

ICC International Conference on Global Economic Recovery: Asian Perspective

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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.

geopolitical tensions, especially on Russia and neighboring countries.

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
Other Advanced Economies¹	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
India²	4.7	5.0	5.6	6.4	0.2	0.0
ASEAN-5³	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 Caribbean	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: IMF World Economic Outlook, October 2014.

¹Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.²For India, data and forecasts are presented on a fiscal year basis and output growth is based on GDP at market prices.³Indonesia, 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

How Asia will face Global Challenges?

Asia is well positioned to meet the challenges ahead provided it undertakes 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 potential bouts of capital outflow and asset price volatility. Nevertheless, despite some tightening, financial conditions should remain supportive, underpinned by still-accommodative monetary policies, strong credit growth, and exchange rates that remain weaker than they were a year ago.



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.

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.

However, economies where inflation outcomes 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 be the lead 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.



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 prepared by ICC Bangladesh based on IMF, WTO latest projection and WEF latest analysis.



**UNITED NATIONS
UNCTAD**
Secretary-General
Mukhisa Kituyi

Message

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.

Mukhisa Kituyi
Mukhisa Kituyi
Secretary-General of UNCTAD



**WORLD TRADE
ORGANIZATION**
Roberto Azevêdo
Director-General

Message

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
Roberto Azevêdo
Director-General
World Trade Organization



**FUNG
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Victor K. Fung, Ph.D.
Chairman
ICC Research Foundation

Message

ICC International Conference in Dhaka on 25-26 October 2014 to celebrate the 20th anniversary of ICC's presence in Bangladesh

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.

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 percent per annum. It has emerged as an export powerhouse for garments, second only to China.

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



**ICC INTERNATIONAL
CHAMBER
OF COMMERCE**
The world business organization
Message from ICC Chairman,
Vice-Chairman & Secretary General

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

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