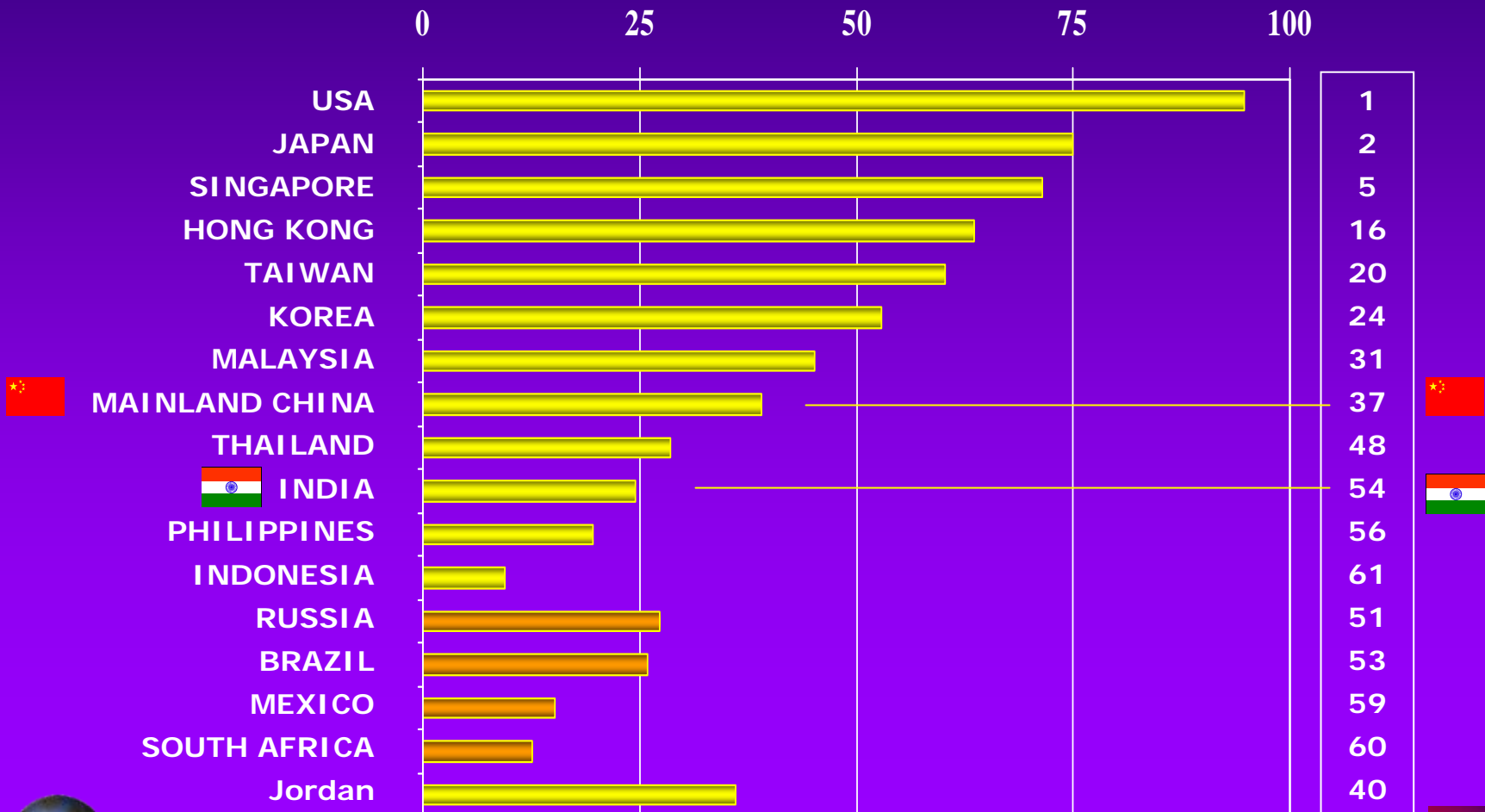
- Information is Secret!*
- Lack of Voluntary and Legal Disclosure*
- No Enforced Compliance*
- Lack of Transparency*



INFRASTRUCTURE

- IMD Ranking 2006

- *Extent of which Basic, Technological, Scientific and Human Resources Meet Business Needs*



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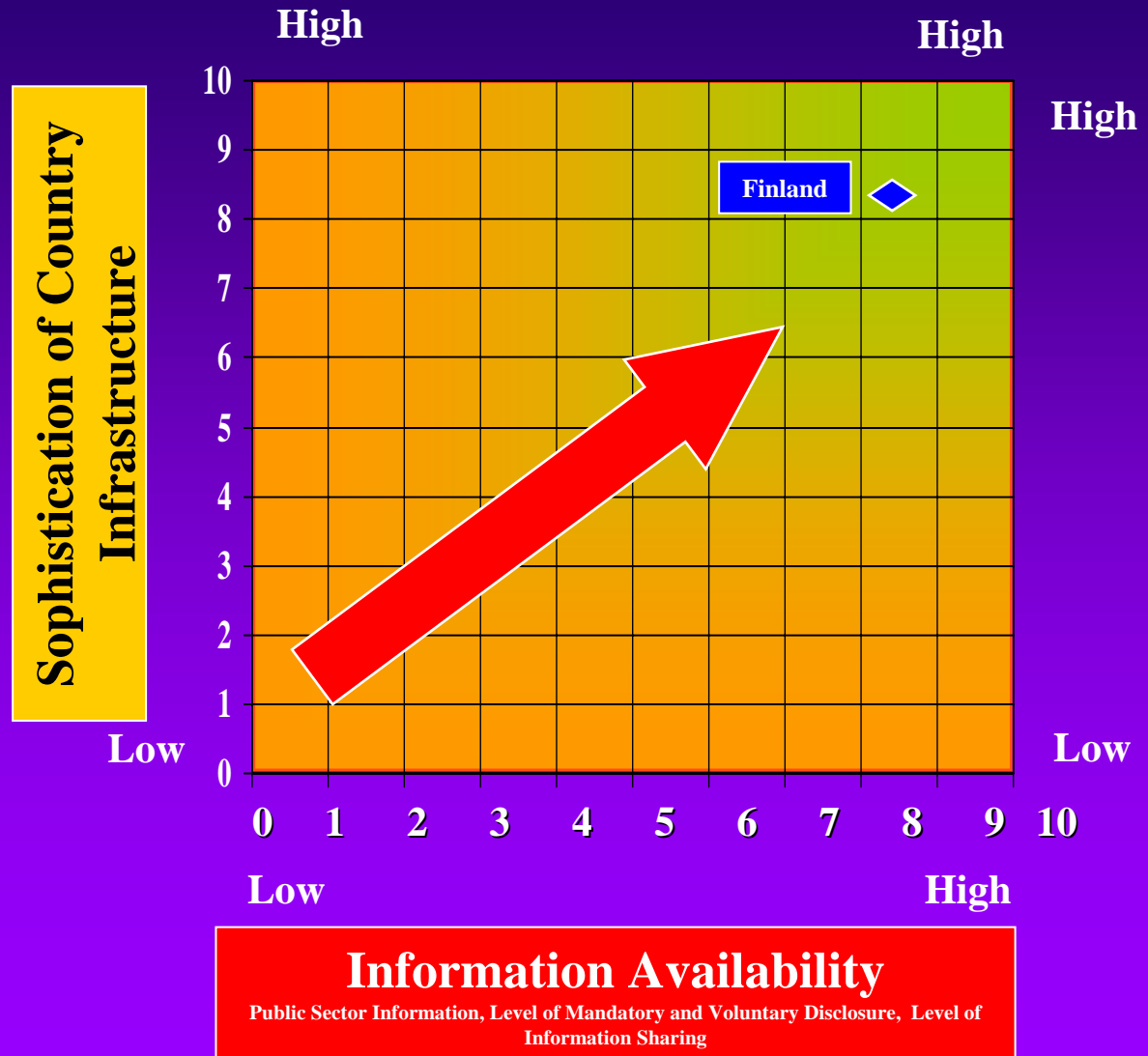
Rank 20

BIIA

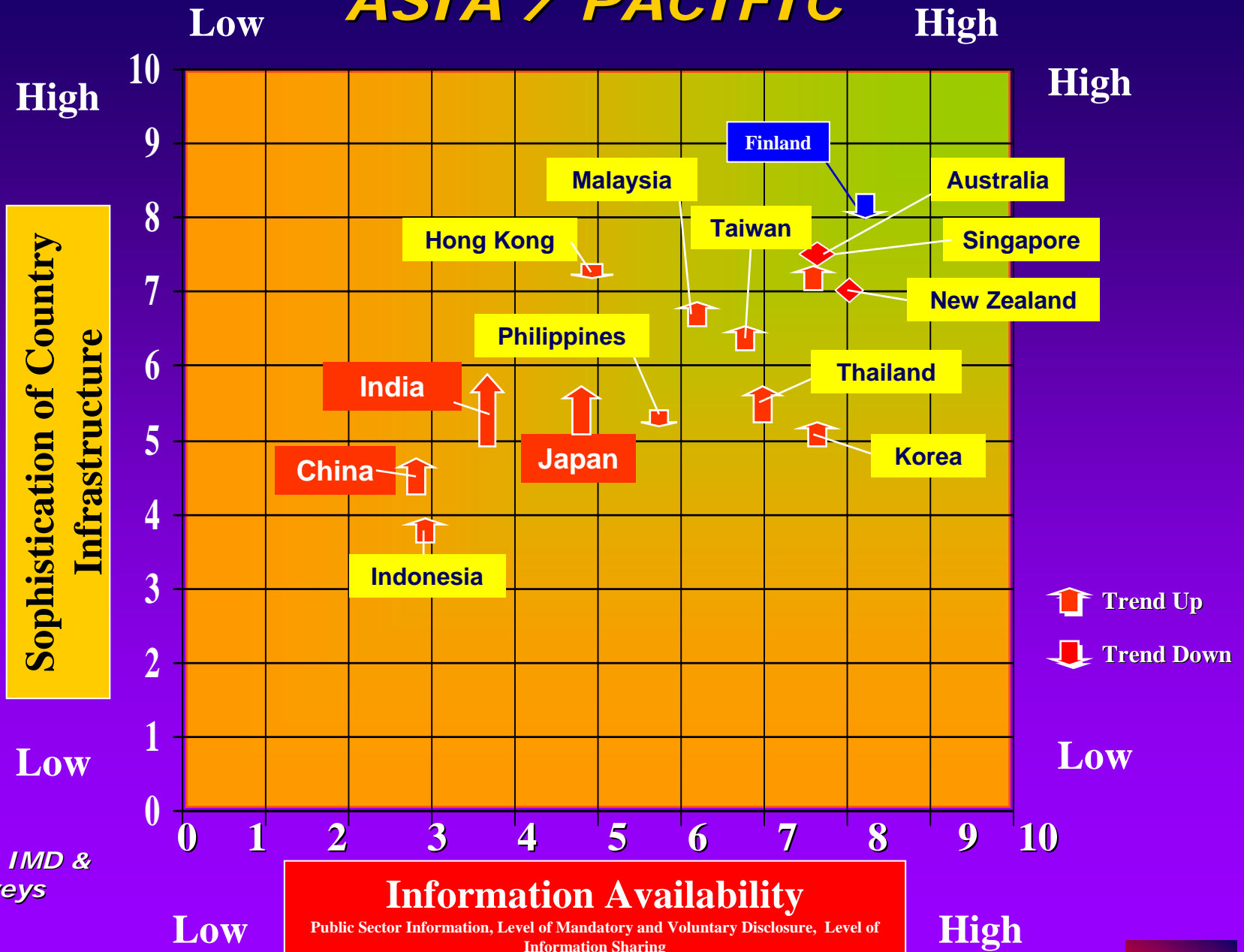
EFFECTIVENESS OF INFORMATION

INFRASTRUCTURE CRITERIA

- GOVERNMENT
- LEGAL
- ICT
- BUSINESS
- CREDIT
- HR



ASIA / PACIFIC



Source: IMD & IEI Surveys



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SUMMARY CURRENT STATUS



- **PUBLIC SECTOR INFORMATION**
- **MANDATORY DISCLOSURE**
- **LEGAL FRAMEWORK**
- **ACCESS TO BANK INFORMATION**
- **VOLUNTARY DISCLOSURE – AVAILABILITY OF TRADE INFORMATION**
- **CREDIT RATING SERVICES**
- **CREDIT INFORMATION**
- **SME INFORMATION**
- **CONSUMER CREDIT BUREAUS**

- **NOT DEVELOPED**
- **SECURITIES ONLY**
- **INCOMPLETE**
- **IS IMPOSSIBLE**
- **INFORMATION IS REGARDED SECRET**
- **ESTABLISHED**
- **LIMITED CRITICAL MASS**
- **UNAVAILABLE**
- **PUBLIC DOMAIN – ACCESS RESTRICTED**

- **POOR QUALITY**
- **SECURITIES ONLY**
- **UNDER REVIEW**
- **IS IMPOSSIBLE**
- **INFORMATION REGARDED SECRET**
- **ESTABLISHED**
- **LIMITED CRITICAL MASS**
- **IN PROGRESS**
- **PRIVATE SECTOR - UNDER DEVELOPMENT**

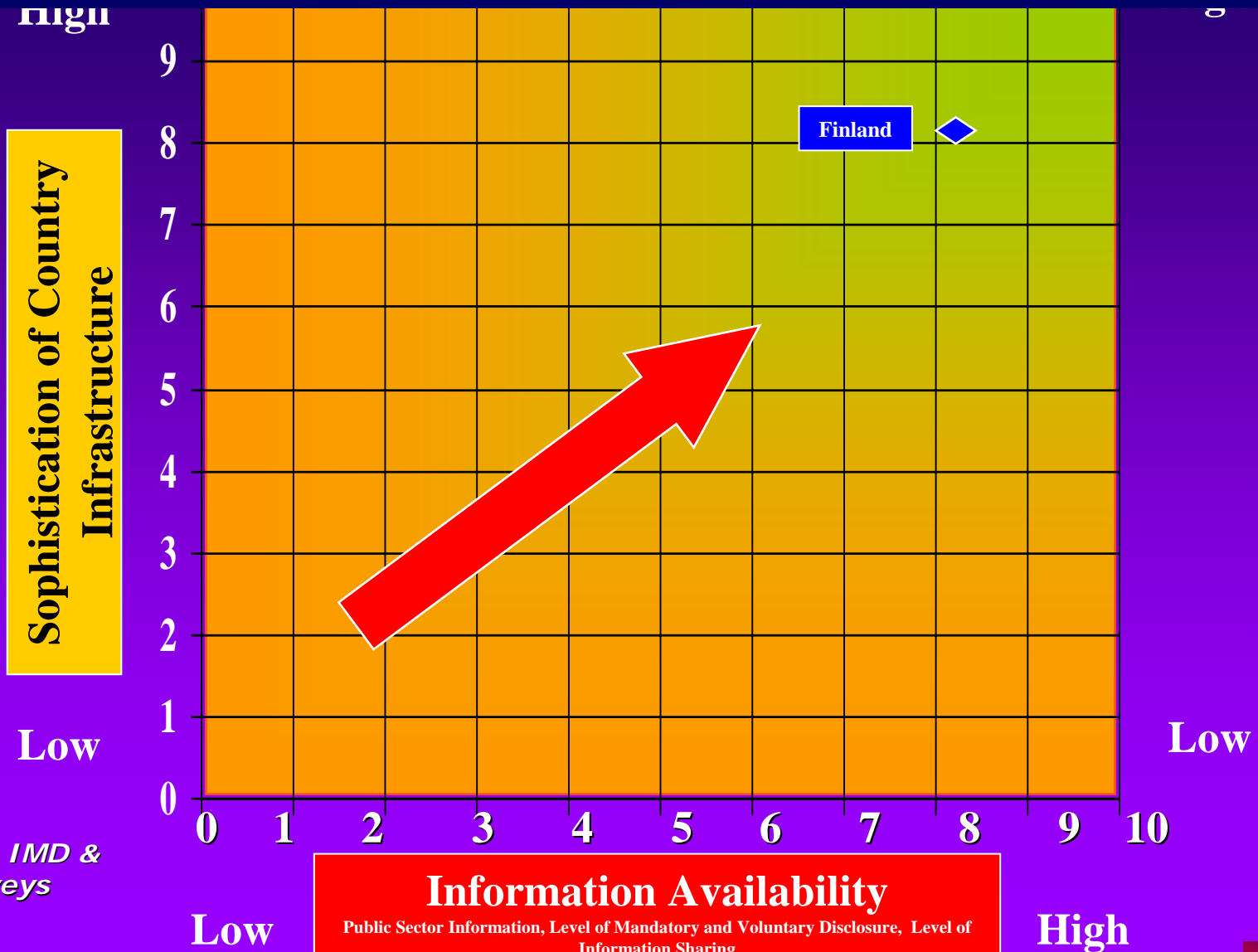


DISCUSSION TOPIC

- *THE CONSEQUENCES OF ASYMMETRIES IN INFORMATION*
- *THE REASONS FOR THE INFORMATION DEFICIT*
- ***OVERCOMING THE INFORMATION DEFICIT***
 - *CONCERTED EFFORT REQUIRED*
 - *INVESTMENT IN INFORMATION*
 - *PUBLIC SECTOR / PRIVATE SECTOR PARTNERSHIPS*



RAISE INFORMATION EFFECTIVENESS



Source: IMD & IEI Surveys



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Information Availability
Public Sector Information, Level of Mandatory and Voluntary Disclosure, Level of Information Sharing

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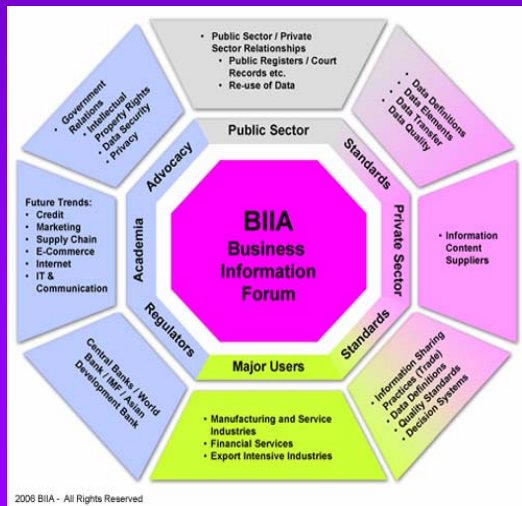
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INITIATIVES

- **BIIA TO CREATE ALLIANCES TO:**
 - **RAISE AWARENESS**
 - **INITIATE COOPERATIVE EFFORT TO ELIMINATE THE INFORMATION DEFICIT**

THE BIIA FORUM



WORLD BANK GROUP



UNCTAD

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT



CONCEPT OF INFORMATION POOLING

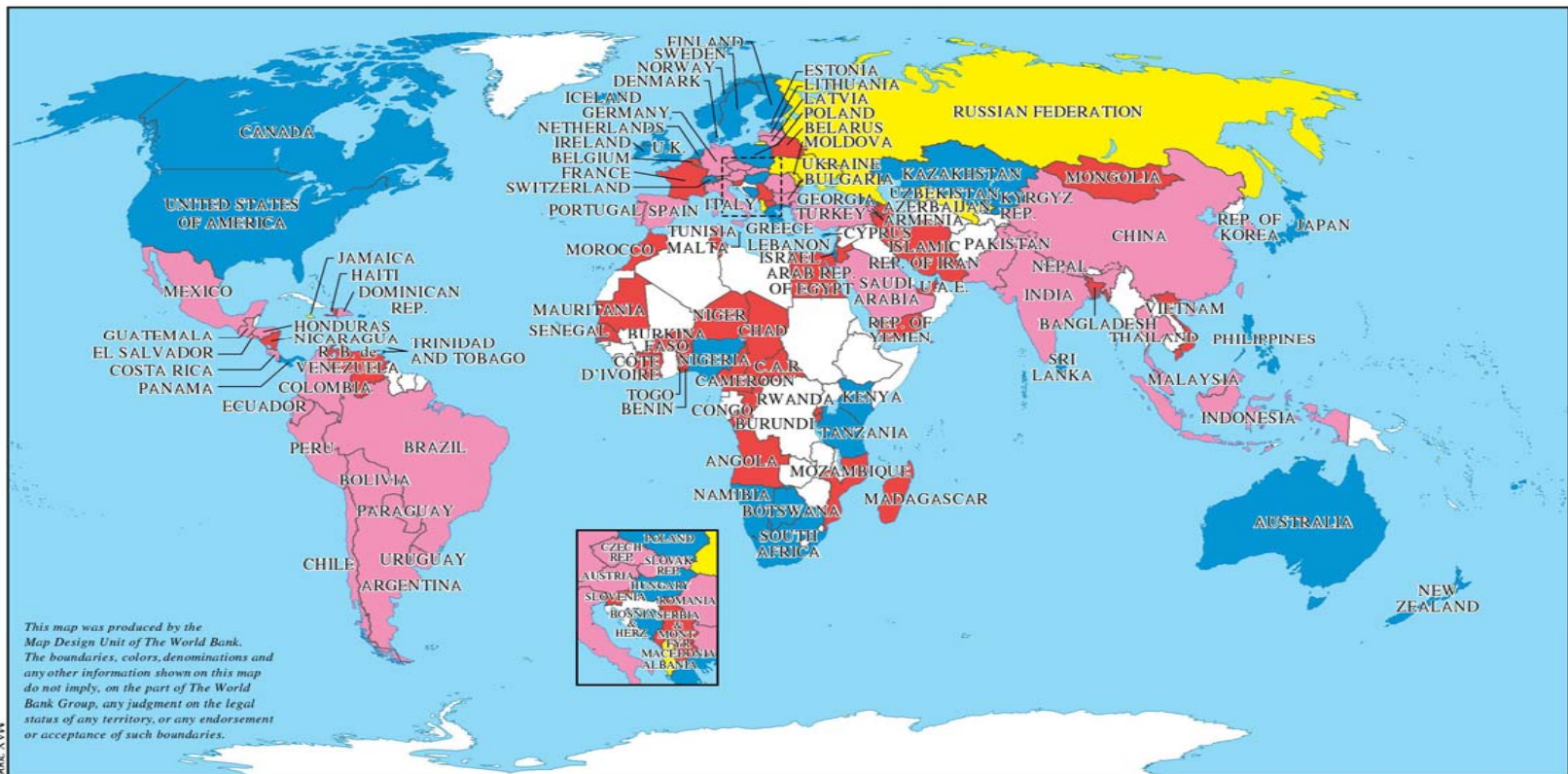


World Bank

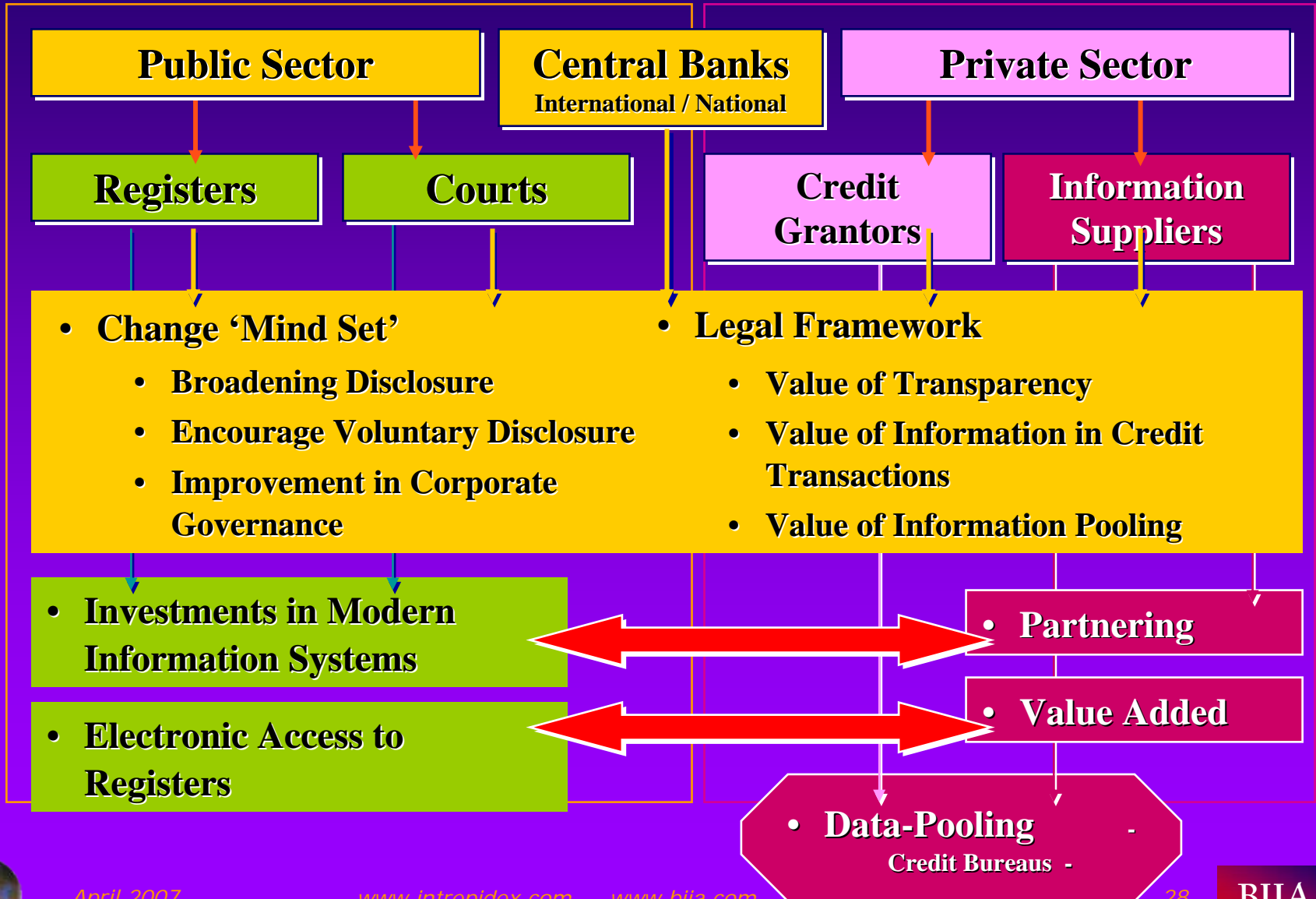
Private and Public Credit Registries in the World

- ONLY PUBLIC REGISTRY
- ONLY PRIVATE BUREAU
- BOTH
- NO PUBLIC OR PRIVATE CREDIT REGISTRY

Source: World Bank Group



BRIDGING THE DIGITAL DIVIDE



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