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Bangladesh

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Editor's Note

World economy facing a grave crisis

The "financial Tsunami" originating in the United States has plunged the world economy into its worst crisis since the great depression of the 1930s. What started as a sub prime mortgage crisis in the USA has now gone global and engulfed the G-7 countries and more.

Stocks and shares in the US dropped dramatically on 10th October and have been subjected to wild fluctuations since then. The crisis has created a downward spiral of loss of confidence and trust on the free market system. While there will be considerable analysis of the reasons for the financial meltdown, inadequate regulation and poor supervision of the banks and investment firms by the watchdog is undeniable.

With the intensification of the financial crisis, world leaders struggled to come up with immediate measures to overcome it. The US Congress approved a US$ 700 billion package to help cash starved firms; in addition, more than US$ 130 billion was injected in the giant insurance company, AIG. The total commitment of the European countries is estimated to amount to more than Euro 1,400 billion. In addition, other monetary and fiscal measures have been undertaken.

No one really knows whether these measures will work. Far less is known of the mechanism through which the stimulus package will affect the financial sector. Confidence once shaken is difficult to restore. Money being given by Governments to banks is being used to build their reserves, and not for extending credit to the borrowers as was envisaged by the Governments.

The impact of the financial meltdown on the real economy is already visible. Manufacturers are cutting down production in response to lowered demand from the consumers. In the process, jobs are being eliminated. Smaller firms that have relied on the banking sector for funds are suddenly finding their source of credit has dried up. Normally, they would negotiate with the larger firms for mergers; however, this will not be possible in the absence of credit. Many will file for bankruptcy. International trade will be seriously affected.

The IMF expects global growth of 3% in 2009, relying on reasonably robust expansion in emerging economies; the rich-world economies are expected to grow by only 0.5%. These estimates will need to be revised to conform to actual developments: on 24th October, it was announced that the UK economy had contracted by 0.5 %, which was much more than predicted.

The International Labor Organization has warned that the number of unemployed could rise from 190 million in 2007 to 210 million in late 2009. The number living on less than a dollar a day could rise by some 40 million -- and those at two dollars a day by more than 100 million. This is a vivid illustration of how the crisis on Wall Street will impact on the real economy, and create massive job losses.

It will require significant coordinated policy actions among the advanced and emerging market economies to quickly recover from this economic and financial disaster. Clearly, the world needs a long term strategy for streamlining world financial governance, including accountability and transparency in order to restore the confidence on free market mechanisms. People are demanding a new global financial architecture with proper representation of developing country interests.

How will the financial turmoil affect the Bangladesh economy? The Bangladesh financial sector had little exposure to the sub-prime mortgage securities, and may emerge unscathed. It is in the real economy that the greatest impact is likely to be felt. Our economy depends critically on exports and inward remittances from our workers abroad. Trade will clearly be affected, but the extent of the impact is difficult to quantify at this stage. More than two million are directly employed in the RMG export-oriented industries, while more than 15 million in the backward linkage industries: their fate hangs in the balance. How will the crisis affect our expatriate workers? That is also uncertain, and will depend on the economic condition in the destination countries. While the external drama is yet to unfold, some clear policy measures are to be recommended at this stage.

The newly elected government will inherit a more challenging set of tasks than any of its predecessors in decades.

International Chamber of Commerce-Bangladesh

The world business organization

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ICC Bangladesh News

First Anniversary of BBBF

Chief Adviser calls for united efforts for growth & development

Chief Adviser Dr. Fakhruddin Ahmed called upon all including the members of the business community to be united to build future Bangladesh together so that the next generation can achieve its full potential and take the nation to further heights of success. He was speaking on the occasion of the dialogue held on September 14, 2008 jointly organized by Bangladesh Better Business Forum (BBBF) and the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) on "Public-Private Partnership for Economic Development: Bangladesh Perspective" celebrating the first anniversary of BBBF. Chief Adviser advised the business community to take the lead to overcome the problems of high demands on limited resources.

He advised the business community to solve the labour unrest in the RMG sector on their own initiative to take move to lower costs and easier access to finance from the private banks, who have a major stake in the country's banking system.

Finance Adviser Mirza Mohd. Azizul Islam, Army Chief General Moeen U Ahmed, ICCB President Mahbubur Rahman, DCCI President Hossain Khaled and BBBF member Laila Kabir took part in the discussion. FBCCI President Annisul Huq gave the address of welcome.



ICCB President Mahbubur Rahman is seen delivering his address at the Dialogue on Public Private Partnership for Economic Development: Bangladesh Perspective held on September 14. Chief Advisor Dr. Fakhruddin Ahmed (3rd from left), Finance & Planning Adviser Dr. A.B. Mirza Md. Azizul Islam (2nd from left), Army Chief General Moin U Ahmed (extreme left), FBCCI President Annisul Huq (3rd from left) and Laila Rahman Kabir (extreme right) are seen on the dais.

While speaking on the occasion ICCB President Mahbubur Rahman Congratulated the Chief Advisor for forming the Bangladesh Better Business Forum (BBBF) in the last year's meeting to have a public and private partnership in economic policies as well as see through its implementation. As promised, he constituted the Forum within two months and it has been functioning in full speed and spirit.

He also observed that in the past, policy recommendations by Business used to be reviewed in Consultative Committees once a year and had no interface in that process. BBBF has provided that long-awaited interface as well as see through its implementation, he added.

On the basis of its remarkable achievement in such a short period, Mahbubur Rahman hoped that future heads of political government would not only continue with the BBBF but also take it further ahead and make it an effective and sustainable institution.

Highlighting the economic performance Mahbubur Rahman said that despite world recession and assessment by the World Bank on doing Business in Bangladesh, export of the country grew by 15.87% (US$14.110 b) in FY '08 and new products like pharmaceuticals and ship building have been added in the export basket.

He added that the Caretaker Government, tried to remain focused on major impediments to economic development by forming various Reforms Commissions and

Task Forces, meaning business. He was sure that these would help improve the growth and future management of these institutions facing challenges of a competitive world.

ICCB President however, mentioned that business continues to remain seriously concerned due to very uncertain and vulnerable Energy situation (both power and gas) and its present status of supply and distribution. Despite repeated assurances by successive governments, situation continues to remain alarming; to achieve growth target. He also stated that per capita power consumption in Bangladesh is only 140 kilowatt hour (Kwh) as compared to 325 Kwh in Sri Lanka, 408 Kwh in Pakistan and 663 Kwh in India. Moreover, it keeps electricity out of reach of 70 percent people of the country.

The power sector 'Master Plan' suggests that Bangladesh requires 43,000 megawatt (MW) electricity by 2025. According to the Plan, 33,000 MW will come from coal although now the percentage is only 5. In USA, coal contributes to over 50 percent while in India it is 70 percent and the figure in China is similar. On the other hand, the Phulbari coal field, having a recoverable reserve of 572 million tons has been forcibly stopped in the name of environmental preservation by the self-styled Environmentalist prompted by vested quarters in order to block the economic use of this huge power reserve; besides, we shall have to make full economic use of our coal deposit in other fields including Barapukuria, he stated.

He urged upon the Chief Advisor and hope that the Chief Adviser would give top priority to this sector and immediately approve the Coal Policy that would attract investors and leave behind an appropriate Action Plan for the next elected government.

He also stated that expatriates have significantly contributed to our Balance of Payment (BoP) by remitting approx. US$ 8.00 billion during FY '08. He believed, providing them with the incentive and due support when needed can bring in increased remittance.

Mahbubur Rahman concluded saying that the Country is getting ready for having the much awaited national election by this December as the Caretaker Government and the Armed Forces have been working relentlessly towards that end. The whole nation would like to acknowledge the rare achievement of our Armed Forces including Election Commission and concerned government Agencies in providing us with a National Identity Card as well as a credible Voters' List in such a short time. A democratic government is a pre-requisite for sustainable development of a nation. He was quite hopeful that the political parties and leaders would also be resolving their outstanding issues through Dialogue and give the nation a chance to have a stable democratic rule, to become a middle-income country by 2017.

Taking part in the discussion, Finance Adviser AB Mirza Mohd. Azizul Islam called upon the private sector to use the BBBF in reducing the lending rates on bank loans so that they could help their counterpart in the production, as a significant part of the banking system is owned by the private sector.

Chief of Army Staff General Moeen U Ahmed pointed out that endemic corruption in certain sectors was damaging the image of the country, hindering the foreign direct investment. "If we can remove corruption, we can have economic growth at a rate of double digit," he said.

Replying to a question from the audience, Chief Advisor said the government would continue to give emphasis on law and order situation and maintain it. Replying to another question on energy crisis that is the prime concern of the members of the business community, Dr Fakhruddin said the national coal policy is being discussed in the Council of Advisers and the council has sent for further review. "We'll be able to make a coal policy," said the chief adviser. "It's a resource. We should use the resource for the benefit of the people and the country" he added.

He expected that the BBBF would continue even in the regime of next political governments, as the business community wants it as a good interface between the government and the businesses.

In response to another question, Chief Advisor expected that the progress of BBBF activities would be faster next year than the first year when the body put forward 249 recommendations to improve business climate. The government so far implemented 52 recommendations while 61

remained under implementation and 128 others are under review, the meeting was told.

Chief Advisor expected to see better and less onerous regulations for businessmen and for citizens and said the RRC and the BBBF can help achieve this goal.

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Annisul Huq pointed out the necessity to augment power generation, modernize ports and highways and set up economic zones to augment national growth. He also hoped that a new political culture with tolerance would emerge after the next general elections.

Advisers, Special Assistants to the Chief Adviser, Senior Government Officials, BBBF Members, Diplomats, Civil Society Members and Business Leaders were present at the meeting.

ICCB President commended Monetary Policy 2008

BB Governor for continuing training of bankers

The decision of Bangladesh Bank to follow the expansionary Monetary Policy to support country's industry and production process, despite suggestions otherwise, is welcomed by the business community, said ICCB President Mahbubur Rahman at the Certificate Award Ceremony for the Certified Documentary Credit Specialists (CDCS) held on August 30 at the DCCI Auditorium, Dhaka. He mentioned that Monetary tightening may be one of the instruments for coping with inflation but not necessarily the only option at the cost of sufferings of people, in particular the rural poor, to achieve the desired growth.

ICCB President appreciated another bold decision of the Bangladesh Bank regarding raising capital base of all banks to Tk. 4 billion. As a result of the decision interest of the depositors would be safeguarded, clients would feel easy in a financial crisis as well as the capital base of the banks would be strengthened.

Dr. Salehuddin Ahmed, Governor Bangladesh Bank distributed certificates as Chief Guest among 10 Bankers who successfully completed the Certified Documentary Credit Specialist (CDCS) Examination held for the first time in Dhaka on April 10, 2008.

While congratulating the new CDCS Experts, Bangladesh Bank Governor expressed his happiness as the rate of success of Bangladeshi participants in the CDCS examination is better than the global rate. He urged upon all other banks to encourage their concerned officials to sit for that examination and expected that banks would be interested to the CDCS course on a priority basis.



Bangladesh Bank Governor Dr. Salehuddin Ahmed (2nd from left) is seen speaking during the Certificate Award Ceremony for CDCS held on August 30. ICCB President Mahbubur Rahman (2nd from right), ICCB Vice President Latifur Rahman (extreme left) and Chairman of ICCB Standing Committee on Banking Technique and Practices Mamun Rashid (extreme right) are also seen in the picture.

It may be mentioned here that as many as 12 bankers from two local and two foreign banks appeared at the Examination, out of whom 10 came out successful. They are: five from Eastern Bank Ltd., four from Standard Chartered Bank Ltd. and one from One Bank Ltd. A total of 1876 candidates worldwide sat for the examination this year achieving a success rate of 70 per cent. It may be mentioned that the next CDCS Examination will be held on April 16, 2009.

ICCB President said that CDCS is an international standard qualification for documentary credit specialists. It is a professional certification that enables documentary credit practitioners to demonstrate specialized knowledge and application of skills required for competent practice. He hoped that the CDCS experts would be able to contribute substantially to provide professionally skilled and improved services to their clients.

Mahbubur Rahman informed that beside the CDCS programme, ICC Bangladesh has just started another important progarmme named 'IFC-FIT INITIATIVE' which is an e-learning certification programme for international trade finance personnel working either in banks or in companies involved in export and import trade. The FIT Initiative has been developed by e-Business School of Ireland (eBSI) and ICC Headquarters with the full support and assistance from International Finance Corporation (IFC) of the World Bank Group. So far 57 bankers and other experts have registered their names for the programme.

On the Foreign exchange regulations, Dr. Salehuddin Ahmed informed that a proposal to amend the foreign exchange regulation act is a waiting for final approval of the Government. He said that the central bank has already submitted a proposal on amendments to the Foreign Exchange Regulation Act 1947 to the ministry concerned aiming to facilitate the foreign trade. He added that some regulations relating to foreign exchange transactions have already been relaxed to facilitate international trade. He also said that the Bangladesh Bank has relaxed the foreign exchange regulations recently relating to advance payment against imports and payment of freight charges to chartered ship owners abroad.

Regarding inflationary pressure the Bangladesh Bank Governor said that the inflation might ease after the holy month of Ramadan. He, however, feared some temporary rise in inflationary pressures during the Ramadan. He also said that the prices of some essential items including pulses, edible oil and onion at import level have declined. He also added that the central bank is allowing more imports to meet the growing demand for essential items in the local market during Ramadan and as a result the country's external trade is maintaining a healthy trend at the moment.

Governor reiterated his concern on the economy and put importance on diversification of our export. He stressed the need for exploring our own markets also.

Mamun Rashid, Chairman of the Banking, Technique and Practices Standing Committee of ICCB also spoke on the occasion. In his welcome address Rashid explaining his experience in the banking sector while working in Africa, Europe and Asian countries said that he found participation of Bangladeshi officials in CDCS examination as very significant. He stated that having 10 CDCS experts, Bangladesh would be able to handle international trade issues with confidence. He added that this is a humble beginning and an inspiration for others.

Among others ICCB Vice President Latifur Rahman, former DCCI and FBCCI President M. A. Sattar, Barrister Rafique-ul Huq, ICCB Board Members namely, A. S. M. Quasem, Aftab ul Islam, R. Maksud Khan and a number of MD/CEOs of banks and senior officials also attended the Certificate Award Ceremony.



Group picture of the successful CDCS candidates with the Bangladesh Bank Governor Dr. Salehuddin Ahmed (second from left), ICCB President Mahbubur Rahman (second from right), ICCB Vice President Latifur Rahman (extreme left) and ICCB Banking, Technique and Practices Standing Committee Chairman Mamun Rashid (extreme right).

ICCB Workshop on Int'l Trade Fraud

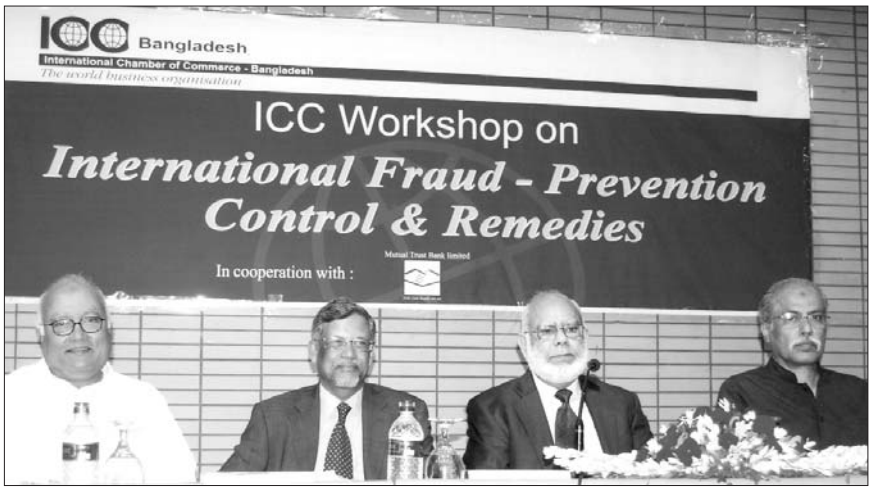
Call for combating commercial crime

Commercial crime is growing faster than international trade. ICCB President Mahbubur Rahman told these while inaugurating two day-long ICC Workshop on International Trade Fraud: Prevention, Control and Remedies held at Dhaka on July 26 and at Chittagong on July 27. Both the Workshops were organized by ICC Bangladesh in cooperation with the Mutual Trust Bank Limited.

He stated that now a days frauds are more complex and involve larger sums than ever before. New scams are constantly encountered and the International Chamber of commerce -Commercial Crime Services (CCS), London is a specialized division of ICC looking after the need to protect the interest of the business. As a specialized bureau within CCS, the Financial Investigation Bureau (FIB) also conducts enquiries and investigations into matters associated with money laundering, fraud and suspect documents. In most cases of documentary fraud, the banks, in one way or another lose. At the very least the fraud will strain the relations between the banks and its customers or the corresponding banks in the letters of credit chain. The greatest danger to banks is; they are financing a transaction where the buyers and sellers are in collusion.

The ICC-International Maritime Bureau (IMB) has investigated numerous such cases where banks have financed transactions, which they believed to be genuine arms-length trade deals between the buyers and sellers. No effort was made to check whether the documents presented were genuine, observed Mahbubur Rahman.

The trade finance system depends entirely upon documents. Substantial amounts of money can be paid out by banks, whose only obligation is to verify that the documents comply with the terms of the credit. Any system, which depends purely on documents, will be vulnerable to abuse by money launderers. Once credit complying documents have been presented and payments have been made, purportedly for an international trade transaction, the money thus released, would leave a documentary trail and, hence, facilitate the initial cycles of the wash, he added.



ICCB President Mahbubur Rahman is seen delivering his inaugural speech at the inaugural session of the Workshop on International Trade Fraud- Prevention, Control and Remedies held in Dhaka on July 26. ICCB Executive Board Member A.S.M. Quasem (extreme left), Workshop Resource person & Director and Chief of International Crime Services of ICC, UK P. Mukundan (2nd from left), and ICCB Secretary, Ataur Rahman (extreme right) are also seen in the picture.

The risk of documentary credit fraud can be minimized if buyers and sellers check the background of their contractual partners before entering into commitments, Rahman opined.

"It is in the bank's own interest to ensure that they know precisely what activities their clients are asking them to finance. One way to do this is to make independent checks into the transactions, i.e., to authenticate the bills of lading and other documents presented under the documentary credit system. It is only through these independent checks that the banks can be sure that they are financing what their clients are declaring to them. There are ways to do this without

conflicting with their liabilities under the UCP. In our view, it is just good prudent practice," Rahman told.

ICCB President recommended that the banks pick up bills of lading presented to them, at random, amongst their good and not so well known clients and have them checked at regular intervals. Such checks are done by the ICC International Maritime Bureau for their banking members.

Bangladesh has been growing fast in the international trade. Both import and export are increasing at substantial rate. As the international trade is growing all parties involved in the trade is also getting exposed to the risk of international trade finance fraud. The more the market of import-export is expanding the more we are facing the risk of unknown events including fraud. Although the number of attacks in Bangladesh has fallen, the area is still listed as very high risk. Pirates are targeting ships preparing to anchor. Most attacks are reported at Chittagong anchorages and approaches. While ICC rules, national and international laws/regulations are guiding the international trade, the parties involved in the trade need to get more conversant and acquainted with those rules/laws/regulations as well as they should have ideas/information about the fraudulent practices in international trade, ICCB President noticed.



ICCB President Mahbubur Rahman is seen speaking in the inaugural session of the ICC Workshop on International Trade Fraud- Prevention, Control and Remedies held in Chittagong on July 27. Workshop Resource person & Director and Chief of International Crime Services of ICC, UK P. Mukundan (left) and ICCB Secretary Ataur Rahman (right) are also seen in the picture.

Mr. A. S. M. Quasem, Executive Board Member of ICCB while speaking as a Special Guest at the inaugural session in Dhaka said that this workshop would help increase skill of professionals who are involved in international trade and enrich their knowledge to prevent International Commercial Crimes.

Internationally acclaimed resource person P. Mukundan, Director and Chief of International Crime Services of ICC, UK and ICCB Secretary Ataur Rahman also spoke at the inaugural sessions. Some 135 participants, 95 in Dhaka and 40 in Chittagong representing banks, insurance companies, multinational companies, law firms and other big business houses attended the two workshops.

Regulatory barriers are main reasons for poor domestic investment

Regulatory barriers and buraucratic hassles that private sector faces in establishing new enterprises retard the growth of domestic investment. ICCB President Mahbubur Rahman said these while speaking as a guest speaker at the launching event of the Regulatory Reforms Core Group (RRCG) in Dhaka on August 11. He was speaking on the Role of Domestic Investment in Bangladesh's Economic Development, keeping in view the objectives of RRCG to motivate Private Sector Development (PSD) agencies of the government of Bangladesh to provide better services to the investors and identify and implement regulatory reforms for ensuring improved investment environment.

On the occasion, ICCB President termed the formation of PRCG as an initiative in the rgigh direction to help Bangladesh Better Business Forum (BBBF) to implement its policies for growth. He also added that orientation and basic skill development of the PSD agencies to understand the needs of the private sector could be one of the very effective means to ultimately help enhancing investment.



ICCB President Mahbubur Rahman is seen speaking at the launching event of the Regulatory Reforms Core Group. Also seen the picture are : former Advisor of the Caretaker government Syed Manzur Elahi (2nd from right). FICCI President Waliur Rahman Bhuiyan, OBE (3rd from right) and General Secretary of Consumers Association Quazi Faruque (4th from right).

"Challenges of Bangladesh's development agenda are immense. However, in the quest for quick economic growth and development, the country must seek inclusive economic growth and put in more resources for reduction of poverty of millions of people who live under desperate poverty. This would need to create and expand access to opportunities and more investment in health, education and safety net programs for the poorest. Alongside, the country needs big investment in infrastructures i.e energy, power generation, roads, railway and ports to attract further investment and ensure industrial development and employment creation through private sector participation" said Mahbubur Rahman.

He stated that domestic investment particularly private sector investment played a vital role in the economic development of the country and foresaw a vast potentiality of the private sector growth in the country in the coming days.

Mahbubur Rahman opined that Bangladesh's aspiration to become a middle income country by 2017 must be led by the private sector. A robust private sector is the key for attracting investment, entrepreneurship and technological innovation needed for quick economic growth. It is obvious that without private sector investment, jobs and economic opportunities for the thousands of people cannot be ensured. The government, therefore, needs to continuously invest in infrastructures and social development and to further liberalize the policies and regulations and remove obstacles to inclusive growth and private sector driven development efforts.

The private sector in Bangladesh is made up of a very large number of small and medium-sized enterprises (SMEs) and a small number of well-established, larger firms. Considering the contribution of SME in our economic development, it is very important to improve their competitiveness and raise their capacity to link up with larger firms, both domestic and foreign. Medium and large firms of Bangladesh are contributing significantly in our economy by creating job opportunities, paying taxes, earning foreign currencies, etc. The domestic investors have the potentiality to contribute more in our economy but they need a conducive and enabling better investment climate. Greater attention should be paid to domestic investors, both formal and informal, who are the source of the bulk of investment in Bangladesh, said Mahbubur Rahman.

Syed Manzur Elahi, Former Advisor to the Caretaker Government was present in the function as Chief Guest while FICCI President Waliur Rahman Bhuiyan, OBE and General Secretary of Consumers Association of Bangladesh Quazi Faruque were present as guest speakers. Among others BICF representatives, Senior Government Officials and Private Sector representatives attended the function.

ICCB President at the Rotary Club Meeting

Challenges of food security must be a priority agenda

Skyrocketing fuel prices and challenges of food security are alarming concern for the global economy, said ICCB President Mahbubur Rahman, while speaking as a Guest Speaker during a meeting of Rotary Club Buriganga held on July 9. In his presentation on Bangladesh Economy he made references to the global economy and said that the global output slowed down in 2007 from its earlier higher growth rate mainly due to financial turbulence and continuous slump in the US housing market. However, the strong growth of the European economies had some positive impact on the overall world growth. Despite the slowdown, world economic growth during 2007 was considered to be robust and notably broad-based. More than 100 economies achieved 3 percent growth of per capita output or more.

In Asia, growth remained buoyant suggesting that global economy would continue its growth trend. Emerging developing countries including China, India, Brazil, Turkey and Russia played important role in contributing to world growth in 2007. The developing Asian economies also foresaw an annual growth of 9.6 percent in 2007, Mahbubur Rahman added.

Regarding Bangladesh Economy in 2007, he stated that Bangladesh, like many other economies, had in the past experienced ups and downs in its performance depending on a number of factors, both natural and man-made as well as internal and external. The country has achieved reasonable successes over the years in areas of human development, population control, food production, poverty reduction and disaster management. It has also been able to keep the rate of inflation at a reasonable level and achieved an average economic growth rate of over 5 per cent in recent past; 6.6 per cent in FY06 and 6.5 per cent in FY07.

Rahman mentioned that poverty level is still not satisfactory- around 40 per cent of the population being below the poverty line, while income inequality is in upward curve. Poor governance, inadequate infrastructure, acute energy crisis, systemic corruption and law and order continued to be major deterrents to a private sector-led higher economic growth over the decade; despite immense potentials with a little or no financial implications.

On the Bangladesh economy outlook for 2008, Mahbubur Rahman said that the GDP growth rate for FY08 was projected to be 7 per cent as against 6.5 percent in FY07. However, recent domestic and global developments including natural calamities, temporary disruptions in domestic production, and adverse price developments in the international market, have seriously affected the growth performance of the economy requiring lowering the GDP projection to 6 - 6.2 per cent.

Mahbubur Rahman also stated that the overall growth of the industry sector has been projected between 8.5 to 8.7 percent in FY08, largely driven by large scale manufacturing industries and a higher growth of SMEs. The services sector is also likely to grow at a rate between 6.1 to 6.3 percent in FY08. According to the latest report published recently the operating profit of the private commercial banks (PCBs) during the first six-months of 2008 have increased by 50 per cent compared to that of the same period last year. This is an indication of improved business and economic activities.

Regarding the housing sector he mentioned that this sector maintained a steady growth over the past years, has slowed down in FY08 mainly due to sharp increase in the prices of construction materials, including mild steel rod, cement, brick etc. A vibrant construction sub-sector contributes to the economy in terms of employment generation and production of goods and services. Therefore, any set back to this sub-sector has a direct impact on the economy as well as on employment of workers.

In conclusion, he said that the most important agenda for the Caretaker Government is to take effective and long-term measures to contain inflation, arrest the skyrocketing trend in prices of essentials and steps for overcoming the present power crisis.

On top of everything he expressed his confidence and aspiration that the Caretaker Government would successfully hold the December national election as promised, free, fair and credible and reiterate that a democratic government is a pre-requisite for any sustainable development of a nation.

ICCB President attended second IFC BICF TAC Meeting

The Second Meeting of the IFC BICF Technical Advisory Committee (TAC) was held on July 22, 2008. The Meeting was attended by ICC Bangladesh President Mahbubur Rahman, Member of Bangladesh Better Business Forum (BBBF) Laila Kabir and Maj. Gen. Amjad Khan Chowdhury, Chairman, PRAN Group representing Private Sector; Secretary in Charge, Chief Adviser's Office Kazi Aminul Islam, Commerce Secretary Feroz Ahmed and Executive Chairman, Board of Investment Md. Kamaluddin Ahmed representing Government of Bangladesh; Editor of The Financial Express Moazzem Hossain representing Civil Society; Richard Boulter of DFID, Jean-Claude Malongo of European Commission and Tom Davenport, Senior Manager, FIAS representing Donor Oversight Committee; Country Director of World Bank Office, Zhu Xian; Development Partners Project Officer (Private Sector), Japan International Cooperation Agency Md. Anisuzzaman Chowdhury representing Development Partners and IFC BICF Management represented by its Chief James Crittle, Senior Program Manager A. Mahmood and Operations Adviser Laura Anne Watson.

The Annual Review of IFC BICF by DFID was presented during the Meeting. The recommendations made by the Review included.

- The good work of the Regulatory Reforms Commission (RRC) and Bangladesh Better Business Forum (BBBF) should be highlighted and communicated broadly.
- Monitoring and evaluation of the implementation of BBBF and RRC recommendations should be institutionalized within the Chief Adviser's Office, to ensure that line ministries implement the necessary reforms.
- A reassessment of the BBBF and RRC may be necessary to determine if increased private sector participation is possible.
- People who have significant experience with research and business should be incorporated into the BBBF and RRC so that they can provide pragmatic inputs.
- There is a need to clarify the regulatory framework governing economic zones.

Among the risks identified by the review included the following:

- There may be lack of commitment for investment climate reforms once there is a change in government, and so the momentum for reforms should be sustained.
- Economic zone initiatives, like the RMG park and Pharmaceuticals park, should be fast-paced
- There may be a lack of follow-up or monitoring of BBBF and RRC work after the elections
- There is a potential for political capture of the BBBF and RRC, by inundating these institutions with people without the necessary experience, simply in order to enforce a political agenda. Therefore, more weight should be given to members with knowledge on business and political economy.



IFC BICF TAC meeting is in progress. ICCB President Mahbubur Rahman (5th from left) attended the meeting.

Subsequently a presentation was made regarding the activities of IFC BICF since the last meeting of the TAC. The IFC BICF Management Team presented the progress of activities over the past quarter, and plans for pipeline activities over the next quarter. The presentation also included information on existing and proposed projects - on sub-national investment climate reforms, arbitration, convergence and

stakeholder engagement - that had been developed in response to the key inputs from the TAC at its first meeting.

The summary of key points of discussions are as follows:

Business Finance Dialogue – The Convergence Program • The banking sector is working well in Bangladesh, and Bangladesh Bank has a good dialogue with different parties • Italy and Romania are not necessarily good models for Bangladesh • The proposed convergence program should not exist independently of the current BBBF Business Finance Working Group • This should not be a priority for reform.

Decentralization • Division level governments should be empowered to make more decisions • GOB has initiated outreach program to bring government to people's doorsteps.

"Anomalies" in government operations • "Anomalies" exist within the Government in terms of agency responsibilities • Stress must be placed on which agencies IFC BICF works within the future.

Competition Policy • IFC BICF should focus on assisting GOB in successful implementation of laws, for example the Competition Policy.

The road ahead • Very short time horizon ahead – focus on short term achievement • Develop constituency to sustain reform process • Increasing the size of the BBBF may transform it into a talking shop.

The importance of effective communications • Give life to the communications for BBBF and RRC • Communications strategy needs to focus on identifying the right message, audience and instrument • Identify and target low-hanging fruit • Get inputs from the ground, and combine with knowledge on best practices to get ideal methodology for reforms • People commit to something for two reasons: passion or pressure from above. IFC BICF should work to create both passion and pressure for investment climate reform.

Sustainability of BBBF and RRC • BBBF and RRC may need parent line ministries to create government ownership after elections.

Investment promotion focus • IFC BICF should not be focused on FDI promotion only, but also on domestic businesses.

Strengthening chambers • For individual businesses, sector associations are often more important than chambers • Chambers need to move away from lobbying and become more professional • The history of assistance to chambers has been fierce and wasteful.

Summary of Actions/ Decisions The next TAC meeting will be held in October (Proposed date: 19 October), IFC BICF Management will provide monthly updates to TAC members on ongoing activities and provide the members with a list of questions or issues for their comment or advice in advance of the next meeting.

ANNOUNCEMENT

ICC Bangladesh to host CDCS Examination in Dhaka, 16 April 2009

ICC Bangladesh is pleased to announce that the Certified Documentary Credit Specialist (CDCS) examination conducted jointly by **Ifs School of Finance, UK** and **ICC** Headquarters, Paris will be held in Dhaka for the second time on April 16, 2009.

The 2008/09 Information sheet and Registration form for the CDCS examination are now available from the National Secretariat of ICC Bangladesh.

Fees

Registration : Stg. £ 500
Examination resit : Stg. £ 292

Registration closing date: January 31, 2009

Completed Registration Form from the candidates will be received by ICC Bangladesh upto 31 December, 2008.

The interested candidates are requested to contact:

Secretary
ICC Bangladesh
Suvastu Tower (6th floor)
69/1 Pantha Path, Dhaka 1205, Bangladesh
Tel: +880-2-967-6698, 862-1942
Fax: +880-2-862-1027
e-mail: iccb@bdmail.net
web: www.ifcfitinitiavtive.net

Business Leaders meet on RMG unrest

Urged government to ensure security and punish vandalism

The top business leaders of the city urged the government to immediately call them to discuss the outstanding issues concerning readymade garments industries and ensure the security of the entrepreneurs and their industries. They informed the media after an emergency meeting on RMG unrest held on August 19 in the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) to find solutions to the labour unrest in the country's largest export sector.

The speakers at the meeting stated that most sweater factory workers -mostly male and aged between 20-28 started vandalism with the slightest trigger. They also said that about 90 percent of recent labour disputes were originated by sweater factories, as they are more volatile. They urged the government to convey a strong message to the workers that they can not ransack factories and attack the factory owners. If they have any complain, they can ask the factory management for their solution.

The meeting chaired by FBCCI President, Annisul Huq, among others was also attended by ICCB President Mahbubur Rahman, MCCI President Latifur Rahman, Former FBCCI Administrator Syed Manzur Elahi, BGMEA President Mr. Anwar-UI-Alam Chowdhury (Parvez), BKMEA President Md. Fazlul Hoque and representatives from leading Chambers and Associations.

While speaking on the occasion ICCB President Mahbubur Rahman said that as per Tripartite Agreement, major issues like minimum wage to the workers, maternity leave to the eligible female workers etc. have been implemented in most of the RMG factories. Beside this, 20 percent dearness allowance for them has been proposed by the Labour Advisor Anwarul Iqbal. But surprisingly, the factories, which are good and compliant, have been disrupted and the Law Enforcing Agencies were ineffective in those cases. He cited an example that one beautiful knitwear factory was completely damaged to the ground in presence of police, which will take 9 months time to be back in production. Agitated workers set one factory on fire with petrol in presence of police. All these incidents put the role of police in question. He opined in favour of immediate reforms in police.

Mahbubur Rahman also stated that Trade Union activities in the Apparel Sector should be regulated positively and in such a manner so that they become real means of communication with the workers. He indicated that some NGOs are exploiting the situation with technical assistance from Donor Agencies. He called upon all to make united and coordinated efforts in all important policy issues of common concern.



Meeting of the Business Leaders on RMG unrest is in progress. Presided over FBCCI President Annisul Huq (centre), the meeting among others were attended by ICCB President Mahbubur Rahman (3rd from left), MCCI President Latifur Rahman (2nd from left) and former FBCCI Administrator Syed Manzur Elahi (3rd from right).

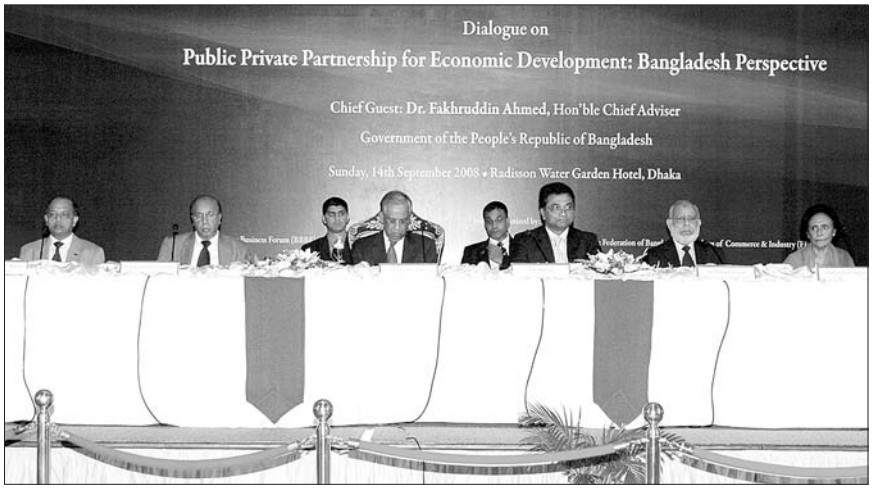
The speakers in the meeting also informed that some 147 RMG factories came under attack since January this year, including 22 in this month. They do not think that low wages is the main reason behind the attack on factories and said that the motives of the factory attack still remain unknown to the owners and the Administration should identify the problems.

Bangladesh Economy

Bangladesh Better Business Forum

Public-Private Partnership for growth and development

The government formed the first ever public-private business conglomerate titled 'Bangladesh Better Business Forum' (BBBF) headed by Chief Adviser Dr. Fakhruddin Ahmed as Chairperson on November 25 last year. Earlier Chief Adviser Dr. Fakhruddin Ahmed proposed forming the forum at a Dialogue on Bangladesh Economy and Future Perspective held in Dhaka on September 5, 2007. The first ever Dialogue between the government and the private sector was attended by Advisors of the Caretaker Government, high government officials, business leaders, representatives of the civil society and others from across the country.



Chief Adviser Dr. Fakhruddin Ahmed (3rd from left) is seen speaking at the Dialogue on Public Private Partnership for Economic Development: Bangladesh Perspective held on September 14. ICCB President Mahbubur Rahman (2nd from right), Finance & Planning Advier Dr. AB Mirza Mohd. Azizul Islam (2nd from left), Army Chief General Moin U Ahmed (extreme left), FBCCI President Annisul Huq (3rd from right) and Laila Rahman Kabir (extreme right) are seen on the dais.

The BBBF, began its journey in 2007 with the aim of improving the business environment in Bangladesh through interactions between the business community and government officials.

BBBF aims to create conditions conducive to the business environment that has been confronted with some critical issues in recent years. The forum looks into several dimensions of improving the business climate in Bangladesh. These consist of designing an action plan on regulatory reforms relating to investment, developing skills of potential labour force, ensuring access to finance for businesses, starting up businesses and much more.

The forum consists of 42 members and has a Secretariat attached with the Board of Investment (BoI) under the supervision of the CA's office.

The composition of BBBF includes senior government policymakers, the Chief of Army Staff, representatives from the private sector, primarily garments, telecommunication, technology, finance and agriculture, along with civil society members, economists and academics.

BBBF will work for a better business climate to identify problems facing the economy and recommend solutions to those. The business leaders welcomed the initiative and they expressed their belief that it will not only help restore confidence in the business community but also make it easier for the country to graduate to a middle-income nation.

The business community has long felt the necessity for such a body as they need quick decisions from the government side on issues like investment and business operations in the country. Businesses hoped that BBBF would help them avoid bureaucratic tangles in seeking government approvals for different private ventures.

The forum will meet at least thrice a year with the Chief Adviser in the chair, and at least once in every two months with the Executive Chairman (Finance Adviser)

presiding. The BBBF is composed of five working groups focused on the following broad thematic areas: Business Finance, Business Entry and Operations, Infrastructure, Macroeconomic Policy and Skills Development. The unique aspect of these groups are that each group is co-chaired by a senior government official (rank of secretary) and a business/civil society representative. The groups altogether held 40 meetings.

Since its inception, these five working groups have worked extensively on preparing action plans and recommendations to improve each designated economic segment. The recommendations made by the groups reflect not only current market realities, but also the priorities and values of the country, its overall developmental goals and aspirations as well as its capacity to creatively adapt to changes.

The performance of the BBBF was presented during a Dialogue on Public-Private Partnership for Economic Development: Bangladesh Perspective held under the Chairmanship of Chief Adviser Dr.Fakhruddin Ahemd on September 14. ICCB President Mahbubur Rahman, in his address at the Dialogue strongly recommended not only for continuation of BBBF but also to strengthen further in the coming days. According to him and other business leaders such a Forum has been found to be fruitful in working together with government officials in solving various issues related to the improvement of investment as well as private sector development.

BBBF Working Group Recommendations and Approval Status (as of September, 2008)

Working Groups	Number of Meetings held by each group	Number of Recommendations				
		Proposed	Approved	Implemented	Decision Pending	Not Approved
Business Finance	8	58	29	17	22	7
Infrastructure	10	125	26	9	99	0
Macroeconomic Policy	4	24	20	10	4	0
Business Entry & Operations	10	27	25	15	1	1
Skills Development	8	15	13	1	2	0
Total	40	249	113	52	128	8

Source : BBBF News , Volume 1, Issue 1

The BBBF has so far forwarded 249 recommendations, out of which 113 were approved and of them 52 have been implemented and decision on 128 were pending.

UNCTAD's LDC Report

Bangladesh to graduate to MIC by 2025

Bangladesh is expected to graduate from the Least Developed Country (LDC) group to middle-income country in next 17 years from 2008 if it can sustain a growth rate between 6.5 and 6.7 percent, according to report titled "UNCTAD LDC Report 2008: Growth, Poverty and the Terms of Development Partnership" released in Dhaka on July 17.

The United Nations Conference on Trade and Development (UNCTAD) report, however, pointed out that Bangladesh's current moderate economic growth riding mainly on export of low technology manufactured goods like ready-made garment might not sustain if export basket is not diversified. The report said soaring food and oil prices, frequent

natural calamity, growing inequality as the major challenges towards achieving the millennium development goals, though performed brilliantly in primary education, child mortality, gender equity and access to safe water. Bangladesh is the largest food importer among the 49 LDCs, the report said.

The report indicating poverty situation and based on Household Survey 2000 said 26.4 percent of Bangladesh population live on $1 or below $1 a day while 74.8 percent between $1 and $2 a day. This estimate differed from a previous World Bank estimate of 41.3 percent and 44.2 percent respectively. Bangladesh exported 34 percent of the LDCs' total manufactured exports and 7.4 percent of their merchandise exports, the UNCTAD report said.

It mentioned that Bangladesh ranked 4th among the LDCs in fiscal 2005-06 in receiving foreign direct investment (FDI). Three oil-exporting LDCs -- Sudan, Equatorial Guinea and Chad -- were ahead of it. Bangladesh's share was 6.7 percent of FDI in the LDCs during the period. And it received 41 per cent of the total workers' remittance to the LDCs in 2006, the report said.

The overseas development assistance (ODA) in the year constituted only 1.7 percent of the real GDP in 2006 as Bangladesh is relatively less dependant on aid compared to other LDCs. UNCTAD suggested that national governments should take the lead in designing and implementing their development strategies.

It said 277 million people live in extreme poverty in the LDCs, which means 36 percent of their population lived on an income of less than $1 a day in 2005. Another challenge of the LDCs is food security. They are being hit very hard by the sharp increases in domestic food prices as 36 out of the 50 LDCs were net food importers in 2004-06, the report said.

The LDC category was established in 1971. Since then, only two countries (Botswana and Cape Verde) have "graduated" from the category. Cape Verde graduated in December 2007.

PCBs asked to raise capital to Tk. 4 billion

Failing banks to go for merger

Private Commercial Banks (PCBs), which will fail to raise their capital to Tk 4 billion in next three years, will have to look for merger with other banks or financial institutions, says the Bangladesh Bank (BB). On August 14, Bangladesh Bank has asked the private banks to achieve the threshold by August 11, 2011 in line with the government decision to double the capital requirement to Tk 4 billion. The Central Bank also directed foreign banks to meet up the shortfall with the profits it make or with its equity.

The requirement was doubled to Tk 2 billion only last year and many banks were still struggling to achieve that level. Out of 28 listed PCBs, only nine banks could have paid-up capital of over Tk 2 billion. Under the new instructions, the banks are required to have the capital by increasing its reserve or issuing right shares or floating Initial Public Offerings (IPOs). But no bank will be allowed to offer cash dividends so long there is a deficit in capital. In case of foreign banks, they have to meet the capital requirement by injecting fresh funds from overseas sources or stopping expatriation of post-tax profits, the central bank said in its circular.

For supervision purpose, the central bank categorized the capital into two tiers - tier 1 or core capital which comprises of the highest quality capital elements and tier 2 or supplementary capital represents other elements which also contribute to the overall strength of a bank. The tier 1 components include paid-up capital, non-repayable share premium account, statutory reserve, general reserve, retained earnings, minority interest in subsidiaries, non-cumulative irredeemable preference shares and dividend equalization account.

General provision maintained against unclassified loans, assets revaluation reserves, all other preference shares, perpetual subordinated debt and exchange equalization A/C are categorized under tier 2. The banks can retain profit after tax, and if necessary, float repeat initial public offering or issue right share to increase the capital, the central bank's latest letter said. If there is any deficit in capital, banks cannot declare any cash dividend, it added.

BB sources said the move has been taken as part of its

efforts to meet capital requirements under the Basel II framework, which the scheduled banks have to adopt from 2010. Senior bankers said the new rule would safeguard clients in a financial crisis, but it could force government owned banks into trouble as they make hardly any profit.

Currently, a total of 48 banks are operating across the country. Of which, four are government-owned commercial banks (NCBs), 30 private commercial banks (PCBs), nine foreign banks and five specialized banks. One each only from NCBs and PCBs category has required capital of more than Tk.4 billion.

Export growth in FY08: 15.87%

RMG sub-sector fetched US$ 10.7 billion

Bangladesh earned US$ 14.110 billion from exports in 2007-08 fiscal, registering a growth of 15.87 percent over the previous fiscal, according to Export Promotion Bureau (EPB) data. Even though, Bangladesh missions and commercial wings abroad largely missed their respective export target for the fiscal 2007-08,most of them, however, performed better than the previous fiscal consistent with the overall exports during July-June period of FY08, registering about 16 per cent growth to US$ 14.11 billion, but 3 per cent short of the US$ 14.50 billion target.

The export was boosted mainly due to the sharp rebound of readymade garment sale. Bangladesh gained this export earning against the target of US$ 14.500 billion set for 2007-08 fiscal. In 2006-07 fiscal the overall export of the country was estimated at US$ 12.177 billion. Of the total export earning, only woven and knitwear, the two sub-sectors of RMG, accounted for US$ 10.699 billion during the last fiscal. Following the knitwear and woven sub-sectors, the exports of petroleum bi-products, tea, textile, fabrics, footwear, ceramic products, vegetables, tobacco, cut flower/foliage, agro-processed foods, home textile, electronics, terry towel, leather, frozen foods and raw jute also showed strong performance in export during the last fiscal.

Exports of petroleum bi-products, tea, cut flower/foliage and pharmaceuticals showed a robust performance during the last fiscal at more than 100 percent growth compared to the same period of 2006-07 fiscal.

Export earnings from agro-processed foods grew 77 percent to US$40.65 million in fiscal 2007-08, rising from US$ 22.94 million a year ago, buoyed mainly by a surge in the exports of dry foods, rice, fruit juice and biscuits. The exporters' continuous innovation of finding new exportable products and their strong marketing efforts have enabled processed foods to win the hearts of Bangladeshis in the Middle East, Europe and other parts of the world.

According to agro-processors, locally processed foods are also being sold in Australia and the US, although Saudi Arabia and other Gulf states, with hundreds of Bangladeshi workers, are the largest markets. Bangladeshi processed foods are being exported to about 70 countries, including some African nations, although the earnings from that segment remains negligible, compared to the country's total export income of US$ 14,110 million for 2007-08.

EPB statistics show that Bangladesh's dry foods such as puffed rice, flattened rice and chanachur dominated half of the export basket for agro-processed foods, followed by aromatic rice, fruit juice and spices.

Five Year Annual Export Growth: FY 04-08

(value in million us$)

FY	Annual Export	Growth
2003-04	7602.99	+16.10
2004-05	8654.52	+13.83
2005-06	10526.16	+21.63
2006-07	12177.86	+15.69
2007-08	14110.80	+15,87

26% Import growth: FY 08

Major imports- essential commodities, petroleum & raw materials

Soaring prices of essentials, industrial raw materials and petroleum products in the international market pushed Bangladesh's imports to US$ 20 billion, a 26 percent up in fiscal year 2007-08 from that of 2006-07. According to Bangladesh Bank (BB) statistics, import letter of credits (LC) worth US$ 20.21 billion were settled as of June 30, this year, against US$15.97 billion in the previous fiscal year.

Two devastating floods followed by cyclone Sidr that hit Bangladesh in November last year further contributed to the high import of essential items, especially food grains, BB data shows. Bangladesh mainly imported eight essentials, including rice, edible oil, wheat and fertilizers worth US$ 4.04 billion in FY 2007-08, a 91 percent up from that of the previous fiscal year.

Market operators said the private sector importers have been settling the LCs for importing essential commodities ahead of the Ramadan as the demand for such commodities go high during the fasting month for the Muslims. Of these essentials, rice import rose by 417 percent to US$ 860 million from only US$ 166 million last year. The total rice import stood at 22.5 lakh tons in FY 2007-08 from only 7.14 lakh tons a year ago.

Wheat import increased by 36 percent to US$ 556 million from US$ 409 million in FY 2006-07. Edible oil import was US$ 989 million in FY 2007-08, rising from US$ 565 million in the previous year. Although the prices of wheat and edible oil imports in FY 2007-08 increased by 36 percent and 75 percent respectively, the quantity for both items was less than that of the previous year.

The BB data also show that LC worth US$ 7.39 million was settled for importing Masur Dal (lentil) against the opening of LC worth US$ 8.90 million in the month of June in the immediate past fiscal year. Sources in the central bank also said LC worth US$ 8.75 million was settled for importing onion in the month of June.

Petroleum products import stood at around US$ 3 billion in FY 2007-08, according to the energy ministry sources. Meanwhile, India is expected to surpass China in terms of imports made by Bangladesh. During the first nine months (July 2007-March 2008), imports from India totalled US$ 2.45 billion, surpassing US$ 2.29 billion from China.

The main items that were imported from China were textiles, machinery and chemical products, while the key items imported from India are food, textiles and machinery.

Five year annual import Growth: FY04-08

(value in million us$)

FY	Annual Import	Growth
2003-04	10903.00	+12.90
2004-05	13146.70	+29.58
2005-06	14746.40	+12.17
2006-07	17156.80	+16.35
2007-08	21629.00	+26.07

JETRO Survey

Cost of doing business in Bangladesh

Bangladesh should continue its effort to reduce its cost of doing business and also take immediate measures to eliminate the hidden cost on a priority basis to increase its competitive edge compared to other countries, according to a survey report prepared by the Japan External Trade Organization (JETRO).

The 18th survey report released on July 8 is based on the data on 32 cost-components gathered from 30 countries through questionnaires. It said cost of investment in Bangladesh is not getting cheaper as all the cost components have increased to 2.45 per cent in 2008 from 2.44 per cent in 2007, indicating

a rise in cost of investment to a nominal extent.

Hidden cost, which is non-figurative but exists in matters related to procedure, policy, law and infrastructure, has high correlation with the cost of doing business and cost of investment in a country. In addition to the cost components considered in the survey it is also necessary for Bangladesh to address and eliminate the impediments that are responsible for the high cost of investment.

The report said hidden costs and loopholes in policies are eating up Bangladesh's FDI (foreign direct investment) future. It said to attract the coveted FDI, Bangladesh needs to take necessary measures to listen to the existing investors and assess their level of satisfaction. 'Existing Japanese investors feel that hidden costs still remain one of the key elements for escalation of cost of investment, which is making Bangladesh less attractive to both existing and prospective Japanese investors,' it added.

Introducing the budget 2008-09, the government reduced the corporate tax to 37.5 from its previous 40 percent, will help Bangladesh to achieve the competitive edge to some extent, the JETRO said. It said Bangladesh is still holding the second highest position in terms of this particular cost component of investment among the Asian countries that are also welcoming foreign investment.

'To be more competitive, immediate attention should be given to the cost components that still remain less competitive, especially in container transportation, land price of industrial estate, initial internet connection fee, monthly basic internet connection fee, telephone installation fee, mobile phone subscription fee, corporate income tax etc.,' the JETRO report disclosed.

In the survey the cost-components included wages, plot of industrial estate, office space, telecommunications-both land phone and mobile phone, internet connectivity, utilities covering electricity, water and gas, container transportation, energy covering gasoline and diesel and tax covering personal, corporate, VAT, interest remitted to Japan, dividend remitted to Japan etc.

Particularly, the monthly basic payment for Broadband Internet Service in Bangladesh is continuously holding the highest position among all the participating countries in this survey, the report said. Regarding the container transportation, the survey said cost of container transportation is a big element affecting the export competitiveness of a commodity. Bangladesh is the most expensive country in case of container transportation from Chittagong Port to Yokohama Port, the survey report said.

Against all the backdrops, foreign investment grew almost hundred percent to US$ 302 million in the country's eight export processing zones (EPZs) in 2007-08 fiscal. The volume of foreign investment in EPZs was only US$ 152 million in the previous fiscal. It thinks that weaker dollar, low labour costs and easy access to Asian markets were reasons behind the high growth of investment.

BEPZA for the first time received investment in diversified sectors like furniture, agro products and electrical and electronic goods. Absence of labour unrest, secured investment and utility services for a considerable period of time prompted investors from countries like Taiwan, Malaysia, Singapore and Korea, who face high labour and other manufacturing costs in their countries, to invest in the EPZs.

BEPZA also attained 17.73 percent growth in export earnings during 2007-08 fiscal. BEPZA earned US$2.43 billion in 2007-08 fiscal against the export earning of US$2.06 in the fiscal 2006-07. BEPZA received much larger scale investment proposals, many of which came from non-garment manufacturers. BEPZA never received investment worth over US$100 million at a time, but during 2007-08 fiscal it received several investment projects that are worth more than US$ 100 million.

Entrepreneurs are attaching top priority to Bangladesh because of the country's close proximity to the fast growing South and South Asian markets and the fact that it is within easy reach of the Middle East. Currently 283 industrial units are in operation in eight EPZs across the country. 174 of these are foreign, while 39 and 70 units are joint venture and Bangladeshi owned, respectively.

Highlights of Bangladesh Bank Monetary Policy Statement (January -December 2008)

Introduction: This monetary policy stance of the Bangladesh Bank (BB), covering the first half (H1) of FY09 (July-December 2008), aims at using the monetary policy for ensuring reasonable price stability essential to sustaining high economic growth, shielding the economy from global price and financial turbulences and downside risks, and tapping new upside opportunities. The policy stance targets a real GDP growth rate of 6.5 percent and an average inflation rate of around 9.0 percent in FY09. The policy announcement is intended to anchor inflation expectations on realistic near term assessment of growth and price developments.

Recent Global Developments: The global growth rate is projected to slow down to 3.7 percent in 2008 compared with 4.9 percent in 2007. The forecast for 2009 is also low at 3.8 percent. This likely slowdown, led by the developed countries, would exert spillover effects to the developing countries through trade, financial market, and other linkages. The global market experienced a surge in prices of most commodities during FY08, especially of those items on which Bangladesh is highly import dependent such as fuel, edible oil, rice and wheat. The price of rice saw an unprecedented rise of 215 percent in April 2008 on point to point basis while wheat prices doubled by February 2008 from its level one year earlier. The global inflationary pressure is not likely to reduce significantly in the foreseeable future. The developing economies face the challenge of controlling inflation while being alert to downside risks from the slowdown in the advanced economies.

Domestic Developments: Macroeconomic Outcome and Outlook: The real GDP growth rate for FY08 is estimated at 6.2 percent, which is slightly lower than 6.4 percent achieved in FY07. The growth target of 6.5 percent for FY09 is feasible, especially due to brighter prospects of increasing agricultural and manufacturing outputs, but would require concerted efforts to supplement the existing growth supportive policies with additional policies to realize the potentials.

Monetary Policy Stance for H1 FY09 (July-December, 2008)

The monetary policy stance during H1 FY09 aims at ensuring reasonable price stability and providing support to sustainable and high output growth as adopted in the macro framework of the current fiscal year. For supporting growth promoting policies, the policy stance would give priority to unhindered flow of private sector credit to the economy's productive sectors, with agriculture, SMEs, and the rural economy being the prime targets. BB would also undertake effective measures to encourage increased flow of credit to women entrepreneurs. In order to avoid the build up of excessive demand pressure, special attention would be given to channeling credit to its intended productive and supply augmenting uses; alongside discouraging credit flows to non essential unproductive and speculative uses. To this end, measures such as imposition of higher capital charge in the form of higher general provision requirement on such loans may be considered.

The existing refinance support for agriculture, SMEs, and housing loans would be continued; and new refinancing lines would be considered for socially desirable and emerging activities such as shipbuilding, renewable energy, effluent treatment in manufacturing establishments, and similar other areas. The growth in private sector credit would be watched carefully and if the situation warrants, necessary policy adjustments would be introduced after careful consideration of the causative factors underlying private sector credit growth and its likely consequences.

In the foreign exchange market, desired exchange rate stability would be maintained to keep the pressure of imported inflation under control. Efforts would be made to enhance the inflow of remittances especially through tapping the increased demand for foreign workers in oil-rich countries resulting from high oil prices. Measures would be taken to divert increasing amount of remittances toward investment in productive sectors to ease the potential demand pressure and expand the economy's productive capacity.

For facilitating more efficient import of essential goods, BB has made available forward hedging mechanism to importers. In this context, BB would ensure that the facility is used only for true hedging. BB would routinely conduct 'surprise inspections' on banks and exchange companies relating to their compliance of foreign exchange regulations as well as the anti money laundering act.

For ensuring banking sector soundness and liquidity, BB would closely monitor the liquidity situation in the banking system and adopt appropriate measures to overcome any temporary pressure on liquidity. The existing prudential oversight would be further strengthened to monitor bank liquidity. Along with further strengthening of the recently initiated diagnostic review of the financial health of the banks, BB intends to fully implement the Basel II framework of supervision and disclosure principles toward better risk management and capital planning. BB would continue its efforts to urge the banks to reduce their lending rates, increase competition among the financial intermediaries, and pursue strong monitoring and supervision measures so that the financial institutions reduce administrative cost by improving efficiency and reducing the burden of non performing loans.

The success of the policy stance requires greater fiscal and monetary coordination. Maintaining fiscal discipline by the government and limiting the dependence on financing fiscal deficit from the banking system, especially from BB, generates less inflationary pressure. Along with increasing the revenue earnings, the government needs to increasingly tap alternate sources of financing such as developing an active secondary market for government securities. Bringing appropriate changes in the government's debt management strategy would be important to improve the balance between short (e.g. T bills) and long term borrowing (e.g. through issuing bonds) since any shift in the borrowing pattern has implications for the conduct of the monetary policy.

The implementation of the monetary policy stance faces several downside risks which might make monetary management challenging in FY09. It would thus be critical to monitor these challenges and implement timely policy response. Although indications are there that domestic production, especially in the agriculture sector, is likely to recover strongly in FY09 due to favorable price incentives for the farmers, the possibility of floods and other natural disasters can not be fully ruled out. Similarly, other

unexpected events including socio-political instability could substantially change the outlook affecting the smooth implementation of the policy stance. Thus it would be important to take precautions against any unexpected natural calamities along with ensuring timely supply of inputs to the farmers and take measures to minimize domestic vulnerabilities and risks.

The productivity growth of the economy is crucial which has been suffering from continuing power shortages, other infrastructure bottlenecks, and socio-political disruptions. It would be important to strengthen the infrastructure and other support services and ensure congenial business climate especially prior to the general election in December 2008. Failure to do so would widen the gap between rising aggregate demand and domestic production creating a new challenge for the monetary policy to restrain aggregate demand.

The near term global outlook is bleak which could create adverse impact on the country's exports. The subprime crisis in the US is still raveling, and a significant slowdown in the US and further turmoil in financial markets cannot be ruled out. Bangladesh needs to remain alert regarding its competitiveness of exports

especially in price-sensitive RMGs. For meeting such challenges, the policies need to build solid macroeconomic fundamentals supported by prudent monetary, fiscal, and exchange rate policies.

The current high prices of oil and other commodities in the world market are likely to persist in the foreseeable future. In such a situation, absorbing the pass through of rising global prices to domestic consumers by the government would be unsustainable largely due to its limited fiscal space. While the most effective means of fighting inflation in the present situation is by increasing domestic production, a close watch is necessary on demand side pressure along with periodic review of BB policy rates to introduce corrective measures speedily if necessary, for anchoring inflation expectations and before any major destabilizing effect on macroeconomic stability takes place. Reducing the government's dependence on bank borrowing still remains an unsettled issue.

Along with promoting government savings instruments especially targeted toward non resident Bangladeshis, adopting fiscal responsibility and debt limitation law by the government to restrict the extent of debt monetization would contribute toward enhancing the effectiveness of the monetary policy instruments. Along with setting the required debt market infrastructure for promoting a vibrant secondary bond market, adoption of international prudential norms for banks and financial institutions are necessary to bring consistency and accountability and ensure financial inclusion of all.

Monetary Policy Stance for H2 FY08 (January-June, 2008)

The monetary policy stance for H2 FY08 aims at bringing about a qualitative change and a perceptible strategic shift in monetary policy formulation and its conduct to allow greater scope for supporting growth enhancing policies in line with emerging developments and requirements of the economy. The efforts would be directed at gearing up economic activities by encouraging adequate credit flows to all productive sectors especially for recouping the losses due to floods and cyclone and improving the domestic supply situation. A prime target would be the agriculture sector and the rural economy. The policies would also facilitate the import of essential commodities to ease the shortages in the domestic market. At present, the excess liquidity existing with the DMBs does not indicate any significant demand side pressure on the economy. However, with expected increase in economic activities in the coming months, the demand for credit may go up and if such a situation arises the policy stance would be to contain the demand side pressures without hurting the investment demand in the economy.

In the past, BB has urged the banks to reduce their lending rates and improve the situation so that the cost of borrowing does not put undue pressure on investors. BB would continue its efforts to lower lending rates, increase competition among the financial intermediaries, and also urge the banks to use the excess liquidity to expand their credit operations. BB would continue to pursue strong monitoring and supervision measures so that financial institutions reduce administrative cost by improving managerial efficiency and reducing the burden of non performing loans.

For successful implementation of the policy stance during H2 FY08, it would be critical to achieve greater fiscal and monetary coordination such that the imperatives of the monetary policy stance are clearly recognized within the policy framework and the relevant policy parameters are aligned with their projected values ensuring macroeconomic stability and rapid growth. BB, on its part, would remain vigilant regarding the above and any other unexpected developments and unfolding situations. The availability of new data and information may necessitate the revision and adaptation of some of the monetary instruments presented in this MPS using the flexible framework of the monetary policy stance for the period H2 of FY08 with the aim to promote rapid growth with price stability and support accelerated pace of employment creation and income generation for the people of Bangladesh.

Regional News

15th SAARC Summit

41 point Colombo Declaration to shore-up SAARC

The 15th SAARC Summit concluded in Colombo on August 3 with the adoption of the Colombo Declaration with a call for collective efforts to face the challenge of energy security, climate change and terrorism, to facilitate trade and to increase economic growth for the betterment of South Asian nations. The leaders of the eight-nation regional bloc for the first time in its history also adopted a separate statement on food security with an emphasis on the establishment of food granary and adoption of long-term measures to tackle food crisis.

Chaired by Sri Lankan President Mahinda Rajapaksa, the final session was attended by Afghan President Hamid Karzai, Bangladesh Chief Adviser Fakhruddin Ahmed, Bhutanese Prime Minister Jigmi Thinley, Indian Prime Minister Manmohan Singh, Maldives President Mamoon Abdul Gayoom, Nepalese Prime Minister Girija Prasad Koirala and Pakistan Prime Minister Yusuf Raza Gillani.

Representatives from China, the European Union, Iran, Japan, Republic of Korea, the United States and Mauritius participated as observers. Australia and Myanmar have also been given observer status in SAARC Summits.

The 41-point Colombo Declaration adopted at the concluding session at the Bandaranaike Memorial International Conference Hall focused on collective regional efforts in core areas: food, energy security, trade, combating terrorism and climate change. It also embraced connectivity, partnership for growth for the peoples of the region, environment, water resources, poverty alleviation, SDF, transport, ICT development and SAARC social charter.

In the communiqué, the SAARC leaders recognized the need to continue to address the major barriers hindering effective trade liberalization in the region, which include sensitive lists of items and non-trade barriers (NTBs).

They underscored the need for implementing the decision by the SAFTA Ministerial Council (SMC) to revise the sensitive lists at the earliest but agreed to give special consideration to the SAARC LDCs when adjusting them. They directed the Safta experts committee to expeditiously resolve the issues concerning non-tariff and para-tariff measures to facilitate and enhance trade under the mooted free-trade regime.

The SAARC leaders renewed their commitment for collective regional efforts to accelerate economic growth, social progress and cultural development which would promote the welfare of the South Asian peoples and improve their quality of life, contributing to regional peace, stability, amity and progress. It suggested developing the drafts of a regional transport and transit agreement and a regional multilateral railway agreement.

They emphasized the need for strongest possible cooperation, exchange of information in particular, among relevant agencies of the member-states in order to fight terrorism and transnational organized crimes. Appreciating the SAARC Convention on Mutual Legal Assistance in Criminal Matters signed at the 15th summit, the leaders urged early ratification and implementation of the new common instrument for combating crimes.

As for trade across the region, the declaration called for an early implementation of the decision to revise the sensitive lists by the SAFTA ministerial council. The leaders asked the SAFTA committee of experts to quickly resolve the issue of non-tariff and para-tariff measures to enhance the trade under SAFTA.

Considering the emerging global situation of reduced food availability and worldwide increase in food prices, the leaders decided to convene an extraordinary meeting of the agriculture ministers in New Delhi in November.

They focused on evolving and implementing a people-centred short- to medium-term regional strategy and collaborative projects that would, among others, lead to increase in food production, investment in agriculture and agro-based industries, agriculture research and prevention of soil health degradation, development and sharing of agricultural technologies, sharing of best practices in procurement and distribution and management of the climatic and disease-related risks in agriculture.

The leaders further directed that the SAARC region should forge a greater cooperation with the international community to ensure food availability and nutrition security in South Asia.

The 2008 Colombo declaration calls upon SAARC members to commence negotiations for a Framework

Agreement on Trade in Services and an Agreement on Investment Promotion and Protection. While India, with a relatively developed services sector, has a vested interest in this move, it is a contentious issue for others.

In the ongoing WTO trade talks, South Asian countries have been reluctant to cut industrial tariffs under the WTO Agreement on Non Agricultural Market Access (NAMA). They have argued that under the formulas proposed in the WTO they would have to implement steep tariff cuts which would severely impact local industries, balance of payments, tariff revenues, policy space and employment, all of which are crucial components of national development and poverty reduction policies. As SAFTA follows a similar logic of progressive tariff cuts, the effects on small industries that are as yet not ready for competition will be similar.

With a population of 1.5 billion, the SAARC is the largest regional grouping in the world. Member countries include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The second largest regional group is the Association of Southeast Asian Nations (ASEAN) with 526 million followed by the European Union (EU) with 500 million.

The summit of the South Asian Association for Regional Cooperation decided that the 16th summit would be held in Male, the capital of the Maldives.

SAARC Action Plan on Climate Change

Members of the South Asian Association for Regional Cooperation (SAARC) have adopted a three-year action plan on climate change. The plan was adopted at the SAARC ministerial meeting on climate change, which was held in Dhaka on July 1-2. The delegates released a declaration - Dhaka Declaration - on climate change. The draft declaration urged the international community for partnership development in this regard by providing additional financial resources, as already agreed upon. The declaration saw it as the moral obligation of the developed countries,".

SAARC members have committed themselves to promote programmes for advocacy and awareness of climate change and to inculcate habits towards a low-carbon society, including incorporation of science-based educational material in educational curricula.

The action plan, covering 2009-2011, focuses on seven thematic areas - from adaptation of climate change to regional stance for international negotiations. It emphasises on policies and action for climate change mitigation, technology transfer, financing and investment mechanism, education, training and awareness, monitoring, assessment and management of impact and risks due to climate change.

Experts, who met on July 1 and 2, identified priority actions, including clean development management, exchange of information on disaster preparedness, exchange of meteorological data, monitoring climate change impact, supporting international negotiation process and sensitising the media to the issue to implement the plan. The leaders are, however, yet to reach any consensus on mobilising fund for the implementation of such a plan. However, the meeting had suggested diverting funds from the SAARC Development Fund, apart from seeking funds from donors such as the Asian Development Bank.

Though the developed countries are largely responsible for environmental pollution, but the poor and least developed countries have been subjected to irreversible loss.

The Intergovernmental Panel on Climate Change released its fourth assessment report in 2007. The climate change has posed a serious threat to the existence of the South Asian countries. Scientists predict that the sea level rise may reduce Bangladesh to 20 per cent of its present size, leaving only the highlands of Chittagong Hill Tracts and Sylhet stand out of water. The IPCC apprehends that 35 million could flee Bangladesh's flooded delta by 2050. The condition of other South Asian countries is also not good. There is fair possibility of Maldives being submerged fully under the sea water, Sri Lanka may risk a similar fate. India, Nepal and Pakistan encounter up to 40 per cent drop in food production, frequent flood and erosion. The devastating memories of super cyclones Sidr and Nargis are still fresh in the mind of the people.

This climate change conference is significant as it has identified the reality that a large portion of the South Asian countries may be in undated within 50 years and that more and more cyclones, floods, and droughts can reduce food production, cause loss of lives and slow down economic progress. The conference is very spectacular as it courageously channeled the voice of developing nations which was very prominent in the Bali UN Climate Change Conference, 2007.

News from ICC Hqs. in Paris

Economists see more tough times ahead for global economy

Rise in central bank and long-term interest rates expected



The ICC/Ifo global climate index in July fell for the fourth consecutive quarter in a row since sentiment became downbeat last summer, recording its lowest level since 2001. The ICC/Ifo world economic climate index for the third quarter, which polled 1025 economic experts in 92 countries, dropped 8.0 points to 73.4 from 81.4.

Sentiment darkened especially in Western Europe and Asia. While economists' view of the current US economy scored its lowest marks seen in a decade, they slightly raised their expectations for the US economy in the coming six months due to expectations of a pickup in US exports.

The global climate index fell in all major Asian economies. In some of the major economies of Latin America, including Brazil and Mexico, economists also foresee a cooling off period for the second half of the year.

Economists surveyed said the greatest impediment to global economic growth is rising inflation, which they say is further aggravating the cyclical downturn. They estimated worldwide inflation at 5.2%. Economists polled raised their expectations for inflation in each region of the world: 3.8% for the US, a major upgrading in inflationary expectations in Europe to 3.5 %, and pegged inflation at 5.3% in Asia, 9.7% in Latin America, and 14.5% in the CIS states.

Despite expectations for a further weakening in the global economy, economists reversed their previous view on interest rates. In the current survey, economists said they expect a rise in central bank and long-term interest rates.

ICC hails G8 pledge to halve emissions

G8 statement emphasized need to scale up both existing and innovative low-carbon technologies

ICC welcomed a historic statement by the G8 group of industrial nations on July 8 to halve greenhouse gas emissions by 2050, and calling on all major economies to commit to meaningful mitigation actions in the international agreement to be negotiated by the end of next year.

Speaking from the annual G8 summit in Hokkaido, Japan, G8 leaders said they would work with other countries to "consider and adopt" the goal of 50% emission reductions by 2050 in the talks taking place under the United Nations Framework Convention on Climate Change (UNFCCC). The G8 also said they would make strides over the next two decades to curb emissions, promote clean energy, improve energy efficiency and further explore voluntary sectoral approaches. The G8 declaration today gives fresh



impetus to a global agreement with similar elements.

At the same time, the G8 statement signaled the expectation that major developing countries will also play a large role in reining in emissions, highlighting that effective cooperative initiatives to combat climate change must include the largest carbon dioxide emitters from the developed and developing worlds. Concerted action on key areas for developing countries, such as financing, forestation and adaptation, was given new momentum. Tomorrow, members of the G8 will meet with China,

India and other developing countries to further discuss a far-reaching agreement to pursue economic development while addressing climate change.

The G8 statement emphasized the need to scale up both existing and innovative low- carbon technologies, and eliminate tariffs and non-tariff barriers to environmental goods and services.

ICC has underscored the fundamental importance of technologies in all sectors and commercial activities in reducing green house gases, de-linking economic growth from environmental impact, and providing solutions to growing energy demand and energy prices.

ICC, in its annual statement delivered this year to the G8 Summit, called for the group of G8 leaders to exhibit strong leadership towards the creation of a comprehensive international framework to address climate change.

ICC Chairman pens open letter to trade ministers



ICC Chairman Victor Fung on July 17 sent an open letter to the ministers of trade of all member countries of the World Trade Organization (WTO), underlining the vital importance the ICC attaches to the success of the meeting on the Doha Round convened by WTO Director-General Pascal Lamy on 21 July.

The text of the letter is below.

Dear Ministers,

The Director-General of the WTO, Pascal Lamy, has invited you to Geneva for what will be a defining moment for creating economic and political stability, building democracies, reducing poverty and contributing to an increased standard of living around the world. As the recently elected Chairman of the International Chamber of Commerce (ICC), I am writing to say that there can be no underestimation of the importance of this meeting and to urge you to take the necessary steps to bring the Doha Round to a successful conclusion.

You will be shouldering an immense responsibility. The consequences of your decisions will have considerable impact on shaping the 21st century. Do we risk falling into the trap of protectionism and repeating the tragic mistakes of the past? Or will your courage and foresight in Geneva foreshadow a bright future of a global economy enjoying growth, a robust multilateral rules-based institutional framework, and tight bonds of collaboration between nations?

Next year will mark the 90th anniversary of the founding of the ICC in 1919, which adopted the motto, "world peace through world trade". It is important to remember that the chaos into which the world plunged within just a few years was preceded by a crippling trade war.

While you must have your eyes focused on the text of the proposals before you, your minds must also be calibrated to reflections on the past, to challenges in the present and immediate future, and to the opportunities in the longer term. Hence the historic significance of this meeting and the importance of its outcome.

It is abundantly clear that the world economy is going to be facing severe turbulence. The high growth-low inflation of the past 15 or so years appears to be over, at least temporarily. We are facing a grave food crisis, high inflation, a credit squeeze, increasingly widespread social unrest and a series of highly daunting issues including international security, climate change and energy concerns. As Pascal Lamy challenged you in his memorandum published in the International Herald Tribune ("The moment of truth", 3 July): "Do any of you seriously believe that an agreement on climate change, immigration or reform of international institutions would be likely in the aftermath of a Doha collapse?"

I totally share his perspective and so, I believe, do most business leaders. In order to seize the potentially extraordinary opportunities that this century could offer, there are two absolute conditions: (1) the world economy must continue to grow at a sustainable, healthy and inclusive rate; (2) global governance must be characterized by cooperation. While the successful conclusion of the Doha Round will not per se guarantee that these

conditions will endure; the converse, namely that the failure of the Doha Round will jeopardize growth and undermine global cooperation, is irrefutable.

There exists a global reality that you must take into serious consideration. The radical market oriented reforms that most developing countries undertook in the early/mid nineties have unleashed powerful entrepreneurial forces and the rising aspirations of hundreds of millions of people to a better life, away from poverty. There has been considerable success, though much remains to be done. Should these aspirations not be met and should those who have arisen from poverty fall back into poverty - as the President of the World Bank, Robert Zoellick, has stated may be the case for 100 million people or more - the political consequences could be very grave. The developing world today counts 1.3 billion youth (out of a total of 1.5 billion) between the ages of 12 and 24. They will need jobs, they will need hope, and they will need a sense of engagement with society.

Another critical consideration is the fact that there are major new actors on the global trade scene, China and India in particular. History has taught us that whenever a major new actor has appeared on the scene, there has been disorder and often conflict. We must learn the lessons of the past. A solid multilateral rules-based institutional framework is all the more vital, as the impact of China and India's entry will continue to be felt.

As Chairman, I can vouch for the fact that the ICC attaches enormous importance to the success of this meeting. Business favours its successful conclusion.

Ministers, we urge you to take bold and courageous steps.

ICC deeply regrets major set-back in Doha Round

ICC hopes failure in Geneva meeting will not mean the end of the Doha Round

ICC deeply regrets the failure announced of the key ministerial meeting in Geneva on July 21 intended to arrive at agreed modalities for agricultural and manufacturing products as part of the long-drawn-out Doha Round of multilateral trade negotiations.

ICC, representing business in all parts of the world, believes that this major set-back is very bad news for the world economy at a time when growth is slowing sharply in many countries as a consequence of the financial crisis.

ICC hopes that this week's failure in Geneva will not mean the end of the Doha Round. Political circumstances do not appear in favour of completing the Round for the time being - but that may well change after a period of experiencing and reflecting on the economic and political consequences.

Financial market liberalization must be part of any Doha Round

ICC calls for transitional periods for further market opening measures

As members of the World Trade Organization (WTO) in coming months submit new offers for services liberalization in the Doha Trade Round, ICC signaled that any final deal must include a willingness to open up financial services markets. ICC was deeply disappointed by the failure of last July Doha ministerial meeting to agree on modalities on agriculture and industrial products, but hopes the Round will continue, and that offers currently on the table will remain and new offers will be made on financial services.

ICC's Chair of the Commission on Financial Services and Insurance, Victor Chu, sent a letter to ICC's national committees and members, outlining the importance of including financial services in the final agreement, and detailing what needs to be included in such a pact.

In the letter, ICC also called on WTO member states to open up their services sectors to a degree which generally matches the level of trade liberalization in agriculture and industrial goods in the Doha Round. The benefits of further liberalization of financial services include: helping create international trade and investment flows, contributing to the prosperity of all countries, and assisting in the development of financial sectors and economies. By binding current

levels of market access, the Doha Round would also significantly increase legal certainty of establishment and operation of foreign financial institutions in WTO countries, ICC said.

What is more, the recent global financial turmoil following the sub-prime housing crisis in the US should not stand in the way of financial market opening by the WTO, which would deprive countries of important benefits, ICC said.

For developing countries, ICC advised that liberalization be implemented using a phased approach, which would benefit foreign financial institutions seeking to increase their market presence over time and aid the gradual development of the financial sector. Phased liberalization could also be bound in the Doha Round, starting with establishment rights, which would include investment in domestic institutions and freedom to operate on an equal basis with domestic competitors.

In parallel, ICC advised, the Round should call for transitional periods for further market opening measures. Technical assistance from advanced WTO member countries would be desirable, to help build up the institutional and legal framework in developing countries.

ICC outlines solutions to global food crisis at UN

James Borel, Group Vice President of agricultural and chemicals multinational DuPont, represented ICC during the High-level Thematic Debate on Rural Development organized by the UN Economic and Social Council (ECOSOC) on 3 July.

Mr Borel detailed a five-point plan for reforming the agricultural economy to UN members and other stakeholders.

According to Mr Borel, five essential elements are needed to lift small-scale farmers out of poverty:

- Improved access to markets, especially through cell phones and laptops to limit farmers' reliance on middlemen and to tap new markets
- Access to improved inputs, such as machinery and hybrid seeds, to boost productivity and move farmers away from subsistence farming, through public-private partnerships and targeted subsidy and credit programmes
- Secure land tenure, especially for women, to increase the capacity of farmers to use and to invest in new technology
- Improved access to credit and insurance so farmers can invest in modern machinery, fertilizer and seeds, and buy or lease land
- Minimize losses before and after harvest, to improve farmers' incomes and their capacity to invest in technology and sound management practices

Input by business to UN Secretary General's Internet Governance Forum

ICC/BASIS voice business priorities in global discussions

Several members of the International Chamber of Commerce and its Business Action to Support the Information Society (BASIS) initiative are among the names of business representatives who have been appointed to lend business expertise to the planning of the upcoming, UN-linked Internet Governance Forum (IGF).

UN Secretary General Ban Ki-moon recently confirmed the renewed composition of the 50-member multistakeholder advisory group responsible for providing advice in the run up to the IGF which will take place in Hyderabad, India at the end of the year.

The IGF was established to fulfil one of the commitments laid down by the second World Summit on the Information Society (WSIS) which took place in Tunis 2005. The inaugural meeting of the IGF took place in Athens, Greece in 2006. As one of the major outcomes of WSIS, the IGF provides a unique opportunity for all stakeholders to discuss issues of crucial importance to the global development of the Internet. An open consultation with all interested parties was convened on 23 May in Geneva and further open consultations are planned for 16 September, with the advisory group meeting on 17 and 18 September in Geneva. The second IGF took place in Rio de Janeiro in 2007.

2009 World Chambers Competition categories announced

ICC's World Chambers Federation has announced categories for its 2009 World Chambers Competition.The biennial World Chambers Competition is the only global awards programme to recognize the most innovative projects launched by chambers of commerce and industry from all over the world. The Competition gives chambers a unique opportunity to showcase originality, demonstrate their resolve to strengthen small- and medium-sized enterprises, and exhibit their innovation in delivering member services.

A number of new categories have been added to continue the aim of the World Chambers Competition - to stimulate entrepreneurial creativity and inspire other chambers. This year's categories are:

- Best Unconventional Project, Best Small Business Project, Best International Project, Best Networking Project
- As in past years, a special recognition award will be given for the best project from a chamber of a developing country.
- A panel of international judges will face the challenge of short-listing four finalists for each of the categories. Finalists will present their projects in person to the jury as part of the 6th World Chambers Congress on 3-5 June 2009 in Kuala Lumpur, Malaysia. Winners will be announced during an award ceremony scheduled for the last day of the Congress.

It may be mentioned that in 2007, finalists and winners of the World Chambers Competition came from chambers in countries as diverse as Anguilla, Bangladesh, Bosnia, Brazil, Canada, Germany and Sri Lanka. Winning projects included capacity-building programmes, human resource training centres, membership recruitment techniques, and disaster business relief courses.

Entries for the 2009 edition of the World Chambers Competition are due 1 March 2009.

ICC updates bank-to-bank reimbursement rules

ICC announced on July 18 that an updated version of its Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits (URR) will take effect on 1 October 2008. Also known as URR 725, the update was necessary to bring the URR rules into conformity with the UCP 600, ICC's universally used rules on letters of credit. An updated version of the UCP 600 took effect on 1 July last year.

First published in 1995 under the title URR 525, the URR rules are the most widely-referenced rules of their kind. They clarify a number of issues in bank-to-bank reimbursements, such as expiry and conditions under which claims can be authenticated. The updated rules were approved at a meeting of ICC's Banking Commission held on 16 April.

URR 725 will be used by practitioners who elect to incorporate the updated URR into their letters of credit. The updated rules contain several important technical changes that bring the language into line with the UCP 600, such as "express indication", and "operative reimbursement authorization".

URR 725 is now available as a four-page leaflet and is sold in sets of 10. A bilingual edition in English and French will be available soon. Other ICC publications related to the URR include: "URR 525 - A Commentary" (1995), and "ICC Guide to Bank-to-Bank Reimbursements under Documentary Credits, A Practical Guide to Daily Operations" (1997).

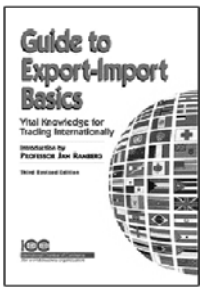
ICC to publish guidance on long-tail risks

ICC Task Force on Long-Tail Risks highlighted the need to engage financial institutions in designing regulations affecting business risk, and urged business and insurers to consider alternative risk financing. Long-tail risks are creating greater uncertainty and increased risk for business. To

address this growing problem and elaborate solutions, the ICC Task Force on Long-Tail Risks will publish guidelines based on a meeting convened in Paris last June of the Commission on Financial Services and Insurance.

The task force outlined specific recommendations for stakeholders, including for regulators and governments. The group encouraged regulators to ensure the right balance is struck between victims' protection and risk financing. They also encouraged regulators to enlist financial institutions when developing regulations. At the same time, the group advised regulators to consider market realities and manage increasing exposure to long-tail risks.

New edition of Guide to Export-Import Basics available



Despite the trillions of dollars in international trade conducted each year, the techniques of how to successfully import and export often elude business. To help remedy this situation, the third edition of ICC's Guide to Export-Import Basics: Vital Knowledge for Trading Internationally, just published, provides the latest information on this subject.

The guide details the trade tools developed by ICC to help traders make the most of international markets.

Topics covered include: the legal foundation, resolving international disputes, international contracts of sale, agency, distribution and franchising, Incoterms and documentary credits factoring and forfeiting Transport, e-commerce. The guide also contains updated information on developments since the 2003 edition and includes practical tools, such as: details of the revised rules on documentary credits (UCP 600), samples of key documents, new model contracts developed by ICC, a glossary of major export-import terms.

ICC jointly publishes 'Business Case against Corruption'

To raise awareness of how companies can better counter corruption, ICC has published "Clean Business Is Good Business: The Business Case against Corruption". ICC has teamed up with Transparency International, the United Nations Global Compact, and the World Economic Forum Partnering Against Corruption Initiative in the publication of this invaluable guide.

Corruption is not only the biggest obstacle to development and economic growth, but also a major risk to companies, as recent stories in the press have demonstrated. Many corporate leaders today have assumed responsibility and implemented effective programmes to address the issue within their own organizations, and in collaboration with others.

The joint publication by these four major anti-corruption initiatives, which are working with the private sector to effectively address the issue, provides the first of its kind summary on why companies must take a stance, and how they can do so.

ICC issues whistleblowing guidelines

ICC on July 9 issued guidelines on whistleblowing, the first world business organization of its kind to establish a global standard for facilitating the setup of these programmes.

According to a 2007 study by consultancy KPMG, 25% of the incidents of fraud uncovered among 360 incidents analyzed came to light thanks to a whistleblowing system put into place by companies. Nevertheless, internal fraud reporting systems are not widespread throughout the world. An Ernst & Young survey of 13 European countries in 2007 showed only 33% of the company respondents said they had a hot line for employees to report incidents of possible fraud.

The ICC guidelines, aimed at helping companies establish and implement internal whistleblowing programs.

News from WTO, HQ, Geneva

Stalemate on Doha Round

LAMY desperate to arrive at a reasonable conclusion

WTO Director-General Pascal Lamy, in a statement at 55th Session of UNCTAD's Trade and Development Board on 16 September, said that "depending on progress made by the negotiators, I am ready to call Ministers to Geneva to try and close the issues which remain open". "The reasons why we must conclude the Round are becoming more critical by the day as the economic and financial outlook continues to deteriorate". This is what he said:

I would have preferred to speak at today's Session on the "Evolution of the International Trading System" about the agreement reached to establish agriculture and industrial modalities towards a final deal of the Doha negotiations, but I cannot.

Instead I will tell you just how much we stand to lose if we do not carry on with the very hard and arduous work of concluding the Doha Round. I am convinced that a deal is still possible. I still believe that with yet another push we could still reach our target. This belief is not obstinacy. It is based on a hard look at what is on the table and what remains to be done.

While we have not yet been able to come up with modalities, I must say that during the period in which Ministers were present in Geneva in July, they managed to fill many of the gaps existing on thorny issues which had remained intractable for years.

Although we are not quite there in terms of an agreement, we have moved a long way. I believe it is in all members' interests, big and small, to reach an agreement, and to do so sooner rather than later. As many of you know, I have always been and continue to be a strong believer in the multilateral trading system.

I consider a freer and fairer trading system an important contribution for least-developed and developing countries to pursue their development objectives, and especially the attainment of the Millennium Development Goals.

Recognition by developing countries themselves of the importance that trade can play in their economic development has been demonstrated by a rise in the number of developing countries that are now members of the WTO, with the most recent addition being Cape Verde, but also by the far reaching reforms that these countries have taken to reach out to new markets and diversify their economies.

Many have been able to realize huge benefits from increased commodity exports. But, as this year's Trade and Development Board report points out, it is exactly now that many of those same countries could use their trade surpluses to start focusing their investments on efforts to diversify their economies and to "create the incentives for a sustained industrialization based on new investment in new productive capacities". Such efforts would do much to reduce their dependency on only a few commodities.

As the UNCTAD XII conference in Ghana noted, the current upswing in commodity prices has changed trade patterns. But this is not the only factor which is evolving. Trade patterns have changed, with many developing countries becoming important players on the international stage. Added to this is that the world has seen an expansion in South-South trade, particularly in Asian developing countries which are estimated to account for more than two-thirds of all intra-developing country trade. Thus making it increasingly evident that one developing country's trade policies can create opportunities for more trade with other partners.

We have come a long way from arguing whether trade has a role to play in development. We now know that it does have a role to play. Our concern now is to ensure that trade works for development. This includes ensuring that we level the playing field through the results of the Doha Round.

But levelling the playing field will not be enough. As UNCTAD's report for this meeting clearly shows, trade opening needs to be accompanied by measures which facilitate trade. This is where the Aid

for Trade agenda kicks in. In addition to freer and fairer trade rules, we also need an integrated agenda for boosting the productive capacities of developing countries so that they can translate these new trade opportunities into increased trade flows.

Aid for Trade as one of the types of development aid is nothing new. What is new, and I dare say essential, is that both trade and Aid for Trade be considered as two sides of the same coin. We have come a long way since we put it squarely on the WTO map at the Hong Kong Ministerial in December 2005. And there is more to come, focusing now on country and regional delivery as well as on the development of evaluation indicators to assess the effectiveness and impact of the aid. The recent meeting in Accra on Aid Effectiveness and the Symposium on Evaluation aimed at identifying indicators for monitoring Aid for Trade, which the WTO is hosting this week, are clear examples of where the current focus is.

And here I would like to commend UNCTAD and in particular Dr Supachai for the support they have lent to Aid for Trade, which could not work if it was not a collective effort whether within developing countries, or between donors and recipients, as well as within the family of international organizations.

The same is true for the Enhanced Integrated Framework for Least Developed Countries, in which we are partners with UNCTAD and the ITC alongside the World Bank, the IMF and UNDP and which I hope to be fully operational soon.

But allow me to get back to the issue of the Doha Round and the attempt in July to reach agreement in modalities on agriculture and industry.

In the WTO we work under the principle of the "single undertaking", meaning that nothing is agreed until everything is agreed. The Doha Round will not close until agreement has been found not just on agriculture and industry but on all topics on the agenda, including services, trade facilitation, environmental goods and services or special and differential treatment to name but a few.

It would also be fair to say that even after agriculture and industry modalities are established, there would remain important work to translate these into detailed country-specific schedules of commitments.

WTO members entered the July Mini-Ministerial looking at agricultural subsidies, agricultural tariffs, industrial tariffs and ready to provide signals on the opening of a number of their services.

In a short space of time, they accomplished what some never thought they would. They found convergence on the issue of agriculture subsidies, even if the specific extra reduction for cotton subsidies remained to be addressed. They went a long way on the issue of agricultural tariffs. The same can be said about industrial tariffs, even if a few issues remained for further clarification. And they had a promise before them of attractive services offers, based on the Services Signalling Conference that was held.

In agriculture, various elements of the Doha Package have been designed to address both the developed and the developing world's many sensitivities. In July, much progress was achieved on sensitive products for developed and developing countries, and on special products reserved exclusively for the developing world - these are all products that would take either a lower tariff reduction than the norm or no reduction at all, to make trade opening more gradual. Progress was also made in reducing the scope of the existing special safeguard mechanism leading to its disappearance for developed countries. The same can be said of in-quota tariffs and tariff quota administration. Enormous progress was made on the export competition pillar. Good progress was also made on the issue of preference erosion and tropical products. Convergence was also on the table on the thorny issue of bananas, settlement of which is long overdue.

In industry, in addition to the core formula and flexibilities and sectorals, good progress was also made on treatment of Least Developed Countries as well as on the issue of preference erosion. In both agriculture and industry, special and differential treatment for small and vulnerable economies was also recognised and translated into specific parameters for the first time.

But where the negotiations collapsed was on the details of the Special Safeguard Mechanism for agriculture for the developing world. Some members could not agree on the circumstances in which this Safeguard could be used - the extent of

volume surge, or price decline of imported products that would have to occur for it to be triggered. And nor could they agree on the extent of the remedy that it would provide when set in motion - the magnitude of the extra duty that would be imposed on imported goods to protect the domestic market. Efforts were made until the very last minute of the meeting to find a compromise over the Special Safeguard Mechanism, but it eventually became clear that we would require more work to build convergence.

As a result of the failure to progress beyond the SSM issue, negotiators never made it to other critical issues, including cotton. The Cotton-4, Benin, Burkina Faso, Chad and Mali - not to mention the rest of Africa - walked away, and understandably so, in extreme disappointment.

So where do we go from here? Since the July meeting, I have been consulting widely among members to get a sense of how they see the way forward and I have to say that a vast majority of developing countries have insisted that all efforts be made to safeguard what is already on the table and for those members that could not reach consensus in July to redouble their efforts in the coming weeks to resolve their differences. I have also been encouraged by the expressions of political commitment to a successful conclusion of the DDA made by leaders across the globe.

There is now far too much on the table, particularly for developing countries, to give up on these negotiations. And while I believe there is scope for renewed engagement over the coming weeks, it is clear that we are coping with a fragile situation. The good news is that a number of negotiators are back into the machine room. But we know that if this is necessary to reignite the process, building consensus and involving all members takes time and we do not have much of that.

In the weeks to come, and depending on progress made by the negotiators, I am ready to call Ministers to Geneva to try and close the issues which remain open so that the scheduling process in both areas can commence.

Quoting Michael Korda, the British novelist, I would like to offer a piece of advice to negotiators: "Never walk away from failure. On the contrary, study it carefully - and imaginatively - for its hidden assets".

A failure of the Doha Agenda would have serious implications on the ongoing efforts by all developing countries to address their challenges and in particular to meet the UN Millennium Development Goals. The reasons why we must conclude the Round are visible to all of us and are becoming more critical by the day as the economic and financial outlook continues to deteriorate.

One of the most pressing crises facing us today, and which is extremely relevant to growth and poverty reduction, is that of the current food crisis. Whilst the WTO cannot provide an immediate solution, it can through the Doha Round provide medium to long term solutions to better connect demand and offer. A comprehensive WTO deal can help soften the impact of high prices by tackling the current systemic distortions in international agricultural trade that have stifled food production and investment in agriculture for years in many developing countries

And although Aid for Trade is not part of the negotiating agenda, a failure to conclude the Round successfully risks having an impact on the scale of resources that donors have undertaken to provide as part of their support to facilitate developing countries' capacity to fully exploit the potential benefits of further trade opening under a successful DDA.

The next weeks will be difficult but I remain convinced that all members, developed and developing alike, share the desire for a deal. But for us to have a deal, members need to work together towards striking a balance that will be favourable not only for each of them individually but for all members, particularly the most vulnerable. In addition, individual governments need to be clear on how these new trade opportunities will be used to address their own development challenges. While we all agree that trade will not be the panacea for all the challenges of development, trade can, when coupled with supportive economic and social policies, go a long way in helping countries to better address their development challenges.

I believe this is the platform that UNCTAD and the WTO now share.

WTO Agriculture Committee:

No conclusion on the dispute in sight!

The implications of the EU's enlargement on its WTO commitments on agriculture, clarification of members' various subsidy and support programmes, and the meaning of "triangular transactions" for Swiss food aid were among the issues raised in the 18 September meeting of the WTO Agriculture Committee.

These and other topics were the subject of around 30 questions or sets of questions on how WTO members are implementing the Agriculture Agreement - a core function of the committee. The questions were based partly on information in 48 notifications received from members since the committee last met in March this year.

WTO members also heard China's detailed explanation of its domestic support for pork, value added tax on agricultural products and tariff quotas in reply to US questions in the seventh near-annual review of China's first decade as a WTO member.

The questions members ask each other under the review of notifications is part of the committee's responsibility to oversee how countries are complying with their commitments. They can also ask about agricultural measures that have not yet been notified or have not been notified at all.

The committee continued its year-old tradition of going through the reviews efficiently because written questions and answers are posted on a website that members can access. This meeting lasted about two and a quarter hours. The relevant notifications can be found from links to searches for documents.

Questions from Argentina and Australia directly or indirectly brought to light the fact that the EU's revised commitments on market access and subsidies have not been certified by the WTO's members. The revisions are designed to account for the EU's expansion from 12 members at the end of the Uruguay Round, to 15, 25 and now 27. The EU said it is working to ensure the commitments are certified and explained that the changes are based on a method agreed for the expansion from 12 to 15.

The specific topics raised included questions from Australia and Brazil about whether the EU will stay within its subsidy commitments on sugar, including the ruling in a recent dispute (DS266). The questions were partly based on European documents suggesting the EU might exceed its commitment. The EU said it would comply with its commitments, including the dispute ruling, and advised members to focus on its formal notifications to the WTO because the data used in those other documents have different criteria and cover different time periods.

Thailand asked Switzerland to explain "triangular transactions from developing country to developing country", a description included with information in Swiss food aid. Switzerland said this is when the aid provided by (1) a donor country is bought from (2) a country or area neighbouring (3) the area where the food is needed and described this as the best method. Thailand agreed.

These mainly sought more information about members' policies and how they implement them, including: Brazil's new support measures, India's sugar export subsidies (follow up questions), US domestic food aid, US sugar programmes, China's tariffs and other duties and charges, the meaning of "considered planted" in a US programme, Japan's bidding system for rice import tariff-quotas, Canada's corrections to its method for calculating the value of production for some crops and in some notifications, how Chile calculates the value of production, details of Japan's domestic support programmes, Australia's disaster relief, and the EU's and Switzerland's export subsidies and food aid.

Switzerland and the EU were asked about their calculations of the value of domestic production. This is a calculation that underpins some present domestic support commitments (it determines the permitted "de minimis" - or conceptually small - distorting support). But it is also the basis for some new ideas being negotiated in the current Doha Round, particularly limits on the "Blue Box", which is part of "overall trade-distorting domestic support", as is "de minimis". Switzerland and the EU said the question should be asked in the negotiations and not in these "regular" committee meetings. Argentina, which was particularly interested in the question, said this is also about implementing the present agreement and therefore part of the regular committee's work.

China replied in detail. It described its domestic support for pork and said many of the figures cited by the US

were wrong. It argued that value-added tax exemptions do not discriminate against imports, and it supplied information that the US requested on value-added tax rebates on exports. But it declined to provide information on entities receiving tariff-quota allocations on the grounds that this is confidential commercial information.

The transitional reviews are required annually for the first eight years under China's membership agreement, and once more after about 10 years.

These passed with little or no comment. Cuba asked for an updated report to the Goods Council on how some provisions are being implemented - provisions in the Agriculture Agreement on export credit, and the Marrakesh decision on net food-importing developing and least-developed countries. The chairperson said she would consult with Cuba on how to do this.

Trade in Globalizing World

WTO launches World Trade Report 2008

Trade and globalization have brought greater prosperity to hundreds of millions as well as greater stability among nations, according to a report published on July 15 by the World Trade Organization.

Trade has allowed nations to benefit from specialization and economies of scale to produce more efficiently. It has raised productivity, supported the spread of knowledge and new technologies, and enriched the range of choices available to consumers. But deeper integration into the world economy has not always proved popular, nor have the benefits of trade and globalization necessarily reached all sections of society. As a consequence, trade scepticism is on the rise in certain quarters.

This year's World Trade Report, entitled "Trade in a Globalizing World", is devoted to an examination of the gains from international trade and the challenges arising from higher levels of integration. Over many years, governments in most countries have increasingly opened their economies to international trade, whether through multilateral trade negotiations, increased regional cooperation or as part of domestic reform programmes.

"Few would contest the benefits that globalization and trade have brought in terms of greater prosperity for hundreds of millions, as well as greater stability among nations. But many individuals in different societies across the world have shared little or not all in the benefits. The challenges facing governments in managing globalization are formidable, and success in spreading prosperity more widely requires a strong common purpose" says WTO Director-General Pascal Lamy in an introduction to the Report.

The Report explores a range of interlinking questions, starting with a consideration of what constitutes globalization, what drives it, the benefits it brings, the challenges it poses and what role trade plays in this world of ever-growing interdependency. We ask why some countries have managed to take advantage of falling trade costs and greater policy-driven trading opportunities while others have remained largely outside international commercial relations. We also consider who the winners and losers are from trade in society and what complementary action policy-makers need to take in order to secure the benefits of trade for society at large. In examining these complex and multi-faceted questions, the Report reviews both the theoretical trade literature and empirical evidence that can help to give answers to these questions.

The Report notes that the key economic characteristic of globalization is deeper integration of product, capital and labour markets. Globalization is driven by technological innovation, political change, and economic policy choices, and this process of integration has caused significant structural changes in parts of the world economy. The increased fusion of product, capital and labour markets internationally has resulted in a more efficient allocation of economic resources. Economic integration has resulted in higher levels of current output and prospects of higher future output. Capital can flow to countries which need it the most for economic growth and development. Allowing workers to move across national borders can alleviate skill shortages in receiving countries or respond to the needs in rapidly ageing societies while alleviating unemployment or under-employment in countries providing these workers.

WTO Subsidies Committee

Elects members of Permanent Group of Experts

The Committee on Subsidies and Countervailing Measures, on 31 July elected four members of the five-person Permanent Group of Experts (PGE). They are: Mr Chang-fa Lo (Chinese Taipei), Dr Manzoor Ahmad (Pakistan), Mr Zhang Yuqing (China) and Mr Jeffrey A. May (United States). Their terms are considered to have started in spring 2005, 2006, 2007 and 2008, respectively.

The PGE is a body of five independent experts that may be requested to assist a dispute panel, provide an advisory opinion on the existence and nature of any subsidy, or be consulted by any member on the nature of any subsidy it intends to introduce or currently maintains.

The Chair, Mr Jun Kazeki (Japan), said that in his informal consultations, delegations agreed that the issue of vacancies was urgent and that all the candidates nominated were well qualified. He thanked members for their cooperation in finally resolving the long-standing issue of PGE vacancies.

Market access commitments in services

Director General Lamy circulates Report

In a report circulated on 30 July Pascal Lamy - in his capacity as Chair of the Trade Negotiations Committee - stated that positive indications had been given by WTO members about market access commitments across all major services sectors and modes of supply.

These indications were made during a Services "Signalling" Conference, which was held on Saturday 26 July 2008 as part of the "July 2008 package", a series of meetings held in Geneva aimed at advancing the conclusion of the Doha Round. The signalling conference was chaired by Mr Lamy.

The ministerial-level conference brought together participants from 32 WTO members and provided them with the opportunity to exchange indications on their own new and improved services commitments as well as the contributions expected from others. However, the signals were not intended to represent the final outcome of the negotiations.

Cape Verde becomes the WTO's 153rd Member

On 23 July the WTO welcomed Cape Verde as its newest member. Cape Verde started its accession negotiations in 1999.

The terms of membership, which include the Working Party Report for Cape Verde's Accession, the Protocol of Accession, and the Schedules of Cape Verde's commitments on Market Access for Goods and Services, were adopted by the WTO at the General Council in December 2007.

Cape Verde ratified its accession package on 23 June 2008 which was the final step in the accession process before it could officially join the WTO. Under WTO rules, a country becomes a member 30 days after national ratification.

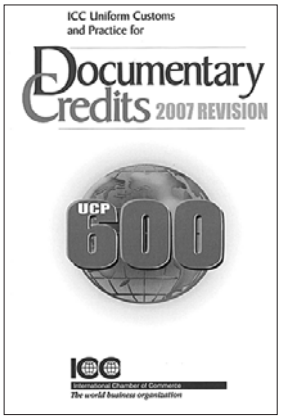
Cape Verde is an archipelago located in the Atlantic Ocean off the west coast of Africa. It was a Portuguese colony until its independence in 1975.

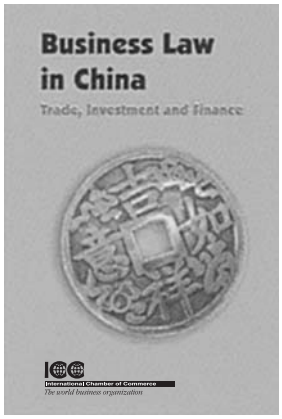
Since 1991, the country has pursued market-oriented economic policies, facilitating foreign investment, fostering the private sector through privatisations, developing tourism, light manufacturing industries and fisheries. Cape Verde has also developed its transport, communications and energy facilities.

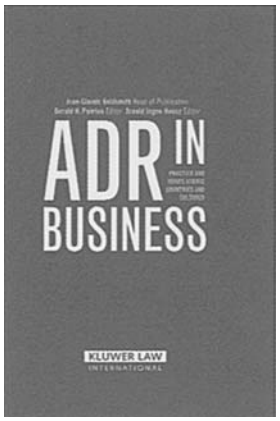
Its main trading partners are Portugal, Netherlands, Brazil, Spain, Italy, the US and France. The biggest importer to Cape Verde is Portugal (EUR 116.79 million in 2007). Cape Verde's exports to Portugal were worth EUR 4.41 million in 2007.

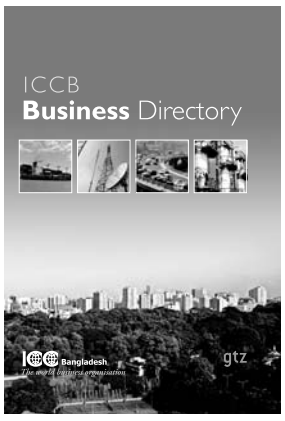
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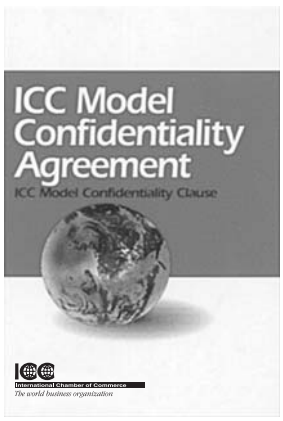


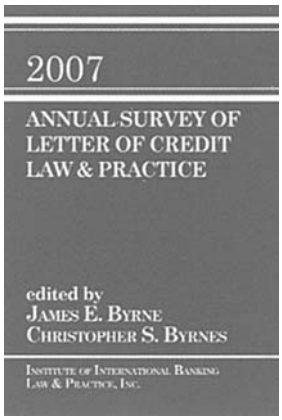




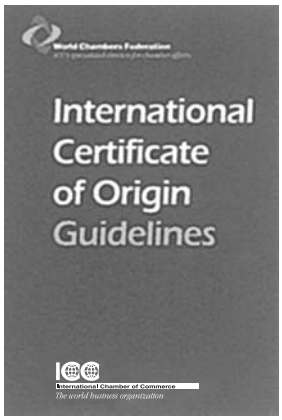












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