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ICC Bangladesh

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Editor's Note

Economic challenges for Caretaker Government

The unique Caretaker system in Bangladesh is going to take over the administration for the fourth time on October 28 mainly to conduct a free and fair national election.

Given the constitutional bindings and limitations, the Caretaker Government would manage the economy at a low profile as it is not empowered to make any major policy decisions. In fact, its decisions will be short-term in nature to facilitate the functioning of the economy as it happened in 1991, 1996 and 2001. But this time the caretaker government will be facing some unprecedented hindrances in the socio-economic front not faced by the previous three caretaker governments. It will be facing power shortage, sky-high prices of essentials, increasing oil prices and RMG unrest.

The chronic deterioration of power supply dampened household and industrial activities. In fact, macroeconomic stability is facing a great threat due to power shortage. Sustainable development of other physical infrastructure has also come under question as there is little improvement of the Chittagong Port and the railway network. In fact, poor performance of power and infrastructure has contributed significantly to Bangladesh's slippage in the Global Competitiveness Index to 99th position in 2006 from 98th position the year before. The World Economic Forum's annual survey report showed that Bangladesh ranked 121st in institutions and 117th in infrastructure among 125 countries covered in the report.

With the government steps proving futile in checking spiralling essential prices, it is very unlikely that inflation will ease in the coming months. The Bangladesh Bank is trying to apply monetary instruments to contain inflation but the inherent limitations of the monetary policy and lack of appropriate fiscal and administrative supports make it difficult to bring a positive outcome. Moreover, interest rates have increased significantly and consequently the cost of funds for businesses has gone up. The quarterly weighted average lending rate of all the banks stood at 12.06 per cent in June 2006, up from 11.25 per cent in December 2005.

And although official statistics showed that annual average rate of inflation declined to 7.09 per cent in July 2006 from 7.16 per cent in June 2006, the price hike in Ramadan is going beyond any official estimation. As the government has not built up any effective market intervention mechanism, the situation has gone from bad to worse. Moreover, the three-month period of the Caretaker Government will have the experience of lean season for employment and a high spending spree due to election-related activities. So inflation may surge further.

The government has not yet taken any decision on upward adjustment of fuel prices as it is an 'un-popular decision' especially at the end of a political government. Oil price on the international market still hovers around $60 a barrel and a significant decline is unlikely. Underpricing of oil in the domestic market has caused huge lose to the Bangladesh Petroleum Corporation (BPC) and also turned the largest nationalised commercial bank, Sonali Bank, almost bankrupt. Taking the global reality into consideration, it would be wiser if the incumbent government raised prices of octane and petrol more than the prices of diesel and kerosene. If the caretaker government has to take any decision on oil price adjustment that would be a very difficult task.

To maintain macroeconomic stability, there will be a need to suspend a large number of development projects approved by the outgoing government mostly on political considerations. In the first quarter of the current fiscal year, the government approved excessive disbursement of development funds without strong backing of domestic revenue generation and higher inflow of foreign aid. The Executive Committee on National Economic Council (ECNEC) has approved 18 projects with an outlay of Tk 8,746 crore, including Tk 5,846 crore in foreign assistance, in its last meeting on September 28, 2006. Of these, three projects are in power generation and transmission involving Tk 2,300 crore, reflecting that the power sector did not get proper attention during the last five years.

Finally, maintaining law and order will be the prime challenge for the Caretaker Government to ensure a free and fair election. At their fag end the political regimes in Bangladesh usually allow their political cadres to flex muscles, thus increasing conflicts and violence. This may incur the caretaker government additional costs to main law and order.

Against this backdrop, we urge all the political parties, especially the major two opponents, to extend all out assistance to the Caretaker Government so that it can smoothly run its functions and uphold democracy.

International Chamber of Commerce-Bangladesh

The world business organisation

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ICC Bangladesh News

Meeting with World Bank Group on NBR reforms

A team of Consultants from the World Bank, Washington led by Dr. Zaidi Sattar, Senior Economist of World Bank, Dhaka Office met members of ICC Bangladesh and discussed about the reform of the National Board of Revenue (NBR) as a whole including modernization and reforms of Customs as well as Taxes on September 20 at the National Secretariat of ICC Bangladesh.

ICCB President Mahbubur Rahman welcomed the delegation and briefed them about the role and functions of the ICC Bangladesh as well as its Headquarters in Paris. He also introduced the ICCB delegation with the World Bank team. In his introductory remarks, ICCB President Rahman informed that Bangladesh's Private Sector are very much involved with the reforms of NBR for a comprehensive change in the system. He emphasized the need for reforms and modernization of NBR both in terms of capacity and induction of appropriate personnel to achieve the target of harnessing the resources to face the challenges under the changing scenario. Terming issuing Statutory Legal Rules (SLR) by NBR a great challenge for business, he urged the team to work on it also.

The representatives of private sector during their discussion highlighted the problems faced by businesses and the public at large. It was highlighted that mindset of the people in NBR has to change, Non-Adherence to PSI rules by Customs Officials, bureaucracy, lack of transparency and accountability, lack of ICT infrastructure, lack of skilled personnel, gap of interdepartmental co-ordination, discriminatory power of customs officials, etc. are major concern.



ICCB President Mahbubur Rahman is seen presiding over the meeting with the World Bank Group. Dr. Zaidi Sattar, Team Leader of the World Bank Group is seen on his right while R. Maksud Khan, A. S. M. Quasem, Shah Abdul Hannan, Waliur Rahman Bhuiyan, Dr. A Qayyum Khan and M. A. Momen are seen on his left respectively.

The business leaders urged to implemented CAMP at the soonest possible, so that most of the problems could be resolved. In addition, they suggested to introduce ASYCUDA++ (Automated System for Custom Data), improve human resources management, computerization and automation, strengthening the legal and regulatory framework, implementation of ATA Carnet, implementation of GATT Agreement on customs valuation, simplified tax system (specially self assessment system), simplified working procedure in the customs, transparency and accountability.

Chairman of ICCB Standing Committee on Customs Regulation, Reforms and Modernisation R. Maksud Khan, Executive Board Members of ICCB A. S. M. Quasem and Waliur Rahman Bhuiyan, President of The Dhaka Chamber of Commerce & Industry M. A. Momen, ICCB Member Dr. A. Qayyum Khan and former Chairmen of NBR Shah Abdul Hannan and A Muyeed Chowdhury took part in the discussion.

William J. McCarten, Senior Economist and Ms. Arleen Cannata Seed, Senior Information Officer from The World Bank Group and Noriaki Kinoshita, Senior Economist, International Monetary Fund were took part, among others, in the discussion from World Bank side .

The visiting World Bank team expressed their thanks to the members of Bangladesh business community for sharing their experiences in order to assist the team in drawing up appropriate policy recommendation.

ICCB urged rich nations for free access of goods, manpower from LDCs

President of International Chamber of Commerce (ICC) - Bangladesh, The world business organization, Mahbubur Rahman urged the rich and affluent countries including those in the G8 club to come forward and take the lead role to free the world from poverty.

In a globalised economy, he said there should be free movement of factors of production in order to accelerate growth and development. Therefore, Mahbubur Rahman urged leaders of G8 nations to help facilitate unhindered movement of less skilled workforce under Mode 4 of WTO in order to integrate LDCs in the world economy.

Mahbubur Rahman was speaking at the Press Briefing on July 15 organized by ICC Bangladesh to release the ICC Policy Statement titled "Business and the Global Economy" for the Heads of State and Government who attended the three-day G8 Summit that begins at St. Petersburg, Russia on 15th July, 2006.

Mahbubur Rahman appealed to the world leaders to grant Zero-tariff facility to all exports from LDCs as well as remove all hindrances including non-tariff and para-tariff barriers.



ICCB President Mahbubur Rahman is seen speaking at the ICCB Press Briefing on July 15 at the ICCB Secretariat. Executive Board Member Aftab Ul Islam is seen on his right.

The ICC statement focuses three issues of crucial importance to the world business at the current time, namely Doha Trade Negotiations, Global Energy Security and Intellectual Property Protection and Economic Progress.

Mentioning WTO as a centre pillar of international economic co-operation, ICC in its statement expressed profound concern for missing further deadlines in Doha trade talks and woeful inadequate progress.

Terming multilateral trading system at a stake, ICC cautioned the G8 leaders that if the Doha Round fails, the cost would be high and the repercussions would be far-reaching. Moreover, WTO system would be weakened and already potent forces of protectionism would be encouraged.

ICC also warned that the trends of bilateral trade agreements, which are not a substitute for non-discriminatory global rules would be accelerated. ICC believes that time is running out fast for the Doha Development Round and its failure would carry risk of a longer-term affect on the world economy.

Expressing the challenge to fulfill the long-standing promise of Doha Round is mostly political rather than technical; ICC stated that despite numerous setbacks, ambitious outcome still desirable and achievable by end-2006 if hard decisions are taken by the leadership. ICC strongly recommended to place this at the top of the St. Petersburg agenda.

ICC urge the leadership from the highest political level to devote their personal attention to breaking logjams that have bedeviled the talks to date in some prominent and politically very sensitive areas.

As energy and business are mutually interdependent, ICC welcomes the inclusion of global energy security as an important agenda at the Summit.

Given the predicted growth in energy demand, ICC stressed that all energy options should remain open, including nuclear.

ICC urge G8 leaders to work closely on energy diversification, encourage increased private-public investment in energy production, promote energy related technological innovation and foster energy efficiency and conservation.

ICC stressed that the global epidemic of product counterfeiting and copyright piracy poses an ever-widening threat to economic and social welfare. It is an illegal and often dangerous activity, which touches virtually all sectors and costs the global economy approximately $650 billion annually.

ICC, therefore, strongly believes that the protection of intellectual property is vital in encouraging research and innovation, international trade and investment, and sound economic growth and development.

Executive Board Member and Former President of American Chamber of Commerce Aftab-ul Islam was also present at the Press Briefing.

Executive Board Meeting of ICC Bangladesh held

The 30th Meeting of the Executive Board of ICC Bangladesh was held on August 24 in the Board Room of the National Secretariat of ICC Bangladesh at Suvastu Tower (6th floor), 69/1 Pantha Path, Dhaka-1205.

Presided over by President Mahbubur Rahman, the Meeting was attended by the distinguished Vice-Presidents Latifur Rahman and Samson H. Chowdhury and the Board Members, namely A. S. M. Quasem, Aftab ul Islam, Anisul Huq, Mamun Rashid, R. Maksud Khan and Syed Manzur Ealhi. DCCI President M. A. Momen also attended as a Guest of Honour on invitation.

Welcoming the Members of the Executive Board, Mahbubur Rahman informed about various activities of the National Committee. The Meeting also reviewed the status of Bangladesh International Arbitration Centre (BIAC) and requested the President to initiate necessary action for starting the operation of BIAC. President Rahman informed the Board that interior decoration and furnishing of the ICCB National Secretariat was completed by the end of June. A Milad-Mahfil was held on July 2 before the Secretariat started its operation from its new premises. The Milad was attended by a number of distinguished members including President Mahbubur Rahman, Vice President Latifur Rahman, A.S.M Quasem, Masih ul Karim, DCCI President M. A. Momen. Dr. Peter A. May, Managing Director, KAFCO Limited and Obaidur Rahman Khan, Executive Director, Transcom Electronics Limited. The Board thanked the President for taking the personal initiative for setting up a modern office with all the latest facilities.



30th Executive Board Meeting held on August 24 with President Mahbubur Rahman in the chair.

ICCB President joins business leaders meeting with Thai Foreign Minister

ICC Bangladesh President Mahbubur Rahman chaired a discussion meeting of the Thai Foreign Minister Kantathi Suphamongkhon with local businessmen on August 8 at Radisson Water Garden Hotel in Dhaka. Opening the discussion President Rahman emphasized on the need for development of relations amongst the private sector as the private sector plays the most important role in the globalised system. Thai Foreign Minister Kantathi said that his country is keen to invest in some sectors like infrastructure, energy, oil refinery, RMG, tourism and healthcare in Bangladesh. The Bangladesh -Thai Chamber of Commerce and Industry (BTCCI) President R. Maksud Khan expressed thanks to the Thai Foreign Minister for allowing duty free access to 228 items from Bangladesh and requested for extending the facilities for some potential, items like finished leather and leather products, pharmaceutical products, agricultural products, frozen fish, food products and RMG & textiles products. Organised by the Dhaka Chamber of Commerce & Industry (DCCI), the meeting was also attended among others by DCCI Acting President A. Sikder and Director M. H. Rahman.



Foreign Affairs Minister of Thailand Kantathi Suphamongkhon (3rd from left) with International Chamber of Commerce- Bangladesh (ICCB) President Mahbubur Rahman (2nd from the right) before the meeting in Dhaka.

Fifth UNESCAP BAC Meeting held

The Executive Secretary of the UNESCAP, Dr. Kim Hak-Su, opened the Fifth Meeting of the Business Advisory Council (BAC) in Bangkok on September 11. He welcomed *Mr. Mirzan bin Mahathir*, Executive Chairman and President of the Konsortium Logistik Berhad, as co-chair and two new BAC members; *Mr. Wang Jinzhen*, Assistant Chairman of the China Council for the Promotion of International Trade, and *Mr. Jingjai Hanchanlash*, Chairman of the GMS Business Forum.

ICCB President Mahbubur Rahman, a permanent member of BAC, was scheduled to attend but could not attend due to same important meeting in the Dhaka. The Meeting was attended by thirteen out of 22 members. The Sixth Meeting of BAC will be held in Kazakhstan in April 2007 back-to-back with the 63rd UNESCAP Session and APBF 2007. Following is a brief summary of the discussions on different agenda as reported by UNESCAP:

1) *Status of UN and ESCAP reform*: The BAC noted that the UN is often getting new mandates to fulfil within existing resources. It remarked that it is therefore important to focus on deliverables and then prioritize, as well as to look into the cost side to diminish costs. In this respect, the BAC remarked that outsourcing is often used by business under such circumstances, and suggested the UN to look into ways of joint services outsourcing.

2) *Trade security:* The BAC noted that the machinery required for compliance with new US requirements is very expensive, and that there is a question of who will pay. In the end it will influence the competitiveness of exports. Moreover, the cost for security requirements is likely to be an ever increasing affair.

3) *Trans-Asian Energy System:* The BAC noted that energy security is a very important issue for the region, and expressed interest and support for the concept of TAES. However, it was felt that it is premature to identify business opportunities at this moment. The BAC also noted the important role of renewable energy resources in meeting the needs of

the 1 billion people who do not have access to electricity, and the idea of a joint ESCAP/BAC project on Jatropha for biodiesel production was floated.

4) *Asia-Pacific Business Forum 2007:* The BAC supported the idea of health being part of the topics for the APBF 2007, and remarked that the APBF would benefit from having both a CSR and profit-related track, to attract business interest. The APBF will be organized back-to-back with the 63rd Commission Session in April/May 2007, with BAC members taking up roles in the Forum.

5) *Health services:* The discussion outlined the deficiencies in health systems in the Asian and Pacific region as regards coverage, outreach and finance, and explored ways for the private sector to contribute to providing health services to the poor.

6) *BAC in the future:* The meeting and the following brainstorming decided that the autumn BAC meetings would be organized in BAC member's countries on a rotating basis, with the 2007 autumn meeting to be held in Malaysia and the 2008 meeting in China or Myanmar. Other venues were also discussed. It was further decided that BAC would continue being an informal group, with members appointed in their personal capacity for as long as they actively participate; that individual BAC members could work with ESCAP on specific topics or projects; and that ESCAP would send a letter to Foreign Secretaries of member states informing them about the BAC and its members.

Participation of ICCB Officials at study tour and seminars

Group Study Tour to Sri Lanka: The GTZ PROGRESS, as part of the co-operation with ICC Bangladesh, arranged a study tour for a 14-member team from Bangladesh, including ICCB Secretary Ataur Rahman and the General Manager Md. Zahidul H. Chowdhury, to Sri Lanka during August 1-6. The other members of the Team included representatives from Export Promotion Bureau (EPB), Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knit Manufacturers and Exporters Association (BKMEA), Chittagong Chamber of Commerce and Industries (CCCI) and Sylhet Chamber of Commerce and Industry (SCCI). The Team visited the Ceylon Chamber of Commerce in Colombo, Industrial Services Bureau (ISB), North Western Province in Kurunegala and the Regional Chamber at Kandy. They were briefed about the progress made by the three institutions on the GTZ supported project for Enabling Information System (EIS) and Information Management System (IMS).

ILO Seminar on Developing Service Markets and Value Chains at Chiang Mai: The International Training Centre (ITC) of ILO arranged the Seventh Annual Seminar on Developing Service Markets and Value Chains at Chiang Mai, Thailand from September 18-22. The Annual Seminar arranged by ITC/ILO has become a regular opportunity for the field-based practitioners to present their experiences and discuss on the implementation of different types of Business Development Services to the SMEs with the aim of poverty reduction in different parts of the world. Some 150 participants from different parts of the world representing donor agencies, practitioners and service providers attended the Seminar. At the invitation of GTZ PROGRESS ICCB Secretary Ataur Rahman also attended the Seminar. A number of interesting programmes which made tremendous impact on value chains at different levels of production were presented.

Training Workshop on Export Development and Export Promotion: The GTZ-PROGRESS organised a five-day training workshop on Export Development and Export Promotion in Dhaka from September 24-28. The workshop, conducted by GTZ Consultant Mr. Wolfgang Wiegel from Germany, was attended by 16 participants from GTZ partner organisations including Assistant Manager (Research) of ICC Bangladesh Syeda Shahnewaz Lotika. The other participants were from EPB, BGMEA, CCCI, Ekota Forum, D-Net, BCAS etc. The main focuses of the training were on the challenges, demands and interests of manufacturing and exporting companies as well as organisations active in promotion and/or development of export, so that participants can effectively support improvements of the export sector of the country.

Press Statement on warrants of arrest against prominent personalities

The Presidents of the business trade bodies issued a joint Press Statement on August 17 expressing their deep shock and concern over the issue of warrants of arrest against the prominent business and eminent citizens of the country by the Executive Chairman of the Board of Investment (BOI) Mahmudur Rahman. The Statement was covered by almost all the leading daily news papers on August 18.

The joint Statement was signed by President of International Chamber of Commerce - Bangladesh (ICCB) Mahbubur Rahman, President of the Metropolitan Chamber of Commerce & Industry, Dhaka (MCCI) Latifur Rahman, President of The Dhaka Chamber of Commerce & Industry (DCCI) M. A. Momen, President of the Chittagong Chamber of Commerce & Industry (CCCI) Saifuzzaman Chowdhury, President of the Bangladesh Chamber of Industries (BCI) A. K. Azad, Chairman of the Bangladesh Jute Mills Association (BJMA) Kamran T. Rahman, President of the Bangladesh Association of Publicly Listed Companies (BAPLC) Samson H. Chowdhury, Chairman of the Bangladesh Insurance Association (BIA) M. Shamsul Alam, Chairman of Bangladeshio Cha Sangshad (Bangladesh Tea Association) Wahidul Huq, and Vice-President Bangladesh Employers' Federation (BEF) O. R. Khan

The following is the Text of the Statement:

We, the Members of the business community is deeply shocked and concerned over the issue of warrants of arrest against the prominent business personalities like Syed Manzur Elahi, Mrs. Laila Rahman Kabir and three other Eminent Citizens of the country, Prof. Rehman Sobhan, Mr. M. Sayeduzzaman, Dr. Debapriya Bhattacharya. The warrants have been issued on the petition of the Executive Chairman, Board of Investment, Mr. Mahmudur Rahman, as a follow-up to the controversies generated following his allegations that the Centre for Policy Dialogue (CPD) provided distorted information about the country's economy.

In his petition Mr. Mahmudur Rahman alleged that CPD at its Press Conference on 8th August 2006, had labeled him as a Razakar, thereby tarnishing his reputation. But CPD refuted that they did not make such an allegation.

The situation arose out of the Executive Chairman's contention that CPD's work in compiling data relating to investment was not in line with BoI's projections. It must be stated that anyone, including trade bodies of Bangladesh, have the right to compile data and information and make analysis on any aspect of the country's activities, including its economy. Differences of views and opinions can and will exist in a free, pluralistic and democratic society. Such differences can always be discussed and debated in a dignified manner. It may also be mentioned here that in all such analysis our uppermost concern is our country. But resorting to criminal proceedings which has resulted in arrest warrants against such eminent citizens of the country, including leaders of trade organizations is deplorable.

We fear that this kind of situation will only damage the country's image and investment climate. So, the business leaders appeal to the highest authority of the government to ensure that there is no recurrence of such episode in future.

ICC Mambers' News

Company Profile

CityCell : Pioneer mobile operator

CityCell, the brand name of Pacific Bangladesh Telecom Limited is the first mobile operator in Bangladesh. The nationwide operating license also made PBTL the only provider of WLL services. Launching the AMPS network in 1993, PBTL migrated to cdmaOne in March 1999. It is the first cdmaOne fixed and mobile network in South Asia.

Motorola and Fujitsu provide PBTL's infrastructure. PBTL is also the first operator rolling out independent Microwave backbone connecting the major cities across the country. Its primary investment in cdmaOne was US$30 million.

CityCell is Bangladesh's pioneering mobile communications company and the only CDMA network operator in the country. CityCell is a customer-driven organization whose mission is to deliver the latest in advanced telecommunication services to Bangladesh.

The company offers a full array of fixed and mobile services for consumers and businesses that are focused on the unique needs of the Bangladeshi community. CityCell's growth strategy is to integrate superior customer service, highest standard technology and choice of packages at affordable rates.

CityCell is focused on innovation and creating new ways for customers to stay in touch and to do business. CityCell is offering a wide range of competitive prepaid and postpaid mobile packages as well as Value Added Services such as SMS and information based services.

Unilever Bangladesh wins International Platinum Award

Unilever Bangladesh Ltd (UBL) has recently been awarded Unilever's prestigious Platinum "Sustained Innovation Performer" Award for the company's outstanding growth through innovation.

Sustained Innovation Performers are Unilever companies that have demonstrated an innovation rate of more than 10 per cent over the specified number of quarters and met the laid down criteria for underlying volume growth. The Platinum Award is given to outstanding companies that have been able to sustain this track record for six years and more.

"Getting this prestigious award is a matter of great pride for the company and the nation," said Sanjiv Mehta, chairman and managing director of UBL. He added, "This is a recognition of UBL's deepening consumer insight, strengthening competitive capability, breakthrough innovations in products and processes, the ability to rapidly absorb knowledge and harness technology, and the commitment and dedication of the world-class talent that UBL possesses."

New Staff Members

Syeda Shahnewaz Lotika



Syeda Shahnewaz Lotika joined ICC Bangladesh as Assistant Manager (Research) from September 3, 2006. She has extensive work experience in the field of research and marketing. Before joining ICCB, she worked with the Dhaka Chamber of Commerce and Industry (DCCI) as Senior Research Officer and Business Development Officer for 10 years. Prior to DCCI, Ms. Shahnewaz also worked with the Bangladesh Institute of Development Studies (BIDS) as Research Officer and Bangladesh Jute and Jute Goods International as Marketing Executive. She completed her M.Sc in Economics from Jahangirnagar University in 1990. She has attended a number of training courses both at home and abroad.

Kazi Istiaq Ahmed



Kazi Istiaq Ahmed joined ICC Bangladesh as Assistant Officer from September 3, 2006. He has completed his Masters in Business Administration (MBA) with major in Finance. Mr. Ahmed has worked as an intern with a commercial bank and substantive experience in information technology.

Bangladesh Economy

Bangladesh ranked 3rd best business place in South Asia: WB-IFC Report

Bangladesh is the third easiest country in which to do business in South Asia, although as a whole is lagging behind other parts of the world when it comes to reforms that could enhance business activity, says a World Bank-IFC (International Finance Corporation) report. The top ranked countries in the region are the Maldives (53) and Pakistan (74), followed by Bangladesh (88), Sri Lanka (89) and Nepal (100). India comes in at 134, Bhutan at 138 and Afghanistan at 162.

It has been mentioned in the Report that Bangladesh has undertaken steps to improve its business climate and one notable reform made recently was introduction of a new land registration act to improve security and reduce corruption in land transactions.

It was further reported that the greatest remaining obstacles in the region are slow courts and rigid labor laws. According to the Report, enforcing a simple commercial contract through the courts takes 50 procedures and 1,442 days in Bangladesh. In Sri Lanka, an employer must pay 178 weeks in severance to dismiss a redundant worker.

The Doing Business project is based on the efforts of more than 5,000 local experts, business consultants, lawyers, accountants, government officials, and leading academics around the world, who provided methodological support and review. It has been stated that doing business also became easier in India and Pakistan in 2005-2006. Five reforms in India and two in Pakistan reduced the time, cost, and hassle for businesses to comply with legal and administrative requirements. No other South Asian economy improved its business regulations in 2005-2006, ranking the region last in the pace of reforms.

According to the report titled "Doing Business 2007: How to Reform" India, the top reformer in South Asia, has implemented reforms to simplify business registration, cross-border trade, and payment of taxes, as well as easing access to credit and strengthening investor protection. However, although the reforms improved India's ranking over last year's, it still ranks relatively low and is in 41 place after China, which is reforming at a faster pace than India. The top 10 reformers are, in order, Georgia, Romania, Mexico, China, Peru, France, Croatia, Guatemala, Ghana, and Tanzania.

The report also ranks 175 economies on the ease of doing business, covering 20 more economies than last year's report. These rankings highlight significant obstacles to business in South Asia, compared to countries around the world. The top 30 economies in the world are, in order, Singapore, New Zealand, the United States, Canada, Hong Kong (China), the United Kingdom, Denmark, Australia, Norway, Ireland, Japan, Iceland, Sweden, Finland, Switzerland, Lithuania, Estonia, Thailand, Puerto Rico, Belgium, Germany, the Netherlands, Korea, Latvia, Malaysia, Israel, St. Lucia, Chile, South Africa, and Austria.

The rankings track indicators of the time and cost to meet government requirements in business start-up, operation, trade, taxation, and closure. They do not track variables such as market size, macroeconomic policy, quality of infrastructure, currency volatility, investor perceptions, or crime rates.

Slower growth for Bangladesh projected by ADB and IMF

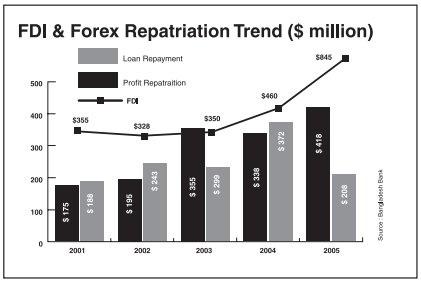
The Asian Development Bank (ADB) cautioned that substantial under-pricing of energy products (petroleum fuels) and political uncertainty in the lead-up to the general elections in January 2007 may disrupt the growth of the Bangladesh economy. However, despite mounting external pressure, especially soaring oil prices, the national economy is expected to grow at the rate of 6 per cent in the current fiscal year, slightly lower than the growth of 6.7 per cent in the last fiscal year, according to the ADB Report titled 'Asian Development Outlook 2006' released on September 6.

While the International Monetary Fund (IMF) in its September issue of World Economic Outlook (WEO) 2006 revised its growth forecast for Bangladesh during 2006-07 to 6.2 per cent from its earlier projection of 6.3 per cent.

'Substantial under-pricing of energy products is continuing to create large financial imbalances, which are posing a growing threat to both fiscal and monetary stability,' the ADB report mentioned. In spite of the recent increase in domestic petroleum prices, the subsidy has remained substantial, posing considerable risk to fiscal sustainability. The annual subsidy for diesel and kerosene amounted to $810 million or 1.3 per cent of the country's GDP, it added.

The earlier update in April by ADB indicated that the decrease in GDP growth would result mainly from a return to more normal growth in agriculture following post-flood high-growth recovery of fiscal year 2005-06. ADB forecast 7 per cent inflation and added that apart from international price rises and depreciation of the taka against the dollar, inflationary pressures might stem from further upward adjustment to domestic oil prices, which is likely only after the general elections.

Monetary indicators exceeds Bangladesh Bank targets



The major monetary indicators have crossed the revised targets of the Bangladesh Bank during the last half of the FY2005-06, despite the continued pursuance of tight monetary policy.

Bangladesh Bank statistics showed that the major monetary and credit items, both in terms of growth and outstanding volume, have exceeded the targets, which were revised upward, in the monetary programme.

The monetary programme of the central bank was made public for the time in January 2006 by issuing half-yearly policy statement. The second half-yearly statement was released in July 2006.

At the end of FY 2005-06, net credit to the government grew up to 22 per cent against the monetary target of 26.5 per cent. But the outstanding amount stood at Tk 31,260 crore at the end of June, 2006 against the target of Tk 30,200 crore.

Credit growth from non-financial public sector stood at 34.3 per cent against the target of 29.4 per cent, while the outstanding amount increased to Tk 15,074.2 crore against the target of Tk 11,200 crore.

Among the major indicators, both the net foreign and domestic assets crossed the year-end targets by 17.5 per cent and 19.8 per cent respectively, showed the data. The outstanding amount of net foreign assets in the banking system stood at Tk 21,943.8 crore at the June-end, against the target of Tk 21,500 crore. The net foreign assets were higher by Tk 3,277 crore than the previous year's total. Volume of net domestic assets stood at Tk 1,59,212 crore, surpassing the target by Tk 5612 crore.

The central bank data also showed that outstanding amount of broad money touched Tk 1,81,156.1 crore at the end of June 2006 against the target of Tk 1,75,100 crore. The growth rate was 19.5 per cent, up from the targeted 15.7 per cent.

Credit flow to the private sector exceeded the monetary policy target with wide margin. Banks lent 18.2 per cent more to private sector than 14.5 per cent envisaged in the policy. Outstanding stock stood at Tk 1,30,971.8 crore against the target of Tk 1,26,700 crore.

The overall domestic credit recorded a marked increase of Tk 29,745 crore or 20.16 per cent in the last fiscal year pushing the total outstanding at Tk 1,77,306 crore at the end of June 2006. The monetary programme fixed the ceiling at Tk 1,67,500 crore.

Taka appreciates for the first time against dollar

The first quarter of the current fiscal year 2006-07 has finished with stronger value of local currency against greenback and with overall stability in the inter-bank money and foreign exchange markets.

The central bank statistics showed that taka-dollar exchange rate, mid value of buying and selling rates, was Tk 69.67 at the end of June 2006, which came down to Tk 67.3 at the end of September as 30th September was the last working day.

Thus taka appreciated against US dollar by 3.52 per cent during the first quarter of the current fiscal year.

A weekly market review of the Citibank N.A said that in September alone, taka appreciated against the dollar by 3.3 per cent whereas on a rolling basis it has depreciated by 1.57 per cent in the last 12 months (October 2005 to September 2006). 'In 2006 calendar year, BDT has appreciated 0.73 per cent against the greenback,' said the review.

Export earnings crossed US$10 billion mark

The export earning of the country crossed US$10 billion mark, for the first time since independence, showing an increase of 21.63 per cent over the previous year, according to Export Promotion Bureau. The country total export increased by US$1,871.60 million during FY 2005-06 from US$8,654.52 million of FY2004-05. Knitwear export registered a growth of 35.58 per cent, from US$2,819.47 million earning during FY2004-05 to US$3,816.98 million in FY2005-06. Compared to knitwear export earning from woven garments registered a moderate growth of 13.50 percent during 2005-06 fiscal, fetching US$4,083.82 million against US$3,598.20 million of previous fiscal. Export earnings from leather, raw jute,frozen food, petroleum by-products, textile fabrics, bicycle and computer services also recorded growth during 2005-06.

Packaging and accessories sector fetches US$1.2 billion

The packaging and accessories sector have registered a growth of 25 per cent during the last fiscal year. The sector fetched US$1.2 billion during the period. Apart from registering tremendous growth the value addition of this sector is at least 40 per cent while its contribution to the total export led industries is 10-15 per cent. This was disclosed during an international conference on "Packaging Its Present and Future Potentialities in the Emerging Asian Region and Beyond" held in Dhaka on August 26. It was also reported that a number of packaging industries are being set up in the country to meet the growing demand by exporters of frozen food, pharmaceuticals, leather, cut flower and agro-based products.

Loss of NCBs' reduced in 2005

The total loss of the four nationalised commercial banks (NCBs) have reduced to Tk 1,209.4 crore in the last calendar year from Tk 1,904.7 crore in 2004, according to the provisional estimation of the central bank. Bangladesh Bank data also showed that both the total income and expenditure in the NCBs' have increased in 2005 from the previous year.

The combined income of four NCBs–Sonali, Janata, Agrani and Rupali–has increased to Tk 4,836.3 crore in last year as against Tk 4,008.4 crore in 2004, showed the central bank data. On the other hand, combined expenditure of the banks rose to Tk 3,814.7 crore in 2005 from Tk 3,693.8 crore in the previous year.

The central bank data showed that maintaining thin net profits after paying tax for four consecutive years, the combined net loss jumped significantly in 2004 mainly due to negative adjustment of capital of Agrani Bank. The Agrani Bank posted a record net loss of Tk 2,172.1 crore in 2004 as the bank kept provision of Tk 2,096.9 crore against all bad loans which was earlier not reported properly.

Of these, provision for loans and advances was Tk 1,235 crore and other provision was Tk 835 crore caused the net loss in 2004. When this loss was adjusted with previous year's capital, it declined by 2,159 crore.

The return on equity of the four NCBs dropped to (-605.1 per cent last year due to negative capital worth Tk 1,595.1 crore of Agrani Bank while the return on equity was -5.57 per cent in 2004, showed the central bank statistics.

The central bank statistics also showed that NCBs had capital shortage of Tk 845 crore in 1999 which increased to Tk.3,840 crore in 2005.

'It can be questioned whether the significant capital shortage of NCBs may cause for systemic risk,' said

the financial sector review, prepared and published by the central bank.

'Since these banks are owned by the government, it is assumed that there is an implicit guarantee by the government to bail them out in crisis. Such efforts will require fiscal measures, which in turn may impose additional burden on the taxpayers,' the review observed.

It, however, added that recent steps taken by the Bangladesh Bank and the government have prevented further deterioration.

'It is expected that NCBs will be able to overcome their capital shortage problems in the coming years. Since existing regulation considers risk-weighted capital against credit risk only, implementation of Basel Accord II may cause the banks, particularly the local ones, to augment their capital.'

Against the backdrop, the review said that a gradual and orderly adjustment would appear desirable for the overall stability of the banking sector.

Net profit of Private commercial banks doubled in 4yrs

The private commercial banks of the country have more than doubled their profits in four years. This has been possible due to their aggressive expansions with innovative products which has helped them take over bigger market share. According to the banking sources this has been possible as no new bank has entered into the business during the period and as a result the existing banks could share among themselves the significant growth in banking business.

Provisional estimation of the Bangladesh Bank, released in the latest economic trend, showed private banks' total net profit after tax stood at Tk 954.7 crore in 2005, which was Tk 458.8 crore in 2002. The 2002 total was down from Tk 514.48 crore in 2001.

Both incomes and expenditures of private banks doubled in five years between 2001 and 2005. The combined incomes of the banks stood at Tk 9,140 crore in 2005 from Tk 4,321 crore in 2001.The continuous upward trend in incomes and net profits has indicated the stronger foundation of the private banks in general.

But capital adequacy ratio and return on equity of private commercial banks declined last year, giving a contrast to the banks' inflating incomes and profits. Capital adequacy ratio dipped to 9.2 per cent last year from 10.28 per cent in 2004. The ratio is, however, still above the minimum requirement level of 9 per cent as set by the central bank in line with the BASEL-I accord.

Profitability ratios of private banks also declined in the period under review to 16.56 per cent in 2005 from 19.53 per cent in 2004 while return on assets dropped to 1.06 per cent from 1.24 per cent. The financial sector review of the central bank said since 1999, capital position of PCBs remained above the regulatory standards, except for a minor shortfall in 2005.

It also showed PCBs had capital surplus of Tk 387 crore in 2004 which turned into shortfall of (-) Tk 28 crore due to new capital regulation that required banks to raise capital by March 2005. As of 2005, six of the third generation private banks did not go for initial public offers to collect 50 per cent of their capital. Four of them suffered from capital shortage, the review explained. Though capital position of one of the PCBs declined heavily by Tk 449 crore in 2005, it is expected that as soon as the aforesaid third generation banks would raise capital from the market, their position as well as overall capital position of PCBs would improve significantly.

Meanwhile, the combined expenditures of the private banks stood at Tk 6,600 crore in 2005 from Tk 3,126 crore in 2001.

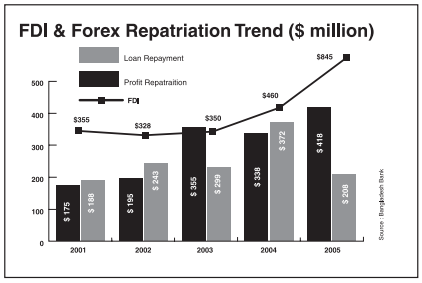
Dhaka Stock Exchange turnover hits the highest since 1996

The Dhaka Stock Exchange experienced the highest turnover since 1996 bubble and bust during August when the turnover reached Tk 80.92 crore on August 31. Earlier on August 21, the turnover was Tk 79.87 crore. The market analysts attributed this to institutional investors like banks and financial institutions, which play important role in keeping the market vibrant. According to them the recent upward trends could mainly be due to pre-election buying spree, coupled with a series of positive corporate results. Besides, they said liquidity situation on the stock market also improved in recent times as the

inter-bank call money rate eased, which encouraged the institutional investors including merchant banks to channel their funds to the stock market.

Along with the turnover, the indices also went up. The DSE General Index rose by 21.89 points or 1.39 per cent to close at 1587.07 points while the DSE All Share Price Index increased by 25.52 points or 1.97 per cent to close at 1321.01 points on August 31.A total of 75,36,261 shares of 199 issues worth Tk 80.92 crore changed hands on the DSE the same day. Of the issues traded, 122 closed in gains, 56 suffered losses and 21 remained unchanged.

Foreign companies repatriated US$3.62 billion during nine years



Higher profit transfer by the foreign companies actually eats into net foreign direct investment. According to Bangladesh Bank data, foreign, mostly the mobile phone companies, have repatriated $3.62 billion of their investment worth $4.45 billion as profit and loan repayments during 1996 and 2005. FDI inflow gave a 'quantum jump' in fiscal year 2004-05 and amounted to $800 million from $385 million in fiscal year 2003-04. Total foreign aid disbursement in fiscal year dropped marginally to $12.41 billion from $12.60 billion in fiscal year 2004-05, while the net foreign aid declined to $752.2 million from $811 million during the period under review.

Bangladesh considered Asia's top 10 mobile markets

Bangladesh has emerged as one of Asia's top 10 mobile markets in terms of adding net subscribers according to GSM Asia Pacific, a regional forum of the Generalised System of Multiple Access (GSMA) mobile operators. Bangladesh, the 8th top mobile market in Asia, ahead of Thailand and Philippines, would not be able retain the position unless the government immediately purged the industry of the 'counterproductive' policies and shook up the telecom regulators, said that Chairman of GSM Asia Pacific. According to data of Informal Telecoms and media, a London-based research firm, Bangladesh has had 1.265 million new subscribers during the first quarter of 2006, which is slightly lower than the net addition of Thailand and Philippines combined, and marginally lower than seventh- ranked Malaysia's first quarter intake. More than two billion people use GSM mobile phones worldwide, accounting for an 82,4 per cent penetration. Of these Asia Pacific region alone boasts 757.13 million GSMA mobile users and the number is growing fast.

'Well-managed women's migration could better Bangladesh economy'

The UN Population Fund said the Bangladesh economy could have reached a win-win situation if the migration of women had been well-managed. In the State of World Population Report 2006, released the world over on September, the UN agency said well-managed migration could bring about a better result only if the contribution of women were maximized.

In its section on Bangladesh, the report said it could bolster the economy of Bangladesh, one of the nine largest manpower exporting countries in the world, stressing on the need for a policy for accountable spending of remittance by women.

Bangladeshi women working in the Middle East send home 72 per cent of their earnings on an average. The government data indicate that less than 1 per cent of the people emigrating from Bangladesh between 1991 and 2003 were women. Bangladesh lifted restriction on the migration women in 2005.

According to the report out of the world's 191 million international migrants, 95 million are women and often work behind the scenes and their work goes largely unrecognized.The report further points out that women migrants send a larger share of their earnings back home than male migrants, yet women migrants are too often ignored, disenfranchised and abused.

News from ICC Hqs. in Paris

Economists foresee slight slowdown in world economic growth

After two years of robust economic growth, prospects for the global economy dimmed slightly in the third quarter, an about face from more than a year of rosy forecasts, according to the latest World Economic Survey by CESifo and the International Chamber of Commerce, released on August 22. The quarterly report surveys 1,005 corporate and academic economists in 90 countries.

This slight tempering in expectations for business activity was seen in assessments for the world economic climate and predictions for the next six months. The Ifo index fell to 105.6 from 111.0 the previous quarter, while prospects for the coming six months dropped to 96.5 from 108.8 previously. However, assessments of the current economic situation continued to improve, registering 115.1 for the third quarter versus 113.2 in the second quarter.

"The present trend was set in motion in the second quarter. While the economy was still seen as favorable, expectations were starting to wane amid downward pressures brought on by steeply rising oil prices," said Gebhard Flaig, Executive Board Member of the Ifo Institute for Economic Research.

"The latest results indicate the world economy is approaching a cooling-down phase of the growth cycle," he added.

The sharpest falloff in expectations was registered in North America, where the world economic climate index dropped to 98.0 from 114.8, whereas views of the current economic environment edged up slightly. The survey indicated the US would grow at a slower but more sustainable pace but would see a rise in inflation. For Asia, prospects for the economic climate deteriorated somewhat for the second quarter in a row.

In Europe, economists remained equally optimistic about the economic climate. "In almost all euro-area countries, the same pattern in business sentiment could be observed: assessments of the present economic situation improved, but economic expectations have been downgraded," the survey said. Only the UK bucks this trend with steady improvement seen currently and six months ahead.

As high prices for energy and raw materials feed through the world economy, experts see inflation inching up to 3.5% from 3.1% in the last quarterly survey. Inflation in the US is seen slightly above 3% for the second year in a row. In the euro area, inflation is expected to remain moderate at 2.2%. In Asia, inflation is seen inching up slightly to 2.9%.

The US dollar is viewed as fairly valued, while the euro and the British pound are considered overvalued. For the third quarter in a row, the Japanese yen is seen as undervalued.

Short-term interest rates worldwide are expected to rise in the second half of the year except in Russia, Indonesia and Brazil. The increase in long-term rates is expected to be muted in most countries.

New Rules of Origin offer possible opportunities for chambers

New opportunities for chambers of commerce to partner with their customs and trade agencies may be possible if current Certificate of Origin (CO) discussions within the EU lead to a decision to phase out stamps and certificates for exporters.

Certificates of Origin (CO) attest that goods in a particular export shipment are wholly obtained, produced, manufactured or processed in a particular country (country of origin) and in most countries, chambers of commerce are the key agent in their delivery. Two types of CO exist.

Non-Preferential COs, also known as Ordinary COs, certify the country of origin of a particular product and do not qualify for any preferential treatment. They are the main type issued by chambers of commerce.

Preferential COs enable products to enjoy tariff reduction or exemption when they are exported to countries extending these privileges. An example is the Generalized System of Preferences (GSP), sometimes known as Form A. In several countries, chambers have been working with their governmental authorities - as delegated agents - to be able to issue Preferential COs.

The issuing of Non-Preferential COs by chambers of commerce has not only provided businesses with an additional service, but has also been an efficient and cost effective solution for both business and government agencies.

Under proposed EU rules of origin reforms, stamps and certificates would no longer be required for traders wishing to export/supply goods upon which preference can be claimed. Instead they could register in their country of export as a Registered Exporter and complete a Statement of Origin.

At the World Chambers Federation Certificate of Origin Task Force meeting last week in Paris, chambers from Europe, Asia, USA and Africa learnt first-hand of the foreseen changes to the GSP system through a presentation given by the EU Directorate General Taxation and Customs Union's Origin, Customs Valuation & Trade Facilitation Unit.

Under the new arrangements, a "competent authority" would be established in each country to manage an up-to-date electronic record of the registered exporter, containing the name, full address, number of registered exporter, product coverage and period of validity.

The "competent authority" may request from the exporters, prior to their registration, all information necessary to ensure that they meet the conditions for exporting goods under the new scheme. Exporters would have to commit themselves to respecting the scope and conditions of the registration system and to comply with the relevant rules.

Chambers present at the task force meeting at ICC headquarters expressed to the EU representative that their organizations could act as "competent authorities" to facilitate the process. They noted that chambers of commerce already collect extensive business data from companies within their region, through projects like ChamberTrust, and are in a good position to establish an international chain to perform such a role.

Lee Ju Song, Chair of the Certificate of Origin Task Force and Deputy Executive Director of the Singapore International Chamber of Commerce said:

"Under the Geneva Convention, governments were obliged to make the process and procedures as simple as possible for companies requiring certificates of origin. In addition, it was specified that the state may allow these certificates to be issued by other organizations which 'possess the necessary authority and offer the necessary guarantee's to the state'.

"With such a widespread network, chambers of commerce are ideally suited to extend their role as a facilitator of trade. Chambers are capable and responsible partners due to their proximity and knowledge of their local business communities."

ICC to hold first conference on new documentary credit rules

ICC's revised rules on documentary credits, commonly called "UCP", are expected to be approved for release at the next meeting of the ICC Banking Commission on 24-25 October in Paris. On the following day, also in Paris, the UCP Drafting Group that developed the rules will lead the first international conference to explain how the revision differs from UCP 500, the previous version of the rules.

The UCP, first introduced in 1933, are the most successful private rules for trade ever developed. The revised UCP, to be called UCP 600, is the fruit of more than three years of work by the ICC Banking Commission. The UCP Drafting Group and the Commission sifted through more than 5000 comments and considered several drafts before arriving at the consensus final version.

At the 26 October conference, the Drafting Group will present a complete review of the rules and take questions and answers from the audience.

The conference topics include:

- a structural comparison of UCP 600 and UCP 500;
- the framework of the new UCP (articles 1-5);
- structure and obligations under documentary credits;
- standard for examination of documents; discrepant documents, waiver and notice;
- the UCP transport articles;
- transferable credits and other issues; and
- changes at SWIFT for UCP 600

ICC urges strong follow up to G8 statement on intellectual property

The International Chamber of Commerce commends G8 leaders for proposing measures to better protect intellectual property rights at the G8 Summit in July and calls on those governments to turn their support into concrete action.

"The G8 statements promoting intellectual property are certainly welcome," said ICC Secretary General Guy Sebban, "But we need to see them translated into action or we are left with nothing more than another piece of paper."

"The problem of global counterfeiting and piracy has far-reaching consequences and must be reined in," said ICC Chairman Marcus Wallenberg. "Organized crime networks are fuelled by it while consumers are put at risk, jobs are lost, and government and business revenues are undercut."

In a pre-summit meeting with G8 host and Russian President Vladmir Putin, Mr Wallenberg and other ICC officials presented a statement outlining key business concerns. They urged President Putin to discuss the need for stronger intellectual property rights enforcement with his G8 counterparts and are encouraged to see some of their recommendations included in the ensuing G8 statement.

"Partnerships with industry will be an essential element for the success of this joint plan," said Mr Sebban. "Businesses from all sectors around the world are already working together through ICC's Business Action to Stop Counterfeiting and Piracy (BASCAP) initiative to strengthen their efforts and maximize their effectiveness."

"Business is mobilized and ready to help the joint task force," he noted.

Intellectual property theft affects virtually all sectors and all regions of the globe at an annual cost of approximately $650 billion. In addition to the more obvious societal costs, piracy and counterfeiting also undermine creativity, innovation and investment.

Extraterritoriality is thwarting global commerce, ICC warns

A disturbing threat to cross-border trade and investment is gathering momentum as countries are increasingly applying their laws and regulations to business conduct occurring outside their national territory.

The so-called "extraterritorial" application of national laws is seriously impeding global commerce and stoking conflicts between governments. Voicing the concerns of thousands of enterprises affected by these measures, the International Chamber of Commerce is publishing recommendations to guide policymakers in an effort to stem this growing menace.

"With the expansion of globalization, the rapid spread of e-commerce and increased regulation in response to new security threats, the potential for extraterritoriality problems has grown exponentially" said Dieter Lange, Chairman of the ICC Task Force on Extraterritoriality and Senior European Partner at Wilmer Cutler Pickering Hale and Dorr LLP. "Countries lack confidence in other states to regulate matters such as cartels, organized crime and corporate governance. Instead, they seek to apply their laws and regulations beyond their borders, thereby causing a rash of complications for global business."

Incidences of extraterritoriality occur in a vast range of areas, including taxation, antitrust laws, security measures, corporate governance and data protection. Companies doing business internationally suffer considerable commercial and legal uncertainty and bear heavy costs resulting from compliance with duplicating - and sometimes conflicting - legal requirements.

ICC foresaw the growing problem of extraterritoriality back in 1987, when the organization published its first report addressing the emerging threats from extraterritoriality and its damaging effects on international commerce. Over recent years ICC has undertaken a series of actions and consistently expressed the concerns of international business, including filing legal briefs before the U.S. Supreme Court in cases where the extraterritorial application of US law represented a threat to global business.

In 2004, ICC established a task force of business representatives, lawyers and other experts to examine the adverse effects of extraterritoriality on world business and to develop recommendations.

In its policy statement, Extraterritoriality and Business, ICC urges policymakers and courts to recognize international comity as a fundamental principle of law and to acknowledge other states' interests when enacting legislation and enforcing rules. As a rule of thumb, ICC notes that the application of national laws and regulations must be limited to matters connected to national territory by a substantial and predictable link.

To reduce the incidence of extraterritoriality conflicts in the future, ICC encourages states to harmonize national laws and mutually recognize equivalent standards. This would avoid conflicting decisions and strengthen regulatory consultation bilaterally and multilaterally.

ICC endorses joint EU-US plan to tackle booming trade in pirate and counterfeit goods

The International Chamber of Commerce strongly endorses the joint EU-US action strategy on counterfeiting and piracy as a major step forward in the fight against the galloping global trade in these illicit goods, according to a ICC press release issued on July 7,2006.

Created by the EU-US Intellectual Property Rights Working Group and announced on the eve of the EU-US summit in Vienna in June, 2006, the plan is a welcome indication of political will to rein in counterfeiting and piracy. The strategy lays out a number of measures for closer EU-US cooperation on sharing data, customs and border control, and striking public-private partnerships to safeguard intellectual property.

"Partnerships with industry will be an essential element for the success of this joint plan. We have a better chance of turning back the advancing tide of counterfeiting and piracy if business and government act together," said ICC Secretary General Guy Sebban. "Through our BASCAP initiative, ICC has already put in place a cross-sectoral, global platform to mobilize business to the challenge, and we stand ready to help the joint task force."

Business is called upon to lend its expertise to the Working Group in a number of key areas, including sharing information, supporting law enforcement, and helping to develop networks in other countries such as China and Russia.

Intellectual property theft has become a massive problem, affecting virtually all sectors and all regions of the globe at an annual cost of approximately $650 billion. In addition to robbing governments of tax revenues and creators and inventors of the fruits of their labors, counterfeiting and piracy pose large risks to health and safety and are linked to highly sophisticated organized crime networks.

ICC established Business Action to Stop Counterfeiting and Piracy (BASCAP) to raise public and political awareness of the social and economic consequences of counterfeiting and piracy. BASCAP publishes free of charge daily and quarterly reports on enforcement incidents, protection strategies, and industry and political activity.

International Data Transfer: Individuals will benefit from greater transparency in the drafting of BCR's determining how their personal data is safeguarded. Individuals will benefit from greater transparency in the drafting of BCR's determining how their personal data is safeguarded.

Extraterritoriality: ICC urges governments to acknowledge other states' interests when enacting legislation and enforcing rules.

G8 - G8 recommendations include measures to improve border enforcement through increased customs co-ordination and exchange of enforcement information.

WTO News

Trade Policy Review: BANGLADESH

Good economic performance and reforms should lead to sustained growth

Since its previous Trade Policy Review, Bangladesh has pursued prudent structural reforms in priority areas and trade liberalization with positive results on growth and foreign direct investment inflows. Nevertheless, development constraints persist such as infrastructure bottlenecks and institutional and other policy limitations, according to a WTO Secretariat report on the trade policies and practices of Bangladesh released on 15 September.

The report points out that Bangladesh remains heavily dependant on exports of ready made garments, despite the risks from the elimination of quotas in accordance with the Agreement on Textiles and Clothing (ATC). Moreover, it has yet to take full advantage of its agricultural potential, and cope with inefficiencies and shortages in the important services sector, which accounts for more than half of Bangladesh's GDP.

The report also says that the economic performance in the last few years, together with the authorities commitment to reform, the strengthening of the legal system and the promotion of exports and market diversification should lead the country towards sustained growth and poverty alleviation.

WTO World Trade Report focuses on subsidies

Government subsidies can be useful instruments in correcting market failures and working towards social objectives but can also distort trade and provoke strong responses from trading partners, according to the WTO's 2006 World Trade Report which was launched on 24 July, 2006.

WTO economists have carefully scrutinized the use and the impact of government support in a variety of sectors. While some subsidies can benefit society and can offset the negative externalities of economic activity, other types of government support are clearly more controversial and can be damaging. One significant part of our Doha round negotiations involves reducing subsidies which distort trade while encouraging governments to use other forms of support which can facilitate development and environmental protection. Shifting support in this way is politically difficult and requires determination and courage, but the evidence is clear that such reforms can level the playing field and provide real rewards across the board," said Director-General Pascal Lamy.

The incidence and the impact of subsidies remain seriously under-researched. Many governments maintain extensive subsidy programmes at the national and sub-national levels, and invoke a multiplicity of objectives to justify the programmes. Because subsidies can be trade distorting, WTO Member governments must notify the organization of any such support. Yet few governments fully meet their notification obligations under the WTO, contributing to a serious lack of information and transparency on the use and effect of subsidies. The absence of systematic information is aggravated by the lack of common definitions of subsidy practices. The Report begins with a review of attempts to define subsidies. It goes on to consider what economic theory tells us about the effects of subsidies, providing a guide for assessing the desirability of different kinds of subsidy programmes. The authors of the Report examine the reasons governments give for using subsidies, and assess the incidence of subsidies in various industries and sectors. Finally, the Report undertakes an analysis of the WTO rules on subsidies. Some of the salient findings of the Report are summarized below:

- Governments extend subsidies to build infrastructure, help struggling industries or foster new ones, promote research and develop new knowledge, protect the environment, redistribute income and help poor consumers.
- Economic theory tells us that some but not all of these objectives are most effectively addressed by subsidies. Theory also tells us that subsidies can distort trade by giving an artificial competitive advantage to exporters or import-competing industries, and this can be a source of tension among trading partners.
- Concern among trading partners about subsidies rises in direct proportion to the extent to which subsidy practices have direct trade effects within a narrow segment of economic activity. If the effects of subsidies are perceived as severe enough in the marketplace, they may trigger a reaction nullifying any advantage from the subsidy.
- The Report estimates that 21 developed countries spent almost $250 billion on subsidies, while all countries spent over $300 billion. The arithmetic average ratio of subsidies to GDP is lower in developing than developed countries, but large variations of the ratio can be found in both country groups. For a sample of 31 developing countries the average ratio of subsidies to GDP was 0.6 per cent, while the comparable figure for a sample of 22 developed countries was 1.4 per cent.
- Agricultural subsidies in OECD countries - both domestic and export subsidies - show a downward trend. The available evidence suggests industrial subsidies are most pervasive in mining, coal, steel, forestry, fishing, shipbuilding and automotive industries. Comparable data on the incidence of subsidies in services sectors do not exist. Incomplete evidence suggests support measures are concentrated in the transport, tourism, banking, telecommunications and audiovisual sectors.
- Information is not solid enough to conclude that there is any systematic downward trend in subsidies to industry and services. In some cases, however, evidence exists of a tendency to redirect subsidies towards "horizontal" objectives. This will generally make subsidies less distorting.
- The GATT/WTO rules on subsidies have evolved considerably over the years, becoming more precise and detailed. Competing views exist as to whether the rules are tight enough to limit trade distorting subsidies, or accommodating enough to allow governments to pursue their legitimate objectives, including development.

The Report also examined 2005 trade developments and included four essays; on textiles and clothing trade trends, flows of international receipts, trade trends of least-developed countries and the trade impact of natural disasters and terrorist acts.

DISPUTE SETTLEMENT

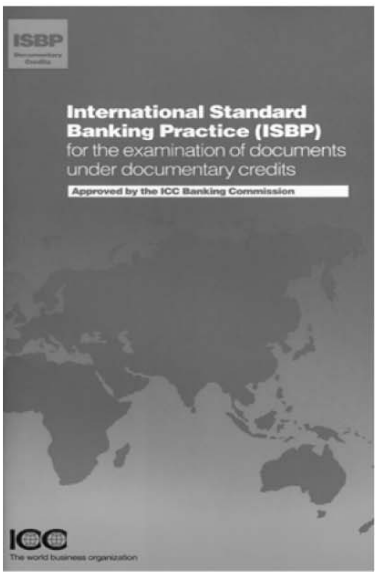
WTO appoints new Appellate Body Member

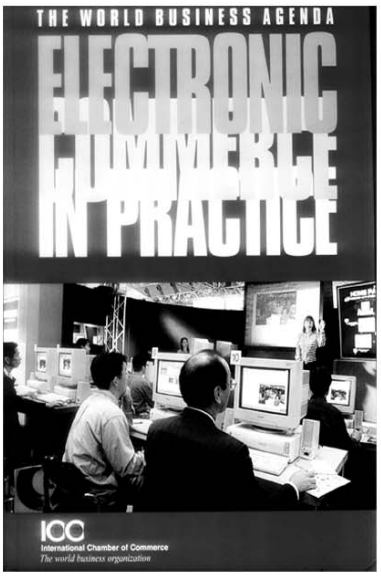
The WTO Dispute Settlement Body (DSB) on July 31 Mr David Unterhalter, aged 47, of South Africa to the seven-member Appellate Body to replace the late Mr John Lockhart who passed away in January. Mr Unterhalter will serve for the remainder of the term of office of Mr Lockhart up to 11 December 2009.

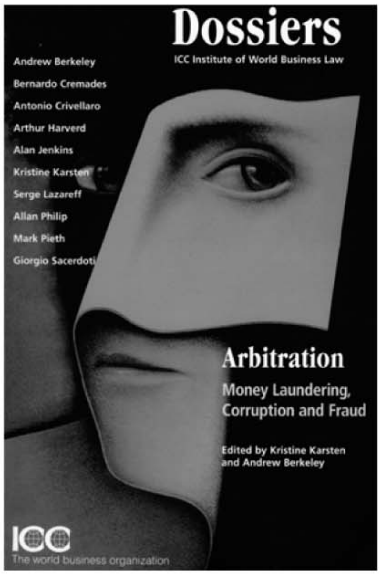
The appointment was made according to the Dispute Settlement Understanding which stipulates that the Appellate Body shall "comprise persons of recognized authority, with demonstrated expertise in law, international trade and the subject matter of the WTO agreements generally." The DSU also requires that the Appellate Body membership be broadly representative of WTO Membership. The appointment was made following consultations with WTO Members and on the basis of a proposal by a Selection Committee comprising the Director-General, and the Chairpersons of the General Council, the DSB, the Council for Trade in Goods, the Council for Trade in Services and the TRIPS Council. The Selection Committee interviewed eight candidates who had been nominated by their respective governments.

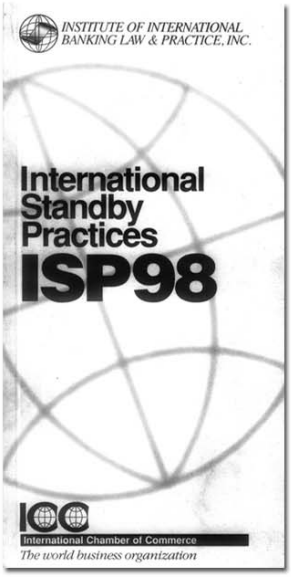
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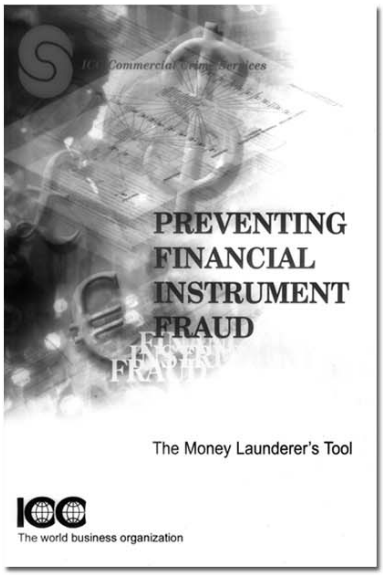












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