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The world business organization

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Global Recession!
Plan early to escape...

Speaking for ICC Bangladesh

Bangladesh National Committee of ICC was established in 1994 with a view to bring world expertise to the local business and take priority issues of national concern to the global forum for expansion of trade and investment.

ICC Bangladesh is comprised of major Chambers of Commerce, Business Associations, Stock Exchange, Banks, Non-Banking Financial Institutions, Trans-national Companies, Law and Accounting Firms and large Corporate Houses having interest in international business.

ICC Bangladesh activities, therefore, include promotion of foreign trade and investment, trade policy reviews, harmonization of trade law and rules, legal reforms, updating businesses with the ICC rules and standards for cross border business transactions. It holds policy reviews, business dialogues, seminars and workshops on issues related to foreign trade and investment, market access as well as concerns of Bangladesh business at international conference, debates and dialogues including forums through ICC sponsored meetings of multilateral agencies.

The National Committee works closely with the government since its inception, in reforming laws and rules that govern business and liberalizing trade to integrate Bangladesh with the global market place. ICC Bangladesh, among others, has been actively engaged in following legal and policy reforms including: Information Technology (IT) Act, modernization of Arbitration Act, modernization of Tax Laws & Customs Act, introduction of ATA Carnet System in Bangladesh, development of Bangladesh Foreign Trade Institute (BFTI) and establishment of Bangladesh International Arbitration Centre (BIAC).

In 2000, ICC Bangladesh organized a 2-day ICC Asia Conference in Dhaka. Policy makers, business leaders, economists and professionals from twenty five countries in Asia, Australia, Middle East and Europe participated in the Conference.

In 2004, ICC Bangladesh organized International Business Conference on Global Economic Governance and Challenges of Multilateralism in celebrating its 10th Anniversary in Bangladesh which was the largest international event ever organized in Bangladesh attended by a galaxy of leaders including heads of governments & ministers from both developed, developing and least-developed countries and heads of multilateral organizations including WTO and EU. More than 500 participants from 38 countries (3 continents) participated in this event.

In 2005, ICC Bangladesh organized a Regional Seminar on Capital Market Development: Asian Experience, workshops on important topics like UCP, credit risk management, as well as business dialogue on topical issues related to trade and investment.

In 2006, like previous years, the National Committee organized a number of workshops and dialogues including workshop on Treasury Management and Factoring & Forfaiting and Transport Documents.

In 2008, the National Committee continued with its regular activities by arranging workshops on International Trade Payment Practices, International Trade Fraud and on International Trade Payment Methods. Besides, ICCB in collaboration with eBusiness School of Ireland (eBSI) and with support from the International Finance Corporation (IFC), a private arm of the World Bank Group commenced a regular IFC, "FIT Initiative" (Finance of International Trade), an e-learning programme, to help skill development of professionals dealing with international trade. ICC Bangladesh was selected for the first time as one of the venues for hosting Certified Documentary Credit Specialist (CDCS) Examination, which was held in Dhaka on April 10, 2008. ICCB published the first ever ICCB Business Directory to serve as a guideline for prospective investors from both home and abroad.

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Editor's Note

PPP as a catalyst to face global recession

The on-going global financial crisis has led to nose-dive downward economic growth, loss of income and jobs in every corner of the world. The world economy has plunged into its worst crisis since the depression of the 1930s. Post-World War II world has witnessed about 11 recessions and contraction periods on an average for 11 months each.

The various stimulus packages declared by the developed countries to safeguard their economy, in most cases, have so far failed to get tangible results. The recession might be more damaging than 1930s unless developed countries take pragmatic approaches to overcome the catastrophe.

The Institute of International Finance (IIF), the Washington-based association representing more than 375 of the world's major banks and financial institutions, projected the world economy would shrink by 0.4 percent in 2009, after a 2.0 percent growth in 2008. Since the start of 2007, the reported losses at financial institutions has topped one trillion dollars, the IIF said. On the other hand, about US$ 930 billion have been raised by these institutions since mid-2007, with more than one third coming from the public sector.

During the 1997 East Asian financial crisis, the IMF used its $95 billion package to bail out the western lenders first much to chagrin of the affected states. It thus, became amply clear that there was something deeply wrong in world financial architecture, and the role being played by the IMF. Bolstering IMF and World Bank once again may not bring the desired results of salvaging the world from the meltdown, unless closely monitored. Moreover, in the name of bailout, protectionist measures by the developed and advanced developing countries would hamper the global trade flow. The ICC has already cautioned the world leaders in this regard. Again, it must be ensured that the resources are properly utilized and provided to those countries, in particular to the poorer nations, who are not responsible for the crisis, to stay alive till the recession is overcome.

Back in Bangladesh, the situation is relatively calmer, as the full-blown impact of the global crisis has yet to hit home. UNESCAP has recently projected that fallout from global recession to be less severe for Bangladesh. So, despite some slowdown in the economy, growth rate will be more than 5.5 percent in current fiscal year. The Asian Development Bank has also echoed almost similar projection. Surprisingly, the World Bank, in its Global Economic Prospects 2009, mentioned that GDP growth rate of Bangladesh would sharply decline to 4.5%!

Nonetheless, it is a point of concern that some sign of negative impact of the recession has started to creep in. A slight decline in non-RMG exports and return of Bangladeshi workers from some countries in particular from the Gulf, due to shrinkage of construction works, should be taken as a cautionary signal for future and addressed properly. Immediate policy support is a must to give necessary backup to the exporters so that they can absorb the shock. Some, financial packages can also be designed on public-private partnership. With its limited resource and capacity, the government and the private sector can jointly build a workable mechanism to cope with such a global crisis.

Finally, boosting up the local economy through qualitative public spending is now a major challenge for the government to create new jobs. As time for national budget is also in the horizon, the Annual Development Plan should incorporate programmes to offset global shock. Investment in bottleneck areas especially in power generation & gas exploration should be the top priority and ensuring social safety net should also be adhered to. Stimulus packages for the private sector are required to spur investment and thus create much needed employment.

ICC Bangladesh News

ICCB 14th Annual Council

Effective PPP to face global crisis

ICC Bangladesh President Mahbubur Rahman, while presenting the Directors' Report at the Annual Council on March 31, observed that Bangladesh has done relatively well in developing its manufacturing sector, a key requirement for rapid economic growth. However, in almost every field of economic activity, the binding constraint has been energy. Bangladesh is in the grip of a massive energy crisis. Mismanagement, inappropriate strategy, corruption, lack of professional approach, shortage of competent professionals, and politicization of Trade Unions have created serious crisis in all segments of the energy value chain.

The Council, at the begening of the business session condemned the brutal and senseless killings by the mutineers of the Bangladesh Rifles on February 25 and offered prayer for the deceased. The Council extended heartfelt condolences to the members of the bereaved families.

ICCB President further observed that more integrated private-public partnership (PPP) is sine-quanon for facing ongoing world economic challenges. In this regard, he mentioned that the business community has been working very closely with the government through the Bangladesh Better Business Forum (BBBF) in order to accelerate the pace of development in the present day context. Business Leaders are hopeful that BBBF will not only continue to function effectively but will be further strengthened under the able Chairmanship of the Honourable Prime Minister.

The Annual Report mentioned that 2008 has been a dramatic year for both Bangladesh and the rest of the World. The December 29 election has been a milestone achievement for Bangladesh. Probably, for the first time in the country and for that matter in the region that such a credible, free and fair election has been held. Casting of vote by some 87 per cent of around 81 million voters, majority of whom are women and younger generation, reflect the commitment of a Nation for democratic governance. Judged by all yardsticks, the Caretaker Government, Election Commission, patriotic Armed Forces and the people deserve to be congratulated for making the election a grand success and a model for future. The American people have disapproved the negative politics and economic mismanagement of Bush administration by giving massive landslide victory to President Barack Hussein Obama, which has been over-whelmingly supported by the rest of the World.

ICCB President said that the whole world is threatened by the impact of financial Tsunami originated in the United States. The crisis has created a downward spiral of loss of confidence and trust on the free market system. The financial crisis rapidly affected the real economy, with most severe consequences all around. On G-20 Summit, the Council was informed that the ICC Chairman Dr. Victor K. Fung met the British Prime Minister Brown in London and presented ICC's views on the ongoing global meltdown. With protectionism and economic nationalism threatening to deepen and prolong the current global recession, it is crucial that the G-20 Summit in London unequivocally support cross boarder trade and investment by reinforcing the multilateral trading system, firmly rejecting protectionist pressures and restoring trade finance to normal levels. Perhaps most importantly, G-20 Summit on April 2 is an ideal opportunity to show people everywhere that countries can coordinate their national responses to provide an effective way out of the crisis with the minimum of delay and further damage to the world economy. The ICC key message on the global economic crisis to the head of the state and concerned policy makers has been communicated to the Prime



ICCB President Mahbubur Rahman (center) presenting the Report of the ICC Bangladesh Executive Board at the 14th Annual Council 2008

Minister and other concerned Ministers of Bangladesh Government with an expectation to cautiously deal with the issues to overcome the situation, Mahbubur Rahman mentioned.

The Report mentioned that the world bodies are halving world GDP growth projection, ranging from 0.9 to 2.5 per cent in 2009. According to a United Nations report, growth in world gross product (WGP) is expected to slow to 1.0 per cent in 2009, a sharp deceleration from the rate of 2.5 per cent estimated for 2008 and well below the more robust pace in previous years. While most developed economies are expected to be in a deep recession, a vast majority of developing countries is experiencing a sharp reversal in the robust growth registered in the period of 2002-2007, indicating a significant setback in the progress made in poverty reduction for many developing countries over the past few years. Income per capita for the world as a whole is expected to decline in 2009.

The Report observed that 2008 has been a very demanding and difficult year for Bangladesh, but perhaps greater challenges lie ahead on the economic front. The performance of the Bangladesh economy in the face of a number of unfavourable factors in FY08 was indicative of the resilience of the economy and its strong growth potential. During FY08 the GDP grew by 6.2 per cent despite two consecutive floods and devastating cyclone Sidr, outbreak of avian flu, political uncertainty, shaken business confidence, labour unrest in the RMG sector and soaring commodity prices in the international market.

Considering the unfavourable international environment, the Asian Development Bank (ADB) has lowered its projection of Bangladesh's GDP growth to 5.5-6.0 percent during FY09. The World Bank feels it will be even lower, between 4.8-5.4 percent, compared with their earlier estimate of 6.5 percent. On the other hand, Bangladesh's central bank feels that economic growth will be between 6.3-6.6 percent. Annual average CPI inflation is projected to come down to around 8.5 percent by the end of FY09, the report mentioned.

ICCB President said that democracy must be allowed to function and flourish for a sustained development. Politicians must develop the culture of mutual respect and the development of institutions at all levels is also essential. The Parliament has to be made effective, and the center of all national decision-making processes.

Regarding Digital Bangladesh Mahbubur Rahman observed that the new government has given ICT a high profile in its plans; in fact, "Towards a Digital Bangladesh by 2021" is an important commitment. The ICT industry has the potential of becoming a very important export industry, and employer of quality manpower. To achieve this, the emphasis on English, on computer and programming proficiency, and exposure to the outside world will be essential.

The report mentioned that the global financial crisis has now transformed the economies of many countries, pulling some into deep recession. Where Bangladesh had dealings with them, such as destinations of our exports or expatriate workers, recession in those countries are also going to affect us as a consequence. The issue is, whether we can put in place appropriate policies that will guard us against the fall-out of such recession. The range of policies should be chosen now, with triggers; the appearance of specific signs should lead to the immediate implementation of policies for those sectors.

The Council marked that the challenge for development of Bangladesh is multifaceted. On the one hand, the reduction of poverty requires investment in the social sectors, such as education, health, rural development, etc. At the same time, without rapid growth of the economy, the reduction of poverty cannot be sustained; this requires an active trade and industrial policy. To reduce poverty from its present level over forty percent to about fifteen percent, Bangladesh needs to achieve a GDP growth rate of 8 percent annually during the coming 20 years.

Despite all odds, the ICCB Council expects that Bangladesh will realize its goals and emerge as one of the next eleven fast developing countries, as predicted by Goldman Sachs. The Business Community's demand is a business-friendly enabling environment. The Council hoped that the Parliament should be made effective and the center for all decision making process and leave behind. All damaging activities such as hartals, street agitations, extortion and rent-seeking.

Highlighting the activities of the National Committee (NC) during 2008, ICCB President informed the Council that a number of programmes were organized by NC including the following: two workshops on "International Trade Payment Practices"; two workshops on International Trade Fraud; and one workshop on International Trade Payment for officials of the export oriented apparel industries as well as for professionals of commercial banks and other financial institutions and experts.

ICC Bangladesh also introduced a new e-learning programme on "Finance of International Trade Initiative" jointly with eBusiness School of Ireland (eBSI) and the International Finance Corporation (IFC) to help skill development of professionals. ICC Bangladesh was

chosen as the venue to host the Certified Documentary Credit Specialist (CDCS) Examination in Dhaka, on April 10, 2008. As many as 12 bankers from two local and two foreign banks appeared at the Examination, out of whom 10 came out successful. In order to facilitate trade and investment in Bangladesh, ICCB published a Business Directory to serve as guideline for prospective investors from both home and abroad, he added.

ICCB President mentioned that the National Committee plans to conduct a number of workshops/seminars during 2009 for professionals dealing with investment and international trade, on issues of national, regional and global interest. The Workshop topics include: (a) Intellectual Property Guidelines for Business; (b) International Trade Finance Practices; (c) International Trade Fraud-Prevention, Control & Remedies; and, (d) Basel II. Dialogue topics will include: (a) Economic Diplomacy: Finance, Commerce and Foreign Policy; (b) Business Climate and Investment; (c) Energy; (d) Infrastructure Development; (e) Digital Bangladesh; and, (f) Asia Investment Conference: Bangladesh perspective, the President said.

The Council unanimously adopted the Report of the Executive Board and transacted other statutory agenda of the council.

Among others, ICCB Vice Presidents Latifur Rahman & Samson H. Chowdhury, ICCB Board Members A. S. M. Quasem, Aftab ul Islam, Kazi Mahmood Sattar, Kutubuddin Ahmed, Mahbub Jamil, Masih Ul Karim, Md. Fazlul Hoque, R. Maksud Khan and Waliur Rahman Bhuiyan, OBE; ICCB Members Barrister Rafique-ul Huq, Dr. M. Zahir, Barrister Ajmalul Hossain QC, MCCI President Abdul Hafiz Choudhury, FCA, Chairman of Transmarine Logistics Ltd. M. Ghaziul Haque, Agrani Bank Managing Director Syed Naser Bakhteyar, National Bank Managing Director Md. Abdur Rahman Sarker, Nestle Bangladesh Ltd. Managing Director Laurent Therond, Regional Head of State Bank of India Debabrata Datta, as well as MDs/CEOs and senior officials of banks, insurance companies, national and multinational companies also attended the Council.

Business Community condemned brutal killings at BDR Hqs.

Calls for patience and harmony at this critical moment

The business community of the country expressed deep condolences at the brutal killings and destructions in the BDR Headquarters at Pilkhana on February 25-26. The damage due to loss of innocent lives and death of large number of brilliant army officers in the BDR mutiny is irreparable. Business Community along with the people of the country condemned these brutal killings. Business leaders prayed for the salvation of the departed souls and conveyed sympathy to the members of the bereaved families.

The business leaders at a joint statement issued on February 28 announced a clarion call to the people along with all concerned quarters to remain cautious so that such sad incident like brutal killings are not repeated in future. They demanded proper trial and exemplary punishment of the people involved with this heinous act to ensure social and economic stability. They also hailed the wise steps taken by the Prime Minister to solve the crisis. Business leaders with due respect to all citizen of the country and law enforcing agencies irrespective of parties and opinions put importance to maintain trust, harmony, patience and confidence.



Business leaders offering prayer at FBCCI for the salvation of the departed souls during the Condolence Meeting on BDR massacre.

The Joint Statement was signed by ICC Bangladesh President Mahbubur Rahman, FBCCI President Annisul Huq, DCCI President Zafar Osman, MCCI President Abdul Hafiz Choudhury, CCCI President M. A. Latif, MP, FICCI President Waliur Rahman Bhuiyan, OBE, BAB Chairman Md. Nazrul Islam Mazumder, BIA Chairman A. K. M. Rafiqul Islam, FCA, BGMEA President Anwar-UI-Alam Chowdhury (Parvez), BKMEA President Md. Fazlul Hoque and BTMA President Abdul Hai Sarkar.

ICCB - IFC BICF meeting on Regulatory Impact Analysis

Business Leaders stressed on business friendly regulations

ICC Bangladesh arranged a meeting of Business Leaders with the IFC BICF (Bangladesh Investment Climate Fund) on January 15 to discuss on the importance of establishing a Regulatory Impact Analysis (RIA) process in Bangladesh to ensure the promulgation of business friendly regulations. The lunch meeting was attended by Chamber Presidents and top business leaders of the country

ICCB President Mahbubur Rahman welcoming the Business Leaders and IFC BICF officials said that the new rules and regulations should be discussed with the various stakeholders to determine their impact on various stakeholders in society including businesses. He emphasized on the need for establishing appropriate and acceptable rules for sustained development of the country.

Syed Akhtar Mahmood thanked ICCB President for arranging the meeting with business leaders. He briefly discussed the initiatives of IFC BICF in establishing the RIA process in Bangladesh. He mentioned that IFC BICF has been working for the establishment of a RIA process in Bangladesh for some time. He stressed the importance of such mechanism for reducing regulatory uncertainty and improving the quality of regulations in the country. Dr. Stephen Rimmer, RIA expert from World Bank started the session by introducing the concept of Regulatory Impact Analysis, its importance and how it can be established in Bangladesh.

The Business Leaders expressed their concerns about the regulatory uncertainties in Bangladesh as most of the regulations are made without any proper analysis of the cost & benefit and impact of the regulations on businesses. The participants opined that the mindset of the bureaucracy has to be changed for the effective business environment.

ICCB Executive Board Member Aftab ul Islam, quoting the newly appointed Commerce Minister, said that the present government has already expressed its commitment to remove the problems in doing business and has sought the help of the business community. He also opined that the BBBF should be continued and strengthened and this is an appropriate time to establish RIA process in Bangladesh.

DCCI President Zafar Osman said that RIA is a new concept and it should be established as it is very important for the line ministries to come up with sound and business friendly regulations. He stressed that the Regulatory Reforms Commission should be made permanent through the parliament and the redundant laws should be eliminated.

Md. Fazlul Hoque, President, BKMEA expressed his concern about the resistance of government officials to change and suggested appropriate capacity building and exposure of the bureaucrats so that they can be the harbinger of change. Dr. Rimmer in this connection said that the RIA unit will act as a pressure and incentive point for the government agencies and officials as it will be certifying the quality of the RIA. He also said that under the RIA process, regulations will be subject to public consultation which will also act as incentive for the public officials to do better.



ICCB President Mahbubur Rahman (4th from right) speaking at ICCB-IFC BICF meeting on Regulatory Impact Analysis

Anwar-Ul-Alam Chowdhury, President, BGMEA, reiterated the importance of impact study for new regulations. He pointed out that, for effective business regulations, the lawmakers, i.e. parliamentarians, should be oriented with business and sector related issues; the bureaucrats should be trained; awareness should be built on RIA and regulatory reform and experience of such initiatives in other countries should be taken into account.

Mamun Rashid, Managing Director and Citigroup Country Officer, Bangladesh, drawing upon the example of the FERA act and

guidelines, suggested streamlining actions following the RIA.

Abdul Hai Sarker, President, BTMA, opined that the business community should be more involved in the policy formulation and implementation process and that the RIA is a great process in this regard.

Abdul Hafiz Choudhury, President, MCCI, citing the limitations of the present system of BOI registration process and remittance from Bangladesh stressed the importance of regulatory streamlining. He suggested awareness building of the business community and the general public on the recent decision of the government to publish draft regulation in the website for feedback for better regulation. He cited the example of the inadequacies of the Companies Act and informed the meeting about DCCI's initiatives for the recommendations to the government. However he also expressed frustration on the lack of initiative to reform the Companies Act. S. Shekil Chowdhury, Senior Vice President, DCCI, suggested that independent RIAs should be done by the business community to determine impact on the business for greater clarity and effective recommendation from the business community to the line ministries for better regulations.

The Meeting was attended by ICC Bangladesh President Mahbubur Rahman, ICCB Executive Board Members Aftab ul Islam and Mamun Rashid, MCCI President Abdul Hafiz Choudhury, DCCI President Zafar Osman, BGMEA President Anwar-UI-Alam Chowdhury (Parvez), BKMEA President Md. Fazlul Hoque, BTMA President Abdul Hai Sarkar, DCCI Sr. Vice President S.Shekil Chowdhury and ICCB Secretary Ataur Rahman. Dr. Stephen Rimmer, RIA expert of the World Bank, Senior Progam Manager Syed Akhtar Mahmood and Programme Officer Kathy Khhu of IFC BICF were also present.

WTO Advisory Committee Meeting

Latest position of WTO negotiation reviewed

ICCB President Mahbubur Rahman attended a meeting of the high powered committee relating to WTO headed by Commerce Minister and composed of Secretaries of the Ministries of Foreign Affairs, Health and Family Welfare, Expatriate Welfare and Foreign Employment, Labour and Employment, Fisheries and Livestock, Agriculture, Environment and Forest and Industry, Chairmen NBR and Tariff Commission Vice Chairman EPB, CEO of BFTI, President, ICCB, President FBCCI and two renowned Economists. The meeting was held on February 4 in the Ministry of Commerce. Presided over by the newly appointed Commerce Minister Lt. Col. (Retd.) Faruq Khan, MP the meeting was attended by the high government officials and senior business leaders. The meeting discussed, among other things, about the up-to-date position of Bangladesh in different issues of WTO negotiations as well as NAMA and latest position of the negotiations relating to agriculture and service, issues concerned to Bangladesh's interest and next course of action. Beside these the meeting discussed and took decisions on the issues relating to the activities of other working groups like Trade Facilitation, TRIPS, TRTA and Trade & Environment. The meeting decided, among other things, to strengthen Bangladesh Mission in Geneva. The meeting expressed thanks for extending active cooperation of the private sector in all activities relating to WTO.

Meeting of Business Leaders with Saudi Ambassador

Comprehensive trade and investment promotion discussed

ICC Bangladesh arranged a meeting of the Bangladesh Business Leaders with H.E. Dr. Abdullah Bin Naser Al Busairi the Ambassador of the Kingdom of Saudi Arabia on February 22 to discuss the issues relating to promotion of trade and investment between the two countries. ICCB President welcoming the Saudi Ambassador mentioned that Chamber leaders are keen to strengthen further business relations with Saudi Arabia and said that top chambers and associations of the country, namely DCCI, MCCI, CCCI, BGMEA, BKMEA, BTMA and a few others are actively considering sending a High Level Trade Delegation to the Kingdom of Saudi Arabia to visit Jeddha, Riyad and Damman for discussion with Saudi Business Leaders for promotion of export from Bangladesh to Saudi Arabia as well as attract Saudi investment to Bangladesh. BKMEA President Md.Fazlul Hoque mentioned that there is a good prospect for further expansion of RMG export to Saudi Arabia. The Presidents of DCCI and MCCI also mentioned that there members will be able to explore the possibilities of creating markets for

non-traditional products in Saudi Arabia through such visit. The suggestions of ICCB President for sending a strong Trade Delegation to the Kingdom of Saudi Arabia was welcomed by the Ambassador. He thanked the President for arranging such a meeting with the Chamber Leaders and assured them of his full cooperation and assistance in this regard. The luncheon meeting was attended by former DCCI President Aftab ul Islam , FBCCI President Annisul Huq, CCCI President M. A. Latif MP, DCCI President Zafar Osman, MCCI President Abdul Hafiz Choudhury, FCA, BGMEA President, Anwar-UI-Alam Chowdhury Parvez ,BKMEA President Md. Fazlul Hoque, BTMA President Abdul Hai Sarker, Former DCCI President Hossain Khaled and ICCB secretary Ataur Rahman.

Second batch of 'FIT Initiative' programme started

52 bankers from 8 banks registered

A total of 52 candidates from eight commercial banks have enrolled for the second batch of 'FIT Initiative' e-learning programme jointly organized by ICCB and eBusiness School of Ireland (eBSI) with support from IFC.. The programme for the current batch, which started in February, is being attended by bankers from 8 banks: 20 from National Bank Ltd., 11 from Eastern Bank Ltd, 10 from Islami Bank Bangladesh Ltd., 6 from Mutual Trust Bank Ltd. 2 from Bank Asia Ltd. and one each from Export Import Bank of Bangladesh, Prime Bank Ltd. and Southeast Bank Ltd. The course provides advanced skills in the finance of international trade to participants of the programme. Successful participants receive certification of excellence in the international trade finance from the Institute of Export of the United Kingdom as well as a certificate of achievement in Documentary Credits and UCP 600 from the International Chamber of Commerce (ICC), Paris.

The 'FIT Initiative' (Finance of International Trade) provides structured e-learning in the full range of products including Documentary Collections, Factoring, Invoice Discounting, Forfaiting, Export Credit Insurance and other form of 'open account' financing.

Mentioned may be made that the 'FIT Initiative', which was launched in March ,2008 in Bangladesh has been developed with the support of the 'IFC Global Trade Finance Program' which itself, in a short period of time proven to be highly successful global trade finance support program for banks and their customers in emerging markets, including Bangladesh. ICC Bangladesh is the local partner for the establishment of the IFC 'FIT Initiative' in Bangladesh, chosen as the first country for the launch of such an important initiative.

Of the first batch of 47 candidates, 43 completed the programme successfully. Bangladesh Bank Governor Dr. Salehuddin Ahmed distributed certificates among successful candidates at a simple ceremony held on December 3,2008. The recipients of the 'FIT Initiative' Certificates are: 11 from Eastern Bank Ltd., 10 from Islami Bank Bangladesh Ltd., 8 from Mutual Trust Bank Ltd., 2 from Bank Alfalah, 2 from NCC Bank, 2 from One Bank Ltd., 1 from Bank Asia, 1 from Bangladesh Bank, 1 from Babylon Garments Ltd., 1 from Citibank N.A., 1 from Green Delta Insurance Co. Ltd., 1 from Khushi Apparels Ltd., 1 from Premier Bank Ltd. and 1 from Standard Bank Ltd. It may be mentioned that for the enrollment of the next batch of the 'FIT Initiative' programme will start in June,2009.



Meeting of ICC Banking Commission in Dubai

URDG draft reviewed and formal recommendation made

Chairman of ICCB Standing Committee on Banking Technique and Practice Mamun Rashid attended ICC Banking Commission Meeting held in Dubai on March 10-12, 2009. The partners of the meeting arranged by ICC were ICC UAE, Dubai Chamber, Mashreq and China System. The agenda of the meeting included review of URDG draft by the ICC Banking Commission, update official

opinions on draft ICC rules of the Banking Commission and DOCDEX decisions etc.



The world has seen a substantial shortfall in the availability of cost-effective trade credit

The major recommendation of the ICC Banking Commission was that the G20 London Summit mandate national regulators to:

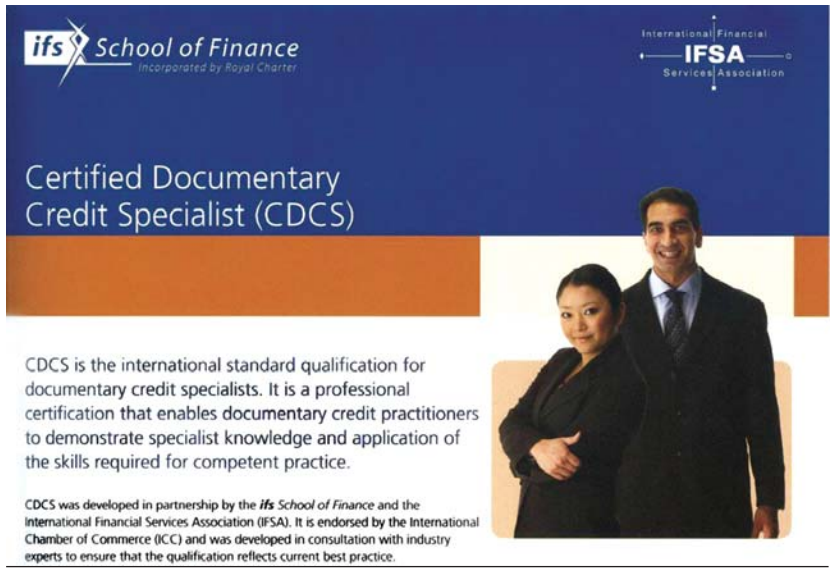
Exempt trade finance products from the one-year maturity floor applied to lending facilities: Within the national discretion, Basel II allows for the exemption of the one-year maturity floor for "short-term self-liquidating trade transactions". This is because the contractual maturity of Trade Finance products is reflective of the time horizon over which banks are exposed to a credit risk. Such discretion has already been exercised by a small number of national regulators. Initial analysis suggests that removal of the maturity floor has the potential to cut capital requirements for trade finance obligations of 90 days maturity by around 20 - 30 percent. We believe that the G20 London Summit should be used to encourage all national regulators to replicate this regulatory "best practice".

Allow key risk attributes to be determined on the basis of industry benchmarking: As noted above, many banks face difficulties identifying and isolating sufficient data to produce validatable estimates of risk attributes for trade lending. These problems are particularly pronounced in relation to the calculation of "loss given default" ("LGD") and "credit conversion factor" ("CCF") inputs in modelling to determine capital requirements under Basel II. To assist in ensuring more realistic capital weightings for Trade Finance products, we suggest that national regulators are encouraged to utilize their discretion to allow these inputs to be determined on the basis of "expert judgement".

CDCS Examination scheduled for April 16

Encouraging response from bankers

The next CDCS (Certified Documentary Credit Specialist) Examination conducted jointly by ifs School of Finance, UK and ICC Headquarters, Paris is scheduled to be held in Dhaka on April 16, 2009 for the second time in Bangladesh. 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 with the aim of providing improved services to their clients. This is considered to be very prestigious and internationally recognized certification for the professionals engaged in banking.



As many as 31 candidates from eight commercial banks have registered for this year's examination. Out of those, 13 are from Eastern Bank, 7 from Islami Bank Bangladesh, 5 from Standard Chartered Bank, and one each from AB Bank, Bank Asia, The City Bank, Mutual Trust Bank, Prime Bank and United Commercial Bank.

It may be mentioned here that as many as 12 bankers from two local and two foreign banks appeared at the last year's Examination, out of whom 10 came out successful. They are: five from Eastern Bank, four from Standard Chartered Bank. and one from One Bank. A total of 1876 candidates worldwide sat for the examination achieving a success rate of 70 per cent. Certificates to the successful candidates were distributed by the Bangladesh bank Governor Dr. Salehuddin Ahmed at a simple ceremony arranged by ICC Bangladesh in Dhaka on August 30, 2008.

Stakeholders meeting with IFC -BICF Consultants

Emphasized the need for Arbitration & ADR Centre

A meeting of the stakeholders was arranged by ICC Bangladesh to discuss on the need for strengthening of the Dispute Resolution System for Arbitration and ADR in Bangladesh with the IFC BICF appointed consultancy team the Centre for Effective Dispute Resolution (CEDR) of UK. Presided over by ICCB President Mahbubur Rahman, the meeting held at ICCB Secretariat on March 25 was attended by Chamber Leaders, leading lawyers, business leaders, bankers and other concerned.

ICCB President welcoming the distinguished participants said that adjudication of disputes without having recourse to the conventional court procedures has gained significant momentum within the legal system of Bangladesh, due to the delays and uncertainties inherent in the judicial process. However, there is no structured institutionalized alternative dispute resolution (ADR) system in place, and as such ADR processes including arbitration, mediation and conciliation have not yet found wide acceptance, particularly in the commercial sector. Although business is becoming more and more aware of the benefits of ADR in commercial disputes, further advocacy of arbitration as a method of dispute resolution is required,he observed.

It may be mentioned that most commercial contracts in Bangladesh either with domestic or foreign parties contain arbitration clauses. In arbitration with a foreign party, the parties eventually agree on arbitration under third party arbitration rules, such as ICC or SIAC, with a venue which has more established facilities for arbitration. If there are state- parties to the contracts, ICSID arbitration is specified. Arbitration under third party or third country arbitration rules and at an overseas venue, with the vastly increased inconvenience and cost makes it difficult for Bangladeshi counterparts in the contracts to properly represent in an arbitration matter. In such contracts, the governing law is often that of Bangladesh, and the availability of lawyers, arbitrators and expert witnesses familiar with Bangladeshi laws are required for proper dispute resolution In order to provide a venue and facilities for international standard arbitration, mediation and conciliation, the Bangladesh International Arbitration Centre (BIAC) has been established in September 2004 by the International Chamber of Commerce-Bangladesh (ICCB) jointly with the Metropolitan Chamber of Commerce & Industry (MCCI), Dhaka and the Dhaka Chamber of Commerce & Industry (DCCI) as a not-for-profit company registered with the Registrar of Joint Stock Companies and Firms.

A project proposal on Capacity Building of Bangladesh Dispute Resolution System for Arbitration and ADR was submitted by Bangladesh International Arbitration Centre (BIAC) to IFC BICF in June, 2008 which is being reviewed by CEDR,UK.

The participants mentioned that there is no formal institution in the country to meet the demand of the clients for having settlement of disputes through arbitration and are not aware of the benefits of arbitration. Therefore, it was emphasized that BIAC through the implementation of the project could build awareness among the stakeholders about Arbitration, ADR and Mediation. They opined that the objective and scope of the project submitted by BIAC is most appropriate in the context of Bangladesh.



ICCB President Mahbubur Rahman (center) is presiding over a meeting of the stakeholders with the IFC BICF consultancy team CEDR of UK.

The consultancy team from CEDR, which visited Dhaka during March 22-26 held discussions with the Presidents of the three sponsoring chambers of BIAC, namely ICCB, MCCI and DCCI, on March 23. The team also had discussions with the stakeholders on March 25. ICCB President Mahbubur Rahman, ICCB Vice Presidents Latifur Rahman and Samson H Chowdhury, ICCB Executive Board Member R Maksud Khan, ICCB Members, namely Dr. M. Zahir, Barrister at Law, Mr. Ajmalul Hossain QC, Nihad Kabir, Bar-at-Law, CCCI Sr.Vice President M. A. Salam, Immediate past President of BGMEA Anwarul Alam Chowdhury (Parvez) attended. Besides, the meeting was also attended by officials from FBCCI, DCCI, BAB, BAFEDA, a number of Barristers and Senior Lawyers, bankers and other stakeholders.

Kuala Lumpur hosts 6th WCC on June 3-5, 2009

Unique conglomeration for business leaders expected

The 6th World Chambers Congress (WCC) will be held in Kuala Lumpur on June 3-5, 2009. The Congress is the only international forum for chamber leaders to share experience and best practice, develop networks and address the latest business issues affecting their community.

Organized by the ICC World Chambers Federation (WCF) every two years, the Congress brings together the global community of over 14,000 chambers. In the past WCC attracted heads of states and influential world leaders like former US Secretary of State Madeleine Albright, 2006 Nobel Peace Prize winner Muhammad Yunus and South African President Thabo Mbeki.

Under the umbrella theme 'Leading sustainable growth and change' the 6th WCC will address the key challenges faced by business today, from the economic impact of climate change to the effects of globalization on small to medium sized enterprises. The event will also delve into other major issues including corporate governance, counterfeiting, how to develop young entrepreneurs and empowering women in business. Held for the first time in South East Asia, attendance is set to break new records, as more than 1,600 chamber leaders and senior executives from over 100 countries are expected to attend.

The Congress will feature an opening address by the Prime Minister of Malaysia and a dinner hosted by the Mayor of Kuala Lumpur.

ICC Bangladesh is scheduled to send a delegation composed of the senior members to the Congress led by its President Mahbubur Rahman.

ICCB bids farewell to CBC CEO Renganathan

ICCB President Mahbubur Rahman hosted a dinner to bid farewell to S Renganathan, Country Manager and CEO of Commercial Bank of Ceylon (CBC) on January 21. While speaking on the occasion Mahbubur Rahman recalled the over-whelming support extended by Renganathan to the activities of ICC Bangladesh during his tenure in Dhaka as the CEO of CBC. ICCB President hoped that his successor would also continue to do the same. On behalf of ICCB Members, Mahbubur Rahman wished him all the success in his future carrier. S Renganathan reciprocated his sentiment and expressed his gratefulness to ICCB President and all other distinguished members of ICC Bangladesh for extending their support and cooperation in discharging his duties properly and smoothly in Bangladesh.



Group picture of the distinguished guests at the farewell dinner hosted by ICCB President Mahbubur Rahman (6th from right) at a city hotel for CBC CEO Renganathan (10th from right)

The farewell dinner was attended among others, by ICCB Vice Presidents Latifur Rahman and Samson H Chowdhury, ICCB Executive Board Members, A. S. M. Quasem, Mamun Rashid, Kazi Mahmood Sattar, High Commissioner of Sri Lanka H.E Mr. Vadivel Krishnamoorthy, High Commissioner of Canada H.E. Mr. Robert McDougall, CEOs of banks, national and multinational companies and dignitaries.

ICC Pakistan Chairman Rangoonwala called on ICCB President

Invitation to Regional Consultative Group Meeting in Sarjah

ICC Pakistan Chairman Tariq Rangoonwala paid a goodwill visit to Bangladesh and called on ICC Bangladesh President Mahbubur Rahman in his office at ICCB National Secretariat on March 25. Rangoonwala had hour long discussion with Mahbubur Rahman about expansion of trade and investment between the two countries for mutual interest. They being the heads of two national committees of ICC had interactions on enhancing co-operation and strengthening bilateral relations between the two countries. Tariq Rangoonwala who is also the Regional Coordinator of the South Asia Region of ICC extended invitation to ICCB President Mahbubur Rahman to attend the first ever South Asia-Middle East Regional Consultative Group Meeting of all ICC National Committees of the two regions to be held in Sarjah, UAE on May 3, 2009. The Meeting is expected to be attended by Presidents and Secretary Generals of all the National Committees of the two regions.



ICC Bangladesh President Mahbubur Rahman is seen receiving ICC Pakistan Chairman Tariq Rangoonwala at the ICCB National Secretariat

ICCB President Mahbubur Rahman expressed his sincere thanks to ICCP Chairman Tariq Rangoonwala for his visit to ICCB National Secretariat and extending him invitation to join Regional Consultative Group Meeting in Sarjah. He assured Rangoonwala of his full cooperation in respect of the activities of ICC.

ICCB Executive Board Meetings held

Two meetings of the ICCB Executive Board were held during the period January-March. The 39th Meeting of the Executive Board was held on February 19. The meeting discussed among other things the draft report of the Executive Board for approval to place before the Annual Council, consider fixation of date and venue for holding the ICCB 14th Annual Council 2008 and consider approval of the Audited Accounts for the 2008 for adoption by the Annual Council.



40th Executive Board Meeting in progress.

Presided over by ICCB President Mahbubur Rahman the meeting was attended by ICCB Vice President Latifur Rahman, Executive Board Members A.S.M. Quasem, Aftab ul Islam, Kutubuddin Ahmed, Masih ul Karim, Md. Fazlul Hoque and R. Maksud Khan.

The 40th meeting of the Board was held on March 19. The meeting reviewed the activities of ICCB and had deliberations about participation at the 6th WCC in Kuala Lumpur to be held on 3-5 June, IFC BICF Public-Private Dialogue to be held in Vienna on 28-30 April, participation at First

South Asia-Middle East Regional Consultative Group Meeting in Sharjah on May 3, visit by IFC BICF Consultancy Team for evaluation of BIAC proposal for funding, change of nomination to the Executive Board and consideration of enrolling new members.

The Board congratulated the newly elected Presidents of CCCI M. A. Latif, MP and BGMEA Abdus Salam Murshedy and welcomed them as ICCB Executive Board Members. Kazi Mahmood Sattar, Chairman of Association of Bankers Bangladesh Ltd. (ABB) and MD/CEO of the City Bank Ltd., who was earlier co-opted as a member of the ICCB Executive Board was also welcomed.

The meeting presided over by ICCB President Mahbubur Rahman was attended by the Vice Presidents Latifur Rahman and Samson H Chowdhury and Executive Board Members Abdus Salam Murshedy, K. Mahmood Sattar, Kutubuddin Ahmed, M.A. Latif MP, Mahbub Jamil, Masih ul Karim and R. Maksud Khan.

ICCB Upcoming Events

Workshop on

International Trade Payments:
Islamic Trade Finance

Friday, May 29, 2009

Vanue:

The Peninsula Chittagong, Chittagong

Registratiion fee:
ICCB members: Tk. 7000
Non members: Tk. 8000

Registration closing date: May 24, 2009

Workshop on

International Trade Payments:
Islamic Trade Finance

Saturday, May 30, 2009

Vanue:

Bangladesh-China Friendship Conference Centre

Registratiion fee:
ICCB members: Tk. 7000
Non members: Tk. 8000

Registration closing date: May 25, 2009

Workshop on

BASEL II
Credit Risk Management and Implementation

Tentatively Scheduled for mid-July 2009
to be held in Dhaka and Chittagong

e-Learning Programme

IFC 'FIT INITIATIVE'
Finance of International Trade

Enrollment for 3rd batch:
June 2009

Enrollment Fee : □ 390

For further information and registration please contact:
Secretary, ICC Bangladesh, Suvastu Tower (6th Floor), 69/1, Pantha Path, Dhaka-l205.
Tel : 8621942, 9676698, email: iccb@bdmail.net

Bangladesh Economy

Bangladesh GDP apprehended to slow down during FY09

ADB forecast trimmed down to 5.6pc/BBS 5.8

The Asian Development Bank (ADB) on March 31 projected the lowest GDP growth for Bangladesh in five years for the current fiscal year due mainly to impacts of the global economic slowdown. ADB predicted this year's growth at 5.6 percent, down by 0.6 percentage points of the previous year's achievement and around one percentage point lower than the central bank's projection of 6.5 percent and 5.8% of Bangladesh Bureau of Statistics (BBS) for the current financial year.

The Manila-based international lender predicted that the slowdown is not likely to wane in the next fiscal year, rather it may be more critical for Bangladesh. "We expect economic activity to slow further to 5.2 percent in 2009-10," ADB Country Director Paul J Heytens, told a press conference while launching the ADB Outlook (ADO) 2009 in Dhaka.

The ADB released its annual flagship outlook report at the same day simultaneously for the Asia and Pacific economies, excluding Japan. Bangladesh's growth rates are still quite robust in comparison with many countries in the region. "But much of the country's growth will depend on how deep and prolonged the global recession ultimately turns out to be," the ADB country chief said.

The Country Director also warned: "Any slowing of growth is a cause of concern for Bangladesh where the poverty level is still very high." "Bangladesh needs higher growth to pull people out of poverty," he added. Bangladesh achieved over 6 percent growth since 2003-04 except 5.96 percent in 2004-05 for damage to crops for floods.

HIGHLIGHTS

RISKS

- Decline in exports and remittance earnings
- Revenue collections may decline signifi cantly, which may squeeze essential public spending
- ADP implementation may be delayed
- Reversal of economic reforms may weaken business confidence

CHALLENGES

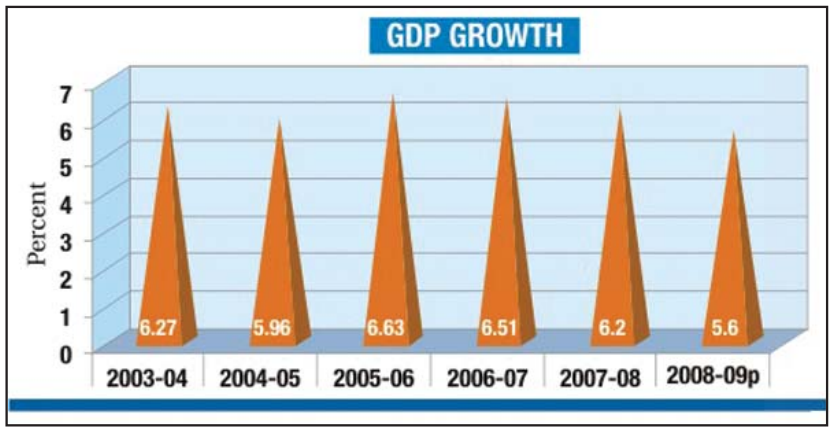
- Bangladesh requires substantial invest ment to enhance growth, create jobs and cut poverty
- Private investment should be made in infrastructure
- Domestic demand should be increased
- Enhancement of capacities to imple ment reforms

The ADO 2009 report blamed this year's sliding economic growth on the slowdown in exports and remittances and lower domestic demand. The report advised the government to invest more to address infrastructure constraints, especially power generation and gas exploration. Accelerating implementation of the annual development programme and supporting small and medium enterprises have become essential to absorb the likely soaring unemployment shocks in the wake of decelerating external demand, said the report. "As FDI (foreign direct investment) in gas and power is unlikely to materialize soon because of the global financial turmoil, the government needs to mobilize its own resources and tap external assistance," added the report.

Industrial growth will slow to 6.6 percent this fiscal year from 7.6 percent last year mainly on declining export demand. Sliding consumer spending will push down the services sector growth at 6 percent from 6.7 percent in 2007-08. If normal weather prevails, agriculture output is to rise by 4 percent this year, the report said.

Inflation is expected to be at an average of 7 percent this fiscal year, a significant decline from 9 percent projected earlier, because of the falling global commodity and fuel prices, the report said. Inflation is likely to stay at 6.5 percent in 2009-10. Despite a drop in export and remittance earnings Bangladesh's external current account is expected to show a small surplus in this fiscal year, the report said.

But a poor revenue collection is a concern for Bangladesh, which needs additional funding to



Domestic productivity and competitiveness should get boost to help the country retain export market share and diversify destinations as well, it said. In a bid to stoke domestic demand, the government has already formed a high-powered taskforce to devise how it can help the businesses absorb the recession shocks.

On the other hand, the World Bank said the GDP growth in Bangladesh in the current fiscal year will be 4.5 percent, which is much lower than what the government and other donors projected. Even then, it is the second highest in the developing world and highest in South Asia. The growth will further drop to 4 percent next fiscal year, according to the World Bank's Global Economic Prospect (GEP) 2009 released on March 31. The forecast for India is 4 percent and that for Pakistan is just 1 percent.

It may be mentioned that in November last year, the WB projected Bangladesh's GDP growth for this fiscal year at 5.7 percent and 6.2 percent next. However, both Bangladesh Bank and Bangladesh Bureau of Statistics project the GDP growth in the current fiscal at 6 percent.

CPD recommended some immediate tasks for government

Budget poses a major challenge

The Centre for Policy Dialogue (CPD) sees budget preparation for the next fiscal year and its execution as the government's greatest challenge in the wake of a looming financial crisis and its impacts on the Bangladesh economy and how the energy crisis and the budget deficit should be dealt with is another challenge for the government. These were pointed out during a two-day meeting organized by CPD on "Development with Equity and Justice: Immediate Tasks for the Newly Elected Government" held in Dhaka on March 28-29. It was further observed that although Bangladesh has not been hurt much by the ongoing global recession, the economic indicators, such as exports, imports, remittances and domestic demand are declining in recent months casting a shadow on the country's overall economic growth.

CPD divided its recommendations into two parts: Immediate and medium-term tasks.

These recommendations dwelt on macroeconomic management in the face of global challenges, food security and containing inflation, energy sector, ICT for development and the 100-day employment generation programme.

On the macroeconomic management, the government should be ready to live with the deficit of around 5 percent of GDP in view of allocating additional resources to mitigate the adverse fallout.



CPD Executive Director Dr. Mustafizur Rahman seen presenting the CPD recomendation.

The central bank should pursue more proactive policy to reduce the spread of interest rates. Creation of an Export Stabilization Fund, which could provide credit support to the sectors, adversely affected by the crisis was also suggested. On domestic demand stimulation, there is need for increased private consumption through public expenditure.

Opposing any devaluation to the local currency, the CPD remarked that the move would not help reduce commodity prices and recommended an increase in the supply of inputs to raise food production.

On energy issue, the CPD advised the government to resolve the disputes on maritime boundary with India and Myanmar so that it can expedite the process of offshore gas exploration. To resolve electricity crisis, the CPD suggested that government should supply adequate gas for power projects, ensure proper maintenance of plants, equipment and machineries. It also advised for revising the national energy policy 1996. On development of ICT sector, the CPD said the government should formulate a comprehensive master plan for 12 years and a five- year plan, for Digital Bangladesh.

A joint taskforce could be constituted to advise on proper utilization and monitoring of the 100-day employment generation programme.

Balance of Payments Position :Bangladesh

Good surplus during first seven months of current FY

The overall balance of payment continued to maintain a surplus during the first seven months of the current FY 2008-09 due to improvement and in both current and financial accounts. The current account balance recorded a surplus of $618 million during the period under review as a result of higher inward remittances as against a deficit of $45 million during the same period of last fiscal. However, the trade balance recorded a larger deficit of US$3451 million during July-January, 2008-09 compared to the deficit of US$2838 million during July-January, 2007-08. Due to larger current transfers of US$5784 million current account balance recorded a surplus of US$464 million during July-January, 2008-09 against the surplus of US$168 million during July-January, 2007-08. The overall balance also showed a larger surplus of US$618 million during July-January, 2008-09 against the deficit of US$45 million during July-January, 2007-08.

Balance of payments (FY 2006-07 to 2008-09)

	FY 2006-07	FY 2007-08	FY2007-08 July-January	FY2008-09P July-January
Trade balance	**-3458**	**-5541**	**-2838**	**-3451**
Exports f.o.b(including EPZ	12053	13945	7637	9073
Imports f.o.b(including EPZ)	-15511	-19486	-10475	-12524
Services	**-1255**	**-1525**	**-955**	**-1293**
Receipts	1484	1879	911	1058
Payments	-2739	-3404	-1866	-2351
Income	**-905**	**-1005**	**-654**	**-576**
Receipts	244	221	120	75
Payments	-1149	-1226	-774	-651
of which :Official interest payment	-212	-234	-139	-133
Current transfers	6554	8743	4615	5784
Official transfers	97	127	80	13
Private transfers	6457	8616	4535	5771
of which : Workers' remittances	5979	7915	4151	5364
Current account balance	**936**	**672**	**168**	**464**
Capital account	**490**	**576**	**346**	**140**
Capital transfers	490	576	346	140
Financial account	**762**	**-431**	**-11**	**130**
i) Foreign direct investment(net)*	793	650	430	764
ii) Portfolio investment	106	48	58	-67
iii) Other investment	-137	-1129	-499	-567
MLT loans	1037	1338	592	800
MLT amortization payments	-525	-580	-334	-372
Other long-term loans (net)	-24	-3	28	-49
Other short-term loans (net)	493	-160	-129	-8
Other capital	-535	-581	-280	-385
Trade credit (net)	-481	-1010	-439	-808
DMBs and NBDCs	-102	-133	63	255
Assets	-86	-146	10	136
Liabilities	-16	13	53	119
Errors and omissions	**-695**	**-213**	**-548**	**-116**
Overall balance	**1493**	**604**	**-45**	**618**
Reserve assets	-1493	-604	45	-618
Bangladesh Bank	-1493	-604	45	-618
Assets	-1593	-1072	8	-230
Liabilities	100	468	37	-38

Source: Bangladesh Bank

Bangladesh among top 10 recipients of remittance

World Bank Outlook for Remittance Flows (2008-2010)

Bangladesh retained its position among the world's top 10 recipients of remittances last year, according to the World Bank. The flow of remittances the country hauled in reached US$8.9 billion in 2008 after more than 800,000 Bangladeshis entered the international job market, with the United Arab Emirates (UAE) becoming the biggest employer. In 2007 also, the country was on the list of top 10 recipients. Bangladesh is set to draw in between $9.5 and $10 billion this year, accounting for more than 10 per cent of GDP.

In its Outlook for Remittance Flows (2008-2010), the World Bank said the country beat even Pakistan in terms of receipt of workers' money during 2008. Pakistan received $7.1 billion in the same period. As the worst economic crisis threatened to slow global growth, the Bank warned that remittance flows from the GCC (Gulf Cooperation Council) countries are likely to fall more than those from the US and Europe, affecting recipient countries in the Middle East and North Africa and South Asia.

According to the new estimates, India, China and Mexico maintained their positions as the top 3 recipients of remittances among developing countries in 2008. Philippines, Poland, Nigeria and Egypt are also on the top 10 recipients' list. By contrast, the report said the top recipients in terms of the remittances' share in GDP included many smaller economies such as Tajikistan (45 per cent), Moldova (38 per cent), Tonga (35 per cent), Lesotho (29 per cent), and Honduras (25 per cent).

Despite the global recession, Bangladesh received $881.3 million in remittances in March, the highest ever for a single month, according to Bangladesh Bank. The March figure broke the record of $859 million earned in January and $784.5 million in February.

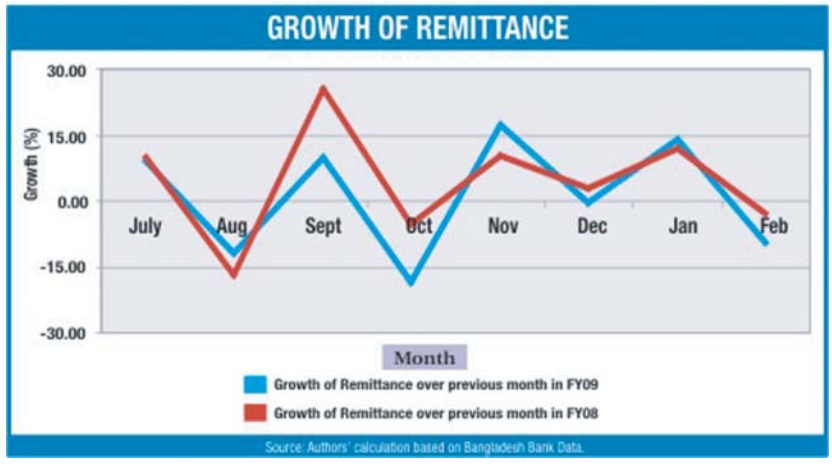
The World Bank, IMF, ADB and local economists have all predicted a dip in remittances, one of the economy's main indices, in the face of the global crisis. The Bangladesh Bank Governor, however, is optimistic that remittances will maintain an upward curve in the remaining three months (Apr.-Jun.) of the current fiscal year

According to central bank figures, the first nine months (July 2008-March 2009) has seen remittance earnings of $7 billion, a 34 percent jump over the same period of the previous fiscal (2007-08). Total remittance for 2007-08 was $7.9 billion, and $6 billion for 2006-07. The central bank hopes the remittance inflow would cross $10 billion this year although there is a fear that global recession might cast a shadow on remittance.

According to a report titled 'State of the Bangladesh Economy in the run-up to the National Election 2008? released by Centre for Policy Dialogue (CPD) in December, Saudi Arabia continued to rank as the major remittance source for Bangladesh. Remittance from Saudi Arabia accounted for 29.9 percent of all remittance earnings (July-October, FY 2009), recording a 46.3 percent growth compared to that in FY08. Of the other major sources, remittance growth rates (in FY09) from UAE (54.5 percent), Kuwait (30 percent) and the US (43.6 percent) have been high so far.

Remittance also came in a significant amount from countries such as Malaysia. The US is Bangladesh's second largest remittance source, contributing around 17.4 percent of the total earnings up to now in FY09. The CPD said the US has shed 1.9 million jobs with payrolls having now dropped for the 11th straight month.

According to CPD, financial meltdown is not likely to hit the Middle Eastern economies as severely as the West. The ME economies may experience decline in their growth during 2009, which is expected to be around 5.3 percent compared to 6 percent in 2007. So, remittance inflow from ME is unlikely to be affected much.



Highlights of Bangladesh Monetary Policy
(January-June 2009)

Introduction: The Monetary Policy Statements (MPSs) issued bi-annually by Bangladesh Bank (BB) outline the monetary stance that will be adopted over the next half year in pursuit of the objective of supporting the highest sustainable growth of domestic output while containing consumer price inflation within tolerable levels. These ex-ante announcements based on realistic near-term outlook on GDP growth and inflation intend to anchor inflation expectations of market participants and the general public. This issue of MPS accordingly outlines the monetary policy stance and approaches that will be employed in the second half (January-June) of FY09 in supporting attainment of the projected real GDP growth while limiting inflation within the targeted ceiling.

Growth outcome and outlook: Following 6.2 percent real GDP growth in FY 08 under challenging circumstances, momentum in growth of domestic output continued largely unimpaired in H1 FY09, in benign conditions of climate for agricultural output and of downturn in global prices of fuel oil and other major import commodities. The global financial turmoil originating from collapse of price bubbles in assets and commodities has not impacted Bangladesh significantly because of our limited exposure to short term external capital flows; but the continuing slowdown in global output growth poses some uncertainty about near term prospects for export growth, workers' remittance receipts, ODI, FDI and FPI. July-October FY 09 exports of jute, jute goods, leather, electronics and vegetables were weaker than in the same period of FY08, export demand for items such as shrimps and high quality ceramic tableware may also weaken in the coming months. The risks are however perceived as lower for apparels, the major export; the shift of customers from upscale items to the more basic items that constitute the bulk of our exports is viewed as likely to keep order books of Bangladeshi apparel exporters full. The climate of confidence for new investments has strengthened by the end of political uncertainties with orderly assumption of office by an elected government.

Attainment of the initially projected 6.5 percent FY09 real GDP growth therefore still remains a realistic possibility subject to export growth not weakening very substantially; and even in a more downbeat scenario of significant slowdown in export, FY09 real GDP growth can be expected to be above or around 6.0 percent. The overall growth outlook will be clearer in Q3 FY09, with information on post Christmas export trends to North American and European markets.

Inflation outcome and outlook: Satisfactory domestic agricultural output and the collapse of global commodity price bubble afforded respite in Q2 FY 09 from the unrelenting uptrend of CPI inflation of the recent past. Annual average CPI inflation of 9.94 percent as of June 08 crept up further to peak at 10.06 percent as of September 08, declining to 9.8 percent and 9.37 percent in October and November 08 respectively. Decline in fuel oil import prices have partly been passed on to consumers, with the remainder easing the fiscal burden of price subsidies. The lower prices of other imports are also gradually passing through to local consumer prices, and annual average CPI inflation is expected to decline further, to around 8.5 percent by the end of FY09, against the initial projection of 9.0 percent in the MPS issued in July 08.

Monetary Policy Stance for H2 FY 09 (January-June, 2009)	Monetary Policy Stance for H1 FY09 (July-December, 2008)
The differences between the GDP growth and inflation projections in the July 08 MPS and the revised projections made now are not large enough to warrant any major change in the policy stance for FY 09 announced in the July 08 MPS or in the monetary program based thereon. The monetary and financial policies pursued by Bangladesh have proven their worth remarkably by maintaining stability of the Bangladesh economy in respect of output growth, macroeconomic balance, inflation,	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 consi deration of the causative factors

Monetary Policy Stance for H2 FY 09 (January-June, 2009)	Monetary Policy Stance for H1 FY09 (July-December, 2008)
exchange rate, interest rate and market liquidity; amidst financial turbulences raging beyond her borders. Monetary policies in H2 FY 09 will as before accord priority to ensuring adequate credit accommodation for productive supply-side economic activities, providing refinance support where necessary for income and employment generating priority sectors under-served by the market, including agriculture and SMEs. The policy stance will also continue to discourage unduly high expansion in non essential demand side lending, to avoid build up of inflationary pressures. Repo, reverse repo interest rates and operations will continue to be the main day to day tools for monetary management. Banks will continue to be under BB pressure to narrow down their intermediation margins (spread between the lending and deposit interest rates) by improving management efficiency and asset quality; enabling lowering of interest rates on loans for productive purposes while also maintaining real positive interest rates on bank savings. Because the Bangladesh economy has not faced large capital outflows or credit crunch in the ongoing global turmoil; there is no need for any blanket economy-wide stimulus. Specific sectors and their financiers may however face difficulties if the slowdown in global trade hurts our export growth drastically. If and when that happens, the affected sectors will need to be provided timely monetary and/or fiscal support as appropriate. BB will maintain close continuous watch on developments in the real and financial economy, to be in readiness with appropriate response wherever necessary towards maintaining the momentum of pro-poor growth, income generation and employment.	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. For facilitating more efficient import of essential goods, BB has made available forward hedging mechanism to importers. 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. 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 productivity growth of the economy is crucial. It would be important to strengthen the infrastructure and other support services and ensure congenial business climate. The near term global outlook is bleak which could create adverse impact on the country's exports. For meeting such challenges, the policies need to build solid macroeconomic fundamentals supported by prudent monetary, fiscal, and exchange rate policies. 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.

Regional News

ASEAN calls for unity to beat financial crisis

Declaration to set up an EU-style ASEAN Community by 2015

Southeast Asian leaders called on March 1 for increased cooperation and urgent reform to deal with the global financial crisis as they wrapped up a summit dominated by their economic woes. Leaders from the 10-member Association of Southeast Asian Nations have spent most of their annual meeting seeking ways to soften the impact of the meltdown on their export-driven economies, with millions of jobs at risk.

In a joint statement issued at the end of the summit, they urged developed and developing countries to show 'more coordinated action... to restore financial stability and ensure the continued functioning of financial markets.' They further called for 'bold and urgent reform of the international financial system,' while agreeing to 'stand firm against protectionism.'

The leaders also signed a declaration on setting up an EU-style ASEAN community by 2015 that would aim at protecting the diverse bloc of around 570 million people from any future economic turmoil.

Thai premier Abhisit Vejjajiva, current ASEAN chairman, said the leaders 'have sent a clear signal about our guidelines to solve economic problems in the region.' He outlined further steps in a press conference, including that ASEAN members should keep each other informed of their economic policies and closely monitor for any hints of protectionism.

ASEAN, with a combined gross domestic product of around 1.4 trillion dollars, had until recently been a relative bright spot in the world economy. But, because the region is largely dependent on exports, it is at the mercy of the chaos in the rest of the world's economies. Singapore is already in recession and Thailand's economy shrank in the last quarter of 2008.

Leaders underscored the importance and urgency of the so-called Chiang Mai initiative - a regional emergency fund set up in 2000. Foreign ministers from ASEAN and from China, Japan and South Korea agreed one week ago to extend the initiative to 120 billion dollars, but gave no date. ASEAN signed a free trade deal with Australia and New Zealand on February 27.

Ministers on March 1 also signed an energy agreement to allow members to buy oil at a discount during times of crisis. Analysts warned however there was little the group could do to counteract slumping demand for its exports.

'They can try to keep a brave face,' said David Cohen, a Singapore-based regional economist with research house Action Economics. 'There's not much collective action they can take.' Splits over protectionism have also called ASEAN's unity into question, tugging at the seams of a diverse organisation frequently derided as a talking shop since it was founded 42 years ago.

Abhisit and Singapore premier Lee Hsien Loong have repeatedly urged against protectionist tendencies but Malaysian premier Abdullah Ahmad Badawi has said it is normal during a crisis. The leaders said they had urged Myanmar at the summit to continue on its so-called roadmap to democracy, but Abdullah admitted that detained opposition icon Aung San Suu Kyi's name had not been mentioned.



Leaders at the 14th ASEAN Summi held on 28 February in Thailand

SAARC to strengthen anti-terrorism mechanism

Convention on Mutual Legal Assistance in Criminal Matters to be stepped up

Saarc member states on February 28 have agreed to establish a high-level panel of 'Eminent Experts' to strengthen the group's anti-terrorism mechanisms as it underlined its resolve to combat the menace in the region.



"We reiterate our commitment to implement measures against organising, instigating, facilitating, financing, fund raising, encouraging, tolerating and providing training for or otherwise supporting terrorist activities", the Declaration on Cooperation in Combating Terrorism stated at the end of the two-day deliberations of the 31st Saarc Council Ministers Meeting held in Colombo.

The foreign ministers of the region agreed to step up efforts to ratify and effectively implement the "Saarc Convention on Mutual Legal Assistance in Criminal Matters." "We agree to urgently ratify and effectively implement the Saarc Convention on Mutual Legal Assistance in Criminal Matters, signed at the 15th Saarc Summit in Colombo last year," it said.

"We have discussed this matter. Extradition is matter in terms of bilateral treaties and agreements. But, as a group, there is nothing to prevent us from advancing and graduating into a level within the region for us to view the extradition," Sri Lanka's Foreign Minister Rohitha Bogollagama said.

"This is something that we are pursuing...But there has to be certain fundamental principles associated and the parity in terms of many a legal system that could address this," Bogollagama told reporters at the end of the two-day session 31 of the Council of Ministers.

Claiming that the mutual legal assistance agreement that the Saarc entered into in August 2008 has now become operationalised, Bogollagama said it has several provisions 'in terms of areas including criminal activities leading to terrorism being included in terms of the country-wise reciprocation'.

Pointing out the existence of the Commonwealth extradition arrangement, Foreign Secretary Palitha Kohona said although the Saarc has given 'thought for an exclusive (extradition) arrangement, it has not gone very far'. "There are lots of things that need to be considered before we come to a conclusion," Kohona said.

According to the declaration on terrorism, the Saarc would establish a 'High-level Group of Eminent Experts' to review and make proposals to further strengthen Saarc anti-terrorism mechanisms, including for pragmatic cooperation.



Delegates at the 31st SAARC Council of Ministers' Meeting are seen with H.E Mahinda Rajapaksa President of Srilanka (5th from right).

Bailout Measures/Plans and Guarantee Schemes by Major Countries to face global crisis

Country	Type of measure / plan	Amount	Beneficiary	Date of announcement
Australia	Guarantee scheme	-	Australian incorporated banks and other authorised deposit-taking institutions (ADIs), including foreign subsidiary banks operating in Australia.	12 Oct 2008
Austria	Nationalisation	-	Bank Medici	30 Dec 2008
Brazil	Purchase of equity stake in troubled banks. Authorization granted to the two largest state-owned banks, Banco do Brasil and Caixa Econômica Federal (CEF), to buy equity stakes in other banks.	-		22 Oct 2008
Canada	Purchase of troubled mortgage assets (Insured Mortgage Purchase Program), for up to C$75bn	C$75bn	Deposit taking institutions incorporated, amalgamated or continued under the Bank Act or the Trust and Loan Companies Act, and associations or central cooperative credit societies regulated under the Cooperative Credit Associations Act.	10 Oct 2008 (first tranch of C$25bn) and 12 Nov 2008 (additional C$50bn)
France	Recapitalisation scheme (capped at 21bn). (It complements measures approved by the EC Commission on 31 October 2008).	21bn	First tranche (10.5bn) already utilized to recapitalise the top six banks: Crédit Agricole, BNP Paribas, Société Générale, Crédit Mutuel, Caisse d'Epargne, and Banque Populaire.	8 Dec 2008
France	Refinancing scheme for credit institutions (The Société de refinancement des activités des établissements de credit, SRAEC, wiill issue securities guaranteed by the State with a view to making loans to credit institutions against collateral). Total amount: 265bn.	265bn	Non-discriminatory access for banks authorised in France, including the subsidiaries of foreign groups.	31 Oct 2008
Germany	Capital injection (10bn, in addition to previous 8.2bn) and acquisition of 25% stake.	18.2bn	Commerzbank	9 Jan 2009

Country	Type of measure / plan	Amount	Beneficiary	Date of announcement
Germany	Rescue aid.	-	NordLB	23 Dec 2008
Germany	Guarantee of up to €5bn.	€5bn	IKB	23 Dec 2008
Germany	Recapitalization 10 billion and guarantee €4.8 billion	€14.8bn	Bayern LB	18 Dec 2008
Germany	Recapitalisation scheme, guarantee scheme, and temporary acquisition of assets (total €500bn).	€500bn	Banks (including subsidiaries of foreign banks licensed in Germany), insurers, pension funds, stock and derivative exchanges and investment companies may apply.	28 Oct 2008 (amended 12 Dec 2008)
Germany	Restructuring aid to IKB	-		21 Oct 2008
Germany	Loan guarantees of up to €35bn (provided together with a group of German financial institutions)	€35bn	Hypo Real Estate Holding	2 Oct 2008 4 June 2008
Germany	Restructuring aid to Sachsen LB	-		7 December
India	Rs. 3,000 billion (US$60 billion) to be spent over 4 months. A four-percent cut in VAT has also been announced, to help the corporate sector in general. Central bank lowers its interest rate, and signals private banks to do the same.	Rs. 3,000 bn (US$60bn)	Exporters, housing, infrastructure, and textiles.	2008 23 Dec 2008 14 Nov 2008
Italy	Recapitalisation scheme (budget around €15-20bn).	€15-20bn	Only fundamentally sound banks.	12 Dec 2008
Italy	Guarantee scheme.	-	Open to all solvent banks authorised in Italy, including subsidiaries of foreign groups.	
Japan	Recapitalisation scheme (Law on Special Measures for Strengthening Financial Functions), for up to ¥12trillion (some US$106bn)	¥12tn (US$106bn)	Banks and other financial institutions.	20 Oct 2008 9 Oct 2008
Korea, Rep. of	Rescue package consisting of state guarantees on foreign debt (up to US$100bn) and capital injections (up to US$ 30bn).	US$130bn	Banks and other financial institutions.	7 Oct 2008
Russian Federation	Rescue measures (US$86bn)	US$86bn	Banking institutions	
Russian Federation	Long-term loans (US$37bn)	US$37bn	State-owned banks	

Country	Type of measure / plan	Amount	Beneficiary	Date of announcement
United Kingdom	Acquisition of 43.4% stake.	-	Merged Lloyds HBOS bank.	12 Jan 2009
United Kingdom	Three types of measures: Recapitalisation scheme (up to £50bn), guarantee scheme (up to £250bn), and expansion of short term liquidity provided by the Bank of England (£110bn).	£410bn	Available to any financial institution with substantial business in the UK.	13 Oct 2008 (amended 23 Dec 2008)
United Kingdom	Nationalisation and winding down.	-	Bradford & Bingley (specialised in mortgages and savings products, with 7.7% of mortgage marke share).	1 Oct 2008
United Kingdom	Nationalisation	-	Northern Rock	18 Feb 2008
United States	Financial aid (US$6bn)	US$6bn	GMAC	30 Dec 2008
United States	Guarantee scheme for troubled assets (US$306bn) and capital injection (US$20bn)	US$326bn	Citicorp	25 Nov 2008
United States	Additional recapitalisation (US$37.5bn)	US$37.5bn	AIG	8 Oct 2008
United States	TARP (Troubled Asset Relief Program), established by the Emergency Economic Stabilization Act of 2008 (EESA), allowing the Secretary of the Treasury to purchase, and to make and fund commitments to purchase, troubled assets from any financial institution. Total amount foreseen: US$700bn (US$250bn upon enactment, other US$100bn if requested by the President, and US$350bn subject to Congressional approval).	US$700bn	The Act defines "financial institution" as including "any institution, including, but not limited to, any bank, savings association, credit union, security broker or dealer, or insurance company, established and regulated under the laws of the United States or any State, territory, or possession of the United States...but excluding any central bank of, or institution owned by, a foreign government"	3 Oct 2008
United States	Rescue package (US$85bn), in exchange for 80% public stake in the firm.	US$85bn	AIG	16 Sep 2008
United States	Rescue package	-	Fannie Mae and Freddie Mac (mortgage lenders)	7 Sep 2008
United States	Rescue package (US$ 787 bn)	US$787 bn	Domestic manufacturing, financial institutions, infrastructure	23 Feb 2009

N.B. China's bailout package could not be covered on account of inadequate data.

News from ICC Hqs. in Paris

G20 must take action to fight protectionism and support trade finance

World trade depends heavily on trade credit

Leaders of the G20 countries must coordinate their national policies to end the global recession, support a monitoring system to honour previous promises to reject protectionism, and restore trade financing to more normal levels, the International Chamber of Commerce (ICC) said on March, 31.



"Trade is the lifeblood of the global economy and the world needs more of it at this critical moment, not less," said ICC Chairman Victor K. Fung. "The G20 summit in London provides the perfect opportunity for the international community to reassert its confidence in the multilateral trading system, which spurred the phenomenal economic growth of recent years and pulled hundreds of millions of people out of extreme poverty. At this time of world crisis we call on the G20 leaders to harness the political will to adopt policies ensuring job creation and long-term economic growth," Fung added.

ICC said the need for a credible monitoring system to combat protectionism was underlined by a recent World Bank study showing that since the G20 Summit in Washington last November, 17 of the G20 countries have adopted 47 measures restricting trade. Increases in tariff and non-tariff barriers as well as discriminatory public procurement policies, for example, require careful monitoring.

World trade depends heavily on trade credit, which has all but collapsed during the current financial crisis, effectively throttling the flow of goods. A new survey by the ICC Banking Commission shows overall decreases of more than 40 percent in both trade credit volume and value.

On 11 March, the ICC Chairman met British Prime Minister Gordon Brown to discuss trade finance, protectionism and the long-delayed conclusion of the Doha Round of international trade talks.

"This crisis is one of confidence," said Victor K Fung. "A rapid conclusion to the Doha Round is one of the most direct ways to rebuild confidence. It will send a clear signal to businesses, investors and consumers the world over that countries can and do work together in their common long-term interest."

"There is a grave danger, already manifested in some ways, that new measures of protectionism will creep in while the Doha Round remains in abeyance," Fung added.
As part of efforts to support international trade, ICC has recommended that the G20 adopt a comprehensive package to ensure that businesses have access to trade credit and that it take simple, pragmatic steps to increase the flow of finance for trade from both public and private sources. A number of low-cost measures to boost trade finance have been identified in the recently released ICC Banking Commission Report, Rethinking Trade Finance 2009: an ICC Global Survey.

Trade volume and value decline sharply as a result of crisis

Trade flows have been deteriorating rapidly

Trade has significantly decreased in both volume and value as a result of the worldwide recession and may be reduced further due to tight credit conditions, ICC said in a report presented at a meeting of banking experts organized by The World Trade Organization (WTO).

"The overall decrease in volume and value is confirmed," Vincent O'Brien of the ICC Commission on Banking Technique and Practice, told the gathering. "Tight credit conditions may further reduce access to trade finance." O'Brien added that 47% of the 122 banks surveyed reported a decrease in export Letter of Credit (LC) volume and that 43% reported a decrease in LC value of aggregate transactions.

The meeting was called to review current market conditions, discuss the initiatives undertaken by financial institutions as well as regional and international organizations. Under the chairmanship of Pascal Lamy, Director-General of the WTO, delegates presented their most recent findings and analysis, concluding that the prospects for 2009 are negative.

This is particularly true for emerging markets, with large scale-financing projects being deferred or difficult to finance. Low-income countries are affected through lower commodity prices and fewer remittances, according to ICC.

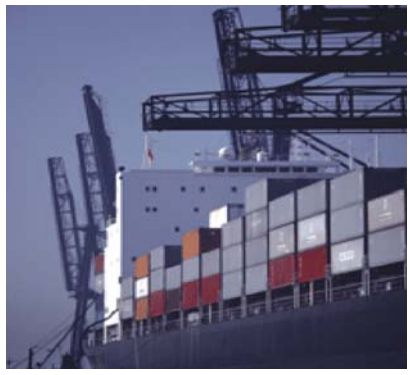
More than half of the respondents (51%) in the ICC survey indicated that their trade credit lines for financial institutions decreased between the last quarter of 2007 and the last quarter of 2008. The main reasons provided by banks for the decrease in credit lines were the application of more stringent credit criteria, capital allocation restrictions, exiting markets, and reduced inter-bank lending.

ICC also pointed out that intense scrutiny of documents by some banks are leading to higher rates of rejection of letters of credit on the basis of minor discrepancies.

The consensus at the meeting was that trade flows have been deteriorating rapidly in recent months. There is now evidence of a major economic crisis spreading and deepening across the global economy, the session concluded.

The meeting was attended by the International Monetary Fund (IMF), the World Bank, and the major development banks. The Banker's Association on Finance and Trade and the Berne Union (a coalition of the world's main export credit agencies and insurers) were also present. International banks such as HSBC, ING, JP Morgan Chase, Citigroup, Commercerz bank, BNDES, Royal Bank of Scotland, and Standard Chartered Bank also sent delegates. For the second time, the ICC banking commission was invited to attend the meeting.

In its presentation of the major findings from the banking commission study carried out between 10-12 March, ICC also noted that evidence is now accumulating that implementation of the international capital



adequacy regime, known as Basel II, has contributed to the drought of available finance.

The feedback collected by ICC shows that most banks are now facing tougher capital requirements for their trade assets. At the WTO meeting, ICC emphasized that the implementation of the Basel II framework has eroded the incentive of banks to lend for trade finance due to pronounced capital weightings which are not fully reflective of the low risk level of the activity.

In this connection, banks reported difficulties identifying and isolating sufficient data to produce valid estimates of risk attributes for trade lending under the Basel II framework. As a result, the amount of capital banks must hold against trade finance is often artificially inflated. ICC was asked at the session to consider how it might collect historical and performance data for trade finance products to assist in addressing this situation.

Lowest global economic index in history

World economic climate index dropped 10 percentage points



The world economic climate index fell for the sixth consecutive quarter, dropping 10 percentage points to reach its historically lowest level since the introduction of the World Economic Survey in 1981, according to the ICC and the Ifo Institute for Economic Research, who conduct the survey. The index, based on a survey of 1,035 economic experts in 92 countries, fell to 50.1 points compared to 60.0 points in the fourth quarter of last year. "Overall, the data confirm a global recession," the survey concluded.

The January climate indicator declined in the Euro area, the United States and Asia. Economies cooled in Central and Eastern Europe, weakened in Latin America, and deteriorated in CIS countries. "Although the economic expectations for the next six months have not been further downgraded, they remained clearly negative on a global average," the report said.

The experts surveyed said they expect trade volume to decline strongly in the next six months, but expressed the view that the combination of low oil and energy prices, lower inflation and declining interest rates would lead to the recovery of economic confidence in the second half of 2009.

The survey again warned that subsides for national industries as a result of the current crisis could distort international trade and foster protectionism at a time when global trade is set to shrink for the first time since 1982.

In the United States, both the assessment of the current economic situation and the outlook for the next six months were downgraded from the previous quarter, though not as much as for other regions. But the survey found a continuing lack of confidence in the American economy. The survey was conducted before the US Congress approved a $787 billion stimulus package.

In the countries of the Euro area the assessment of the economic situation deteriorated in January with the exception of Belgium. The Netherlands and Germany fell below the survey's satisfactory level, with the lowest marks going to Spain, Portugal, France, Ireland and Italy. In Asia, economic expectations for the next six months did not deteriorate further and even improved somewhat in some countries despite a general decline of the economic climate index for the region. The index fell most in China and Vietnam, with pronounced declines in India, Malaysia, Singapore, Thailand, and Hong Kong.

The economists surveyed said they expected global inflation to drop to 3.3 % compared to 5.4 % last year. The drop in inflation is expected to be particularly pronounced in Western Europe, with the rate falling to 1.6 % from 3.5 % in 2008. In the United States average inflation expectations among economists declined to 1.4 % from nearly 4 % last year.

Interest rates are expected to continue dropping almost everywhere. The experts questioned believe the Euro continued to be overvalued but to a lesser degree than in the past. They said the US dollar had changed from "undervalued" to equilibrium or to slightly overvalued.

The vast majority of surveyed economists worldwide said that by successfully completing the Doha Round of multilateral trade negotiations, governments can take a significant step to help restore confidence in global markets and international cooperation, and create economic opportunities that will mitigate the impact of the financial crisis.

They also agreed that a practical measure that governments should take immediately, in order to get trade flowing again, was to expand the scope and scale of guarantees to

New tool launched to help resist corruption

RESIST can help employees counter solicitation and extortion

Knowing how to respond to inappropriate client demands can be challenging for company employees, especially if the demand is accompanied by a threat. But help is now at hand in the form of a practical new tool, launched on March 16, to help business better address the risk of solicitation and extortion.



RESIST (Resisting Extortions and Solicitations in International Transactions) - jointly developed by the International Chamber of Commerce, in partnership with Transparency International, the UN Global Compact and the World Economic Forum - raises employee awareness of how to prevent demands from being made, and sets out practical measures on how to respond to dilemmas in the most efficient and ethical manner when they cannot be avoided.

"In the current economic climate the temptation to take inappropriate action can be hard to resist," said François Vincke, Chair

of the ICC Commission on Anti-Corruption, which encourages business self-regulation to fight corruption. "But staving off solicitations and extortions is vital to maintaining a fair and open trading system."

Over 20 companies and organizations contributed to make up the RESIST portfolio of 21 real-life situations. Covering a wide range of solicitation dilemmas, each scenario addresses how to prevent propositions occurring and how best to react when demands are made. In addition, RESIST provides general recommendations, which apply to most situations and can be considered good practice.

ICC has been concerned about the effects of corruption on international trade for more than 25 years and has developed a range of tools to guide business on the issue.

ICC took strong position on global economic crisis

Emphasized the need to avoid economic nationalism at all costs

The global economic crisis does not stem from a failure of the market economy system nor does it call into question the system's successful record in creating wealth and significantly raising global living standards, ICC said in a position paper on the current emergency.



The statement, which was first issued in November and is updated regularly to reflect developments in the current crisis, said the immediate priority should be to boost demand and credit in order to resume economic growth. ICC added that it is particularly urgent "to boost trade finance on which international trade - forecast to fall this year for the first time since 1982 - so heavily depends."

"ICC continues to urge official development banks and export credit guarantee agencies to sharply expand their trade finance facilities in these exceptional times," the statement added. ICC placed particular emphasis on the need to avoid economic nationalism at all costs.

"Governments must avoid the temptation to seek isolation from the global crisis through protectionist measures to restrict imports and foreign investment," ICC said. ICC believes that the government stimulus packages being put into place should give priority to projects that will have a rapid impact on demand and jobs and that measures which "unavoidably distort competition and international trade should be kept to a minimum and should be clearly stated to be temporary."

In addition, the current situation should not allow a "mood of regulatory enthusiasm" to spill into other economic sectors where light-regulation or self-regulation is working well. ICC stated that any efforts "to put globalization into reverse" must be opposed and called on governments to "finally summon the will to complete the long-stalled Doha Round of multilateral trade negotiations." It also said that the current crisis should not be an excuse to further delay effective action to combat climate change.

Analyzing the current crisis, ICC stressed that a market economy system can work well only within clearly established rules. It said that the rules governing financial markets "were inadequate, unsuitable, or simply not enforced."

ICC kicks off 90th anniversary celebrations

Research Foundation launched

Over 270 business leaders converged in Geneva on February 2 to celebrate the 90tj anniversary of the International Chamber of Commerce, which was highlighted by the launch of the ICC Research Foundation.

The ICC Research Foundation was established in December last year to reinforce ICC's role of providing global intellectual leadership on public policy issues of major concern to business and peoples around the world.

"What is needed now is a way to make a compelling case for world trade, in the context of today's world, that is accessible to all and based on well-designed research," said Victor K. Fung, ICC Chairman and Chairman of the Hong Kong-based Li & Fung Group. "That is the aim of the ICC Research Foundation."

Mr Fung led the launch of both the Foundation and ICC's year-long 90th anniversary celebrations at a reception organized by ICC Switzerland. ICC Honorary Chairman Marcus Wallenberg delivered the closing remarks. The other main speakers included Pascal Lamy, Director-General of the World Trade Organization, and Micheline Calmy-Rey, Member of the Swiss Federal Council and Head of the Federal Department of Foreign Affairs.

The ICC Research Foundation will commission research to demonstrate the public benefits that flow from an expansion of international trade and investment, and how multilateral rules are particularly beneficial to that end. It will also promote a deeper understanding by policymakers, the media and the public at large of the benefits of international trade and investment, and the dangers of protectionism, through a public education programme drawing on the results of its research.



Founded in 1919, ICC promotes trade and investment across frontiers and helps business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity remains as valid today as it was 90 years ago.

The ICC Research Foundation will commission studies by research bodies, academic institutions and other experts in the areas of trade and investment. Its initial research projects will examine the contribution to global prosperity of international trade as seen from the perspective of different geographical regions - beginning with Europe, the US and Asia.

ICC makes recommendations at the Internet Governance Forum consultations



ICC/BASIS expressed its strong support in Geneva in last week of February for the Internet Governance Forum (IGF) in its current format, believing it allows an open dialogue among all stakeholders concerned with Internet governance issues. The two-day open consultations reviewed the discussions in Hyderabad, India, last December and began preparations for the upcoming IGF session in Egypt.

The IGF is the only setting open to all interested parties, allowing for discussions on issues ranging from what it takes to secure networks, how to balance privacy concerns and policy approaches to address infrastructure investment in the Internet, especially in developing countries. The key benefit of the Forum is that it brings people together from widely different sectors - governments, civil society, business, international organizations and technical experts--who would otherwise not necessarily talk with each other.

The Forum, which brings together experts from many technical groups, governments, civil society, and business, was created to support the United Nations Secretary-General in carrying out the mandate from the World Summit on the Information Society (WSIS).

At the last IGF there were important discussions on key security and privacy issues, which

also focused on child protection online topics, bringing to light the work being done by many organizations on these matters and the role of all stakeholders in addressing them. The issues of use and misuse of the Internet and concerns of everyday users will continue to be matters that the IGF can play a real role in facilitating exchange of information.

Just how important the Internet is becoming in the developing world is underscored by the geometric growth of new technologies. When WSIS 2005 ended, approximately 1 billion people were connected to the Internet. Today, three years later, the information society has expanded to 1.5 billion Internet users. Similarly, at WSIS 2005, slightly more than 2 billion people were mobile phone subscribers. By the end of this year, 4 billion people around the world will have access to mobile services and devices.

ICC submits views on climate change to United Nations

ICC has stressed commitment to achievable objectives, the role of markets, support for research and development and other views of world business in its submission to the United Nations Framework Convention Climate Change (UNFCCC) on the elements needed to achieve a global, post-2012 UNFCCC framework agreement on climate change.

A binding climate change agreement is expected to be finalized during the UNFCCC meeting in Copenhagen in December 2009.

As highlighted by the UNFCCC Secretariat, business has been responsible for the vast majority of investments and financial flows into climate change. The Bali Action Plan - the two-year process launched at the UNFCCC meeting in Bali in 2007 and aimed at finalizing the agreement at the end of this year - has provided greater clarity for business to better design research and development programmes as well as investment plans.

In its submission to the UN, ICC said that a post-2012 framework under the UNFCCC should seek to maximize and enable the contribution of business and should reflect the following overarching principles:



Commit all countries to achievable mid- and longer-term objectives and policies, taking into account the principle of common but differentiated responsibilities, national priorities and circumstances; Recognize the important role of markets in any cost-effective response to climate change and enhance market-based approaches in conjunction with other policy instruments for more environmentally sound investment; Keep all energy options open and stimulate the broader use of existing energy-efficient and low-carbon technologies to enable cost-effective greenhouse gas emissions reductions;

Recognize that concerted, global support for research and development will need to be put in place in order to increase the pace of change for certain technologies; Address adaptation needs, particularly in vulnerable developing countries, and create frameworks and governance structures to efficiently attract the necessary resources; Strengthen multilateral trade and investment that will support the economic and technological flows required to implement solutions.

As the business and industry focal point for the UNFCCC negotiations, ICC will continue to bring a wide range of business views to ensure a successful outcome in Copenhagen.

ICC calls for more business input for border security

Strongly supports concept of mutual recognition of trade partnership

ICC is urging governments to provide meaningful opportunities for the private sector to supply input on mutual recognition of US-EU trade partnership programmes for border security.

The ICC recommendations are outlined in a recently released ICC discussion paper on mutual recognition between the US and the EU. Mutual recognition arrangements would allow the companies of one supply chain security programme to receive benefits similar to those conferred



to companies participating in another country's programme.

The paper, prepared by the ICC Commission on Customs and Trade Regulations in consultation with the Commission on Transport and Logistics, welcomes the adoption of a roadmap in March 2008 to improve border security by chartering steps toward mutual recognition of trade partnership programmes.

ICC calls for mutual recognition to be achieved as soon as possible without distorting trade flows. The paper acknowledges the release of an abridged version of the roadmap but strongly urges the governments to share the roadmap with the private sector and presses them to seek business input to shape the programme and ensure the suitability of the programme for all supply chain entities - in particular small- and medium-sized enterprises (SMEs). To avoid speculation and ensure suitability, the paper calls for the roadmap to quantify and track the benefits of trade partnership programmes.

ICC strongly supports the concept of mutual recognition of trade partnership programmes that balance border controls and trade facilitation. The ICC paper states that a successful US-EU mutual recognition programme would cover approximately 40% of global trade and could set a precedent that would improve both supply chain security and global trade facilitation.

The paper notes certain challenges to the attainment of mutual recognition. These include the fact that the US Customs-Trade Partnership against Terrorism does not deal directly with export security, and the requirements of EU Authorized Economic Operator programmes to file separate applications and undergo separate verification processes for each incorporated legal entity in a group of related companies under common control.

ICC sets out recommendations in the paper on a number of specific business concerns, such as the need for interoperable electronic systems, proprietary data confidentiality and the need for SME flexibility.

National University of Singapore wins mediation competition



The National University of Singapore has taken first place in the 4th Annual International Commercial Mediation Competition hosted by the Amicable Dispute Resolution Service (ADR) of the International Chamber of Commerce (ICC). This year's competition took place at the ICC Secretariat in Paris on 7-12 February.

Participants from 40 universities in 18 countries competed over four days, applying ICC's Amicable Dispute Resolution (ADR) Rules to solve problems devised by a special drafting committee of international mediation experts.

The drafting committee was comprised of the following ADR experts:

- Tracy Allen, International Mediator, Arbitrator, and ADR Trainer; Global Resolutions PLLC
- Claude Amar, Architect, Mediator, Hotel Developer and Managing Director of the John Hardy Group International
- Ronald Austin, Partner and Moderator of Global Mediation Group; Clifford Chance
- Jeremy Lack, Partner; Altenburger
- David Plant, Mediator and Adjunct Professor; Cornell University Law School

Ronald Austin and Claude Amar judged the final round with David Plant acting as mediator.

Hamline University School of Law (USA) made it to the final to take second place while third place went to Jagiellonian University (Poland).

The 2009 competition was sponsored by Fidal, Clifford Chance and Chartered Institute of Arbitrators.

IMB reports unprecedented rise in maritime hijackings

293 incidents of piracy against ships during 2008

The ICC International Maritime Bureau (IMB) Piracy Reporting Centre (PRC) on January 16 released its annual piracy report which shows an unprecedented rise in maritime hijacking in 2008. The 2008 figures surpass all figures recorded by the PRC since it began its worldwide reporting function in 1991.

In 2008, 49 vessels were hijacked, as compared to 18 in 2007. Also in 2008, 889 crew were taken hostage and a further 46 vessels were reported being fired upon. A total of 32 crew members were injured, 11 killed and 21 missing - presumed dead. Guns were used in 139 incidents, up from 72 in 2007.

In 2008 there were worldwide a total of 293 incidents of piracy against ships, which is up more than 11% from 2007 when there were 263 incidents reported.

The increase is attributed to the number of attacks in the Gulf of Aden with 111 incidents reported on the east coast of Somalia and the Gulf of Aden. The rise peaked in September with 19 attacks. In October and November there were 15 and 16 vessels attacked respectively. This is an increase of nearly 200% from 2007. In addition, 2008 saw the largest tanker ever being hijacked by Somali pirates, and successful attacks being carried out at greater distances from land than in previous years. All types of vessels with varying freeboards and speeds were targeted. The pirates boarding the vessels were also better armed than in previous years and prepared to assault and injure the crew.

"We are encouraged by recent efforts to tackle Somali piracy and hope that more governments will continue to devote more assets to the region. International navies are the only ones capable of effective response against piracy in the region and can help to secure the safety and security of this major maritime trade route," said Captain Pottengal Mukundan, Director of the ICC International Maritime Bureau.

Nigeria ranked second in the report with 40 reported incidents including 27 vessels boarded, five hijackings and 39 crew members kidnapped. The PRC is also aware of approximately 100 further unconfirmed incidents that have occurred in Nigeria. Under-reporting from vessels involved in incidents in the Nigerian waters remains a great concern.

On the positive side, there have been declines in other regions. "Indonesia should be applauded for its sustained efforts in curbing piracy and armed robbery in its waters," said Captain Mukundan. "Compared to 2003 when 121 attacks were reported, there has been a continued year-on-year decline with 28 incidents reported in 2008, the majority of which were opportunistic, low-level attacks."

The Malacca Straits has also seen a reduction in the number of incidents reported, only two in 2008 compared to seven in 2007. This welcome reduction has been the result of increased vigilance and patrolling by the littoral states and the continued precautionary measures on board ships.

In Bangladesh (Chittagong) and Tanzania (Dar es Salaam) there have been some incidence of robbery when the vessels are at anchor and those approaching the anchorage. Robbers in Chittagong mainly steal ship stores while in Dar es Salaam, the cargo is the target. Of the 14 vessels attacked in



Dar es Salaam, 12 were container ships. Bangladesh has shown a slight increase in the number of attacks (12) compared to last year (10). It has taken the Bangladeshi authorities considerable effort to bring the number of incidents down and this pressure on the robbers should be sustained. Shipmasters are advised to maintain strict anti-piracy watches especially while approaching this anchorage and while anchored.

The IMB strongly urges all shipmasters and owners to report all incidents of actual and attempted piracy and armed robbery to the IMB PRC This is the first step in the response chain and vital to ensure that adequate resources are allocated by governments to deal with the problem. A set of transparent statistics from an independent, non-political, international organization such as the IMB PRC acts as an effective catalyst to achieve this goal

Contest for second bi-annual World Business Law Prize

The ICC Institute of World Business Law has launched the 2009 contest for its bi-annual prize rewarding outstanding legal writing and contributions to international commercial law. The winner will receive a cheque worth of 10,000.

The first edition of the prize, launched in 2007, saw 11 entries in both English and French from six countries. Among the topics covered were the Vienna Convention, international contract negotiations, international global disputes at the World Trade Organization, and a variety of global issues in arbitration.

The award went to Vincent Chantebout for his submission: "The prohibition of the review on the substance of the arbitral award."Chantebout's paper was chosen unanimously by the five-member jury, made up of ICC Institute of World Business Law Council members.
Charles-Emmanuel Coté received a special mention for his submission, "The participation of private persons in the settlement of international economic disputes: the enlargement of legal standing in the WTO." His thesis was published by Bruylant.

Contestants must enter by 1 July 2009, with the prize winner announced in November. The award will be given in Paris on 7 December, 2009 on the occasion of the annual meeting of the Institute of World Business Law.

The competition is open to any person except members and former members of the ICC Institute of World Business Law, members of the ICC International Court of Arbitration and its Secretariat, employees or colleagues from jury



members' companies. Candidates cannot be older than 40 years on the closing date for the entries.

The works submitted should be between 200 and 250 pages excluding auxiliary material such as prefaces, indexes, and appendices. The submissions may be written in English or French, the two official languages of ICC. Authors will retain the copyright of their works and are free to publish them once the jury's decision has been announced.

World Chambers Congress in Kuala Lumpur vital as economic crisis deepens



The 6th World Chambers Congress in Kuala Lumpur this June provides an excellent opportunity for chamber of commerce leaders to exchange ideas on how they are working with business and governments to meet the challenges of the worldwide recession.

Participants will also debate and exchange viewpoints on other global challenges, including the food, water and energy crises and the impact of climate change.

Organized by the ICC World Chambers Federation (WCF) and hosted by the Federation of Malaysian Manufacturers (FMM), the Congress will take place on 3 - 5 June, bringing together the global community of over 14,000 chambers of commerce.

"This year the Congress takes on a special importance as it comes during the worst recession and financial crisis in many decades," said Rona Yircali, Chair of the World Chambers Federation. "It will provide participants an invaluable opportunity to learn how others are coping and to coordinate action to help businesses get through this difficult period."

"This Congress serves as a valuable reminder of the vital role chambers of commerce play in their communities, supporting local economic development and facilitating trade," Yircali added.

The Congress, which takes place every two years in a different region of the world, is the only international forum for chamber leaders to share experiences and best practices, develop networks and address the latest business issues affecting their community.

News from WTO Hqs. in Geneva

World trade 2008, prospect for 2009

WTO sees 9% global trade decline as recession strikes

The collapse in global demand brought on by the biggest economic downturn in decades will drive exports down by roughly 9% in volume terms in 2009, the biggest such contraction since the Second World War, WTO economists forecast released on March 25."Trade can be a potent tool in lifting the world from these economic doldrums. In London G20 leaders will have a unique opportunity to unite in moving from pledges to action and refrain from any further protectionist measure which will render global recovery efforts less effective," said Director-General Pascal Lamy.

The collapse in global demand brought on by the biggest economic downturn in decades will drive exports down by roughly 9% in volume terms1 in 2009, the biggest such contraction since the Second World War, WTO economists forecast today. The contraction in developed countries will be particularly severe with exports falling by 10% this year. In



developing countries, which are far more dependent on trade for growth, exports will shrink by some 2%-3% in 2009, WTO economists say.

Economic contraction in most of the industrial world and steep export declines already posted in the early months of this year by most major economies - particularly those in Asia - makes for an unusually bleak 2009 trade assessment, said the WTO in its annual assessment of global trade.

Signs of the sharp deterioration in trade were evident in the latter part of 2008 as demand sagged and production slowed. Although world trade grew by 2% in volume terms for the whole of 2008 it tapered off in the last six months and was well down on the 6% volume increase posted in 2007.

"For the last 30 years trade has been an ever increasing part of economic activity, with trade growth often outpacing gains in output. Production for many products is sourced around the world so there is a multiplier effect - as demand falls sharply overall, trade will fall even further. The depleted pool of funds available for trade finance has contributed to the significant decline in trade flows, in particular in developing countries," said Director-General Pascal Lamy.

"As a consequence, many thousands of trade related jobs are being lost. Governments must avoid making this bad situation worse by reverting to protectionist measures which in reality protect no nation and threaten the loss of more jobs. We are carefully monitoring trade policy developments. The use of protectionist measures is on the rise. The risk is increasing of such measures choking off trade as an engine of recovery. We must be vigilant because we know that restricting imports only leads your trade partner to follow suit and hit your exports. Trade can be a potent tool in lifting the world from these economic doldrums. In London G20 leaders will have a unique opportunity to unite in moving from pledges to action and refrain from any further protectionist

This press release has been published in all fairness to other media ahead of the embargo date of 25 March due to a breach of the embargo first in Holland by NRC Handelsblad, on its website and in its evening print edition on 23 March, and following that globally by Bloomberg news agency.

measure which will render global recovery efforts less effective," Mr. Lamy said.

Financial Crisis Sparks Downturn

Following the dramatic worsening of the financial crisis since September of last year, real global output growth slowed to 1.7%, compared to 3.5% in 2007, and is likely to fall by between 1% and 2% in 2009. This is the first decline in total world production since the 1930s, and its impact is magnified in trade. But WTO economists warn that the extraordinary turbulence of world markets in recent months and the continued uncertainty about the near-term trajectory of the global economy makes gauging the preliminary 2008 trade estimates and 2009 projections unusually difficult.

A notable aspect of the current slowdown in world trade is its synchronized nature. Monthly exports and imports of major developed and developing economies have been falling in unison since September 2008 (see Appendix Chart 1). With the growing share of developing countries' trade in the global total, and increased geographical diversification of these flows, it was assumed by some commentators that a "decoupling" effect would have made developing countries less vulnerable to economic turmoil in developed countries. This has not turned out to be the case.

The WTO's preliminary estimate of 2% growth in world trade volume for 2008 is substantially lower than the forecast of 4.5% growth issued a year ago. However, last year's outlook did identify significant downside risks related to developments in financial markets. A large part of the explanation for the over-estimation was the unexpected and very sharp drop in global production in the fourth quarter of 2008.

Trade prospects for 2009

In projecting trade growth for 2009, we assume a normal pattern for a recession, where trade falls, remains weak for a time and then resumes its upward trajectory and begins to return to its previous trend. If this basic scenario holds, world merchandise trade is likely to fall some 9% in volume terms in 2009 (ie, where price changes have been removed from the calculation), with developed economy exports falling by some 10% on average and developing country exports shrinking by 2-3%.

Trade prospects for 2009 are heavily conditioned by the financial crisis that began almost two years ago in the United States. The crisis intensified dramatically following the collapse of the Wall Street investment bank Lehman Brothers in September of last year, and the government-led rescue of a number of financial institutions in the United States and elsewhere. Turmoil in the financial sector and acute credit shortages spread inexorably to the real sector. Declining asset prices, faltering demand and falling production translated into dramatically reduced and in some cases negative production and trade growth in many countries. Trade has also been affected adversely by a sharp shrinkage in credit to finance imports and exports.

Although the crisis began in the United States, financial institutions and economies throughout the developed and developing world have been severely affected. The deteriorating economic situation has taken a toll on both consumer and business confidence, and produced a negative feedback between the financial sector and the rest of the economy that dominates the outlook for 2009.

The months since last September have seen precipitous drops in global production and trade, first in the developed economies, then in developing ones as well. Indexes calculated by the Organization for Economic Cooperation and Development (OECD) of composite leading indicators for the major industrial economies have plunged to January 2009, indicating a high probability of a continuing decline in economic activity. Governments have tried a variety of policy measures to address the economic crisis, including bailouts for banks that are important for the economic and financial system, and, more recently, mortgage assistance for struggling home owners in the United States. All of this is in addition to monetary and fiscal policies that have been deployed since the start of the crisis. Conventional monetary policy may be reaching the limits of its effectiveness, with interest rates in the United States and elsewhere approaching zero. The timing of the recovery may now depend on how effective are proposed fiscal stimulus plans, which currently amount to more than 3% of world production.

Since the recession began to take hold in the fourth quarter of 2008 there has been little cause for optimism in the outlook for trade in 2009. The financial crisis has disrupted the normal functioning of the banking system and deprived firms and individuals of much-needed credit. Falling stock markets and housing prices have also administered negative shocks to wealth in the United States and elsewhere, making households unwilling to purchase durable goods such as automobiles while they attempt to rebuild their savings. Falling commodity prices, while a boon to consumers in importing countries, have also deprived oil-producing countries of

export revenues.
Not even China, with its dynamic economy, can insulate itself from global downturn when most of its main trading partners are in recession. China's exports to its top six trading partners (treating the EU as a single partner) represented 70% of the country's total exports in 2007. All of these trading partners are currently experiencing economic contraction or slowdown and are likely to exhibit weak import demand for some time.

Available monthly data for most major traders show large drops in merchandise exports and imports through the first two months of 2009. An exception to this pattern of decline in trade flows is discernible for certain economies in Asia, where positive monthly import growth numbers were recorded for China (17 per cent) and also for Singapore, Chinese Taipei and Vietnam. While this is only a single month of data, and should therefore be interpreted cautiously, it could be evidence of slowing decline and perhaps a "bottoming out" of negative trade growth trends. Future trade growth will, of course, depend on what happens to demand elsewhere in the world economy.

Moreover, the question must be asked as to how far trade could conceivably fall in the months ahead. As an example, consider China's exports. In February these were down 26% compared with the same month in the previous year and 28% compared with January. If one were to extrapolate this downturn, China's exports would be approaching zero within ten months to a year. This is obviously a highly implausible scenario and emphasizes the reality that such steep declines as those we have witnessed recently will not persist.

Overview of trade and production developments in 2008

Economic growth

World economic growth - measured by total production, or gross domestic product (GDP) - slowed abruptly in 2008 against the backdrop of the worst financial crisis since the 1930s. Weaker demand in developed economies brought about by falling asset prices and increased economic uncertainty helped pull world output growth down to 1.7%, from 3.5% a year earlier. Growth in 2008 was the slowest since 2001 and well below the 10 year average rate of 2.9%.

Developed economies only managed a meagre 0.8% growth during last year, compared to 2.5% in 2007, and an average rate of 2.2% between 2000 and 2008. Developing economies, on the other hand, expanded their output in 2008 by 5.6%, down from 7.5% in 2007, but still equal to their average rate for the 2000-08 period.

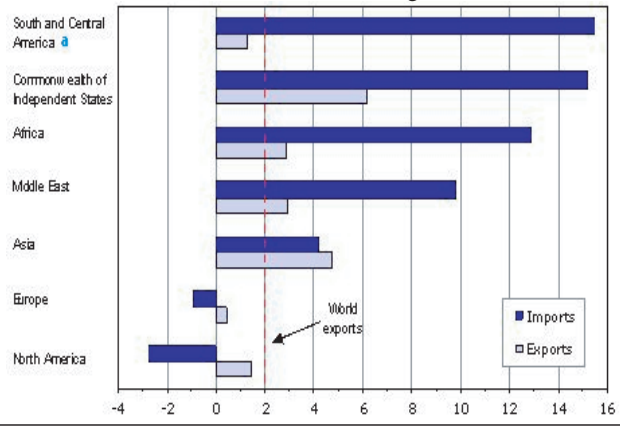
Oil exporting countries experienced rapid growth of 5.5% on average in 2008, with exports from the Middle East growing at an even faster rate of 6.3%. Least-developed countries (LDCs) grew faster than any other group of countries, at 6.6%, and above their 2000-08 average rate of 6.3%. Europe and North America each grew only about 1% in 2008, while the oil exporting regions of South and Central America, the Commonwealth of Independent States, Africa and the Middle East all experienced GDP growth in excess of 5%.

Asia's economic growth (GDP) in 2008 was only 2%, owing in large measure to the negative growth (-0.7%) recorded by Japan. By contrast, developing Asia (excluding Japan, Australia and New Zealand) grew 5.7%, led by China, which registered the fastest growth of any major economy, at 9.0%.

The overall picture was one of continuing growth in the first half of the year, with oil exporting countries in particular benefiting from record high commodity prices. This was followed by faltering growth and the beginnings of a severe downturn in the second half, starting in the United States and other developed countries, and then spreading to developing countries.

Real Merchandise trade growth by region, 2008

Annual % change



Trade

Merchandise trade growth in real terms (i.e. adjusted to discount changes in prices) slowed significantly in 2008 to 2%, compared to 6% in 2007. But trade

still managed to grow faster than global output, as is usually the case when production growth is positive. Conversely, when output growth is declining trade growth tends to fall even faster, as we are now witnessing.

In dollar terms (which includes price changes and exchange rate fluctuations), world merchandise exports increased by 15% in 2008, to $15.8 trillion, while exports of commercial services rose 11% to $3.7 trillion.

The share of developing economies in world merchandise trade set new records in 2008, with exports rising to 38% of the world total and imports increasing to 34%.

Germany's merchandise exports in 2008, at $1.47 trillion, were slightly larger than China's $1.43 trillion. This meant that Germany retained its position as the world's leading merchandise exporter.

Despite its strong overall trade performance, China's exports in some product categories faltered towards the end of the year. Exports of office and telecom equipment to the rest of the world, worth some $381.5 billion in 2008, fell 7% in the fourth quarter compared to the same period of the previous year, after growing at an average rate of 17% during the first three quarters. Exports of office and telecom equipment to the United States fell even more sharply, registering a 13% decline in the fourth quarter after growth of 10% in the third quarter. Overall, exports of Chinese manufactured goods to the United States increased just 1% over the previous year, after growth of 14% in the third quarter.

One of the sectors hardest hit by the global recession has been the automobile industry. Japan's exports of automotive products to the rest of the world fell by 18%, while exports to the United States dropped by 30% in the fourth quarter of 2008. According to the European Automobile Manufacturers Association (ACEA), passenger car registrations were down 18% in Europe in February 2009, compared to the previous year. The new EU member states of Eastern Europe were hardest hit, with a drop of 30%, while Germany was a conspicuous exception with an increase of nearly 22%. Sales in Germany were boosted by a 2,500 euro "scrapping bonus" provided by the German government to customers who replaced an older vehicle with a new one. The scheme is intended to at least partly counteract slumping foreign sales of German cars. According to the German industry association Verband der Automobilindustrie (VDA), the number of vehicles exported in February 2009 fell 51% over the previous year, while the volume of imports was down 47%. Autodata Corp. also reports a 41% decline in American automobile sales in February 2009.

As with merchandise exports, commercial services exports for which data were available fell in the fourth quarter of 2008 compared with the previous year - albeit less so (7-8%) than merchandise (12%). For the year as a whole, commercial services exports grew more slowly than goods exports (on a balance of payments basis), rising by 11% compared with 15% for goods. Exports of transport services rose 15% in 2008 while travel services and other commercial services both increased 10%. The United States remained the largest exporter and importer of commercial services, with exports of $522 billion and imports of $364 billion.

One indicator of the severity of the global downturn in trade has been the fall-off in international shipping. According to the International Air Transport Association (IATA), air cargo traffic was down 23% in December 2008 compared to a year earlier, led by a strong decline of 26% in the Asia-Pacific region. To give some perspective on the magnitude of this drop, the decline recorded in September 2001, when most of the world's aircraft were temporarily grounded, was only 14%.

Another measure that has received a lot of attention recently is the Baltic Dry Index, a measure of the cost of shipping bulk cargo by sea, published by the Baltic Exchange in London, the leading world marketplace for brokering shipping contracts. Movements in the index can be tracked to global demand for manufactured goods. Between June and November of 2008 the Baltic Dry Index fell by 94%.

Annual trade figures in dollar terms were strongly influenced by changes in commodity prices and exchange rates in 2008. Despite the fact that fuel prices ended 2008 at a lower level than at any point in 2007, average prices for 2008 were about 40% higher than 2007, which tended to raise total merchandise imports for most countries. For example, United States merchandise imports grew 7% in 2008, but non-fuel imports only increased by 1%. Prices for food and beverages have also receded

Pascal Lamy at launching of ICC's 90th anniversary

"Trade is part of the solution to the global economic crisis"

Director-General Pascal Lamy, in an address at the launching of the 90th anniversary of the International Chamber of Commerce held in Geneva on 2 February, warned members against "sliding down a slippery slope of tit-for-tat (protectionist) measures," quoting Mahatma Gandhi who said "an eye for an eye makes the whole world blind". He urged the business community to support the Doha Round, which he said "can be part of the solution to the economic downturn". This is what he said:



Ladies and Gentlemen,

In 1919, a handful of entrepreneurs decided to create an organization that would represent business everywhere. They were determined to bring hope to a world still devastated by the First World War, which had just ended. They resolved to replace fear and suspicion with a new spirit of friendly international cooperation among business people. They founded the International Chamber of Commerce and called themselves "the merchants of peace".

In the 1920s the ICC focused on reparations and war debts. At that time the world had few working international structures and no world system of rules to govern trade relations. A decade later, it struggled through the years of depression to hold back the tide of protectionism and economic nationalism. The ICC saw the creation of the multilateral trading system with the birth of the GATT, the predecessor of the WTO, and contributed to its strengthening to the current day.

And today, as we celebrate the International Chamber's 90th anniversary, the ICC has again demonstrated its commitment to a more open multilateral trading system with the launch of the ICC Research Foundation. I would like to compliment Victor Fung and Marcus Wallenberg for taking this initiative that will undoubtedly contribute to a better understanding of the benefits of a more open and regulated multilateral trading system. Stimulating intellectual leadership and a broader understanding of what works best in support of the public interest will certainly add to a more balanced and considered debate on the benefits of trade opening.

This is all the more important, given the state of the world economy today. Like many of you, I have just returned from the annual World Economic Forum meeting in Davos. Much of what I heard there from political, business and union leaders can be summarized by the words "pessimism" and "fear".

Fear of massive job losses. Fear of lack of credit even for relatively safe operations, such as those to finance trade transactions. Fear of a sharp decrease in trade which is stalling an important engine for growth, especially for many developing countries.

The world growth projections today are at 0 per cent, with developed countries posting a negative growth of -2 per cent and developing countries a positive one of around 5 per cent. The positive growth comes from emerging countries which are highly dependent on trade. With the forecast that global export volumes will contract by -2 per cent in 2009, many emerging economies have sounded the alarm bell.

Trade has become another casualty of the recession provoked by the severe financial crisis caused by lack of regulation, supervision and excess. In these times of serious economic crisis, our biggest challenge today is to ensure trade is part of the solution and not part of the problem.

In this period of uncertainty and fear, calls for a stronger role for

governments and regulators to intervene resonate well. But for this to be successful, all actors have to agree on common targets and enemies, and work together. Global cooperation within and across countries is therefore of the essence. At times of global economic crisis, enemy number one is isolationism.

We still remember the 1930 Smoot and Hawley Act sharply raising US tariffs on more than 20,000 products. We also remember that many other countries retaliated, raising their tariffs on US goods. The Great Depression followed. Whether it is with tariffs or with new, more sophisticated faces of Smoot and Hawley, today we run the risk of sliding down a slippery slope of tit-for-tat measures. It was Mahatma Gandhi who said "an eye for an eye makes the whole world blind".

Ladies and gentlemen, paraphrasing Gandhi today we could say that "if it is a job for a job, then we will have massive unemployment".

To help WTO members have a better and real-time idea of global trends in international trade and trade policy developments, we have set up a radar tracking trade and trade-related measures taken in the context of the current crisis. Up until last Monday the radar picture showed that most WTO members appear to have successfully kept domestic protectionist pressures under control. In the meantime, a new spot has appeared with the "Buy America" provision in the draft US stimulus package to be considered by the US Senate this week.

Protection, yes; isolationism, no. Governments must provide answers to the social unrest which is brewing behind the massive job losses. This is the time to activate social safety nets, not only in rich countries because there are also poor in rich societies. But also, and in particular, in the poorer countries who do not have the means to weather the storm. The stimulus packages that have been adopted need to provide answers to those who are being left behind in this crisis.

And it is in this context that we all risk seeing trade and the WTO lumped together with the elements of the Washington consensus which many believe to have failed. With de-regulation and privatisations. And it is now that we risk throwing the baby out with the bath water.

This is why now more than ever it is time to stress the value of trade as a multiplier of growth and the value of the multilateral trading system, with its 60 years of global regulation, as an insurance policy against protectionism. I would humbly ask that these issues be included on the to-do list for the ICC Research Foundation that we are launching today.

This is the time to invest in the WTO and strengthen the global rules-based system which has so carefully been constructed over the last 60 years. A conclusion of the Doha Development Round of negotiations is therefore all the more relevant and urgent.

Many of the trade ministers who I met in Davos last week mentioned that trade is an integral part of the stimulus packages that are being adopted. In my view it is in fact an essential part of the recovery package.

Let's be frank: this crisis will take much more than a Doha deal to restore the path of growth. But a successful outcome of the Doha Development Round can be part of the solution to the economic downturn. It will also send the political signal that at harsh and difficult times, governments are capable of working together to provide the kind of global answer which is so desperately needed.

This is why WTO members should pick up from where they left off in 2008 and enter the negotiating arena with renewed commitment. I am encouraged to find support in this respect from many political leaders around the world and I count on them to show the way forward.

We have accomplished around 80 per cent of our set targets in the Doha Round. But with the necessary political guidance, the willingness to compromise and realistic expectations, I am convinced that we can conclude these negotiations rapidly.

It goes without saying that this cannot be done without the support and active involvement of the business community. The ICC has been exemplary in this respect and I count on you and your members to continue to be supporters of more open trade and stronger multilateral rules. I realize full well that these are very tough times for the business community, but I urge all of you to show restraint when the crisis bites and to continue to champion the ICC's core mission.

Let me end by wishing the ICC success in the newly established Research Foundation. I am convinced that in 10 years from now, when the ICC celebrates its 100th anniversary and the WTO has only vague memories of the once so difficult Doha round, history will prove us right. That our conviction and dedication to a more open and equitable world trading system is our contribution to a more peaceful and prosperous planet.

Chairpersons for 2009 for WTO bodies

The WTO General Council on February 3 noted the consensus on the following slate of names of chairpersons for WTO Bodies:

General Council H.E. Mr. Mario MATUS (Chile)	Dispute Settlement Body H.E. Mr. John GERO (Canada)
Trade Policy Review Body H.E. Dr. István MAJOR (Hungary)	Council for Trade in Goods H.E. Mrs. Elin Østebø JOHANSEN (Norway)
Council for Trade in Services H.E. Mr. Yonov Frederick AGAH (Nigeria)	Council for TRIPS H.E. Ms. Karen TAN (Singapore)
Committee on Trade and Development H.E. Mr. Shree Baboo Chekitan SERVANSING (Mauritius)	Committee on Balance-of- Payments Restrictions H.E. Mr. Arsene M. BALIHUTA (Uganda)
Committee on Budget, Finance and Administration H.E. Mrs. Marie-Claire SWÄRD CAPRA (Sweden)	Committee on Trade and Environment H.E. Mr. Bozkurt ARAN (Turkey)
Committee on Regional Trade Agreements Mr. Detlev BRAUNS (Germany)	Working Group on Trade, Debt and Finance Mr. Martin GLASS (Hong Kong , China)
Working Group on Trade and Transfer of Technology H.E. Mr. Kwabena BAAH-DUODU (Ghana)	

New WTO online training courses attract over 1,000 participants

A total of 1,091 government officials from developing and least-developed countries (LDCs) are participating in three online WTO courses, which started on 30 March 2009. The aim of the courses is to provide online training on matters related to international trade and WTO agreements. The courses are being conducted in English and will last six to eight weeks. WTO staff will monitor the participants' progress throughout the course.

The courses are on the following elements:

- trade-related aspects of intellectual property rights
- eWTO: the multilateral trade agreements
- trade remedies and the WTO

The course on multilateral trade agreements is a new course which aims to deepen understanding of the WTO system, including its economic and legal rationale and the relationship between the various WTO agreements. It will cover the main rules of the WTO - in terms of WTO members' obligations and exceptions to the rules - and the WTO's surveillance mechanisms. The course will look at cross-cutting issues, such as the relationship between trade and environment and the interplay between regional trade agreements and the WTO. The special provisions available to developing and least-developed countries will also be addressed during the course.

Furthermore, participants will be able to take part in live chat sessions and discussion forums on various WTO issues with experts from the WTO.

World merchandise trade by region and selected country, 2008

(Figures in $bn and %)

Country	Exports					Imports				
		Annual % change					Annual % change			
	Value 2008	2000-2008	2006	2007	2008	Value 2008	2000-2008	2006	2007	2008
World	15775	12	16	16	15	16120	12	15	15	15
North America	2049	7	13	11	10	2909	7	11	6	7
United States	1301	7	15	12	12	2166	7	11	5	7
Canada	456	6	8	8	8	418	7	11	9	7
Mexico	292	7	17	9	7	323	7	15	10	9
South and Central America [a]	602	15	21	14	21	595	14	22	25	30
Brazil	198	17	16	17	23	183	15	23	32	44
Other South and Central America a	404	14	23	13	20	413	14	21	23	24
Europe	6456	12	13	16	12	6833	12	15	16	12
European Union (27)	5913	12	13	16	11	6268	12	14	16	12
Germany	1465	13	14	19	11	1206	12	17	16	14
France	609	8	7	11	10	708	10	7	14	14
Netherlands	634	13	14	19	15	574	13	15	18	16
Italy	540	11	12	18	10	556	11	15	14	10
United Kingdom [b]	458	6	16	-2	4	632	8	17	4	1
Commonwealth of Independent States (CIS)	703	22	25	20	35	493	25	30	35	31
Russian Federation [c]	472	21	25	17	33	292	26	31	36	31
Africa	561	18	19	18	29	466	17	16	24	27
South Africa	81	13	13	20	16	99	16	26	12	12
Africa less South Africa	481	19	20	17	32	367	18	13	28	31
Oil exporters [d]	347	21	21	18	36	137	21	9	31	37
Non oil exporters	133	15	18	15	22	229	16	15	27	28
Middle East	1047	19	22	16	36	575	17	12	25	23
Asia	4355	13	17	16	15	4247	14	16	15	20
China	1428	24	27	26	17	1133	22	20	21	19
Japan	782	6	9	10	10	762	9	12	7	22
India	179	20	21	22	22	292	24	21	25	35
Newly industrialized economies (4) [e]	1033	10	15	11	10	1093	10	16	11	17
Memorandum items:	6025	15	20	17	20	5494	15	17	18	21
Developing economies	279	16	16	18	25	259	14	24	31	41
MERCOSUR [f]	990	11	17	12	15	936	12	14	13	21
ASEAN [g]	1928	12	11	17	13	2283	12	16	16	16
EU (27) extra-trade	176	22	25	24	36	157	17	15	24	27
Least Developed Countries (LDCs)										

a. Includes the Caribbean. For composition of groups see the Technical Notes of WTO, International Trade Statistics, 2008.

b. The 2007 annual change is affected by a reduction in trade associated with fraudulent VAT declaration. For further information, refer to the special notes of the monthly UK Trade First Release

c. Imports are valued f.o.b.

d. Algeria, Angola, Cameroon, Chad, Congo, Equatorial Guinea, Gabon, Libya, Nigeria, Sudan.

e. Hong Kong, China; Republic of Korea; Singapore and Chinese Taipei.

f. Common Market of the Southern Cone: Argentina, Brazil, Paraguay, Uruguay

g. Association of Southeast Asian Nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam.

Source: WTO Secretariat.


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