ICC Bangladesh
The world business organization

20 Years of ICC in Bangladesh 1994-2014

Special Publication

ICC International Conference on

Global Economic Recovery: Asian Perspective



Dhaka, Bangladesh
25-26 October 2014

Celebrating



ICC Bangladesh

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Co-Organizers

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)

Dhaka Chamber of Commerce & Industry (DCCI)

Metropolitan Chamber of Commerce & Industry (MCCI), Dhaka

Chittagong Chamber of Commerce & Industry (CCCI)

Bangladesh Garment Manufacturers & Exporters Association (BGMEA)

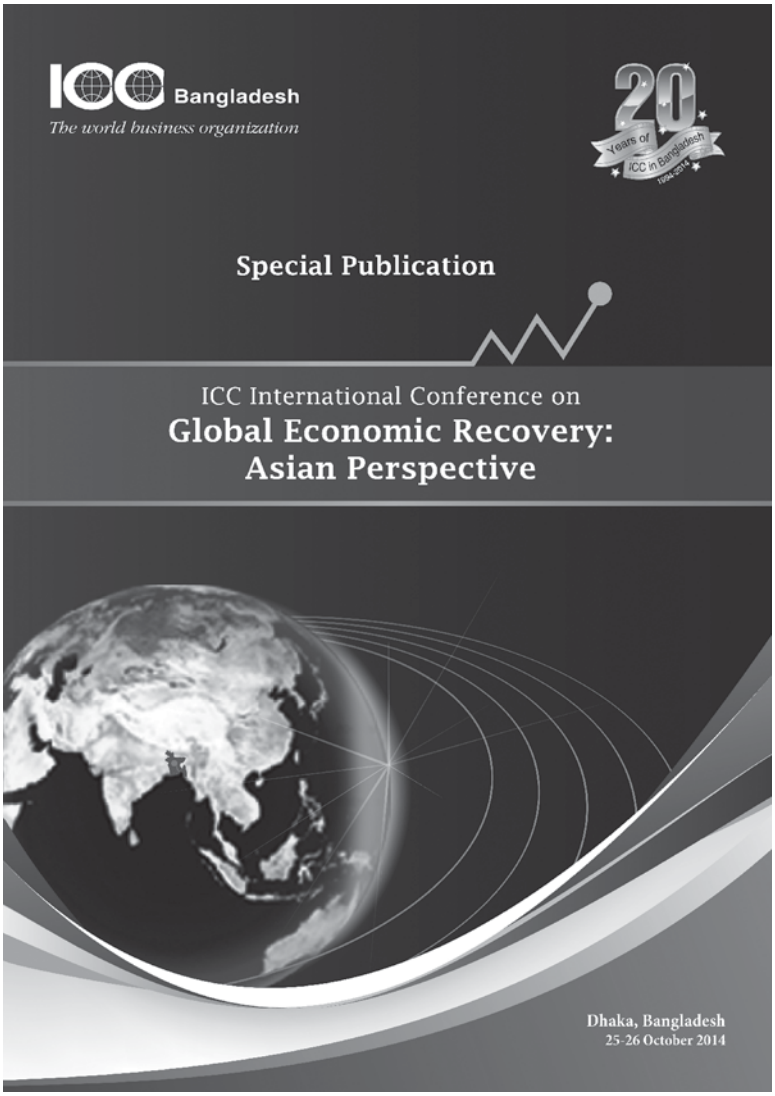
Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)

Foreign Investors' Chamber of Commerce & Industry (FICCI)

Bangladesh Insurance Association (BIA)

The Institute of Chartered Accountants of Bangladesh (ICAB)

Nordic Chamber of Commerce and Industry in Bangladesh (NCCI)



National Secretariat
Suvastu Tower (6th Floor), 69/1, Pantha Path, Dhaka 1205, Bangladesh
Tel: +880-2-964 1286, +880-2-967 6698, Fax: +880-2-964 1287
E-mail: info@iccbangladesh.org.bd, iccb@bdmail.net
Website: www.iccbangladesh.org.bd

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

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Foreword

The world economy, five years after the global financial crisis, is showing signs of hesitant recovery this year. The World Bank expects the developed countries to grow by 1.9% in 2014, accelerating to 2.4% in 2015 and 2.5% in 2016. This year, the US may achieve a growth rate of 2.1%, but it is unlikely that the Euro area will reach more than 1.1%. High-income economies are expected to contribute about half of global growth in 2015 and 2016, compared with less than 40 percent in 2013.

Although Asia has made major strides since the 2008-9 global recession days, not all countries are out of the woods. The Asian Development Bank projects regional growth to pick up to 6.2% in 2014 and 6.4% in 2015 – for most Asian countries, this is not fast enough. The averages mask the status of individual Asian countries.

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Under the "Abenomics" stimulus campaign that Prime Minister Abe began in early 2013, the results have not met expectations. The forecast is growth of 1.5% in 2014 and 1.1% in 2015.

China's economic rise was built on the suppression of its currency to support cheap exports. In 2010, China encouraged a transition away from export-led growth. But this year, with the economy growing at the slowest pace in more than a decade, policies may change. The World Bank, in its October forecasts, expects a growth rate of 7.4% in 2014, and 7.2% in 2015.

With parliamentary elections over, India is expected to pursue long-delayed reform. India's growth forecast is maintained at 5.5% in fiscal year 2014 but upgraded to 6.3% in FY2015 as expected reform bears fruit.

WTO's forecast of trade growth is interesting. Although the 2014 forecast of 4.7% is more than double the 2.1% increase of last year, it remains below the 20-year average of 5.3% growth annually. For the past two years, growth has averaged only 2.2%. The trade forecast for 2014 is premised on an assumption of 3.0% growth in world GDP growth at market exchange rates, while the forecast for 2015 assumes output growth of 3.1%. It is unlikely that these GDP growth rates will be achieved. *Volatility is likely to be a defining feature of 2014-15 as monetary policy in developed economies becomes uncertain.*

Geopolitical risks have introduced an additional element of uncertainty to the forecast. Civil conflicts and territorial disputes in the Middle East, Asia and Eastern Europe could provoke higher energy prices and disrupt trade flows if they escalate.

It is therefore, imperative that world leaders give their top most priority for the development of an integrated global strategy for sustaining the projected world growth momentum.

In celebration of the 20th year of ICC's presence in Bangladesh, it's National Committee has, therefore, chosen the theme: "Global Economic Recovery: Asian Perspective" for the Conference.



Date : 25 October, 2014
Dhaka, Bangladesh

Mahbubur Rahman
President

Message from The President

بِسْمِ اللهِ الرَّحْمٰنِ الرَّحِيْمِ



I am delighted to learn that the International Chamber of Commerce (ICC) Bangladesh is going to organise a two-day ICC International Conference on "Global Economic Recovery : Asian Perspective" in Dhaka on 25-26 October, 2014 coinciding with 20 years of ICC's presence in Bangladesh. On the occasion of the Conference, I extend my sincere thanks and felicitations to the participants, delegations, experts and guests from home and abroad.

The world economy is passing with huge turmoil due to recent prolonged global recession. We have been observing that many people around the world have become jobless and the rate of economic growth become downward trends due to negative impact of economic slowdown. In this backdrop economic recovery can play a vital role in building a country's economic activity and infrastructure. I have been informed that some Asian countries have played the key role in overcoming the economic downturn by maintaining steady growth. It is expected that Asia will continue to lead the way for sustained world growth in the days to come. I have come to know that ministers, business delegations and leading entrepreneurs, professionals and experts from different countries of Asia and other continent would take part in the conference and express their valuable opinion. I am confident that the conference will surely be enriched with the intellectual deliberations by the experts on economic recovery strategies which will usher in fresh idea and policies for overcoming the downturn.

I wish the Conference of ICC a grand success.

Khoda Hafez. May Bangladesh Live Forever.

Md. Abdul Hamid
President
People's Republic of Bangladesh

Message from The Prime Minister

بِسۡمِ اللّٰہِ الرَّحۡمٰنِ الرَّحِیۡمِ



I am happy to learn that Bangladesh National Committee of International Chamber of Commerce (ICC) is organizing ICC International Conference on "Global Economic Recovery: Asian Perspective" in Dhaka on 25-26 October 2014 coinciding with 20 years of ICC's presence in Bangladesh. On this occasion, I would like to congratulate everyone who has been associated with this good initiative.

We are aware that the economic recession has left its own obvious impact on Asian growth and development. Many had hoped that the global economy would recover based on Asian progress. While some Asian countries have been largely unaffected by the turmoil in the West, others have used extensive fiscal monetary measures to help their respective economies adjust.

As developing Asian countries continue to grow, they face the daunting challenges of providing employment and ensuring that income disparity does not widen.

Bangladesh's growth performance has been improving in recent years. Successive bumper crop harvests, strong manufacturing growth, continued recovery in construction, and sustained robust growth in services contributed to this improvement.

I hope the deliberations during the ICC Conference will generate greater awareness of the potential of Global Economic Recovery and make concrete recommendations to help develop appropriate strategy by the Asian countries to sustain their lead role in Global Economic Recovery.

I wish the Conference every success.

Joi Bangla, Joi Bangabandhu

May Bangladesh Live Forever.

Shiekh Hasina
Prime Minister
Government of the People's Republic of Bangladesh

Message from the Former President Republic of the Philippines



We are delighted that a conference on "Global Economic Recovery : Asian Perspective" has been organized by the Bangladesh. National Committee of the International Chamber of Commerce, the World Business Organization) in Dhaka on 25 & 26 October 2014.

Despite some hiccups, the global economic recovery seems to have built up some steam. While growth is strongest in developing countries, it is still slower than the pre-crisis period. Some signs of improvement have emerged more recently. The Euro area has finally come out of a protracted recession and the economy of the United States of America continues to recover. The global economy is the single biggest factor in driving international trade.

Economic activity in Asia picked up speed in the second half of 2013, as exports to advanced economies accelerated. Domestic demand has beensolid, and retail sales across much of Asia have been brisk.

In the Philippines, economic growth accelerated to 7.2 percent in 2013 despite the severe impact of Typhoon Haiyan (Yolanda) and other natural disasters during the year. The country's strong macroeconomic fundamentals supported domestic demand, and shielded the economy from the lingering weakness of the global economy. Robust performance of consumption fueled by strong remittances and services and supported by investment and manufacturing expansion, boosted growth.

We felicitate ICC Bangladesh on its 20 years of service for the promotion of trade, and likewise congratulate you for selecting such an important topic.

Due to prior commitments, I am unfortunately unable to attend the Conference but let me wish the organizers and delegates at the ICC International Conference on "Global Economic Recovery : Asian Perspective" productive and impactful deliberations.

We wish the people of Bangladesh rousing success in their development efforts.

Fidel Valdez Ramos
Former President
Republic of the Philippines (1992-1998)

Message from the Finance Minister



The Bangladesh National Committee of the International Chamber of Commerce (ICC) is organizing an International Conference on Global Economic Recovery: Asian Perspective in Dhaka on 25-26 October 2014 in conjunction with the celebration of the 20 years of ICC's presence in Bangladesh. Congratulations to them.

The global economy has been going through a difficult time since 2008. All major economies have been struggling to recover from the global financial crisis, which had a deeper and wider impact on global economy than any previous crisis of this nature. In this unfavorable environment, Bangladesh is striving to stay on course in its development efforts. So the country adopted a strategy based on the following elements: keeping up domestic demand, continuing with export promotion, protecting investment in social sectors, emphasing infrastructure development, especially in energy and transporation.

Asia is the new powerhouse of world economy and Bangladesh is a promising Asian country. I have been informed that some leading entrepreneurs, public enterprises and institution from home and abroad would take part in the Conference. I welcome ICC initiative in this matter and wish all the success.

"Joy Bangla, Joy Bangabandhu
May Bangladesh Live Forever"

Abul Maal A. Muhith, M.P.
Finance Minister
Government of the People's Republic of Bangladesh

Message from the Commerce Minister



My warm felicitation to the Intemational Chamber of Commerce-Bangladesh as it celebrates 20 successful years of its contribution in not only promoting trade and investment in Bangladesh but also projecting the Country to the world.

Over the years, it has displayed remarkable enthusiastic in advocating the needs for both local and foreign investment for creating a much needed industrial base in the country as well as organizing three International Conferences in Dhaka in 2000, 2004 and 2010 for projecting Bangladesh.

In organizing this present Conference, ICC Bangladesh has chosen a theme "Global Economic Recovery: Asian Perspective" which is of critical importance to the economic growth of Asia and the subcontinent. In the past Asia, led by China, Japan and India have played the key role in overcoming the economic downturn by maintaining steady growth. It is expected that Asia will continue to lead the way for sustained world growth.

I am particularly delighted that Distinguished Ministers from a number of countries are participating at this important event. I wish the Hon'ble Ministers and Foreign Delegates a pleasant stay in Bangladesh.

I am confident that through interaction and deliberations between the policy makers, representatives of intemational organizations, experts and business leaders from home and abroad, we will be able to develop our strategy for sustainable development of the countries around the world, in particular the Asian Countries.

I wish the Conference all success.

Joy Bangla, Joy Bangabandhu.

Tofail Ahmed M.P.
Commerce Minister
Government of the People's Republic of Bangladesh

Message from the Foreign Minister



I am delighted to know that the International Chamber of Commerce (ICC) Bangladesh, *The world business organization* is arranging a Conference on Global Economic Recovery: Asian Perspective coinciding with the celebration of 20 years of ICC's presence in Bangladesh.

In the present context of Bangladesh the theme of the conference is most appropriate and is very much in line with the "Vision-2021" of Hon'ble Prime Minister Sheikh Hasina to transform the country into a knowledge-based and technology-driven middle income country by 2021. Our Government recognizes that trade and economic activities are the prime movers in this regard. Bangladesh has already been acclaimed for her vibrant economic performance over the last five years to be identified as an 'Emerging Tiger' in the world economy.

The last economic recession has left its own unmistakable mark on the Asian growth and development dynamics though the Asian economies have shown resilience and are providing the major thrust in world economic progress. Bangladesh, through its strongly devised fiscal and monetary policy and never-say-die private sector has also sustained in the face of this economic turmoil. Even after some recent catastrophe, with the support and understanding of friendly countries and international organizations, the economy is gradually standing up on a sound footing. With strong reserve and healthy investment outlook, Bangladesh never had it so good before. Our economic diplomacy would remain engaged in sustaining this momentum gained under the leadership of Prime Minister Sheikh Hasina, daughter of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman, to turn Bangladesh into the "Sonar Bangia" (Golden Bengal) of Bangabandhu's dream.

I hope the Conference would create enough scope for the participating countries to devise ways and means in better managing economic turmoil in future.

I congratulate ICC Bangladesh for arranging this conference. I also wish ICC's 20th anniversary celebration all the very best.

Abul Hassan Mahmood Ali, MP
Minister of Foreign Affairs
Government of the People's Republic of Bangladesh

Message from the Foreign Minister of Sri Lanka



It gives me great pleasure to send this message of felicitation on the occasion of the inauguration of the "International Conference on Global Economic Recovery; Asian Perspective" organized by Banglades'h National Committee of the International Chamber of Commerce (ICC) as a part of the celebrations of the 20th year of its presence in Bangladesh.

Asia, with its over four billion people, is home to more than 60% of the world's current population. The region has shown remarkable resilience during the global financial crisis and, has emerged as an economic powerhouse that is leading the global recovery. A rapid and strong countercyclical response was the principal reason for Asia's qUick rebounce. Asia's rapid growth over the last two decades has been accompanied by a dramatic reduction in poverty. Without Asia's firm action, the recession in the global economy would have been much deeper and would have lasted for a onger time.

In this backdrop, ICC, being a pioneer world business organization, established to promote free market economy, has aptly chosen the topic for the Conference, addressing the contemporary challenges faced by the world economy, with the objective of clearly sensitizing the world leaders, particularly the leaders from Asia, on the need to accord top priority for the development of an integrated strategy for sustaining the momentum'of projected world growth. Sri Lanka, being the first country in South Asia to liberate her economy way back in 1978, would be pleased to share her experience during this Conference.

Sri Lanka has emerged today as the fastest growing economy in South Asia, but its path to recent prosperity had its own challenges. In the backdrop of the global economic downturn, Sri Lanka's socio-economic development in the last decade, with stronger performance since 2009 when the country ended the protracted separatist terrorism. Such development was possible only due to the careful sequencing of development strategies as enunciated in the government's policy framework *"Mahinda ChIntana: Vision for a New Sri Lanka"* and further focusing on development in terms of *"Sri Lanka - The Emerging Wonder of Asia: Mahinda Chintana - Vision for the Future from 2010".*

The development experience gained by Sri Lanka over the past years speaks well for making progress in economic growth with poverty reduction and improvements in living conditions of the people in Sri Lanka. Last year, the econ'omy registered a GOP growth in excess of 7 percent, while protecting low income and vulnerable groups. The projected growth of economy is 7.8 percent and 8.2 percent in years 2014 and 2015 respectively.

The major building blocks that enabled this development include improving island wide infrastructure and human resource development, expediting rehabilitation and reconstruction efforts, implementing policy reforms towards designing a broad based fow tax regime, realigning domestic prices in line with global energy prices, incentivizing domestic production and services and adopting rural centric development strategies with a well protected social spending mechanism for the benefit of low income and vulnerable groups. The government's economic policy is not only aimed at achieving GOP growth, but to ensure the cascading of economic benefits to all people in an equitable manner. With a further rationalization of the public service delivery mechanism together with intensified facilitation for the production sectors in the economy, Sri Lanka is' in the verge of realizing the targeted per capita income of US$ 4,000 in a country free from extreme poverty well before its target deadline.

It is noteworthy that the recent development experience in the Asian region has positioned Sri Lanka as a stable economy with growth scenarios shifting from South Asian characteristics towards more fast growing East Asian characteristics. The continued upward trend of Sri Lanka's growth dynamics is likely to prOVide a strong competitive edge in the region enabling the country to be one of the high performing economies in the region.

The economic relations between Bangladesh and Sri Lanka have grown over the years. Several initiatives are underway in relation to shipping connectivity and the pharmaceutical industry, and investment in sectors such as banking and manufacturing, particularly garments and food industry, symbolizing the ever deepening economic engagement between the two countries.

This bond is a manifestation of the excellent relations, based on sincere mutual respect and abiding goodwill, the two countries have enjoyed since the establishment of diplomatic relations four decades ago.

Organizing an event of this magnitude is not an easy task. It reqUires close involvement and dedicated efforts and cooperation of all stakeholders to make it a reality. I am confident that all participants at the Conference will find it useful and rewarding. I wish to commend the Bangladesh ICC for its indefatigable efforts to organize this important event and take this opportunity to extend my best wishes to the Bangladesh ICC for a successful outcome of the conference.

Prof. G.L. Peiris, M.P.
Minister of External Afairs

Message from the Minister of Economic Affairs of Bhutan



I am honoured to have this opportunity to extend my best wishes to ICC Bangladesh on the auspicious occasion of organizing the ICC International Conference on Global Economic Recovery: Asian Perspective in Dhaka on 25-26 October 2014.

After a protracted period of recession and uncertainty, the global economy appears to be on track for growth. The nature and pace of this recovery, however, remains tentative with well identified deep structural impediments, financial uncertainties and intra inter-regional imbalances.

In the past, Asia has been resilient against global economy downturn and have maintained steady growth. It is expected that Asia will continue to lead the way for sustained world economic growth.

Bhutan is small but it has huge potential to grow. For instance, Bhutan was among the top five fastest growing economies in the world in 2013. Until a few decades ago, the country was largely agrarian, with few roads, little electricity, and no modern hospitals. Rugged terrain makes the development of infrastructure difficult. Recent interregional economic cooperation, particularly involving trade with Bangladesh and India, is helping to encourage economic growth. However, connections to global markets are limited and dominated significantly by India.

I am confident that during the two-day deliberation, we will be able to discuss on the Asian Strategy to face the challenges of global economic recovery.

I wish the conference all the success and hope that ICC will continue to play its indispensable role in promoting free trade and investment and reducing barriers to trade.

Lyonpo Norbu Wangchuk
Minister for Economic Affairs,
Royal Government of Bhutan.

Message from Minister for Commerce of Myanmar



It is my pleasure to be invited to attend the ICC International Conference of Global Economic Recovery: Asian Perspective organized by ICC Bangladesh in conjunction with the 20th Anniversary of the presence of the International Chamber of Commerce (ICC) in Bangladesh.

I congratulate the Bangladesh National Committee of ICC for choosing such topical and vital issue as the Theme of the Conference within the context of the challenges faced by the world economy since the onset of the 2008 global financial crisis.

The stage for continued economic reform in Myanmar was set by a series of unprecedented milestones last year, including the announcement of two international telecommunications firms as winners of a tender to develop Myanmar's mobile infrastructure, and the implementation of guidelines for the Foreign Investment Law. Now, with global firms across all sectors waiting in the wings for the passage of new investment rules that would allow them to do business in Myanmar for the first time in 50 years, the pressure is on the government to keep its promise of opening the economic borders by 2015.

I wish the ICC International Conference all success and a most fruitful outcome to its deliberations.

U Win Myint
Minister for Commerce
Government of the Union of Myanmar

Message from Commerce and Supplies Minister of Nepal



I am very pleased to note that International Chamber of Commerce Bangladesh on the occasion of **International Conference on Global Economic Recovery: Asian Perspective** is bringing out a publication. The contribution of the publication would be highly valuable to all the readers in the region. International Conference on Global Economic Recovery: Asian Perspective is a very important event in the region. I am fully confident that the event would be instrumental in bringing all the Asian countries in one place. I wish great success of this very important event and the outcome would definitely be meaningful to enhance our economic recovery in our region as well as the rest of the world.

In this significant occasion, I would like to congratulate the organizers, particularly the Bangladesh Committee of International Chamber of Commerce and the Bangladesh Government for organizing such an International Conference in this heritage city of Dhaka.

I also congratulate ICC-Bangladesh for their 20th year of ICC presence in Bangladesh.

Last but not the least , I also like to appreciate the International Chamber of Commerce (ICC) - *The World Business Organtzation* for their efforts in promoting Free Market Economy, formulating various rules and guidelines for cross border trade and investment.

I, once again, wish this event a meaningful success to enhance our economic recovery.

Sunil Bahadur Thapa
Minister, Commerce and Supplies
Government of Nepal

Message from the Minister of Industry and Commerce, Sri Lanka



It is with immense pleasure that I send this message of Greetings for the important International Conference on Global Economic Recovery: Asian Perspective organized by the International Chamber of Commerce of Bangladesh to coincide with the 20th anniversary of its presence in Bangladesh.

It is highly commendable for organizing this event at a time when the global economy is showing the signs of recovery especially the Asian Region which has swiftly taken the lead in the recovery from the global downturn. Although the overall outlook for Asia shows a fairly moderate projected growth of over 5% in 2014/2015, it is vital for the Asian economies which strongly depends on exports, to sustain this growth momentum in long run, while facing future challenges and risks and consolidating its position in the global economy with more regional cooperation and structural policy reforms.

I believe this forum provides an ideal opportunity for the Asian business leaders, legislators, senior government officials, policy makers, academia and other professional bodies in the region to share their views, thinking and experience for way forward in formulating global strategies, to ensure that Asia continue to be a dynamic force driving the strengthening global recovery and take the lead role in sustaining the economic growth and remain resilient to global risks.

I also take this opportunity to congratulate and thank the leeB for organizing and inviting me to witness this important conference which takes place at the time opportune and wish the deliberations will reach a constructive outcome.

I wish this conference a great resounding success!!!

Rishad Bathiudeen, M.P.
Minister for Industries & Commerce of Sri Lanka

Message from UN Secretary General



It is a great pleasure to greet all those gathered in Dhaka for the ICC International Conference on Global Economic Recovery, which is aptly focused on Asia this year, the fastest-growing and most dynamic region in the world.

Asian economies have proven resilient during the global financial crisis, leading the recovery of the world economy for the past five years. The region's success has been based on a strong macroeconomic framework, which ensures economic and financial stability and promotes sustained robust growth. Asia has lifted millions of people out of poverty and narrowed the income gap with developed economies.

Prospects for the region are bright. At the same time, the region faces a number of challenges. In the short run, Asia will have to adapt to a gradual tightening of global monetary conditions as interest rates in the United States start to rise. While most Asian economies are in a strong position to withstand potential financial market instability, further efforts are needed to address existing domestic and external imbalances. In the longer run, Asia's continuing success will depend on the ability to transform the current growth model into a model of sustainable development: across the region, economic growth needs to become more inclusive, more equitable, and more environmentally sustainable.

Sustainable development is both a challenge and opportunity, not only for Asia but also for the world. Member States of the United Nations have agreed to place sustainable development and poverty eradication at the core of the global development agenda for the decades ahead. After two years of broad consultation and deliberation, the Open Working Group of the UN General Assembly has just proposed a set of Sustainable Development Goals, which will help us to complete the unfinished business of the Millennium Development Goals and place our world onto a more prosperous, just, peaceful and sustainable path.

Dealing with climate change is critical. At the Climate Summit I convened last month at the United Nations, multi-stakeholder coalitions made impressive pledges and announcements aimed at reducing emissions, building resilience, and financing the transformation of our economies and societies. We must convert this momentum into a meaningful, universal climate agreement in 2015.

I encourage ICC members in Asia and around the world to take a leading role in making climate action and sustainable development among your highest priorities. A sustainable global economic recovery and a better future for all depend on it. I look forward to the contributions you will make and I wish you a successful conference. Thank you for supporting the work of the United Nations.

Ki Moon Ban

BAN Ki-moon
Secretary-General, UN

Message from UNCTAD Secretary-General

UNITED NATIONS
UNCTAD



Despite the moderate slowdown, developing Asia remains the fastest-growing region in the global economy. With output expanding at an average rate of 5.4 percent in 2012-2014, developing Asia's growth is down from a 7.2 per cent average in the pre-crisis years, 2000-2008. But developing Asia is still growing faster than world output, which is expanding at only 2.4 per cent annually. Developing Asia's share in global output has virtually doubled since 2000, and today it makes up approximately one-fourth of the world economy as a whole. Given its faster growth rates, the region also accounts for about half of the growth in global economy overall.

Resiliency in Asia, despite weak demand from developed regions, is thanks to large and expanding domestic markets in the region's main economies. Further strengthening domestic and regional markets will be essential for maintaining high growth rates in the coming years. For high growth to be sustainable in the long run, governments will have to further orient growth objectives with social and environmental priorities. Developing Asia can lead the way to a sustainable future by committing to a new transformative growth paradigm. This means shifting to a new growth model that recognizes rising inequality and environmental degradation are counterproductive. They can do this with international support from UNCTAD and other partners, but also by expanding their existing policy space, particularly fiscal space, to enable the needed transformation.

Dr. Mukhisa Kituyi
Secretary-General, UNCTAD

Message from WTO Director-General

WORLD TRADE ORGANIZATION



I would like to offer my warmest congratulations to ICC Bangladesh on 20 years of representing the business community and supporting economic growth.

The topic of your conference - the Global Economic Recovery - could hardly be more important, and there is no doubt that Asia will have a very important role to play. I have seen for myself the work that Bangladesh, along with many other Asian countries, is doing to improve social and economic prospects for the future - and I believe that trade has a central role to play. Since ICC Bangladesh first opened its doors two decades ago we have seen strong evidence of how trade has played its part as a critical component of growth and development.

I believe it is essential that trade, through the multilateral trading system, should continue to play this role. Therefore we will continue to need your support. Bangladesh is an important partner of the multilateral trading system. It played leading role in the negotiations before the Ministerial Conference in Bali last December. At that conference WTO members took a series of decisions that will help developing countries, and particularly LDCs, to realize their export potential and sustain the development momentum created in the past decade. This was an important moment. Now we need to properly implement those results and conclude other negotiating endeavours before us. This would be a major contribution to growth, recovery and development in Bangladesh, and around the world.

I send my best wishes for a successful conference - and for another successful 20 years!

Roberto Azevêdo
Director-General
World Trade Organization

Message from ICC Chairman, Vice-Chairman & Secretary General

INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

On the occasion of the 20th anniversary of ICC Bangladesh, one of our most dynamic national committees, the Chairmanship and all the ICC family would like to wish you a very successful conference.

The Global Economic Recovery: Asian Perspective conference comes at a key time in the global economy. Although there has been a recent set back at the World Trade Organization (WTO) in meeting a crucial deadline on the Trade Facilitation Agreement (TFA), we at ICC continue to advocate strongly for completion of the agreement and forward movement on other commitments made at the Bali Ministerial. If fully implemented by all WTO members, the TFA and associated reforms could, over time deliver an additional $1 trillion to the world economy and lead to the creation of as many as 21 million jobs, of which 18 million are in developing countries. Look behind the numbers and you see what that deal really means: many small businesses exporting for the first time; lower prices for consumers; reduced corruption at borders; and significantly lower rates of food waste in developing economies.

ICC Bangladesh has been a big advocate of trade liberalization and open markets and a key ICC national committee in working closely with local government and media to ensure that ICC's messages are heard. The tireless work of your Chairman, Mahbubur Rahman, sets a very high standard for all national committees. The recent appointment of your Vice Chair, Latifur Rahman, to the ICC Executive Board only highlights the strategic importance of your region to the ICC family.

Again, we wish ICC Bangladesh all the success as it begins its third decade of serving the business needs of its member companies.


Harold McGraw III


Sunil Bharti Mittal


John Danilovich

Harold McGraw III
ICC Chairman

Sunil Bharti Mittal
ICC Vice-Chairman

John Danilovich
ICC Secretary General

Message from ICC Research Foundation Chairman

FUNG GLOBAL INSTITUTE



It gives me great pleasure to write about two of my favorite subjects - the International Chamber of Commerce (ICC) and Bangladesh.

In 1919 following the devastation of World War I, a group of visionary business leaders founded ICC with the mandate to promote world trade for peace and prosperity. This mandate sets the roles and responsibilities of business beyond the narrow focus of creating shareholder value. I believe that ICC's heirs over the past 95 years have kept faith with their founders' original vision.

Today, ICC holds a pre-eminent position as a champion of the multilateral trading system and an opponent of protectionism. It collaborates as a valued partner with such institutions as the G20 and the World Trade Organization to ensure a level playing field for global trade and investment. For example, under its World Trade Agenda Initiative, which I had the honor to chair, ICC contributed significantly to the positive outcome of the Bali Accord in December 2013, by mobilizing the international business community, engaging in active advocacy and providing substantive content for constructive discourse.

Since its establishment 20 years ago, ICC Bangladesh, under the leadership of its founding Chairman Mabubur Rahman, has been an active member of the ICC global community as well as a contributor to the country's development. Its role in training local business in the various ICC tools of international trade has been invaluable in supporting the country's growth in exports.

Bangladesh today may be a thriving economy looking outward to the world and forward to a bright future, but this was not the case when ICC established its presence in Bangladesh in 1994. Then, Bangladesh was a much poorer country with an uncertain outlook. In two decades, GDP per capita on PPP basis has grown by more than three times to reach over $2,000, fuelled by an economic growth rate averaging 6 per cent per annum. It has emerged as an export powerhouse for garments, second only to China.

Bangladesh's achievement is not confined to increasing economic prosperity, but also to improving the quality of life for its people. In the past two decades, life expectancy at birth increased from 62 to 70 years, and expected years of schooling rose from 6 to 10 years. With the support of international business and the global community, progress is also being made to improve labor conditions and factory safety.

I join many friends of ICC Bangladesh in celebrating the 20th anniversary of its establishment and in wishing Chairman Rahman and his colleagues continued success in the coming decades.

With best regards

Victor K. Fung
Chairman, ICC Research Foundation
Chairman, Fung Group, Hong Kong

Message from ICC Bangladesh President

ICC Bangladesh
The world business organization



ICC Bangladesh, National Committee of International Chamber of Commerce, *The world business organization*, was established in 1994. It has a lofty aim – to act as a bridge between local and global business, in the quest to promote foreign trade and investment. Its functions cover a wide span, including trade policy reviews, business dialogues & seminars, updating businesses with the ICC rules, etc. It also organizes regional & international conferences.

The membership of the ICCB includes all major chambers of commerce, business associations, the stock exchange, banks, insurance, companies, transnational companies, law & accounting firms and large business houses having significant interest in international business.

Bangladesh has set an ambitious goal for itself - to become a middle income country by 2021. This is an achievable goal. However, we should also recognize the challenges. Perhaps, most importantly, we need to increase investment. The pivotal position of the Government, and a committed political leadership, is now recognized. ICCB works closely with the Government, as it believes that businesses and the Government have to work in unison.

Our economic model emphasizes the role of the private sector. Over the last two decades, this very private sector has made a major contribution to achieving and maintaining the GDP growth rate of over 6%. However, Bangladesh requires at least 8% growth to become a middle income country. And, this is possible only if the investment-GDP ratio is maintained at 30%.

The ICC International Conference on "Global Economic Recovery: Asian Perspective" provides a platform for discussion on economic recovery, from the vantage point of Asia.

This Conference has been arranged to coincide with 20 years of ICC's presence in Bangladesh.

Mahbubur Rahman
President
ICC Bangladesh

About ICC

INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

International Chamber of Commerce (ICC) - The world business organization was founded by a few visionary business leaders of Europe immediately after the First World War (1919) having its HQrs. in Paris. Over the decades, ICC extended its network outside Europe and now having its presence in 127 countries around the world. International Chamber of Commerce (ICC) - The world business organization was founded by a few visionary business leaders of Europe immediately after the First World War (1919) having its HQrs. in Paris. Over the decades, ICC extended its network outside Europe and now having its presence in 127 countries around the world. International Chamber of Commerce (ICC) - The world business organization was founded by a few visionary business leaders of Europe immediately after the First World War (1919) having its HQrs. in Paris. Over the decades, ICC extended its network outside Europe and now having its presence in 127 countries around the world.

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Speaking about ICC Bangladesh

ICC Bangladesh
The world business organisation

International Chamber of Commerce (ICC) - The world business organization was founded in 1919 by a few visionary business leaders of Europe immediately after the First World War, having its HQ in Paris.

ICC has been promoting Free Market Economy, formulating various rules and guidelines for cross border trade and investment. ICC's 6.5 million member companies in over 130 countries have interests spanning in every sector of private enterprise. ICC works in close cooperation with national governments and multinational institutions such as G-8/G-20, World Bank, WTO, Asian Development Bank, UNCTAD, OECD and several UN agencies for promotion, protection and development of world economy.

Bangladesh National Committee of ICC, established in 1994, is comprised of major Chambers of Commerce & Industry, Business Associations, Stock Exchange, Banks, Non-banking Financial Institutions, Insurance Companies, Transnational companies, Law & Accounting Firms and large Corporate Houses having significant interest in international trade.

The activities of ICC Bangladesh (ICCB) include promotion of foreign trade and investment, trade policy reviews, business dialogues, seminars & workshops on related policy issues, harmonization of trade law & rules, legal reforms, updating businesses with the ICC rules & standards for cross border business transactions.



As a part of its regional & international activities, ICC Bangladesh has so far organized following regional & international conferences.

- In 2000 a two day ICC Asia Conference on "**Investment in Developing Countries: Increasing Opportunities**" organized by ICCB was inaugurated by the Prime Minister of Bangladesh and attended by a number of high profile dignitaries including the Thai Deputy Prime Minister & Director General Designate of WTO, ADB President, Under Secretary General and Executive Secretary of UNESCAP and Chinese Vice Minister for Foreign Trade & Economic Cooperation. More than 250 participants from 24 countries participated in this event.

- A two day International Conference on "**Global Economic Governance and Challenges of Multilateralism**" was held in Dhaka in January, 2004 coinciding with 10th Anniversary of ICC Bangladesh. The Conference was inaugurated by the Prime Minister of Bangladesh and Thai Prime Minister was the Keynote Speaker. WTO Director General, EU Commissioner for Trade, UNESCAP Executive Secretary, Governor of Japan Bank for International Cooperation, six Ministers from three continents, Bangladesh Ministers, ICC Chairman, ICC Vice Chairman, ICC Secretary General and more than 500 participants from 38 countries attended this event.

- In 2005, ICC Bangladesh organized a Regional Seminar on "**Capital Market Development: Asian Experience**". The Seminar, inaugurated by the President of the People's Republic of Bangladesh was attended by Chairmen/CEOs of securities & exchange commissions, stock exchanges, capital market operators, financial institutions and investors from 15 Asian countries.

- In 2010, ICCB organized a Conference on "**Energy for Growth**" coinciding with the 15 years of ICC's presence in Bangladesh. The Conference was inaugurated by the Finance Minister of Bangladesh and attended by ICC Global Chairman, Minister for Commerce of Bangladesh, Minister for Development Cooperation of Denmark and Adviser to the Bangladesh Prime Minister for Energy & Mineral Resources. Some 800 delegates from home and abroad including energy experts, power developers, gas exploiters, coal miners, international financiers from Australia, China, Denmark, India, Germany, Japan, Singapore, Switzerland, UK and USA attended the event.

ICCB arranges four regular professional training programmes: e-Learning programme on 'FIT Initiative' (Finance of International Trade) supported by ICC, Paris, eBSI (eBusiness School International, Ireland), International Finance Corporation (IFC) & Institute of Export, UK; Certified Documentary Credit Specialist (CDCS), Certified Specialist on Demand Guarantee (CSDG) and Certificate of International Trade Finance (CITF) Examinations conducted worldwide every year by *ifs* School of Finance, UK incorporated by Royal Charter and supported & endorsed by ICC Paris.

ICC Bangladesh and The Hong Kong and Shanghai Banking Corporation Limited (HSBC) in Bangladesh have jointly launched a trade knowledge and network building platform titled "**ICC Knowledge Centre**" to provide the trade professionals of Bangladesh with an access to online resources, insights and trade related articles, researches and upto date trade information.

ICC Bangladesh Presidency

Mahbubur Rahman
President



Mr. Mahbubur Rahman, Chairman and CEO of ETBL Holdings Ltd., Eastland Insurance Company Ltd; International Publications Limited (Publishers : The Daily Financial Express.

Mr. Rahman is also the Chairman of Bangladesh International Arbitration Centre (BIAC), Member of the Business Advisory Council (BAC); United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok and Member of Bangladesh Foreign Trade Institute (BFTI).

Apart from his business undertakings, Mr. Mahbubur Rahman has been active in various other fields. He represented Government of Sri Lanka in Bangladesh from 1972-'79, prior to the establishment of their Resident Diplomatic Mission in Dhaka.

Mr. Rahman has been associated with a number of trade bodies, educational institutions and international bodies. He was member of ICC World Council and Executive Member of International Chamber of Commerce (ICC), Paris for 1997-99.

He was the President of FBCCI (1992-94), DCCI (1985-86 & 1991-92); Founder Vice President of SAARC Chamber of Commerce & Industry (SCCI) ; Vice President of Islamic Chamber of Commerce, Industry and Commodity Exchange (ICCICE) for 1993-95, Member, Board of Directors of Biman Bangladesh Airlines Limited (2008-2009) and Member, Board of Directors of Dhaka Stock Exchange Ltd. (DSE) during 2007- 2010 among other.

Latifur Rahman
Vice President
Chairman and CEO of Transcom Group



Mr Latifur Rahman is the Chairman and CEO of Transcom Group, with annual turnover of around US$520 million, employing over 13 thousand people. The business originated with tea plantations in 1885.

Group companies dealing with beverages, electronics, pharmaceuticals, fast food, snacks and breakfast cereals, distributions, newspapers, radio and tea plantations, include, Transcom Beverages, Transcom Electronics, Eskayef Bangladesh, Transcom Foods, Transcom Distribution Company, Transcom Consumer Products, Mediastar, Mediaworld and Tea Holdings. Major stakeholder in Reliance Insurance and National Housing Finance.

He is Chairman of Nestlé Bangladesh, Holcim Cement (Bangladesh) and National Housing Finance & Investments. He is a member of the Governing Body of BRAC, the world's largest NGO. Mr Rahman is currently the Vice President of ICC – Bangladesh. From 1st July 2014, Mr. Rahman has also been elected as a Member of the Executive Board of International Chamber of Commerce, Paris for a 3-year term.

Rokia Afzal Rahman
Vice President
Chairman, Airlinks Limited



Mrs. Rokia Afzal Rahman started her career in a commercial bank in 1962 when very few women had entered banks universally. She became the first woman bank manager of the country in 1964. She later became a sponsor Director in Midas Financing Limited, Director in Reliance Insurance Ltd. Mrs. Rahman served as a Director in the Central Bank of Bangladesh as a member of the board for three years.

In I980 Ms. Rahman ventured into her own agro based industry. RR Cold Storage Limited dealing with potatoes imports exports and storage of seed and table potatoes. She expanded her business manifold. Subsequently she bought another agro industry. As Chair and CEO of two agro industries Ms Rahman works with 15000 small farmers who need support during harvesting season. She facilitates loans to farmers by standing as guarantor to a commercial bank taking loans for them and retailing the loan to them. Her business has given her widespread appreciation. She has received several awards from Banks and chambers.

NATIONAL SECRETARIAT

Ataur Rahman
Secretary General



Mr. Ataur Rahman started his career in 1975 with Bangladesh Institute of Development (BIDS) as In-charge of the Training Unit and organized various training programme jointly with the Economic Development Institute (EDI) of the World Bank. Prior to joining BIDS, he worked with the Press Foundation Asia, Manila, The Philippines for two years. He worked at the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP), a regional inter-governmental organization with its headquarter in Dhaka from 1980-1997. Before joining ICC Bangladesh in January 2005, he worked with the Bangladesh Silk Foundation as General Manager and Managing Director. Mr. Rahman obtained his B.Com (Honours) degree and completed M.Com (Management) from the University of Dhaka in 1969 and 1970 respectively. He obtained his M.B.A Degree from the De La Salle Graduate School, Manila, The Philippines in 1973. Mr. Rahman is a Fellow of the EDI, World Bank.

ICC Bangladesh Executive Board
2014 - 2016


Latifur Rahman
Vice-President


Mahbubur Rahman
President


Rokia Afzal Rahman
Vice-President


A. K. Azad


A. S. M. Quasem


Altaf ul Islam


Kutubuddin Ahmed


Mahbub Jamil


Mahbubul Alam


Md. Atiqul Islam


Muhammad Hatem


Rashed Maksud Khan


Barrister Rafique-ul-Huq


Rupali Chowdhury


Sheikh Kabir Hossain


Syed Manzur Elahi


Waliur Rahman Bhuiyan, OBE

ICC Bangladesh Executive Board 2014 - 2016

President

Mahbubur Rahman
President, ICC Bangladesh
and Chairman,
Eastland Insurance Company Limited
and Chairman & CEO
ETBL Holdings Limited
Suvastu Tower (9th Floor)
69/1, Panthapath, Dhaka - 1205
Tel.: 8622583-4
Fax: 8621917
E-mail: etbl@bdmail.net

Vice President

Latifur Rahman
Vice President, ICC Bangladesh
and Chairman & Managing Director
Transcom Limited
Gulshan Tower (11th Floor), Plot No. 31
Road No. 53, Gulshan North C/A
Dhaka - 1212
Tel.: 8818327-30, 8814662-3, 8818331,
Fax: 9887376, 9887373
E-mail: fhn@transcombd.com

Rokia Afzal Rahman
Vice President, ICC Bangladesh
and President, MCCI,
and Chairman, Arlinks Limited
Red Crescent Concord Tower
(11th Floor) Suite-B
17, Mohakhali C/A, Dhaka-1212
Tel: 8850254,9850254-7
Fax: 9888388
Email: arlinks@arlinks.org /
rokiarahman@hotmail.com

Members

A K Azad
Past President, FBCCI
& President, BCI
& Managing Director
Hameem Group
241, Tejgaon Industrial Area,
Dhaka-1208
Tel. : 8878630-31, 8878639, 8878647
Fax : 8878650
E-mail : delwar@hameemgroup.com

A. S. M. Quasem
Chairman & CEO
Newage Garments Limited
42/I Indira Road, Dhaka-1208
Tel.: 8112704, 8116951, 9126535
Fax: 8113518
E-mail: quasem@newage-group.com

Aftab ul Islam
President & CEO
IOE (Bangladesh) Limited
Wali Canter
74, Gulshan Avenue (4th Floor)
Dhaka-1212
Tel.: 9553317, 9559782, 9555403
H/O : 8821174
Fax: 9564379
E-mail: aftab5319@yahoo.com
ioe@bdonline.com

Atiqul Islam
President
Bangladesh Garment Manufacturers &
Exporters Association (BGMEA)
BGMEA Complex (3rd Floor)
23/1, Panthapath Link Road
Kawran Bazar, Dhaka – 1215
Tel. : 8140310-20
Fax : 8140322,8140323
E-mail : info@bgmea.com;
Website : www.bangladeshgarments.info

Kutubuddin Ahmed
Chairman
Envoy Garments Limited
400-B, Khilgaon Chowdhury Para
Dhaka-1219
Tel.: 7214908, 7214437, 7211228
Fax: 7217401, 7214193
E-mail: envoygrp@bangla.net
qahmed@bangla.net
kutub@envoy-group.com

Mahbub Jamil
Chairman
Singer Bangladesh Limited
5 B, Road No. 126
Gulshan-1, Dhaka-1212
Tel. : 7162495, 8858574
Fax : 8858247, 8857624
E-mail : mjamil@icebd.com

Muhammad Hatem
Vice President
Bangladesh Knitwear Manufacturers &
Exporters Association (BKMEA)
233/1, B.B. Road
Press Club Bhaban (1st & 3rd Floor)
Narayangonj – 1400
Tel : 7671112-3, 7672981-2
Fax : 7671935
E-mail: hatem.mbknit@gmail.com

ICC Bangladesh Executive Board 2014 - 2016

Members

Mahbubul Alam
President
Chittagong Chamber of Commerce & Industry (CCCI)
Chamber House, Agrabad C/A
Chittagong
Tel.: 713366-9, 711355, 711356
Fax: 710183
E-mail: info@chittagongchamber.com

R. Maksud Khan
Chairman
Bengal Fine Ceramics Limited
HH Bhaban (2nd & 3rd Floor)
52/1, New Eskaton
Dhaka-1000
Tel.: 9345174, 9356085,
Fax: 8314933, 9345794
E-mail: maksudkhan@dhaka.net

Barrister Rafique-ul Huq
Senior Advocate
Bangladesh Supreme Court
Huq and Company
47/1, Purana Paltan, Dhaka-1000
Tel: 9552196, 9555953
Fax: 9562434
Email: huqandco@bol-online.com

Sheikh Kabir Hossain
President
Bangladesh Insurance Association (BIA)
116, Naya Paltan
Hossain Tower (9th floor)
Box Culvert Road, Dhaka-1000
Tel : 9330179, 9346378
Fax : 88-02-9346378
E-mail: bia@bdcom.com
website : www.bia-bd.org
Personal: 8118797
Email: bia@bdcom.com;
sk_kabirbd@yahoo.com

Rupali Chowdhury
President
Foreign Investors' Chamber of Commerce & Industry
"Shama Homes"
Apt #C-3, House # 59
Road #01, Block # i
Banani, Dhaka-1213
Tel. : 9892913, 9893049
Fax : 9893058
E-mail : ficci@bdcom.net;
rupali@bergerbd.com

Syed Manzur Elahi
Chairman
Apex Adelchi Footwear Limited
House-6, Road-137
Gulshan-1, Dhaka-1212
Tel :8821591,8828258
Fax: 9886378

Waliur Rahman Bhuiyan, OBE
Director
Linde Bangladesh Limited
Apt. B-6, "Momtaz Vision
Haouse 11/A, Road 99,
Gulshan-2, Dhaka-1212
Tel: 9893049
Res: 8858834-5
Email: walibhuiyan.obe@googlemail.com

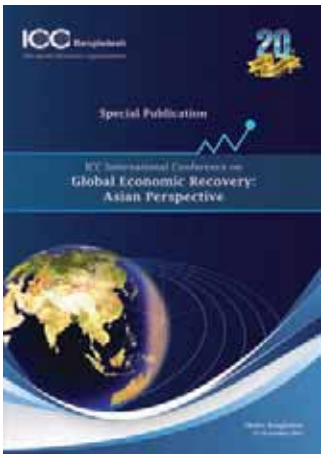
Secretary General

Mr. Ataur Rahman
Secretary General
ICC Bangladesh
Suvastu Tower (6th floor)
69/1, Pantha Path
Dhaka-1205
Tel: 9641286, 9676698
Fax: 9641287
Email: arahman@icc-bd.org.

International Conference on Global Economic Recovery : Asian Perspective

The world economy, five years after the global financial crisis, is showing signs of bouncing back this year pulled along by a recovery in high-income economies, says the World Bank's latest Global Economic Prospects report.

Growth prospects for 2014 are, however, sensitive to the tapering of monetary stimulus in the United States, which began earlier this month, and to the structural shifts taking place in China's economy. The Washington-based lender sees the world economy expanding 3.2 percent this year. The forecast for the richest nations was raised to 2.2 percent from 2 percent. Part of the increase reflects improvement in the 18-country euro area, with the U.S. ahead of developed peers, growing twice as fast as Japan. The bank held its forecast this year for Japan at 1.4 percent.



Overall, growth in emerging market and developing economies is expected to increase to 5.1 percent in 2014 and to 5.4 percent in 2015. Growth in China rebounded strongly in the second half of 2013, due largely to acceleration in investment. This surge is expected to be temporary, in part because of policy measures aimed at slowing credit growth and raising the cost of capital. Growth is thus expected to moderate slightly to around 7½ percent in 2014-15. Growth in India picked up after a favourable monsoon season and higher exports growth and is expected to firm further on stronger structural policies supporting investment.

According to ICC World Trade Agenda, greater trade efficiency could increase global trade in manufacturing by up to US$ 377 billion a year and triple the benefits for consumers from tariff reductions. The gains would be from streamlining customs, reducing bribery and corruption, better infrastructure and more efficient cross-border services, and speeding up business through use of the Internet. Significant improvements in trade facilitation could increase exports of developing countries by approximately US$570 billion and exports of developed countries by US$475 billion. Taken together this would translate into more than US$1 trillion world export gains. Trade facilitation improvements could result in global job gains of 21 million, with developing countries gaining over 18 million jobs and developed countries increasing their workforce by 3 million.

In the past Asia, led by China, Japan and India have played the key role in overcoming the economic downturn by maintaining steady growth. It is expected that Asia will continue to the lead the way for sustained world growth.

It is therefore, imperative that world leaders give their top most priority for the development of an integrated global strategy for sustaining the projected world growth momentum.

In celebration of the 20th year of ICC's presence in Bangladesh, it's National Committee has, therefore, chosen this theme : **Global Economic Recovery : Asian Perspective** for deliberations by the public and world leaders as well as experts on economic recovery strategies.

International Conference on

Global Economic Recovery: Asian Perspective

Provisional Programme

25-26 October 2014

Opening Session

Saturday, 25 October

Venue	**:**	**Bangabandhu International Conference Centre (BICC)**
2:40 pm	:	Guests take seats
2.55	:	Hon'ble President Arrives
3:00	:	National Anthem
3:01	:	Recitation from the Holy Qur'an
3:03		Introduction of Dignitaries and Conference Brief by Mr. Asif Ibrahim, Chief Coordinator of the Conference
3:06		Messages to be read: Message of the Hon'ble Prime Minister by Mr. Asif Ibrahim Message of the UN Secretary General by Mr. Latifur Rahman Message of the WTO Director General by Mrs. Rokia A. Rahman
3:12	:	Audio-visual Presentation of ICC
3:20	:	Address by Mr. Mahbubur Rahman, President, ICC Bangladesh
3:30	:	Address by Dr. Victor K. Fung, Chairman, ICC Research Foundation
3:37	:	Address by Mr. Sunil Bharti Mittal, Vice Chairman & incoming Chairman 2015, International Chamber of Commerce (ICC)
3:44	:	Address by H. E. Dr. Mukhisa Kituyi, Secretary General, UNCTAD
3:54	:	Address by H.E. Mr. Tofail Ahmed, M.P., Minister for Commerce
4:01	:	Address by H.E. Abul Maal Abdul Muhith, M.P., Minister for Finance
4:08	:	Address by Mr. Latifur Rahman, Vice President, ICC Bangladesh
4:11	:	Presentation of Mementoes & Release of Conference Special Publication
4:15	:	Inaugural Address by **His Excellency** **Mr. Md. Abdul Hamid** **Hon'ble President, People's Republic of Bangladesh**
4:27	:	Photo Session
4:29	:	National Anthem
4:30 pm	:	Departure of the Hon'ble President of the People's Republic of Bangladesh
4:30- 5:00pm		Refreshment

Cultural Programme and Dinner

Saturday, 25 October

Venue	**:**	**Pan Pacific Sonargaon Hotel, Grand Ball Room**
7:00-10:00 pm	:	Cultural Programme Welcome Dinner

Plenary and Business Sessions
Sunday, 26 October

Venue : **Pan Pacific Sonargaon Hotel**

09:30 -11:15am : **Plenary Session:**

Global Economic Recovery: Contemporary Reality

The financial crisis in the West and the subsequent deep recession of 2008-09 appears to have pushed the world economy to a slower growth trajectory with the average growth during the last 4 years decidedly lower than the average of the 4 years before the recession. The nature and pace of the recovery remains tentative with formidable structural impediments, financial uncertainties and inter-regional fundamental imbalances that could worsen the economic problems. There are significant political risks, which may spill over to commodity prices, especially oil and food prices. Any escalation of these prices will be a serious setback for the global economic recovery, and badly impact on the poor countries that are least able to withstand it.

Chairman:

H. E. Mr. Tofail Ahmed M.P., Minister for Commerce, Govt. of Bangladesh

Introductory Remarks by :

Mr. Mahbubur Rahman, President, ICC Bangladesh

Speakers:

H. E. Mr. Lyonpo Norbu Wangchuk, Minister of Economic Affairs of Bhutan
H. E. Dr. Pwint San, Deputy Minister for Commerce, Myanmar
H. E. Mr. Sunil Bahadur Thapa, Commerce and Supplies Minister of Nepal
H. E. Mr. Rishad Bathiudeen, M.P. Minister for Industries & Commerce of Sri Lanka
H. E. Dr. Mukhisa Kituyi, Secretary General, UNCTAD, Geneva
Dr. Atiur Rahman, Governor of Bangladesh Bank (Central Bank)
Mr. John Danilovich, ICC Secretary General, Paris

Closing Remarks by:

Mrs. Rokia Afzal Rahman, Vice President, ICC Bangladesh &
President of Metropolitan Chamber of Commerce & Industry (MCCI), Dhaka

11:15-11:30 : **Contact Break**

11:30am-1:00pm : **Business Session: ONE**

Asian Growth : **Realities and Challenges**

The recession has badly shaken the Asian economy. Developing Asia's growth was largely driven by the growth of two economies, China and India, which were also an important driving force of the world economy. Both were badly mauled suffering a reduction in growth of more than 4 percent. None of them are still showing signs of regaining the old momentum. If the current trends continue, then the slowdown of the world economy will be prolonged. Smaller economies that depend on the health of the world economy for their economic well-being have reasons to be nervous. Domestic policies alone will not suffice to restore the pre-recession economic growth. As the youth population of many of these countries, especially educated youth population, are increasing steadily, they face the difficult challenge of preventing unemployment from rising that could unleash civil discontent and conflict.

Chairman:

Dr. A. B. Mirza Md. Azizul Islam, Former Advisor to the Caretaker Government of Bangladesh

Speakers:

Dr. Debapriya Bhattacharya, Distinguished Fellow, Centre for Policy Dialogue (CPD)

Mr. Atiqul Islam, President, Bangladesh Garments Manufacturers & Exporters Association (BGMEA)

Prof. Dr. Md. Ali Taslim, Department of Economics, University of Dhaka

Mr. Adeeb Hossain Khan FCA, Council Member, The Institute of Chartered Accountants of Bangladesh (ICAB)

Dr. Sadiq Ahmed, Vice Chairman, Policy Research Institute (PRI) of Bangladesh

Discussants(04):

Dr. Hossain Zillur Rahman, Former Adviser to the Caretaker Government of Bangladesh & Chairman, Power and Participation Research Centre (PPRC)

Dr. Salehuddin Ahmed, Former Governor, Bangladesh Bank(Central Bank)

Dr. Sultan Hafeez Rahman, Executive Director, BRAC Institute of Governance and Development (BIGD) & Former Director General, Asian Development Bank (ADB)

Mr. Aftab-ul Islam, Member, Executive Board, ICC Bangladesh & President American Chamber in Bangladesh (AMCHAM)

1:00-2:00 : **Business Lunch**

2:00-3:30 : **Business Session: TWO**

Trade : Does the Bali outcome hold promise for the future?

The main driver of growth during the post-second World War period has been trade. The consistently high growth of world trade pulled up global economic performance to usher in an era of widespread prosperity. GATT and its modern incarnation, WTO, played a vital role in ensuring a level playing field for all, such that trading nations could more fully exploit their comparative advantage and reap the benefits of economies of scale and technology transfer. It provided a legal basis for the expansion of trade and an assurance against reversion to olden protectionist ways. However, its work is still incomplete, the comity of world nations have not succeeded in bringing Doha Round to a successful conclusion. The last ministerial at Bali apparently reached consensus on some issues, but even these seem to be at risk now. The wobbling world economy cannot afford a rupture in trade relations at a time when most countries are explicitly or implicitly depending on export-led economic growth. There has been an explosion of bilateral and regional preferential and free trade arrangements that are at once both cause and consequence of the long drawn processes at WTO. Such arrangements put the trade and commerce of excluded nations at a disadvantage, and thereby reduce benefits of liberalised trade. Genuine concerns of developing nations about the impact of quick liberalisation on the livelihood and the well-being of the ordinary people should be addressed. All the hard work done during the last 13 years to bring Doha Round to a successful conclusion must not go to waste.

Chairman:

H. E. Mr. Sunil Bahadur Thapa, Commerce and Supplies Minister of Nepal

Speakers:

H. E. Mr. Lyonpo Norbu Wangchuk, Minister of Economic Affairs of Bhutan
Dr. Toufiq Ali, Chief Executive, Bangladesh International Arbitration Centre (BIAC) & Former Ambassador and Permanent Representative of Bangladesh to UNCTAD, WTO
Mr. Sumith Nakandaia, Secretary General, BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation)
Mr. Taffere Tesfachew, Director of the Division on Africa, Least Developed Countries and Special Programmes.
Dr. Zaidi Sattar, Chairman, Policy Research Institute (PRI) of Bangladesh
Prof. Mustafizur Rahman, Executive Director, Centre for Policy Dialogue (CPD)

Discussants:

Ms. Barbara Meynert, Senior Advisor to the Chairman, Fung Holdings (1937) Limited, Hong Kong
Mr. Anwar-Ul-Alam Chowdhury (Parvez), Managing Director, Evince Group & Former President, Bangladesh Garment Manufacturers & Exporters Association (BGMEA)
Mr. Francois-Gabriel Ceyrac, Director of National Committees, ICC HQ, Paris

3:30-5:00 : **Business Session: THREE**

Promoting Investment in Asia

The principal determinant of economic growth is investment. High economic growth requires correspondingly high rate of investment. Conversely, investment also takes a hit in the event of an economic slowdown. Investment in Asia is still to recover fully from the negative impact of the last recession. As the international economic environment improves there is opportunity for channelling investment, especially public investment, to infrastructure and education. Investment in energy security is of particular importance. Investment in these sectors have high pay-offs since it can relax constraints to private investment in other sectors. With the assurance of a steady supply of trained manpower, and adequate power and infrastructure support, the private sector can be relied upon to allocate the remaining investable resources to industries with the highest return.

Chairman:

H. E. Mr. Rishad Bathiudeen, M.P.
Minister for Industries & Commerce, Govt. of Sri Lanka

Speakers:

H. E. Dr. Pwint San , Deputy Minister for Commerce, Myanmar
Mr. Johannes Zutt, World Bank Country Director for Bangladesh and Nepal
Mr. Ravi Ratnayake, Director, Trade & Investment Division, UNESCAP
Mr. Binod K. Chaudhary, President, Chaudhary Group, Nepal
Mr. Kihak Sung, Chairman, Youngone Corporation, South Korea
Mr. Shankar Prasad Poudel, Under Secretary, Ministry of Commerce and Supplies, Nepal
Dr. Ahsan H. Mansur, Executive Director, Policy Research Institute (PRI) of Bangladesh

Discussants:

Mir Nasir Hossain, Managing Director, Mir Akhter Hossain Limited & Former President, FBCCI (The Federation of Bangladesh Chambers of Commerce & Industry)
Mr Abrar Anwar, Head of Commercial Clients Segment, Standard Chartered Bank
Mr. Md. Fazlul Hoque, Former President, BKMEA (Bangladesh Knitwear Manufacturers' & Exporters Association) & Managing Director Plummy Fashions Limited
Dr. Fahmida Khatun, Head of Research, Centre for Policy Dialogue (CPD)
Mr. Vincent O'Brien, ICC Banking Commission Market Intelligence Group Chair, from Ireland
Mrs. Lee Ju Song, ICC Asia Adviser from Singapore

5:00 pm : **Press Briefing**
: **Refreshment**

World Economic Trend & Challenges for Asia

The world economy, five years after the global financial crisis, is showing signs of bouncing back this year pulled along by a recovery in high-income economies. The Finance Ministers of Group of G-20 during the latest Meeting in October Washington D.C. remained confident about the global economy, despite renewed weakness in areas like the eurozone. They reiterated their commitment to undertake reforms that will boost the global economy by $2 trillion more over the next five years.

Despite the malaise that has many worried that the Eurozone may sink back into recession, the G20 still expect to achieve that goal, after talks on the sideline of the International Monetary Fund-World Bank annual meetings.

Besides reforms, the G20 has backed a new Global Infrastructure Initiative, aimed at supporting infrastructure development around the world as a way to boost economies and create jobs.

In the broadest terms, the global economy appears to have reached a far stronger place than two years ago, when Europe was gripped by acute concerns about the fate of the euro and much of the world was still feeling the after-effects of the worst financial crisis since the Great Depression.

Even as concerns have ebbed about the world's largest economy, the United States -- unemployment has slipped to 6.1 percent, down from 10 percent five years ago -- worries center on how broadly the gains of recovery are being distributed, with scant impact on wages and millions of working-age people effectively falling out of the workforce.

Globally, attention is focused on the U.S. Federal Reserve as it eyes a potential exit from the stimulus programs it introduced in the midst of the financial crisis. The Fed has maintained interest rates near zero in a bid to spur economic activity by pumping money through the economy. Eventually, the Fed will feel compelled to raise interest rates to choke off potential price inflation.

Rising American interest rates will put the brakes on economic growth in the U.S. More broadly, it will see money exit from emerging markets in Latin America and Southeast Asia as investors shift away from riskier investments in pursuit of higher rates of return and sink funds into American government debt. Late last year, as the Fed cut slightly its purchases of bonds, many emerging markets -- among them, Indonesia, India and Brazil -- saw an exodus of finance that pressed their currencies lower.



Developing Asia remains the fastest growing region globally

Developing Asia remains the fastest growing region globally, as key economies in the region move ahead with structural reforms, says a new Asian Development Bank (ADB) report.

In an update of its flagship annual economic publication, Asian Development Outlook 2014 (ADO 2014), released on September 25, 2014, ADB kept its forecasts for growth of gross domestic product (GDP) for the region at 6.2% in 2014 and 6.4% in 2015. The region grew 6.1% in 2013. Developing Asia comprises the 45 ADB developing member countries.

Targeted measures to stabilize investment helped the PRC sustain its expansion. Following first quarter growth of 7.4%, steady consumption and improved external demand edged second quarter growth up to 7.5%. Authorities deployed targeted monetary easing and a mini fiscal stimulus to keep growth from decelerating further from the 7.7% recorded in 2013, while keeping credit growth in check. The PRC appears on track to meet ADO 2014 growth forecasts of 7.5% in 2014 and 7.4% in 2015.

GDP growth in East Asia will remain at 6.7% in 2014 and 2015, as moderating growth in the PRC and Hong Kong, China—and a slowdown in Mongolia—are offset by export-driven upswings in the Republic of Korea and Taipei, China. GDP growth in Mongolia will fall sharply below the ADO 2014 forecast for 2014 and 2015 as foreign direct investment plummets and mining projects suffer delays. Inflation in East Asia will remain subdued at 2.4% in 2014 but likely creep up to 2.9% in 2015, mainly reflecting the trend in the PRC.



South Asia is performing better than expected. India shows new promise of a turnaround. After a decisive election victory, the new government is well placed to pursue reforms to unlock the economy's potential. Reforms to stimulate investment, awarding timely environmental clearances, and inflation control are expected to build on rising exports to boost economic growth. This update maintains the 5.5% growth forecast for 2014 but raises by 0.3 percentage points to 6.3% the forecast for 2015, when reforms can begin to bear fruit.

The sub-regional growth forecast for 2014 is raised slightly to 5.4%, reflecting vibrant economic activities in Bangladesh and Pakistan on higher exports and remittances. Growth in South Asia will pick up to 6.1% in 2015, 0.3 percentage points higher than previously forecast. In addition to the upward revision for India, growth forecasts for Pakistan and Bangladesh edged up in 2015, but efforts to improve the climate for private investment are key in both cases. Forecasts for subregional inflation are trimmed by about a third of a percentage point to 6.1% in 2014 and 5.9% in 2015.

Southeast Asia will see stronger growth next year after a surprisingly soft 2014. Growth this year is now projected at 4.6%, down from 5.0% forecast in ADO 2014 and actual growth of 5.0% in 2013. Domestic demand has moderated in some of the bigger economies, with GDP forecasts trimmed for Indonesia, the Philippines, Singapore, Thailand, and Viet Nam. By contrast, a rebound in exports from Malaysia has helped to propel considerably stronger economic growth there. Next year, better performance in the major industrial economies and Thailand's recovery from its slump will spur Southeast Asian growth to 5.3%. In the Philippines, buoyant remittances pushed up private consumption, which accounts for more than half of the country's overall growth, forecasted to be at 6.4% this year and 6.7% in 2015. Economic growth in Myanmar, with recent institutional and policy reforms and international re-engagement, will be at 8.5% this year and next.

Growth in Central Asia is hobbled by a slowdown in the Russian Federation. Underperforming ADO 2014 projections, growth in the sub-region is now projected to decelerate to 5.6% in 2014 as activity slows in Armenia, Kazakhstan, the Kyrgyz Republic, Turkmenistan, and Uzbekistan. The forecast for 2015 is lowered to 5.9% on revisions for Armenia, Georgia, Kazakhstan, the Kyrgyz Republic, and Uzbekistan. These lower growth projections reflect a stagnant Russian Federation and a sharp industrial slowdown in Kazakhstan.

Developing East Asia will grow by 6.9% this year and next, down from 7.2% in 2013, the report says.

In China, growth will ease slightly to 7.4% this year and 7.2% in 2015, as the government seeks to put the economy on a more sustainable path with policies addressing financial vulnerabilities and structural constraints. In Japan, GDP contracted more than expected in the second quarter of 2014 in the wake of an increase in the consumption tax. Looking ahead, private investment is forecast to recover and growth to remain broadly stable in 2015. Excluding China, growth in developing countries in the region is expected to be 4.8% this year, before rising to 5.3% in 2015, as exports rise and domestic economic reforms advance in the large Southeast Asian economies, report added.

Significant uncertainties remain that could affect the region's growth. High-income economies, especially in the Euro zone and Japan, could face downside risks in the near term. Global financial conditions could tighten sharply, and international and regional geopolitical tensions could affect prospects. The region also remains vulnerable to a sharp slowdown in China, which, though unlikely to happen, could hurt commodity producers especially hard, such as metal exporters in Mongolia and coal exporters in Indonesia.

The East Asia Pacific Economic Update identifies policy recommendations for different countries to deal with risk and embark on a path of sustainable growth. The report also discusses long-term structural reforms that will help countries maximize the benefits from the global recovery.

Global Growth Disappoints, Pace of Recovery Uneven and Country-Specific

A weak and uneven global economic recovery continues, but reflecting different evolutions across various countries and regions, says the IMF's latest World Economic Outlook (WEO) released on October 7 2014.

The IMF forecasts global growth to average 3.3 percent in 2014—unchanged from 2013—and to rise to 3.8 percent in 2015. The weaker than expected growth outlook for 2014 reflects setbacks to economic activity in the advanced economies during the first half of 2014, and a less optimistic outlook for several emerging market economies, says the report.

Potential growth rates—that is, the pace at which annual output can expand without pushing up inflation—are also being revised down. In the face of weaker-than-expected global growth for the first half of 2014 and increased downside risks, growth may again fail to pick up or may fall short of expectations. This underscores that, in most economies across the globe, raising actual and potential output must remain a priority, the IMF says.

In advanced economies, there remains a need to avoid procyclical monetary policy. Fiscal adjustment must be tuned in both pace and composition to support the recovery and lay the groundwork for long-term growth and jobs. In this context, an increase in public infrastructure investment could provide a boost to demand in the short term and help raise potential output in the medium term in those countries with clearly identified infrastructure gaps (such as structure maintenance/upgrading in United States and Germany) and efficient public investment processes.



The scope for emerging market economies to use macroeconomic policies to support growth varies and is more limited in countries with external vulnerabilities. At the same time, emerging markets will need to deal with monetary policy normalization in the United States and possible shifts in financial market sentiment.

For both advanced and emerging market countries, there is a general, urgent need for country-specific structural reforms to realise potential growth and make growth more sustainable. For many countries, this means improving labor and product markets, including reforms to lower the costs of hiring on regular employment contracts and facilitating greater

labor force participation (many advanced European economies and Japan), and easing barriers to doing business and investment in the services.

potential bouts of capital outflow and asset price volatility. Nevertheless, despite some tightening, financial conditions should remain supportive,

Latest IMF projections

The global recovery remains fragile and uneven.
(percent change)

	Projections			Difference from July 2014 WEO update		
	2012	2013	2014	2015	2014	2015
World Output	3.4	3.3	3.3	3.8	-0.1	-0.2
Advanced Economies	1.2	1.4	1.8	2.3	0.0	-0.1
United States	2.3	2.2	2.2	3.1	0.5	0.0
Euro Area	-0.7	-0.4	0.8	1.3	-0.3	-0.2
Germany	0.9	0.5	1.4	1.5	-0.5	-0.2
France	0.3	0.3	0.4	1.0	-0.4	-0.5
Italy	-2.4	-1.9	-0.2	0.8	-0.5	-0.3
Spain	-1.6	-1.2	1.3	1.7	0.1	0.1
Japan	1.5	1.5	0.9	0.8	-0.7	-0.2
United Kingdom	0.3	1.7	3.2	2.7	0.0	0.0
Canada	1.7	2.0	2.3	2.4	0.1	0.1
OtherAdvanced Economies[1]	2.0	2.3	2.9	3.1	0.0	-0.1
Emerging Market and Developing Economies	5.1	4.7	4.4	5.0	-0.1	-0.2
Commonwealth of Independent States	3.4	2.2	0.8	1.6	-0.1	-0.5
Russia	3.4	1.3	0.2	0.5	0.0	-0.5
Excluding Russia	3.6	4.2	2.0	4.0	-0.4	-0.4
Emerging and Developing Asia	6.7	6.6	6.5	6.6	0.1	0.0
China	7.7	7.7	7.4	7.1	0.0	0.0
India[2]	4.7	5.0	5.6	6.4	0.2	0.0
ASEAN-5[3]	6.2	5.2	4.7	5.4	0.1	-0.2
Emerging and Developing Europe	1.4	2.8	2.7	2.9	0.0	0.0
Latin America and the Carbbean	2.9	2.7	1.3	2.2	-0.7	-0.4
Brazil	1.0	2.5	0.3	1.4	-1.0	-0.6
Mexico	4.0	1.1	2.4	3.5	0.0	0.1
Middle East, North Africa, Afghanistan, and Pakistan	4.8	2.5	2.7	3.9	-0.4	-0.9
Sub-Saharan Africa	4.4	5.1	5.1	5.8	-0.4	0.0
South Africa	2.5	1.9	1.4	2.3	-0.3	-0.4

Source: IME*World Economic Outlook,* October 2014.
[1]Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
[1]For India. data and forecasts are presented on a fiscal year basis and output growth is based on GDP at market prices.
[3]Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Growth in emerging market and developing economies will continue to account for the lion's share of global growth. Still, at 4.4 percent for 2014, the growth forecast is a bit weaker than in the April 2014 WEO. This slowdown is due to lackluster domestic demand and the impact of increasing geopolitical tensions, especially on Russia and neighboring countries.

How Asia will face Global Challenges?

Asia is well positioned to meet the challenges ahead provided it under takes required reforms. The region has strengthened its resilience to global risks and will continue as a source of global economic dynamism. Recent actions taken to address vulnerabilities are showing sign of success. However, with the risk of further bouts of volatility ahead, policy complacency will be penalized. Asia's reform momentum must therefore be nurtured so as to secure the region's position as the global growth leader.

With the expected upcoming tightening of global liquidity, Asia will face higher interest rates and

underpinned by still-accommodative monetary policies, strong credit growth, and exchange rates that remain weaker than they were a year ago.

External risks remain. A sudden or sharper-than-anticipated tightening of global financial conditions remains a key downside risk. Economies with weaker fundamentals would be the most affected, similar to what happened a year ago when market participants abruptly revised their expectations of U.S. Federal Reserve tapering.

Since then, though, policymakers in Asia have taken policy actions to address vulnerabilities and we now see those actions starting to bear fruit. As an indicator of this improving resilience, India, Indonesia, and other Asian emerging markets were able to better weather the shocks of global financial volatility in January.

Asia also faces several risks originating from within the region. A sharper-than-envisaged slowdown in China—due to financial sector vulnerabilities and the temporary cost of reforms along the transition

toward a more sustainable growth path—would have significant adverse regional spillovers. In Japan, there is a possibility that Abenomics-related measures could prove less effective in boosting growth than envisaged unless strongly supported by structural reforms.

Domestic and global political tensions could also create trade disruptions and weaken investment and growth across the region. In some frontier economies, high credit growth has led to rising external and domestic vulnerabilities. Domestic vulnerabilities could magnify some of these risks. For the bulk of Asia, financial stability risks appear contained and bank balance sheets have scope to absorb negative shocks.

However, as global interest rates and term premiums move higher, vulnerabilities stemming from pockets of high corporate and household leverage could become more salient. If economic conditions become less hospitable, corporate defaults may occur and investment by highly leveraged firms could take a hit.

Growing regional integration is propelling Asia's growth but could also amplify the impact of global and regional shocks. Events over the past year have been a reminder of Asia's exposure to policy decisions in advanced economies.

Intraregional business cycle synchronization has grown, and Asia is twice as exposed as other regions to growth shocks originating from China. Financial integration in Asia lags well behind trade integration, but it is still capable of exacerbating cycles during negative global events. In so far as trade and financial integration continue to grow, policymakers need to seek out ways to maximize the growth benefits while preparing to manage the vulnerabilities arising from the expanding channels for spillovers.

In order to cope with risks from financial interconnectedness, Asian policymakers have been active in deploying macro prudential policies. These tools are neither a silver bullet nor a substitute for warranted macroeconomic policy adjustment, but they have served the region well.

How can policies help Asia strengthen its resilience to risks and retain its growth leadership? For much of the region, a continuation of recent macroeconomic policies appears to be the right recipe. This would involve a gradual fiscal consolidation while, with inflation pressures staying muted across most of Asia, maintaining monetary policies at their current supportive stance and normalizing gradually as economic slack diminishes and risks recede.

However, economies where inflation outturns are high and above their central bank's comfort zones may need to hike rates in the coming months to ensure that inflation is firmly on a downward path. Any volatility in capital flows should be met with exchange rate adjustment and sparing use of foreign exchange intervention.

Conclusion

In the past Asia, led by China, Japan and India have played the key role in overcoming the economic downturn by maintaining steady growth. It is expected that Asia will continue to the lead the way for sustained world growth.

According to experts, China's growth will open up the door for achieving higher growth in the neighbouring countries, including India, Bangladesh, Myanmar, Nepal, Bhutan and other countries of the Region. It is therefore imperative that the Asian countries give their top most priorities for the development of an integrated global strategy for sustaining the projected world growth momentum.

Finally, there is also ample scope for structural reforms in Asia. The agenda varies, involving, inter alia, regulatory reforms and higher infrastructure investment in India, ASEAN, and frontier Asia; financial system liberalization and measures to rebalance growth away from investment in China; labor and product market reforms in Japan; and tax and spending reforms in many economies. These reforms are critical not only to sustain Asia's growth leadership over the medium term, but also, in some cases, to maintain investor confidence and secure financial stability in the near term.

In celebration of the 20th year of ICC's presence in Bangladesh, it's National Committee has, therefore, chosen the theme "**Global Economic Recovery: Asian Perspective**" for deliberations by the public and world leaders as well as experts on economic recovery strategies.

The article is prepared by ICC Bangladesh based on latest projections of International Monetary Fund (IMF), World Bank (WB), Asian Development Bank (ADB) and analysis of World Economic Forum (WEF).



Dr. Atiur Rahman

Global Economic Recovery: An Asian perspective

The global economy is still to recover fully from the fallouts of the global financial crisis of 2008-2009 originating far away geographically from Asia; banks in the Asia Pacific region did not indulge in sub-prime lending or the other lax, dubious practices that triggered the crisis in financial institutions and markets in North America and Europe. Fallouts of the crisis reach our shores pretty fast however, through trade and financial channels in the integrated global economy.

In the trade channel, demand weakness in North America and Europe caused by chains of insolvencies and wide-scale job losses sharply weakened exports from the manufacturing hubs in our region. Intraregional exports declined nearly as fast, these mainly being primary and intermediate inputs consigned to the regional manufacturing hubs for onward export of final output to the North American and European markets. Tourist destinations in our region faced declining tourist arrival; migrant workers from the region faced pay cuts and job losses in host markets in recession, affecting remittance inflows to their dependents at home.



In the financial channel, our region faced substantial net withdrawal of financial investments from the North American and European economies in crisis, availability of fresh inflows also narrowed sharply. Investments of the huge foreign exchange reserves and sovereign wealth funds of our region in markets in North America and Europe incurred substantial losses in bond defaults, collapsed values of equity and complex derivative assets, and exchange rate risks. These financial channel impacts triggered stock price slump and liquidity crunch in markets in our region, particularly in economies facing heavy withdrawals of foreign financial investments.

These adversities roughly mirror those in the North American and European economies where the global crisis originated, but the distresses by way of corporate and personal insolvencies in our region were less severe, partly because of timely and appropriate intervention by fiscal and monetary authorities, but perhaps mainly because of much lower levels of indebtedness and higher reliance on equity and savings ingrained in the general cultural attitude of our region. We would be well advised to preserve this positive cultural trait while charting the future paths for our real and financial economies.

To sustain economic activities and growth under the shadow of the global financial crisis and recession, countries in our region have acted counter-cyclically to prop up domestic demand, with increased public expenditure towards subsistence safety nets and alternative employment for vulnerable population segments including those losing jobs in the affected export sectors. This has meant increased public debt, raising tax rates not being much of an option in economies facing slowdown. Increased government borrowing at non concessional market rates increase concern about debt sustainability; demanding well designed debt management strategies for the existing and likely future growth path of domestic and external public debt.

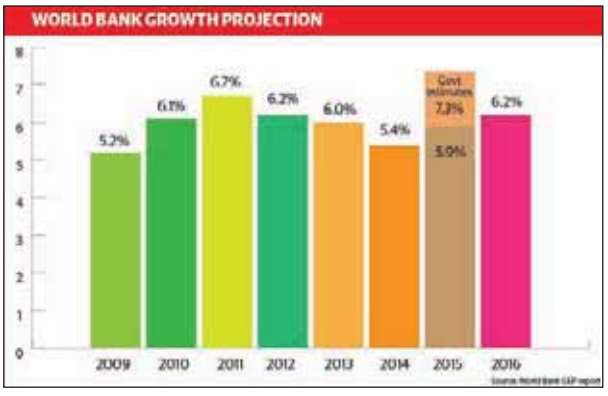
To maintain adequate liquidity and credit flow in the markets, central banks in our region have lowered policy interest rates; and have relaxed conditions for borrowing by banks from the central bank, widening



the range of financial assets admissible as collaterals. Some central banks like Bangladesh Bank have also provided special refinance windows for banks against their lending in priority economic sectors; and all central banks in the region are shoring up regulatory oversight on liquidity, solvency and capital adequacy of banks and financial institutions to limit or prevent contagion from the current or future episodes of financial turmoil, regional or global. The stimulatory measures adopted by governments and central banks to support domestic demand and economic activity will need to be phased off carefully as the global economic recovery takes hold, to avoid buildup of inflationary pressures and macroeconomic imbalance in lax monetary conditions.

Different countries in Asia have been impacted by the global financial crisis in varying degrees, depending on the structures and extents of external openness of their economies. Bangladesh was impacted relatively lightly because of her limited, regulated openness, particularly to short term capital flows. The financial sector in Bangladesh remained free of toxic assets and contagion from the external turmoil, and liquidity conditions remain normal. The government and Bangladesh Bank adopted fiscal and monetary measures underpinning domestic demand and maintaining easy credit conditions, like other countries in the region. Domestic output activities remained well supported by inclusive financing of agriculture and SMEs promoted by BB. Consequent to these efforts, annual average real GDP growth in Bangladesh has remained on sustained stable six plus percent growth trend for well over a decade now, with stable single digit CPI inflation and budget deficits below four percent of GDP.

Export growth and remittance inflows growth held up well while global slowdown driven slack in investment growth momentum slowed down import growth somewhat. The unutilized surplus inflows went into growing foreign exchange reserves, to level of around six months import requirements, with appreciation pressure on Taka, the domestic currency. The post global crisis relatively lax monetary stance has been reversed from FY12 onwards, to keep inflationary pressures at bay.



There are several areas where Asian regional cooperation can usefully strengthen and supplement the individual country responses to the ongoing global growth slowdown current and possible future recurrence of global or regional financial crises. Firstly, Asia's intraregional exports can and need to grow faster, not just in primary or intermediate inputs but also in finished consumer and capital

goods; to reduce dependence on North American and European markets where demand recovery to the earlier debt fuelled high levels will take time as corporate and household deleveraging continues. Secondly, the governments and central banks in the Asia region may foster accelerated development of regional bond markets to channel regional savings



into real sector investments within the region rather than investing the savings in opaque, complex financial assets of dubious quality in the western financial markets. The recent BRICS led Asian Infrastructure Investment Fund (AIIF) initiative is a very welcome development in this respect. The swap arrangements between regional central banks for mutual support at times of pressure have lots of room for expansion, these arrangements are likely to be useful for individual countries in coping with adverse impacts from unwinding of quantitative easing and other unconventional monetary easing adopted by Western advanced economies in overcoming recessionary trends. Thirdly, Asian regional dialogues may urge the more affluent emerging economies to broaden their windows of concessional lending to governments of lower income economies, to help protect their debt sustainability. Asian regional intergovernmental dialogues need to discuss positive and negative externalities of domestic policies of the larger economies, to minimize the negative spillovers and to strengthen the benign ones. Fourthly, in dialogues in UN, IMF, WB and other global forums, countries in Asia region can present a unified front favoring a new global financial architecture that ensures global financial and economic stability by tethering global financial growth in some suitable mechanism to the trend of growth in real global output; with effective grasp on global liquidity growth to inhibit speculative bubbles and roller coaster swings in markets. Finally, countries in Asia region can and need to work together in carrying further forward their significant attainments in promoting inclusive financing for equitable socioeconomic progress, extending the cooperation efforts also in accelerating well coordinated shifts to environmentally sustainable 'green' output practices, lifestyles and financing approaches, as collective regional response to looming global climate change and environmental degradation threats.

To conclude, Asia's current levels of endowments in natural resources, human resources, and vast aggregate stock of financial assets in the form of foreign exchange reserves clearly bestows on Asia the responsibility of taking up role as the key driver of global growth over the coming decades. To maintain a congenial environment for enduring trends in equitable and environmentally sustainable growth, cooperation among the countries of Asia in this role will need importantly to be at multiple levels, including between the governments, public sector institutions, business communities, civil society organizations and so forth.

Dr. Atiur Rahman is the Governor of Bangladesh Bank (Central Bank).

Asian Growth: Realities and Challenges



Dr. A. B. Mirza
Md. Azizul Islam

Introduction

Asia is a heterogeneous region. The individual economies differ widely in terms of population, level of per capita income, structure of output and so on. Any generalization about Asia is, therefore, fraught with inaccuracies from the point of view of relevance and applicability to particular economies.

Despite the above caveat it can be reasonably asserted that the defining characteristic of Asian countries is their increasing integration with the global economy. The process was initially started by economies which were branded as "Asian tigers"—namely, Hong Kong, Republic of Korea, Singapore and Taiwan. It was subsequently embraced by East and South-East Asian countries and somewhat later by South Asian countries. This article briefly examines the implications of contemporary realities of the global economy for growth of Asian countries and the attendant challenges emanating from the external sector. The focus is on selected developing economies of Asia (names of the countries can be seen in table 1).

Channels of Integration

On the economic front the principal channels of integration are trade, foreign direct investment (FDI) and debt flows comprising portfolio equity flows, sale of bonds in international capital markets and bank borrowing. The dominant linkage of Asian countries is through trade with exports ranging from a minimum of 10 percent of gross domestic product (GDP) for Nepal to as high as 195 percent for Singapore in 2012. In most cases, import—GDP ratio was higher than exports— GDP ratio. In the same year FDI accounted for a minimum of 0.4 percent of GDP in Pakistan and the highest level was in Singapore at 21.3 percent. There were only three economies (Cambodia, Singapore and Vietnam) where FDI accounted for more than 5 percent of GDP in 2012. Debt flows were of minor significance in most economies. In absolute term these exceeded $ 10 billion only in China, India, Indonesia and Republic of Korea in 2012. In view of this scenario, the present article focuses on changes in trade and FDI and, at least partially as a result changes in growth performance in Asia.

Table 1. Trade as % of GDP

	Exports		Imports	
	2007	2012	2007	2012
Bangladesh	20	23	27	32
Cambodia	65	54	73	60
China	42	27	32	25
India	21	24	24	31
Indonesia	29	24	25	26
Korea	46	56	45	54
Lao, PDR	37	36	53	48
Malaysia	110	87	90	75
Nepal	13	10	31	34
Pakistan	14	12	21	20
Philippines	43	31	42	34
Singapore	231	195	202	173
Sri Lanka	29	23	40	36
Thailand	73	75	66	74
Vietnam	77	80	90	77

Sources: World Bank, *World Development Indicators,* 2009 and 2014

Realities

As regards trade, of the 15 countries listed in table 1, as many as 10 suffered a decline in exports as proportion of GDP in 2012 compared to 2007. There were modest increases in Bangladesh, India, Thailand and Vietnam. Only the Republic of Korea experienced a significant increase.

All countries saw considerable increase in FDI between 2007 and 2012 in absolute value with the sole exception of Pakistan (table 2). This is not surprising. As economic conditions deteriorate in source countries enterprises trend to increase investment in foreign locations to improve their profit prospects. However, despite such increase, FDI remains a small proportion of GDP in most countries. Consequently, increase in FDI has not succeeded in preventing the moderating impacts of falling trade on GDP growth.

Table 2. Foreign Direct Investment

	2007	2012	
		($ Millions)	% GDP
Bangladesh	653	1,258	1.1
Cambodia	867	1,557	11.1
China	1,38,413	2,95,626	3.6
India	22,950	23,996	1.3
Indonesia	6,928	19,618	2.2
Korea	1,579	9,496	0.8
Lao, PDR	324	294	3.1
Malaysia	8,456	9,734	3.2
Nepal	6	92	0.5
Pakistan	5,333	859	0.4
Philippines	2,928	3,215	1.3
Singapore	24,137	61,160	21.3
Sri Lanka	603	941	1.6
Thailand	9,498	10,692	2.9
Vietnam	6,700	8,368	5.4

Sources: World Bank, *World Development Indicators,* 2009 and 2014

As table 3 shows, as many as eight economies including very large ones (China and India) witnessed lower GDP growth in every single year during the period 2011 to 2014 compared to the pre—crisis average growth rate during 2005-2007 period. This also applies to the developing economies of Asia-Pacific region as a group (UNESCAP, 2014 table 1.1). There would be a modest increase of 0.2 percent in 2014 compared to 2013.

Table 3. GDP growth (Annual Percentage Change)

	2005-2007	2011	2012	2013	2014	2015*
Bangladesh	6.3	6.7	6.2	6.0	6.1	6.4
Cambodia	11.4	7.1	7.3	7.6	7.2	-
China	12.7	9.3	7.7	7.7	7.5	7.4
India	9.5	6.7	4.5	4.7	5.5	6.3
Indonesia	5.8	6.5	6.2	5.8	5.4	5.8
Korea	4.8	3.7	2.3	3.0	4.0	3.8
Lao, PDR	7.7	8.3	8.3	8.2	7.5	-
Malaysia	5.9	5.1	5.6	4.7	5.0	5.3
Nepal	3.2	3.8	4.5	3.6	4.5	-
Pakistan	7.2	3.6	3.8	3.7	4.1	4.2
Philippines	5.8	3.6	6.8	7.2	6.7	6.4
Singapore	7.8	5.2	1.9	3.9	3.5	3.9
Sri Lanka	6.9	8.2	6.3	7.3	7.6	7.5
Thailand	4.9	0.1	6.5	2.9	2.2	4.5
Vietnam	8.4	6.2	5.2	5.4	5.7	5.7

Sources: U.N. ESCAP, *Economic and Survey of Asia and the Pacific,* 2014

*Asian Development Bank, *Asian Development Outlook, 2014* (update).

The picture remains similar for 2015, Asian Development Bank projects a mere 0.2 percent increase in GDP growth for Asian developing countries compared to 2014 (Asian Development Bank, 2014, page XVIII)

Challenges

An important challenge for many developing Asian countries relates to enhancing exports. Despite considerable increase in intraregional trade, developed countries remain major destinations for developing Asian countries' exports. In this context, what happens to growth of developed economies will be an important determinant. All indications are that the growth of advanced economies is on low steam. Though growth performance will be somewhat better (2.3 percent) in 2015 compared to 2012, this group of countries will see a modest improvement compared to estimate for 2014 (2.2 percent). Between 2014 and 2015, some major economies such as Germany, Japan and United Kingdom are likely to experience some declaration of growth rates (International Monetary Fund, April 2014, Table 1.1).

In the context of growth performance of developed countries, policy response has been primarily anchored on loose monetary policy dubbed as "quantitative easing". Somewhat paradoxically, this has been accompanied by fiscal austerity, particularly in Europe. In consequence, recovery has been tepid. Here it is worth quoting from a recent paper by Nobel Laureate economist E. Stiglitz who writes "Austerity has been an utter and unmitigated disaster, which has become increasingly apparent as European Union economies once again face stagnation, if not a triple—dip recession, with unemployment persisting at record highs and per capita real (inflation— adjusted) GDP in many countries remaining below pre-recession levels. In even the best performing economies such as Germany, growth since 2008 crisis has been so slow that, in any other circumstance, it would be rated as dismal."

In the aftermath of 2008-09 financial crises many developed countries have introduced trade-reducing measures in the forms of higher tariff, anti-dumping and countervailing duties, safeguard measures etc. Using data from 43 Asia-Pacific economies, ESCAP estimates that such measures imposed by major developed countries outside the region reduced the opportunity of merchandise exports worth some $ 255 billion which could translate into a cumulative decline of more than 1.6 percentage points of regional output (UNESCAP, 2014 pp 16-19).

Another set of challenges may arise from the normalization of quantitative easing policy in the developed countries, particularly the United States where growth has been most buoyant. This could lead to reversal of debt flows as well as higher borrowing costs by both governments and corporations. Domestic investment rates may have to be raised to stem the outflows and prevent major depreciation of currencies which could trigger unacceptable inflation. Higher domestic interest rates could exert adverse impact on business growth generally and specially on small and medium sized enterprises which are more dependent on bank borrowing. These multiple effects could have significant adverse effects on countries with liquid and open financial markets.

Concluding Observations

This article is of limited scope. It argues that in light of heightened integration of Asian developing countries with the global economy, their growth prospects are naturally influenced by what happens in the developed countries. Data suggest that the recovery in the developed countries is yet to acquire significant speed. In consequence, growth prospects of Asian developing countries also remain subdued. Moreover, persistence of trade—reducing measures imposed by developed countries in the wake of 2008—09 financial crisis and potentially adverse impacts of normalization of monetary policies involving a shift from the current quantitative easing



are matters of concern. Additional complexities, not touched upon in this paper, could arise from worsening geo-political conflicts and spike in oil prices. Asian developing countries, therefore, will have to carefully calibrate their macroeconomic policies to ensure realization of multiple objectives—growth acceleration, avoidance of excessively high domestic interest rate, price stability, containing fiscal deficit and exchange rate stability.

Dr. A. B. Mirza Md. Azizul Islam is former Advisor to the Caretaker Government of Bangladesh, Ministries of Finance and Planning and visiting Professor of BRAC University.

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World Economic Outlook

ICC Global Survey 2014: Rethinking Trade and Finance

Excerpted from the International Chamber of Commerce's recently released "Global Survey 2014: Rethinking Trade and Finance," its largest and most comprehensive Global Survey to date – including data from 298 banks across 127 countries. Key findings of the Survey are also summarized below.

The trajectory of trade over the last 25 years is decidedly split into two parts: the period prior to the Great Trade Collapse of 2008-9, during which global trade growth far outpaced global GDP growth, and the period after the crisis, during which global trade and global GDP have grown at roughly the same pace. Even despite a sharp recovery in the wake of the crisis, real year-over-year growth in global trade has decelerated significantly in recent years, from 13.9 percent in the period ending Q1 2010 to slightly above 3 percent during 2013, picking up to an annualized growth rate of 4 percent during the first quarter of 2014.



Discussion on the emergence of global value chains in international trade and their potential to affect global trade trends is on the rise, while the continued use of trade-restrictive measures by G20 countries far outpaces efforts to liberalize or remove existing barriers. At the multilateral level, the World Trade Organization's (WTO) Ninth Ministerial Conference in December 2013 produced a landmark agreement, but much work is needed to ensure that its goals of better trade facilitation, agricultural trade and improved market access for Least Developed Countries (LDCs) ultimately come to pass.

Global trade, which has been decidedly weak of late, is expected to gradually strengthen through 2016, with a projected annual growth rate at that time of 5.1 percent (up from 3.1 percent in 2013). This trend should occur on the heels of steady recovery in import demand in the US, China, Indonesia and EU, as well as continued export success amongst developing countries as they continue to trade more amongst themselves. Exporters of manufacturing products and services such as China, Malaysia, the Philippines, and Thailand, as well as economies with relatively low unit labor costs and competitive exchange rates (e.g. Cambodia, Lao PDR, Myanmar, Vietnam) stand to benefit the most from this projected trade increase.

However, declining commodity prices will continue to have negative terms-of-trade consequences for commodity exporters. In addition, while burgeoning South-South trade has led to a rapid increase in developing country market shares over the last decade, the volume of trade in the coming years is unlikely to surpass pre-crisis trends, which suggests a potential slowing down in this dominant long-term trend.

The significance of global value chains

International trade has evolved over the past several decades from the simple paradigm of manufacturing a final product in one country and selling it in another to a world in which products often cross several borders and accrue value added in multiple international locations before going to market. This fragmentation of the production process, known as a global value chain (GVC), involves a high volume of trade in intermediate parts before final goods are assembled. The GVC process was first exemplified by

North American automobile production in the 1960s before becoming the more commonplace practice that it is today, e.g. in the manufacture of consumer electronics. Intermediate inputs now account for more than half of high-income country imports and close to three quarters of imports from large emerging economies like Brazil and China.

Key findings of the ICC Global Trade Finance Survey 2014

- While there are signs trade finance is more available, the reported increase is marginal
- The shortage of trade finance for international trade remains a major challenge for economic recovery and development
- To finance exports and imports traders, especially SMEs in emerging markets, continue to rely on loans in local currency or overdrafts, restricting their ability to trade at optimum levels during these challenging times
- Encouragingly, 68% reported trade finance increased by value, but less than the year before
- Bangladesh represents the highest importing country using letters of credit and represents the highest volume growth from 2012 to 2013 in both imports and exports
- The alarming rise in fees for trade risk after the 2009 trade collapse has abated
- An enigma surfaced: a large gap remains in the market for trade finance and risk coverage even while 80% reported trade finance pricing is lower or unchanged
- A total of 69% of respondents noted a decline in reported court injunctions barring payment under trade finance instruments, indicating a return to normal trading conditions
- Banks remain cautious in examining documents. Worryingly, only 7% reported a decrease in spurious discrepancies when documents are presented under a letter of credit
- Know Your Customer Principles are seen hampering the smooth flow of trade finance
- 65% said implementation of Basel III regulations is to some extent or a large extent affecting the cost of funds and liquidity for trade finance
- Documented losses are low on trade finance products

Coupled with comparative advantage and a favorable logistics environment, GVCs offer significant opportunities to countries able to specialize in specific segments of the supply chain, such as inexpensive labor, technical skills, or abundant machinery. But there is a downside. GVCs also rapidly transmit demand shocks from final goods to intermediate inputs, which can exacerbate or even cause trade downturns. A decrease in demand for a complex GVC good like automobiles directly impacts the level of demand in the intermediate components that make up that good, e.g. auto parts. And if demand for complex GVC goods declines more rapidly than demand for simple goods that require no intermediate processing, global trade in aggregate could decelerate more rapidly than otherwise.

Furthermore, GVCs are characterized by information asymmetry and uncertainty, particularly on the part of intermediate goods producers. While exporters of final goods can rely on inventory to stay afloat during periods of contracted demand, suppliers of inputs have less information about demand trends for final goods and see their sales fall far more abruptly and rapidly, which may cause them to act in a more risk-averse manner. This phenomenon seems to be at play in the current post-crisis trade slowdown, during which the average amount of gross trade to value added trade has declined because of a shift away from products that tend to have long value chains (and a low share of final exporter value added) toward products that involve fewer intermediate steps.

G20 countries failing to fill the trade reform vacuum

At a time when leadership on trade reform is sorely needed, G20 countries have vowed only to refrain from imposing new trade-restrictive measures, but that commitment has not been met. On the contrary, G20 countries now account for three quarters of the trade-restrictive measures imposed since November 2008. The impact of the increase in trade restrictions affects 4-5 percent of world trade, not including the much higher cost of forgone gains from trade resulting from the failure to lower existing trade barriers. While it is true that G20 members also account for a majority of the trade-liberalizing measures implemented to date, such measures are on the decline.

According to the WTO's monitoring of trade protectionist measures, 193 new trade-restrictive measures were introduced by G20 countries between December 2012 and November 2013, mostly in the form of antidumping measures and other trade remedies. Non-tariff measures (NTMs) such as technical requirements or restrictions on agricultural products, local content requirements, licensing, and export bans also remain largely unabated. Though the total number of new trade restrictions is lower than the amount imposed in the immediate aftermath of the crisis, the continued use of such measures despite an open commitment to exercise restraint is damaging the G20's credibility as a viable leader of trade reform.

Implementing the WTO's landmark Bali agreement a worthwhile challenge

The agreement reached by the WTO at its Ninth Ministerial Conference in Bali in December 2013 was the first since the organization's establishment in 1995. Covering trade facilitation, rules governing agricultural trade, and improved market access for LDCs, the agreement will provide important economic benefits to the world economy and to developing countries in particular, forging a much needed and welcome way forward after over a decade



of stalled negotiations since the launch of the Doha Round in 2001. The Bali agreement comes at an important time as momentum had been shifting away from and diluting hard-won gains in multilateral mechanisms towards bilateral and preferential trade agreements. This is especially important for LDCs that rely most heavily on the multilateral system to have a more equal voice, secure market access and effectively integrate into the world economy.

The centerpiece of the Bali package, the Trade Facilitation Agreement (TFA), is designed to streamline border procedures, increase transparency, reduce inefficiencies and improve competitiveness. Reducing high transaction costs and unnecessary red tape would provide a sizable boost to global GDP. Developing countries currently take about three times longer and twice as much documentation and cost to import goods than do high-income OECD countries.

According to a recent report by the Peterson Institute, the deal on the table could provide a stimulus to the global economy of up to US$1 trillion. It could also generate as many as 21 million jobs, 18 million of which would be created in developing countries. Look behind the numbers and you see what the agreement to streamline customs procedures would mean for us all: many small businesses exporting for the first time; lower prices for consumers; reduced corruption at borders; and significantly lower rates of food wastage in developing economies.

There is much to be done to help countries, especially the poorest, implement the TFA and reap its benefits. For example, with US$5.8 billion disbursed in 2013 on trade facilitation projects, the World Bank Group is actively supporting trade facilitation improvements to remove barriers that hamper developing countries' participation in the global trading system.

However, with the new Bali agreement in place, the who, what, and how of implementation comes to the fore. Questions remain as to who will ratify the deal and who will remain unbound by its provisions by choosing not to ratify. In a process that could take up to two years, two-thirds of WTO members are needed for the deal to go into effect. And while the agreement theoretically ensures "duty free and quota free" access to foreign markets for LDCs, it is not entirely clear if high-income and more developed emerging economies will refrain from excluding vital products like garments or agricultural products from this guarantee.

The full version of the World Economic Outlook prepared by International Chamber of Commerce (ICC), Paris in cooperation with The World Bank is available at www.iccwbo.org



Dr. Salehuddin Ahmed

The Global Financial Crisis: Daunting Tasks Ahead

The global financial and economic crisis started in 2007 as an aftermath of the housing sector bubble coupled with aggressive lending practices in the US sub-prime mortgage market and lax regulation of the financial sector. To start with, these developments affected the companies holding mortgage-backed securities and credit derivatives. The early signs of the crisis were evident in 2007; but the financial crisis developed into a full blown global recession in late 2008 battered by continuous deepening and widening of the crisis. The recession created shockwaves though the global financial system and the global economy, and the advanced economies were affected most. The governments in these countries are bracing their financial sector and the real economy by stepping up various policy measures including injecting huge sums of money for bailing out the ailing financial institutions and other industries. What is worst is that the recession appears to hang on throughout 2014.

The makings of the crisis were essentially in the US imbalances exported to the rest of the world, over the last couple of decades or so, in the form of persistent current account deficits. The position of US dollar as the dominant global reserve currency enable US to pursue lax macroeconomic policies indefinitely, with its deficits financed externally by economies running surpluses. Not since the beating down of US inflation in the nineteen eighties by US Fed under Paul Volcker at substantial pain of a domestic recession has the US opted again for domestic adjustments to correct imbalances; nor unlike the EU, has the US committed itself unequivocally to pursuing balanced policies (fiscal accounts were in balance in the Clinton era but private sector deficit unrestrained, and in the subsequent Bush era deficits of both public and private sectors ran amok).

In the lax US monetary and fiscal policy regime the surfeit of cheap liquidity surged in several aberrant directions chasing higher returns; into speculation creating commodity and asset price bubbles (the incipient US house price bubble at the turn of the century actually eased the pains from the dot com bubble burst), into equity buybacks with reckless leveraging (improving return on equity but worsening the fragility of corporate finance), into loans to borrowers of dubious credit and securities backed thereby, into derivatives of inscrutable complexity concealing the riskiness of the underlying assets. Close global integration transmitted these trends of the US financial markets and institutions quickly to



the other open economies, including those pursuing balanced policies. Also, the laxities of US monetary policies immediately and automatically surfaced in the economies with currencies pegged to US dollar, including the Middle Eastern oil exporters. The surging wealth from price bubbles in commodities and assets flowed not into combating global poverty, environmental degradation or climate change; but largely into hedonism of private jets, yachts, mansions and other indulgences including such

whimsical, fanciful pursuits as competition in mega scale fairytale-like construction projects, artificial islets curved in the Gulf with coastlines alien to known laws of hydrodynamics, mega dollar artworks like golden lamb and Kate Moss gold statue. Now the whole fantasy structure faces collapse as popping price bubbles triggered chains of debt default, paralyzing markets with freeze up of fresh lending to refinance maturing debts.

Small economies like Bangladesh are however by no means invulnerable to fallouts from prolonged global downturns or to negative spillovers of policies of large economies, and therefore have strong stake in global stability. In forums like G-20 they need to argue forcefully for the same high priority to stability as to recovery; and also for stability action agenda going beyond addressing symptoms (lapses in risk managements, inadequacies of regulation and supervision) to addressing the underlying cause (lax policies allowing unbridled liquidity expansion, incubating bubbles).



A safe path of global balance and stability will be a lot easier if global liquidity growth is tied to the growth of real global output in some mechanism that injects and withdraws liquidity counter-cyclically as global real output growth slackens or paces up. The IMF (reformed with appropriately rebalanced voting rights and quotas for member economies) can be mandated to craft and administer the tying mechanism, in a new role somewhat as the apex global monetary agency.

Consensus building for such a new mechanism (in broad likeness of gold standard, with real global output substituting for gold) may be arduous, all the more reason for kicking off the consultation processes at the soonest possible.

Significant gain in global financial stability can be expected also from reforms limiting excessive leverage in corporate finance. In the current crisis the high fragility brought about by reckless substitution of equity with debt precipitated extended chains of debt defaults, paralyzing financial markets across major economies. A corporate generally favors debt over equity because debt servicing costs are tax deductible while income on equity is subject to taxation. However, in downturns, debt burden deepens a firm's financial distress, even inviting demise, as made amply evident by the current global financial crisis.

The Bank for International Settlement (BIS) in Basel, Switzerland for some years is engaged in developing global norms of capital adequacy for banks and financial institutions. BIS can also be mandated to develop global norms of debt equity balance and sound practices in corporate financing, limiting tendencies of excessive leveraging. To this end, some extent of tax break on income from equity, narrowing the gap in relative attractiveness of debt and equity as financing option, may also be well worth considering.

Dr. Salehuddin Ahmed is Professor of Brac University and former Governor of the Bangladesh Bank (Central Bank).



Vincent O'Brien

Global Economic Recovery

- the need for collaboration

Since the "global financial crisis" of 2008-09, trade finance has taken something of a battering. While almost-universally viewed as a vital piece in the puzzle for economic recovery – and very much a requirement for encouraging global growth – banks have been retreating from the financing technique for a variety of reasons.

However, here in Bangladesh it can be seen that international trade is the cornerstone for economic development and reduction of poverty. Trade is the barometer and thermometer of current economic heath and the prospects of an energetic or lack-lustre recovery. Banks in Bangladesh are increasing activity in trade finance and looking towards the use of new and innovative but well regulated trade finance products.

So over the past six years, the International Chamber of Commerce (ICC) Banking Commission, with the direct support of ICC National Committees has been measuring both the fact and figures related to trade finance and the attitudes of its practitioners. Our aim: to influence financiers, regulators and policy makers using empirical evidence. We are replacing anecdote with hard data in order to explode some myths as well as prove our belief that trade finance, as a technique, deserves support.

To this end, we believe that our two most recent reports – the Global Survey 2014: Rethinking Trade and Finance (the "Survey") and the Trade Register Report 2014 (the "Register") – provide ground breaking information: supporting trade finance as a valid financing technique for the 21st century, though one still suffering from something of a "crisis hangover".

Based on data reflecting more than 4.5 million transactions and totalling an exposure in excess of USD2.4 trillion, the Register has empirically proven the contention that trade finance is a low-risk financial instrument. It reveals default rates in trade finance in a range from 0.0332% to 0.241% – a fraction of Moody's default rate for all corporate products (which averages at 1.38%), and even lower than the default rates for AAA corporate bonds.

Aligned with this is the ICC Survey, which represents the views and observes the trends from 298 banks in 127 countries – our largest ever taking of the trade finance temperature. One of the most concerning findings of the Survey was the shortfall in available trade finance. And, worryingly, such liquidity constraints are being felt most among those most likely to become the engine of global economy growth: SMEs and companies in emerging markets.



Some 41% believe that additional liquidity is required to support current trade flows – with both the continued perceived risk and regulatory constraints cited as reasons for the shortfall. Of the regulatory concerns, the two having the greatest impact are Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations – which are resulting in 68% of respondents declining transactions (with more than a third closing down correspondent banking relationships due to regulatory concerns) – and Basel III.

Indeed, some 68% of respondents claim that Basel III regulations are impacting the cost of funds. Meanwhile, 87.5% of respondents state that Basel III has affected their operations, with 69% reporting that Basel III regulations are impacting the cost of export finance. Worryingly, the findings also reveal that loans in local currency or overdrafts are becoming common tools for SMEs trying to enhance their international trade activities, which not only impedes their ability to trade internationally, but generates further risk within the supply chain.



Despite these constraints felt in emerging markets in terms of liquidity, the Survey sheds light on the stark contrasts between the emerging and developed markets in terms of trade and trade optimism. Indeed, south-south trade now represents 46% of global exports, up from 35% in 2001.

Optimism in the emerging markets contrasts sharply with the developed world, however. Since 2008, G20 countries have accounted for three-quarters of the trade-restrictive measures – mostly in the form of antidumping measures. This shows that the developed world is increasingly responding with defensive measures to ward off emerging market competiveness. Certainly, such defensiveness, while understandable, has a detrimental impact on global growth

That said, we must emphasise the positives from the survey, which include the acceleration of global trade growth in 2014 (picking up to 4.1% annualised against 3% in 2013). We must also realise that the constraints on trade finance availability are understandable and have been eased by new pools of liquidity coming in to the market from sources such as specialised funds, alternative providers and "captive" corporate banks.

And, even with the regulatory concerns noted, we should state that the regulators have good intentions. Indeed, ICC's core function is to work closely with regulators in order to strike the right balance, though one based on facts rather than opinion – hence these two highly informative reports. Yet, both the Register and the Survey rely on collaboration, and the fact we find such willingness in this respect is probably one the best things to come out of the very difficult period trade finance has experienced since 2008.

The current political problems that have escalated to new dangerous levels in Ukraine and the Middle East can have a drastic destabilising effect on the prospects for trade development. The prospects of higher priced oil due to political problems is now a global problem, but this time emerging markets could hurt even more than advanced economies as was the case in the past.

Collaboration is the key – and that is what this conference hosted by ICC Bangladesh is all about. At this critical point all opportunities to enhance the prospects for international trade must be grasped with both hands.

Mr. Vincent O'Brien is the Chair of the ICC Banking Commission, Market Intelligence Group and Member of the ICC Banking Commission Executive Committee, Paris .

Multilateralism is Worth Fighting For



Dr. Victor K. Fung

There have been numerous moments in the last 12 years of the Doha Round of negotiations when many people across the world were ready to give up on the World Trade Organization (WTO). The failure of the WTO at the end of July 2014 to ratify the Bali Accord of December 2013 was one such moment. Once again we are brought to the brink, as India's government seeks to link the Bali Accord with concerns over its program to supply subsidized food to the poor. But we must view this only as a temporary setback, and work to ensure that WTO members go back to the negotiating table as quickly as possible.

At the International Chamber of Commerce (ICC), we worked with business communities around the world to gain support for the agreement in Bali, an important gain for WTO members and particularly for developing countries. In the lead-up to Bali, we intervened to impress upon government leaders and Trade Ministers the importance of a harvest from the Doha Round of negotiations – which remained



a barren field even after 12 years of arduous talks. But even with the elation over the Bali Accord, it was clear that holding 160 WTO members with disparate interests and economies to actual implementation of the package would be a considerable challenge.



It is particularly tragic that failure to implement the Trade Facilitation Agreement (TFA) will hurt the poorest countries most. The TFA, the most significant part of what was agreed at Bali, is essentially a practical program to standardize and simplify customs procedures. Its implementation would make it easier for small businesses to export; it would reduce prices for consumers and the heavy toll of corruption. The Organisation for Economic Cooperation and Development (OECD) estimates that the TFA would reduce the average cost of border transactions for companies, large and small, by a factor of 10 to 15 per cent.

Research commissioned by the ICC Research Foundation and carried out by the Peterson Institute for International Economics concludes that implementation of the TFA would provide a debt-free stimulus to the world economy worth US$1 trillion annually. The agreement would prompt the creation of 21 million new jobs, of which 18 million would be created in developing countries.

Backtracking on the Bali Accord will deal a serious blow to a global economy still experiencing a fragile

recovery. It would also weaken the WTO and put at risk the multilateral approach to trade agreements that have contributed to raising millions of people out of poverty over the last decades. Such a development would be highly damaging for emerging and developing countries. They risk being left with no fair and viable alternative to improving their economies through trade, as large trading partners turn increasingly to far-ranging regional agreements among themselves. This is already evident in the current negotiations for the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP), where the majority of developing countries are notably absent.



Developing economies would also risk losing the institutions that have been one of the most effective drivers of their economic development. It is only within the WTO framework that they can negotiate assurances, and are likely to get support, for their food programs and for other similar concerns. There is no other alternative to this unique negotiating forum for global trade rules. That simple fact should cause governments to consider how to get back to the negotiating table after a pause over the next few weeks.

Business leaders in ICC have expressed deep concern over the slippage on the Bali Accord and have re-affirmed their support for the WTO and the



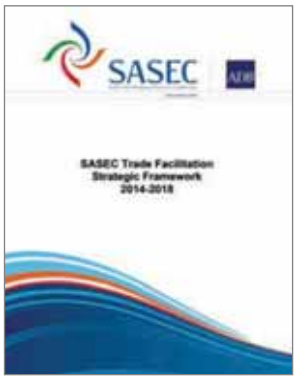
multilateral approach it brings to implementing and establishing the rules of world trade. Most governments, especially those in developing countries, share one conviction that the gains in Bali need to be realized. ICC is mobilizing its worldwide network of over 6 million companies in 130 countries to keep up the pressure on individual WTO member governments to overcome the current impasse and get back to work to ratify the Bali Accord.

The ratified Bali Accord would provide the opening for the WTO to seek more gains from the Doha Round, including food security. It would also present an opportunity to re-examine WTO rules to secure the future of the multilateral trading system. As we have seen over the past several decades, overcoming poverty is best accomplished through growth that creates jobs and opportunities for the poor.

The main driver of global growth remains the multilateral trading system, managed inclusively, transparently and fairly by the WTO's member countries. This is definitely worth fighting for and we must not give up.

Dr. Victor K Fung is the Chairman of the ICC Research Foundation.

Breaking Barriers to Trade in South Asia: The Road Ahead



Asian Development Bank

Despite South Asia's fairly impressive economic performance in the past years, it remains one of the least integrated regions in the world . Although home to one-fourth of the world's population, South Asia accounts for only 2% of world trade and 1.7% of world foreign direct investment. Compared to other regions, South Asia's intra-regional trade is much lower than Latin America's 17%, the Middle East and North Africa's 8%, and East Asia's 55%, even after factors such as geographic proximity, income levels and population are taken into account. Bottlenecks in trade facilitation have been identified as one of the major factors impeding trade in the sub region. The number of documents and the time to export and import are generally higher in South Asia than in other regions of the world, thus increasing the cost of trade. For instance, it takes 32 days and 7.8 documents on average to export in South Asia, compared to 22 days and 6.5 documents in East Asia and the Pacific. South Asia's export time is 31% slower and administrative fees and storage handling costs are 43% more expensive.

In 2001, four countries that comprised the South Asian Growth Quadrangle --- Bangladesh, Bhutan, India and Nepal --- requested the Asian Development Bank's (ADB) assistance in facilitating their economic cooperation initiatives, leading to the formation of the South Asia Sub regional Economic Cooperation (SASEC) Program. With ADB providing Secretariat support, the SASEC Program focuses currently on three priority areas, namely: transport, trade facilitation, and energy as laid out in the ADB's South Asia Regional Cooperation Strategy. Cooperation in transport and trade facilitation has the objective of promoting the prosperity of the sub region by facilitating the efficient movement of trade across the borders.



The following years witnessed South Asian countries undertaking significant reform measures to address these bottlenecks through changes in legislative and regulatory regimes, business process improvements and automation. Over the period 2006 to 2009, these measures yielded encouraging results, with the time necessary to complete export procedures being reduced by as much as 20% in South Asia. SASEC, as a regional platform, has made it possible for these countries to better coordinate their national responses to common issues through dialogue and joint or parallel projects.

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2 This figure may be distorted by the huge external trade of India.

3 World Bank 2007. South Asia: Growth and Regional Integration. Washington D.C.

4 World Bank. Doing Business Survey. 2012

5 The South Asian Growth Quadrangle was formed in 1996.

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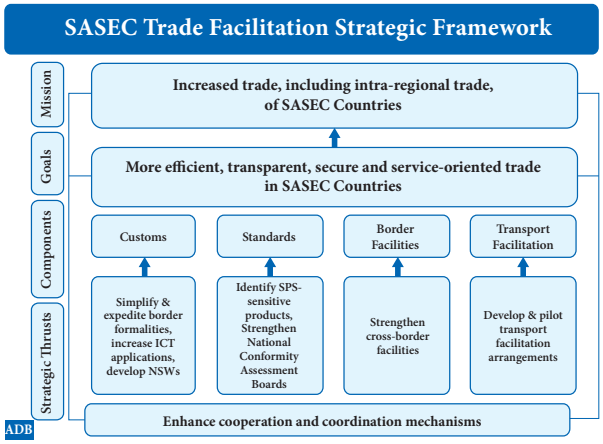
In March 2014, a Strategic Framework for Trade Facilitation (SFTF) covering the period 2014-2018 was endorsed by the SASEC countries in order to consolidate, build on, and accelerate ongoing trade facilitation measures in the individual SASEC countries (see Chart).



The diagnostic studies conducted to guide the formulation of the SFTF revealed the most pressing trade facilitation issues that confront the SASEC countries. Documentation remains a key problem and accounts for a substantial portion of trade costs. For instance, Indian exporters to Bangladesh have to obtain about 330 signatures on 17 documents at several stages. Modern customs procedures are mostly at a nascent stage with physical and documentary control mechanisms still being widely used. In large part, this is due to the limited application of information and communications technology (ICT). In turn, low ICT usage, and the as-yet-to-develop trade portals and websites have hindered dissemination of import, export and transit requirements. On the whole, the customs procedures need to be modernized to comply with the World Customs Organization's (WCO) Revised Kyoto Convention (RKC), which serves as the blueprint for modern and efficient Customs procedures in the 21st century.

Apart from customs-related issues, cross-border facilities and transport connectivity need strengthening to support trade facilitation. The logistics sector in South Asia can develop significantly if transport systems in the region become physically and operationally interconnected. Transport infrastructure (road, rail, maritime, and air transport) and border infrastructure needs strengthening and upgrading. The landlocked countries of Bhutan and Nepal need transit and transshipment facilities for through transit and compounding effects it will bring about.

Under the SFTF, five priority areas have been identified to address these key trade facilitation issues: (i) customs modernization and harmonization; (ii) standards and conformity assessment strengthening; (iii) cross-border facilities improvement; (iv) through transport facilitation; and (v) institution and capacity building.



Customs modernization and harmonization requires balancing customs' control and facilitation functions following international best practices as set out in the RKC. India and Bangladesh have acceded to the RKC, while Nepal and Bhutan are expected to accede within 2014-2015. Accession to the RKC will provide the first level of simplification and harmonization of customs procedures, which will set a common benchmark of modern customs

[8] De, P. and B. Ghosh. 2008. Reassessing transaction costs of trade at the India – Bangladesh border. Economic and Political Weekly.Vol. 43 No. 29, pp. 69–79.

practices for both bilateral and transit trade. SASEC countries have initiated steps to put in place a risk management approach by considering the implementation of the SAFE Framework of Standards and the system of authorized economic operators, which are among the tools of the World Customs Organization to secure and facilitate global trade and promote the integrity of the supply chain. A business reengineering exercise on the documents presently required through the various stages of the supply chain has already started by way of addressing the documentation issue and further improving the import clearance process.



SASEC countries have made noteworthy progress in the automation of their customs processes and are taking further steps to upgrade and improve them. Over the medium-term, the goal is for Bangladesh, Bhutan, and Nepal to have their respective upgraded ICT systems operational, together with the necessary legislation in place. There are plans to develop a mechanism for the electronic exchange of trade data toward building regionally integrated solutions to risk management. This will also pave the way for the development of National Single Windows, which will allow parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.

Complying with technical or sanitary and phytosanitary (SPS) requirements (product standards) and the related conformity assessment procedures were found to be also highly challenging in many countries in the region. While the standards themselves can be an issue, a key factor from a trade facilitation perspective is the efficiency of the conformity assessment procedures, which can add significant time to the export process. Bangladesh, Bhutan, and Nepal have started to focus on priority export products to India experiencing challenges in complying with product standards for which standards upgrading and improvements in laboratory equipment are needed. Engagement with the South Asia Regional Standards Organization (SARSO), established under the SAARC framework in 2011, to formulate products standards with the active participation of local exporters, would complement these efforts. In parallel, institutional strengthening of national accreditation bodies and national conformity assessment boards would also be pursued to improve the SPS environment that could eventually lead to mutual recognition agreements among the SASEC countries.



SASEC countries have initiated the construction of facilities at major trade points at the ports to facilitate trade. India is constructing Integrated Check Posts (ICPs) along its border with Nepal and has similar plans for its borders with Bangladesh and Bhutan. These ICPs will be dedicated passenger and cargo terminals providing for passenger flows, cargo

processing, cargo inspection sheds, warehouse and cold storage, a quarantine laboratory, and other services in a single complex. India also maintains several Land Customs Stations providing services for goods en-route. Bangladesh has identified as many as 14 land customs stations, and planned to upgrade facilities and modernize ICT infrastructure. Several land ports are also constructed with one-stop service, a number of which are under the build-operate-transfer arrangements. Nepal has constructed dry port facilities or inland container depots (ICDs) at key border points and is also planning the establishment of ICPs. Initiatives to construct more of these facilities will be pursued over the medium-term.



Bilateral transit agreements currently guide through transport arrangements among some SASEC countries. Both Nepal and Bhutan have transit agreements with India, but there is no similar transport agreement between Bangladesh and India as yet. Bhutan is currently working out a transit agreement with Bangladesh. There is no transport agreement between Bangladesh and India to allow vehicles in each other's territory, making the trans-loading of goods necessary in either side of the border. Providing transit and transshipment facilities to neighboring and other countries in proximity through all modes of transport has been a priority agenda for Bangladesh. SASEC countries recognize that a more comprehensive arrangement may be needed for intra-SASEC transit traffic. In the meantime, technological solutions such as the Secure Cross-Border Transport Model developed by UNESCAP are also being considered to track the location of vehicles carrying transit goods on a pilot basis.

One of the distinguishing features of modern customs administration is the active engagement of stakeholders in the various trade facilitation processes. This includes trusted collaboration with supply/transport chain partners, customer treatment based on differentiation of performance such as through the provision of incentives as a reward for compliance (e.g., the authorized economic operators' scheme), and extensive collaboration through information sharing. The establishment of trade facilitation committees, as a vehicle for collaborative action should include, apart from the relevant government agencies, the chambers of commerce, the freight forwarders' associations, clearing and forwarding agents, and shipping agents' association, among others. Constructive partnership with trade is therefore one of the underlying governance principles for a modern customs regime. These mechanisms would provide a permanent framework within which agencies and other stakeholders can come together to find optimal solutions to balance control and facilitation of trade and transport.

The Article has been provided by the Asian Development Bank

WTO: Was Bali just another failed Ministerial ?


Dr. Toufiq Ali

When the Bali WTO Ministerial Conference concluded with a bang, it was a sound heard around the globe. Many believed that the WTO was energized, and back on track for providing leadership to the global trading system. It is now almost nine months since the conclusion of that Ministerial. Perhaps, it is time to look back at what was achieved and to assess how far we have really progressed since then.

Any decision on trade will have serious consequences on Asian countries. The world GDP, at current prices, amounted to about US$ 74 trillion in 2013; of this, Asian countries account for about US$ 22.3 trillion, or just over 30%. When one considers trade, however, the global trade was about US$ 18.8 trillion, of which Asian countries account for about US$ 6.2 trillion, or about 33%. And, looking at the trend of the last few decades, the trade of Asian countries is rising rapidly.

What was Bali?

The WTO is run by its 160 member governments, who also contribute to its budget on the basis of their share of world trade. All major decisions are made by the membership as a whole, either by the trade ministers, who meet once every two years, or by their Ambassadors in Geneva. Decisions are taken by consensus. In this respect the WTO is different from the other international organizations, where the decision-making is delegated to a board or the organization's head.

At the WTO's apex, the Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements. These decisions are reflected in the Ministerial Declaration issued at the conclusion of the Conference. Although the Declaration is not signed by the Ministers, it carries the force of law in the multilateral rules enforced by the WTO.

Ministerial Conferences should normally be routine, save for the fact that in 2001, at Doha, a new round of trade negotiations was launched. This made each succeeding Ministerial vitally important for the future of the multilateral trading regime.

> *Many Asian countries have emphasized an export-led growth strategy. Their contribution to global economic recovery, and indeed their own welfare, will depend on their ability to trade. For them, the multilateral trade rules, as represented by the WTO, are critical. It is, therefore, not surprising that they should follow closely what happens at the WTO Ministerial Conferences, such as the one held at Bali.*

Since the establishment of the WTO in January 1995, eight Ministerial Meetings have been held previously: Singapore (1996), Geneva (1998), Seattle (1999), Doha (2001), Cancun (2003), Hong Kong (2005), Geneva (2009), and Geneva (2011). The Bali Ministerial (3-6 December 2013) was the 9th in the series.

What did the Bali Ministerial decide?

There were two major parts to the decisions taken by the Ministers at Bali.

a. The first part relates to decisions taken by the Ministers on issues raised by the General Council. The major elements are enumerated below:

- TRIPS Violation and Situation Complaints — decision to keep matters pending till 2015
- Electronic Commerce — decision not to impose customs duties on electronic transmissions till 2015
- Small Economies — decision to continue with the work
- Aid for Trade — decision to go for new work programme in post-2015 period
- Trade and Transfer of Technology — Ministers asked for improved understanding of the nexus between the two.

This segment did not raise any eyebrows, as they were expected in the normal course of events.

b. The second part comprised decisions relating to the Doha Round of Trade Negotiations. All eyes were focused on this section, and this also generated most controversy. There were several areas where understandings were reached:

- The text of an **Agreement on Trade Facilitation** was adopted. A preparatory committee was established to draw up a protocol to make the Agreement a part of Annex 1A of the WTO Agreements. The protocol, to completed by July 2014, would be open for signature up to July 2015.
- Two clear areas established in Agreement. Section 1 deals with the technical aspects for an efficient and effective Agreement. Many procedures must be made transparent and conform to strict disciplines.
- Section II provides for specific timetables and special (S&D) treatment or technical assistance needed for implementation. It contains three categories of Commitments:

  (a) Category A Commitments: Developing Country & LDC must implement upon entry into force;

  (b) Category B Commitments: Developing Country & LDC designates for implementation within a specified date;

  (c) Category C Commitments: Developing Country & LDC to implement within a specified date following acquisition of implementation capacity through aid.
- Some significant decisions were also adopted concerning Agriculture negotiations. These cover:
- General Services — allows specific activities related to land reform and rural livelihood security;
- Public Stockholding for Food Security Purposes — to allow governments to fund such stocks until the 2017 WTO Ministerial;
- Understanding on Tariff Rate Quota Administration Provisions of Agricultural Products, to limit the scope of such activity;
- Export Competition — to examine all forms of export subsidies and export measures that distort trade and competition;
- Cotton – to examine all forms of assistance to West African countries to help develop this sector.
- Several decisions were taken in respect of the Least Developed Countries. These cover Rules of Origin for exports, special provisions for services from the LDCs, duty- and quota-free treatment for LDC exports, monitoring mechanism for implementation of special provisions for LDCs.

Bangladesh & WTO:

The extent to which the multilateral trade agreements affect even an LDC is not generally acknowledged. As an LDC, Bangladesh is exempt from the implementation of the TRIPS agreement till 2016 (for pharmaceutical products) and till 2021 (for other products). This allows Bangladeshi consumers to benefit from cheap medicines. LDCs are increasingly being given duty-free market access in many countries; Bangladesh is a major beneficiary of this scheme. Bangladesh (as an LDC) is free to determine the binding of tariffs; and, consequently, has tremendous flexibility. In the services sector, we have very few areas that are open; this would not have been possible unless we were an LDC. Almost all WTO agreements have special and differential provisions for LDCs, which Bangladesh is enjoying.

In the Bali outcome documents, there is one area of vast potential benefit and another with considerable burden. It was agreed that the LDCs would provide a common request in the area of services (for Bangladesh, labour export is covered there). This request would be considered in a meeting in Geneva, so that other countries could grant facilities only to LDCs. In the Trade Facilitation Agreement, the LDCs have taken on an onerous responsibility of notifications and aligning domestic regulations – we will find it challenging to carry out that task.

Some Perspectives:

At Bali, when the Trade Facilitation Agreement text was adopted, it was also agreed that a Protocol to give effect to this Agreement would be adopted by 31st July 2014 and open for signature until 31st July 2015. This text of the Protocol has not been agreed to as yet, and there is no indication when it will be adopted.

The agenda for trade negotiations at the WTO is exporter-driven. Trade involves export and import, but the Trade Facilitation Agreement is mostly about making changes in import procedures. The developed countries are not making significant changes in their own trade facilitation around their imports; it is the developing countries that will make the changes. Estimates of benefit from the trade facilitations agreement vary; some place it at over a few hundred billion US Dollars. It is obvious that the chief beneficiaries would be the major exporting countries.

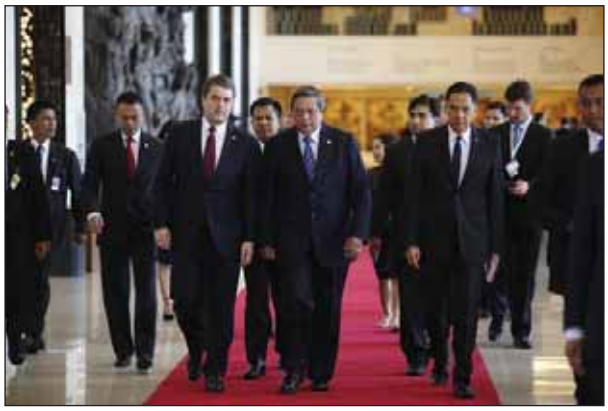
Decisions in the WTO are complex, on account of conflicting interests. India, for instance, wants a permanent understanding in public stocktaking at the same time that the protocol on Trade Facilitation is adopted. Food subsidy alone, in India, is over US$ 21.5 billion. In addition, India has farm subsidy amounting to US$ 56 billion, of which about US$ 13.8 billion would be trade distorting under today's rules as the limit is calculated on 1986-88 prices and inflation since then has exceeded 650%. Simultaneously, some rice-exporting countries fear that this farm subsidy will enable Indian rice exporters to sell rice internationally at less-than-cost prices. This practice of selling abroad agricultural produce, subsidized by the government, was introduced by the developed countries.



Why, then, did developing countries agree to the Trade Facilitation Agreement at Bali? The answer is not so straight-forward. Many say that the selection of the former Brazilian Ambassador as the DG, WTO was key. His past colleagues, the Ambassadors at Geneva, did not want to let down

their former colleague so soon after his appointment. Moreover, everyone recognized that the WTO was at a crossroads, and no one wanted a failed Ministerial again. Finally, many developing countries felt that if they made a concession at Bali, it would encourage the developed countries to reciprocate later.

The trade facilitation agreement at Bali is not dead as yet, not until members choose to "kill" it. The manner in which it was handled is unusual. In multilateral trade rounds, "nothing is agreed till everything is agreed". In other words, even if the negotiations in one area are complete, it is not regarded as agreed upon till the negotiations in remaining areas are completed. The WTO membership has deviated from this principle in approving the Trade Facilitation Agreement at Bali. No doubt, many will now regret that approach.



Over the last decade, the dynamics of trade negotiations have changed dramatically. Multilateral trade negotiations began from the days of GATT, in 1948. The practice has been for the major trading nations, i.e., the developed countries, to lead the way. They would settle their own trade problems, and provide the draft of an agreement, on which the developing countries could make some minor changes. Thereafter, the negotiations would conclude.

Gone are those days. Developing countries are now much more aware of their interests. They also recognize that the multilateral trade rules in their present format help major trading nations, who incidentally are the developed countries. Developing countries also realize that trade is a vital component of their economic development strategy. And, consequently, they are beginning to take much greater interest in the rules being established.

It is clear that, in the "new" WTO, both the developed and developing countries would need to adjust taking the changing reality. Many speak of developed countries leaving the organization if their interests are not served. Yes, indeed, the United States has a track record of leaving organizations that they feel do not serve their interests – for example, they left the UNESCO and the UNIDO. Despite all the sound and fury, it is apparent they find the dispute settlement service of the WTO reason enough to remain members. This is the only multilateral forum to settle trade disputes; the dispute settlement procedures in regional trade agreements have not been very successful.

The WTO has been around for less than 20 years, which makes it "new" as organizations go. In the final analysis, Bali may be regarded as a milestone in the evolution of the organization. Agreements are indeed possible, but they cannot be sustained or implemented if they are not equitable. The days of forcing one's decisions on others are over. All sides to an agreement must find some gain, and at the same time acknowledge that no one will achieve all that they wish to get.

Dr. Toufiq Ali, Chief Executive, Bangladesh International Arbitration Centre (BIAC) & Former Ambassador and Permanent Representative of Bangladesh to UNCTAD, WTODr. Toufiq Ali, Chief Executive, Bangladesh International Arbitration Centre (BIAC) & Former Ambassador and Permanent Representative of Bangladesh to UNCTAD, WTO



Dr. Ravi Ratnayake

Developing and Diversifying Value Chains for Least Developed Countries

1. Introduction

During the past three decades, global value chains (GVCs) have played a prominent role in the global economy. A GVC refers to a full range of cross-border, value-added business activities that are required to bring a product or service from the conception, design, sourcing raw materials and intermediate inputs stages, to production, marketing, distribution and supplying the final consumer. Although large MNEs typically control GVCs, some local businesses in developing countries have also participated in GVCs and provided goods and services based on their expertise as suppliers, distributors and business service providers. The GVC phenomenon has created a new form of division of labour between countries both within the same region and across regions. In other words, more and more enterprises now locate different stages and activities across borders in different places that best suit such activities. So research and development, design, production of parts, manufacturing assembly, marketing and branding rarely come from one location, but are sourced from the most efficient supplying locations. Global trade, which totals more than $20 trillion, relies heavily on GVCs. GVCs cover about 60 per cent of world tradeand that share can go up to 70-80 per cent if intra-firm trade and intermediate trade as well as final goods bought for eventual sale by large retail establishments are added (UNCTAD 2013).

The development of GVCs has been observed in a variety of industrial sectors in Asia and the Pacific, such as apparel/garments, automobile, electonics, food and high-tech industries. Evidence from Asia-Pacific countries, especially in East Asia, shows that there have been tremendous benefits to the countries participating in the GVCs in terms of gaining access to the world market, employment creation, and technology transfer. For developing countries, in particular the least developed countries (LDCs), the benefit, if and when they are able to particpatein the international production networks of MNEs, would be enormous as it wouldmitigate their development disadvantages arising from their small domestic markets, insufficent capital, and lack of experience in meeting international standards.



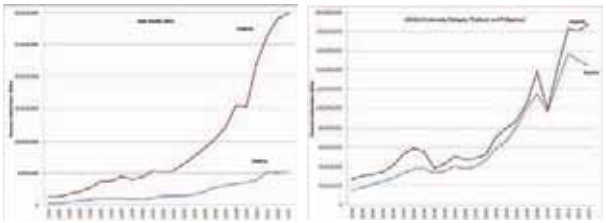
This short paper sheds lighton developing and diversifying GVC opportunites for the LDCs in the Asia-Paciifc region by looking at their current trade and production patterns and resulting participation in GVCs. The paperidentifies GVC segments where the LDCs have potential based on country-specific characteristics. However, it emphasizes that reachingthis potential depends on the ability of LDCs to improve connectivity with the rest of the region. In this regard, trade and investment policies and regional cooperation are emphasized as the important means to unlock the existing potential.

This text is based on an ongoing research by the Trade and Investment Division of UN ESCAP. The author appreciates useful inputs provided by WitadaAnukoonwattaka, Masato Abe, Mia Mikic and ChorthipUtoktham.

2. GVC participation of Asia-Pacific LDCs

While the GVC phenomenon has expanded trade and investment linkages betweenAsia-Pacific countries, least developed countries have not matched other countries in tapping these new opportunities. Figure 1 shows that Asia-Pacific least developed countries' imports and exports of intermediate goods (widely used as a proxy for GVCs) have increased remarkably during the last two decades: imports by 30 per cent and exports by 27.5 per cent. Although the value has increased significantly, the countries still have negligible shares in global trade in intermediates of 0.86 per cent and 0.15 per cent for their imports and exports of intermediate goods, respectively, in 2013.

Figure 1. Trade in intermediate goods of Asia-Pacific LDCs (1990-2013)

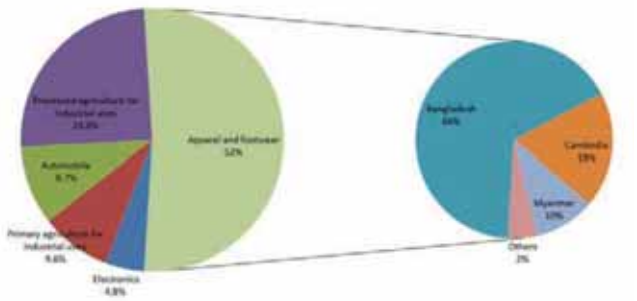


Source: ESCAP based on UNCOMTRADE

Notably, there is a large gap between the value of intermediate imports and exports for the Asia-Pacific LDCs (figure 1). The low value of intermediate exports relative to intermediate imports shows that Asia-Pacific LDCsare participating only at the end stage of the process in international production networks,where activities are mainly concentrated in unskilled labour-intensive assemblyof intermediate imports into final goods for either domestic consumption or exports. This is in sharp contrast to the situation in ASEAN economies, where the gap between imports and exports is small (on the right side of figure 1).

The current focus of LDCs on final assembly activities seems to be confirmed by the composition of intermediate imports. Intermediate apparel and footwear represents more than a half of the intermediate imports by LDCs (figure 2). With their low cost of labour, Bangladesh, Cambodia, and Myanmar stand out as attractive locations to establish the low-skill segment of the apparel and footwear GVCs. Bangladesh is the largest importer of intermediate apparel and footwear within the group. From 2008 to 2013, imports by Bangladesh represented 66 per cent of the Asia-Pacific least developed country group's imports of intermediate apparel and footwear. The imports by Cambodia and Myanmar accounted for 19 per cent and 10 per cent, respectively.

Figure 2. Composition of intermediate goods imports by Asia-Pacific LDCs from 2008 to 2013

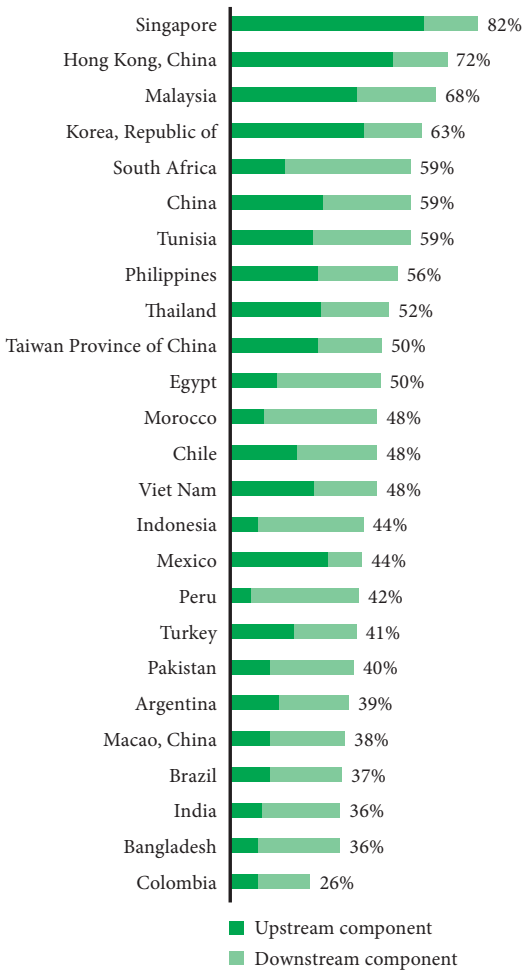


Source: ESCAP, based on UNCOMTRADE

By closely looking at the composition of exports of LDCs, one can observe two major GVC portfolios in the LDCs based on their levels of development and supply-side capacity. These two types are: (a) resource endowment driven value chains (e.g., agro-products and minerals); and (b) light manufacturing value chains (e.g., textiles, garments and footwear). Within this classification, Lao PDR, Myanmar and Nepal belong to the resource endowment driven value chains, while Bangladesh, Cambodia and Vanuatu are countries linked to light manufacturing value chains. It is noteworthy, however, that Cambodia has started exporting high value-added manufacturing goods, such as vehicles as well as electronic equipment, indicating that it is undergoing a transition to exporting advanced manufactured goods.

Figure 3 illustrates Bangladesh's participation in GVCs in comparison to other developing countries. GVC participation rate, as defined by UNCTAD, refers to the extent to which a country's exports incorporate inputs with foreign value added (the upstream component, in dark green), and the extent to which its exports contribute value added to other countries' exports (downstream component, in light green). Among the 25 countries depicted, Bangladesh is the second-lowest, with just a 36 per cent GVC participation rate. This shows that Bangladesh should be able to, and should strive to, increase its GVC participation to be more in line with the major exporters in the developing world.

Figure 3: GVC Participation rate of Bangladesh among the top 25 developing country exporters, 2010



Source: UNCTAD 2013
Note: This list excludes countries that primarily export oil

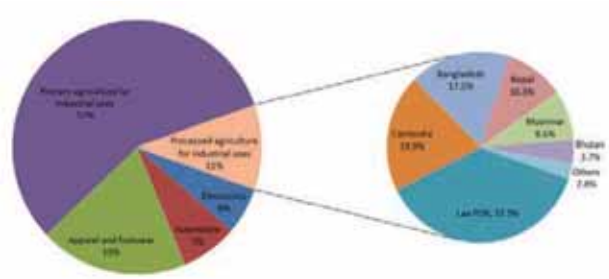
3. Potential for upgrading and diversifying the GVC participation

As small economies, most LDCs are faced with a relatively narrow scope for industrial diversification compared with large developing countries which have an advantage from scale and agglomeration factors. Opportunities exist for the LDCs in the form of 'vertical' upgrading under the conditions of improved connectivity, infrastructure, labour skills, and competitiveness of local producers. However, the specific opportunities of the Asia-Pacific LDCs to upgrade and diversify their GVC participation will depend on country-specific factors and endowment. At present, based on the composition of their trade, LDCs appear to concentrate on the apparel and footwear and agro-food segments of GVCs.Bangladesh, Cambodia, Nepal and Myanmar are engaged in apparel and footwear GVCs especially at the final-assembly stage, where domestic value addedis minimal. Aggregate data show that Nepal and Bangladesh tend to be ahead of other Asia-Pacific least developed countries in exporting intermediate inputs although the value currently remains small; the two countries represent 47 per cent and 40 per cent, respectively,of intermediate exports of apparel and footwear by Asia-Pacific LDCs.

Opportunities also exist for the Asia-Pacific least developed countries to increase the value added of their agricultural exports. There is room for them to move up from exportingprimary agricultural products, which represent 57 per cent of their intermediate exports, to exporting processed agro-food products, currently accounting for only 11 per cent of their intermediate exports (figure 4). As suggested by Humphrey (2005) and Humphrey and Memedovic (2006), agro-based activites that involve higher levels of processing tend to locate close to growing sites due to the need to minimize transport and storage costs, especially for time-sensitive inputs such as perishable agricultural inputs. Based on their advantage in input availability,

Cambodia, Lao PDR and Myanmar hold the potential to increase their participation in agro-food GVCs not only at the stage of primary inputs, but also at the stage of processed intermediates. Lao PDR, in particular,is already the biggest exporter of processed argriculture intermediates within the least developed country group despite its disadvantage as a landlocked country. Its exports of processed agricultural intermediates currently represent more than 37 per cent of total exports by the least developed country group from 2008 to 2013.

Figure 4. Composition of intermediate-goods exports by Asia-Pacific LDCs from 2008-2013



Source: ESCAP, based on UNCOMTRADE

Tourism is another important sector of economic activity in most LDCs, and itis the lead export sector for small island LDCs. According to World Trade Organization (WTO) data, travel services account for 71 per cent of total export income of Vanuatu in 2012, 61 per cent in the case of Tuvalu in 2008, and 26 per cent for Kiribati in 2009.The availability of cultural and natural tourist destinations as well as the relative proximity to countries with growing numbers of outbound touristsare important advantages of the Asia-Pacific LDCs. This tourism potential is reflected through the dynamic growth of tourist arrivals to the Asia-Pacific LDCs during the recent years. The rapid growth of Asian tourists, in particular from China, was documented as a major factor for the increasing tourist arrivals in Asia-Pacific destinations, including the least developed countries (UNWTO, 2014).

4. The way forward: unlocking the potential through improving connectivity

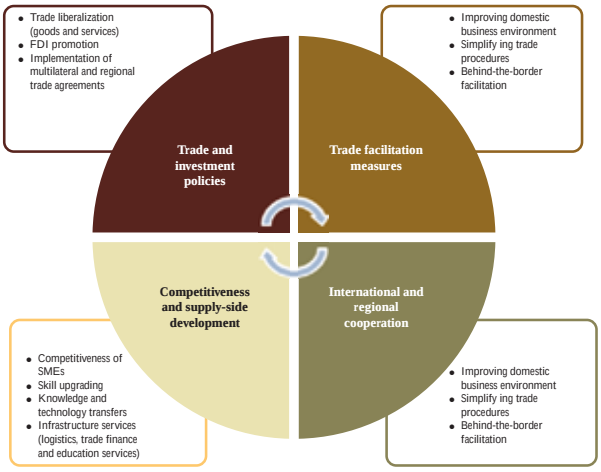
Trade and investment policies play a central role in improving the prospects of the LDCs in their-participation in GVCs. Although the opportunities for GVC participation differ among these countries, they have some common disadvantages arising from small domestic markets and from being less connected to regional markets and already-developed production networks. According to the survey by OECD-WTO (2013) on the main obstacles that LDCs face in connecting to value chains, more than half of domestic firms identified inadequate infrastructure as the foremost issue, followed by access to trade finance and compliance with SPS or technical standards. Forty-four per cent of MNEs in the survey cited trade facilitation measures as the most crucial area where support would be effective in bringing suppliers in least developed countries into their value chains. Other major areas where improvements are needed include labour force training,which was cited by 51 per centof domestic firms in the survey sample, and improving public-private dialogue withnational authorities, which was requested by 43 per cent of lead firms in the sample.



In this regard, improving connectivity between Asia-Pacific least developed countries and the rest of the region is the key to overcoming those

disadvantages. Lessons from countries successfully integrating into GVCs suggest four necessary conditions: liberalization of trade and investment in goods and services through multilateral and regional trade agreements, efficiency in trade facilitation, international and regional cooperation, and competitiveness and supply-side development (figure 5). In particular, according to the ESCAP-World Bank database, high trade costs, as well as the poor quality of transport services and trade facilitation, are major obstacles to LDCs' trade with the rest of the region.The reduction of trade costs can be achieved through improving transparency and simplification of trade procedures, improving the domestic business environment, and harmonizing laws and standards for cross-border paperless trade.

Figure 5. Policy framework for connecting LDCs to GVCs



Finally, building supply-side capacity is crucial to improving the competitiveness of LDCs and their chances of participating in GVCs. Competitiveness of firms in least developed countries is often



impeded by limited access to infrastructure services such as in ICT, transport and logistics, trade finance, electricity, and a lack of skilled labour. Removing those constraints will require massive investment for infrastructure development, reforms in educational and skill-development systems, and provision of financial and technical assistance to SMEs. Given the limited availability of capital and technical capacity in LDCs, financial and technical assistance from partner countries through Aid for Trade programmes, knowledge and technology transfers from lead firms of GVCs, and support from international organizations such as UN ESCAP could play an important role.

Mr. Ravi Ratnayake is the Director of Trade and Investment Division, UNESCAP

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Dr. Hossain Zillur Rahman

Economic Resilience Amidst Uncertainty Lessons From and for Bangladesh

1 A Country on the Move

International perceptions of Bangladesh have undergone a remarkable change. Henry Kissinger's derisive 1970s imagery of an international 'basket-case' which for years dominated perceptions about Bangladesh is no longer in vogue. Increasingly, Bangladesh is cited as a star performer on social development and an unfolding growth story. The facts speak for themselves. Gender parity has already been achieved in primary and secondary school enrollment. Child and maternal mortality have seen rates of decline that are better than economically stronger neighbours such as India.[1] An extensive



system of safety net programs has virtually eliminated post-disaster secondary cycles of death and hunger. Access to micro-credit has seen a quantum jump in women's gainful self-employment.[2] The size of the economy has nearly doubled over the past decade. The RMG growth story continues.

The global economic crisis of 2007-08 initially posed question marks as to the viability of such upward economic trajectories. Yet six years down the line, Bangladesh annual economic growth rates have not faltered below five per cent. Far-reaching geo-strategic transformations in its neighbourhood have opened newer regional and maritime possibilities. Indeed, the more perceptive policy discussions in Bangladesh underscore the point that the global economic slowdown is less important a reference point for assessing Bangladesh's economic future than its own longer-term dynamics. The global recession certainly added some more complexities but it is its own structural bottlenecks, its governance realities and its entrepreneurial cultures which really matter as to how the Bangladesh economy is likely to evolve.

2 Unpacking the Bangladesh growth story

2.1 Growth trends

The first two decades after independence in 1971 saw sluggish but incrementally advancing growth rates averaging 3.73 percent for the 1980s. Growth substantially accelerated in the subsequent two decades rising to a decadal average of 4.81 percent in the 1990s and 5.8 percent in the current decade.[3] Remarkably, over the entirety of the faster growing 90s and 2000s, Bangladesh succeeded in avoiding even a single year of negative per-capita growth. Growth was also broad-based across sectors and critically contributed to reducing poverty from 70

1 The Lancet

2 World Bank, 2008, *Whispers to Voices: Gender and Social Transformation in Bangladesh*

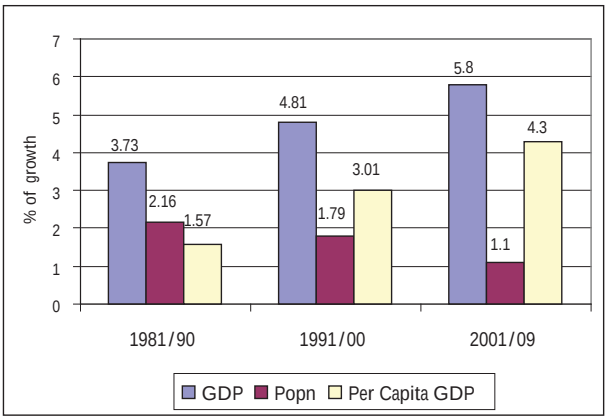
3 Mahajan, Sandeep, 2007, *Bangladesh: Strategy for Sustained Growth,* World Bank; S.R. Osmani et al, 2003, *The Macroeconomics of Poverty Reduction: The Case Study of Bangladesh,* UNDP; Hossain Zillur Rahman & Salehuddin Ahmed, 2010, *Resilience Amidst Uncertainty: Poverty and Growth Perspectives,* PPRC, Dhaka

percent at independence to 31.5 percent in 2010.[4] One estimate of growth elasticity of poverty shows that in the 1990s, for every percentage increase in per capita income, poverty declined by 0.81% in Bangladesh.[5]

The rise in per capita growth rates was even more striking since the period of growth acceleration also saw a substantial fall in population growth rate. Thus as seen in Graph 1, compared to 1.2 percent annual average for the first two decades, per capita GDP growth rates tripled to an annual average of 3.3 percent in the latter two decades (1990s and the 2000s). In relative terms, however, three quarters of this per capita income growth acceleration was due to economic growth and one quarter due to population decline.[6]

Graph 1

Growth Trends 1981-2009



Source: Osmani et al, 2003; Rahman and Ahmed, 2010

2.2 Growth Drivers

Some parts of the growth story are well-known. Three drivers are usually singled out and rightly so – RMG, remittance and growth-enhancing policy reforms. From its chance beginning in 1979-81, export of ready-made garments (RMG) has been an unquestioned growth driver. In 2013-14, RMG exports had risen to USD 24.5 billion which was 81.13 percent of total exports.[7] With its labour-intensive technology, it also contributed significantly to formal sector employment growth. Furthermore, the sector has seen an attendant backward linkage success story in the growth of a robust textile industry.

Remittances by overseas migrant workers have also been a recognized growth driver. From a small annual inflow of 115 million USD in the mid 1970s,[8] remittances have surged past USD 14.2 billion mark in 2013-14.[9] From a growth perspective, remittances have played two critical roles: firstly by raising forex reserves and thereby strengthening macro-economic balances, and secondly, by strengthening household-level liquidity, particularly in the villages and small towns,[10] which in turn contributed both to a demand boost and an expansion of small businesses.

The third of the recognized growth drivers has been the policy reforms from late 1980s focused on trade liberalization, banking and telecommunications reforms and fiscal responsibility. These served to unleash a multitude of private sector initiatives which sharply accelerated the growth process. At the same time, the policy reforms also contributed towards an institutional culture of macro-economic prudence which served Bangladesh well in weathering instability including the recent global recession.

4 Narayan, A. & Zaman, H., 2009, *Breaking Down Poverty in Bangladesh,* University Press Limited, Dhaka; Bangladesh Bureau of Statistics, *HIES 2010.*

5 Pasha, Hafiz A. & T. Palanivel, 2004, *Pro-Poor Growth and Policies: The Asian Experience,* UNDP, Table 3, P.9

6 Osmani, S.R., ibid

7 BGMEA B2B Web Portal

8 *World Development Report 1982,* World Bank

9 Bangladesh Bank website

10 Rahman, Hossain Zillur, 2010, 'Global Recession and the Household Economy' in H.Z.Rahman and S.Ahmed, *Resilience amidst Uncertainty,* PPRC, 2010.

Some parts of the growth story, however, are less well-known. A closer look at the structure of the incremental growth between 1980s and 1990s and between 1990s and 2000s brings out some interesting features (Table 1).

Table 1
Structure of Incremental GDP Growth

Sector	*Incremental GDP Growth at constant prices (billion Taka)*		*Sectoral Share of Incremental Growth (%)*	
	1990s over 1980s	*2000s over 1990s*	*1990s over 1980s*	*2000s over 1990s*
Agriculture / Forestry	5.1	48.16	1.78	11.99
Fisheries	43.21	-27.53	15.08	6.85
Industry	119.97	134.73	41.86	33.55
Manufacturing	79.51	90.43	27.75	22.52
Large & Medium	58.06	62.29	20.28	15.51
Small-scale	21.41	28.17	7.47	7.01
Construction	39.42	46.50	13.76	11.58
Others	1.04	-2.2	0.36	-0.55
Services and Trade	118.28	246.26	41.28	61.31
Total	286.56	401.63	100.00	100.00

Source: 1980s and 1990s calculation from Osmani et al (2003); 2000s calculations by Hossain Zillur Rahman, both based on data from BBS, Statistical Yearbooks.

Alongside industry, the other key growth driver has been services and trade in which private services have been the dominant category. Private services encompass a wide range of activities including transport, telecommunications, professional services, real estate, education, health and finance.

A second feature to emerge from Table 1 is that contrary to popular perceptions, domestic economy has been as important a growth driver as exports. Small-scale manufacturing, construction, services and trade all relate to the domestic economy and these together accounted for nearly two-third of the incremental growth in the 1990s and even a larger proportion in the 2000s. Policy pre-occupations, however, have tended to neglect this significance of the domestic economy as a growth driver. External and domestic economies have not, of course, been isolated realities. Tomorrow's exporters are being born within today's domestic production activities and likewise export and remittance incomes have been a key source of the demand boost which has driven many of the service, construction, trade and small manufacturing activities of the domestic economy.

A unifying factor in driving growth in the domestic economy has been urban consumption. Urban population at 27% of the population in the 2011 census is probably higher today.[11] Urban consumption has been driven not by urban growth alone but also by the concomitant rise of the middle classes, economically defined in one recent publication as those having a per capita daily expenditure between USD 2-20.[12] The ADB estimate puts the size of the Bangladesh middle class in 2005 at 31.01 million including the lower middle class (per capita daily expenditure USD 2-4).[13] Be that as it may, urban consumption has been a key growth driver of services, trade and small-scale manufacturing in the domestic economy.

11 World Development Indicators 2009
12 Asian Development Bank, 2010, *Asia's Emerging Middle Class*
13 Table 2.3, p.8, ibid

The link between urban consumption and growth of rural non-farm employment constitutes a major gap in our research and policy thinking but some studies in the region are pointing to its critical role in the employment goal of the growth strategy. One study suggests a 10% growth in urban expenditure is associated with a 4.8% growth in rural no-farm employment.[14] In realities where labour absorption within agriculture is becoming limited and urban manufacturing is yet to graduate to the status of principal employer, rural non-farm employment remains a critical vehicle for the masses of semi-skilled labour who are being swelled by 1.8 million every year.

A crucial catalyst in Bangladesh's growth story for galvanizing urban consumption and the link with rural non-farm employment has been an extensive network of rural feeder roads which connect villages to major urban centres. Thanks to this network stemming from the late 1980s, urban agglomerations have transformed the rural-urban divide into a rural-urban continuum stretching from metropolitan Dhaka and Chittagong to larger secondary towns to rural towns to market centres to villages espousing urban consumption aspirations. Whether it is the emerging class of women entrepreneurs assisted by micro-credit or farmers tasting higher incomes through access to competitive prices, a multitude of economic actors have been empowered by this rural-urban linkage.

2.3 Growth cushions

Bangladesh's growth journey has not been a story of drivers only. The growth process has been sustained by two crucial cushions. First has been the attention to food security. Even as population doubled since independence, food production has tripled with annual food-grain production already crossing the 30 million metric tons mark in 2008.[15] The country is near to food-grain self-sufficiency though vagaries of weather due to climate change pose a serious long-term risk.

The second cushion has been the development of an extensive system of safety net programs. Though problems of leakage and mis-targeting remain, by and large these have ensured that the larger growth process has not been derailed by post-disaster cycles of death and hunger. With 30 major and many more minor programs, annual allocations for safety nets stand on average at nearly USD 2 billion.[16]



Economists have rarely appreciated the importance of the psychological milieu within which economic actors pursue their initiatives. By significantly reducing the atmosphere of endemic crisis which stem from unattended cycles of hunger and disease, the safety net portfolio in Bangladesh has contributed in no small measure to bringing about a more psychologically secure social atmosphere in which forward-looking economic activities can be pursued. These in no small measure have strengthened the growth process.

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14 Roopa Purushthaman et al, *Is Urban Growth Good for Rural India?* Future Capital Research, India

15 Rahman, Hossain Zillur & Liaquat Ali Chowdhury, 2010, *Food Price Inflation : Impact and Response : Lessons from Recent Experiences, PPRC Policy Paper,* PPRC, Dhaka

16 Rahman, Hossain Zillur et al, 2010, *Social Safety Nets in Bangladesh: A Comprehensive and Analytical Inventory,* PPRC/UNDP, Dhaka.

3 Did global recession have an impact at the household level?

How does one meaningfully explore the impact of a phenomenon such as the global recession on a micro reality such as the household economy? Clearly, an understanding of possible transmission channels is called for. Major transmission channels would include labour markets and remittances. Impact could also be explored indirectly at the level household food and non-food consumption behavior. However, even when such data is available, establishing causality is by no means an easy analytical task as domestic factors may equally be impinging on the observed economic realities. The challenge thus is not one of straightforward data but rather of building plausible explanations.

Exposure to a range of vulnerabilities is routine in the annual cycle of household existence. These are captured as 'crisis' experiences which can and do translate into economic shocks and entail considerable income erosion for the households. The crisis category most directly attributable to the global recession pertains to reduced remittance and external employment. Data from a 2009 survey by PPRC shows only 1.7% of households cite such a crisis experience.[17] The other relevant crisis category is reduced employment. 4.3% of households cite such a crisis experience though the figure is doubled when only poor households are concerned.[18] Two other crisis category which could bear indirect link to the global recession are 'reduced business' and 'education curtailed'. Reduced business could be a secondary round effect of the global recession though here again explanation may lie more in domestic factors. However, the percentage citing such a crisis experience – 5.5% - is a relatively small one.[19] Another indirect impact could be on education in terms of reducing educational expenditures or taking children out of school. Here again, domestically-rooted explanations could be more significant. Howsoever that may be, the actual percentage of households citing such a crisis experience is again quite small – 3.2%.[20]

Thus, whether it is transmission channels most directly attributable to the global recession, i.e. remittance and labour markets, or possible indirect impact on business levels or access to education, the evidence points towards an absence of any noticeable impact at the household level. This is of course not to deny that crisis and economic shocks as such were absent in the annual economic cycle of household life. 60% of all households reported facing one or more crisis in 2009. However, the dominant categories of crisis experience point towards entrenched domestic factors rather than the global recession.

On the issue of indirect impact, the PPRC survey data showed that consumption of staples was unaffected but there was something of a nutritional squeeze in weekly diets. Such a squeeze was more pronounced for pricier middle class consumer items. This too is not a surprise given the considerable inflation in prices of most food items other than rice during those years.

4 Three Stories of Change

4.1 Resilience

Recent economic performance of Bangladesh is made of up three distinct though related stories. The first story is one of resilience. While two consecutive floods and a mega-cyclone devastated the country in 2007, the country's response was to produce the biggest jump in rice production, a

[17] H.Z.Rahman & S. Ahmed, 2010, ibid
[18] ibid
[19] ibid
[20] ibid

staggering 10 per cent increase within a single year. The 2008 record was repeated in subsequent years. Given the volatility in global food-grain supplies, improved domestic production has provided a crucial food security cushion during the period of global economic slowdown. The growth rate too has never fallen below 5 percent in the last six years though it has also not broken through the 6%+ ceiling either. There are several other indicators of resilience. Remittance has grown robustly, balance-of-payment has been satisfactory and exchange rate has been stable.

The micro-realities of households too bear the evidence of resilience. PPRC household survey data from 2009 bring out the case of prudent micro-economics mirroring the prudence in macro-economics. Debt exposure of households on average was 19.1 percent, monthly household expenditure on average was 80 percent of income. A very low percentage of households also appeared to have suffered recession-linked economic shocks: only 4.3 percent reported reduced employment, 1.7 per cent reduced remittance, 3.2 percent cut backs in education. Macro, meso and micro data from 2009 thus tell a consistent and inspiring story of resilience.

4.2 Growth fragility

The second story is one of growth fragility. Five percent plus growth within a global recessionary scenario is certainly a commendable performance but growth data over the last six years indicate an unmistakable plateauing of the growth rate within an apparent ceiling of 6.5%. The most worrying indicator of this growth fragility is a stagnant investment scenario. Investment rate appears to have hit a glass ceiling of 25 percent whereas the minimum rate required for a higher growth trajectory is 35 to 40 percent. Public investment is under 5 percent. The concern is not just on the aggregate rate of investment but also its quality and composition. Investment in trade, real estate, stock markets easily dominate over investment in manufacturing, infrastructures etc. The same picture prevails whether we look at macro data or meso data such as bank branch lending.



Growth fragility is also evident in the overseas migrant worker story. Robust remittance inflows mask a worrying decline in the number of workers going abroad. Doors have virtually closed to major destinations for migrant workers in the middle east. Globally, prospects for unskilled migrant labour is on a secular decline. Unfortunately, it is this category which dominates the ranks of the Bangladeshi migrant workers. An effective engagement on skill education can turn this around but this would require overcoming a critical disconnect between skill/technical education and market relevance. Youth unemployment and shortage of skilled workers in EPZ factories exists side by side. Not many are aware that a great many of the skill jobs in the RMG sector are occupied by foreign workers, mainly Indians and Sri Lankans.

4.3 New poverty realities

The third story is of new poverty realities. Bangladesh has made remarkable strides in its fight against poverty. Both aggregate and extreme poverty have declined. But some of the goal posts are shifting. While hunger has largely been contained thanks to larger food production and a plethora of safety net programs, a nutritional squeeze has become the dominant challenge. Little wonder that child malnutrition is one of the worst in the world.

Due to rapid urbanization, climate change and various other insecurities, the dimension of vulnerability too has become much more significant within the poverty experience. Such problems will not be solved through doing only what has been done well so far i.e. VGF cards and temporary food



support. The urban poor need safer living and more stable livelihoods. Newer regional and social frontiers have appeared on the poverty horizon. The coastal south-west is the new poverty frontier. Youth unemployment and urban poverty are the two social frontiers.

5 Way forward

5.1 Lessons from the three stories of change

Bangladesh is slowly but surely standing up. It is the aspiration and the will of the people that this should be so. The potential of Bangladesh is no longer an issue. Goldman Sachs included Bangladesh in the Next 11 after BRICs (Brazil, Russia, India, China). Many newer lists are also mentioning Bangladesh. However, the small prints in these scenario projections are also worth reading. Goldman Sachs projections up to 2025 are pessimistic for four of the eleven: Pakistan, Egypt, Mexico and Bangladesh. The contrast between Vietnam and Bangladesh, both similarly poor in 2006, is instructive. Vietnam's per capita income is projected to rise from 655 US dollars in 2006 to 4583 dollars in 2025. The corresponding projection for Bangladesh is from 427 to 1027 dollars. Projections are of course just that. But the growth trajectory since 2006 is already demonstrating these divergences. Wake up call can no longer be ignored.

There is a hard lesson to be learnt from the three stories of change. Resilience success is no guarantee for middle income status. Resilience was achieved on two growth drivers and two cushions. The drivers were RMG-based exports and remittances. The cushions were increased food production and an effective system of safety nets. Policy played a role here but the bigger role was of initiatives, of the entrepreneur, of the migrant worker, of the farmer. Will and can these drivers and cushions alone take us to a higher growth trajectory? These are the questions the country at large has to ponder.

5.2 Accelerating Inclusive Growth: The Strategic Agenda

No strategy is or can be wholly new. Building on achievements is an integral part of the strategy for growth acceleration. RMG will continue to be a key growth driver in the medium term. Rising labour costs in competitors such as China is fuelling a process of relocation and Bangladesh stands to reap the benefits of this diverted business on account of its comparative cost-competitiveness. Recent statistics already point towards this potential.

Remittance as a growth driver, however, faces structural challenges on account of fragile global economic recovery and dwindling opportunities for unskilled labour. Success in addressing the structural challenges will determine how far remittance will continue to be a growth driver in the coming decades.

The hard-won benefits of prudent macro-economic policies will have to be continued with further emphasis on broadening the revenue base. Recent reporting on the crisis of the banking sector is a major cause for concern here.

The focus on the twin growth cushions of food security and social safety nets will have to be sustained. The demographic dividend of a youthful

labour force, however, faces long-term concerns on account of emerging reversals in the success on population control. Re-energizing population control measures will be critical to ensuring that growth gains translate into commensurate gains per capita.

While all of the above are true and however commendable our current growth performance is by historical standards, it is also unmistakably clear that incrementalism alone will not take us to our desired goal of becoming a high-end middle income country. A decisive shift of gears in policy efforts, strategic thrusts and innovative solutions is essential. Neither feel-good prescriptions nor encyclopedic wish-lists will produce this required shift of gears. The challenge here is about prioritizing within priorities, of being strategic about strategy.

Seven strategic priorities are suggested: i) overcoming infrastructure and energy deficits ii) new sectors, new markets iii) engaging on skills iv) re-positioning agriculture for growth v) holistic urban strategy vi) multi-directional regional connectivity and vii) sustainable adaptation to climate change.

Priority 1: Infrastructures

Infrastructural investment in high growth economies such as China, Thailand and Vietnam exceed 7% of GDP. In contrast, Bangladesh invests less than 2% of GDP in hard infrastructure. This alone is indicative of the degree of infrastructure deficit that poses perhaps the most serious barrier to any meaningful growth acceleration. While infrastructure needs are many, there are four outstanding agenda which demands strategic attention: i) power & energy, ii) port and transport networks, iii) land and iv) urban infrastructures.

Priority 2: New sectors, new markets

Product-mix of the Bangladesh economy remains highly undiversified. For Bangladesh to emerge as a high-end middle income country, new growth drivers have to be added. Such new drivers will materialize not as a consequence of bureaucratic choice but more as a matter of private initiative aided by supportive public sector. Strategic challenge here is fourfold: i) improve overall competitiveness for both export and domestic sectors, ii) build on current drivers where potential is clear, iii) promote new drivers with potential for rapid scaling up, and, iv) pursue all market opportunities.

Many new growth shoots have emerged: pharmaceuticals, leather, ceramics, plastics, software, fmcg. Individually, these are small in sectoral terms but cumulatively they add up to 16% of total exports. The challenge here is not one of strategic concentration on any one of these but of ensuring general infrastructural and governance support. A few sectors, however, are emerging who have the potential to graduate to new billion-dollar sectors and who merit strategic nurturing.

New growth drivers have to be sought not only in new sectors but also in new markets. A four-pronged strategy is necessary here: i) deepen entry into existing export destinations, notably USA and EU, ii) targeted focus on new markets with potential to scale up to billion-dollar trade volume in the short to medium term, iii) targeted entry into wholly new markets, and, iv) simultaneous focus on domestic market.

Priority 3: Skills

Any growth acceleration strategy will have to focus on TFP and by implication on skills. Bangladesh faces a massive skill deficit emanating both from critical weaknesses in school education and the absence of a holistic and effective skill development strategy.



Four outstanding problems define the sector: i) poor market relevance of skill education leading to a

severe mis-match between demand and supply, ii) poor certification standards, iii) lack of focus on language skills, and, iv) relative absence of effective champions.

An extensive infrastructure of technical education exists as do a plethora of delivery agencies but the overall outcome is both an absence of prioritization and poor results. Efforts to energize the National Skill Development Council have been taken recently but critical problems of ownership, duplication and drivers remain. There is a very active market response to latent demand but there is little institutional consolidation and a pronounced lack of focus on standards.

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Priority 4: Repositioning agriculture

The GDP share of agriculture may have declined to under 20% but the sector remains strategic vis-a-vis the goals of food security and stabilization of rural incomes. Unfortunately, policy thinking has been content to focus only on these goals to the neglect of exploiting larger growth potentials of the sector. Recent pro-poor growth stories in agriculture have included floodplain fisheries, maize-for-feed in monga districts, small farmer horticulture, homestead nurseries, poultry, value chains etc. More recently, jute is a new growth story on account of renewed global interest stemming from climate change concerns.

Policy neglect of growth driver potentials of agriculture has been fuelled in part by perception biases which view agriculture as a backward sector. Re-positioning agriculture as a growth driver will be critical to any successful strategy for growth acceleration to meet the goal of high-end middle income status. This will require both overcoming the perception biases and prioritizing growth-relevant sub-sectors. The latter include fisheries, jute, horticulture, dairy, livestock and poultry. While some of these will have export potentials, others will serve burgeoning domestic demand.



In pursuit of these growth drivers, traditional discourses on agriculture will have to be supplanted by new discourse themes of technology, seed, vertical integration, marketing infrastructures, quality and process certification, warehousing etc. To ensure pro-poor outcomes, the secular decline in public investment in agriculture will need to be reversed. The principal driver of change will, however, continue to be private initiatives.

Priority 5: Urban Strategy

Bangladesh urgently needs a holistic urban strategy both to manage urbanization and to maximize the growth potentials of urban centres. Dhaka and Chittagong are the two dynamic growth poles of the Bangladesh economy and the Dhaka-Chittagong corridor is emerging as a growth corridor. Emerging issues of urban congestion pose long-term questions marks on the growth viability of these metropolitan centres unless their expansion is appropriately managed.

As distinct from these metropolitan growth poles, secondary towns and lesser urban centres have

[21] PPRC, 2012, *Bangladesh Urban Dynamics*

collectively provided another impetus to the growth process in the form of urban consumption as a driver of services and rural non-farm employment. An urban strategy encompassing both of these realities, i.e. the metropolitan growth poles and the secondary centres of urban consumption, is a strategic priority towards achieving the desired growth acceleration towards a high-end middle income goal.

Existing discourse on urbanization has proceeded on fragmented premises of physical planning, slum studies, municipal governance and migration studies. The economic dimension has been a missing focus.[21] The challenge, in particular, is for a holistic, integrated perspective by which issues of cities as growth drivers and sustainable urbanism can be considered.

Priority 6: Multi-directional Regional Connectivity

Bangladesh enjoys a strategic locational advantage of being in the neighbourhood of three dynamic growth centres of the global economy – India, China and ASEAN. Exploiting this locational advantage can be a critical contributor to the desired growth acceleration of the Bangladesh economy. The opportunities here are twofold: i) Bangladesh to emerge as a connectivity hub for these three growth centres, and, ii) the three growth centres becoming major export destinations for Bangladeshi products. The recent opening of a maritime frontier centred on the Bay of Bengal and the burgeoining regional and international interest point towards exciting new possibilities.

Priority 7: Sustainable Adaptation to Climate Change

Many global accounts describe Bangladesh as a front-line economy in the theatre of climate change. While many of these accounts emphasize a victim narrative, the narrative inside the country and in particular among the citizenry at large is one of resilience and sustainable adaptation. In a sense, Bangladesh has been acting out this narrative in its long history of taming a deltaic frontier and building prosperity amidst continuing ecological vulnerability.

A viable growth agenda must address the issue of sustainability which in many ways pertains to the question of adapting to climate change.

5.3 Risks

Bangladesh has every potential to reach the goal of becoming a high-end middle income country within a reasonable time. However, while the potential is unmistakable, it is useful to maintain an awareness of possible risks which could derail the desired growth trajectory and afflict the country with the miss-the-bus syndrome which has characterized some erstwhile economies rated as potential but subsequently becoming off-course. Four risks stand out. Goldman Sachs Report on N-11 identifies political instability, corruption and skill shortage as the most serious of the growth environment constraints for Bangladesh out of a total of thirteen such factors. This projection was made in 2005 but is still largely true. Indeed, political uncertainty, corruption and governance problems have arguable become even more serious concerns. To these must be added the risks of infrastructure, power and skill deficits. That the risks are real are evident in the statistics on investment stagnation. Since savings rate at nearly 33% is considerably higher than investment rate at 24%, the problem is clearly not one of lack of funds. Indeed anecdotal evidence of capital flight are also increasingly in the media. The problem clearly lies in the issues of investment climate and governance factors.

The challenge thus is very clear. Bangladesh is at a crossroads where graduation to a qualitatively higher economic status is within view. Four pitfalls stand in our way – political uncertainty, corruption, skills shortage and infrastructure deficits. Will these pitfalls derail the dream of 160 million Bangladeshis or will they be able to summon the determination to find the solutions to overcome these pitfalls? The future is ours. So is the responsibility.

Dr. Hossain Zillur Rahman is the Chairman, Power and Participation Research Center and former Advisor to the Caretaker Government.



Dr. Zaidi Sattar

Global Economic Recovery after the great recession Bangladesh Perspectives

1 The 2014 Setting

As the year 2014 comes to a close, the global economy, which was pounded by the worst economic crisis since the Great Depression, is showing signs of sustained recovery though it is not out of the woods yet. There are still significant global downside risks particularly for some economies of Europe that were weakened by domestic and external vulnerabilities. According to leading macroeconomists like Martin Feldstein, despite some risks, the US economy has a better chance of achieving a significantly higher real growth rate in 2014 than at any time since the downturn began. While recognizing some homegrown vulnerabilities in the case of China, IMF's World Economic Outlook (April 2014) appears generally bullish on Asia on the back of recovering exports and robust domestic demand, though Japan remains an exception. However, the outlook for emerging market economies like China, India, Brazil, Russia, and South Africa, reveal several downside risks posed by slowdown of consumption demand and falling investor confidence, all of which lead to weaker-than-expected medium-term growth prospects. On balance, the global outlook for the medium-term can be described as steady but slow recovery out of the financial crisis of 2008-09 – an external environment that would provide positive tailwinds for the Bangladesh economy to move to a higher growth trajectory.

Figure 1 presents a snapshot of pre- and post-crisis trends in global income and trade growth. Typically, global trade grows faster than global income, but it also gets battered in crisis periods, as it happened in 2009, raising the specter of beggar-thy-neighbor protectionist policies reminiscent of the 1930s Depression. As it turned out, coordinated efforts of G20 political leaders, fiscal and monetary measures by governments and central banks, all contributed to stemming the downward global slide, restoring a semblance of economic recovery since 2012. The near-term outlook is one of slow but steady recovery in global GDP and trade.

Fig. 1: GDP and Trade Growth: Pre- and post-crisis



2 Handling of The Global Crisis

Analysts have argued that the current recovery is just as unique as the crisis that preceded it. Booms and busts, expansions and recessions, are inviolable components of business cycles in capitalist economies. So a global recession following a period of expansion should not raise eyebrows. The expectation would be for the recession to be countered by internal forces in the system that generates expansion. However, an economic crisis is more than just a recession. And recovery from an economic crisis is hardly ever self-correcting. Such is the case with the global financial crisis of 2008-09.

As for the causes of the crisis, we now know the role that was played by some toxic financial instruments (derivatives) called credit default swaps (CDS) and their compatriots, collateralized debt obligations (CDOS), leveraged on hitherto reliable US mortgage debt. In September 2008, the face value of total CDS outstanding was estimated to

exceed world GDP of $53 trillion. The going was great as long as US homeowners continued to pay their mortgage. Until they didn't. In 2007, the housing bubble burst, giving rise to the crisis blamed on sub-prime mortgages. The rest is history. Robert Schiller, Nobel Laureate Economist for 2013, who is credited with having seen the financial crisis coming, put it succinctly, "The speculative bubbles in the housing, equity, and commodity markets that preceded and accompanied the current global financial crisis are also its ultimate cause." The crisis which had its roots in the financial sector rapidly spilledover into the sphere of production, consumption and jobs in the real economy, soon becoming the worst global economic crisis since the Great Depression, thus earning wide recognition as the Great Recession.



But something was different this time. Having learnt from the experience of the 1930s depression, economists and policymakers were more equipped to handle such crisis to prevent it from spreading too much pain and misery across the globe. In2009, G20 Summits were organized in rapid succession bringing heads of states of the world's leading economies to strategize and articulate a coordinated approach to addressing the crisis. The fact that the Great Recession did not catapult the world into another Depression is testimony to the collaborative efforts of global leaders in their commitment to not only prevent the crisis from getting worse but to restore the dynamism in their economies in order to pull the world economy back to a path of higher trade and growth.

Public intervention in the world's leading economies took the form of fiscal and monetary stimulus to bolster demand and fuel real economic activity – with moderate success. While developed economies battled high unemployment, interestingly, it was China and the Asian economies that helped turn the tide. According to IMF, strong performance of Asian economies was at the forefront of the global recovery with noticeable rebound in manufacturing activity, consumer confidence, and trade volumes. Though the economic stimulus packages have been at the cost of rising fiscal deficits and public indebtedness, results show that it was worth the effort. Faced with a crisis on hand, global leaders could ill afford to reflect on the long-term fallout of current fiscal excesses, as long as they could avert a depression, which seemingly they were able to do.

3 Keeping Protectionism at Bay

Besides giving birth to Keynesian economics, the Depression of 1930s taught us more than a few lessons in economic policy. One was that raising trade barriers in times of global recession can only make matters worse. It was the beggar-thy-neighbor tariff increases – trade war – across countries that resulted in shrinking trade, and prolonging the Depression. The General Agreement for Tariffs and Trade (GATT) signed in 1947, a precursor to WTO, was meant to prevent a repeat of such self-defeating policies. It worked, for the better part of sixty years following WWII.

Armed with that knowledge, global leaders appeared committed to avert any spread of protectionist tendencies this time around. In the wake of the crisis, some creeping signs of protectionism had appeared presenting growing evidence of countries, both developed and developing, adopting trade measures that smack of protectionism either directly, or in some 'murky' form. In the backdrop of rising protectionist tendencies globally, the G20 summiteers showed some grit by agreeing to enhance WTO's monitoring and surveillance process through its Trade Policy Review mechanism. Then British

Prime Minister Gordon Brown even came out swinging by proposing to "name and shame" perpetrators. It is now clear that but for those concerted efforts rising protectionism could have become the 'black hole' that would have gobbled the trillions spent on economic stimulus packages. Thankfully, global trade has picked up speed along with the economic recovery.

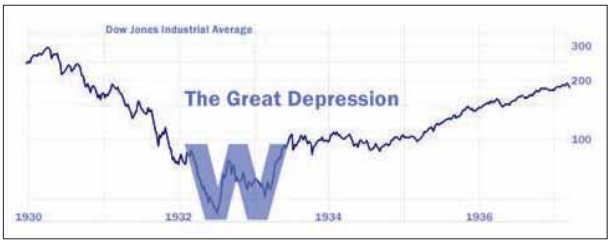
4 What Kind of Recovery is This?

Recessions cause pain and misery even in the richest of economies. The Great Recession saw US unemployment inching close to 10% in 2009 before starting to taper off. UK, Germany, and France also experienced protracted unemployment rates of 8-10%. Spain, Portugal, and Italy saw youth unemployment shoot up to 25-50%, in some areas. Greece was and still is a battered economy on many fronts. No wonder, the focus of the recovery in all these countries was on job creation.

Touted as the worst economic crisis since the Great Depression, analysts were quick to point out that the damage inflicted on economies was deep-rooted and the recovery would be hard and slow. The good news was that the "green shoots" of recovery started appearing by the close of 2009, from the shores of China-Japan, to Wall Street and beyond. The widely watched IMF's *World Economic Outlook,* in its October 2009 issue, concluded that the global recession was ending.

Unique as the crisis was, it was highly likely that the recovery would have unique features as well. Because of policy uncertainties, concerns were raised by leading macroeconomists about the nature of the recovery. First, it was unlikely to be a robust V-shaped recovery which happens when counter-cyclical policies – tax incentives and public spending expansion – are most effective; recessions in normal business cycles end this way. Second, the prospect of a gradual U-shaped recovery was suggested by analysts who felt that circumstances were not conducive for counter-cyclical policiesto be effective (e.g. when jobless rates are stubborn). Finally, a third group of leading economists that included Nobel Laureate Paul Krugman and New York University's Nouriel Roubini, put their weight behind the proposition that the recovery might have similar features as the post-Depression recovery – W-shaped (Fig.2). These folks visualize the strong possibility of a "double-dipped" W-shaped recession and recovery.

Fig. 2: The Great depression and recovery



Source: www.smartmoney.com

As 2014 comes to a close, a look at events of the past years and current outlook for the near-term present clear evidence that the world economy has missed the V- and U-shaped recovery. In the meanwhile, fiscal stimulus packages have run their course in most developed economies, with monetary easing by the US Federal Reserve and the European Central Bank remaining the most potent of the last known interventions. By all accounts, it is still premature to declare victory as the global recovery appears tentative on many fronts, not the least of which is stubbornly high unemployment rates in Europe and USA. There is also the concern that the exit strategy from fiscal and monetary stimulus and their potential implications are not readily apparent. What if the monetary easing comes to an end by next year? Will that throttle the weak recovery and put the global economy into reverse gear taking us back to another recession? Global leaders and international institutions have to be on guard for another round of concerted efforts to prevent that from happening.

5 Bangladesh Perspectives

So where does all this leave Bangladesh and its economy. To be sure, the Bangladesh economy is much more open today than it was in 1990. But most of the opening up has taken place in current

account transactions of the balance of payments, with current account convertibility having been invoked back in 1994 under IMF's Article VIII. The capital account remains non-convertible with very few private transactions, except foreign direct investment and portfolio investment, being permitted. Private debt transactions are limited and strictly monitored by the central bank. Consequently, current account transactions, made up of exports and imports of goods and services, income and current transfers, including remittances, made up 65% of GDP in FY 2014 as compared to barely 35% in FY1990. On the other hand, capital account transactions made up of capital inflows and outflows have remained around 2% of GDP. Most prognosis of the linkage suggested that the financial tsunami will only leave minor imprints, at least in the near term. Andit was clear that the ripple effects will be transmitted, if at all, through trade flows rather than the financial markets.

To allay any fear of a financial meltdown in Bangladesh, the domestic policy response was prompt and appropriate. From the outset Bangladesh Government was quick to point out that macroeconomic fundamentals were sound, the economy was in good shape, and the fallout from the financial tsunami on Bangladesh would be muted, at best. Bangladesh Bank also reassured thatour financial sector's exposure to western-style financial derivatives or to synthetic securitization instrumentswas nil, and there was no prospect of a credit or liquidity crunch of the sort that

all but froze lending in developed country markets. Meanwhile, BB made sure that all its holdings of foreign exchange reserves were in cash, US Treasury securities, accounts with central banks, and in sovereign bonds – a timely move indeed.

Thus Bangladesh's primary concern during the crisis and its aftermath has been with respect to the potential impact that might come through a fall in consumer expenditures which make up two-thirds of US and European GDP and are the prime drivers of these economies. To Bangladesh's advantage in this crisis, our RMG exports happen to be serving the low end of the market where demand tends to be less volatile. With incomes falling, some diversion of demand from high-end garment segment to low-end segment created the so-called "WalMart effect" to sustain demand for Bangladeshi exports giving our RMG entrepreneurs grounds for optimism regarding riding out the storm without a major dent in their market position. In the end, Bangladesh exports did appear to have survived the storm with only temporary disruptions.

A major concern for Bangladesh as a recipient of foreign aid was the potential implications of the crisis for the quantum of global aid due to the economic disruptions, fiscal stress, and rising indebtedness in developed economies. With an estimated $3.5 trillion pumped in by western governments to shore up wayward financial institutions, there were serious apprehensions regarding cutback on resources for poverty reduction. That would have hurt poverty programs in Bangladesh. Thankfully, that did not happen and, despite, adverse global developments in the second half of the past decade, Bangladesh experienced one of the fastest rates of poverty reduction since 2001.

Finally, it has to be acknowledged that Bangladesh economy continues to have strong macroeconomic fundamentals that make it capable to withstand adverse shocks emanating from short-term declines in export demand related to global recessions. To Bangladesh's advantage, the current account has been running surpluses, the exchange rate is flexible, foreign exchange reserves appear comfortable, inflation is moderating lately, and budget deficits are within tolerable limits. Thus the macroeconomic scenario looks good for Bangladesh to cushion an adverse external shock -- should it happen-- if the current slow economic recovery degenerates into another recession with global impacts.Our hope is that the dire predictions about a W-shaped recovery are proved wrong.

Dr. Zaidi Sattar is the Chairman of Policy Research Institute, Bangladesh.

Attracting Foreign Direct Investment to Bangladesh



Dr Fahmida Khatun

Foreign direct investment (FDI) has increased significantly since the 1990s. The recent UNCTAD report on FDI indicates that FDI inflows to least developed countries (LDCs) increased by 14 percent in 2013 (UNCTAD 2014) though the distribution of FDI flows between LDCs is uneven, with a higher amount flowing to the African economies. Mobilization of available resources for improving infrastructure is a challenge in LDCs. Due to paucity of resources in developing and least developed countries FDI has become an important component of their development strategies and in many cases it proved to be a win-win situation to both host and home countries. Host countries want to gain from FDI in multiple ways such as through having capital, technology and knowledge. Home countries also benefit through investing as they can penetrate into markets, gain access to raw materials and diversify business activities. They can also overcome trade barriers and reduce transport costs.

Bangladesh is considered to be one of the potential economies despite being besieged by multi-faceted adversities such as frequent natural disasters, high density of population, low productive capacity and political turmoil. The resilience and inherent strength of the economy mainly due to its robust sectors such as agriculture, readymade garments and remittances, have been the basis of such optimism. However, in order to make its graduation to the next level of growth and fully exploit the growth potentials, its investment scenario has to be improved. The lack of adequate investment is one of the important reasons for the below potential growth of the economy. The domestic investment rate is hovering around 26 to 27 percent of its gross domestic product (GDP) in the recent past which is below the level required for a country aiming to be become a middle income country by 2021 with a growth rate of 10 percent. The Sixth Five Year Plan (2011-15) of Bangladesh targets a GDP growth of 8 percent by the end of the plan period. This requires that total investment has to grow by 8.1 percent per year and the share of investment in GDP has to be 32.5 percent by FY2015. Low domestic investment has been a matter of concern as it holds back foreign investment as well.

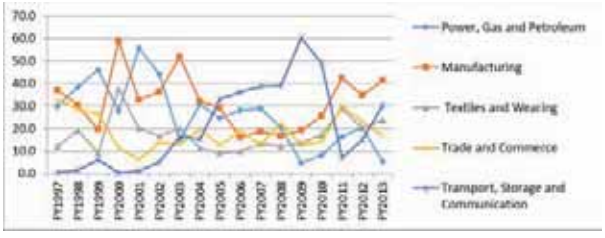
Even though Bangladesh has been trying to bring in FDI since its independence and has put in place FDI friendly policies in the early 1980s (Foreign Investment Promotion and Protection Act 1980 was such an attempt), much before some of its neighbours, it has been unable to accelerate FDI at the expected level. The Generalized System of Preferences (GSP) and availability of labor at a competitive price encouraged to invest in the readymade garments industry of Bangladesh in the 1990s. In recent times transport, storage and communication, manufacturing and power, gas and petroleum have also attracted FDI. In 2013, manufacturing sector was the highest of total FDI. The growth of FDI in Bangladesh has however, been volatile.

Figure1: Foreign direct investment in Bangladesh



Source: Author's calculation based on the Bangladesh Bank.

Figure 2: Trend of FDI inflows classified by significant sectors (as% of total FDI)



Source: Bangladesh Bank.

Three major factors influence foreign investors' decision to invest in a country. These include the expected profitability of the project, the ease at which operations of the subsidiary in the host country can be integrated with the foreign firm's global strategy and the overall environment of the host country (OECD 2002). Host countries may not have much control over the expected profitability of projects undertaken by foreign investors. However, the host country can take measures to improve the attractiveness of the host country. It has been recommended that three kinds of measures may be undertaken by the host country authorities. First, is the improvement of the general macroeconomic and institutional frameworks; second, is creation of a regulated environment that is favorable to foreign investors; and third, is to advance the infrastructure, technology and human capacity levels so as to achieve the full benefits of a foreign presence (OECD 2002).

Studies show that many bottlenecks prevent FDI inflows to South Asia. Such bottlenecks include a poor business climate, poor infrastructure, restrictive labor policies, labor unrest, corruption, political instability, civil conflicts, weak regulatory systems and so on (ADB 2008). In case of Bangladesh, the crux of the problem does, in fact, lie in three broad areas. First is the limited access to physical infrastructure, particularly supply of gas and electricity. This has emerged as a binding constraint for investment promotion in Bangladesh. In recent period FDI increase has been observed mainly in the export processing zones (EPZ) as there is little or no gas and electricity supply constraint like the domestic tariff area. In order to overcome infrastructural bottlenecks aid for productive capacity needs to be enhanced significantly. However, effective use of these funds has to be ensured. Public-private infrastructure development policy can also be a powerful tool to tackle supply side constraints.

The second bottleneck is the culture of confrontational politics which poses a serious threat for the safety of property and resources of prospective investors. Acrimony and bitterness among political parties often lead to destruction and affect lives and properties of people which in turn deter not only foreign investment but also local private investment. Many investors are even willing to spend on infrastructure to facilitate their investment in other sectors, only if there are political stability and predictability of return on their investment.

The third constraint is the lack of good governance and prevalence of corruption which have put a scar on the reputation of the country at the global level. Because of advantages such as competitive prices for labour and other services investors may find Bangladesh a lucrative investment destination. However, predicaments such as delay and lack of transparency in decision making process, lack of effective implementation of regulations and policies and discriminatory incentive packages act as stumbling blocks in bringing in FDI to the country.

FDI is not a panacea to growth, and it has several negative implications too. These include capital flight and repatriation of profit, dependency on technologies and limited transfer of technology and transfer pricing. With effective regulatory and oversight mechanism such issues can be addressed. FDI can supplement the local effort to produce goods and services and create jobs. If local businesses flourish, foreign investors will have confidence to bring their resources. Promotion of local businesses through access to adequate finance and creation of an enabling environment should also be a key target. Economic diplomacy is vital at this day and age to attract foreign resources. This has to be accompanied by good marketing skill which in other words is called 'branding'. Such image building task has to be done primarily by the government but complemented by the private sector and all citizens of the country.

Dr. Fahmida Khatun is Head of Research, Centre for Policy Dialogue (CPD)

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OECD (2002). Investment for Development, Maximising Benefits and Minimising Costs, Paris,
UNCTAD (2014). World Investment Report 2014. United Nations Conference on Trade and Development, Geneva.

ICC Bangladesh Members List

Trade Organizations

1. **The Federation of Bangladesh Chambers of Commerce & Industry (FBCCI)**
   Federation Bhaban
   60, Motijheel C/A, Dhaka-1000
   Tel. : 9560589, 9560102-3
   SG : 9560482
   Fax : 9576261, ps- 9560588
   E-mail : fbcci@bol-online.com
   Website : www.fbcci-bd.org

2. **Dhaka Chamber of Commerce & Industry (DCCI)**
   DCCI Building
   65-66, Motijheel C/A, Dhaka-1000
   Tel. : 9552562, President :9560732,
   Fax : 9560830
   E-mail : president@dhakachamber.com; info@dhakachamber.com
   Website : www.dhakachamber.com.org

3. **Metropolitan Chamber of Commerce & Industry (MCCI), Dhaka**
   Chamber Building
   122-124, Motijheel C/A, Dhaka-1000
   Tel. : 9574129-31, 9565208-10,
   Fax : 9565212, 9565211
   E-mail : sg@citechco.net; info@mccibd.org
   Website : www.mccibd.org

4. **Chittagong Chamber of Commerce & Industry (CCCI)**
   WTC Building
   102/3 Agrabad, C/A, Chittagong
   Tel. : 713366-9, 711356
   Fax : 710183
   E-mail : info@chittagongchamber.com
   Website : www.chittagongchamber.com

5. **Foreign Investors' Chamber of Commerce & Industry "Shama Homes"**
   Apt # C-3, House # 59, Road # 01, Block # I
   Banani, Dhaka-1213
   Tel. : 9892913,9893049
   Fax : 9893058
   E-mail : ficci@bdcom.net
   Website : www.ficci.org.bd

6. **Nordic Chamber of Commerce and Industry in Bangladesh (NCCI)**
   C/O LM Ericsson Bangladesh Ltd.
   Grand Delvista (level-3), Plot # 1A, Road #113
   Gulshan-2, Dhaka-1212
   Tel. : 01715991907
   E-mail : info@nccib.com
   Website : www.nccib.com

7. **Bangladesh Association of Banks (BAB)**
   Jabber Tower (16th floor)
   42, Gulshan Ave. Road # 135
   Gulshan -1, Dhaka-1212
   Tel. : 8828629,9859885, 9830348-54, Ext-118
   Fax : 9851015
   E-mail : bab@citechco.net; admin@bab.com.bd

8. **Bangladesh Insurance Association (BIA)**
   Hossain Tower
   116, Naya Paltan, Box Culvert Road, Dhaka – 1000
   Tel. : 9346378, 9330179
   Fax : 9346378
   E-mail : bia@bdcom.com

9. **Bangladesh Garment Manufacturers & Exporters Association (BGMEA)**
   BGMEA Complex (3rd Floor)
   23/1, Panthapath Link Road
   Kawran Bazar, Dhaka – 1215
   Tel. : 8140310-20
   Fax : 8140322, 8140323
   E-mail : info@bgmea.com;
   Website : www.bangladeshgarments.info

10. **Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA)**
    233/1, B.B. Road, Press Club Bhaban
    (1st & 3rd floor), Narayangonj – 1400
    Tel. : 7640535, 7641857, (Dhaka office-9672257)
    Fax : 7630609, Dhaka office- 9673337
    E-mail : bkmea@bangla.net
    Website : www.bkmea.com

Corporate Bodies : Banks

11. **AB Bank Limited**
    BCIC Bhaban
    30-31, Dilkusha C/A, Dhaka-1000
    Tel. : 9564125, 9560312
    Fax : 9564122, 9564123
    E-mail : info@abbank.org;
    Website : http://www.abbank.com.bd

12. **Agrani Bank Ltd.**
    9/D, Motijheel C/A, Dhaka-1000
    Tel. : 9566153-4, 9566160-69, 9585748-9
    Fax : 9562346, 9563662
    E-mail : companysecretary@agranibank.org;
    Website : www.agranibank.org

13. **Bank Alfalah Limited**
    168, Gulshan Avenue, Gulshan 2, Dhaka-1212
    Tel. : 8833112-4, 9860939
    Fax : 9896782, 9886743
    E-mail : information@bankalfalah.com.bd;
    Website : www.bankalfalah.com

14. **BASIC Bank Limited**
    Sena Kalyan Bhaban (6th Floor)
    195, Motijheel C/A, Dhaka-1000
    Tel. : 9564830, 9567910, 9568190,7175691-2
    Fax : 9564829, 7124911
    E-mail : basicho@citechco.net;
    Website : www.basicbanklimited.com

15. BRAC Bank Limited
1, Gulshan Avenue, Gulshan-1, Dhaka-1212
Tel. : 8801301-32, 9884292
Fax : 9898910, 9867867
E-mail : enquiry@bracbank.com;
mdsoffice@bracbank.com;
Website : www.bracbank.com

16. Bangladesh Citibank N.A
8, Gulshan Avenue, Gulshan, Dhaka-1212
Tel. : 8833567, Ext-1019
Fax : 9884596, 9899126
E-mail : rashed.maqsood@citi.com;
Website : www.asia.citibank.com/bangladesh/corporate

17. The City Bank Limited
City Bank Center
136, Gulshan Avenue, Gulshan-2, Dhaka-1212
Tel. : 02 8813483, 8814375, 8813126,
Fax : 02 8814231
E-mail : info@thecitybank.com
corres.bank@thecitybank.com;
Website : www.thecitybank.com

18. Commercial Bank of Ceylon PLC
2, Dilkusha C/A, Dhaka-1000
Tel. : 7114125
Fax : 9565707, 9566574
E-mail : irinparvin@combankbd.com;
email@combankbd.com;
Website : www.combank.net

19. Dhaka Bank Limited
100, Motijheel C/A, Dhaka – 1000
Tel. : 9556585, 9554514
Fax : 9556584
E-mail : info@dhakabank.com.bd;
Website : www.dhakabankltd.com

20. Eastern Bank Limited
10, Dilkusha C/A, Dhaka – 1000
Tel. : 9562348, 9558390, 9556360-71
Fax : 9562364
E-mail : info@ebl-bd.com;
Website : www.ebl.com.bd

21. Export Import Bank of Bangladesh Ltd.
Symphony, Plot SE (F) 9, Road #142
Gulshan Ave., Dhaka-1212
Tel. : 9889363, 9891489
Fax : 9889358
E-mail : haider@eximbankbd.com;
Website : www.eximbankbd.com

22. The Hong Kong and Shanghai Banking Corporation Ltd.
SPL Western Tower (4th Floor)
186, Bir Uttam Mir Shawkat Ali Road
Tejgaon Industrial Area, Dhaka-1208
Tel. : 8878850-55, 8878876
Fax : 8878864-65
E-mail : hsbc@hsbc.dhaka-bd.net;
contact@hsbc.com.bd;
Website : www.hsbc.com.bd

23. ICB Islamic Bank Limited
13, Kawran Bazar
Kazi Nazrul Islam Avenue
Dhaka-1215
Tel. : 9143361-5, 9144111, 9112793
Fax : 9111994
E-mail : info@icbislamic-bd.com;
enquiry@icbislamic-bd.com
Website : www.icbislamic-bd.com

24. IFIC Bank Limited
BDBL Bhaban (19th Floor)
8 Rajuk Avenue, Dhaka-1000
Tel. : 9562060, 9563020, 9562062, 9562068,
9559647
Fax : 9562015, 7161644
E-mail : sarwar.shah@ificbankbd.com;
samir@ificbankbd.com;
Website : www.ificbankbd.com

25. Islami Bank Bangladesh Ltd.
Islami Bank Tower
40, Dilkusha C/A, Dhaka-1000
Tel. : 9569416, 9563040, 9567173
Fax : 9564532, 9568634
E-mail : info@islamibankbd.com;
mannan@islamibankbd.com;
ibbl@intechworld.net
Website : www.islamibankbd.com

26. Janata Bank Ltd.
110, Motijheel C/A, Dhaka-1000
Tel. : 9587639, 9560027-30
9567477
Fax : 9560869
E-mail : md@janatabank-bd.com;
Website : www.janatabank-bd.com

27. Mutual Trust Bank Limited
MTB Centre, 26 Gulshan Avenue
Plot 5, Block SE(D)
Gulshan 1, Dhaka 1212
Tel. : 9884922, 882 6966, 8822429
Fax : 882 4303, 9884921
E-mail : anis@mutualtrustbank.com;
Website : www.mutualtrustbank.com

28. National Bank Limited
18, Dilkusha C/A, Dhaka-1000
Tel. : 7168729-31, 9563081-5, 9561201
Fax : 9569404, 9563953
E-mail : ho@nblbd.com;
Website : www.nblbd.com

29. National Credit & Commerce Bank Ltd.
7-8, Motijheel C/A, Dhaka-1000
Tel. : 9558882, 9566283, 9561902-4
Fax : 9566290
E-mail : nccbl@bdmail.net;
md@nccbank.com.bd;
Website : www.nccbank-bd.com

30. One Bank Limited
HRC Bhaban (2nd Floor)
46, Karwan Bazar C/A, Dhaka-1215
Tel. : 9118161, 8122046, 9141397
Fax : 9134794
E-mail : obl@onebankbd.com;
Website : www.onebankbd.com

31. Prime Bank Limited
Adamjee Court Annex Building-2
119-120, Motijheel C/A, Dhaka-1000
Tel. : 9567265, 9570747-8, 9564677
Fax : 9560977, 9567230
E-mail : ehsan.khasru @primebank.com.bd; info@primebank.com.bd;
Website : www.primebank.com.bd

32. Pubali Bank Limited
26, Dilkusha C/A, Dhaka-1000
Tel. : 9552197, 9551961, 9551614
Fax : 9564009
E-mail : pubali@bdmail.net, mdnceo@pubalibankbd.com;
Website : www.pubalibangla.com

33. Sonali Bank Ltd.
35-44, Motijheel C/A, Dhaka-1000
Tel : 9550426-34, 9568558, 9565944
Fax : 9561410
E-mail : sbhoid@bdmail.net;
MD : ceosbl@link3.net,
PS : imransbldu@yahoo.com;
Website : www.sonalibank.com.bd

34. Standard Chartered Bank
SCB House
67, Gulshan Avenue, Dhaka-1212
Tel : 8833003, 8833004
Fax : 9894445,9890013
E-mail : sayeeda.perveen@sc.com;
Website : standardchartered.com

35. State Bank of India
57 & 57/A Uday Tower (1st Floor),
Gulshan Avenue, Circle-1, Dhaka – 1212
Tel : 9889152, 9553371
Fax : 9894526
E-mail : sbidhaka@bangla.net; ceo@sbibd.com,
Website : www.sbibd.com

36. Trust Bank Limited
Head Office
Peoples Insurance Bldg. (2nd, 16th-17th Floor)
36, Dilkusha C/A, Dhaka-1000
Tel : 9572012-3, 9570261 ,9570263,
Fax : 9572315, 9551714,9577646
E-mail : info@trustbanklimited.com, ishtiaque@trustbanklimited.com;
Website : www.trustbank.com.bd

37. United Commercial Bank Limited
Bulus Center, Plot - CWS- (A)-1 Road No - 34
Gulshan Avenue, Dhaka-1212
Tel. : 88-02-8852500
Fax : 88-02-8852504
E-mail : info@ucbl.com
Website : www.ucbl.com

Non-Banking Financial Institutions: Leasing & Investment

38. IDLC Finance Limited
Bays Galaria (1st Floor)
57, Gulshan Avenue
Dhaka-1212
Tel. : 8835885, 8834990-4,
Fax : 8834377, 8835887
E-mail : mailbox@idlc.com; selimRFhussain@idlc.com;
Website : www.idlc.com

39. Industrial and Infrastructure Development Finance Co. Ltd. (IIDFC)
Chamber Building (6th Floor)
122-124, Motijheel C/A
Dhaka-1000
Tel. : 9559311-2, 9553254, 9553090
Fax : 9568987, 9566733
E-mail : md@iidfc.com; info@iidfc.com;
Website : www.iidfc.com

40. Industrial Promotion and Development Company of Bangladesh Ltd. (IPDC)
Hosna Centre (4th Floor)
106, Gulshan Avenue
Dhaka-1212
Tel. : 9885533-38,
Fax : 9885529, 9885531
E-mail : email@ipdcbd.com;
Website : www.ipdcbd.com

41. International Leasing and Financial Services Limited
Printers Building (14th Floor)
5, Rajuk Avenue, Dhaka-1000
Tel. : 7169391, 9559639
Fax : 9559640
E-mail : mustafiz@ilfsl.com; info@ilfsl.com;
Website : www.ilfsl.com

42. National Housing Finance and Investments Limited
National Plaza (7th Floor)
109, Bir uttam C.R. Datta Road, Dhaka-1205
Tel. : 9614480,9670612-4, 9669800, 9677181-2
Fax : 9671016
E-mail : info@nationalhousingbd.com;
Website : www.nationalhousingbd.com

43. The UAE-Bangladesh Investment Company Limited
Erectors House (5th Floor)
18, Kemal Ataturk Avenue, Banani C/A, Dhaka
Tel. : 9888203
Fax : 8810718
E-mail : ubico@dhaka.net;
Website : www.ubinco.com

44. Uttara Finance and Investments Limited
Uttara Centre (11th Floor)
102, Shahid Tajuddin Ahmed Sarani
Tejgaon, Dhaka-1208
Tel. : 8170281-5
Fax : 8170277
E-mail : info@uttarafinance.com;
Website : www.uttarafinance.biz

Non-Banking Financial Institutions: Insurance

45. Bangladesh General Insurance Co. Ltd.
42, Dilkusha C/A, Dhaka-1000
Tel. : 9555073-4, 9550379
Fax : 9564212
E-mail : bgic@citechco.net; bgicinsurance@yahoo.com;
Website : www.bgicinsure.com

46. Eastern Insurance Company Limited
44, Dilkusha C/A, Dhaka-1000
Tel. : 9563033-4, 9564246-8
Fax : 9569735
E-mail : eicl@spaninn.com; eicl@dhaka.net;

47. Eastland Insurance Company Limited
13, Dilkusha C/A, Dhaka-1000
Tel. : 9564600, 9562710
Fax : 9565706
E-mail : eic@bdcom.com; eastland@bdcom.com;

48. Green Delta Insurance Co. Ltd.
Green Delta Aims Tower
51/52 Mohakhali, Dhaka-1212
Tel. : 9851116, 9851115, 9851117, 9853078
Fax : 9851124;
E-mail : gdic@bol-online.com; nasir@green-delta.com; info@green-delta.com;
Website : www.green-delta.com

49. Pioneer Insurance Company Limited
Symphony (5th Floor), Plot # SE(F)
9, Road No. 142, South Avenue,
Gulshan-1, Dhaka-1212
Tel : 8817512, 8816793, 8817512, 8816561,
Fax : 8817234, 8817264
E-mail : piclho@PioneerInsurance.com.bd;
Website : www.pioneerinsurance.com.bd

50. Pragati Insurance Limited
Pragati Bhaban (16th Floor)
20-21, Kawran Bazar
Dhaka – 1215
Tel. : 9133680-2, 8117996
Fax : 8122980
E-mail : info@pragatiinsurance.com
manir.md@pragatiinsurance.com;
Website : www.PragatiInsurance.com

51. Reliance Insurance Limited
Shanta Western Tower (Level-5)
186, Tejgaon I/A, Dhaka-1208
Tel. : 8878836-44
Fax : 7635024, 8878831
E-mail : ceo@reliance.com.bd;
info@reliance.com.bd;
Website : www.reliance.com.bd

52. Sadharan Bima Corporation
33, Dilkusha C/A, Dhaka-1000
Tel. : 9552070, 9566106, 9566008, 9552239
Fax : 9564197
E-mail : sbc@bttb.net.bd;
Website : www.sbc.gov.bd

53. United Insurance Company Limited
Camelia House,
22, Kazi Nazrul Islam Ave.
Dhaka-1000
Tel. : 9663372, 8619336-8
Fax : 8622330, 8631447
E-mail : info@unitedinsurance.com.bd;
Website : www.unitedinsurance.com.bd

Law Firms

54. A. Hossain & Associates
3B Outer Circular Road, Maghbazar
Dhaka-1217
Tel. : 8311492, 8322935
Fax : 9344356
E-mail : aab@bangla.net;
enquiry@ahossainandassociates.com;

55. Dr. Kamal Hossain & Associates
122-124, Motijheel C/A
Dhaka-1000
Tel. : 9564954, 9552946, 9560655
Fax : 9564953
E-mail : khossain@citechco.net;

56. Dr. M. Zahir and Associates
House No. 50, Road No. 11/A
Dhanmondi R/A, Dhaka-1209
Tel. : 9114850, (HC-9554985)
Fax : 8113183,
E-mail : barrister.shafiq@gmail.com;

57. Huq and Company
47/1, Purana Paltan, Dhaka-1000
Tel. : Chamber- 9552196, 9555953
Fax : 9562434
E-mail : huqandco@bol-online.com;

58. Rokanuddin Mahmud and Associates
Delta Dahlia Tower, 8th floor
36, Kamal Ataturk Avenue
Banani, Dhaka-1213
Tel. : 9894318, 9894371
Fax : 9894338
E-mail : rumahmud@gmail.com;

59. Syed Ishtiaq Ahmed & Associates
Concord Ovilash (1st Floor)
House No. 62, Road No.11A
Dhanmondi, Dhaka-1209
Tel. : 8152835, 8154769
Fax : 8152836,
E-mail : nihad@sialaw.com; info@sialaw.com;

National Companies

60. Abdul Monem Limited
Monem Business District
111, Bir Uttam C.R. Dutta Road
(Sonargaon Road) Dhaka – 1205
Tel. : 8618079, 8612017
Fax : 9664913
E-mail : asmhbs@citechco.net, info@amlbd.com;
Website : www.amlbd.com

61. A. K. Khan & Company Ltd.
Bay's Gallerea, 2nd Floor
57 Gulshan Avenue
Gulshan -1, Dhaka-1212
Tel. : 8818142-45, 9892169, 8833873,
Fax : 9895930
E-mail : cs.md@akkhan.com;
Website : www.akkhan.com

62. A. K. Khan Telecom Ltd.
57 & 57A Uday Tower (9th floor)
Gulshan-Avenue, Gulshan -1, Dhaka-1212
Tel. : 9892469, 8833873
Fax : 8833872
E-mail : akkhan.abulkasemkhan@gmail.com
Website : www.akkhan.com

63. Alpha Tobacco Manufacturing Co. Ltd.
Jatiya Scout Bhaban
70/1, Purana Paltan Line Kakrail,
(9th floor), Dhaka
Tel. : 8315071-2, 8313553
Fax : 8313553
E-mail : erba@gmail.com;

64. Apex Adelchi Footwear Limited
House-6, Road-137
Gulshan-1, Dhaka-1212
Tel. : 8820300, 8828258, 8821591, 9886378
Fax : 8813038
E-mail : info@apexfootwearlimited.com;
maqsuda@apexfootwearlimited.com

65. Arlinks Limited
Red Crescent Concord Tower (11th Floor)
Suite-B, 17, Mohakhali C/A
Dhaka-1212
Tel : 9888517, 9890254-7, 9850254-7
Fax : 9888388
E-mail : arlinks@arlinks.org;
Website : www.arlinksgroup.com

66. ASM Chemical Industries Limited
240 Tejgaon I/A, Dhaka-1208
Tel. : 8879178 to 80
Fax : 8879184
E-mail : rjm@azizgroup.com;
azizgroupbd@bol-online.com;

67. Bashundhara Paper Mills Ltd.
125/1, Block-A, Baridhara, Dhaka-1212
Tel. : 8402008, PS-8401024
Fax : 8401522, 8401611
E-mail : bgc@bdcom.com;
Website : www.bashundharagroup.com

68. Bay Consolidation (Pvt.) Limited
Chowdhury Centre
23/KA, New Eskaton Road
Dhaka-1000
Tel. : 8316860-1, 8318763
Fax : 8319396, 9335894
E-mail : bcld@bangla.net ;
comm@chowdhurygroup.com;
Website : www.chowdhurygroup.com

69. Bengal Fine Ceramics Limited
HH Bhaban (4th Floor)
52/1, New Eskaton, Dhaka-1000
Tel. : 9345174, 9343948, 9356085
Fax : 8314933, 9345794
E-mail : maksudkhan@dhaka.net;
Website : www.bfcl.net

70. CONEXPO Limited
Rupayan Karim Tower
5th Floor, Flat # 5A
80 Kakrail, VIP Road
Dhaka-1000
Tel. : 8316606, 8350874
Fax : 8312826
E-mail : conexpo.bd@gmail.com;

71. Dhaka Stock Exchange Ltd.
9-F, Motijheel C/A, Dhaka-1000
Tel. : 9564601, 7175705-9
Fax : 9564727
E-mail : dac@bol-online.com;
dse@bol-online.com,
Website : www.dsebd.org

72. Elite Group of Industries
"South Avenue Tower" (2nd floor)
House No. 50, Road No. 3,
7 Gulshan Avenue
Gulshan-1, Dhaka-1212
Tel : 9859998
Fax : 9883681
Email : elite@citechco.net;

73. Envoy Garments Limited
Envoy Tower
18/E Lake Circus Kalabagan, Dhaka.
Tel. : 9102583-90
Fax : 7214193, 9102849
E-mail : envoygrp@bangla.net;
Website : www.envoygroup.com

74. ETBL Holdings Limited
Suvastu Tower (9th Floor)
69/1, Panthapath, Dhaka-1205
Tel. : 8622583-4
Fax : 8621917
E-mail : info@etbl.org; etbl@bdmail.net

75. Evince Group
Plot- 33, Section 7, Mirpur, Dhaka-1216
Tel. : 9020491-5
Fax : 9020490
E-mail : evince@evincebd.com;
Website : www.evincegroup.com

76. Financial Excellence Limited (FinExcel)
House # 16, Road # 23, Block # B
Banani, Dhaka- 1213
Tel. : 9861710, 9861667
Fax : 9862579
E-mail : info@finexcelbd.org;
Website : www.finexelbd.org

77. HRC Syndicate Limited
11/F HRC Bhaban, 46, Kawran Bazar C/A, Dhaka-1215
Tel. : 9115183-4, 9133418-22
Fax : 9128991-2, 8110993
E-mail : hrc@hrcbd.com; cm@hrchq.com;
syndicate@hrcbd.com;
Website : www.hrcbd.com

78. Incepta Pharmaceuticals Ltd.
40, Shahid Tajuddin Ahmed Sarani
Tejgaon I/A , Dhaka-1208
Tel. : 8891688-703, 8891528
Fax : 8891190-91
E-mail : incepta@inceptapharma.com;
Website : www. inceptapharma.com

79. International Trade Connection (Pte.) Ltd.
House # 31, Raod # 13, Block # K
Baridhara, Dhaka
Tel : 8825801,01711402788
Email : zosman@itcbd.net ;osm@itcbd.net;

80. IOE (Bangladesh) Limited
Wali Center
74, Gulshan Avenue (3-5th Floor), Dhaka-1212
Tel. : 8825013,8826319, 8825134, 8826298
Fax : 8833612
E-mail : info@ioe.com.bd;

81. Jaroms Industries Limited
13/2 Abdus Satter Master Road,
Gazipura, Tongi, Gazipur
Tel. : 9815874
Fax : 9815874
E-mail : jaroms@bdmail.net;
Website : www.jaroms bd.com

82. Karnaphuli Fertilizer Co. Ltd. (KAFCO)
IDB Bhaban (13th Floor), E/8-A, Rokeya Sharani,
Sher-e-Bangla Nagar, Dhaka-1207.
Tel. : 918 3141 -42, 918 3144 – 47
918 3139, 918 3420
Fax : 918 3140
E-mail : info@kafcobd.com;
Website : www.kafcobd.com

83. The Merchants Limited
House No. 38, Road No. 13, Sector-3
Uttara, Dhaka-1230
Tel. : 8953645-9
Fax : 8920379
E-mail : arshadali@themerchantsltd.com;
Website : www.themerchantsltd.com

84. Mir Akhter Hossain Limited
House No.13, Road No.12
Dhanmondi R/A, Dhaka-1209
Tel. : 9134572-3, 9136761
Fax : 8110992, 9133214
E-mail : mirakter@citechco.net;
nasir@mirtelecom-bd.com;
Website : www.mirakhter.net

85. The Mohammadi Limited
Lotus Kamal Tower-1, Level-10
57, Zoar Shahara, Nikunjo-2 (North)
Dhaka-1229
Tel. : 8952704-9-Ext-111
Fax : 8959254
E-mail : info@mohammadigroup.com;
Website : www.mohammadigroup.com

86. Navana Limited
House-16/B, Road-93, Gulshan-2, Dhaka
Tel : 9895714,9880417
Fax : 8832980
E-mail : navana@bangla.net;
Website : www.navana.com

87. Newage Group of Industries Limited
42/I, Indira Road, Dhaka-1215
Tel : 912 6535
Fax : 8113518
E-mail : quasem@newage-group.com;
Website : www.newage-group.com

88. Newage Textiles Ltd.
42/I, Indira Road, Dhaka-1215
Tel : 8153204
Fax : 8113518
E-mail : asif@newage-group.com;
Website : www.newage-group.com

89. Pacific Bangladesh Telecom Limited
Pacific Centre, 14, Mohakhali C/A
Dhaka-1212
Tel. : 8822186-7, 8822761-5
Fax : 8823575, 9891065-66
E-mail : pactel@citechco.net;
shahjamal.raz@citycell.com;

90. Plummy Fashions Limited
Flat# 502, Concord Tower
113, Kazi Nazrul Islam Avenue
Dhaka-1000
Tel. : 8317240, 9346944,
Fax : 9347851
E-mail : fhoque@bangla.net;

91. Prime Textile Spinning Mills Limited
Sena Kalyan Bhaban (8th Floor)
195, Motijheel C/A, Dhaka-1000
Tel. : 9564851-2, 9564856, 9590546, 9590570, 9590698
Fax : 9564857, 7165831
E-mail : info@primegroup-bd.com; chairman@primegroup-bd.com;
Website : www.primegroup-bd.com

92. Sanofi Aventis Limited
6/2/A, Segun Bagicha, Dhaka-1000
Tel. : 9562824, 9562893
Fax : 9550009
E-mail : asim.jamal@sanofi.com; sanofi.bd@sanofi.com;
Website : www.sanofi.com.bd

93. Scholastica Limited
House # 3/D, Road # 2/A, Block # J,
Baridhara, Dhaka.
Tel. : 9887277, 8815222-3, 8819500
Fax : 8813141
E-mail : spl@scholasticabd.com;
Website : www.scholasticabd.com

94. Square Pharmaceuticals Limited
48, Mohakhali C/A, Dhaka-1212
Tel. : 8833047-56, 8859007-16
Fax : 8828608, 8828609, 8828768
E-mail : info@squaregroup.com;
Website : www.squarepharma.com.bd

95. Square Textile Mills Limited
48, Mohakhali C/A, Dhaka-1212
Tel. : 8833047
Fax : 8828768
E-mail : info@squaregroup.com;

96. Star Particle Board Mills Ltd.
Shanta Western Tower (Level-13)
186, Tejgaon I/A, Dhaka-1208
Tel. : 8878800
Fax : 8878815
E-mail : mail@psgbd.com;
Website : www.partexgroup.com

97. The Sylhet Tea Company Limited
67, Motijheel C/A (2nd Floor), Dhaka-1000
Tel. : 9554349, 9552001
Fax : 9568865
E-mail : thesylhettea@gmail.com;

98. Transcom Limited
Gulshan Tower (11th Floor), Plot No.31
Road No. 53, Gulshan North C/A
Dhaka-1212
Tel. : 8818327-30, 8814662-3, 8818331-2
Fax : 9887376, 9887373
E-mail : fhn@transcombd.com;
Website : www.transcombd.com

99. Transmarine Logistics Ltd.
10, Kazi Nazrul Islam Avenue
Kawran Bazar, Dhaka-1215
Tel. : 9125792-96, 9130641
Fax : 8128732,8115978
E-mail : m.ghaziul.haque@mgsgroup.com; info@mghgroup.com;
Website : www.mghgroup.com

100. Van Ommeren Tank Terminal Bangladesh Ltd.
North Potenga, Chittagong-4000
Tel. : 741858, 741884, 740921
Fax : 741514
E-mail : vott@globalctg.net;

Multinational Companies

101. **Airtel Bangladesh Limited**
House No.: 34, Road No.: 19/A
Banani, Dhaka-1213
Tel. : 8836990-7,
Fax : 9863247, 8836689
E-mail : ashraf.chowdhury@bd.airtel.com;
Website : www.airtel.com.bd

102. BASF Bangladesh Limited
SAM Tower, Level -07, House no. 04,
Road no. 22, Gulshan-01, Dhaka-1212
Tel. : 9851981-5,
Fax : 9851980
E-mail : basf.dhaka@basf.com;

103. Berger Paints Bangladesh Limited
Berger House, House No. 8, Road No. 2
Sector-3, Uttara Model Town
Dhaka-1230
Tel. : 8953665
Fax : 8951350
E-mail : info@bergerbd.com;
Website : www.bergerbd.com

104. British American Tobacco Bangladesh Co. Ltd.
New DOHS Road
Mohakhali, Dhaka-1206
Tel. : 8822791-5, Fax : 8822786
E-mail(PS): habiba_bashar@bat.com;
Website : www.batbangladesh.com

105. Bureau Veritas (BIVAC) Bangladesh Ltd.
84, Kazi Nazrul Islam Avenue
Farmgate, Dhaka-1215
Tel. : 9126486, Fax : 9112183
E-mail : bivac.dhaka@bd.bureauveritas.com qayyum.khan@bd.bureauveritas.com;
Website : www.bureauveritas.com

106. DHL Worldwide Express (Bangladesh) Pvt. Ltd.
Molly Capita Centre (4th & 5th Floor)
76, Gulshan, Gulshan 1, Dhaka-1212
Tel. : 9895810 (6000)
Fax : 8823248
E-mail : Desmond.Quiah@dhl.com;
Website : www.dhl.com.bd

107. Duncan Brothers (Bangladesh) Limited
Camelia House
22, Kazi Nazrul Islam Avenue
Dhaka-1000
Tel. : 8619336-8, 9661397-8
Fax : 8613576
E-mail : duncan@bangla.net;
duncan_tea@citech.net;
duncan_corp@duncanbd.com;
Website : www.duncanbd.com

108. Expeditors (Bangladesh) Ltd.
SW(I) 4, 25 Gulshan Avenue
Dhaka 1212
Tel : 9890594-6
Fax : 9890775
Email : ershad.ahmed@expeditors.com;
Website : www.expeditors.com

109. GE International Inc – Bangladesh
OS 802, Level-8, Shanta Western Tower
186, Tejgaon I/A
Dhaka-1208
Tel : 8878725-30
Fax : 8878731
Email : sartaj.bhuiyan@ge.com;
Website : www.ge.com

110. GrameenPhone Ltd.
GP HOUSE.
Bashundhara, Baridhara
Dhaka - 1229
Tel. : 9882990
Fax : 9882970
E-mail : info@grameenphone.com;
Website : www.grameenphone.com

111. Lafarge Surma Cement Limited
Suvastu Imam Square
65, Gulshan Avenue, 3rd Floor
Gulshan-1, Dhaka-1212
Tel. : 8812026
Fax : 8825413, 8815167
E-mail : info@bdlafarge.com;
Website : www.lafarge-bd.com

112. Li & Fung Bangladesh Limited
ABC Heritage
Plot#2 & 4, Jashim Uddin Avenue
Sector#3, Uttara Model Town
Dhaka-1230
Tel : 8918053,8918337
Fax : 8931036
E-mail : russellwinyard@lifung.com.bd;
abualam@lifung.com.bd;
Website : www. lifung.com

113. Linde Bangladesh Limited
285, Tejgaon I/A, Dhaka-1208
Tel. : 8870322-27, 8870341-45, 8870363
Fax : 8870365, 8870336,
E-mail : info.bd@linde.com;
Website : www.linde.com.bd

114. LSI Industries Ltd.
Jabber Tower (12th floor)
42, Gulshan Ave. Road # 135
Gulshan -1, Dhaka-1212
Tel. : 9885579, 8836012-3
Fax : 8814098
E-mail : service@lsitwn.com

115. Nestle' Bangladesh Limited
Gulshan Tower (4th Floor)
Plot No. 31, Road No. 53
Gulshan North C/A, Dhaka-1212
Tel. : 9882759
Fax : 8822035, 9881302
E-mail : stephane.norde@bd.nestle.com;
Website : www.nestle.com

116. Puls Trading Far East Ltd
House no. NW(K) 8/A, Road No. 50
Gulshan-2, Dhaka-1212
Tel. : 09609000466
Fax : 8823623
E-mail : roger.hubert@hm.com;
mohammad.yeasin@hm.com;
Website : www.hm.com

117. Robi Axiata Limited
53 Gulshan South Avenue, Dhaka-1212
Tel. : 9887146-52,
Fax : 9885463
E-mail : supun@robi.com.bd;
Website : www.robi.com.bd

118. Siemens Bangladesh Limited
ZN Tower, Road No. 8, Plot-2,
Gulshan-1, Dhaka-1212
Tel. : 9893536
Fax : 9892918
E-mail : sbl@bangla.net;
Indranil.lahiri@siemens.com;
Website : www.siemens.com.bd

119. Singer Bangladesh Limited
House-5B, Road No. 126
Gulshan-1, Dhaka-1212
Tel. : 8825864, 8829082, 8858574
Fax : 8858247, 8857624
E-mail : singerinfo@singerbd.com;
Website : www.singerbd.com

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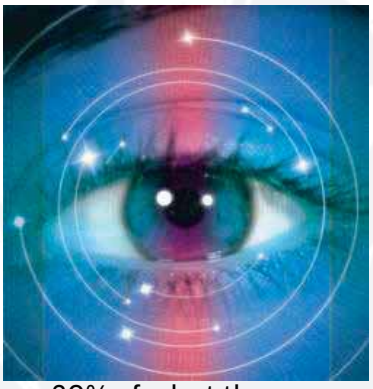

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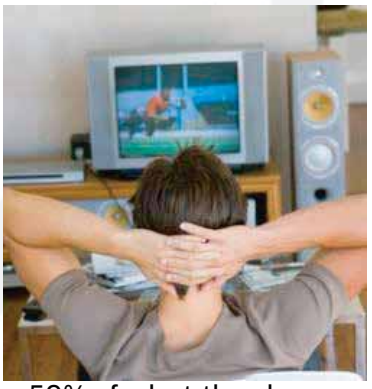

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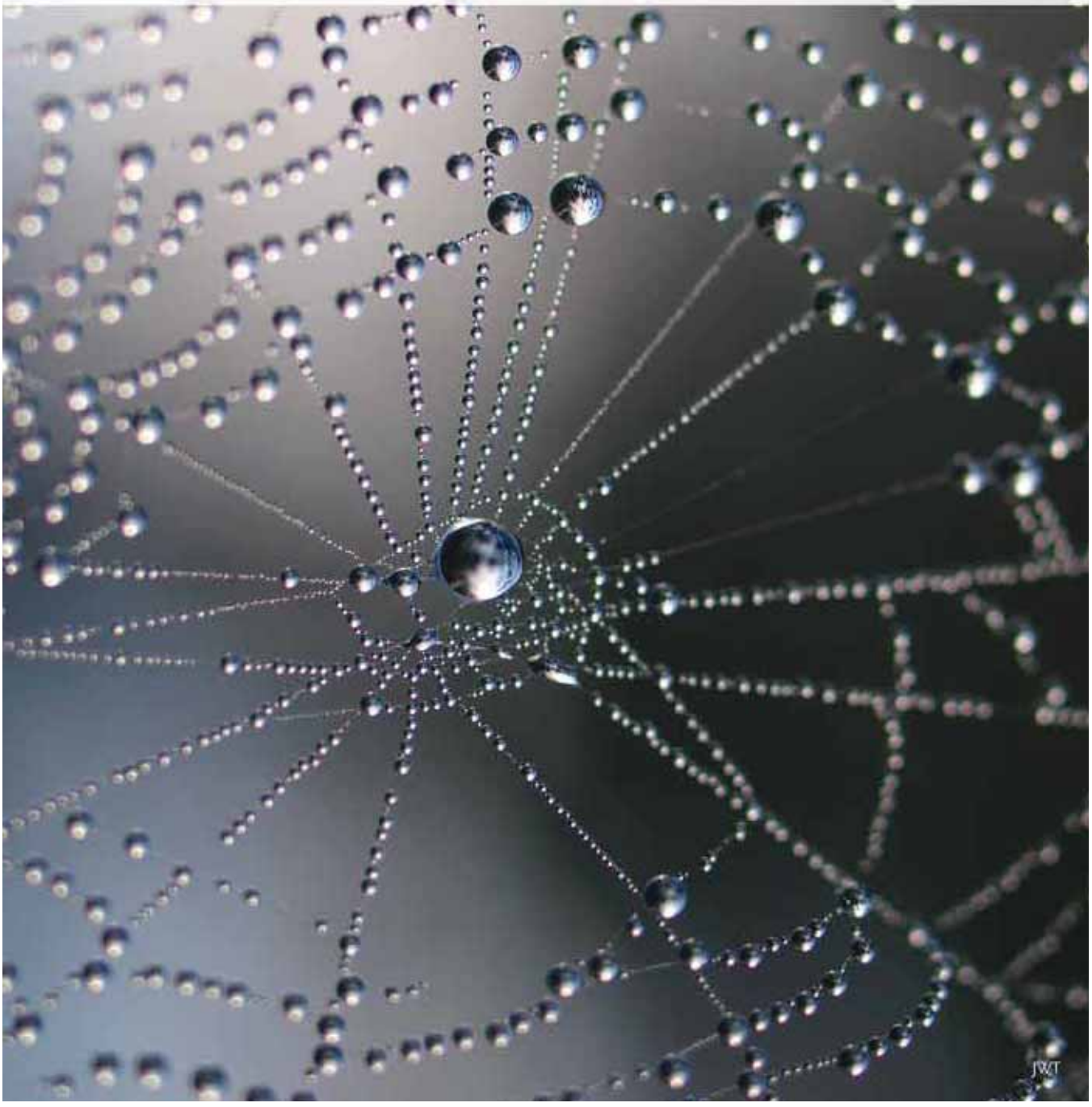

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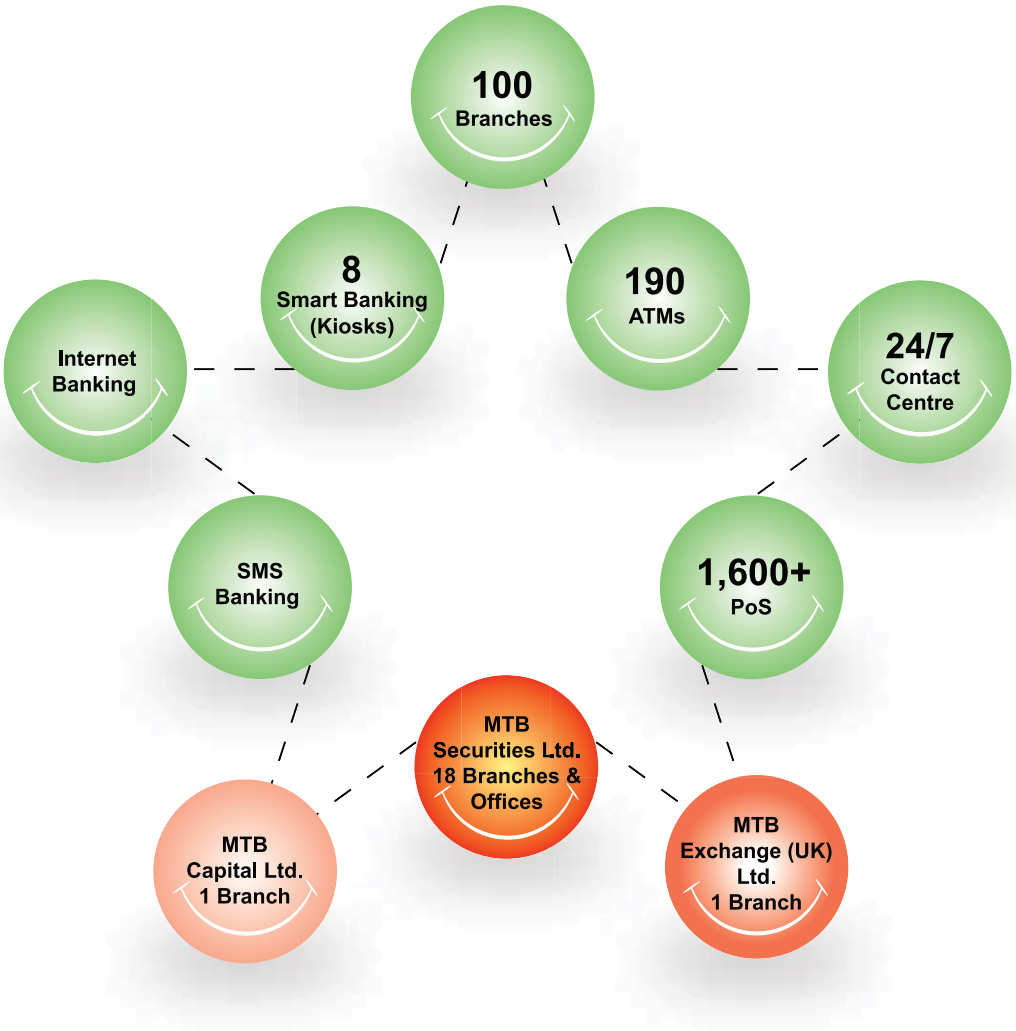

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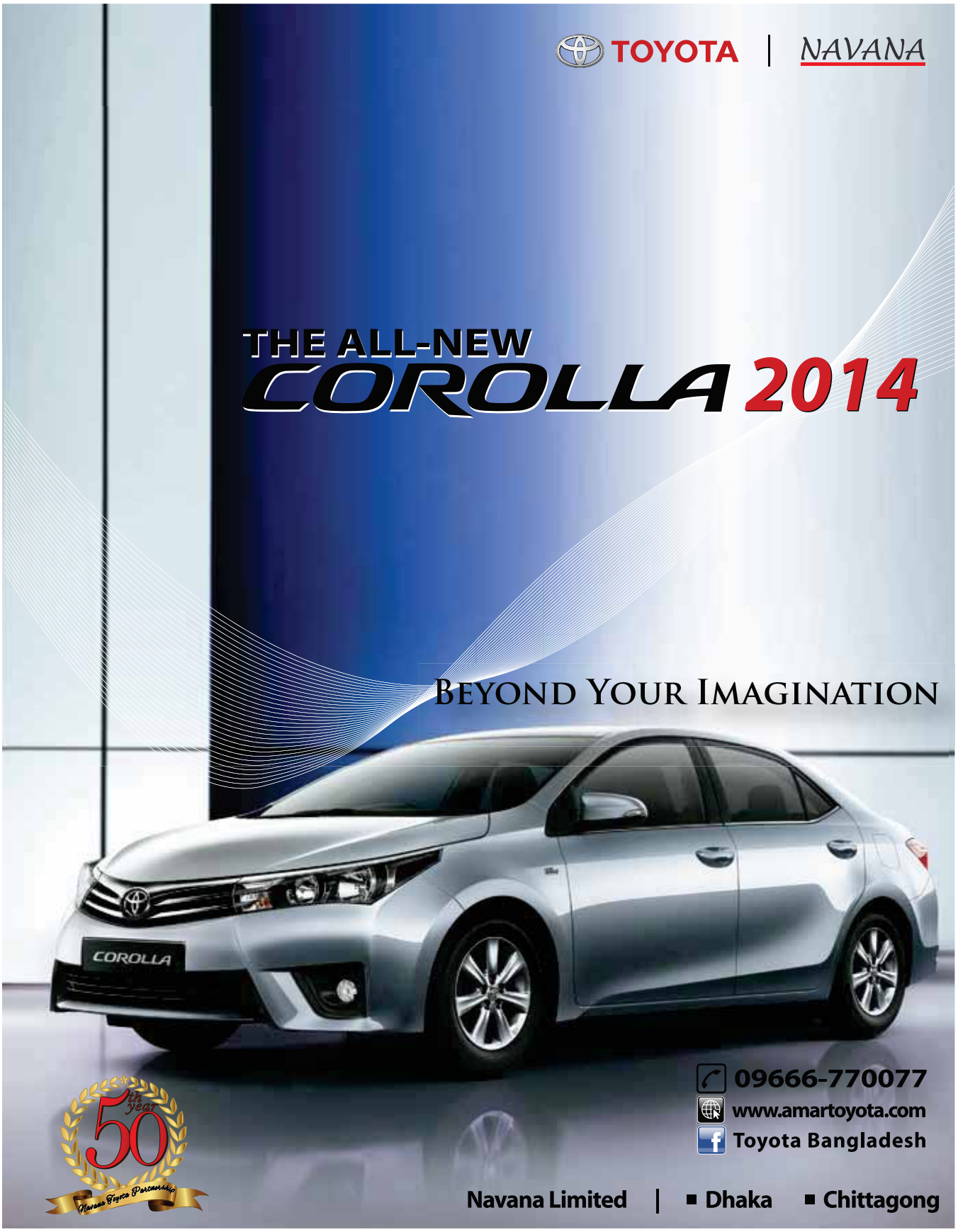
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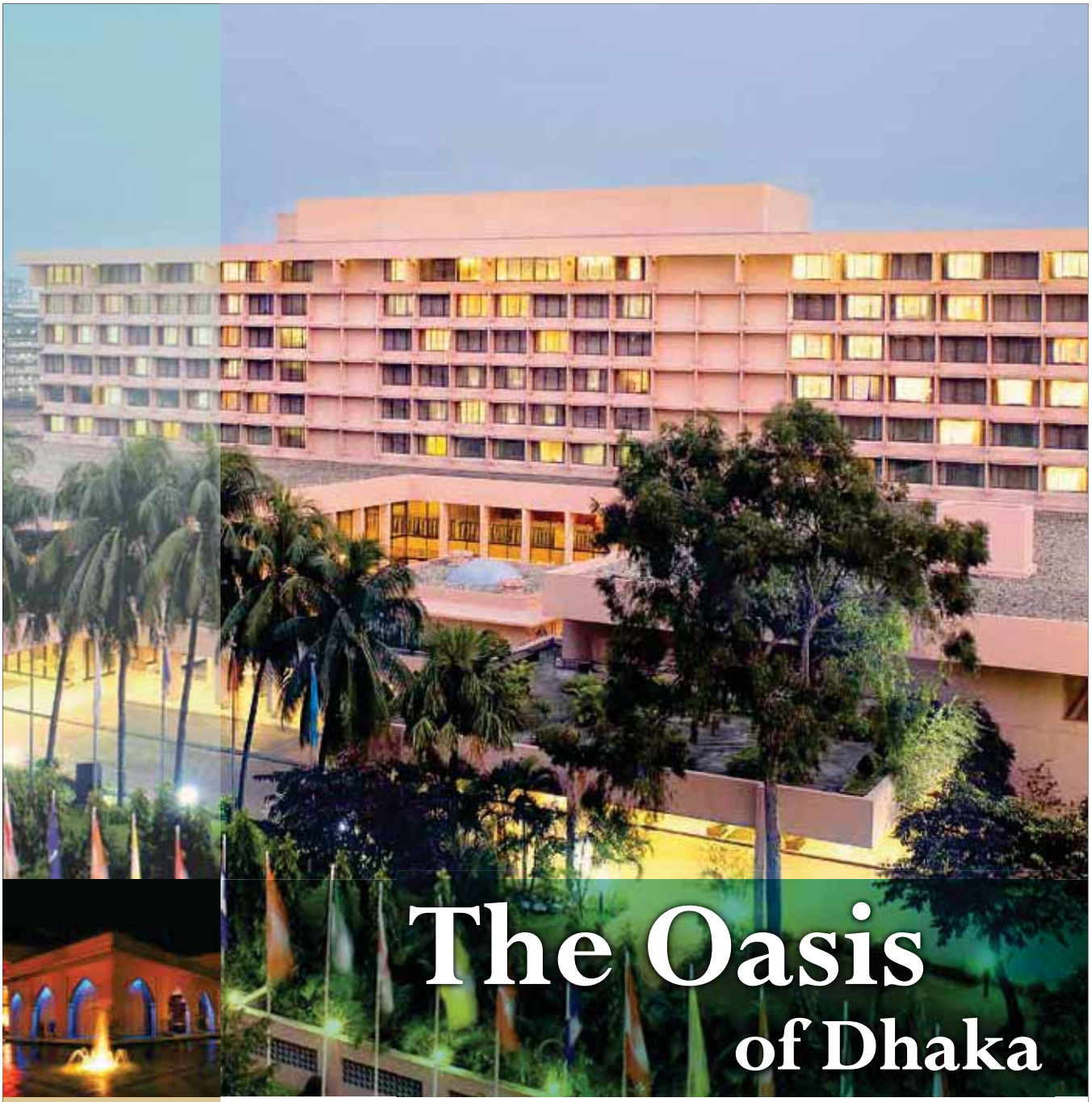

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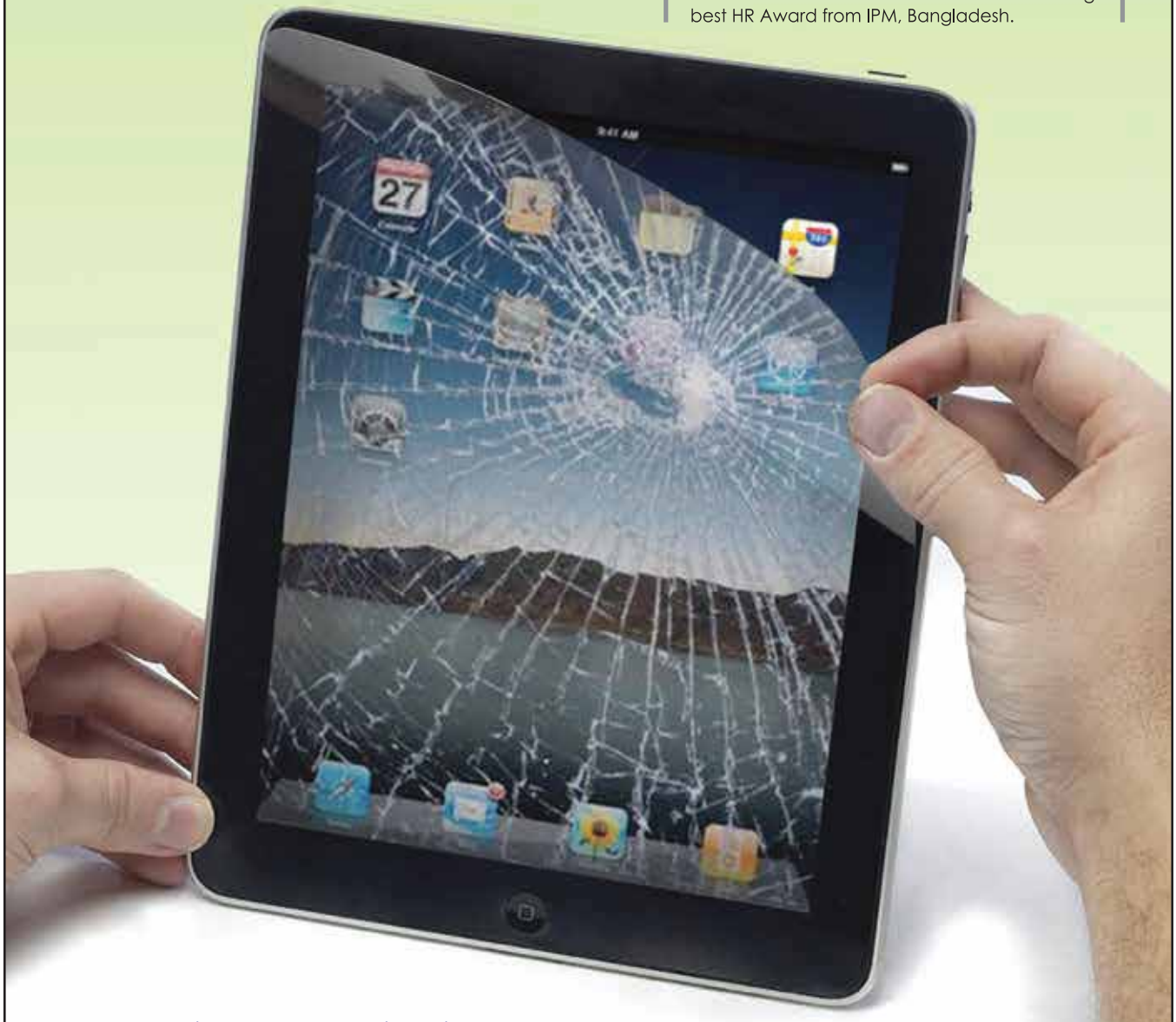

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