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The Structure of Carriers Before and After the Reorganization

Note: The basic telecom services unit of China Satcom will also be merged into China Telecom

Source: IGI Consulting

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TOP NEWS

China announces major restructuring of telecom carriers

On May 24, 2008, three Chinese government ministries — Ministry of Industry and Information Technology, National Development and Reform Commission, and the Ministry of Finance — had jointly issued the "Announcement on Deepening the Reform of the Structure of the Telecommunications Sector." The announcement indicates the formal launch of the structural reform in the telecom industry in China.

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The announcement includes the following key points. The government "encourages":

- China Telecom to buy China Unicom's CDMA network (including assets and subscribers), and to combine the basic telecom services unit of China Satcom
- China Unicom to merge with China Netcom
- China Mobile to take control of China Tietong
- Three 3G licenses will be issued after the restructuring

The objective of the restructuring is to create three competitive phone companies that have telecom resources nationwide, nearly equal strength and scale, and can offer both mobile and fixed-line services

Shortly after the government's announcement, the affected Chinese carriers provided more details of their own restructuring plans.

China Telecom announced it will acquire the CDMA business and network of China Unicom for a total of RMB110 billion ($15.9 billion), which will be completed by September this year. China Unicom also confirmed that it will merge with the fixed-line operator China Netcom Limited in a share swap valued at HK$439.17 billion ($56.3 billion).

The companies said that they will continue to refine the details of the transactions, including asset transfer, liability, personnel changes, and significant contracts. Both transitions are still subject to government and shareholder approval and are expected to be completed by the end of this year. Upon completion, Netcom will be delisted. Unicom's strategic shareholder, SK Telecom, and Netcom investor Telefónica will remain shareholders of the merged group, although no details of their exact shareholdings were released.

The industry reshuffle will create a more level playing field among all telecoms operators, helping China Telecom and the merged entity of China Netcom and China Unicom to compete more effectively with the dominant mobile operator, China Mobile. However, China Mobile will not lose its market dominance in the next three to five years.

Both China Telecom and China Unicom/ Netcom will need to invest heavily to expand their mobile networks in order to compete on a national scale with China Mobile. However, the two may face less risk in their future 3G deployment than China Mobile, which is expected to be the driving force in rolling out TD-SCMDA, China's home-developed 3G standard.

China's SARFT to begin CMMB-based mobile television trials

China-based State Administration of Radio, Film and Television (SARFT) planned to commence its mobile television trials based on CMMB standard on May 10. According to Interfax, SARFT will initially unveil its trials in Beijing and Shenzen, with plans to then cover Shanghai by the end of May. During the trials, users will need to purchase CMMB-enabled USB dongles for obtaining free television programs, which includes about seven channels. SARFT, which is planning to deploy CMMB networks in 37 cities before August, has already extended terrestrial CMMB coverage in eight cities and is now working towards the improvement of indoor coverage. The organization is also planning to launch CMMB-enabled mobile phones and MP4 players soon.

IPTV

China Netcom to expand Internet protocol television services to an additional 10 cities

China Netcom, the second-biggest landline service provider in the country, has said that it is planning to expand its Internet Protocol television (IPTV) services to at least 10 cities in

2008. Jiang Zhengxin, China Netcom vice president, stated that the landline player is holding discussions on conducting trials of the IPTV services. China Netcom is currently conducting IPTV trials in six Chinese cities. The firm is also concentrating on developing innovative multimedia content and applications for expediting the expansion of its broadband network.

FIBER OPTICS

Tianjin Power selects Alcatel-Lucent's optical network solution for mission-critical communications

Alcatel-Lucent has signed a contract with Tianjin Power, the Tianjin province's electricity provider, to deploy an intelligent optical transport infrastructure to streamline energy and corporate operations. Alcatel-Lucent's solution will enable Tianjin Power to use automatic traffic provisioning, network protection, and optimized operation and maintenance capabilities. As a result, mission-critical multimedia communications among Tianjin Power's sites in the Tianjin city will be greatly enhanced, helping to improve the efficiency of energy distribution to business and residential users. The contract was secured by Alcatel Shanghai Bell, Alcatel-Lucent's Chinese flagship company, and is the first deployment of this kind in the Asia-Pacific utility segment.

The Alcatel-Lucent solution, using an intelligent control plane key for dynamic networking and traffic protection, will enable Tianjin Power to set up and tear down connections over its optical transport network in real time for a wide range of applications, including high-speed data backup and employee training sessions. It will make it possible to assess capacity in minutes, minimizing service turn-up times and improving service delivery efficiency for end users. Superior restoration and protection capabilities will enable Tianjin Power to maximize network reliability and availability, while simplifying and reducing operational expenditures.

WIRELESS

Huawei looks to double its handset production to dethrone ZTE

Chinese telecom equipment manufacturer Huawei is aspiring to double its mobile-phone production in order to dethrone market leader ZTE. According to the South China Morning Post, Huawei currently outsources its mobile handset production to Singapore-based Flextronics and Thailand's Cal-Comp Electronics, and is planning to sell nearly 50 million units this year, compared to 20 million in 2007. The telecom equipment maker is planning to rake in Foxcon as its third ally and give most of the cellphone orders to the company; Foxcon currently manufactures the Apple iPhone. ZTE, on the other hand, is planning to increase its production from 31 million handsets in 2007 to 50 million this year.

Qualcomm and Zhenhua sign agreement

Qualcomm Incorporated and China Zhenhua (Group) Science & Technology Co. Ltd. announced they have entered into a subscriber unit license agreement. Under the terms of the royalty-bearing agreement, Qualcomm has granted Zhenhua a worldwide license under its patent portfolio to develop, manufacture, and sell CDMA2000 subscriber units. The royalties payable by Zhenhua are at Qualcomm's standard rates.

"Qualcomm and its worldwide partners are transforming the way people interact with the world around them," said Marvin Blecker, president of Qualcomm Technology Licensing. "This license agreement will enable Zhenhua to develop, manufacture and sell 3G CDMA2000 devices, helping to make next-generation wireless technologies and solutions more personal, affordable and accessible to people everywhere."

"Zhenhua is pleased to expand its product portfolio with a new license from Qualcomm," said Xianmin Fu, vice-general manager of Zhenhua. "We are excited to continue to grow within a dynamic and

competitive mobile marketplace where advanced devices, applications and services are delivering more capabilities to more people than ever before."

T3G and NXP launch new TD-SCDMA solution in China

T3G Technologies and NXP Semiconductors have launched the "Nexperia mobile system solution T3G7208" in China. The T3G7208, which bolsters the Samsung SGH-L288, is a comprehensive solution for multimode TD-SCDMA/EDGE cellphones. Samsung had recently provided the T3G7208 TD-SCDMA phones equipped with push-to-talk functionality to the Beijing Olympic Games Organizing Committee. Services on China's homegrown TD-SCDMA standard are being trialed in eight Chinese cities. The T3G7208 solution provides users with the best-in-class multimedia applications like video services. It enables the world's first automatic handover of voice calls between GSM/GPRS/EDGE and multimode TD-SCDMA mobile networks.

Alcatel-Lucent and China Mobile sign US$1 billion framework agreement covering cooperation on mobile network upgrades and expansions in 2008

Alcatel-Lucent announced that it has signed a US$1 billion framework agreement for 2008 with China Mobile to provide mobile communication equipment and services. This agreement was secured through Alcatel-Lucent's flagship company in China, Alcatel Shanghai Bell.

Under the frame agreement, Alcatel-Lucent will provide China Mobile with mobile core network solutions, wireless network solutions, TD-SCDMA equipment, applications, transmission, and IP router equipment and the related services. Alcatel-Lucent's cutting-edge products and solutions will further enhance China Mobile's network capacity and performance to help China Mobile provide high-quality services for its end users.

"We are delighted to be selected to continue providing solutions and services to China Mobile. China Mobile is one of our company's main strategic cooperation partners," said Olivia Qiu, president of Alcatel Shanghai Bell, "The strategic frame agreement with China Mobile reinforces Alcatel-Lucent's position as a trusted partner, as China Mobile relies upon our network solutions and services to meet their growing demand for mobile and now fixed services and in advancing China's telecommunication industry."

AsiaInfo to upgrade China Unicom's rechargeable card system to support nationwide rechargeable card

AsiaInfo Holdings Inc., a provider of telecom software solutions and IT security products and services in China, announced that it has signed a contract with China Unicom to upgrade its rechargeable mobile-phone card system in China Unicom's headquarters and subsidiaries in Hunan and Fujian provinces. The new system will allow China Unicom to centralize management of its rechargeable card systems in various provinces.

"We are pleased to leverage our best-of-class technology to optimize China Unicom's business and allow the company to provide more convenient and user- friendly services that will help it differentiate its service offering in the face of increased competition," said Steve Zhang, AsiaInfo's president and chief executive officer. "As a long-term strategic partner of China Unicom, we will continue to devote our experience in developing full-service operational support systems and in-depth understanding of China's telecommunications industry to help China Unicom increase its competitiveness after China's telecom industry restructuring."

The upgrade of the rechargeable card system will involve the modification of multiple China Unicom systems, including its existing customer relationship management (CRM) and billing systems. The upgrade will enable China Unicom to consolidate its numerous existing

independent rechargeable card systems in each province to realize centralized management of the entire system. By using the nationwide system, subscribers will be able to add money to their mobile-phone accounts via multiple channels, including integrated voice response (IVR) and short message service (SMS), and in any of the 31 provinces, municipalities, and special administrative regions in China.

MERGERS AND ACQUISITIONS

PCCW to spin off its telecom and media businesses

Hong Kong-based PCCW is planning to restructure its telecom business into a separate entity, thereby paving the way for selling its core assets. The company has said that it plans to spin off its media, telecoms and IT solution divisions into a new firm, HKT Group Holdings Ltd. It has also sought proposals from interested bidders to acquire a 45 percent stake in the new entity. PCCW chairman Richard Li had bought the firm's assets for $28 billion eight years ago. His attempt to sell these assets to foreign investors for $7 billion was thwarted by Chinese authorities. PCCW said that the restructuring would boost its overall efficiencies.

BUSINESS

China Netcom selects Alcatel-Lucent to deploy technology that will enable video telephony services in Beijing

Alcatel-Lucent announced that it has been selected by Beijing Netcom, a subsidiary of China Netcom, for a next-generation network service transformation in Beijing. By using the services launched on this next-generation network (NGN) and through the deployment of a new softswitch, Beijing Netcom will be able to provide a wide range of advanced services to its customers, such as point-to-point video telephony services. This contract was signed through Alcatel Shanghai Bell, Alcatel-Lucent's Chinese flagship company.

This project is the first in a series of service transformations planned by China Netcom to provide video telephony service in six cities hosting Olympics-related activities. In addition to Beijing, the new services will be offered to Tianjin, Shanghai, Qingdao, Shenyang, and Qin Huangdao. Beijing Netcom, which expects to complete the NGN deployment by the end of June, will be able to supply its residential and business customers with advanced video telephony and video color-ring services. The network also will support voice communications between videophone users and other Beijing Netcom customers.

"We will use our comprehensive network transformation solution, including our significant network experience, to enable Beijing Netcom to provide more new multimedia services to its end users," said Olivia Qiu, president of Alcatel Shanghai Bell.

Huawei teams up with Optus to develop new mobile broadband products

China-based Huawei Technologies has reportedly teamed up with Australian telecom operator Optus to create a suite of new mobile broadband products. The two firms will also join hands for the Mobile Innovation Centre in Sydney, which is expected to be ready by August 2008. The new center, which would be used for making new mobile products and networks for Optus, will use broadband wireless equipment developed by Huawei. According to Optus Networks MD Steve Christian, the center will play a key role in improving the training and development of its engineering as well as research and development teams.

AsiaInfo wins tender to develop ODS for China Telecom

AsiaInfo Holdings Inc. announced that it has won a tender with China Telecom, the world's largest fixed-line telecommunications and broadband service provider, to develop an Operational Data Store (ODS) system for both Xinjiang Telecom and Northern Telecom, the

northern division of China Telecom that covers nine provinces in Northern China.

Under the terms of the agreement, AsiaInfo will develop a full set of independent ODS solutions for Xinjiang Telecom and Northern Telecom. As part of China Telecom's Business Intelligence (BI) system, the ODS system is able to analyze data from multiple business sectors, thus helping the carrier to better understand customer behavior and examine all customer information from a single view.

"With intensifying competition, business intelligence systems are an increasingly important asset for operators as they seek to differentiate their offerings," said Steve Zhang, AsiaInfo's president and chief executive officer. "This contract to develop an ODS system for Xinjiang Telecom and Northern Telecom speaks to AsiaInfo's ability to provide best-of-class technology and comprehensive solutions for our customers, as well as our growing influence in the China Telecom space. We are excited to devote our experience in developing full-service operational support systems, rich engineering talent and leading 3G products to support China Telecom's expansion from a fixed-line and broadband operator to a full-service telecommunications provider now that China's telecom restructuring has begun."

The first stage of the Xinjiang project is expected to come online by the end of June 2008, covering 6.5 million voice users and 0.6 million data users, with coverage expectations of over 9 million users. The first stage of the Northern Telecom project is expected to be online by the end of September 2008, covering three of Northern Telecom's nine provinces, Hebei, Shanxi, and Heilongjiang. The Northern Telecom ODS system is expected to cover about 10 million users by 2009.

AsiaInfo offers a suite of telecom software solutions and services including Business Operations Support Systems (BOSS) and BI systems. AsiaInfo's BI systems include data mining applications, data warehousing, and metadata management platforms.

COMPANY NEWS

Huawei gets CDMA network expansion contract from Bayan

China-based Huawei Technologies Co. Ltd. (Huawei), which provides new telecom network solutions for global service providers, said that it has secured a CDMA network expansion deal from Bayan Telecommunications (Bayan). As per the terms of the deal, Huawei would provide the operator with an ALL IP CDMA2000 (end-to-end) solution, which includes transmission, intelligent network, and microwave products. Bayan is presently the biggest wireless fixed-line provider in the Philippines, with more than 150,000 wireless landline users. It is also one of the fastest-growing telecom players in the country. Huawei's ALL IP solutions, which will be bolstered by technologies including the Green Base Station Solution, would expand the operator's network by over 15 percent and decrease network power consumption by over 20 percent. Huawei has already rolled out 320,000 TRXs of CDMA networks globally.

Alcatel Shanghai Bell appoints Olivia Qiu as president

Alcatel Shanghai Bell announced that Ms. Olivia Qiu has been appointed president of the company by its board of directors, effective May 8. In addition to her new position as president of Alcatel Shanghai Bell, Ms. Qiu will continue with her responsibilities as head of Alcatel-Lucent's East Asia business, and a director of the board of Alcatel Shanghai Bell, Alcatel-Lucent's flagship company in China. The post was previously held by Mr. Frederic Rose, who continues as president of Alcatel-Lucent's activities in Europe, Africa, and Asia.

The board of Alcatel Shanghai Bell thanked Mr. Rose for his leadership and contributions to the company's significant growth and operational achievements in the past year. It also expressed confidence in Ms. Qiu and the

Alcatel Shanghai Bell management team under her leadership.

Prior to this appointment, Ms. Qiu was executive vice president of Alcatel Shanghai Bell, responsible for domestic sales, marketing, and services. Ms. Qiu joined the former Alcatel in 1997 and held various positions in Alcatel China, Alcatel Shanghai Bell, and Alcatel Asia Pacific, including the positions of senior key account manager, commercial operation director, vice president of marketing and 3G, and vice president of carrier business development.

Spirent Communications and CTTL sign cooperation agreement on assisted GPS testing for China

Spirent Communications plc, a global provider of performance analysis and service management solutions, announced that it signed a cooperation agreement with Beijing-based China Telecommunications Technology Labs (CTTL). As a part of this agreement, CTTL, China's leading wireless test laboratory, and Spirent will provide the China market with access to the best test tools, support, and expertise to enable successful deployment of next-generation location-based services (LBS) on A-GPS-enabled mobile devices. The market for LBS using A-GPS is rapidly expanding worldwide. The Asia-Pacific region is expected to show particularly strong growth, with widespread deployment already under way in countries such as Japan and South Korea. With its huge mobile subscriber base and its role as host of the 2008 Olympic Games, China is expected to be the next big market to accelerate its adoption of A-GPS technology.

Huawei opens 'Global Technical Assistance Centre' in Spain

Telefónica Group president César Alierta and Huawei Technologies Co Ltd. president Ren Zhengfei have officially inaugurated the Global Technical Assistance Centre (GTAC) in the Málaga Technology Park in Spain. The center will provide technical support services to operators in all Spanish-speaking countries. The center will eventually employ up to 50 professionals, most of them engineers specializing in areas such as wireless, broadband, data, and core network technologies. With this opening, Huawei is taking an important new step in its growth strategy in Spain. Currently, Huawei has more than 300 professionals working in different offices in the country, 60 percent of whom are local employees.

"Global operators need to create long term partnerships with key industry suppliers and it is therefore important that our relationships are based not only on the technology we use but also on the high quality standards we require in order to fulfil our service commitment to our customers," explained Vicente San Miguel, Infrastructure and Information Technologies director at Telefónica. "Huawei's opening of this Spanish speaking centre to provide specialised technical assistance to our operations in Spain and Latin America is an important milestone in the cooperation between our two companies."

China's Huawei to set up a 3G R&D center in Nanjing

Chinese telecom equipment vendor Huawei plans to spend $415 million to establish a 3G (third-generation) R&D facility and the biggest data processing center in the world in Nanjing. China, which has been patiently waiting for the launch of 3G services, will finally get to access the new technology, as China Mobile has already stated that it equipped to deliver 3G services during the Beijing Olympic Games by providing nearly 15,000 Samsung-made TD-SCDMA cellphones. China Mobile had recently inked an agreement with Shanghai Municipal Informatization Commission and reinforced its commitment to build over 3,000 3G base stations in the city, providing broadband wireless services including HSDPA and Wi-Fi. Meanwhile, Huawei's new data center is likely to host over 300 high-technology enterprises by 2010.

ZTE witnesses 100 percent increase in shipments of GSM products

According to a Reuters report, ZTE, the second-biggest telecom equipment maker in China, has said that the shipments of its GSM-based products increased 100 percent in the first quarter of 2008. This growth is attributed to the fact that ZTE's GSM products expanded rapidly in foreign countries, where there is a strong demand for these products. The telecom equipment maker shipped nearly 60,000 transceivers in Q1, compared 29,000 in the same period a year back. In March, ZTE had secured its first ever infrastructure equipment contract in Brittan and it also bagged a contract with Nepal Telecom in July 2007. Over 60 telecom operators deploy the Chinese firm's equipments in more than 50 countries.

Telestone announces latest business progress in Russia and Middle East

Telestone Technologies Corporation Ltd. (Telestone), a developer and provider of wireless communication coverage solutions based in China, announced that it had participated in two international telecom exhibitions in Russia and the Middle East in May and made business progress in these areas.

SVYAZ-EXPOCOM exhibition held in Moscow is the most famous and important exhibition in Russia. Through attending this exhibition, Telestone improved brand popularity in Russia and the Commonwealth of Independent States. Telestone not only developed a closer relationship with current clients but also explored a number of partners, as well as obtained contacts with several large local carriers, which has provided a good foundation for cooperation with local carriers.

During the exhibition, Wang Jianjun, president of Beijing Telestone Communication Technology Corp. Ltd., accepted an interview with IKS, a local communication magazine. IKS released this interview on their Web site right after the exhibition.

Since 2005, Telestone has started to expand its business into international markets, and has established its first representative office in Vietnam. After that, overseas offices were gradually built in Latin America, South Africa, and Russia, and there are plans to establish the European office by the end of 2008.

Mr. Wang commented, "The business from these representative offices account for 10 percent now, and we believe that the proportion can reach up to 30 percent in the end of 2008 and 50 percent in the same time of 2009. I am sure the revenue from the international market will be more than that from the domestic market, and international business will be the most important support to Telestone one day."

Telestone intended to promote the base station to the Russian market during this exhibition. Base stations of Telestone are applied to various telecom systems such as GSM, WCDMA, CDMA1X, and CDMA-EVDO. In addition, Telestone is also promoting its passive products, including all types of antennas, power splitters, couplers, filters, and so on.

Mr. Wang talked about the promotion plan in the Russian market, "Before entering the market, we had delineated two directions to move forward in. Firstly, through close cooperation with business partners, we gained a large market share in the Russian market, and we also spent lots of effort promoting our wireless coverage solutions; Secondly, we tried to build good and close relationships with main carriers in Russia, providing advanced products and solutions."

Azalea Networks expands global reach with rollout of its 'intelligent' wireless network routing technology to North American market

Azalea Networks, a provider of wireless network equipment and technology, unveiled its plans for global expansion through superior broadband wireless solutions at NXTcomm08 in Las Vegas,

Nevada. The market leader for broadband wireless network routing solutions in China, Azalea is introducing the benefits of its purpose-built network "intelligence" for broadband wireless infrastructure through the delivery of wireless routing technology that sets new standards in price and performance.

Azalea's patent-pending technology is ideally suited for industrial enterprise, government agency, and service provider applications to deliver voice, video, and data with superior performance, reliability, and cost-effectiveness while offering the greatest flexibility to expand, grow, or modify a network at any given time. Intelligent network routing adds tremendous flexibility to the wireless network itself, as well as to how the wireless network integrates with existing wired and wireless networks, including the Internet, an enterprise network, or a service provider's infrastructure.

Azalea's "intelligent" broadband wireless network solution is rooted in its Adaptive Wireless Routing (AWR) technology, which serves as a foundation for applications that benefit from high-capacity networks that offer seamless high-speed user roaming, quality of service, "high definition" video, and load-balancing over multihops with media independent multiradio configurations. Unlike wireless mesh networking solutions that employ basic bridging and switching, which impose inherent limitations in scalability, capacity, flexibility, and manageability, Adaptive Wireless Routing technology brings much-needed network-wide intelligence to the wireless broadband infrastructure.

Azalea Networks' proprietary technology also includes the following:

- Motrix high-speed, cross-IP subnet roaming capability that seamlessly integrates IP routing with wireless link level access;
- Traffic shaping with special quality of service and network enhancements that deliver "high-definition" quality transport for video applications through Active Video Transport (AVT).

These advances, combined with enhancements in multiradio backhaul, quality, security, manageability, and RF management, give Azalea's broadband wireless network infrastructure a distinct advantage in a wide range of applications. "Azalea Networks offers the industry's first wireless broadband network infrastructure solution with full network intelligence and control," commented John Elms, CEO of Azalea Networks. "That's why we've managed to deliver these performance gains in a solution with a total cost of ownership comparable to or less than that of other offerings," he added.

With today's demand for high-speed throughput for video and other bandwidth-intensive data applications, it is becoming more critical that wireless networks not only be capable of delivering the highest caliber of voice, video, and data, but do so with superior levels of reliability and scalability. Azalea Networks' "intelligent" routing technology includes the following:

- MSR4000: a four-radio wireless router used as a gateway node or core routing and access nodes;
- MSR2000: a dual-radio outdoor wireless router used as a leaf-node at the edge of the network;
- MST200: a single-radio multiservice terminal used to connect high-resolution cameras and other devices to the wireless network for both high-speed mobile and stationary applications;
- MSR1000: an indoor wireless router used to connect indoor and outdoor wireless networks;
- NMS1000: the intelligent network management system used to manage and monitor the entire network.

Azalea Networks has proven the reliability, scalability, and cost-effectiveness of its intelligent wireless routing technology in numerous applications, including cities, oilfields, and telecommunications networks, addressing applications such as video surveillance and security, highway trafficking and monitoring, and emergency response needs. Recently, Azalea announced its deployment of a broadband wireless network to aid emergency personnel and the victims of the disastrous earthquake in China.

Many of the deployments have included the benefits of Azalea's video surveillance technology, AVT. "Azalea Networks provides a patent-pending AVT video technology that greatly lowers packet loss and significantly improves the quality in mobile and stationary video applications," reported Elms. "The ability to prevent jitter and distortion from disrupting video has been proven over a distance of greater than 10 miles (16 kilometers). That offers great flexibility to outdoor applications needing to monitor situations, equipment, and personnel over great distances as well as allow access for that last mile," he added.

For more information on Azalea's intelligent wireless network routing technology, visit http://www.azaleanet.com/.

MARKET INTELLIGENCE

Brazil, Russia, India and China set for mobile boom

Brazil, Russia, India, and China — collectively known as BRIC — represent the next great growth curve for both the mobile and interactive marketing industries. Home to over 40 percent of the world's population, the BRIC countries form the core of an emergent global middle class that will number over 1 billion people by 2015. EMarketer projects that the BRIC countries will account for over 1.7 billion mobile-phone subscribers by 2012 and expects over 680 million subscribers to access the mobile Internet.

Mobile will be the primary interactive screen for this new generation of consumers, and no major advertising agency can pitch a global brand without referencing its BRIC assets and capabilities, especially those in China and India. Likewise, the largest global telecommunications companies have bet a large amount of their future growth on sales to BRIC-based mobile operators.

"Mobile is the Internet for an increasingly large and attractive consumer segment — an important distinction for marketers to keep in mind," said John du Pre Gauntt, senior analyst and author of the new report, "Mobile BRIC: Extreme Growth Ahead."

"As these huge populations within BRIC accumulate disposable income, they are poised to form interactive relationships with local and global brands primarily through the mobile phone," he added. "With PC and broadband penetration far below that of mobile, marketers and mobile operators find themselves in uncharted territory."

Five of the world's 10 largest cities are located in BRIC, along with four of the five top markets for new mobile subscribers. Rapid growth in entertainment and media consumption in the BRIC countries is important for marketers looking to interact with mobile consumers.

BRIC countries also have extremely high levels of prepaid mobile users — often more than 75 percent of the entire mobile customer base. As a result, there are far more opportunities for marketers to subsidize or sponsor part of basic mobile services such as voice minutes, text messages, and even some mobile Internet access.

Even in 2008, the rates of mobile Internet use in the BRIC countries are either comparable to or above that of the US and Western Europe. For many of these markets, debates over whether mobile is an extension of or a substitute for the Web have little relevance — the mobile phone is the Web for millions, and soon hundreds of millions, of people.

US and China to remain leading destinations for foreign corporate investments through 2014, says new KPMG International study

The United States and China will remain the prime destinations for foreign direct investment over the next five years, while global corporations continue to expand their investments in emerging economies in a quest for access to new customers and favorable operating conditions, according to a new study released by KPMG International.

The worldwide survey of more than 300 CFOs, chief investment officers, and other senior executives revealed that the United States will remain the leader in inbound investment for 2008-09, with 27 percent of respondents anticipating "significant investment," followed by China, at 17 percent, the UK at 14 percent, and Germany at 13 percent. By 2014, China is predicted to edge out the United States, at 24 percent, followed closely by the United States at 23 percent, Russia at 19 percent, and India at 18 percent.

"The survey confirms that the world's leading organizations recognize that investing in the United States offers them opportunities to access its broad customer base, stable political environment, and well-established infrastructure," said Shaun Kelly, vice chair-tax at KPMG LLP in the United States. "As the global economy continues to develop, shifts to investment in emerging economies will eventually create opportunities to grow and expand."

Sector review

India is projected to see the largest growth in its share of foreign investment across all sectors and should become the world leader for investment in manufacturing. European economies are expected to keep their attraction for investors, with the UK maintaining a very strong position, especially in financial services. Russia can expect a dramatic increase in investments over the next five years, largely driven by manufacturing, business, and consumer services.

The survey indicates that the United States will remain the leader in business and financial services investment through 2014, as Brazil and Russia begin strong climbs in that sector. Investments in consumer services in China are projected to match those of the United States by 2014, while China becomes the world leader in industrial products and mining and should see significant investment in IT and telecom.

"We've seen strong in-bound investment in the United States in recent years, as companies capitalized on the weaker dollar to enter for the first time or to expand operations here," said Kelly. "KPMG has helped many companies learn about and take advantage of the range of state and local economic incentives available to them to support their growth and create jobs. The results of the study would indicate that we should continue to see this activity through 2014 and beyond."

Other Highlights from the KPMG Global Corporate Capital Flows Study include the following:

- Increased investment activity in Brazil, Russia, India, and China (BRIC) will help fuel economic growth and build sustainable infrastructure.
- Sovereign stability remains an important factor for international investment; in addition, unstable tax systems may act as a deterrent for foreign investment.
- Financial services organizations will solidify the United States' and UK's dominant position as leading destinations for investment capital; influence of private equity and sovereign wealth funds likely to increase.

KPMG's "Global Corporate Capital Flows, 2008-09 to 2013-14," announced at the 2008 KPMG EMEA Tax Summit in Barcelona, Spain, surveyed more than 300 investment strategists during March and April 2008 at the largest multinational companies, private equity

firms, and sovereign wealth funds in 15 major economies. Respondents from the United States, the UK, Germany, Spain, the Netherlands, Switzerland, Ireland, Russia, India, Australia, Canada, China, Brazil, Mexico, and South Africa were asked about their investment plans for where and how they expect to be investing the funds under their control over the next 12 months.

CCID Consulting: Sales volume and sales revenue of China's smart cards drop in 2008

CCID Consulting, a Chinese research, consulting, and IT outsourcing service provider, recently released its article on China's smart cards market in 2008Q1.

The sales volume of China's smart card market reaches 250 million sets, and the sales revenue reaches 1.32 billion Yuan in Q1 2008, a mild decrease compared to Q1 2007. Although the shipment of mobile communication cards has experienced some increase compared to Q1 2007, with the ID card market becoming mature, the smart card market in the field of ID card shrinks, which will affect the development of the whole market.

The sales volume of China's mobile communication cards in Q1 2008 increases 12.5 percent over Q1 2007. The major impetus is card-changing by China's huge mobile phone users and enormous monthly increases in new users. Compared with Q1 2007, mobile communication card capability upgrades, a single card's price is higher than the price last year. Therefore, the sales revenue of mobile communications cards in Q1 2008 has larger growth than Q1 2007.

As product structure, China's major smart card application market is occupied by mobile communication cards, with CPU cards as the major medium in the long term. CPU cards occupy the major market share in Q1 2008, with market share of 74.2 percent. This structure is not likely to undergo changes in the short term. With the decrease of the shipment of memory cards and ID cards, CPU cards' market share will pick up. As for sales revenue, the CPU card market exceeds that of memory cards. The major reason is the decrease of the shipment of memory cards.

In Q1 2008, as for mobile communication card structure, GSM data business has an absolute advantage in China Mobile's communication business, and SIM cards applied in G network are still the principal part of mobile communication cards. In Q1 2008, the shipment of card reached 155 million, which means little growth over Q1 2007. The shipment of UIM cards applied in C network is steady, with market share keeping the same level with Q1 2007; PIM cards, which are applied in PHS, show a market share that continues to decrease. In Q1 2008, the obvious change in product structure is the appearance of USIM cards, which are applied in 3G networks. Because China's 3G network is still in a trial period and there are only eight cities which have begun to provide 3G network service, although the shipment of USIM card is small, it breaks through the old product structure of China Mobile communication cards.

Currently, there are only two foreign manufacturers — Gemalto and Giesecke & Devrient — in China's top ten manufacturers in the smart card market. With the local manufacturers' growth, these two manufacturers' market shares will shrink. In Q1 2008 smart card brand structure, the top ten smart card manufacturers' shipments account for 90 percent of the total market. In the smart card market, with furious competition, other manufacturers are difficult to predict.

In Q1 2008, the sales volume and sales revenue of Gemalto still occupies the top spot; next is Eastcom Peace; third is DaTang; fourth is WatchData; fifth one Giesecke & Devrient. The top ten manufacturers are the mobile communication cards' suppliers. Although the profit of mobile communication cards is lower, the income that high sales volume brings could affect its ranking. Mobile carriers' purchases play an important role for China's card manufacturers.

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