April - June 2007

NEWS BULLETIN

A Quarterly Newsletter of ICC Bangladesh Vol : 10 No : 2

ICC Bangladesh

The Executive Board

President :
Mahbubur Rahman

Vice-Presidents :
Latifur Rahman
Samson H. Chowdhury

Members :
A S M Quasem
Aftab Ul Islam
Annisul Haq
Kutubuddin Ahmed
M. Aminuzzaman
Mahbub Jamil
Mamun Rashid
Masih Ul Karim
Mir Nasir Hossain
M. Shamsul Alam
R. Maksud Khan
Rokanuddin Mahmud, Bar-at-law
Saifuzzaman Chowdhury
Syed Manzur Elahi
Waliur Rahman Bhuiyan

Secretariat

Secretary :
Ataur Rahman

General Manager :
Md. Zahidul H. Chowdhury

Editor's Note

Budget '07-08: Industry needs more attention

The care-taker government, for the first time in its history, has presented a budget for the whole year (FY 2007-08). The approved budget with a size of Tk. 871.4 billion, which is 30.38 percent higher than previous fiscal's, is both development and welfare oriented. Different features of the budget, such as higher allocations for key sectors, changes made in income tax administration and also better safety net for the poor are welcome move. Similarly, allocation of Tk. 1 billion for SME Foundation and Tk. 0.23 billion Trust Fund for industrial loans to small entrepreneurs are also commendable.

The budget has a strong bias towards rural economy. Provisions for financial assistance and increased subsidy for agriculture, diesel and fertilizer as well as for research and development in the agricultural sector are clear indications of the government's aim at poverty reduction.

Fifty seven percent of the overall budget has been allocated to projects linked to poverty reduction. However, given the performances of the previous governments in implementation of development plans as well as the existing structural deficiencies in the rural areas, one may be skeptical about the achievement of basic budgetary goal -- poverty reduction.

The national budget is not merely a document containing the government's proposals and projections about revenue earnings and expenditure. It is supposed to reflect the mission and vision of the government and aspirations of the people. In a least developed country like Bangladesh, donors' prescription at times overshadows the national priorities in formulating budget; due to heavy dependence on external assistance for development programme. However, many such provisions may be seen as a standard prescription for the benefit of the country but may not be practical for implementation in a given geographical and social conditions. This may have been reflected in this year's budget as well when one considers the tariff measures. In formulating the tariff rationalisation, the budget seems to have followed the trade policy prescriptions, which would not hold good for the growth and development of the country as a whole. Neither would it help mobilize internal resources. The tariff changes will definitely hurt the country's industrial sector. The strong import bias of the budget will encourage importers at the cost of local industries.

The country's important business leaders voiced their concern about the tariff structures during their consultation with the Finance Adviser and urged him to maintain status-quo for import duty on raw materials and capital machinery for the local industries; to be competitive on the global market. They further proposed to change some Tax/VAT provisions and asked for sufficient allocation for human resource development with an aim to promote efficient manpower export. While the decision to withdraw duty on capital machinery and computer accessories in the approved budget are commendable; but on the other hand significant duty reduction for the telecommunication sector seems to have little justification in comparison to the industrial sector as a whole.

Business leaders welcomed the proposal for increasing power generation by 2300 MW over the next 3 years to help improve supply against projected demand. But considering the projected GDP growth the demand by 2010 for power would be much more than that estimated by the government. Therefore, a realistic projection of future demand of electricity should be done on a priority basis. At the same time, the government should encourage more private investment in this sector.

It is, therefore, advisable that to rejuvenate the economy as well as to improve growth under the changed circumstances, when there is no political pressure, the government should seriously consider helping local industries to come up and compete in global market place.

International Chamber of Commerce-Bangladesh

The world business organisation

National Secretariat :
Suvastu Tower (6th Floor), 69/1, Pantha Path
Dhaka-1205, Bangladesh. Fax : +880-2-8621027
Tel : +880-2-8621942, +880-2-9676698
E-mail : iccb@bdmail.net, web : www.icc-bd.org

International Headquarters :
38, Cours Albert 1er, 75008 Paris, France
Tel : +33 1 49 53 28 28, +331 49 53 28 49
Fax : +33 1 49 53 29 42
Internet : www.iccwbo.org

ICC Bangladesh News

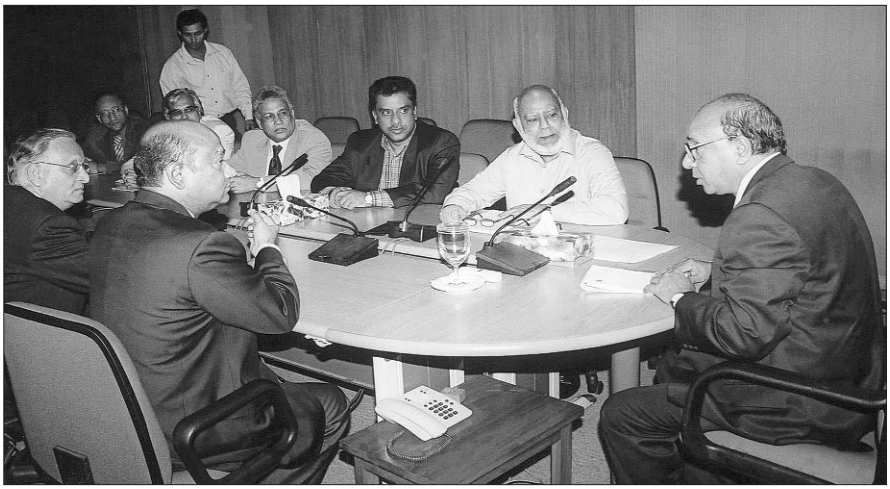
Review meeting by Businesses on Budget for FY 2007-08

Submitted a set of recommendations to the Finance Adviser

A review meeting on budget for the FY 2007-08 was held on June 13 at ICCB Board Room. President of ICC Bangladesh Mahbubur Rahman presided over the meeting which was attended by leaders of different important chambers and associations and other business leaders. Based on the discussion a Joint Press Statement was issued on June 14.

The meeting was attended by MCCI President Latifur Rahman, DCCI President Hossain Khaled, FICCI President Masih Ul Karim, BGMEA President Anwar-ul-Alam Chowdhury, BKMEA President Md. Fazlul Haque, Acting BTMA President Jahangir Alamin and Secretary-General of MCCI, Dhaka C. K. Hyder, among others.

The Business Leaders subsequently called on Finance Adviser Dr. A. B. Mirza Azizul Islam at his Secretariat office on June 19 and presented a set of recommendations on the proposed Budget for his consideration.



Finance and Commerce Adviser to the care-taker government Dr. A.B. Mirza Azizul Islam is seen along with ICCB President Mahbubur Rahman, MCCI President Latifur Rahman, FICCI President Masih Ul Karim during a meeting held on June 19 with the Business leaders which was also attended by Presidents of DCCI, BGMEA, BKMEA and BTMA.

ICCB President Mahbubur Rahman led the delegation which included MCCI President Latifur Rahman, DCCI President Hossain Khaled, FICCI President Masih Ul Karim, BGMEA President Anwar-ul-Alam Chowdhury, BKMEA President Md. Fazlul Haque, BTMA President Abdul Hai Sarker, ICCB Board Member R. Maksud Khan and Secretary-General of MCCI, Dhaka C. K. Hyder.

Major recommendations submitted for consideration of the Finance Adviser included:

Measures requiring re-examination:

- Withdrawal of the existing 4% infrastructural development surcharge (IDSC) on imports of finished and luxury goods will open up the market for cheaper imports and will hurt local industries.
- Withdrawal of Zero-tariff facility on import of more than 400 items, mostly raw materials used in local industry, and imposition of 10% duty on the same will hurt the industry.
- About 1200 industrial raw materials and machinery would see tariffs double to 10%. Cost of production of local industries will increase.
- 2600 imported products will get the benefit of reduced import duty.
- 1200 products will be subjected to 100% increase in import duties from 5% to 10%.
- 400 items which are mainly raw materials and capital machinery will be hit by abolition of Zero-tariff and subjecting them to 10% duties.

- Increase of duty on imported raw materials, intermediate inputs and capital machinery will hinder industrialization efforts, in particular the backward linkage industries.
- Enhancement of custom and supplementary duties on raw and intermediate materials and withdrawal of Zero tariff facility on import of textile machinery and spares will seriously affect in setting up backward linkage industries and in turn make the country always dependent on imported supply for this vital sector. Therefore, the zero tariff facility may be continued.
- Continuous production of CI sheet at a reasonable price is very essential as this is mostly used by poor rural household. The international prices of raw materials for CI sheet have increased by more than 300% over the last few years. On top of that the proposed duty structure will increase the price from Tk.30,000 (FY2002-03) to Tk.101,000 (FY2006-07). It is, therefore, proposed that "Specific Duty" may be fixed at Tk.4,000 to Tk.5,000/MT for HR coil and Tk.5,000-Tk.7,000/MT for Zinc Ingot as has been fixed for Billet (Tk.3000/MT) and for ship breaking (Tk.1200).
- Proposed duty increase of television parts from 12% to 25% will also loose it's competitiveness with the imported finished television which is also fixed at 25% duty. Therefore, duty of television parts may be kept at the existing level.
- The proposed duty structure for import of raw materials for electric cables will increase the product in-put cost of local industry and will loose the price competitiveness with imported finished cables, thereby will affect the viability of local industries. It is proposed to keep the duty slab at the existing lowest level and withdraw completely the Supplementary Duty for raw materials imported by the registered manufacturing industry.
- IT is the most prospective sector for export diversification. Therefore, it is proposed that zero tariff concession on computer and computer accessories may be continued to help in the growth and development of IT sector and thus create opportunity for foreign exchange earning.

Specific revisions, which need to be made to remove uneven tax treatment of local manufacturing vis-à-vis imported products included:

- Customs duties on imported raw materials which have been increased from 5% to 10% should be brought down to 5%.
- Import duty on intermediate raw materials and components which has been increased from 12% to 15% should be dropped and brought at the existing level.
- Development surcharge of 4% has been removed from all imports, for which cost difference for imported products and locally made products will be reduced.
- With 1% increase in raw materials, 1% increase in components and reduction of 4% development surcharge, the local products will be hit hard.

Power Sector Programme

- The budget proposal to increase power generation over the next 3 years: 345 MW in 2007-08; 900 MW in 2008-09 and 1050 MW in 2009-10 will help to improve the supply against projected demand. However, considering the projected GDP growth the demand by 2010 for power would be much more than that estimated by the government.

  Therefore, a realistic projection of future demand of electricity is needed if the country has to achieve a progressive GDP growth. Side by side government should encourage more private sector investment in power plants to meet increasing demand. In this regard, government may consider offering some fiscal benefits for new investment in this sector.

Tax procedure changes:

- Removal of the discretionary powers of the Tax administration

Value Added Tax (VAT)

- The time limit of tax rebate as per VAT Act 1991, Para 9(1) should be increased to 90 days from 30 days. Because it may not be possible to collect and submit B/E of all relevant imported ingredients from different countries in such a limited time period.

- The Para 9(2) and 2(A) of VAT Act 1991 should be changed so that the relevant person is not fully deprived of getting tax rebate. It is suggested to fine him considering the severity of his mistakes/crime. It cannot be justified to cancel the VAT deposited at the time of clearing the goods.
- Deposit payment for 2nd appeal under income tax and VAT Act should be reduced to 5% from 30% to meet the end of justice and fair play.

Human Resource Development

The expatriate Bangladeshi workers are the main foreign exchange earners of the country. Vocational training institutes may please be strengthened with proper facilities and teaching staff to provide appropriate training to unskilled/less-skilled/ semi-skilled workers depending on the needs of the importing countries so that we could send more skilled workers for better return. Besides, facilities may also be developed for providing language courses as well as cultural orientation before sending the workers abroad. For this, sufficient allocation in the budget under human resource development in expatriate category may please be considered.

There is huge demand for qualified and trained nurses abroad. Therefore, more colleges may be set up both at public and private sector to provide diploma and degree courses on nursing, including teaching English and other languages of the foreign countries.

To provide training on IT, master plan for setting up at least one computer based training institute in each upazilla if not in every union either by the Government or public-private partnership may be considered.



ICCB President Mahbubur Rahman presiding over a Budget Review meeting attended by leaders of leading chambers and trade bodies on June 13 at ICCB Board Room.

12th ICCB Annual Council

Bangladesh needs stability for sustained growth

President of ICC Bangladesh Mahbubur Rahman said that Bangladesh economy experienced a mixed trend in the calendar year 2006 due to political instability. As a result the economic indicators showed a sign of slowdown during the last quarter of 2006.

ICCB President, while presenting the Report of the Executive Board at its 12th Annual Council 2006 held at DCCI Auditorium on April 28, said that the country will be indebted to this government for presenting a free, fair and credible election for bringing back much needed stability for sustained growth and prosperity; to match with other members of the region.

The Report mentioned that the country has experienced a political stalemate towards the end of 2006, which ultimately led to the declaration of State of Emergency. It was mentioned that the business leaders took a number of initiatives during the year for bringing the main stream parties into dialogue, however, unfortunately it did not bring any tangible results. The businesses have appreciated the timely initiatives taken by the present care-taker government for bringing in political stability, reforms and reconstitution of the Election Commission and Anti-Corruption Commission, progress made in the

separation of the judiciary, streamlining the administration, bringing the corrupt politicians and their cronies into task.

Mahbubur Rahman observed that despite all odds at the end of 2006, export earnings recorded a significant growth of 25.80 percent, while import growth moderated to 19.8 percent. At the same time, remittance from non-resident Bangladeshis increased substantially by 29 percent. Like the previous years, the growing inward remittances continued to give strong support to balance of payment situation. All these resulted in turning the current account balance to a significant surplus of US$579 million during the second half of 2006 and the foreign exchange reserve also improved to US$4 billion, ICCB President said.

ICCB Report mentioned that the Bangladesh Bank has, however, attributed the higher growth in FY06 to a strong post-flood recovery in agriculture and a notable expansion in manufacturing activities despite excessive price hike of fuel and some other essential commodities in the international market. Apparel export growth after MFA phase-out and higher inflow of remittance from workers also added to the success during the year. Real GDP growth posted 6.7 percent in FY06, moderately higher than 6 percent of FY05, Rahman added.

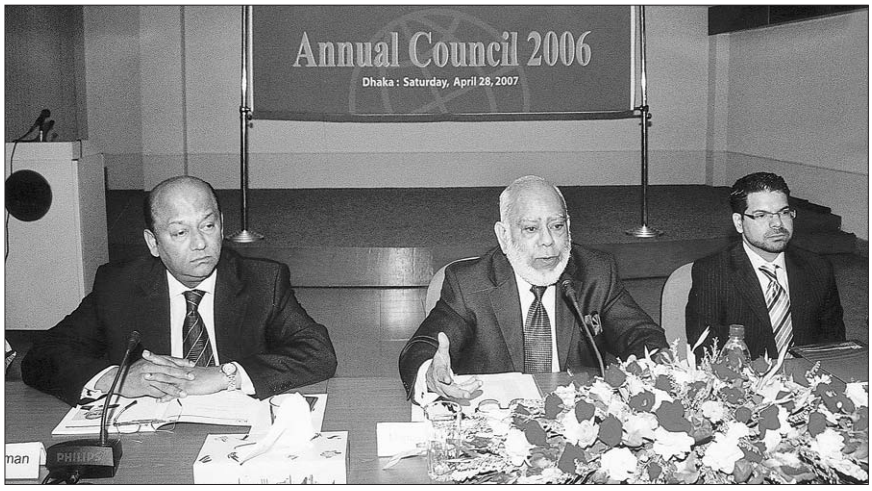
The Report marked that the national output growth is likely to slowdown in 2007 due to the anticipated slower GDP growth in FY07. The Asian Development Bank (ADB) has projected a 6.5 percent growth for FY07, which is moderately lower from 6.7 percent achieved in FY06. The Bangladesh Bank has also projected growth rate ranging between 6.5 and 6.8 percent. The central bank has, however, linked the growth rate with the favorable political environment and end of disruption to the economic activities.

ICCB Report has also projected that in the coming days inflation will be a major challenge for the Bangladesh economy as rate of inflation is critical for accelerated economic growth and poverty reduction.

The Report observed that businesses in 2006 had to struggle with Power crisis. According to a study by the CPD the country's economy faced a loss of Tk 130 billion for outages during FY06, which is about 4 percent of the GDP as against the loss of Tk 120 billion or 3.3 per cent of the GDP in FY05. The country's power plants currently generate only 2600MW to 2700MW of electricity against the current demand for more than 4500MW, the report mentioned.

The continuous high global oil prices that have heightened pressure on the country's balance of payment and threatened fiscal and monetary stability underscore the need for further rationalization of domestically administered prices of petroleum products. It was, therefore, suggested that a pricing system providing for automatic adjustment of domestic fuel prices to international market situation be adopted.

The Global economy, according to ICCB Report, is expected to grow moderately in 2007 after three years of high growth. In fact, global growth is expected to post 4.9 per cent, according to the projection of the IMF. Amongst the advanced economies, Germany, France, Japan and the United Kingdom are likely to move upward while the United States, Italy and Canada and the newly industrialised Asian economies are likely to slowdown. Optimistic economists believe that the developing economies in



ICCB President Mahbubur Rahman (centre) is seen speaking at the 12th ICCB Annual Council 2006 held at the DCCI Auditorium on April 28. ICCB Vice President Latifur Rahman is seen on his right while DCCI President Hossain Khaled is on his left.

Asia, which are playing an increasing role in driving world growth, would to some extent offset the impact of slowing U.S. growth.

In the coming days, the emerging new power houses - India, Brazil and China will play a prominent role in the global economy because of their increased productivity due to falling communication costs, diffusion of technology and aggressive marketing initiatives. Consequently, it will also offer enhanced scope of productivity rise through deeper economic integration among the WTO Member countries, the report added.

The ICCB Council expects that the present government would expedite the process to remove infrastructural inadequacies, especially power shortage and sustainable improvement of port operations as well as its expansion. Immediate careful attention for modernization of National Board of Revenue as well as Customs providing fiscal incentives including Tax Holidays to attract investment in basic industries, development of capital market, encouraging manpower export in a more organised manner and allowing Bangladeshi businesses to invest in the attractive overseas market by using part of their export earnings in order to arrest informal outflow of foreign exchange were also suggested.



A partial view of Council Members at the 12th Annual Council 2006 of ICC Bangladesh

Among others, ICCB Vice President Latifur Rahman, Executive Board Members: A. S. M. Quasem, Annisul Huq, M. Aminuzzaman, M. Shamsul Alam, Mahbub Jamil, Mamun Rashid, Masih Ul Karim & Waliur Rahman Bhuiyan; and ICCB Members, namely, DCCI President Hossain Khaled, Rokeya A. Rahman, Barrister Dr. M. Zahir, Barrister Rafique-ul Huq, MCCI Secretary General C. K. Hyder as well as CEOs of banks, insurance companies, national and multinational companies attended the Council.

Seminar on 'Price Spiral: Ways to Contain'

ICCB President for motivation of business community and formation of consultation body

The Media Initiative for Public Policy (MIPP) and the Bangladesh Rifles jointly organised a seminar on 'Price Spiral: Ways to Contain' at the conference room of the Press Institute of Bangladesh on May 28. As a designated discussant Mahbubur Rahman, President of ICC Bangladesh stressed the need for developing a mechanism to motivate the business community dealing with supply of essential commodities and formation of consultative body comprising representatives from the Ministry of Commerce, Ministry of Finance, NBR, the Bangladesh Bank and the concerned trade bodies to contain price spiral. He also mentioned that sudden unplanned drive against hoarding immediately after declaring the state of emergency has very badly damaged the business environment as well as confidence and caused a serious bottleneck in the supply chain and consequently led to price & supply volatility of essential commodities.

Former advisor to the caretaker government Dr Akbar Ali Khan spoke at the seminar as guest of honour. Dr Khan said there should be investigation by officials of the National Board of Revenue to find out whether the businessmen increase the commodity prices in accordance with price inflation in the world market or are charging exorbitant prices even after importing essentials at lower prices. To reduce the price of rice, the former advisor underscored the need for increasing the government's stock of rice from which rice has to be supplied to the marginal people at a reasonable price.

The speakers at the seminar unanimously stressed the need for enacting the proposed Consumers' Rights Protection Act and launching different food programme including VGF, VDF and OMS for the hardcore poor to give them some relief from the continuous price inflation. It was pointed out that due to price increase in the world market the price inflation this year in Bangladesh has become acute, so a change has to be brought about in our economic structures to cope with the situation.

Director-General of the Bangladesh Rifles, Major General Shakil Ahmed, presided over the seminar which was moderated by AP Bureau Chief Farid Hossain. Dr Mostafizur Rahman of the Centre for Policy Dialogue, Borhan Ahmed, President of the Consumers Association of Bangladesh, Annisul Haque, former President of the BGMEA, Rouf Chowdhury, President of the Oil Importers Association of Bangladesh, Aminuzzaman, Managing Director of the National Bank, among others, attended the seminar.

Meeting with World Bank Team on International Trade

A World Bank Team from Washington consisting of John Panzer, Sector Manager, International Trade Department and Philip Schuler, Senior Economist along with Dr. Zaidi Sattar, Senior Economist of World Bank, Dhaka Office met ICCB Executive Board members on May 16 at ICCB Secretariat to discuss on various issues related to international trade.

Presided over by ICCB President Mahbubur Rahman the meeting was attended by ICCB Executive Board Members, namely, Aftab ul Islam, Mamun Rashid, R. Maksud Khan, Syed Manzur Elahi and Waliur Rahman Bhuiya.

The members pointed out that at present Bangladesh is too much dependent on a few export items. Even there also the value addition is very low compared to other countries. It was pointed out that in view of the low labour productivity, there is need for establishment of vocational training both at public and private sector initiative to meet the growing demand. The remittances by Bangladeshi expatriate has been increasing, which is expected to reach US$ 6 billion during the current year. With appropriate training of manpower based on the requirement of the importing countries, the earnings could increase to three times than that of the present level, it was mentioned.

The export-oriented industries need to improve their capacity for product development, designing, marketing and technical know how in order to increase export. Attractive packages could be offered



ICCB President Mahbubur Rahman and some ICCB Board members are seen in the picture during a meeting with World Bank Team at ICCB Board Room on May 16.

for setting up joint venture industries with investor from importing countries in order to ensure marketing of finished products, like shoes, leather products, pharmaceutical, ceramic products, handicrafts etc.

It was mentioned that although Asia has been a major destination for business process outsourcing with India, the Philippines and China being the large players, Bangladesh with a few vendors has essentially missed out on this profitable business opportunity. Therefore, priority has to be given to develop necessary infrastructure and trained people to capture part of this growing market for software, IT-enabled and some basic business process outsourcing services.

It was suggested that for over all growth of the country as well as to create employment opportunities, emphasis should be given for development of the northern and western part of the country. Besides, all out efforts should be given for development of much needed basic infrastructure such as modern and efficient ports, adequate power, improved highways, modern railway system etc. as these are essential for boosting international trade.

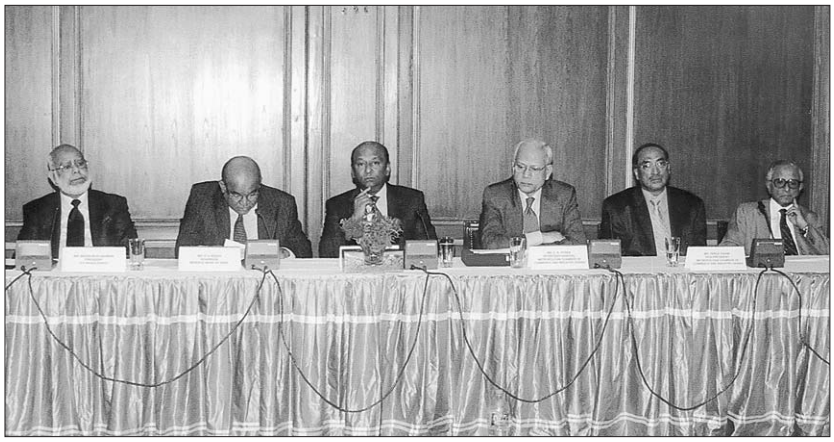
ICCB President is his concluding remarks mentioned about achievements made by Bangladesh in food sufficiency, poverty reduction, education, health, sanitation etc. The country has been maintaining a higher DGP despite a number of adverse situation. He hoped that the World Bank will not too rigid on its polices about various reforms, change its perception and provide more support to Bangladesh for development of infrastructure, human resources so that the country could expand its export base. He thanked the World Bank team and the ICCB members for their valued comments and suggestions.

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 President attended a lecture by RBI Chief at MCCI

Reddy stressed need for Trade integration among South Asian Countries

Indian Central Bank Chief Dr. Y. V. Reddy stressed the need for trade integration among South Asian countries for a sustainable economic growth in the region, but expressed his reservation about financial integration. 'The trade integration is undeniably beneficial, but financial integration has both, benefits and risks, at our stage of development,' Reserve Bank of India Governor Reddy told a business audience in Dhaka on May 17.



Governor of Reserve Bank of India Dr. Y. V. Reddy (2nd from left) is seen delivering his lecture at a business audience in MCCI on May 17. ICCB President Mahbubur Rahman is seen on his right while MCCI President Latifur Rahman and Secretary General C.K. Hyder and Chairman of Bangladesh Association of Banks M Syeduzzaman, among others, are on his left.

Governor Reddy was delivering a lecturing at a programme organised by Metropolitan Chamber of Commerce and Industry at its conference room. He underlined the need for greater harmonization of monetary policies, especially through staff exchange and exchange of information, among South Asian economies, which have greater monetary linkages.

Mahbubur Rahman, President of ICC Bangladesh, raised question about how the contractionary monetary policy is an effective measure to contain inflationary pressures on economy? Answering the query, the RBI chief said the contractionary monetary policy will not work actually, if there is a temporary supply shock, but it works only when there is demand pressure fuelling inflation. "Things are tied to both domestic and global factors. When the United States, Japan and European Union pursue tightened monetary policies it has to have a global impact. You can't stay out of this," Reddy observed.

Mr. Latifur Rahman, President of Metropolitan Chamber of Commerce and Industry (MCCI) in his welcome speech said, "It is our view that with the exception of one or two, monetary policies in the South Asian Countries are yet to be fully able to foster and help the growth process". He said that exchange rate has been depreciated several times mainly to make the export prices competitive, but such devaluations yielded only one transaction benefit to the exporters and did not help the country's external competitiveness.

Among others Mr. M Syeduzzaman, Chairman of Bank Asia Ltd and a former finance minister, and Mohammad A (Rumi) Ali, a member of Brac Bank Board of Directors and former deputy governor of Bangladesh Bank, were also present and spoke at the meeting.

Meeting with Commerce Ministry

ICCB President stressed the need for appointment of public trade experts

ICCB President Mahbubur Rahman stressed the need for special attention to the appointment of public trade experts and their transfer as it is hampering the consistency of negotiations. Mahbubur Rahman made the above observation at the fourth meeting of the high-powered committee meeting on WTO. The meeting was held on May 13 at the Commerce Ministry with the Finance and Commerce Adviser Dr. A. B. Mirza Azizul Islam in the chair.

The Finance and Commerce Adviser advised for reconstitution of the country's expert groups in order to deal with the World Trade Organisation (WTO) issues more professionally. He directed for forming more groups if necessary, in addition to the existing five, to deal with the emerging issues to protect the country's interest in the WTO.

The meeting discussed implementation status of WTO Trade Policy Review (TPR) on Bangladesh, Balance of Payment Restriction (BOPR), progress of duty- free and quota-free (DFQF) market access for LDCs and negotiation on Trade in Services.

Among others, representatives of the chamber bodies, senior officials from different ministries and experts attended the Meeting.

ADB consultation with Private Sector

Discussed on key issues, development priorities and challenges

President of ICC Bangladesh Mahbubur Rahman attended the ADB consultation with the private sector. The dialogue was held on May 30 at Bangladesh Resident Mission of Asian Development Bank (ADB) to share its strategic focus in Bangladesh and recommendations of the private sector. The Bank's development cooperation in Bangladesh, sectoral issues and priorities, integrated urban development, strengthening governance, transport corridor for trade facilitation and regional cooperation, among others, were highlighted during the meeting.

The cumulative public sector lending of ADB, as of 31 December 2006, to Bangladesh amounted to about $8.3 billion for 176 loans and technical assistance grants of $170.95 million for 318 projects. These have supported all key sectors, including energy, transport, social infrastructure and agriculture and natural resources, it was mentioned.

ADB Country Director Ms. Hua Du drew attention of the private sector leaders to the Bank's future directions i.e. lending pipeline including projects and programme in agriculture and water resource management, education, energy, transport, urban health, urban infrastructure and water supply and sanitation for the 2007-2009 period. It was informed that the pipeline also includes assistance to other sectors, such as industry and trade, law, economic management, public policy and good governance. ADB will also support investments and institutional reforms in the power and gas sector to ensure reliable and affordable access for the majority of the population.

The Consultation chaired by ADB Country Director Ms. Hua Du was also attended by Mr. Putu Kamayana, Senior Country Programme Specialist and Mr. Rezaul Karim Khan, Head, Economics Unit of ADB among others from ADB. FBCCI President Mir Nasir Hossain, MCCI President Latifur Rahman, CCCI President Saifuzzaman Chowdhury, BKMEA President Md. Fazlul Hoque and Senior Vice-President of DCCI M. Shahjahan Khan were, among other, also present in the meeting.

ADB considers assistance in the transport sector will help reduce the cost of doing business and improve the investment climate. Dhaka-Chitttagong Transport Corridor, which connects the two largest cities in the country, Dhaka-the capital and Chittagong-the largest commercial and port city, is the most important corridor in Bangladesh. It covers 16% of the country, 50% of the population, 57% of the nation's GDP, and two thirds of the nation's import-export flows. Chittagong Port handles about 90% of the country's international traffic. The corridor includes roads, rail and inland waterways. The road carries 51% of the current freight traffic in the corridor, the inland waterway 43% and the railway 6%. The railway carries most of the container traffic; no containers are carried by the waterways. ADB urged that development of the transport network in the corridor is facing major challenges, which if not addressed will severely constrain the country's growth prospects.

Besides, the Dhaka-Chittagong Corridor provides potential sub-regional linkages to Myanmar, Thailand, China and northeastern states of India, through Jamuna Bridge and the proposed Padma Bridge to West Bengal; as well as to Bhutan and Nepal through India. Because of its strategic location, this corridor can play a significant role in the sub-regional transportation system by providing direct and shorter transport links by rail, water and road. Developing a multimodal transportation system combining roads, rail, ports and inland water will help accelerate export-led growth in Bangladesh and its integration with south Asia and beyond.

Joint meeting to resolve anomalies between SEC Ordinance and Companies Act held

A meeting to discuss on different incongruence between the Securities and Exchange Ordinance 1969 and the Companies Act 1994 was held under the Chairmanship of Additional Secretary of the Finance Division of Ministry of Finance A. T. M. Fazlul Karim on 22 May at the Finance Ministry.

President of ICC Bangladesh Mahbubur Rahman, Vice President of Publicly Listed Companies(BAPLC) Syed Manzur Elahi, Executive Board Member of BAPLC A. K. M. Rafiqul Islam, Executive Director of SEC Monsur Alam, Registrar of Joint Stock Companies and Firms Sheikh Md. Mobarak Hossian, Joint Secretary Finance Division Amelandu Mukharjee, CEO of DSE Salah Uddin Ahmed Khan and officials form Ministries of Commerce and Finance and Bangladesh Bank attended the meeting and took part in the discussion.

Earlier, ICC Bangladesh while meeting the Chief Adviser Dr. Fakhruddin Ahmed on March 27 raised the issue that due to conflicts in certain clauses of Companies Act and Securities and Exchange Commission (SEC) Ordinance the businesses are facing difficulties in meeting the legal requirements. In view of the direction from the Chief Adviser, the finance ministry called the meeting.

The meeting discussed various conflicts in details and decided to resolve the anomalies between Companies Act and Securities and Exchange Ordinance.

Interest in SAARC does not reflect in trade

-Mahbubur Rahman

President of ICC Bangladesh Mahbubur Rahman observed that there has been a surge in interest in the SAARC, but it lacks reflection in trade. He made the comments during a discussion meeting on May 6 titled 'Implementation of the offer made by the Indian government at SAARC Summit' for duty-free market access of products from the SAARC Least Developed Countries' organised by the Metropolitan Chamber of Commerce and Industry.

ICCB President also mentioned although the seven-nation SAARC (South Asian Association for Regional Cooperation) has come of age, its performance remains lackluster. Founded in 1985, the SAARC is described as a club of impoverished nations, torn by political mistrust and antagonism. The comments of ICCB President were echoed by his fellow business leaders in the discussion meeting.

Foreign Affairs Adviser Iftekhar Ahmed Chowdhury was the key-note speaker at the meeting, chaired by President of the MCCI Latifur Rahman. Foreign Affairs Adviser Iftekhar Ahmed Chowdhury called upon the country's business community to get involved in the process of preparing a list of Bangladesh's export interests, proposing exclusion of such items from sensitive list Delhi prepared under the framework of South Asian Free Trade Area (SAFTA). Outlining the major decisions taken at the just-concluded SAARC summit in India, the foreign affairs adviser said the implementation of SAFTA (South Asia Free Trade Area) constituted the "first critical block" in regional economic cooperation. The SAFTA implementation-related bodies were directed to review progress regularly, he said, adding that the subject would be further examined at the third SAFTA ministerial council in India towards the later part of the year.

In his speech MCCI President Latifur Rahman said mere duty-free access could not ensure free flow of goods into Indian market unless non-tariff and para-tariff barriers were removed. He also suggested that Dhaka should urge upon Delhi to withdraw all kinds of trade barriers as well as special duties and levies. He further expressed the fear that technical barriers to trade and sanitary and phyto-sanitary measures would continue to remain major hindrances.

In the meeting country's top business leaders urged the government to take immediate move for the withdrawal of Indian embargo on acceptance of Bangladesh's investment in India. Such a ban since Bangladesh's independence bars the local entrepreneurs from making any investment in the neighbouring country, they said, also pointing to the central bank's rigid policy, which, according to them, hinders the cross-border investment.



Foreign Affairs Adviser Dr. Iftekhar Ahmed Chowdhury (3rd from left) is seen speaking at a meeting organised by MCCI on May 6. ICCB President Mahbubur Rahman and BKMEA President Md. Fazlul Haque are seen on his right while MCCI President Latifur Rahman and Secretary General C. K. Hyder, among other, are on his left.

Among others Mostafizur Rahman, Research fellow of Centre for Policy Dialogue (CPD), Md. Fazlul Haq, President of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) and C K Hyder, Secretary General of MCCI also attended and addressed the meeting.

Press Statement on Budget FY 2007-08

Welcomed development and welfare features, urged to save local industries

Leaders of leading chambers and trade bodies on June 14 urged the government to consider maintenance of status-quo in respect of import duties on raw materials and capital machinery ignoring the proposals placed in the budget for fiscal year 2007-08. "The proposed increase in duty of raw materials, intermediate inputs and capital machinery will affect domestic industries across the board, particularly the textile sector, which has been providing increasing backward linkage facilities to the country's most dominant export products - readymade garments," the joint statement said.

The statement was signed by President of International Chamber of Commerce (ICC)-Bangladesh Mahbubur Rahman, President of Metropolitan Chamber of Commerce & Industry, Dhaka Latifur Rahman, President of Dhaka Chamber of Commerce & Industry Hossain Khaled, President of Chittagong Chamber of Commerce & Industry Saifuzzaman Chowdhury, President of Foreign Investors' Chamber of Commerce and Industry Masih Ul Karim, President of Bangladesh Garment Manufacturers & Exporters Association Anwar-ul-Alam Chowdhury, President of Bangladesh Knitwear Manufacturers & Exporters Association Md. Fazlul Hoque and Acting President of Bangladesh Textile Mills Association Jahangir Alamin.

The following is the Text of the Statement

The tariff changes in the new budget will hurt the country's industrial sector. The strong import bias of the budget will encourage importers at the cost of local industries. Export oriented and back-ward linkage industries also stand to be hit by increase of duties on raw materials and capital machinery. In formulating the tariff rationalisation, the budget seems to have followed the trade policy prescriptions, which remain on the table for quite sometime in the form of structural adjustment programme. This prescription has been framed seemingly to enable the developing countries and the least developed countries (LDCs) to take advantage of the benefits of multilateral trade liberalisation because of limitations of their trading capacity (usually referred to as supply side constraints) and their trade policy framework marked by maintenance of high unbound tariffs. It is claimed that unbound tariffs create "disincentives to enter international markets".

It is needless to mention that tariff policy reforms need to be pursued for the interest of the national economy keeping in mind that structural adjustment programmes are more often a reflection of the economic interests of the donors than the development priorities of aid receiving countries. There are several studies to show that trade liberalisation in itself does not automatically lead to growth and improved competitiveness. In fact, most of the developing countries have not been able to fully benefit from trade because they either lack tradable products or have limited capacity to avail of market access opportunities. It is, therefore, extremely necessary to extend tariff concessions to local industries to help them grow and be competitive. In extending such help, it appears that different provisions proposed in the budget needs to be reconsidered / re-looked in order to reconcile the interests of the industries with those of the consumers and the revenue income of the government.

Import of 400 items, mostly raw materials used by the domestic industries have been denied of zero tariff facility and subjected to 10% tariff. About 1200 more raw materials and machinery have been subjected to 100% increase in tariff rates; which have been increased from 5% to 10%. On the other hand, import of all finished products has been given significant tariff concession by withdrawing the 4% infrastructural development surcharge as well as reduction in supplementary duties.

The proposed increase in duty of raw materials, intermediate inputs and capital machinery will affect

domestic industries across the board, particularly the textile sector, which has been providing increasing backward linkage facilities to the country's most dominant export products - readymade garments. Similarly, exorbitant price escalation (by more than 100%) of steel products and its intermediate product in international market demand rationalisation of tariff (specific duty) to save local industries and the poor to have C.I. Sheet prices within their reach. With such tariff handicaps, the budget's expectation of 7% GDP growth in 2007-08 will be difficult to achieve as the industrial sector is due to be hurt.

We urge upon the Hon'ble Adviser in-charge of the Ministry of Finance and Commerce to look into these serious issues and consider maintenance of status-quo in respect of import duties on raw materials and capital machinery.

We, no doubt, very much welcome the different features of the new budget, such as, allocations for different sectors, financial assistance and subsidies to agriculture, the changes made in income tax administration and also better safety-net for the poor. Fifty seven percent of the overall budget has been allocated to projects link to poverty reduction. Similarly, the setting up of Tk. 1 billion SME Fund and Tk. 0.23 billion Trust Fund along with the provisions for help for research and development in the agriculture sector, allocation of Tk. 7.5 billion for diesel subsidy and Tk. 15 billion for fertilizer subsidy for the firms are equally commendable.

ICCB President inaugurated

Citibank seminar on International Trade Management

Citibank NA Bangladesh organised a seminar on 'International Trade Management' as part of its global trade initiatives and client education on May 19 at the Auditorium of Dhaka Chamber of Commerce and Industry (DCCI).

ICCB President Mahbubur Rahman inaugurated the seminar as chief guest. Mamun Rashid, Managing Director and Citigroup Country Officer, Bangladesh, Mahbubur Rahman, Director and Head of Financial Institutions, and other senior officials of the bank were also present on the occasion.

ICCB President Mahbubur Rahman, in his inaugural speech urged all concerned to have a very clear concept on the latest trade tools to avoid unwanted surprises in the coming days.

Mamun Rashid stressed the need for better understanding on trade fraud and forgery, under-invoicing, over invoicing and impact of globalisation on country's foreign trade.

The seminar mainly focused on disseminating the required knowledge and skills in understanding various trade settlement methods, associated fund flow risks and mitigants, recent changes in ICC rules and its overall impact.

Moinul Huq, Head of Trade Product and Sales, Citibank, N.A. Bangladesh conducted the seminar where 50 participants from the central bank, commercial banks and different government bodies attended.



ICCB President Mahbubur Rahman is seen speaking at the Citibank workshop on International Trade Management on May 19 at DCCI Auditorium. Managing Director and Country Officer of Citibank N.A., Bangladesh are also seen in the picture.

Fourteen-member ICCB Delegation to attend the 5th World Chambers Congress, Istanbul

A 14 member delegation of International Chamber of Commerce (ICC) - Bangladesh, The world business organization led by its President Mahbubur Rahman will attend the 5th World Chambers Congress (WCC) of World Chambers Federation (WCF), an affiliate of ICC Paris. The Congress will be held in Istanbul from 4-6 July. Union of Chambers and Commodity Exchanges of Turkey (TOBB) is the co-host of the event.

Held every two years in different regions of the world, WCC is the only international forum for chamber leaders and executives worldwide to share best-practice experience, develop networks and learn about new areas of innovation from other chambers as they face the challenge of remaining relevant to companies in their region. WCF not only helps individual chambers to become more productive, but also strengthens links between them.

The Prime Minister of Turkey Recep Tayyip Erdogan will inaugurate the Congress and make the keynote address. Banker of the Poor Noble Laureate Prof. Dr. Muhammad Yunus will make a special address at the Congress. Former US Secretary of State Madeline Albright and a host of business leaders are among the distinguished guests who will speak on different important topics of the congress.

The Bangladesh delegation also included ICC Bangladesh Vice Presidents Latifur Rahman and Samson H. Chowdhury, DCCI President Hossain Khaled, ICCB Executive Board Member Syed Manzur Elahi, ICCB members Nasir A. Choudhury, Barrister Nihad Kabir, Laila Rahman Kabir and Barrister Sheela Rahman, Director of DCCI Shamsul Arefin and Waqar Ahmad Choudhury and Shahnaz Rahman, Anita Chowdhury and Nilufar Manzur.

ICCB President Mahbubur Rahman will chair the Session on 'The Power of our "Chamber of Commerce" brand' to be held on July 5. Chief Executives of Auckland Chamber of Commerce, New Zealand; Chambers Ireland & Interbrand and Senior Partner of Dannemann, Siemsen, Bigler & Ipanema, Rio de Janeiro will speak in this session.

Judges have finished evaluating the entries for the 2007 World Chambers Competition and announced the name of The Dhaka Chamber of Commerce and Industry, among others, in the list of finalists under "Best Skills Development Programme".

It may be mentioned that the theme of the 5th World Chambers Congress is "Partnership for Prosperity". Under the theme there will be debates and discussions on issues such as how can international networks assist in the development of chambers of commerce, what are inter-governmental agencies doing to support chambers work, what are some initiatives proposed by international development agencies and other groups to expand and improve chamber activities and foster local business growth, what can business and government do together to foster an enabling environment for private sector development in a market economy system. It is expected that some 800 participants from more than 100 countries will attend the event.

Sixth UNESCAP BAC Meeting held in Almaty, Kazakhstan

The sixth Meeting of the Business Advisory Council (BAC) of UN ESCAP (United Nations Economic and Social Commission for Asia and the Pacific) was held in Almaty, Kazakhstan on May 19. The Meeting chaired by the Executive Secretary of the UNESCAP, Dr.Kim Hak-Su was also attended by Mr. Tariq M. Rangoonwala, Chairman of ICC Pakistan, as co-chair of BAC and two new: Mr. Tissa Jayaweera, Chairman & CEO of Advanced International Management Services (Pvt.) Ltd., and Chairman of ICC Sri Lanka and Mr. Li Hong, Chief Executive of the Pakistan office of the Dongfang Electric Corporation.

Dr. Kim announced that three more business leaders had accepted his invitation to join BAC, namely Mr. Donald G. Dee, Chairman of the Philippines Chamber of Commerce and Industry; Mr. B. Muthuraman, Managing Director of TATA Steel; and Mr. Emilio Umeoka, Regional Vice President of Microsoft Asia Pacific.

ICCB President Mahbubur Rahman, a permanent member of BAC, was scheduled to attend but could not attend due to some important engagements in Dhaka. The next meeting of BAC is expected to be held in Malaysia during October 18-19, 2007.

A brief summary of the discussions on different agenda as reported by UNESCAP are as follows :

1. **Increasing input from business to policy making :** The first agenda item comprising three interrelated issues : (i) How to increase the input of business in regional policy making; (ii) How to increase the input of business in global initiatives, including Aid-for Trade; and (iii) the Role of the Asia-Pacific Business Forum in the context.

   The discussion mainly focused on the second issue, i.e. the Aid-for-Trade concept. One BAC member pointed out that business wants to support trade capacity building. However, he cautioned that it would be difficult to get business to be interested in a generic call for financial support from business, but that it should be linked to their sectors. In this respect, the BAC remarked that many private sector entities are involved in philanthropic activities, providing contributions that way.

2. **Brief update on the status of UN Reform :** The BAC noted that 'one UN per country' initiative which was recommended by the "High Level Panel on System Coherence" has now been started in a number of pilot countries across the world, with Pakistan and Vietnam being the first in Asia. UNDP has been being designated to take the coordinating role.

3. **Implementing the Global Compact in Asia and the Pacific :** Mr. Marinus W. Sikkel introduced the last agenda item, and informed BAC members that following the discussion on CSR in the Asia-Pacific Business Forum, UNESCAP has developed a project to support implementation of the principles of the Global compact in the Asian and the Pacific region. It is expected to be funded by the Governments of Sweden and the Netherlands.

   The BAC noted that many countries have laws relating to many of the principles of the Global Compact, but that the problem is that implementation and follow-up of the laws are lacking. It was also suggested that UNESCAP use BAC members linkages with media.

Forthcoming Workshops

- UCP 600
- Incoterms 2000
- Certificate of Origin

For further details, please contact

ICC Bangladesh
Tel : 8621942, 9676698
Fax : +880-2-8621027
E-mail : iccb@bdmail.net

Bangladesh Economy

Bangladesh Budget for FY2007-08 approved

President Professor Dr. Iajuddin Ahmed on June 28 approved the budget for fiscal year 2007-08. Earlier on June 27, the council of advisers approved the Budget, which will come into effect on July 1. The proposal for duty on capital machinery for export oriented industries, computer & its accessories and telecommunications have been withdrawn in the final budget.

Budget highlights:

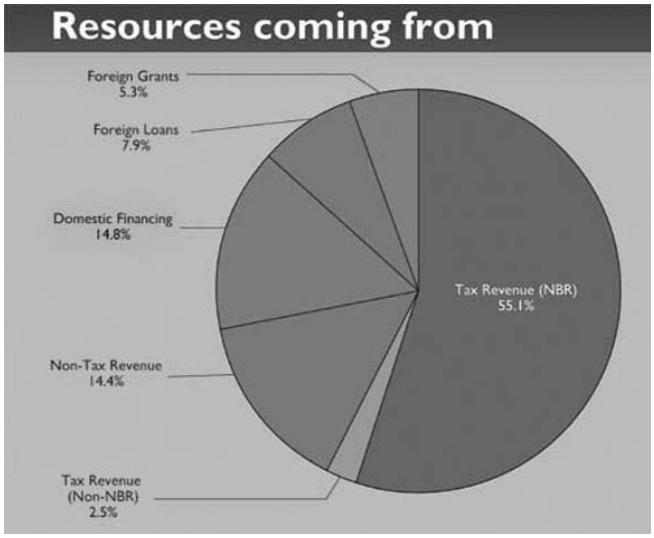
1. Allocation of over 57% of the over-all budget to projects having direct link to poverty reduction.
2. Setting up of Taka one billion SME Fund and Taka 0.23 billion Trust Fund indicates the Government's commitment to poverty reduction and welfare of the poor.
3. Allocations for Taka 7.5 billion for diesel subsidy and Tk.15 billion for fertilizer subsidy are also commendable as it will directly help agriculture sector.
4. Highest priority to Education is also commendable and is due to contribute to the national economic development in the medium and long term.
5. Widening of the social safety-net which is a land-mark move.
   - Existing safety-net programmes for the poor, women and children, vulnerable

Budget 2007-08 at a Glance

(Amount in crore Tk.)

Description	Budget 2007-08	Revised 2006-07	Budget 2006-07
Revenue and foreign Grants			
Revenues (Statement 1)	**57301**	**49472**	**52542**
Tax Revenue	45838	39247	42915
NBR Tax Revenue	43850	37479	41055
Non-NBR Tax Revenue	1988	1768	1860
Non-Tax Revenue	11463	10225	9627
Foreign grants/1 (Statement V)	**4255**	**2150**	**2508**
Total	**61556**	**51622**	**55050**
Expenditure			
Non-Development Expenditure	**52900**	**44504**	**42286**
Non-Development Revenue Expenditure (Statement III)	48389	42157	39536
Of which			
Domestic interest	9464	7854	6298
Foreign interest	1321	1300	1339
Non-Development Capital Expenditure/2 (Statement IV)	4511	2347	2750
Net Quality for Food Account Operation (Statement VIII)	**300**	**388**	**202**
Loans & Advances (Net)/3 (Statement VIA)	**5115**	**-1545**	**-1211**
Of which			
Liabilities of Government (from BPC)	7523	0	0
Structural Adjustment Expenditure (Statement VIA)	**300**	**29**	**0**
Development Expenditure	**28522**	**23460**	**28463**
Employment Generation and Development Programmes financed from	1558	1577	1982
Non-Development Budget/4 (statement III and VIA)			
Annual Development Programme (Statement IX)	26500	21600	26000
Non-ADP FFW and Transfer/5 (Statement X)	464	283	481
Total Expenditure including BPCs liability	**87137**	**66836**	**69740**
Total Expenditure (Excluding BPC)	**79614**	**66836**	**69740**
Overall Deficit (Including Grants)	**-25581**	**-15214**	**-14690**
(In Percent of GDP)	-4.8	-3.3	-3.2
Overall Deficit (Including Grants and Including BPC)	**-29836**	**-17364**	**-17198**
(In percent of GDP)	-5.6	-3.7	-3.7
Overall Deficit (Excluding Grants and BPC)	**-22313**	**-17364**	**-17198**
(In Percent of GDP)	-4.2	-3.7	-3.7
Financing			
Foreign Borrowing-Net	**6305**	**5183**	**5856**
Foreign Borrowing (Statement V)	10403	9048	9618
Amorization (Statement IX)	-4098	-3865	-3762
Domestic Borrowing (statement VIB)	**19276**	**10031**	**8834**
Borrowing from Banking System (Net)	7253	6531	5434
Long-Term Debt (Net)	-744	741	427
Short-Term Debt (Net)	7997	5790	5007
Non-Bank Borrowing (Net)	4500	3500	3400
National Savings Schemes (Net)	3778	2805	2600
Others/6 (Statement VII)	722	695	800
Non-Cash Bond (Liabilities of BPC)/7	7523	0	0
Total-Financing Including BPCs Liability	**25581**	**15214**	**14690**
Memorandum Item GDP	**530300**	**467500**	**465300**

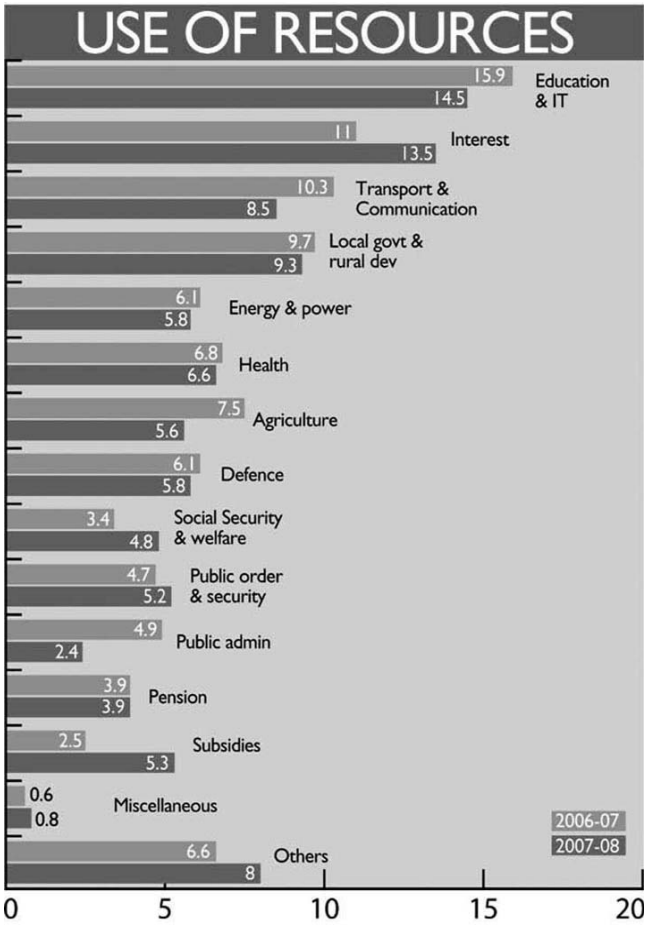
Note: Tk.1 crore= Tk.10 million



groups such as, the elderly and disabled people have been widened in terms of coverage and number.

- Allocation for employment in rural areas has been increased nationally.
- Allocation of 4 lakh tones of rice for 50 lakh VGF card holders.
- 6 lakh tones of food grains to be distributed through test relief, food for work, and VGF programmes.
- Rate of allowance for widowed and destitute women increased.
- Extension of the stipends for the female students.
- Allocation of Taka 209 crore in micro-credit to generate women employment; Taka 10 crore for the Acid-burned Women and disabled.
- Allocation of Taka 25 crore for RMG workers' welfare and another Taka 20 crore for their training.
- Distribution of 10 lakh tones of food grains (it will also build food security).
- The budget proposal to increase power generation over the next 3 years: 345 MW in 2007-08; 900 MW in 2008-09 and 1050 MW in 2009-10 will help to improve the supply against projected demand. However, considering the projected GDP growth the demand by 2010 for power would be much more than that estimated by the government.

6. Tax procedure changes:
   - Removal of the discretionary powers of the Tax administration
7. Measures proposed to control prices:
   - Complete withdrawal of CD on some daily necessities (rice, wheat, onion, edible oil, lentils, etc.).



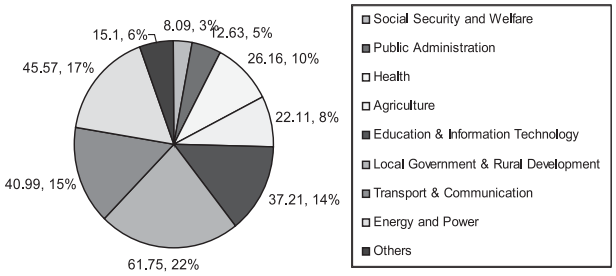
Details of Development Expenditure (value in Tk. Billion)		
Particulars	**Amount**	**(%)**
Social Security and Welfare	8.09	3.00%
Public Administration	12.67	4.70%
Health	26.15	9.70%
Agriculture	22.11	8.20%
Education & Information Technology	37.21	13.80%
Local Government & Rural Development	61.75	22.90%
Transport & Communication	40.99	15.20%
Energy and Power	45.57	16.90%
Others	15.10	5.60%

8. Some other brighter provisions of the Budget:

- Emphasis on tackling inflation, improving power supply and other basic infrastructure, expanding social safety-nets, supporting agriculture with subsidized inputs and intensive research and promoting rural development.

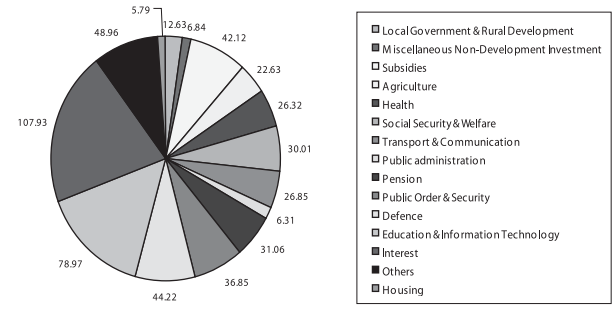
Details of Non-Development Expenditure (Taka 526.50 Billion)			
Particulars		Amount	(%)
Local Government & Rural Development	12	12.63	2.40%
Miscellaneous Non-Development Investment	7	6.84	1.30%
Subsidies	42	42.12	8.00%
Agriculture	22.5	22.63	4.30%
Health	26	26.32	5.00%
Social Security & Welfare	30	30.01	5.70%
Transport & Communication	27	26.85	5.10%
Public administration	6.25	6.31	1.20%
Pension	31	31.06	5.90%
Public Order & Security	37	36.85	7.00%
Defence	44	44.22	8.40%
Education & Information Technology	79	78.97	15.00%
Interest	108	107.93	20.50%
Others	49	48.96	9.30%
Housing	5.75	5.79	1.10%
	526.5	527.49	100.20%

Development Budget: 2007-08 (Taka 269.64 Billion), Details of Development Expenditure



- Emphasis on Human Resources Development - health and education.
- Provision of issuing bonds for repaying BPC's outstanding bank loans.
- 35% increase in the ADP outlay in Rajshahi, Khulna and Barisal Divisions will help reduce regional disparity and establish income equality in the society.
- Minimum tax on the basis of turnover to be reduced from 0.50% to 0.25%
- Reduced dependence on import duty for revenue income and to earn more form income tax and VAT.

Non-Development Budget: 2007-08 (Taka 526.50 Billion) Details of Non-Development Expenditure



Massive borrowing by Government from Bangladesh Bank

Worsens inflation but did not crowd out private investment

The government borrowing from the central bank saw a massive increase to Tk 8,938 crore in 2006 from Tk 3,826 crore in 2005, putting extra pressure on the soaring inflation, which hit 7.43 per cent in March last. The government can avoid unnecessary inflation by reducing its reliance on the Bangladesh Bank for funds, observed a working paper of the BB Policy Analysis Unit released on May 8. Any loan taken from the central bank puts pressure on the inflation.

In 2004 the government borrowed Tk 1,650 crore from the central bank, though in 2003 it had repaid Tk 2,590 crore borrowed earlier. In 2006 the government refunded Tk 3,311 crore to the commercial banks, meaning the entire burden of the government borrowing from the banking sector in the year fell on the central bank.

The BB working paper, however, said the government borrowing in last year did not have any crowd-out effect on private investment, rather it had a crowd-in effect, meaning that the borrowing by the public sector did not hamper the private investment but facilitated it. Public borrowing has a crowding-out effect on private investment due mainly to a fund shortage. But the total liquidity in the banking system was Tk 9,591 crore in fiscal year 2005-06 and Tk 10,942 crore in FY05. Citing the gradually increasing average liquidity flow since 1990, the paper said, 'It is quite reasonable to view this steady overflow of liquidity as an endorsement of the fact that fund crisis channel of crowding-out effect does not work in Bangladesh.'

It identified four reasons for the crowding-in effect, which are transfer payments and subsidy programme, development expenditure, government's micro-credit programme, and the linkage between Annual Development Programme and black money. A part of the transfer payments and subsidy programme is funded by the government borrowing, which ultimately affects the industrial sector directly and consumption indirectly. The excess liquidity and the possibility of crowding-in effect together put the fiscal authorities in a position to foster private investment, and hence growth, through expanding the borrowing backed by public expenditure, the paper maintained.

Total budget (deficit) financing of the government during July-Feb, 2006-07 was at Tk.90.63 billion, against Tk.72.65 billion during the same period of FY 2005-06. Of this deficit, foreign financing stood lower at Tk.14.28 billion during July- Feb, 2006-07, against Tk.35.93 billion during July-Feb, 2005-06. Domestic financing during July-Feb, 2006-07 was significantly higher at Tk.76.35 billion, against Tk.36.72 billion during July-Feb, 2005-06. Outstanding domestic debt during July-Feb, 2006-07 increased by Tk.123.90 billion or 19.24% to Tk.767.95 billion, against TK.644.06 billion during July-Feb, 2005-06.

Budget financing

(In crore Taka)

Year	Net borrowing of the Govt. from the banking system 1/	Net non-bank Borrowing of the Govt. from the public 2/	Total Domestic financing	Foreign financing (net) 3/	Total financing	Total financing as % of GDP@ at current / market price	Domestic outstanding debt (end of the period)	Total domestic outstanding debt as % of GDP@ at current) market price
1	2	3	4=(2+3)	5	6=(4+5)	7	8	9
2001-02	2487.10	4711.47	7198.57	5858.34	13056.91	4.8	45181.76	16.5
2002-03	-1103.10	4795.22	3692.12	6560.20	10252.32	3.4	48873.88	16.3
2003-04	1246.20	4598.94	5845.14	3279.75	9124.89	2.7	54719.02	16.4
2004-05	3106.60	2907.56	6014.16	4969.53	10983.69	3.0	60733.18	16.4
2005-06R	5667.80	2758.90	8426.70	5046.81	13473.51	3.2	69159.88	16.6
July-Feb, 2006-07P	4906.90	2728.56	7635.46	1427.71	9063.17	-	76795.34	-
July-Feb, 2005-06R	1716.70	1955.79	3672.49	3592.51	7265.00	-	64405.67	-

1 / : Excludes interest 2/ : Excludes saving certificates held by the banks and includes treasury bills & bonds held by the non-bank financial institutions, T.bills have been taken at face value 3/ : Aid disbursement less amortization. @ : Source-National Accounts Statistics, BBS. P=Provisional ; R=Revised 1 crore=10 million

Tk.26,500 crore Annual Development Plan for FY 2007-08 approved

Priority on poverty alleviation and HR development projects

The National Economic Council (NEC) on June 2 approved the Annual Development Programme(ADP) of Tk 26,500 crore for FY 2007-08, mostly adopting projects related to poverty alleviation and human resources development. Earlier, on April 30, NEC approved the revised ADP for the current fiscal year (FY2006-07).

- The allocations were increased by Tk 500 crore or 2 per cent from the original ADP of Tk 26,000 crore of the outgoing fiscal year while Tk 4,900 crore or 23 per cent more than the revised ADP of Tk 21,600 crore for the fiscal 2006-07.
- Of the total ADP expenditure, 51 per cent would be met from local resources, including public borrowings, and the rest from foreign aid. Agriculture, rural development and water resources have got 23 per cent of the total allocation while power sector 16 per cent (31 per cent more than the revised allocation of 2006-07), education and religious affairs sectors 14 per cent, transport sector 12 per cent, and health, nutrition and population sectors 10 per cent.
- 927 projects, including 38 new and 889 from the revised ADP of FY 2006-07 were approved.
- Only 44 per cent of the current ADP was implemented during July-April period. It was 49 per cent during the same period in the previous fiscal.
- The information and communication technology sector got 1.7 per cent of the total allocation although the government had instructed to allocate 2 per cent.
- The Election Commission expenditure would make the total ICT allocation slightly more than 2 per cent.

Implementation of Annual Development Programme (ADP) 2001 – 2007

(In million Taka)

Year	Original Allocation	Revised Allocation	Actual Expenditure	Expenditure as % of Revised Allocation
2001-02	1,90,000	1,60,000	1,40,900	88.1
2002-03	1,92,000	1,71,000	1,54,340	90.0
2003-04	2,03,000	1,90,000	1,68,170	89.0
2004-05	2,20,000	2,05,000	1,87,710	91.6
2005-06	2,45,000	2,15,000	1,94,720	91.0
2006-07	2,60,000	2,16,000	-	-

Source : IMED, Ministry of Planning

New Import Policy for 2006-09 announced

Restricted items reduced from 130 to 25

Dr. A. B. Mirza Azizul Islam, Advisor for Finance and Commerce of the Interim Government announced the three-year import policy (2006-09) on May 14. The Import Policy has given emphasis for making exports more competitive and protect domestic industries. The number of 'restricted' items has been reduced from 130 items to 25 imports in the New Policy.

Salient features of the new Import Policy

- Restricted items include pork, any print or electronic publication and good that may hurt people's religious sentiment, any obscene or horror publication including one made on compact disk, tape and film, waste and radioactive materials, certain reconditioned equipment, substandard or stock-lot commodities, all kinds of egg, and any map which does not delineate Bangladesh's geographical territory properly.
- Import duty on finished products remained in the highest slab of the duty structure. Any necessary changes will be incorporated into the policy by issuing statutory regulatory orders.
- The Bangladesh Garment Manufacturers and Exporters' Association(BGMEA) instead of the National Board of Revenue(NBR) has been vested with the authority to issue utilisation declaration certificates against back-to-back letters of credit

for imports of raw materials by readymade garment units.

- RMG units will be allowed to import as samples 0.3 per cent of their exported products instead of present 0.2 per cent.
- Provision has been made to allow recognised industrial units to import capital machinery and accessories worth up to $35,000 instead of present limit of $25,000 without opening any LC.
- The registration fees of trade and industrial bodies and indenting firms have been raised to increase the government's non-tax revenue income.
- Imposed a four-year age ceiling on import of second hand or reconditioned motor vehicles and made it mandatory to import them from their country of origin only.
- Other new provisions include restriction on import of poultry birds afflicted with avian influenza, formalin-treated fish, and sodium cyclamate.

In case of importing meat from the European countries, it has been made mandatory to have the certification that the meat is free of mad cow disease.

ADB Quarterly Highlights

- Gross domestic product (GDP) is projected to grow by 6.5% in FY2007.
- Increasing traffic is creating an enormous challenge for the country to improve the capacity of the Dhaka-Chittagong Transport Corridor.
- Despite prudent fiscal management, revenue collection continues to be disappointing.
- Even with a cautious monetary policy, broad money growth remains high because of excess liquidity in the banking system.
- Robust growth in overseas workers' remittances contributed to the higher current account surplus, offsetting the increased trade deficit.
- Inflationary pressures heightened with accelerating food prices.

New Export Policy announced

Agro, light engineering, IT new thrust sector

A three-year Export Policy for FY07 to FY09 setting a target to diversify the export basket, create employment and alleviate poverty was announced by Dr. A. B. M. Mira Azzizul Islam on May 31.

Salient points of the new export policy

- Ten thrust sectors identified: pharmaceutical products, agro-products and agro-processing items, light engineering products including auto-parts and bicycles, shoes and leather products, software and ICT products, and home textile.
- Finished leather, frozen fish, fresh flower and foliage, jute products, textile items by indigenous people and diamond polishing are the new sectors added to the special development sector that already has handicrafts, electronics and herbal medicine and plants.
- Items excluded from the special development sector are cosmetics and toiletries, luggage and fashion products, CR coil, cards and calendar, stationery items and rayon.
- Pre-shipment inspection requirements exempted to ease the export procedure and excluded bamboo, child shrimp and sweet-water shrimp from the negative list.
- Outbound passengers would be able to carry $200 worth of product, which the previous was $100.
- The policy was formulated in line with the World Trade Organisation (WTO) policies and not considering any bilateral strategy that could help solve bilateral problems like non-tariff barriers.
- Allows individual exporters to export samples including pharmaceutical items worth $5,000 annually at most. The allowable limit of pharmaceutical samples is $10,000 and ready-made garments (RMG) samples $7,500.

- Offers incentives in getting ISO certification, yearly awards for the women exporters and selection of women CIPs (Commercially Important Persons), and "product of the year" awards to promote a product a year.
- Promote branding of some Bangladeshi products abroad to raise their values.

Bright prospect for Bangladesh to avail BPO market: ADB

Business process outsourcing (BPO) is the contracting of a specific business task to a third-party service provider. The most common examples of BPO are call centers, human resources, accounting, and payroll services. A growing global market of information technology-enabled services, including business process outsourcing, offers opportunities worth billions of dollars for Bangladesh if it can build service capacity and catch up with competitors, says the Asian Development Bank. The global market for such sophisticated services is estimated at $1,000 billion in 2007 with an annual growth rate of 30 per cent as the companies in the developed countries are looking for partners in developing countries for cutting costs.

The Bank, in a special segment of the March economic update report, ... mentions that although Asia has been a major destination for business process outsourcing with India, the Philippines and China being the large players, Bangladesh with a few vendors has essentially missed out on this profitable business opportunity. Currently, it points out, the market for software, IT-enabled and some basic business process outsourcing services stands at about $170 million for Bangladesh.

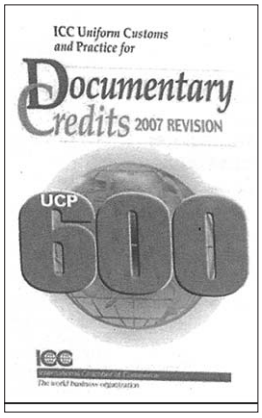
The report said Bangladesh lagged behind the major exporters of such services because of limited capacity of firms, unskilled human resources and poor infrastructure. Availability of a low-cost workforce with the ability to perform basic functions is said to be a fair comparative advantage for Bangladesh. Indian exports of such services, growing at about 59 per cent rate, are expected to reach between $21 billion and $24 billion by 2008 and employ around 1.1 million people.

Some Bangladeshi vendors have entered the IT-enabled services export market that involve back-office functions consisting primarily of data entry, data transfer, data conversion, billing, software development and other services. 'Bangladeshi vendors need to establish a strong international reputation and brand equity,' the report said.

The ADB report further explained that start-up capital expenditures are low in the business which makes it a promising niche for small and medium-sized entrepreneurs. The business has offered opportunities for many people in Asian region to find employment and improve standards of living, it said adding, 'Bangladesh too should explore this promising market to create jobs, stimulate growth and accelerate the pace of poverty reduction.'

ANNOUNCEMENT

ICC Bangladesh obtained copyright for reproduction of UCP 600 in Bangladesh.



Special prices are offered for BULK ORDERS with Company Logo/ Name

Please contact for order:

ICC Bangladesh

Tel : 8621942, 9676698, Fax : +880-2-8621027

E-mail : iccb@bdmail.net

News from ICC Hqs. in Paris

UCP 600 will come into force from July 1

ICC's universally used rules on documentary credits, UCP 600 will come into effect on 1 July 2007.

A leaner set of rules than UCP 500, the new edition contains major changes that letter of credit practitioners will need to know. Among them are new sections on definitions and interpretations, replacement of the term "reasonable time" with a maximum of five banking days for examining documents and re-drafted transport articles aimed at resolving confusion over the identification of carriers, masters and agents.

Worldwide interest in the new UCP has been evidenced in dozens of well-attended seminars on the rules that have been held on several continents. The response of practitioners has been positive, with many commenting on the enhanced clarity and precision of the text.

Also available along with UCP 600 is an updated version of International Standard Banking Practice for the Examination of Documents under Documentary Credits, commonly called ISBP. The ISBP is a checklist of items document checkers need to look for when examining documents presented under letters of credit. Since it was first published in 2003, the ISBP has been an indispensable companion to the UCP. The updated version, ICC Publication 681, aligns the ISBP with the changes in UCP 600.

Banking Commission approves document on ISBP

By a unanimous vote of 71-0, the ICC Commission on Banking Technique and Practice approved an updated version of its widely acclaimed publication, International Standard Banking Practice for the Examination of Documents under Documentary Credits (ISBP). The voting took place at the commission's meeting in Singapore yesterday.

The ISBP is a checklist of items document examiners need to check for in their review of documents presented under letters of credit.

First approved in 2002, the ISBP was welcomed as a crucial supplement to Uniform Customs and Practices (UCP), ICC's universally-used rules on documentary credits. By detailing the specifics of documentary credit operations - such as how to sign bills of lading, the key features of insurance documents and how to handle misspellings or typing errors - the ISBP filled a gap between the general rules of the UCP and the daily job of the letter of credit practitioner.

The 2002 version of the ISBP supplemented UCP 500, as the ICC rules were known at that time. But when the UCP was revised in 2006, it became necessary to update the ISBP to align it with the new rules, now called UCP 600. The revised UCP will enter into force on 1 July 2007.

Though much of the ISBP remains unchanged, certain adjustments have been made in the 2007 version. Amendments include: removing paragraphs of the former ISBP that have now been incorporated into UCP 600; making certain technical adjustments in grammar, punctuation, etc.; and revising sections of the ISBP that were no longer valid in the new UCP.

ICC advises practitioners to have the updated ISBP at hand when UCP 600 comes into effect.

The final version of the revised ISBP, ICC Publication 681, is scheduled for release soon.

ICC to revise its Uniform Rules for Demand Guarantees



The ICC Banking Commission has given the go-ahead to begin a revision of the ICC Uniform Rules on Demand Guarantees (URDG). The rules, approved by ICC in 1991, have as their objective to balance the conflicting interests of applicants, beneficiaries and guarantors. In simplifying the drafting of demand guarantees, they serve as a model for guarantee practice worldwide.

Demand guarantees are irrevocable undertakings, independent from underlying contracts, issued by a guarantor on the instructions of an applicant to pay the beneficiary any sum that may be demanded up to a maximum amount determined in the guarantee. Whereas a documentary credit assures the exporter of being paid upon the presentation of complying documentation showing that shipment is made, a demand guarantee provides protection to the importer against non-performance, or late or defective performance, by the exporter.

In recent years, the URDG have gained increasing worldwide acceptance. They were adopted by the International Federation of Consulting Engineers (FIDIC) in their model guarantee forms and later by the World Bank. National lawmakers have taken the URDG as a model for independent guarantee statutes. Seminars worldwide on the rules have attracted enthusiastic audiences.

The revision will be entrusted to a drafting group consisting of guarantee experts from a wide range of countries.

ICC publishes views on role of UN in promoting corporate responsibility

ICC outlined its views on the role of the UN in promoting corporate social responsibility in a statement released on June 29 by its Commission on Business in Society on the occasion of the forthcoming Global Compact Leaders Summit, to be held on 5-6 July at the UN in Geneva.

"Voluntary initiatives by business for integrating social and environmental dimensions in its operations and in its interaction with stakeholders can make a significant contribution to business competitiveness, efficiency and reputation," said Erik Belfrage, Chair of the Commission on Business in Society, ICC's working body on corporate responsibility.

"As a global, multistakeholder initiative under the leadership of the UN Secretary-General, the Global Compact has contributed to advancing voluntary corporate responsibility among a broad range of actors, articulating universal principles for voluntary corporate responsibility initiatives, and acting as a convening and learning forum to share and promote good practice," explained ICC Secretary General Guy Sebban, who is a member of the Global Compact Board.

The Global Compact's voluntary nature has been key to inducing companies to participate in it, encouraging them to complement the necessary action by governments, and to safeguard and advance the Compact's principles. The increasing integration of those principles into the operational culture of companies underlines the need to maintain this instrumental characteristic as the Compact's defining attribute.

While a number of measures have been taken to improve the Global Compact's internal governance, the Compact's status within the UN system and its accountability to its participating companies should be clarified and further strengthened.

Business and other principal stakeholders in civil society can together, in the context of responsible global citizenship promoted by the Global Compact, increasingly help shape the international agenda and

policy development on global economic and social issues so as to encourage and support government actions for a more stable, inclusive and rules-based global system.

Ifo/ ICC Survey

Global economy still on a roll, economists say

World economic expansion is poised to continue for the rest of the year as economists' predictions remain robust for the second quarter in a row, according to the latest International Chamber of Commerce (ICC) and Ifo World Economic Survey, released on May 22. The report surveyed 1,024 economic experts in 91 countries.

Economists expect even stronger economic growth in the second half of the year than during the current period. But they noted there are significant regional and country-by-country variations in economic outlooks, with a slowing US economy the dark cloud on the horizon.

The Ifo World Economic Climate Index was unchanged this quarter at 106.5, well above the long-term average. The report surveyed 1,024 economic experts in 91 countries.

"Although the rest of the world is not as dependent on the US economic growth as it was a decade ago and all large regions of the world economy are in relatively good health, negative spillovers may curb the exceptional economic growth rates seen in the past two years," said Hans-Werner Sinn, President of the Ifo Institute for Economic Research.

Economists surveyed downgraded their outlooks for the US for the current quarter and the remainder of the year. In Western Europe, the economists expressed raised expectations for the next six months and maintained their prognosis for the present period, with strong current showings for Germany and the Netherlands but reduced assessments for the UK and Switzerland in the second half. In Asia, economists expect the Japanese economy to stabilize in the latter half of the year and see a cooling off period emerging for the economy in Hong Kong. China's economy is expected to remain buoyant, as increased consumer spending and more exports offset slower capital investment.

Experts foresee a slight increase in global inflation at 3.8% for 2007, 0.2 point more than the previous estimate, with inflationary pressures centered on North America. Forecasts for US inflation are now 2.9%, up from 2.5%.

In the current poll, economists were asked an extra question on the outlook for the US dollar for the coming six months. Overall, they expect the currency to continue weakening. The Japanese yen was viewed in the current survey as undervalued while the Euro and the British pound were seen as slightly overvalued.

Deep concern over investment protectionism

The survey also asked a special question about the rising tide of investment protectionism, as many governments block cross-border investment for reasons of national security or protecting strategic sectors. In all regions, a majority of economists said they were very concerned about an upswing in international investment protectionism. Most said protectionism leads to erosion of national and global investment outlooks, increased costs and a decline in competitiveness.

ICC strongly believes that cross-border investment is essential to sustaining prosperity in developed and developing countries. While governments of all sovereign nations reserve the right to regulate, it is critical that they do so in a manner that does not discriminate against or impede foreign investment out of protectionist motivation. Some governments have clearly gone too far in recent years, including governments that will be represented at the G8 next month. ICC urges governments in developed and developing countries to avoid investment protectionism and to welcome market-driven foreign investment.

The quarterly Ifo World Economic Survey is conducted in cooperation with ICC and receives financial support from the European Commission.

Real progress must follow G8 pledges on Doha Round, ICC says

ICC on June 12 welcomed the declaration on the Doha Round of multilateral trade negotiations issued at the G8 Summit in Heiligendamm, Germany and called on G8 leaders to translate their pledges into concrete progress at the negotiating table in the coming weeks.

ICC commended the G8's recognition of "the need for achieving an ambitious, balanced and comprehensive agreement on the Doha Development Agenda (DDA), which will enhance worldwide trade especially among and between developed and developing countries and reinforce multilateral trade rules."

ICC is encouraged by the G8 leaders' pledge " to work with a high level of ambition in all areas of the DDA" and by their call on all WTO members to demonstrate constructive flexibility to bring these negotiations to a prompt and successful conclusion.

ICC attached particular significance to the G8 leaders' statement that the time had come to translate their continued commitment at a political level into tangible results.

"The strongest possible engagement by political leaders at the very highest level is crucially needed over the coming weeks if this latest pledge by G8 leaders is to have a concrete and positive effect on current efforts to reach agreement on modalities by end-June," said ICC Chairman Marcus Wallenberg.

"Now is the time for decisive leadership in deeds as well as words, from G8 leaders and from political leaders in major emerging economies, to break the logjams that have bedevilled the Doha Round to date in some prominent and politically sensitive areas," he continued. Mr Wallenberg is also the Chairman of Skandinaviska Enskilda Banken and Saab.

Sharp decline in piracy attacks

The most recent statistics produced by the ICC International Maritime Bureau (IMB) indicate that the number of reported piracy attacks in the first quarter of 2007 world-wide declined significantly when compared with the same period for 2006.

IMB's Piracy and Armed Robbery Against Ships Report for the first quarter of 2007 cites 41 incidents of piracy in the first three months of 2007. This figure is 20 less than the 61 incidents reported in the first quarter of 2006.

IMB Director Captain Pottengal Mukundan stated: "Although we remain concerned about piracy and violence against ships, we are pleased to see that the number of reported attacks is decreasing. Despite this positive trend, there are a number of regions that continue to be plagued by piracy, most notably Nigeria and Somalia."

Figures tallied in the recently released report found that the number of attacks in Nigeria doubled when compared with the first quarter of 2006. The six attacks reported for the first quarter of 2007 included a number of violent attacks against vessels and crew working in offshore oil installations. In these cases, crew members were both assaulted and abducted. Attacks on other vessels were also reported in the Niger Delta region. An alarming total of 40 crew members were taken hostage or kidnapped in Nigeria alone.

The situation in Somalia appears to have improved with one vessel reportedly hijacked and only one other incident noted in the first quarter of 2007. The area remains very dangerous and the ongoing conflict in the area makes it extremely difficult for affected parties to seek prompt and adequate assistance from onshore authorities. IMB strongly recommends that vessels stay at least 75 nautical miles from the Somali coastline.

In addition to detailing piracy incidents, Piracy and Armed Robbery Against Ships Report for the first quarter of 2007 identifies ports and anchorages more prone to violent attacks. Balongan in Indonesia, Dar es Salaam in Tanzania and Lagos in Nigeria were highlighted as ports frequently targeted by pirates.

Reported incidents of piracy dropped significantly in South East Asia. Indonesia recorded nine incidents, down dramatically from 19 last year. Two incidents were recorded in the Malacca Straits. This area now

represents an excellent example of how cooperation between authorities can tackle and suppress piracy attacks. There was also notable improvement in Bangladesh with only two reported incidents compared to nine in the last quarter of 2006.

Captain Mukundan noted: "In order to maintain positive developments like those found in South East Asia, it is imperative that the local governments continue to devote sufficient resources to the problem. It is also very important that all incidents be reported to IMB's Piracy Reporting Centre. Reporting piracy attacks triggers effective law enforcement and medical assistance responses and maintains a permanent record of all piracy attacks."

IMB's Kuala Lumpur based Piracy Reporting Centre (PRC) is the only centre of its kind in the world. It remains the only agency providing round the clock reporting of incidents worldwide.

The work of PRC is funded by 22 organizations including ship owners and insurers. The centre is now recognized throughout the maritime industry for its valuable contribution in quantifying the problem of world piracy and providing assistance, free of charge, to ships that have been attacked.

IMB's Piracy and Armed Robbery Against Ships Report for the first quarter of 2007not only lists key facts and figures, but also analyses developments in piracy and identifies multiple piracy-prone areas so that ships can take preventive action. On a trial basis, IMB is offering the report free of charge.

ICC Secretary General to accelerate ICT for development initiatives

The UN Commission for Science and Technology for Development (CSTD) must deepen the involvement of all stakeholders and address the requirements of business to build an information society accessible to all, ICC Secretary General Guy Sebban said in an opening address at the two-day CSTD meeting from 21-22 May.

"It is essential that legal, policy and business approaches are put in place to attract investment, stimulate innovation, boost competition and foster entrepreneurship - the preconditions for investing in these technologies - so the benefits of the information society are made available to more people. Business is a key partner and investor to help deliver these benefits," Mr Sebban said.

The CSTD assists the UN in assessing the progress in fulfilling commitments made at the World Summit on the Information Society in Tunis 2005 and Geneva 2003, a series of goals established to create a more inclusive information society.

The meeting coincided with the annual World Information Society Day May 17. The UN set aside this day to call world attention to the urgent need to more fully use information and communications technologies for economic and social development and to promote a people-centred information society for all. The UN placed special accent this year on delivering these benefits to the young, and on helping achieve the UN Millennium Development Goals to reduce poverty.

The United Nation's Secretary-General, Ban-Ki Moon, delivered a recorded message to the participants by video. "Let us turn the digital divide into digital opportunities," he said.

Certificates of origin in the spotlight



Mrs Lee Ju Sons
ICC Asia Director

ICC's World Chambers Federation (WCF) has stepped up activity on the international scene to showcase its work in the standardization of issuance procedures for non-preferential certificates of origin.

Lee Ju Song, Chair of the Certificate of Origin Task Force and Deputy Executive Director of the Singapore International Chamber of Commerce, recently informed an Asia Pacific Economic Cooperation (APEC) Forum - hosted by the Australian Government - on the ICC WCF initiative to raise the level of credibility and

acceptance of certificates of origin issued by the chambers for customs administrations.

The forum was attended by delegates from almost all the 21 APEC member economies and included representatives from the World Customs Organization (WCO), the Association of Southeast Asian Nations (ASEAN) and the International Air Transport Association. As a result of Mrs Lee's participation, ICC will be included in the APEC deliberations on the setting up of a Single Window initiative to promote international trade facilitation and competitiveness.

Earlier in April, Mrs Lee also presented the ICC WCF initiative at a WCO Asia seminar on rules of origin.

With an opening address by Malaysian Deputy Minister of Finance YB Dato' Dr. NG Yen Yen, the meeting took place in Malaysia and brought about a greater awareness of WCF's efforts to forge an international standard on the issuance procedures for non-preferential certificates of origin - considered by chambers to be a cost effective solution for both business and government agencies.

Mrs Lee's presentation also explored the possible role of chambers in the liberalization of the issuance of certificates for preferential exports.

ICC appoints new representative to the United Nations

ICC has appointed Louise Kantrow, a former United Nations (UN) official with extensive experience in the government and nonprofit arenas, as its new permanent representative to the UN.



Louise Kantrow

In April, Ms Kantrow succeeded William Stibravy, ICC's longstanding UN representative, who has retired following over a quarter of a century representing business in the world body. Like him, she will be based in the Manhattan offices of ICC's American national committee, the United States Council for International Business (USCIB).

The new ICC representative has served as Senior Advisor to the United Nations Population Fund and as Director of Operations at the Population Council. She worked for fourteen years as Economic Affairs Officer in the UN Department of Economic and Social Development, following service as a senior economist with the US Agency for International Development and as a population affairs officer with the UN. Ms Kantrow holds doctoral and master's degrees in demography and economics from the University of Pennsylvania, and a bachelor's degree from the University of Michigan.

ICC welcomes EU-US pact to liberalize air transport

The International Chamber of Commerce welcomed signature of a comprehensive open skies agreement between the US and the EU.

''This is good news for airlines, for businesses and for passengers. It is a very important, long-sought agreement that will establish a stable legal framework for a liberalized market for transatlantic air transport," said Anton van der Lande, Chair of the ICC Committee on Air Transport, and Vice-President, Public Affairs International at UPS.

Air transport is an important facilitator of economic activity and an important contributor to the health of the global economy. Greater liberalization of air transport has become necessary to replace existing bilateral agreements, due to the rapidly-changing structure of the economy brought on by trade liberalization, globalization and e-commerce.

ICC has long advocated a US-EU agreement as an important step toward greater liberalization of trade in air transport services.

Mr van der Lande emphasized that there are many paths towards multilateral liberalization of air transport. Several solutions can be pursued in parallel.

ICC's Air Transport Commission brings together airlines, users, freight forwarders, insurers, pilots and airports, and thus speaks for the entire air transport community worldwide.

WTO News

Doha Development Agenda: Stressed on reaching full modalities

Director-General Pascal Lamy, in opening an informal meeting of the Trade Negotiations Committee on 22 June stressed that "the need now is for urgent action to restore confidence that these negotiations can and will be finished successfully." He urged Members to "engage fully in the multilateral process led by the Chairs, and put your cards on the table over the coming weeks in Geneva so that we can reach full modalities."

"I have repeatedly stressed that the core of the negotiation is the Geneva process - the only place where decisions can and should be taken. In April, I expressed my view that our process here in Geneva could not wait upon the timing of any other process, and it has not waited. As I noted at our last meeting on 6 June, this process has taken off, and we must continue to use it to the fullest" Lamy said.

WTO Director General mentioned that the target of DDA has not changed. It remains full modalities in Agriculture and NAMA, and a commensurate level of progress in other areas of the negotiations, in line with the Doha mandates, the July 2004 Decision and the Hong Kong Ministerial Declaration. This is the course that you who own the Round have set, and we must stick to it. Let me stress this point: this is your Round, you are the owners of this enterprise, and in my view you have a responsibility towards yourselves and your peers to bring it to a successful conclusion.

WTO publishes "World Tariff Profiles" with UNCTAD and ITC

Given the vast amount of statistical data and metadata that needed to be processed, and because this information is not available in one single organization WTO, UNCTAD and ITC jointly publishes a publication on World Tariff Profile, which provides detailed data on bound and applied tariffs of the 150 WTO Members. WTO announces this on 18 June.

This joint publication appears at a decisive moment in the multilateral trade negotiations and it responds to the needs of a large audience of specialists and non-specialists alike. It contains a vast amount of information that is essential for understanding what is at stake in the current round of negotiations in the field of market access.

The reader will find in a single and comprehensive document the main tariff parameters for each of the 150 WTO Members. The standardized presentation lends itself to easy analyses and comparisons between countries, between sectors and between bound and applied duties for WTO Members. A special effort was made also to include other countries and customs territories, to include ad valorem equivalents, and to ensure international comparability of the indicators. The publication is presented in three main parts:

The first part shows summary tables for all WTO Members and other countries and customs territories for all products, as well as broken down by agricultural products and non-agricultural products. It is designed to allow a cross-country comparison as well as a comparison of the levels of bound and applied duties. Apart from the standard indicators like tariff averages, maxima, percentage of duty-free tariff lines, peaks and non-ad valorem duties, it also contains indicators of tariff dispersion such as the number of distinct duties and the coefficient of variation.

The second part contains country pages covering the domestic market access protection and the protection faced in the six major export markets. Information on bound and applied duties is

presented by duty ranges and by sectors. In addition, there are indicators on the occurrence of special safeguards and on tariff quotas. Detailed information on bound and applied duties and imports is shown for ten agricultural and twelve non-agricultural sectors. Trade diversification and market access conditions in the major export markets are depicted on a bilateral basis. Taking into account preferential schemes as available in any of the three organizations' databases, trade weighted preferential margins are also estimated.

The third part contains the data sources and two articles that discuss in more detail issues related to the calculation of ad valorem equivalents and to different aggregation methods for tariff averages. A glossary, which briefly explains some of the most commonly used terms, concludes the publication.

Lamy asks G8 for "added political effort" to spur Doha agreement

Director-General Pascal Lamy, in a speech to the G8 Summit at Heiligendamm, Germany on 8 June, said an interim Doha agreement is now "within reach", and urged the G8 leaders "not to let this opportunity slip through your fingers". He said "what better way to fulfil the numerous commitments that the G8 has made in favour of the developing countries over the past few years?"

Lamy said that since discussions in St. Petersburg last year, the Doha Round of negotiations at the WTO were suspended in order to avoid a fatal admission of failure, and then resumed at the request of most of member nations, first and foremost the developing countries. Contacts, discussions and negotiations have picked up considerably over the last two months, and while his diagnosis remains cautious, he think that an agreement is now within their reach.

"I do not mean a final agreement on all of the twenty topics included in the list agreed upon when the negotiations were launched in 2001 and which remain inextricably linked to each other, but an interim agreement which would pave the way towards a final agreement in 6 to 9 months' time" DG told.

Increase in new anti-dumping investigations, and continued decline in new final anti-dumping measures

The WTO Secretariat reported that during the period 1 July-31 December 2006, the number of initiations of new anti-dumping investigations showed a modest increase compared with the corresponding period of 2005. However, the number of new measures applied continued to decline.

The number of new measures applied continued to decline, however. During July-December 2006, 19 Members reported initiating a total of 103 new investigations, compared with 96 initiations in the corresponding period of 2005. A total of 15 Members reported applying 66 new final anti-dumping measures during the July-December 2006 period, compared with 76 new measures reported for the period July-December 2005. Twenty-seven of the 103 new initiations were opened by developed Members, and 17 of the 66 new final measures were applied by developed Members, during the second half of 2006. This compares with 23 new initiations opened and 26 new measures applied by developed Members during the second half of 2005.

The Member reporting the highest number of new initiations during July-December 2006 was the European Communities, with 17, and the second-highest number of initiations was reported by India (12). These were followed by Argentina (10), Brazil (9), Malaysia (8) and China (7). During the corresponding period of 2005, the Members reporting the highest numbers of new initiations were India (14), China (13), Argentina (11), the European Communities (9), and Pakistan and the United States (8 each). Thus, during July-December 2006, the number of initiations reported by India, Argentina and China declined, while those reported by the European Communities, Brazil and Malaysia increased, compared with the corresponding period of 2005. During the second half of 2006, Egypt, the United States, Chinese Taipei,

Canada, Colombia, Korea, Mexico, Pakistan, Thailand, Turkey, Australia, Peru and South Africa each reported opening fewer than seven new investigations.

WTO considers RTAs under new transparency mechanism

The Committee on Regional Trade Agreements, on 14-15 May 2007, considered the following regional trade agreements (RTAs) under the new Transparency Mechanism.

Free Trade Agreement between Thailand and Australia, goods and services; Closer Economic Partnership Agreement between Thailand and New Zealand; Protocol on Trade in the Southern African Development Community, goods; Free Trade Agreement between Armenia and Moldova, goods.

Under the Transparency Mechanism, RTAs notified to the WTO under Article XXIV of the GATT, 1947 and Article V of the GATS are considered by the CRTA; RTAs notified under the Enabling Clause are considered by the CTD meeting in dedicated session. The consideration is based on a Factual Presentation of each notified RTA, prepared by the Secretariat on its own responsibility and in consultation with the relevant parties.

Trade Policy Review: India

Further reforms needed to sustain fast economic growth

India's economic performance has continued to be impressive since 2001/02 and growth has been particularly rapid since 2003/04 averaging over 8.5% with over 9% expected for 2006/07. This performance is largely due to unilateral trade and structural reforms, in particular in services, according to a WTO Secretariat report on the trade policies and practices of India. Rapid economic growth has also resulted in an improvement in social indicators such as poverty and infant mortality.

The report notes that if India's high rates of economic growth are to be sustained, reforms need to be deepened, in particular to address infrastructure bottlenecks such as transport and electricity, which continue to constrain growth. In addition further structural reforms will be required in agriculture, to address the sector's relatively low productivity and the problems faced by marginal farmers.

Continued structural reform, the report notes, together with greater investment in physical and human capital would also help to generate much needed productive employment for new entrants to the labour force.

Lamy warns Doha failure would mean "breaking the commitment for a more developing-friendly world trading system"

Director-General Pascal Lamy, in a report to the General Council on 9 May , said that "a successful outcome to the Round is possible, even in the small amount of time remaining until the end of the year". He warned that failure would mean foregoing the very significant trade package on the table and "breaking the commitment for a more developing-friendly world trading system".

Lamy urges breakthrough in trade negotiations

Director-General Pascal Lamy told the IMF-World Bank International Monetary and Financial Committee on 14 April in Washington that if the situation in the trade negotiations does not change soon "governments will be forced to confront the unpleasant reality of failure". To the World Bank Development Committee on 15 April 2007, he said that "now that we have focused minds - and raised expectations - we need to deliver results" on Aid for Trade.