WORLD COMMERCE REVIEW

ISSN 1751-0023
VOLUME 7 ISSUE 1 ■ MARCH 2013

THE DIGITAL FUTURE

In this issue:

Q&A with Grant Gibbons, the Bermuda Minister of Economic Development

Neelie Kroes writes about a digital agenda for Europe

Lindsay Ryan presents a snapshot of current developments in Massive Open Online Courses

Evolving challenges - innovative response

The 7th Global Congress continues march against counterfeiting and piracy

THE GLOBAL TRADE PLATFORM

Muddling through, again

The eurozone is standing at a crossroads, facing the huge challenges created by the financial crisis. The political attempts to overcome it have far-reaching consequences for the future of the Economic and Monetary Union, European integration and Europe's role and influence in the world.

At the moment Europe is suffering from catastrophic levels of unemployment and a still sluggish economy. To compound things, the eurozone/IMF rescue of Cyprus has raised fresh contagion fears.

The two main tenets of banking sector reform are, firstly, that the savings of ordinary account holders should be protected. Account holders were never to suffer losses. This is key to underpinning confidence in the banking system and ensuring the flow of credit in the economy.

Secondly, the financial institutions which lend to banks by buying their bonds should incur losses when banks are bailed out.

Both of these principles have been broken in the proposed rescue deal. The Cypriot deal sets back the cause of the new global banking rules. It also licenses runs on the banks in the other eurozone countries where the banking system is weak. Who's next?

Even if a major renewed crisis is avoided, this agreement will cost growth and jobs throughout the eurozone. Once again, the intergovernmental running of the eurozone has been exposed, and the cost of 'doing what it takes' to save the eurozone has surely risen.

Was the imposition of a one-off tax on savers worth the crucial principle of sound economic management? ■

Phoenix Multimedia
5 The Old Grammar
Old Grammar Lane
Bungay
Suffolk
NR35 1PU
United Kingdom

www.worldcommercereview.com

Tel: +44 (0)1986 892028

Email: info@worldcommercereview.com

PUBLISHER
Tom Forster

MANAGING EDITOR
Tom Forster

EDITORIAL
Tom Page

SALES DIRECTOR
David Thompson

SALES TEAM
Phil Shaw
Jane Hurley

CIRCULATION MANAGER
Andrew Kilby

PRODUCTION MANAGER
Michael Day

DESIGN AND PRODUCTION
West Riding Media Solutions

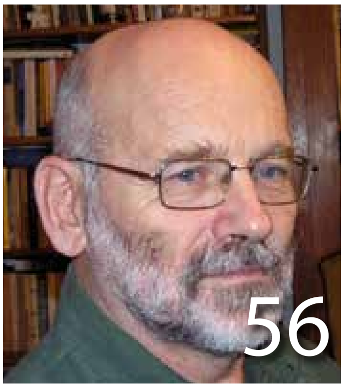
ISSN 1751-0023

Contents

The new Harpa Concert Hall and Conference Centre is located in the very heart of the city, just a short distance away from a broad variety of 4 star hotels, venues and boutiques, including several internationally known brand names.

MEET IN REYKJAVÍK
Reykjavík Convention Bureau

Contents


52

56

56

60

64


70

Evolving challenges - innovative response. The 7th Global Congress continues march against counterfeiting and piracy
26

75

Bermuda

THE INTELLIGENT CHOICE

Deciding on a digital hub is an especially complex process. In an interview with World Commerce Review, the Bermuda Minister of Economic Development, Dr. Grant Gibbons, examines the most important factors.

Please describe the range of ICT services and benefits that Bermuda can offer?

Bermuda has been known as the *'Wired Island'* for well over a decade. In the last four Economist Intelligence Unit (EIU) digital economy studies, Bermuda has consistently been ranked in the top 22 countries in the world for e-readiness, and is the smallest country to hold that record.

Bermuda is a world leader in insurance, reinsurance, international business and finance and as such, demands a sophisticated ICT sector combined with a first rate telecommunications infrastructure that includes a redundancy capability of three fibre optic cables linking Bermuda to the rest of the world.

International businesses can expect to find the full complement of IT services and support, including software development. Cloud and digital certificate services are prevalent along with hosting, business continuity and disaster recovery providers.

What is the on-going plan for this sector in Bermuda and what does the future hold?

Our strategy from the outset was to create the legislative framework to facilitate electronic commerce and provide appropriate regulations to create a supportive environment where business can grow and flourish. Bermuda was one of the first in the world to adopt an Electronic Transactions Act (ETA) in 1999 and we are presently reviewing amendments to the Act to keep the legislation contemporary. This should enable business opportunities created by the next generation of ICT evolution.

We are also developing privacy legislation with the intent of facilitating trans-border data flows and providing an additional level of comfort for international customers who have their data hosted in a Bermuda cloud. With our unique privacy model, Bermuda expects to achieve the balance of protecting sensitive personal information and respecting international privacy principles, while acknowledging diverse global economic ties.

We are presently proceeding with significant regulatory reform and have established an independent Telecommunications Regulatory Authority. This will benefit businesses and consumers by increasing competition, speeds and service offerings. We have already seen significant new investment in the sector, which will result in next generation telecommunications and fibre to the home infrastructure across the island.

The Bermuda Government's online services to business and consumers will continue to expand. Initiatives to help foster growth in the ICT area include; streamlining immigration processes, providing further tax relief tied to job training and ensuring best practice in IP protection, particularly given the explosion of digital media services. The local ICT sector is robust and continuing to evolve and the fascination with technology and connectivity is not limited to business alone. Bermudians are early and heavy adopters of ICT. Our household penetration of mobile was 95% in 2012. Internet household penetration is at 88%, 90% of which have a high speed connection. The Blackberry 10 is expected to go on sale in Bermuda 1-2 months before it hits the stores in the US.

Bermuda has had a tradition of technology innovation since the days it invented the Bermuda rig for sailing, where its configuration of mast and rigging provided greater speed (using triangular sails instead of four sided ones) and became the forerunner of most modern day sail boats. Today that spirit of innovation is alive and well.

Two local innovators, Quo Vadis and First Atlantic Commerce have earned international recognition within the international certification service provider and payment solution provider industries, respectively, and boast a significant global corporate and Government clientele. Another area of ICT innovation in Bermuda is in software development for the financial services industry, particularly with applications for risk modelling in the reinsurance sector.

The Government also celebrates local technology innovation through the annual *Technology Innovation Awards* and we will continue to support further development in this sector. The World Information Technology Services Alliance (WITSA) has recognised our efforts in this area by presenting the Government of Bermuda with an *ICT Industry Development Award* in 2010. Telecommunications reform will also undoubtedly spur more innovation in the local ICT space. In this new era of big data, Bermuda is poised to capitalise with its secure hosting centres and availability of significant bandwidth.

Please describe how this has helped international business?

The world of technology has permeated every-day life to the extent that all business is e-business. The sophistication of the ICT space has allowed both local and international companies in Bermuda to get the well managed and secure ICT services that they require locally, along with gold standard customer service from the providers, so they can concentrate on the business at hand.

© Bermuda image courtesy of the Bermuda Department of Tourism

"We are also developing privacy legislation with the intent of facilitating trans-border data flows and providing an additional level of comfort for international customers who have their data hosted in a Bermuda cloud"

The majority of the Fortune 500 companies have a Bermuda presence as do several other multi nationals. As a result, the local ICT sector have strong ties with the major IT service organizations in the US, Europe, the Caribbean, Asia, the Middle East and Canada. Our ICT sector is used to working with offices in multiple jurisdictions and Bermuda's time zone and location is a plus for in person or virtual interactions.

How skilled are the local workforce and what connections are there with the education sector?

To maintain a successful digital economy, there needs to be a continuous focus on the development of e-skills. In the late 1990's Bermuda started early with the BTEC program, a public-private partnership which brought a customised Stanford University developed computer curriculum into Bermuda public schools. Most schools also integrate technology into their curricula through the use of SMART Boards, tablet and laptop programmes.

It is not uncommon to see primary school students with smart phones and of course they are heavy users of social media. For students specifically interested in the technology area, the Department of E-Commerce publishes an annual *IT Student* career guide.

At the post-secondary level, the *Technology Leadership Forum*, started by the Ministry in partnership with the ICT sector, hosts a student IT summer internship program, which is a combination of work placement and in-classroom soft and hard skills training. The curriculum is developed and delivered by the leaders in the local ICT sector so that students receive training and develop competencies that address employers' real needs. The curriculum is updated annually to capture trends in the technology area.

The Government also has established a *CISCO Academy CCNA* certification pilot programme. The latest study on the state of ICT in Bermuda shows that 65 % of the population has a moderate to high technology competency. While this is positive, we are pushing for more and provide opportunities to learn new e-skills and celebrate technology through our *TechWeek* and *TechTime* initiatives, designed to increase awareness of the numerous opportunities in the information technology sector to ensure that everyone, from students to seniors, recognizes the importance of technology literacy. It also allows the community to appreciate how technology affects and impacts our lives on a daily basis and will continue to do so as a citizen of a global digital world. The theme of *TechWeek* is *'Technology, Everyday, Everywhere, Everyone.'*

Our most recent efforts have been in further encouraging local mobile application development and e-entrepreneurship by providing workshops in these relevant areas. While we encourage our youth to take advantage of the Internet and all that technology can offer, we also take cyber security very seriously. The Government introduced child protection legislation that focuses on online safety. There are criminal offences for internet luring and grooming, as well as cyber bullying. We also conduct a cyber-safety programme in cooperation with the schools called *'Cybertips'* and we host a website dedicated to providing cyber security information for the public.

What would be your advice to a multinational considering Bermuda as a digital base?

Bermuda is an intelligent choice and has many advantages which enable multi nationals in a variety of sectors, not just e-business, to thrive.

Let me point to a few examples. The island is ideally positioned standing at the crossroads of North and South America and Europe with excellent air links to the east and west.

Bermuda is a self-governing UK overseas territory with a common law legal framework and a history of stable government. Our currency is pegged to the US dollar. We have a world class ICT sector and telecommunications infrastructure and the redundant fibre-optic cables connecting Bermuda globally, providing significant bandwidth to meet all digital business needs. Our ICT legal and regulatory framework is designed to support e-business and we take security and IP protection very seriously.

The island has a well-educated and talented labour pool to assist in the operation of business affairs. It is easy to incorporate in Bermuda and there are several vehicles for doing so, including the segregated account company. Financial services businesses

in Bermuda are licensed, regulated and monitored to international standards.

International companies find equivalent levels of banking, trust, accounting, custodial and legal service in Bermuda to those they are used to in their operations around the world. Bermuda is tax-neutral. No income taxes, withholding tax, capital gains tax, capital transfer tax are payable on the island.

Bermuda has its own stock exchange, the (BSX) which is the world's largest offshore fully electronic securities market and is a member of the World Federation of Exchanges. The BSX offers a 'Mezzanine Market' which is a unique pre-IPO market listing for start-up, high-growth potential companies.

How would you sum up the Bermuda advantage?

Before investing in a jurisdiction, sensible international businesses undertake a risk/reward analysis. Bermuda equals low risk and high reward. Just take a look at the many blue chip companies that call Bermuda home. We have the right legislative, legal and tax framework and a light regulatory touch that meets best practices.

Bermuda's GDP per capita is one of the highest in the world and Bermuda offers a highly skilled population with a sophisticated support services sector including IT, along with a world class telecommunications infrastructure. It is the perfect 'test bed' environment. We have an ideal location just one hour ahead of EST and minus four GMT/UTC. At the end of the day, Bermuda is a beautiful place to call home with a great quality of life overall. ■

Dr. the Hon. Grant Gibbons JP, MP, attended Oxford University as a Rhodes Scholar and received a Ph.D from Harvard University in Organic Chemistry in 1982. Dr Gibbons has had an active career in both politics and business. He is currently the Minister of Economic Development and is the Member of Parliament for Paget East and has held the seat for eighteen years. Dr. Gibbons is also Deputy Chairman of the Colonial Insurance Group of Companies and has held various management positions and directorships at a number of public and private companies.

Experience Bermuda

Bermuda's role as a centre of commerce has been 400 years in the making. The island's first export was a shipment of food that saved the starving settlers in Jamestown, Virginia in 1610. For the next four hundred years, Bermudians engaged in a multitude of ventures, culminating in the island becoming a world-renowned centre for insurance and reinsurance business and tourism.

Most know Bermuda for its pink, sandy beaches and idyllic setting and a great place to vacation. While that may be true, multinational companies have used Bermuda as an offshore location since the 1930s and Bermuda's largest economic sector has been international business for many years.

That includes a mix of specialty corporate insurance and reinsurance, trust services and fund-administration services, all of which have flourished on the island, together with a fully-electronic trading platform, The Bermuda Stock Exchange. Today, nearly every Fortune 500 company has a link to the island.

The Bermuda model

Since establishing Bermuda as a premier international financial centre, the Government of Bermuda and its partners in the financial services sector have a long history of working well together to continuously review, update and improve the Bermuda model.

Bermuda continues to be well positioned as the risk capital of the world largely due to its tradition of being a pioneering jurisdiction which embraces market innovations. For example, there is a major shift taking place in the reinsurance market. Bermuda has been able to leverage its significant presence and expertise in the reinsurance sector with that of its influence in the capital markets, to take advantage of the convergence of these sectors, resulting in Fitch rating Bermuda the top choice for this convergence market.

Bermuda has become the jurisdiction of choice for offering Insurance Linked Securities (ILS) products, which is evidenced by a record level of issuance this year by Bermuda companies with over US$ 5.8 billion of ILS listed on the Bermuda Stock Exchange at the end of 2012.

Developing such innovative, niche business is what has led Bermuda to punch far above its weight in the international finance arena. Indeed, a recent report commissioned by Business Bermuda revealed that Bermuda's businesses provide 600,000 jobs in the world economy. Bermuda is the eighth largest investor in the US, its biggest market, with a direct investment position of $55 billion - more than the entire Caribbean, Singapore and Hong Kong taken altogether.

"Developing innovative, niche business is what has led Bermuda to punch far above its weight in the international finance arena"

Asia is the fastest growing trading partner for Bermuda. Trade with China, including Hong Kong and Singapore grew 200 percent between 2004 and 2011. Bermuda holds $20 billion of investment from China and Singapore — up from $1 billion in 2000. Meanwhile, Bermuda also emerged as one of the top 20 trading partners of the European Union.

Bermuda now ranks with New York and London as a global insurance centre, although the majority of its business is wholesale, ie, reinsurance or 'captive' insurance, which is a type of self-insurance that Bermuda pioneered. Bermuda reinsurers write a large portion of catastrophe business, insuring the world's insurance companies from risks incurred in hurricanes and earthquakes.

Whenever there is a large disaster, Bermuda companies are usually involved with the insurance or reinsurance programmes. These companies have been known to pay out billions of dollars following the terrorist attacks on the World Trade Center; Hurricanes Katrina, Rita and Wilma; and recent earthquakes that rocked Japan, Chile and New Zealand.

The Government, in conjunction with the Bermuda Monetary Authority (BMA) and other business partners is also exploring alternative lines of business for the island including Asset Management, Islamic Finance as well as increasing Bermuda's presence in the Latin American market.

Under the hood

Employment on the island is dominated by international business, the Government and the hospitality industries, with Hamilton as the hub of commerce. The world's foremost corporations in 100 countries depend on an unparalleled insurance expertise found here - just part of what makes up this blue-chip, global financial centre. An intelligent balance in insurance regulation, the financial strength of the companies, the innovative solutions to corporate problems, together with an abundance of expertise has made the island a key capital for the world's large risks, with assets of about $500 billion. Government is also streamlining the immigration process and has eliminated the six-year term limit policy for work permit holders.

Financial activity is regulated by the BMA, which operates independently from the Government. The BMA enforces the laws the government makes that relate to financial services in Bermuda, including the licensing and regulation of financial firms. The BMA also acts as a central bank, advising the government on banking and monetary issues.

The BMA oversees financial institutions to standards at or above those set elsewhere. Some estimates place the value of assets maintained or registered in, or traded from, Bermuda at well above $1 trillion. Most are owned internationally, registered electronically and highly mobile. These institutions rely on the islands maintaining a sterling reputation.

Tax neutral

Considered 'tax neutral,' Bermuda levies no income tax and has no capital gains, estate tax or corporate taxes, although it does have a payroll tax for those who work here. About one-fifth of Bermuda's workforce is imported. Work permits are issued to guest workers for various terms, allowing them and their families the opportunity to live in Bermuda enjoying all that the island paradise has to offer.

Those doing business internationally often find a Bermuda company useful in their corporate architecture. The islands' tax neutrality, location, international air connections, political stability and sophisticated workforce can make establishing a Bermuda company the ideal business solution.

Applications to form a company are handled by local attorneys, who subject applicants to close scrutiny before passing them on to the BMA, which vets them for suitability to join Bermuda's exclusive club of about 14,000 international companies and partnerships.

Like any well-managed business centre, Bermuda has extensive company legislation and rules of operation, which make consulting a Bermuda attorney an essential first step. In terms of transparency, Bermuda has now signed Tax Information Exchange Agreements with thirty-eight countries and continues to actively support these very important and lasting commitments.

Digital economy

Hamilton is in every sense a modern business venue. Wi-Fi hot spots are abundant within the city and are also available at many cafes, restaurants and other areas across the island, especially tourism hot-spots such as St George's and the Royal Naval Dockyard.

The Government is also moving forward with telecommunications reform to ensure a competitive market place. To that end, a new regulatory authority has been established that will oversee the implementation of the Electronic Communications Act 2011 (ECA) and ultimately the issuance of Integrated Communications Operator License (ICOL) allowing holders to offer a range of telecommunications services under one company and from a single or multiple platforms. Previously companies were issued separate classes for licensing of a particular service, be it cell phone, cable or internet.

Opening Bermuda's telecommunications sector to greater competition under a modern regulatory framework is of vital importance to consumers, businesses and the growth of our economy. The reforms that are underway are designed to bring new products and innovative services at competitive prices to Bermuda as well as spur new investment and job creation.

Bermuda's sophisticated ICT sector and first rate telecommunications infrastructure includes three redundant fibre optic cables linking Bermuda to the rest of the world. International businesses enjoy a full complement of IT services and support, including software development and gold standard customer service from the providers, so they can concentrate on the business at hand. The local ICT sector has strong ties and gained valuable experience working with the major IT service organizations in the US, Europe, the Caribbean, Asia, the Middle East and Canada.

Bermuda was one of the first in the world to adopt an Electronic Transaction Act (ETA) in 1999 and global companies choose Bermuda as a hub for their operations because Government, in partnership with the financial sector, continuously review, update, and improve the necessary regulations and practices to ensure global best standards.

In the area of e-commerce, Bermuda consistently ranks in the top 25 countries in the world according to the Economist Intelligence Unit's annual e-readiness rankings. The Department of E-Commerce is primarily outward facing, concerned with the technology, e-business and e-commerce agenda of the island and its strategic development, ensuring that the appropriate legislative and policy framework is in place for both business and citizens to flourish and leverage the benefits of living in the digital age. Stakeholders include the business community and the public, as well as Government.

Bermuda is also accessible, geographically located only two hours from New York, Boston, Miami, Atlanta, Newark or Philadelphia and just six or seven hours from London. With an advanced infrastructure, embedded in English Common Law, and a stable democratically elected and fiscally responsible Government, Bermuda offers highly skilled and experienced corporate service providers and state of the art facilities and technologies. Bermuda has high credit ratings: S & P AA-, Moody's Aa2, and Fitch AA. All of these elements contribute towards Bermuda's brand and reputation and financial services market success.

Since establishing itself as a premier international financial centre, the Government of Bermuda and the financial sector have worked together in partnership to advance the Bermuda brand and our reputation, and guarantee a coherent, transparent, and predictable application of Bermuda's financial services policy. The opportunities for the future are numerous, whether maintaining a leading role in the growth of the ILS sector or expanding Bermuda's innovative financial services products, burgeoning e-business ventures and market reach. Bermuda offers, as the island's tourism campaign heralds, so much more. ■

A digital agenda for Europe

Neelie Kroes is Vice-President of the European Commission and the EU Commissioner for the Digital Agenda

The digital economy is growing seven times faster than the rest of the economy, it is adding 100,000 jobs each year. If not for the digital economy then the EU would be in recession. So we have to take our digital opportunities. That is why I am pushing forward with a 10 point plan for better broadband in 2013, and a blueprint for a telecoms single market.

The overriding theme is that we need to take risks and push ourselves. There is too much risk-avoiding in Brussels and in national capitals and that has to stop or Europe has no future.

I refuse to just tick off the list of actions we created in 2010. I don't want that, that is lazy and Europe can't afford laziness. This is a personal challenge for me. I am 71; I don't have to do the job I do but I do it because I want to! I want to because I am inspired by the young generation, and I want them to see the value of Europe too.

Europe needs this. The seven actions we proposed at the end of last year revolve around broadband and getting the economy moving and these are the areas I want to focus on in the next couple of years:

- My first priority is creating a new and stable broadband regulatory environment. Some of it we have already started - like stabilising regulation for broadband through to 2020. Later this year we will make that concrete, with a package of 10 actions just on broadband. It needs to be seen as a package, and it's a balanced package. The markets have given positive reactions so far.

- Secondly I want to speed up the roll out of digital services, especially their cross border interoperability, in areas such as eIDs and eSignatures, business mobility, eJustice, electronic health records and cultural platforms such as Europeana. eProcurement alone could save €100 billion per year and eGovernment can reduce the costs of administration by 15-20 %.

- Thirdly, we need to work together with Europe's digital businesses, governments and our training and education sectors to address the skills gap in the ICT sector. The *Grand Coalition on Digital Skills and Jobs*, which was launched earlier this month, aims to take practical steps to try and fill the estimated 900,000 ICT jobs going unfilled by 2015 due to a lack of skilled personnel.

- Cyber security is another key issue. People have to trust the networks they use in this digital era. A Proposed EU cyber-security strategy and Directive adopted earlier this year aim to establish a common minimum level of preparedness at national level, including an online platform to prevent and counter cross-border cyber incidents, and incident reporting requirements.

- We also need to address the EU's copyright framework. Modernising copyright is key to achieving the digital single market and the Commission will work towards a solution to copyright-related issues through a structured stakeholder dialogue in 2013.

- Another priority for me is to accelerate cloud computing through public sector buying power, through pilot actions in the *European Cloud Partnership*. This partnership harnesses public buying power to help create the world's largest cloud-enabled ICT market, dismantling current national fortresses and negative consumer perceptions.

- Lastly, I want to launch a new electronics industrial strategy and the Commission will propose an industrial strategy for micro- and nano-electronics, to increase Europe's attractiveness for investment in design and production as well as growing its global market share.

But instead of just spending more money or writing more laws, in most cases in the digital world, you can do more and quicker by just bringing people together. This is why we run so many dialogues - like with copyright - or build coalitions - like for kids online.

You need to see the *Digital Agenda* as a network of networks. Like the web entrepreneur conferences, the village broadband companies, the '*Campuseros*' from Campus Party, the Digital Champions, the open source community, my 60,000 followers on Twitter.

You will see why I think the digital world is limitless and why I think that we can create industrial success in Europe by thinking across borders.

When it comes to jobs, I want you to know that the internet creates jobs. Probably four million if we implemented the whole *Digital Agenda*. But more than that, I want Europeans

"The overriding theme is that we need to take risks and push ourselves. There is too much risk-avoiding in Brussels and in national capitals and that has to stop or Europe has no future"

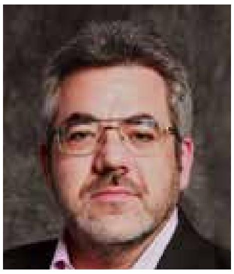
to see that creating your own job is sexy - and the internet makes it possible. We need more people brave enough to take that opportunity. I don't have the words to describe the energy I get working with Europe's web entrepreneurs and the activists in the digital world and I am determined to bring their voices into European debates and to share that energy.

We are all looking for reasons for hope at the moment. If you want hope, go look at these entrepreneurs.

Their ideas for policy too can be excellent. France's '*Les Pigeons*' group told me, and rightly so, that we shouldn't be talking about cutting the Erasmus programme at Council summits - we should be adding an "*entrepreneur's Erasmus programme*" instead!

Whatever the specific ideas, we need to pay attention to the momentum of this movement. This energy is what Europe needs, and what the *Digital Agenda* works to provide.

I will work with every breath in 2013 and 2014 to give our young people, our entrepreneurs, the conditions and incentives they deserve, so we can all share in their achievements. ■



Recent changes in the world of unified collaborative communications, consumerization and related technologies

David Danto is Principal Consultant Collaboration, Video, and Multimedia at Dimension Data (Americas) and IMCCA Executive Board member, and Carol Zelkin is the IMCCA Executive Director

Here at the IMCCA people often ask us about Unified Communications. *"If the promise of UC is so fantastic"* they ask, then *"why is it still so complicated and difficult?"* Why indeed. Unified Communications is the only technology that has been 'launching' for 16 years. There are many answers to this question. Some have to do with the need to breakdown silos in organizations (when the people who run those silos don't really want their kingdoms broken-down.) Some have to do with manufacturers not making solutions available that really work very well. Some have to do with little or no focus on technology adoption planning. A lot of it, however, has to do with the dramatically changing landscape in technology itself.

For one example, just a few years ago our industry was buzzing with the then, brand-new concept of *telepresence* because we all felt we needed to simulate an 'in-person experience.' Now we think video is passé if we can't get it on our iPad. Why the changed attitudes? In order to answer that question one needs to understand consumerization and where technology is headed as a whole.

The change in consumerization trends

In past articles we've written about the 'consumerization of the enterprise.' Big businesses are no longer the primary force behind advances in technology. This leverage has now completely shifted to the general consumer, who has a flat panel TV in his house and expects one at his office; and has videoconferencing on his tablet with no difficulties at home and can't understand why he can't have that in his office. The trends in technology that are shaking up the consumer world are beginning to shake-up the enterprise. For a view into these trends we can look to the annual Consumer Electronics Show run by the CEA, and their senior analyst, Shaun DuBravac.

At their just concluded event he explained four of these key trends.

1. We are now in the 'post smartphone era' as mobile connectivity is becoming less about telephones. These devices aren't just phones anymore, they're hubs for all our peripheral services. Think about how many things we used to buy as hardware that are now just apps (cameras, GPSs, etc.) Think about how many new hardware products are being introduced that no longer need controls or status displays (moisture sensors, health monitors, tracking devices, etc.) Our smart devices have become our control hubs and viewfinders for all technology we interact with. This is a key insight for collaborative conferencing, as it marks the beginning of the end of our hardware centric industry as it changes to a software centric one. Eventually the smart device and the appropriate peripherals are the only hardware we will be buying.

2. We are also in the age of algorithms. Our devices are connected to 'sensors,' and are being supplied with intelligent algorithms to not only report what is happening to us (read the news, deliver an email, etc.) but to understand what that data means. They can provide recommendations, perform optimization, allow for self-driving cars, provide medical advice, etc.

3. The above now allows for what is being called *contextual connectivity*. A 'smart' device no longer just means that it is connected to the internet. It now means that the device can act appropriately based on the data it receives. Instead of just getting a notice that a condition exists, our devices can now understand that condition and act appropriately. For example, a wireless headset no longer just sends and receives audio, it reports where you are, if you're wearing it, what room you're in, who you want to be able to reach you, etc. If you put it on it can now change your presence on other systems. Smart devices are now ones that can act appropriately based on context.

4. We're experiencing the *changing flow of storytelling*. It's no longer just an email or video chat while we watch events on TV. The new concept of the 'second screen' is showing that we have become content omnivores – we expect and manage simultaneous feeds of data on multiple screens – playing games, watching programming, monitoring smart devices, absorbing related information, etc. – all simultaneously. Some modern conference rooms following this trend no longer have just one main screen for everyone to view, but rather give participants individual screens on which to display and interact with data.

All these trends mean we're at a tipping point for collaborative communications. Major manufacturers of hardware systems have released or will release products this year that fall in line. We have seen or will see:

- Tablet based UC clients
- Personal tablet control of videoconference room systems
- UC appliances based on universal platforms (Android, Win7) instead of proprietary firmware
- Traditionally hardware based UC infrastructure sold as both a cloud service and as a software package that will run on standard servers.

While these disruptive trends had been around prior to now, the difference is they are or will now be coming from the traditional 'hardware' firms. They are in essence deciding to begin to cannibalize their past solutions in order to meet the needs of the future. (This is essentially what we predicted in this publication in March of last year[1].)

At the same time that these firms begin to embrace the software world there are a plethora of others beginning to dismantle the traditionally high profit margin of collaboration hardware. Why would one purchase a 15K videoconference appliance when one can purchase a 1K appliance? Is it as good? Perhaps not today, but the 15K unit isn't 15 times better either.

The three forms of collaboration

We stand by our past predictions for the next few years - video collaboration will take three forms in the enterprise – Immersive, Meeting and Personal. Immersive – meaning what our original definition of telepresence covered; Meeting – meaning when video is used to bring a remote

participant into a room where people are meeting (think the video equivalent of the tabletop speakerphone); and Personal – meaning everything from the high-end desktop appliance for high-reliability, high-quality performance, to PC or mobile based video for pervasive team collaboration.

One interesting trend to emerge since we stated that prediction is how the form of that 'meeting' application is presenting itself. Many modern organizations have moved from the traditional conference room to a newer, more casual, more flexible format. These spaces, often referred to as 'collaboration rooms,' can be sofa's that surround a huge dry-erase wall; they can be small half-tables with speakerphones and displays; or they can be open seating where hoteling workers bump into each other and brainstorm on ideas.

The concept is being referred to as 'smarter working.' Its tenets include not just new space design, but also ideas that support collaborative conferencing. 'Work' is not a place people go but rather what people do. If one can do their work from a hoteling space instead of a traditional office then the organization realizes savings in related real estate costs. If that work can be done from a home office then the savings goes up exponentially – measured in tangible numbers such as power and HVAC costs, and in intangibles such as commute time returned both to the employer as productivity and the employee supporting work/life balance.

As organizations shed the dated stigmas about working from home and embrace these modern concepts they realize both monetary savings and create an environment more conducive to recruiting the younger, more technology savvy people entering the workforce today.

How many standards does it take to make interoperability

Finally, in the category of 'the more things change the more they stay the same,' the industry is once again grappling with changing standards and interoperability.

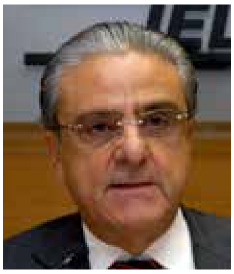
Polycom this past October announced their new suite of solutions would be using 'industry standard SVC.' (SVC refers to H.264 annex G - Scalable Video Coding – as has been widely promoted by firms such as Vidyo.) Polycom insinuated that all other implementations of SVC to date were not standard, but theirs was (which was frankly a difficult claim to make when only one firm will be using it.) However, odds are that by the time you read this Microsoft will also have embraced this flavour of SVC for their Lync 2013 video.

Cisco on the other hand began singing the praises of H.265 encoding mid last year - even before there was an H.265. HEVC or High Efficiency Video Coding was finally ratified by the ITU as H.265 at the end of January. It promises much greater video quality with much lower bandwidth requirements. However, it also requires much more processing power to achieve – putting a strain on general use processors used by PC and tablet based applications.

Meanwhile, those who believe that all of the video manufacturers and suppliers will fall by the wayside in favour of web browser based video were happy to see the advances made by WebRTC. If you're not familiar with it, WebRTC is an open source code being drafted by the W3C (World Wide Web Consortium) to support real time communications via simple browser based Java APIs. It offers the promise of simple, plug-in-free video over the browser. The problems here are that a number of big players (Google, Cisco, Microsoft, others) have vastly different opinions of what the final code should look like, and the incomplete, current draft is functioning in 'experimentation mode' with some but not all browsers. So it's completely universal except for the fact that no one agrees on what it should look like and it's not universally supported.

We here at the IMCCA will continue to stay on top of related trends and Emerging technologies and encourage our members to strengthen and grow the overall collaborative conferencing and unified communications industry. ■

1. *'Recent developments in collaborative communications, telepresence, mobility and the cloud'*
http://www.worldcommercereview.com/publications/article_pdf/568



The most important challenge for Brazil's growth

Robson Braga de Andrade is the President of the National Confederation of Industry, Brazil

The expansion of the Brazilian economy in recent years has undergone two different stages: accelerated growth rates between 2005 and 2010 – with a short break in 2009 due to the most acute phase of the world financial crisis – and poor performance in the last two years, with lower expansion and decreased industrial growth.

While the first cycle is related to the unused resources in the economy, improved and increased home consumption and good industrial production performance, the second one is based solely on the expansion of domestic demand and witnessed the stagnation of productive investments. However, it is important to stress that, even with decreased growth, consumption and imports of manufactured goods hit successive records during the last two years.

Brazil seems to have learned that, although the world financial crisis has an important share of responsibility of inhibiting a stronger growth of the Gross Domestic Product (GDP), the country must tackle its weaknesses in competitiveness in order to get a favourable economic return – which is on the 2013 horizon regarding productive investments.

Such an optimistic outlook about the current year has its basis on the improvement of the external environment, and also on the matter-of-fact actions taken by the government to raise the competitiveness of Brazil. Firstly, the improvement of the capital costs and prices in the economy, especially by the reduction of the basic interest rates. Other equally relevant points are related to lowering energy costs and payroll taxes, both among the highest in the world, and which required the government to introduce a much needed partial tax exemption.

In addition, regulatory frameworks more attractive to the private sector in the areas of oil and gas or in infrastructure, such as ports and airports, should stimulate the influx of private and public funding into longer-term projects in these sectors.

These policies are essential to ensure greater volume of investment in relation to the GDP in Brazil in 2013 and a growth rate of around 3.5% of the current year, giving the industry a greater role in the economy in relation to the preceding year.

However, to grow at a higher rate Brazilian industry must be sustained by two other aspects that are essential in society: better education and a proper environment for business

© Petrobras News Agency

innovation. Without these combining factors, there will not be higher growth rates and, more importantly, economic development. Industry has been one of the critical pillars for the structure and amalgamation of a more productive workforce and for the creation of a more innovative environment.

For this aim, the National Confederation of Industry (CNI) leads one of the most important actions for the increase of the competitiveness and long-term productivity in the country entitled the *Mobilization for Business Innovation* (MEI). Since 2009, the main leaders of the Brazilian private sector, united in an unprecedented collective effort, promote the innovation agenda, adapting it to the business reality.

"However, to grow at a higher rate Brazilian industry must be sustained by two other aspects that are essential in society: better education and a proper environment for business innovation"

In this context, the performance of the industrial sector has occurred by taking into their consideration to the businesses' opinion directly, and organizing their contributions towards the formulation of public policies of the sector.

The results have been successful in critical areas such as the training of engineers and technical education students in Brazil, attracting R&D centres of global value chains, fostering investment of Brazilian companies abroad (especially those geared to acquire intangible assets and to strengthen their brands) or by improving the infrastructure and the culture of intellectual property rights, from direct contributions of Brazilian and multinational companies operating in the country.

We must also mention another CNI initiative: the network of schools, which is recognized as a model of professional education and by the quality of services that promote technological innovation in Brazilian industry. It currently has 809 operating units across the country, with approximately 2.5 million enrolments per year, of about 3,000 different courses that prepare workers for 28 industrial areas.

This model has been so successful that, in partnership with the Ministry of Brazilian Foreign Affairs, it operates training centres of labour in Cape Verde, Guinea Bissau, Guatemala, Paraguay and East Timor. Vocational training centres have also been implemented in Mozambique, Peru, Jamaica, São Tomé and Principe and Haiti.

There are also important public initiatives in the area of education, such as the Ministry of Education's *Science Without Borders Program*, which provides 100,000 grants for undergraduate and postgraduate exchange students to study abroad, and to attract researchers from outside Brazil to establish partnerships with Brazilian research centres in priority areas. The program will set up the culture of internationalization of education that can only stimulate a competitive educational system in the country.

Investment and a stronger economic growth in Brazil`s GDP should be seen in this and in forthcoming years. But it is important to keep the current public and private commitments of improving the education system and of the public policies to support innovation, according to the real needs of the industrial sector in order to sustain it over time. ■

Evolving challenges - innovative responses

Seventh Global Congress on Combating Counterfeiting and Piracy

Held under the High Auspices of HE Prime Minister Recep Tayyip Erdoğan of Turkey

Istanbul, 24-26 April 2013

Parvis Hanson is the Executive Director, Global Congress on Counterfeiting and Piracy

It is an irrefutable fact that the trade in counterfeit and pirated goods is experiencing exponential growth. Attracted by the lure of high profit margins and minimum start-up capital, counterfeiters respect neither laws nor borders. Everything that can be counterfeited and pirated has been, or will be in the near future. Transcending borders, legal frameworks and often evading customs duties, these goods bypass the legal supply chain and find their way onto legitimate markets the world over.

In addition to the detrimental threat posed by counterfeiting and piracy to the health and safety of consumers, there are direct implications for those sectors of the economy which are driven by the creativity and innovation of entrepreneurs; these entrepreneurs spend years designing and cultivating the perfect product to appeal to the taste of consumers, this product can subsequently be counterfeited and pirated at minimal cost, with minimal regard for the health and safety consequences of such inferior products. The money generated by this illegal industry runs into hundreds of millions of dollars and has attracted elements of organized crime involvement in this industry.

The industrialised nature of this illicit industry poses serious problems for enforcement agencies, customs authorities and consumers alike. Vast quantities of counterfeit and pirated goods are currently circulating the globe, and a concerted effort on behalf of all those concerned is required to stem the tide of these illegal trade flows.

Relevant Intergovernmental Organizations, governments, ministers, law enforcement agencies, and business leaders convene to discuss methods to remedy this seemingly deteriorating situation and how best to coordinate their efforts. The event is entitled the Global Congress; the audience - anybody and everybody concerned with counterfeiting and piracy, the venue - Istanbul, Turkey where, from 24 to 26 April 2013 close to 1,000 delegates will gather for the seventh Global Congress on Combating Counterfeiting and Piracy, held under the High Auspices of HE Prime Minister Recep Tayyip Erdoğan of Turkey.

The event itself is a manifestation of the coordinated efforts that the major international organizations concerned with counterfeiting and piracy issues are undertaking to try to stem the flow of these goods. The World Customs Organization (WCO), INTERPOL and the World Intellectual Property Organization (WIPO), have joined forces to organize this high-level event, in collaboration with the International Trademark Association (INTA) and the International Chamber of Commerce (ICC)/Business Action to Stop Counterfeiting and Piracy (BASCAP).

"The event itself is a manifestation of the coordinated efforts that the major international organizations concerned with counterfeiting and piracy issues are undertaking to try to stem the flow of these goods"

It seems particularly appropriate that this year's Congress should be chaired by the World Customs Organization in collaboration with their customs colleagues; Turkish Customs. In excess of 70% of all IPR detentions are made by Customs. Customs controls are also the first line of defence used by governments to protect their citizens from unsafe or dangerous consumer products moving through international supply chains. The WCO, with its diverse membership of 179 Customs administrations, is currently focusing on a few key priorities for its member administrations which, if implemented, should lead to increased efficacy and detentions at the border. These priorities include:

- Enhanced cooperation, collaboration and coordination amongst national authorities concerned with IPR at the border.

- Promoting increased and more efficient coordination between international institutions involved in combating and piracy.

- Sharing of good national practices on IPR border enforcement among national customs administrations.

- Providing technical assistance and capacity building expertise based on requests received from its members.

The latter is a key priority for the WCO; capacity building in the fight against counterfeiting and piracy appears increasingly necessary for Customs administrations faced with the double burden of ensuring trade facilitation whilst simultaneously working to protect the health and safety of consumers against the trade of fake products which pose a potential threat to their health and safety.

Strongly adhering to the WCO's policy of aligning its capacity building objectives in order to aid its members to face this dual challenge, the anti-counterfeiting and piracy trainings delivered by Technical and Operational advisors on IPR revolve around current best practices and, more particularly, modern control methods that are commensurate to new strategies adopted by those involved with fraud. The WCO's trainings are composed of two principal elements; the theoretical component focuses on training Customs officers on risk analysis techniques and acquainting them with current best practices whilst the practical element of the seminar aims to engage them in practical activities that simulate their day-to-day working environment. This dual approach ensures provision of the theoretical underpinnings of risk analysis techniques and the opportunity for practical application to ensure the future conversion of theory into action, allowing Customs colleagues to draw the maximum benefit from the trainings.

The theme of the Seventh Global Congress, *Evolving Challenges - Innovative Reponses*, illustrates just how crucial a concerted effort is to ensure that the proliferation of counterfeited and pirated goods is curtailed. A crucial pillar of any strategy will be raising awareness amongst the public; many are unaware of the inherent dangers consummation of these goods can entail; that substandard spare parts, pharmaceuticals and consumer goods can provoke serious injuries or worse, fatalities. Against this backdrop, discussions will cover a broad range of issues, including:

- From Paris to Istanbul – evolving challenges and innovative responses;
- Building respect for IP;
- Supply chain security-connecting the dots between supply and demand;
- Capturing the elusive infringer on the internet;
- Evolving nature of counterfeiting - what is the impact on future public health and safety;
- Awareness and education;
- Operational enhancement activities in the context of Customs;
- Determining jurisdiction in cross-border cases;
- The Turkish experience;
- Transnational organized crime in relation to counterfeiting and piracy;
- Regional and national challenges - updates from developing markets;
- Public-private partnerships and other self-regulatory mechanisms;
- Technology as a key driver.

The Congress is structured in such a way that dialogue will be at a maximum; participation is encouraged at all levels, whilst didactic lectures will be kept to a minimum. To register, or to find out more about this important conference, please consult: www.ccapcongress.net. For all inquiries concerning sponsorship and exhibition opportunities, please contact parvis.hanson@ccapcongress.net. ■

Seventh Global Congress continues march against counterfeiting and piracy

Jeffrey Hardy is Director, ICC Business Action to Stop Counterfeiting and Piracy

The Global Congress on Combating Counterfeiting and Piracy is the premier international forum for identifying solutions and advancing policy recommendations against the growing challenges of the illegal trade in counterfeiting and piracy. It is convened by a unique public-private partnership with leaders from INTERPOL, the World Customs Organization (WCO), the World Intellectual Property Organization (WIPO), the International Chamber of Commerce's Business Action to Stop Counterfeiting and Piracy (ICC/BASCAP) initiative and the International Trademark Association (INTA).

In early 2004, the need to address the rapidly growing global problem of counterfeiting and piracy was identified as a key priority for national governments and intergovernmental organizations concerned about the myriad adverse costs to social welfare and economic development that was resulting from the rampant theft of intellectual property.

Notably, trade in counterfeit goods was rising dramatically worldwide and had spread to almost every conceivable type of product. Billions of euros in revenues were being lost to the black economy. Counterfeit drugs were putting lives at risk. And there was growing evidence that transnational organized crime networks were using profits from trade in counterfeit and pirated goods to fund their activities.

It was clear that better strategies – based on more effective cooperation between stakeholders at national and international level – were needed to combat the multiple threats posed by this damaging trade. To this end, the first Congress was convened by WCO and INTERPOL with the support of WIPO.

The three intergovernmental organizations, each with a wealth of experience in different aspects of combating counterfeiting and piracy, called together representatives from governments, industry and enforcement agencies.

Together they determined to pool their forces with the objectives of pushing the fight against counterfeiting and piracy up the global political and business agenda; establishing a high level public-private partnership to pursue collective action; and generating conditions which would lead to greater investment of human and financial resources in enforcement measures.

Their overall goal was to improve the understanding of the full range and extent of these costs so as to assist member governments confronting decisions on how investments in IP protection (through legislation and regulatory enforcement) are related to and can improve other social and development priorities, such as economic development, employment, tax base, consumer health and safety, technology transfer, law enforcement and fighting organized crime. Their resolve laid the foundations for a global process, now approaching its seventh session.

Extending from recommendations made at the First Global Congress (Brussels, 2004), the purpose of the Congress has been to raise awareness on the growing counterfeiting and piracy problems, share relevant information, develop strategies to combat the illegal trade and identify practical actions and potential solutions.

The Lyon Declaration, developed at the Second Global Congress in 2005, identified four priority areas which have come to serve as the Congress's mandate and outline for action. These four priorities are: (1) Raising Awareness; (2) Improving Cooperation and Coordination; (3) Building Capacity; and, (4) Promoting Better Legislation and Enforcement.

Drawing from this outline, the Third Global Congress was organized to enable participants to analyze progress made and suggest actions oriented towards the remaining challenges in each of the priority areas. Notably, the Congress also featured a special session on health and safety risks associated with counterfeiting and piracy; and this focus will become a fifth pillar of the Congress' priority focus.

The Fourth Global Congress was the first event held outside of Europe and was co-hosted by WCO and Dubai Customs. It was followed by the Fifth Global Congress, held in Mexico, which drew attention to counterfeiting and piracy in Latin America (LATAM) and engaged senior government leaders from Mexico and throughout the region. Twelve senior Mexican government officials and keynote speakers from Panama, Uruguay, Paraguay, and the Dominican Republic presented their views. Mexico's Intellectual Property Office (IMPI) co-hosted the event, with strong leadership and participation from IMPI Director General Jorge Amigo, underscoring Mexico's commitment to stronger IP

"The purpose of the Congress has been to raise awareness on the growing counterfeiting and piracy problems, share relevant information, develop strategies to combat the illegal trade and identify practical actions and potential solutions"

enforcement. LATAM government officials offered proposals for curbing counterfeit and pirated goods in their countries – and committed to build upon work already in place.

The Sixth Global Congress was held in Paris, France, showcasing the French National Exposition on Counterfeiting organized by the Cité des Sciences et de l'Industrie. France's Intellectual Property Office (INPI) co-hosted the event, with strong leadership and participation from INPI Director General Yves Lapierre.

WCO Secretary General Kunio Mikuriya will host the Seventh Global Congress on Combating Counterfeiting and Piracy to be held in Istanbul, Turkey on 24-26 April 2013.

The Congress will continue the march against counterfeiting and piracy – namely their growing infringement on intellectual property rights and, in diverse economic and societal realities, the costs they impose to consumer health and safety, fair labour legislation, legitimate competitive markets and sources of revenue for national governments and businesses.

With the aim of enhancing public awareness and designing concerted action, the Seventh Global Congress will explore: areas such as building respect for IP, capturing the elusive infringer on the internet, innovative approaches to funding activities to counter counterfeiting and piracy, turning the anti-IP sentiment tide, and building capacity to combat transnational organized crime.

The Congress is structured to encourage maximum interaction among the 1,000 expected participants, including: high-level government officials, business leaders, senior law enforcement officials, judges and lawyers, intergovernmental and non-governmental organizations, consumer groups and academics. ■

For more information and to register, visit: www.ccapcongress.net

Industrial property protection in Poland

Joanna Kozłowska is a lawyer of Raposo Bernardo in Poland, at the Warsaw office

Industrial property and copyright law are the two main components of the intellectual property rights mentioned by the Convention Establishing the World Intellectual Property Organization.

Globalization is a standard, and today, even more than in the past, trademarks play a most significant role on every national or international market - and the Polish market is no exception - while a fundamental part of a company promotion and image, namely through its goods and services acknowledgement by those markets.

The main act concerning industrial property protection in Poland is the Law of 30th of June 2000 on Industrial Property. Its scope is very broad, covering the relationships arising in the field of inventions, utility models, industrial designs, trademarks, service marks, geographical indications, topographies of integrated circuits and rationalization projects.

The above-mentioned areas, in terms of the legal subject, includes the subjective rights to the intangible goods granted by the Patent Office in Warsaw, rights which are considered to be 'the absolute subjective rights'.

The main issues of the practice of the industrial property rights in Poland are: the validity of a registration of a trademark by an entrepreneur; and paying-up the right of protection for a trademark and how to consider in terms of the company's share capital.

Concerning the first issue, it is worth mentioning that trademarks, while the out coming of human originality and creativity, are being born every day. That is why is particularly important to adequately protect the entrepreneurs´ trademark rights. Not caring about this area could lead to a violation of trademark rights, or reaping material benefits from the company by third parties.

The right of protection shall confer the exclusive right to use the trademark for profit or for professional purposes throughout the territory of the Republic of Poland.

By registering its trademark an entrepreneur obtains:

- the possibility to distinguish products or services from other similar products or services offered by different companies;
- a powerful marketing tool and the basis for building-up the image and the reputation of a brand;
- an important element of the franchise agreements;
- an important business asset; and thus,
- an element which could be particularly useful in the process of obtaining external financing.

Moreover, the right of protection for a trademark may be assigned or be subject to exchange, donation or deposit. It could also be put up as collateral for a loan.

The Industrial Property Act indicates only some ways using the trademark by entrepreneurs, such as:

- affixing the mark, to goods and/or on their packaging; offering the goods or placing them on the market; the import, export and storage of the goods for the purposes of subsequently offering them or placing on the market , as well as, offering or providing the services under such mark:
- affixing the mark to the documents related with: placing goods on the market; providing services; and promotion initiatives.

The entrepreneur´s right of protection for a trademark is a property right and it is registered as an asset of the company. Entrepreneurs should not underestimate the meaning of the registration of the trademark. The lack of adequate registration often blocks the business development. Moreover, the unprotected trademarks could be easily lost in case of competitive action against company.

Regarding the second most important issue, especially in the Polish market, one should attend to implications of paying-up shares with the right of protection for a trademark, which is considered as a non-cash contribution to the share capital.

According to the Polish Commercial Company Code, paying-up shares with the right of protection for a trademark is possible, as long as, the deed of company formation exactly specifies the non-cash contribution, the name of company member and the number and nominal value of shares that he is going to take up.

The legal doctrine foresees that, by paying-up shares with the right of protection for a trademark as the non-cash contribution, one can undertake the following:

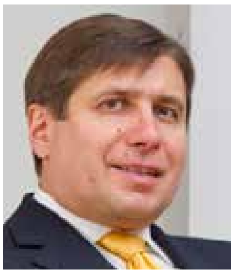
- it's possible to estimate the economic value of the non-cash contribution;
- it's also possible to account it in company´s balance sheet;
- it is possible to assign the non-cash contribution; and also,
- the non-cash contribution could make part of the liquidation and insolvent´s assets.

The entrepreneur who pays-up shares with the right of protection for a trademark has to remember that in the very moment of the payment, the company becomes the owner of non-cash contribution and the trademark cannot be transferred without company´s consent.

Last but not least, it is also important to complete fiscal obligations concerning the income associated with taking up shares. ■

For further information contact:

jkozlowska@raposobernardo.com
www.raposobernardo.com



Educate for employment

Markus J Beyrer is Director General of BUSINESSEUROPE

In the post-crisis world there will no longer be 'business as usual'. Global economic growth is not driven mainly by developed countries anymore. Emerging economies play an increasingly important role; they are Europe's partners but also strong competitors. Their workforce is better and better educated, they invest heavily in education and training.

Europe's return to sustained growth and job creation depends on its competitiveness in the world. Ensuring that the European workforce has the right skills to deliver the products and services that companies and people need is an essential ingredient for Europe to be competitive on the global stage. To achieve these goals Europe also must change its approach to education.

In December 2012 there were close to 26 million unemployed people in the EU, compared to 16 million in the first quarter of 2008. Of this total around 5.7 million are young people under 25 years of age. At the same time there are 2 million job vacancies in the EU due to a mismatch between the skills of the unemployed and the skills required for the available jobs.

Due to its demographic structure, Europe will also need to replace the 7.5 million workers that will retire by 2020. The demand for highly skilled people is already significant but it will continue to grow in the next decade, while demand will remain stable for medium skilled people and the need for low skilled workers is projected to decline.

Therefore, BUSINESSEUROPE believes that the needs of labour markets must be put at the centre of education and training, in particular vocational education and training. Sufficient investment must be allocated to it in order to increase Europe's competitiveness. Developing an effective industrial strategy for Europe would also be impossible without a well-educated, employable workforce, having the right skills for industry and the related service sectors.

On the supply side there are two strands to putting labour market needs at the centre of education and training. The first is identifying the demands employers have for labour, including what skills are required and in which sectors. The other is how to embed those needs in the education process to help ensure they are really met.

On the supply side, young people in secondary or tertiary grade education need to be aware of the opportunities that exist when they follow a particular educational path, when they choose the subjects they study or the work experience they undertake. This requires a focus on learning outcomes and can be helped by stronger partnerships between education and training providers, employers' organisations and companies in the design and implementation of school, vocational education, training and university curricula.

BUSINESSEUROPE advocates the principles of work-based learning and the strengthening of dual-learning elements in member states' existing systems. Young people's transition from education to employment can be facilitated by expanding access to dual-learning systems, such as apprenticeships.

In a medium-term skills forecast up to 2020, the European Centre for the Development of Vocational Training (Cedefop) has found that Europe is on its way to an economy where services, knowledge and skill-intensive occupations will prevail. Projections also show that about 15% of jobs in 2020 will be low skilled in nature, while 50% will be medium skilled and around 35% highly skilled.

Inevitably it is hard for companies to have a long-term perspective on skills needs when the demand for their products or services can change frequently, but BUSINESSEUROPE considers that an important area to focus on is science, technology, engineering and mathematics (STEM) skills. We already know that, for example in 2015, the estimated shortage of qualified ICT staff in the EU will be up to 700,000.

STEM ambassadors

BUSINESSEUROPE advocates for greater emphasis to be placed on the EU's industrial sector as a means of stimulating economic growth, competiveness and, ultimately, job creation. The availability of a skilled workforce, including people with STEM skills, will be an essential element in re-industrialising Europe's economy and keep it competitive in the world. In this respect greater effort must also be made to increase young people's opportunities to work in industry and for industry to benefit from a trained and skilled workforce.

Given the specific nature of STEM subjects, students looking to enrol to related university courses will, to a large degree, need to have developed a background in these subjects during their secondary education. Therefore, it is important to put appropriate guidance and advice services in place for

> ***"BUSINESSEUROPE believes that the needs of labour markets must be put at the centre of education and training, in particular vocational education and training"***

pupils when they are making their subject choices at school so that their pathway to studying STEM subjects in tertiary education are not restricted.

In order to facilitate students' transition to university and to reduce high dropout rates among STEM students, universities should offer 'taster courses' to overcome knowledge gaps as well as effective advice services. For example, in Germany, BDA and BDI, the federations of German employers and industry, have founded the '*MINT Zukunft schaffen*' initiative ('*Creating a STEM future*') in 2008. It seeks to increase public awareness of the importance of STEM skills.

Now the initiative pools nearly 1,100 projects from companies, business and employer associations and other partners from academia and society. Nearly 9,000 STEM ambassadors inform pupils about STEM career opportunities and serve as mentors for university students. In this way the initiative has created a network of around 64,500 companies, schools and universities that reaches out to 3.5 million young people, teachers and parents.

In Ireland the '*Smart Futures*' national campaign for secondary level students highlights ICT career opportunities. The campaign's website includes career stories and competitions, ICT-related news and an online careers fair. The first '*Smart Futures*' STEM online careers fair took place in 2012, in which students, teachers and careers counsellors took part in online discussions with people from the industry about job opportunities, courses and career choices. In the UK the '*STEM ambassadors scheme*' run by STEMNET currently has about 29,000 ambassadors in industry, acting as role models in schools across the country to promote the opportunities available with STEM skills.

BUSINESSEUROPE would like to see the EU conduct a study on the projected demand for STEM skills, in consultation with employers, and taking into account the current levels of people studying STEM subjects. This study should also list the barriers education providers and employers believe prevent young people from studying these subjects, and identify concrete recommendations for actions at EU and Member State levels.

Entrepreneurial mindset

Encouraging young people to develop an entrepreneurial mindset and skills can have a strong impact on their future employability or lead to them becoming independent entrepreneurs. To foster this, entrepreneurship should be better promoted through, and integrated in, secondary and higher education.

BUSINESSEUROPE believes that entrepreneurialism should be a state of mind. The skills that young people can develop from this are about shaping individuals for their future career. Therefore, it is important that all school pupils have the possibility to take part in work experience that will help them develop these skills. At the same time, tools that are developed to assess the progress and demonstrate the acquisition of entrepreneurial skills should focus on improving the quality of future work experiences, in terms of learning outcomes. Careful consideration must be given, of course, to how such tools could be practically applied without overburdening teachers or companies.

A successful example of developing entrepreneurial skills is in Austria where the Entrepreneur's Skills Certificate enables young people to develop economic and labour market competences that will help them in the transition to employment or to become self-employed. This scheme was started in upper secondary schools and has now spread to vocational schools and colleges.

In Italy the Young Entrepreneurs Movement of Confindustria, the confederation of Italian industry, engages entrepreneurs between 18 and 40 years old in management level positions in the promotion of a business culture and the spread of entrepreneurial opportunities in society. It stresses a broader role for entrepreneurs beyond their immediate involvement in their own business initiatives.

Lifelong learning

Of course, the need for more medium and highly skilled people means that labour market needs cannot be met purely through initial education targeted at young people entering the working environment for the first time. There also needs to be provision for lifelong learning to up-skill, and where necessary, re-train the existing workforce. The education and training systems of the EU member states need to improve people's mind-set, motivation and self-responsibility for lifelong learning from the outset.

In a competitive world employees must continuously develop their professional skills. The job that people train for at the start of their career is unlikely to be there in exactly the same format when they retire. Therefore employees need to develop core competences throughout their professional life.

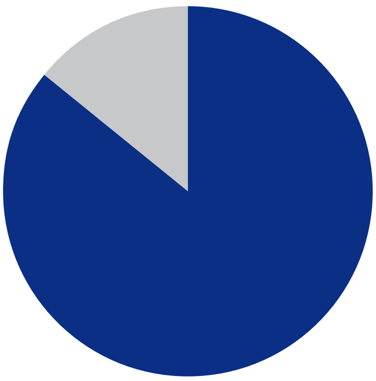
The main responsibility for education policy is and should remain in the hands of national governments – but the EU can ensure that national framework conditions support and reward employer and employee investment in continuing vocational education and training.

In the 21st century the paradigm of a 'job for life' or 'lifetime employment' needs to focus more on 'lifetime employability', with a particular focus on generic and adaptable skills. Therefore it is important that the concept of employability is embedded across all academic disciplines. This covers a range of skills, understandings and personal attributes that make graduates more likely to gain employment, meet employer expectations and are not detrimental to the values of higher education.

Need Coaching?

International Coach Federation

coachfederation.org



86% of Companies made back *at least* their investment in coaching.

Of the 86%, 28% saw an ROI of 10 to 49 times the investment and 19% saw an ROI of 50 times their investment.

Source: *2009 ICF Global Coaching Client Study*

icf.to/findacoach

Let the International Coach Federation help you find a coach today!

Scan the code or visit **icf.to/findacoach**

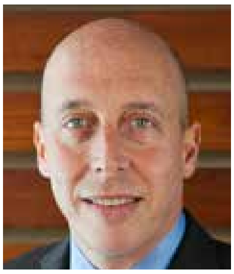
Besides government investments, lifelong learning has become a permanent feature of human resource management with 72% of companies checking the need for further training of their staff in a systematic way and 62% giving employees time off to undertake training.

According to the OECD, an individual can expect to receive around 1000 hours of instruction in non-formal education during his or her working life, of which 70% is job-related training sponsored by employers.

The provision and content of lifelong learning varies among member states, which makes it hard to determine a one-size-fits-all approach to adult learning at EU level. For example, while there is no legal right to training in The Netherlands, in a growing number of collective agreements, mostly at company level, the right to an 'individual budget' for education is introduced and individuals can then choose the content of their training. In Spain, workers that have been employed in a company for at least one year have a right to paid leave of 20 hours per year to follow vocational training.

Continued investment in training is key to the future of Europe's competitiveness. It brings advantages for companies who benefit from an increasingly skilled and capable workforce; as well as for workers who broaden their competences, enabling them to further develop their role and career while raising job satisfaction. It also yields benefits for member states, the EU and all well performing, productive companies by contributing to economic growth and competitiveness both at national and European level.

At the same time, given that government and company budgets are under strain at times of crisis, there is a need for ensuring efficiency through raising the standard of education and training – both initial VET and lifelong learning. Likewise, cost-sharing models should be envisaged between those active in the education process – the state, businesses, individuals, foundations and alumni – who all have a responsibility to provide investment for education. ■



Give your customer service a tune-up with coaching

Dr Damian Goldvarg, MCC, is an ICF Master Certified Coach, and has more than 15 years' experience as an executive coach working with individuals and organizations across Asia, Europe, Latin America, and the United States. He is the 2013 President of the International Coach Federation.

At the heart of any good business is good customer service. It is the overall experience that your customer has before, during, and after a purchase. Your product or service might be spectacular, but if you do not have a strong customer service ethic, customers will not come back.

Like the old adage says, *"you never get a second chance to make a first impression."* Having good customer service once meant that you would send your customers away happy and it would bring them back again. Not quite so — there's more to it these days. That's due in part to the swift moving evolution that is taking place in the world of customer service. Sure, you need to ensure that your customers walk away happy, but even while they are away, you need to continue reinforcing their contentment with your company.

Today's customers are more empowered, and there are more technologies at their fingertips. These factors coupled with a difficult economic climate combine to create a plethora of new challenges and opportunities for businesses when it comes to the customer service aspect of their organization, according to Fonolo.

Also, the growth of social media has played a role in empowering consumers — and it provides yet another outlet for consumers to share their experiences (both good and bad) with their networks. With this, the impact of good or bad customer service is amplified.

For many business leaders, these customer service challenges are recognized but, more often than not, the solutions to meet and exceed these challenges aren't as easily recognizable. According to Forrester, 90 percent of customer service decision makers think that good service is critical to their company's success. Business leaders are clearly aware of the importance of good customer service when it comes to overall success. But it is how they choose to adapt and grow their customer service departments that will make all the difference between a company with good customer service and a company with bad customer service. The bottom line is that companies need to approach customer service differently today than ever before.

How coaching can help prepare your business for 2013 customer service trends

With most companies tightening their belts these days, they are seeking better results with fewer resources. The economic climate doesn't have to be a binding reality — professional coaching is an ideal tool for adjusting to the new demands of customer service. Coaching has become a significant trend in the workplace because it delivers results. It increases effectiveness and empowers employees. Coaching is a catalyst for change.

Coaching has been proven as an innovative tool that helps organizations do more with less and develops work environments to allow organizations achieve their goals. According to the International Coach Federation's (ICF) *2010 Global Consumer Awareness Study*, professional coaching is being used to help people all over the world improve work performance, expand career opportunities, and increase self-esteem. Previous ICF research has found that coaching generates a very good return on investment — a median return of seven times the initial investment for businesses. Organizations all over the world of all sizes and of all types have experienced the results professional coaching brings.

So what exactly can coaching do for your business's customer service?

To see how coaching can help, we must first take a look at some of the top customer service trends for 2013. Fonolo includes rising customer expectations; social media; speed; customer power shift; and staffing on their list of top trends for the year.

Rising customer expectations: today's customers expect more than ever from the companies with which they do business. They are more likely to switch companies over poor customer service than ever before, according to Fonolo. Businesses often struggle with managing these expectations as they are trying to do more with much less — and that often means cutting back by way of customer service. Unfortunately, this can backfire and typically leads to poorer customer service (and unhappy customers).

Social media: the growth of social media over the last decade has forever changed the face of customer service. For businesses, creating a presence on social media platforms is important, but maintaining and actively engaging with followers is even more important when it comes to customer service. It is vital for organizations in today's world to utilize social media as a proactive channel in customer service—customers will talk about your brand whether or not you are there…better to be a part of the conversation than not!

Speed: in today's fast-paced world, people value their time more than ever. And whether customers are online, on the telephone, or in your brick-and-mortar-place-of-business, they expect speed and ease of service. To stay ahead of this trend, businesses should make fast and efficient service a priority.

"Coaching has been proven as an innovative tool that helps organizations do more with less and develops work environments to allow organizations achieve their goals"

Customer power shift: customers today are more empowered and have more knowledge about companies than ever before. The power of the internet certainly has a hand in making customers more knowledgeable and resourceful. In an instant, customers have the ability to pick and choose businesses they use and those they don't. Maintaining good customer service is vital in keeping customers.

Staffing: to maintain a good customer service department, hiring and retaining employees is key. Unfortunately, hiring and retaining good employees is a trend in the customer service world. The stress that comes along with the job often results in high turnovers. Not to mention the introduction of a new challenge over the last few years: millennials. This generation seeks a social and fulfilling workplace. Businesses will need to adapt by experimenting with new ideas and systems for doing business.

Professional coaching can change your customer service from good to great

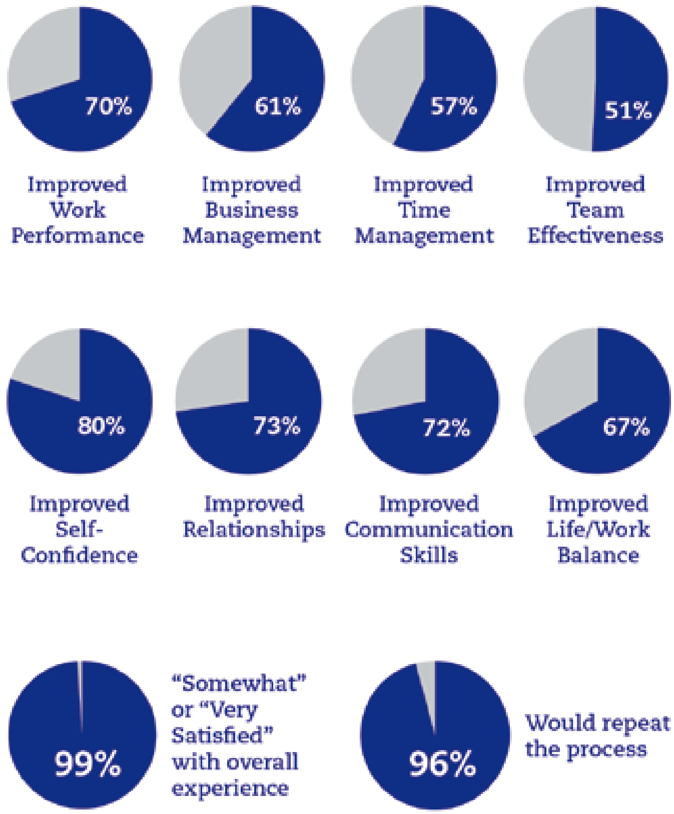
The International Coach Federation (ICF) defines coaching as partnering with clients in a thought-provoking and creative process that inspires them to maximize their personal and professional potential. Coaching honours the client as the expert in his or her life and believes that every client is creative, resourceful and whole.

Standing on this foundation, it is the coach's responsibility to discover, clarify, and align with what the client wants to achieve; encourage client self-discovery; elicit client-generated solutions and strategies; and hold the client responsible and accountable.

Coaches are trained to listen, to observe, and to customize their approach to the individual client needs. The coach's job is to provide support to enhance the skills, resources, and creativity that the client already has.

Individuals who engage in a coaching relationship can expect to experience fresh perspectives on personal challenges and opportunities, enhanced thinking and decision making skills, enhanced interpersonal effectiveness, and increased confidence in carrying out their chosen work and life roles. They can also expect to see appreciable results in the areas of productivity, personal satisfaction with life and work, and the achievement of personally relevant goals.

Every business is different — you might need a coach to work with you when it comes to hiring and retaining good employees...or maybe a coach to help your business set up a



social media presence...or maybe you need a coach to work with your customer service department on how to more effectively, and efficiently, carry out their daily roles.

No matter your company's reasons for choosing to work with a coach, here are two results you can expect to find through professional coaching:

Increased productivity

Professional coaching explicitly targets maximizing potential and in doing this unlocks latent sources of productivity. At the heart of coaching is a creative and thought-provoking process that supports individuals to confidently pursue new ideas and alternative solutions with greater resilience in the face of growing complexity and uncertainty. According to the *2009 International Coach Federation (ICF) Global Coaching Client Study*, 70 percent of clients reported a positive improvement in work performance; 61 percent reported a positive improvement in business management; 57 percent reported a positive improvement in time management; and 51 percent reported a positive improvement in team effectiveness.

Restored self-confidence

In the face of uncertainty caused by workforce reductions and other factors, expectations of the remaining workforce in a suffering company are very high. Restoring self-confidence to face the challenges is critical to meet organizational demands. The *2009 ICF Global Coaching Client Study* shows 80 percent of those being coaching saw an improvement in their self-confidence; 73 percent saw an improvement in their relationships; 72 percent saw an improvement in their communications skills; 67 percent saw an improvement in balancing work and life; and 63 percent saw an improvement in wellness.

Does coaching work?

Yes! Coaching offers good return on investment for individual clients and offers a significant return on investment for companies.

According to the *2009 ICF Global Coaching Client Study*, 68 percent of individuals indicated they had at least made back their initial investment. The median suggests that a client, who achieved financial benefit from coaching, can typically expect a ROI of more than three times the amount spent. According to the same report, the vast majority of companies (86 percent) say they at least made their investment back. In fact, almost one-fifth (19 percent) saw an ROI of 50 times their investment , while a further 28 percent saw an ROI of 10 to 49 times the investment.

Furthermore, virtually all companies or individuals who hire a coach are satisfied. According to the *2009 ICF Global Coaching Client Study*, a stunning 99 percent of people who were polled said they were 'somewhat' or 'very satisfied' with the overall experience. In fact, 96 percent indicated they would repeat the process given the same circumstances that prompted them seeking a coach in the first place.

So how do I find a coach?

The process of selecting a coach among the vast network of professionals operating around the world can seem overwhelming. First, it is important to note that coaching is an unregulated profession. As such, there are many people out there who call themselves coaches yet have not had coach specific training. According to the *2012 ICF Global Coaching Study*, 43 percent of respondents found 'untrained individuals who call themselves coaches' were viewed as the main obstacle for coaching over the next 12 months. It is very important to know who you are hiring.

Research shows a growing desire by clients for coaches to be able to clearly demonstrate their coach specific training and experience. According to the *2012 ICF Global Coaching Study*, 76 percent of all respondents agree that, 'people and organizations who receive coaching expect their coaches to be certified/credentialed.' This is consistent with previous findings from the *2007 ICF Global Coaching Study* that showed that 52 percent of respondents reported, 'the people we coach increasingly expect us to be credentialed.' And the *2010 Global Consumer Awareness Study* that showed that 84 percent of participants agree on the importance of certification/credentials.

Why you should choose an ICF credentialed coach

An ICF credentialed coach has completed stringent education and experience requirements and has demonstrated a strong commitment to excellence in coaching. They have fulfilled coach-specific training, achieved a designated number of experience hours, and have been coached by a mentor coach.

The ICF's rapid expansion indicates worldwide recognition of the value of ICF credentialed coaches. According to the

2010 ICF Global Coaching Awareness Study, clients were more likely to be satisfied with their coaching experience, as well as recommending coaching to others, when they worked with an ICF credentialed coach.

Coach Referral Service

One way to begin your company's search for a coach, or coaches, is through the Coach Referral Service (CRS) at Coachfederation.org. All ICF credentialed coaches are searchable through an online directory, the ICF Coach Referral Service (CRS). CRS is an ideal tool to jumpstart your search — it is a free public resource that allows clients to tailor their search for a qualified coach based on specific criteria, be it the coach's professional experience and direction, or a certain coaching method or language preference.

Interview process

When in the process of selecting a coach, it is a best practice to interview at least three different coaches to find the best coach for your unique needs. Ultimately, you need to find a coach with whom you find confidence, while at the same time the chemistry is right. The personality between client and coach doesn't have to match – sometimes opposite personality types will bring the best results.

The ICF suggests these as the top nine questions to ask potential coaches:

- 1. Are you a member of the ICF?
- 2. Do you hold an ICF credential?
- 3. What is your coaching experience (number of individuals coached, years of experience, types of coaching situations, etc.)?
- 4. What is your coach-specific training? (Enrolled in an ICF approved training program, other coach-specific training program)?
- 5. What is your coaching specialty or areas in which you most often work?
- 6. What specialized skills or experience do you bring to coaching?
- 7. What is your philosophy about coaching?
- 8. What is your specific process for coaching?
- 9. What are some coaching success stories (examples of individuals who have succeeded as a result of coaching/how the coach added value)?

Having your candidates' responses to these questions will make the final selection process that much simpler. For more tips on how to get started with a professional coach, visit: Coachfederation.org. ■

Responsible, entrepreneurial, global

the new generation of MBAs

Dr George B Murgatroyd, Research Manager at the Association of MBAs, reflects on the changing landscape of management education, and observes that those now graduating from the world's best business schools have gained an experience that has energised a commitment to responsible management and includes an entrepreneurial and global mindset.

In the words of Professor Walter Baets, Director of the University of Cape Town's Graduate School of Business, the global financial crisis *"changed everything."* His statement was made at the Association of MBAs' (AMBA) Global Leadership Conference in February 2013. His comment related directly to the adjustments business schools have had to make since the 2007 economic meltdown raised questions about the impact they were making on society. Business schools were widely criticised for contributing to the crisis by producing MBAs who were focused on creating shareholder value and high risk strategies instead of sustainable practices and stakeholder responsibility. This has led to the lingering perception that business schools are more interested in equipping leaders with the skills to make money than providing them with the impetus to make a positive difference.

It is undeniable that times have changed a great deal since the financial bubble burst. The attitudes of those students enrolling on accredited MBA programmes around the world – who are, on average, in their mid-30s – are much more attuned to responsible management as a practice. The majority of those in the business school community are also increasingly committed to ensuring that management education is used as a force for good.

Having recently spent four days in South Africa working with a network of thirty inspiring MBA graduates from around the world at AMBA's conference, it is clear that the mindset of the new generation of MBAs has responsible management at its core. Supported by the changing nature of management education, this new generation is emerging from a business school environment which encourages and supports the skills needed to leverage and promote such responsible leadership on an international scale.

Responsible, global and entrepreneurial: the values and skills of today's MBAs provide the ideal recipe for a different way of doing business now and in the future.

Responsible

As an impartial authority on postgraduate management education worldwide, the Association of MBAs responded quickly to the challenges the financial crisis raised for

Responsible, Global and Entrepreneurial Leaders: members of the Association of MBAs' Global AMBAssadors network at the Global Leadership Conference, Stellenbosch Business School, Cape Town, in February 2013[1].

WORLD COMMERCE REVIEW

AWARD

Best Digital Jurisdiction 2013

World Commerce Review is pleased to announce that Bermuda has been awarded the Best Digital Jurisdiction Award for 2013.

The selection panel took into account product innovation, on-going customer support and best practice criteria as well as a continuing commitment to deploying the best technology and practice to enhance productivity.

Other factors considered included government policy, strategy and practices. In addition, forward planning and CSR were seen as key areas for the award committee.

The World Commerce Review Awards are recognised as the principal indications of professional conduct and excellence.

business schools. Shortly after the crisis, *The Post Downturn MBA*, published in partnership with Durham Business School, proposed a clear 'agenda for change' in management education.

The research highlighted the need for business schools to put more thought into how sustainability and CSR, as well as softer skills, could be embedded at the core of MBA curricula. The conclusion of the report was clear: the MBA *"should shift away from the more functional areas of management teaching, towards the development of more rounded individuals with the soft skills to lead and the ability to integrate thinking to create sustainable, ethical, and stakeholder-focused management decisions."*

The Association of MBAs responded to the findings of the research and in 2010 remodelled its accreditation criteria to specifically include the need for schools to embed ethics in their course design. It also added to a further official principle of the accredited MBA – that the MBA should *"develop an understanding of responsible risk management and sustainable value creation on the basis of the environmental, social and governance impacts of business."*

In the three years since *The Post Downturn MBA* was published and the Association of MBAs redeveloped its accreditation criteria, accredited business schools around the world have taken up the challenge to develop an educational package that promotes responsible leadership.

They are not acting alone. Inspired by the principles of the United Nations Global Compact, the Principles of Responsible Management Education (PRME) was developed in 2007 by an international task force of official representatives of leading business schools and academic institutions. The Association of MBAs is part of the PRME steering committee and a strategic partner of the initiative.

Launched at the 2007 UN Global Compact Leaders Summit in the presence of UN Secretary General, the mission of PRME is to inspire and champion responsible management education, research, and thought leadership globally. It has established a process of continuous improvement among institutions of management education in order, ultimately, to ensure that a new generation of business leaders takes root. Almost 500 business schools worldwide have agreed to implement to the six PRME principles in their educational offerings.

Recently, another collaborative initiative, *50+20: Management Education for the World*, has been developed to critically reflect and act proactively on the role business and management education plays in society.

If responsible management was low on the agenda of business schools before the financial crisis, it is now one of most important issues management education engages with. According to Nidhi Singh, an MBA graduate from Bristol Business School, her MBA journey provided her with a *"unified vision of a sustainable and responsible organisation"* whilst at the same time pooling *"all the management skills together into one single shell"*.

Gretchen Arangies, who has an MBA from the University of Stellenbosch Business School, represented the Association of MBAs on a panel of speakers at the UN's Global Sustainability Forum in Rio 2012. She believes that MBAs should aspire to *"add value to other people's lives. Part of the MBA can give you to the opportunity to empower other people."*

Entrepreneurial

Arangies raises an important point. Teaching ethics is one thing, having the ability to embed it into business and empower other people to do the same is another. Like responsible management, entrepreneurship is increasingly being explored and embedded on MBA programmes. Arguably, the entrepreneurialisation of MBA programmes is a trend that will help MBA graduates bring responsible management alive.

Arangies' represented accredited business schools on a panel discussion at the UN's Global Sustainability Forum in 2012. Her attendance was down to her winning entry for the Association's Global AMBAssadors Challenge which was an interview with Will Coetsee from the Mogalawkwena Craft Art Development Foundation in South Africa. An MBA graduate himself, Coetsee's leadership style epitomises sustainability of people, culture, materials and resources. But it is also indicative of the way MBAs are combining entrepreneurial flair with a responsible outlook.

"I look at social entrepreneurship in terms of the triple bottom line: people, planet and profits." Coetsee stated in his interview with Arangies. *"However"*, he added *"we add another P, namely principles as this guides our actions toward sustainability. In the end it is about responsibility and our role in the bigger community."*

Social entrepreneur Sameer Hajee, who holds an MBA from INSEAD takes a similar, united view when it comes to responsibility. Speaking at the Global Leadership Conference, he said that "*innovation is about incentivising everyone - from the customer to the employee and the entrepreneurs."* The CEO of Nuru Energy, Hajee founded his company on the simple recognition that the poorest in the world have least access to electricity. Noting the problems related to solar energy, he created an alternative electricity source powered by human energy which is now distributed in Rwanda and Kenya. The way he has used his MBA to further his own entrepreneurial venture is an inspiring story.

The business school community is increasingly engaging with and attracting entrepreneurs like Coetsee and Hajee, and for good reason. Professor Baets has argued that the future and well-being of Africa depends *"largely on the power of its own, local entrepreneurs"*. A report produced by the Association of MBAs last year observed, more widely, that all economies increasingly need creative, capable entrepreneurs, as well as leaders with entrepreneurial capabilities. Its list of recommendations for business schools, drawn up after interactions with over 70 leading individuals from four continents, urged management educators to increase engagement with new entrepreneurs and innovators, so they could share their insights, about failure and success, with students.

Certainly, many schools are well along the entrepreneurial road. Nottingham University Business School offers a specific MBA in Entrepreneurship. Around 10% of students on the International MBA each year at IE Business School in Spain are entrepreneurs. This should come as no surprise given that the school was in fact originally founded by entrepreneurs.

Whether or not MBA graduates go on to start their own businesses, an exposure to both entrepreneurs and entrepreneurial ways of thinking will be key to leading responsible business. Indeed, when the Association of MBAs recently surveyed over 1,000 MBA graduates, almost a third reported that entrepreneurship is the most important topic for today's MBA students to study.

Global

Whilst entrepreneurship was the most popular choice in our survey, the second subject seen to be most important for the MBA students studying today was globalisation. In fact, in a snap survey with the Association's Global AMBAssadors in South Africa, global business was seen to be the one area that future MBAs should learn about.

That the AMBAssadors, on average, predicted that they would each work in four countries over the next five years clearly suggests that an MBA graduate who does not gain the skills needed to manage in the global arena may encounter problems.

MBA cohorts, particularly in the west, are highly diverse. Birmingham University Business School's full-time MBA programme attracted students from over 29 nationalities in 2012. With such diversity students are able to network with established managers from around the world and to learn a great deal about doing business globally.

At the same time, business schools are also internationalising their offerings. If you study for an MBA at Hult International Business School, you could end up flying out to campuses in Dubai, New York, Sao Paulo or Shanghai in order to complete sections of the course.

Oliver Holliday, who has just completed his MBA at Kingston University Business School has pinpointed one of the most valuable assets of his MBA being the opportunity to travel to other countries and meet his contemporaries. During his MBA he was able to travel to places such as Berlin and Moscow, allowing him to *"meet a lot of new people who are all now contacts for life."* He says he felt the MBA was *"a real eye-opener and more than I thought it was ever going to be"*.

"... it is clear that the mindset of the new generation of MBAs has responsible management at its core"

Though MBA cohorts and locations are international, the next key trend is likely to be the globalisation of the MBA curriculum. Responsible management and entrepreneurship can be explored in many ways, but more case studies and examples of business which reflect culturally diverse and internationally distinct practices are needed. As more and more business schools around the world connect, exchange faculty, and collaborate, this final piece of the puzzle may not be long off.

A new generation

As the Association of MBAs' 2013 Careers Survey shows, MBA graduates work in very diverse areas. From healthcare to energy, the consumer goods market to industry, MBAs enter into roles within every sector throughout the world.

In South Africa, the Global AMBAssadors I met worked in such diverse areas as aerospace, PR, hospitality and mineral resources. Some have set up their own businesses; others are part of large corporates. They work in countries including Vietnam, Sudan, India, New Zealand, France, Nigeria and Poland. It is not, however, their background or their jobs that make them a truly inspiring new generation of MBA graduates. It is their strong commitment to utilising values-based leadership in order to manage responsibly. Significantly, all possessed an ambitious global and entrepreneurial approach which they have all harnessed in order to use business as a force for good.

There can be little doubt that management education has come a long way since the dark days of the financial crisis. As a whole, it still has more it can do, but the business schools I work with on a daily basis, and the MBA students or graduates I meet, are proof that the MBA, when done well, can make a real difference in the world of business. The new generation of responsible, entrepreneurial and global MBA graduates have a huge opportunity to inspire the leaders of the future. ■

For more information on the Association of MBAs and its accredited business schools go to www.mbaworld.com. Follow us on Twitter @Assoc_of_MBAs

Association of MBAs
INSPIRING GLOBAL EXCELLENCE

1. The Global Leadership Conference took place between 21 to 24 February 2013. The Association of MBAs' Global AMBAssadors are the future of MBA leadership, coming from all regions of the world and representing the pinnacle of business education internationally. Each AMBAssador chosen is motivated by personal commitment, energy and the opportunity to contribute ideas to the future of management education and the quality of business leadership.

MOOCs are on the move

A snapshot of the rapid growth of MOOCs

MOOCs have really only gathered momentum in the past year and are constantly developing and evolving almost on a weekly basis. Lindsay Ryan presents a snapshot of current developments in MOOCs

What are MOOCs

MOOCs are Massive Open Online Courses and they are rapidly changing the game for higher education, executive education and employee development generally. MOOCs offer free online courses covering a growing range of topics delivered by qualified lecturers from some of the most well-known universities in the world. In this age of lifelong learning, MOOCs are a means of providing learning and development to virtually everyone, anytime, anywhere in the world with internet access.

This paper presents a snapshot of current developments in MOOCs, noting that MOOCs have really only gathered momentum in the past year and are constantly developing and evolving almost on a weekly basis.

Background

The original concept for a MOOC came from academic research in the early 1960s with the idea that people could be linked by a series of computers to listen, discuss and learn about a particular topic. Now, continuous development in technology has become the enabler for virtually everybody in the world to have access to a broad and diverse range of education and learning topics.

MOOCs provide free online courses that enable people with an interest in a selected topic to study and learn through interaction with others also interested in the same topic. Other participants could be from the same organisation, city or region, learning together with people from other organisations, cities, regions and countries from around the world. MOOCs are the internet equivalent of distance education and there could be 1,000 or 100,000 participants in a single course.

MOOCs create the opportunity for vast numbers of people across the world to access learning through quality courses, content and lecturers that most would never have access to. For many people, further and higher education can seem overwhelming or beyond them. MOOCs open a world of opportunity for people in remote areas and developing countries as well as people with aspirations to achieve more with their lives. MOOCs are changing the traditional nature of education mainly being for the affluent and elite to being free and accessible to virtually everybody.

The growth of MOOCs is phenomenal. During the three months from mid-October to mid-January, including the quiet period for learning and development over Christmas-New Year, one major player, Coursera, continued to grow at the rate of 6,900 new participants (Courserians) PER DAY. Anything that grows at such a rate cannot be ignored and Coursera is just one of an increasing number of MOOC providers bringing together a diverse and expanding range of open online courses.

MOOCs started as a form of collaborative online learning with people interacting and learning from each other and being exposed to different perspectives, views and ideas. Over the past year, MOOCs have started to move to the mainstream and increasingly resembling more traditional courses, especially as a significant number of MOOCs are shorter versions of many traditional courses, and often delivered by highly qualified professors and academics whose research and academic expertise underpins the course on a MOOC.

Some of the MOOCs, such as EdX, continually research their courses to better understand how participants learn and explore ways of using the technology to transform and further enhance the learning and online experience for the participants.

Major MOOCs

Coursera (www.coursera.org), established by two Stanford University professors, is currently the biggest MOOC platform providing 212 different courses in such areas as: economics and business, computer sciences, biology, social sciences, music and film, medicine, health, food and nutrition, physical and earth sciences. Coursera has a consortium of 33 of the most well-known and highly regarded universities in the world delivering free online courses including Harvard, Stanford, Pennsylvania, Washington, London, Edinburgh, Toronto and Melbourne.

Udacity (www.udacity.com/) has a focus on computer science courses and provides a range of topics from beginner courses to intermediate and advanced courses.

EdX (www.edx.org/), owned by the prestigious academic institutions Harvard University and Massachusetts Institute of Technology, draws content from a selection of their highly regarded courses.

Khan Academy (www.khanacademy.org/) is a MOOC platform for young learners from kindergarten to Year 12 with courses centred on mathematics and science: biology, chemistry and physics, as well as some elements of economics and history.

FutureLearn (www.futurelearn.com/) is the newest significant player reflecting how MOOCs are constantly changing. FutureLearn comprises a consortium of 12 major UK universities including The Open University, which has considerable experience in distance and online education, Birmingham, Warwick, Cardiff, Leeds, Bristol and St Andrews. Their web site is live but the courses and content are still being developed.

In addition, many high profile and elite universities are now offering their standard courses as open courses where people can watch the lectures online and access course slides and materials. To achieve the formal qualification people need to apply and enrol with the respective universities, pay the program fees and satisfactorily complete the assessment requirements associated with each course.

Participating in a MOOC

Participants complete a simple online registration for a course that interests them. They might want to learn more about a particular topic or it could be an introduction to consider a future study option or a possible formal university program or career direction. Each course on a MOOC is open for people over the age of 18 and, with parental approval, young learners over the age of 13. Coursera also asks participants to agree to an honour code that all the homework, quizzes and exams is their own work and that they won't cheat or do anything that could dishonestly improve their results or dishonestly affect another person's results.

When registering for a MOOC, participants are advised they are registering for a course and not enrolling with any of the universities delivering the courses. The courses are free and most materials and notes can be down-loaded from the course site. Occasionally other resources are recommended, such as additional books and reference materials for particular courses which can be purchased, but they are rarely prescribed as part of a course. A growing number of MOOCs offer a certificate signed by the lecturer once participants satisfactorily complete the course and there may be a fee for the certificate.

Until recently MOOCs have not provided participants with credit for further or higher education programs. However this is an area many universities are now considering, especially as one university in the US, Antioch University in Los Angeles, has started providing credit for selected MOOCs into specified college courses. Many overseas participants, especially in India, are seeking credit for their studies through MOOCs. While most MOOCs incorporate regular self-tests, projects and compulsory exams, universities are still exploring how participants can demonstrate mastery of a topic in order to be able to grant credit for the MOOC study. The American Council on Education is currently investigating a means of accrediting selected MOOCs for credit towards higher education courses.

How MOOCs work

MOOCs allow a single teacher/lecturer to teach thousands and sometimes tens of thousands of participants in a single course delivery. With this size class, there is little participant contact with the lecturers, although some have scheduled times when they join online forums with participants to discuss various aspects of a course or provide further explanation on a topic.

MOOCs are often four to six weeks duration and the course format involves participants watching a series of short videos prepared by the lecturer detailing a particular topic theme for each of the specified weeks of the course. The format uses asynchronous learning so that participants can view the video at times that best suit them as well as their time zone. During each topic there are usually online tests that allow participants to respond and check their understanding of the concept or information presented.

In some courses participants are required to write an essay or more detailed response instead of an online multiple choice exam. In these cases, some MOOCs arrange for participants to forward their papers to five other participants for peer assessment and marking. This approach allows each participant to receive feedback and critique from five other participants. A lecturer may moderate an assessment where the spread of grades is diverse or a particular participant has a reputation for marking harshly.

The key to MOOC success is interaction among participants. Participants have interactive online tests during a course and then they will often post comments in online forums. Some MOOC lecturers try to organise face-to-face study groups in various physical locations or separate online forums for participants to promote learning and understanding through the sharing of ideas, perspectives and experiences with other participants.

MOOCs are based on Connectivism principles where learning and knowledge is created through connecting different people with a diversity of opinions. Technology is the enabler for MOOCs and with the growing use of smart phones and mobile computing, participants can maintain on-going connection with their MOOC class and interaction with other

participants when they are at work, home, travelling and at any time of the day.

The significance of MOOCs

- MOOCs are accessible to virtually everybody who has access to the internet and the courses are free. This means there is no direct cost for a participant to explore a potential new area of interest or learning;
- Learning occurs at times and locations that best suit the participant;
- Participants interact with other people with a shared interest and are exposed to a diverse range of perspectives and ideas that can stimulate reflection and further interest in a topic;
- Being part of a global class, participants can gain insight into attitudes, ideas, and trends among different populations and countries on a particular topic;
- The continuing growth in the number of MOOCs will lead to significant choice and options for free online courses. This will allow learning and development to be tailored to the needs and/or interests of each participant;
- MOOCs open a world of learning possibilities and promote lifelong learning for all those who are interested, able and motivated to participate;
- Although some critics of MOOCs claim there is a low completion rate for courses, this has more positives than negatives. It means that people are interested in the concept of MOOCs and willing to investigate online learning, which most people would not have experienced previously. It also means that people have the opportunity to explore a topic without being committed to it and incurring significant costs as happens with many undergraduate programs.
- Those people participating in a MOOC who do not complete a course are not precluding somebody else who wanted to participate but did not meet the selection criteria or cut-off levels.

Implications of MOOCs
Participants:

- The opportunity to learn something new or completely different from their normal discipline;
- The opportunity to appraise higher education or a

specific topic without the need to apply and enrol with an educational institution and incur course fees;

- The opportunity to learn through interacting with other participants from diverse backgrounds, experiences and countries;
- Everybody has an equal opportunity to interact online compared to on-campus lectures which some participants find intimidating speaking or asking questions in large groups;
- MOOCs could be used as an introduction to certain topics that lead to further study and possibly advanced standing in further education programs, subject to assessment of mastery at a prescribed level. This could reduce the duration and costs associated with completing a formal qualification.

Higher education providers:

- Some higher education providers may see MOOCs as a threat, particular those who regard lectures and course materials as their intellectual property and only accessible to fee paying students;
- Other higher education providers will see MOOCs as the opportunity to showcase some of their courses and use the MOOCs as a means of attracting new participants to undertake studies;
- Need to develop a system for assessing student mastery of certain MOOCs and provide credit or advanced standing for participants applying for higher education programs. Participants completing a number of MOOCs and able to demonstrate mastery of the topic also demonstrate commitment to study and are likely to complete formal qualifications;
- Should promote the environment and resources of their university, student experience and value of the qualification for participants who progress from a MOOC to enrolling in a formal university program.

Industry:

- Employers could utilise MOOCs as part of the learning and development of employees. Those employees that show real interest, commitment and motivation for certain areas of studying could then be supported by their employer to enrol in further studies in areas relating to their employment and career development.
- Some organisations and industries could use a series of MOOCs, selecting the most appropriate courses from a number of MOOC aggregators, as a pre-qualification for people applying to work in a particular industry, in addition to or instead of a university degree.

Employee development potential

MOOCs provide employers with the opportunity to develop an integrated organisation development plan and tailor a learning and development plan for each employee. Such a plan might comprise:

- One or a series of MOOCs on topics relevant to each employee's development needs;
- Work-based projects that enable employees to learn and immediately apply their learning, which promotes greater understanding of concepts and better retention of the learning;
- A mentor for each employee to discuss their work-based projects, workplace issues and career development options; TED videos (Ideas Worth Spreading) to stimulate ideas, thinking and discussion within an organisation and/or workgroup;
- YouTube-Education videos with specific topics and speakers used for employees to watch and then discuss or lead discussions with work colleagues.

The above integrated approach to employee learning and skills development could apply to all employees, from frontline, through supervisor and middle management, up to senior managers and executives.

Final comment

MOOCs have been described in some circles as the biggest development in education for 200 years. It would appear that MOOCs are a win-win for participants, higher education providers and industry.

However, the unanswered question is: if MOOCs are free how do they pay for themselves? At this stage the universities involved in launching MOOCs seem to be following the approach adopted by one of the most successful companies of the digital age: Google. As identified by Jeff Jarvis, Google banks users, not money. When Google rolls-out a new product they worry about whether they will have users. If they have users, the money will follow[1]. ■

ABOUT THE AUTHOR

Dr Lindsay Ryan is Director of Corporate Education Advisers. Lindsay is a thought leader, adviser and mentor to organisations assisting with organisational development and employee learning that enables organisations to develop their capability and capacity. Utilising leading-edge research, Lindsay assists organisations adopt a strategic approach to their corporate education to ensure employee training and development aligns with their goals and strategic direction. Based in Adelaide, Australia, Lindsay's work is highly regarded internationally and he is also Visiting Fellow in Corporate Education with Birmingham City Business School in the United Kingdom.

1. *Jarvis, Jeff, (2009) What Would Google Do?, HarperCollins, New York*

WHU and Bookbridge send managers to Mongolia for continuing education

When working in foreign cultures, managers often unwittingly feel like the proverbial bull in a china shop. A new joint project of WHU - Otto Beisheim School of Management (Germany) and the award-winning non-profit organization Bookbridge is preparing talented mid-level managers for the future challenges of international projects and new markets.

"To be successful, you not only need knowledge about growth markets; you have to be able to put things in motion in those places, too," said Carsten Rübsaamen, Founder of BOOKBRIDGE. The social business builds learning centres in developing countries, equips schools with books and learning materials, and develops education and training programs. Together with the prestigious business school WHU as its academic partner, the new program will focus on general management education.

"The global business world is growing smaller. It is often the case that the 'rules of the game' in the local market cannot be implemented one-to-one in new markets. Many German companies that are active in markets such as India, for example, recognize early on that the local presence and experience of employees is irreplaceable," said Rebecca Winkelmann, Managing Director of Executive Education at WHU.

The nine-month part-time program provides an innovative alternative to a longer stay abroad or a posting in a foreign office as an ex-pat. In addition to coursework at WHU's Düsseldorf (Germany) campus, participants complete the

Rebecca Winkelmann, Managing Director of Executive Education at WHU

"The global business world is growing smaller. It is often the case that the 'rules of the game' in the local market cannot be implemented one-to-one in new markets"

program with a seven-day visit in Cambodia or Mongolia: Working in cooperation with local partners, the participants open a learning centre in a local village that will create learning opportunities for the inhabitants. The participants acquire the skills necessary to develop a business plan and implementation strategy under challenging conditions. They learn to work together in diverse teams and to consider multiple perspectives. The program's emphasis on social responsibility also helps to develop awareness about values and accountability, said Winkelmann. *"I also see an opportunity to teach ethical behaviour and to raise the question about the ultimate sense of what we are doing."*

International experience is one of the core elements of all program offerings at WHU. For example: students participating in the most senior degree program, the renowned Kellogg WHU Executive MBA, spend at least two modules abroad – one in Chicago, where the Kellogg School of Management home campus is based. The second module takes place at one of the Kellogg MBA partner schools, depending on the elective the student has chosen. ■

To find out more about WHU's programs, please visit: http://www.whu.edu/en/programs/

BEYOND 2015:

integrating universal energy access in the new development framework

Dr Arno Behrens is Head of Energy & Research Fellow at the Centre for European Policy Studies (CEPS)

Energy plays a crucial role in socioeconomic development. In much the same way that energy transitions provided for the industrial revolution and thus for increasing productivity and wealth in Europe, today's developing countries require access to secure, affordable, clean and sustainable energy services to fight poverty.

Yet, according to the International Energy Agency (IEA), almost three billion people continue to rely primarily on traditional biomass fuels such as wood, dung, crop residue and even old tyres and plastic for cooking and heating and more than one billion people do not have access to electricity at all. Most of these people live in South Asia and sub-Saharan Africa (SSA), in the rural areas of the world's poorest countries.

The implications of energy poverty are manifold. First, the extensive use of biomass entails numerous *economic costs*, direct and indirect. These include the costs of fuel wood and other sources of energy, the cost of using wood instead of modern fuels for cooking in inefficient stoves, reduced agricultural productivity due to the drain of potential fertilisers towards household use, and the opportunity costs of collecting biomass (instead of going to school or generating income).

Second, there are severe *health risks* associated with the indoor use of solid fuels which lead to almost two million deaths per year, or 4000 daily, mainly from pneumonia, chronic lung disease, and lung cancer. Indoor smoke thus causes more deaths than tuberculosis, malaria or HIV/AIDS.

Third, there is the *environmental dimension* resulting from the fact that fuel wood collection and charcoal production leads to ecological damage such as deforestation or reduced soil productivity.

Fourth, there is a *gender dimension* because it is largely women and young girls that spend hours gathering traditional biomass. Women and children are also most exposed to the health effects of energy-inefficient appliances.

Finally, insufficient access to modern energy sources in rural areas exacerbates *urbanisation*, putting additional pressure on cities to provide adequate services to their citizens and thus increasing the number of the urban poor further.

The 'United Nations Millennium Declaration', endorsed in 2000, and the accompanying Millennium Development Goals (MDGs), adopted in 2002, have been important instruments in streamlining and coordinating international development action. Since the targets were defined, significant progress has been achieved in almost all the MDGs. The reduction of energy poverty has not been included as one of the MDGs, however, it contributes significantly to progress towards most of the eight current goals, including the reduction of poverty and hunger, the elimination of gender disparities in primary and secondary education, the reduction of maternal health and child mortality and the achievement of environmental sustainability.

The year 2012 was announced by the United Nations as the *International Year of Sustainable Energy for All* with the goal to achieve universal energy access by 2030. However, the Rio+20 outcome document failed to go beyond a generic formulation in this respect let alone to adopt such a target in a binding way including a roadmap on how to achieve it.

WE SUPPORT
SUSTAINABLE ENERGY
FOR ALL

A new window of opportunity will arise in 2015, when the MDGs are up for review. Preparations for this review are in full swing, with a UN special event on the MDGs scheduled for the fall of this year. It is thus time now to increase pressure on governments around the world to deliver on access to energy and to explicitly include universal energy access as one of the headline targets in the post-2015 development framework.

Various estimates show that universal energy access is feasible with annual costs of between $36-48 billion until 2030. A large part of these investments will need to flow into electricity generation, transmission and distribution.

Fossil fuels are likely to continue to play a role in providing access to electricity, especially where on-grid generation is feasible. However, centralised power capacity and grid extension targets have often failed to improve energy services for the poor. In the last two decades, a learning curve in projects aimed at increasing access to energy has shown that decentralised solutions are often more successful and cheaper. Small-scale mini-grid and off-grid generation activities in sparsely populated rural areas are proving particularly effective.

In this context the use of renewable energy technologies is essential for developing countries to reduce their dependence on fossil fuel imports and related price volatility, as well as to foster a sustainable, low-carbon and green economy. Decentralised renewable energy systems such as hydro, solar, wind and modern biomass provide the opportunity for clean and cost-effective electricity and heat generation in rural off-grid regions. However, potential social and environmental consequences of new energy systems need to be thoroughly evaluated on a case-by-case basis.

The sustainable introduction of renewable energy technologies in developing countries requires a range of supporting tools and processes. In poor rural settings without access to modern energy, the success of a project relies on host government, donor and implementer's efforts to build national and local level governance and regulatory capacity, develop local markets, raise public awareness and develop appropriate skills through training activities. Furthermore, technology transfer is facilitated with more stringent and widespread environmental policies and incentives for adoption of low-carbon technologies in developing countries. Developed countries can provide assistance with the national design and roll-out of such policies.

In terms of finance, a number of funds and mechanisms have been set up to handle the energy investment requirements for developing countries, in particular through the mechanisms created by the UNFCCC, from the Clean Development Mechanism to the newly established Climate Investment Funds. At the same time, there is an increasing focus on the use of public-private partnerships and attracting funds from private financiers, which may further reduce financial attractiveness of local renewable energy projects. Such projects are less bankable than major, grid-connected projects, which often serve large industries. Services to more vulnerable, low-income population groups appear far riskier in terms of potential returns on investment.

However, there are numerous policy and finance tools to enhance their bankability such as the feed-in-tariffs and other incentive schemes, which several developing countries are pursuing. The European Union and some its member states have an obvious technical advantage in these mechanisms and there is potential for increased coordination on experience sharing and technical training.

Two years before the current MDGs expire, it has become clear that energy poverty will persist in developing countries without firm government action in support of sustainable and affordable technologies. On the global level, the post-

"... the use of renewable energy technologies is essential for developing countries to reduce their dependence on fossil fuel imports and related price volatility, as well as to foster a sustainable, low-carbon and green economy"

2015 development framework will provide an opportunity to build a strong case for inclusion of energy access into the set of revised goals. Apart from universal energy access, such a goal will need to aim at decentralised solutions, better energy efficiency and the removal of subsidies for fossil fuels. At the same time, the basic elements of a roadmap should be spelled out on how the target can be achieved, possibly building on an international management system that could help track progress towards meeting the proposed energy goal. ■

Chamber and business leaders head to Doha for ICC/WCF 8th World Chambers Congress

In partnership with the Qatar Chamber of Commerce and Industry, the International Chamber of Commerce will hold an ICC World Trade Agenda Summit on 22 April 2013 in Doha, kicking off the ICC WCF 8th World Chambers Congress, the year's biggest international gathering of chamber and business leaders.

Offering participants a chance to be a part of history as business shapes concrete measures for helping to pull the global economy out of crisis, the World Trade Agenda Summit is the culmination of the first phase of the ICC Business World Trade Agenda initiative, a global initiative that allows business leaders to contribute concrete proposals for strengthening the rules-based multilateral trading system and to reconfirm global business's commitment to the objectives of the WTO.

Summit participants will have a unique opportunity to take part in the dialogue between business leaders and key policymakers, share perspectives on new global trade challenges and weigh in on recommendations for moving multilateral trade negotiations out of an 12-year deadlock and 'beyond Doha'.

The World Chambers Congress brings together chambers from over 100 countries and in 2013 will be held for the first time in its history in the Middle East, in Doha from 22-25 April.

Under the theme, *'Opportunities for all'*, this year's Congress includes plenary sessions on such topics as education and unemployment, women in business, youth entrepreneurship, small- and medium-enterprises (SMEs) and the world economy, as well as services for chambers' daily operations. Parallel sessions will showcase industry trends, best practices and case studies.

After almost three days of plenary and workshop sessions – including the opportunity for one-on-one business meetings between delegates, exhibitors and local business leaders – the Congress closes with the World Chambers Competition awards ceremony. The Competition is the only global awards programme to recognize the most innovative projects from chambers across the globe, and this year showcases the ingenuity of local chambers in areas such as corporate social responsibility, small business projects and youth entrepreneurship, among others.

Living up to its reputation as an unparalleled networking and showcasing opportunity, the Congress will also feature an enhanced B2B programme and more than 10,000m^2 of exhibition space, open for three days, to showcase the latest products, services and initiatives from chambers around the world. ■

WORLD COMMERCE
REVIEW

AWARD

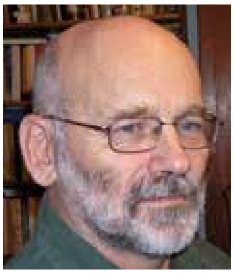
Best Credit Insurance 2012-13

World Commerce Review is pleased to announce that Atradius Credit Insurance NV has been awarded the Best Credit Insurance Award for 2012/13.

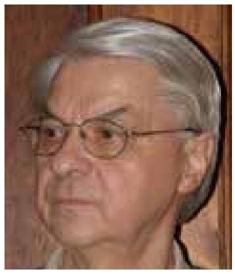
The selection panel took into account product innovation, on-going customer support and best practice criteria.

In addition, forward planning and CSR were seen as key areas for the award committee.

The World Commerce Review Awards are recognised as the principal indications of professional conduct and excellence.



Economic and social challenges faced by Southern and Eastern Mediterranean countries[1]



Marek Dąbrowski and Luc De Wulf are both CASE Fellows. CASE - Center for Social and Economic Research, is an independent non-profit economic and public policy research institution founded on the idea that evidence-based policy making is vital to the economic welfare of societies.

Legacies of the past

Most of the Southern and Eastern Mediterranean countries (SEMC)[2] remain relatively backward in economic and social terms. Average GDP per capita is less than the global average. In 2010, it ranged from a high of nearly $30,000 in Israel to less than $5,000 in Morocco. The pace of the region's economic growth was not impressive for quite a long time, especially in the 1980s and early 1990s.

The economic model which dominated in several Arab countries in the 1960s and 1970s (especially in Algeria, Egypt, Libya, Syria, Iraq and Southern Yemen) and was sometimes referred to as Arab socialism, relied heavily on public ownership, administrative interference in market forces, central planning, militarization of the economy and trade protectionism. Israel also followed a somewhat 'socialist' economic model at that time, with a large share of public and collective ownership and heavy government regulation.

In the first decade of the 2000s, there was finally a visible improvement in terms of higher growth, lower inflation, fiscal deficits, and public debt levels in those countries which undertook market-oriented reforms. However, this did not fully compensate for the previous poor performance.

Per capita income growth has also been tempered by high population growth; the region's population has grown more than 2% annually as compared with 1.2-1.3% worldwide. As a result, economic growth has not been sufficient to reduce unemployment, which remains at more than 10% in most countries, with even higher rates for female workers. At 25% or more, the region´s youth unemployment is the highest rate in the world. Better education and labour market reforms could help in addressing this dramatic social challenge.

Persistent high unemployment, growing income disparities, an unequal playing field in business, corruption and nepotism, poor governance, the conspicuous consumption of a small elite, and the lack of a political voice led to widespread discontent, and, ultimately, to the Arab Spring. It is too early to assess the impact of the Arab Spring on long-term economic policies and growth performance. In the short run, political turbulence and populist policies have damaged growth performance and macroeconomic stability.

However, the experience of countries that went through political transitions suggests that countries can return to a growth trajectory in a few years if the correct policies are put in place. Specifically, economic growth benefits from macroeconomic stability (as measured by low inflation and balanced fiscal accounts), openness to trade, foreign investment (for which a good business climate and a predictable macroeconomic environment are essential), developed financial markets, good infrastructure and investment in human capital (if it is accompanied by good governance).

Maintaining fiscal stability

SEMC must continue reducing their fiscal deficits, which requires both expenditure and revenue adjustments. On the expenditure side, a reduction in price subsidies and a rationalization of public employment are the two most obvious priorities.

Large price subsidies to food, electricity and fuel continue to create a huge fiscal burden in several countries, especially Egypt (over 10% of GDP), Algeria, and Lebanon. In some countries, price subsidies have increased in the wake of the Arab Spring. They are both costly and inefficient in fighting poverty (their main justification). In reality, higher- and middle-income groups are the main beneficiaries of these subsidies.

In addition, the subsidies have a devastating microeconomic and structural impact. They discourage producers of the subsidized energy and food products from increasing their output and quality parameters. They stimulate excessive and wasteful consumption, damage the environment, hamper the development of renewable energy, etc. Price subsidies should be replaced by targeted social safety nets, including targeted cash transfers. Countries that postponed or reversed reforms in this sphere should reconsider them as a priority task.

Increasing public sector employment, which often serves as another social policy tool, also has negative fiscal consequences and tends to keep wages low. It undermines the recruitment of the best candidates to public service thereby weakening the efficiency of service delivery. Private sector growth, not public sector employment, should stimulate job creation.

Trade liberalization

Trade plays a crucial role in SEMC, most of which are small and often dependent on energy and other commodity exports. Their relative under-industrialization and continuous high share of agriculture production in GDP make their modernization prospects dependent on duty-free imports, robust exports, and investment openness. The trade flows of most SEMC, except for Jordan and the Palestinian Autonomy, are concentrated on the EU. They may be boosted by removing tariffs, reducing non-tariff measures (NTMs), decreasing high transport costs and improving uncompetitive trade logistics. Trade in services also faces serious restrictions and removing these restrictions could lead to considerable trade expansion. The same concerns intra-regional trade, which is rather limited and often hampered by protracted political conflicts and closed borders.

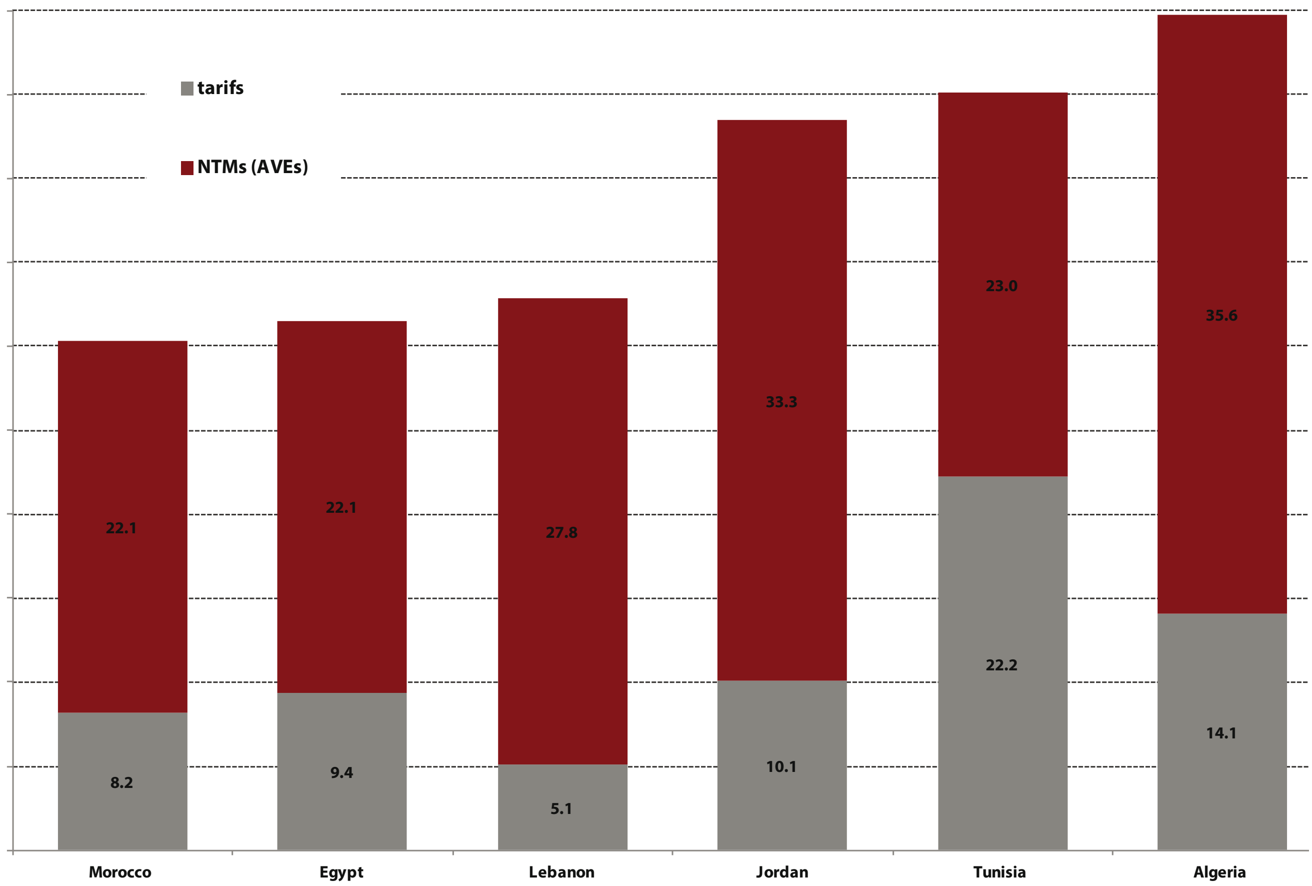
"Most of the MED countries, except for Israel and Tunisia, suffer from a poor business and investment climate"

Despite multilateral trade agreements sponsored by the WTO and the gradual implementation of the EU-MED Association Agreements (AA) and the Great Arab Free Trade Area (GAFTA), tariffs in several SEMC still constitute a significant barrier to imports, particularly of agricultural products (Figure 1).

The most serious NTMs include: insufficient harmonization of technical standards, sanitary and phyto-sanitary measures, restrictive competition and government procurement rules, inefficient custom procedures, and poor enforcement of intellectual property rights. Figure 1 demonstrates that the tariff *ad valorem* equivalents (AVEs) of the NTMs are consistently higher than the tariffs themselves.

Average transport costs in SEMC exceed those of European countries by about 16%; they are lowest in Egypt and Israel and highest in Algeria. Trade logistics in most SEMC are significantly more costly than in many other regions of

Figure 1: Overall trade protection in selected SEMC: tariffs and NTMs, in %



Source: Ghoneim, Peridy et al (2011): Shallow versus Deep Integration between Mediterranean Countries and the EU and within the Mediterranean Region, CASE Network Reports, No. 96, Annex 3 the world, particularly in the EU. According to the World Bank Trade Logistics Indicator (TLI), Israel, Tunisia, Lebanon and Turkey rank rather well while all other countries lag significantly behind, especially Algeria and Libya.

If all tariffs were abolished, restrictive NTMs removed, and the TLI substantially improved, trade would expand substantially, especially in the countries with greater initial trade restrictions. MED exports to the EU would increase less than imports because the initial EU tariffs were close to zero and the EU's TLI is much better than the TLI of the MED region. Exchange rate adjustments may be needed to cushion excessive pressure on the current account. These policy changes would also foster growth in intra-regional trade.

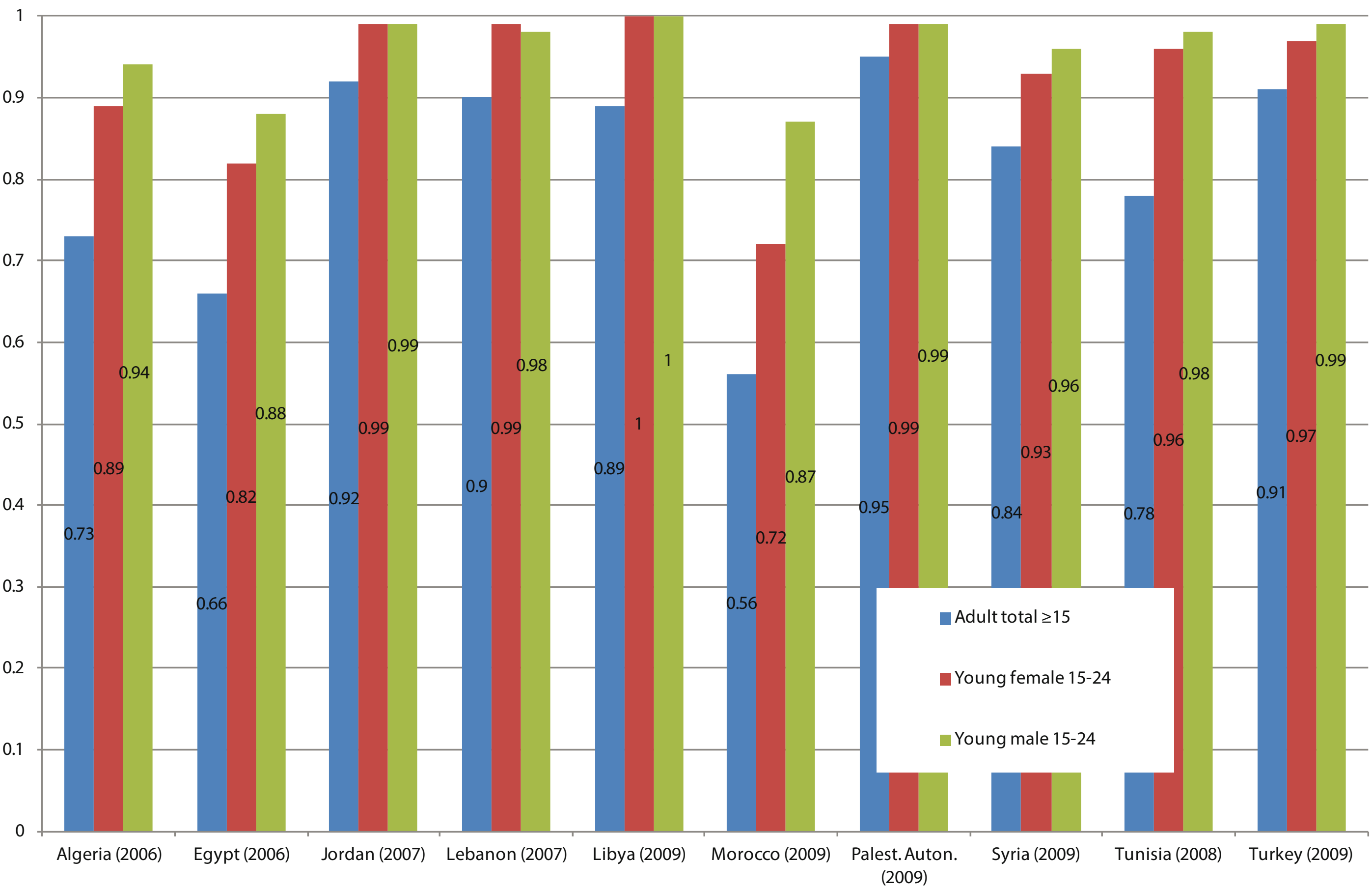
Private sector development and privatization

Most of the MED countries, except for Israel and Tunisia, suffer from a poor business and investment climate as documented by the annual *World Bank's Doing Business* reports, the *Heritage Foundation's Index of Economic Freedom*, *Transparency International's Corruption Perception Index* and other international surveys and ratings. Even though several countries recently improved their business related legislation, its implementation suffers from weak institutions, bureaucratic discretion, corruption, and unequal treatment of investors. To improve the situation, each country should map out specific legal and regulatory constraints which impede private sector development, elaborate strategies to tackle them, and ensure the public monitoring of their implementation.

Banks in the region suffer from a low degree of competition as a result of excessive market entry barriers and the predominant role of public ownership. Credit allocation by state-owned banks is largely arbitrary and benefits large well-connected companies and discriminates against small and medium-size enterprises. Coupled with the lack of independent supervision of the financial sector, this situation hampers private sector growth.

To improve private sector access to credit, countries should privatize remaining state owned banks and implement governance reforms. In addition, they must foster competition in the banking sector and improve banking supervision.

Figure 2: Literacy rates in SEMC



Source: http://api.worldbank.org/datafiles/SE.ADT.LITR.ZS_Indicator_MetaData_en_EXCEL.xls, http://api.worldbank.org/datafiles/SE.ADT.1524.LT.FE.ZS_Indicator_MetaData_en_EXCEL.xls, http://api.worldbank.org/datafiles/SE.ADT.1524.LT.MA.ZS_Indicator_MetaData_en_EXCEL.xls

Some SEMC started privatization programs in the 1980s as part of policies departing from their socialist/statist past. Others are only in the early stages of implementation or the programs are stalled for a variety of reasons. In comparison with other regions, the privatization performance of SEMC is very modest. The regulatory framework for privatization needs to be strengthened to ensure full transparency.

Attracting foreign investment

In 1995-2000, SEMC had one of the lowest foreign direct investment (FDI) flows to GDP ratio (1.11%) as compared with other regions in the world. In 2005-2009, this changed and the region exhibited one of the highest ratios (4.19% of GDP), just behind Europe & Central Asia (4.53%) and the EU (4.65%) and far ahead of the other regions. Since the Arab Spring, FDI flows have fallen off sharply.

To reverse this unfavourable trend, SEMC should improve the investment climate, for example, by eliminating barriers to trade and financial transactions, maintaining an exchange rate regime that ensures smooth adjustment to various shocks, improving infrastructure and governance, and investing in human resources to allow employers finding workers that are able to take on jobs created by modern manufacturing.

Investing in infrastructure

SEMC lag behind other middle income countries in their transport and telecommunication infrastructure, which hampers trade and economic growth. Efforts should be made to fill this gap, including mobilization of domestic resources and foreign aid, privatization of those subsectors (like the fixed-line telephony) which are still dominated by publicly owned monopolies, improving the environment for private sector operators, and strengthening competition.

Social challenges

SEMC are characterized by high levels of income inequality, with Gini coefficients above 0.3 (in Turkey, Tunisia and Morocco – they are above 0.4), which indicates the presence of various forms of discrimination, social exclusion and poverty. Excessive inequality leads to social and political tensions and decreases the legitimization of the political regime, which was what catalyzed the Arab Spring. In social and economic terms, this can be interpreted as denying large groups of the population the chance to participate, on equal terms, in the labour market, business activity, education, and consumption of other public goods and wasting a substantial part of the country's human capital.

"To improve private sector access to credit, countries should privatize remaining state owned banks and implement governance reforms"

Gender discrimination is another serious challenge. The region is characterized by uneven access to education and the labour market, the underrepresentation of women in political life, unequal civil rights, unequal status in marital and family law, and many other disadvantages. In 2008, female labour participation ranged from 16.7% in the Palestinian Autonomy to 38.2% in Algeria, while the average for the male labour force was ca. 80%. Israel was the only exception, with a female labour participation rate of 61.1%.

Illiteracy remains a problem in several MED countries; especially Morocco, Egypt, Algeria and Tunisia (see Figure 2). Continuous illiteracy among youth means that large groups of girls and, to a lesser extent, boys remain excluded even from primary education. However, most of those who have access to schools complete only a primary education or less and the overall quality of education in the region is widely considered as poor. Consequently, the quality of human capital in the region is below its potential, which has negative consequences for economic development. ■

ABOUT THE AUTHORS

Marek Dąbrowski is a CASE Fellow. Since the late 1980s, he has been involved in policy advising and policy research in Central and Eastern Europe, Central Asia, Africa, and the Middle East. He has also worked on international research projects related to monetary and fiscal policies, currency crises, international financial architecture, EU and EMU enlargement, European integration, European Neighbourhood Policy and the political economy of transition.

Luc De Wulf is a CASE Fellow and former staff member of the International Monetary Fund and the World Bank. Since 2000, he has worked as an independent consultant in several African, Asian and Middle East countries, specializing in trade, customs reform, trade facilitation, macroeconomics, and public finance.

1. This article is based on authors' earlier publication in CASE Network E-Briefs No. 13/2012 – see http://www.case-research.eu/sites/default/files/publications/2012-13_Dabrowski%2C%20DeWulf.pdf and results of the EU Framework Program 7 funded project on 'Prospective Analysis for the Mediterranean Region (MEDPRO)'

2. SEMC include: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestinian Autonomy, Syria, Tunisia and Turkey.

Investment in Libya: security, contracts, and a new constitution

Andrew Watrous is Program Manger at the US-Libya Business Association

The era of elected government in Libya began on July 7, 2012, following elections for the General National Congress (GNC). Since its first meeting on August 9, 2012, the GNC has asserted itself in Libyan politics, passing laws guaranteeing the right to peaceful demonstration, mandating interest-free lending and finalizing a draft law to exclude former Qaddafi supporters from Libyan political life.

A new government was sworn in on November 14, 2012 under Prime Minister Ali Zidan, a former leader of the Libyan League for Human Rights. Zidan's government comprises ministers from both the Muslim Brotherhood-aligned Justice and Construction Party and the National Forces Alliance, led by former Interim Prime Minister Mahmoud Jibril. In December 2012, Zidan's Defence and Interior Ministers unveiled a comprehensive plan for increased public security, and in February 2013, the cabinet presented a new budget to the GNC for approval.

Over the next year, Zidan's government will work with the GNC to address challenges facing post-revolution Libya, including consolidating central government control over the use of physical force, holding elections for a constituent assembly that will draft the Libyan constitution, resolving issues of property ownership and creating an efficient and responsive public sector and prosperous private sector. The Zidan government's work toward these goals in collaboration with the GNC will affects the environment for domestic and foreign private investment in Libya.

Two developments would both facilitate the return of foreign companies to Libya: improved security conditions in the south and east of Libya, and increased awareness among foreign investors of the central government's achievements to date in improving the domestic security environment. The eventual ratification of a new Libyan constitution will bestow constancy and clarity to a presently muddled regulatory environment.

This article will review the investment climate in Libya and outline limited measures the Libyan and US governments may take to encourage foreign investment in Libya.

Security

The main barriers to companies returning to Libya are security concerns due to continued weak government control over armed groups within Libya in addition to a lack of knowledge about improved security conditions in Libya and the steps the Zidan government has taken to control these groups.

The Libyan government is caught in a difficult situation regarding security sector reform; it is accountable to the general population that elected the GNC in July 2012 and will judge the performance of its members when the GNC is replaced with a permanent parliamentary body. The government is balancing the demands of this national constituency against its reliance on armed groups (whose participation was instrumental in winning the 2011 revolution) to provide security in much of the country, especially in the east. Much of the Libyan public resists the impunity with which these groups act, as demonstrated by enormous anti-militia protests in Benghazi in September 2012.

There is a tension between the demands of public opinion, which is strongly in favour of government control over armed groups, and the reality that an alternative force on Libyan streets does not yet exist. The government relies on armed groups to maintain order in a number of cities and to provide security for nation-wide events like elections. Former Interim Prime Minister Abdurrahman al-Keib began an effort

"The Libyan government is presently in the process of reviewing contracts signed with foreign companies prior to February 2011. Estimates of the total number of pre-revolution contracts range between 12,000 and 17,000, valued at a total of at least $110 billion"

to recruit fighters into the official police and army under the Defence and Interior Ministries, while concurrently giving government salaries to members of armed groups as a way to purchase influence over them. This effort has progressed, notably with the upgrading of a computerized payments system intended to eliminate redundant payments and corruption.

The general security environment in Libya has improved over the past several months despite the important role that armed groups continue to play in Libya. This improvement is principally the result of progress on the Interior and Defence Ministers joint long-term security plans. Tripoli and other cities have witnessed an increased police presence, and a number of security cameras have been repaired and are now functional.

The Libyan government is seeking to develop a national guard with the guidance of American officials. This force would be free of Army's negative image in Libyan society. Finally, an EU civilian support team will deploy in Libya in June 2013 to assist with border security training. These efforts, combined with the further integration of former revolutionaries into the armed forces, will slowly extend the central government's authority over all areas of the country.

Restarting contracts signed before 2011

The Libyan government is presently in the process of reviewing contracts signed with foreign companies prior to February 2011. Estimates of the total number of pre-revolution contracts range between 12,000 and 17,000, valued at a total of at least $110 billion.

In an interview with the *Libya Herald*, Planning Minister al-Mehdi Agenia says that he expects 80 percent of contracts to continue, and *"where the work is two-thirds complete, companies will be invited back, provided the cost of the project does not require recalculation."* While a relatively small percentage of the number of contracts are with foreign companies, these contracts are generally of much larger value than those with domestic entities.

According to Transportation Minister Abd al-Qader Mohamed Ahmed al-Ayib, once the 2013 budget has been approved by the GNC, foreign companies will be given a deadline of two or three months to return to work on outstanding contracts. According to the Minister, once companies have returned half of outstanding GOL debt will be paid to the contractor prior to restarting, with the remainder of debts paid in two to three blocks after work has resumed.

If the Libyan government were to terminate and re-tender outstanding contracts, it is very likely to set off a sequence of unintended consequences, including litigation and a deteriorated ability to attract high-quality construction sector bidders, especially given potentially high insurance costs and ongoing contract disputes.

Regulation

The two laws governing investment and business in Libya are Law 9 of 2010, the investment law, and Law 23 of 2010, the commercial law. Outside the Misrata and Zwara Free Trade Zones, there are two routes of foreign investment in Libya:

1. Under the auspices of Law 9 of 2010 by gaining approval of the PIB (Privatization and Investment Board, recently renamed the Public Board for Encouraging Investment and Privatization Affairs). Foreign investors (who meet certain size requirements and are not oil and gas companies) apply for approval for their proposed investment project from one of four PIB offices. If the PIB approves the project (requiring an Economy Ministry decision), the investment is exempt from taxes for five years and the PIB assists with bureaucratic obstacles.

   To gain PIB approval, a project must satisfy certain conditions, including that at least 30 percent of the workforce be Libyan nationals. Additionally, the investor must meet a number of requirements, including bringing modern technology or technical expertise, developing peripheral areas, utilizing local raw materials, and 'improving, developing, or rehabilitating' the Libyan economy. If an application is not approved, the PIB informs the company of the reason for denial. Once the investing entity addresses the reason given for the PIB's rejection, it can subsequently re-apply for PIB approval.

2. Law 23 of 2010 stipulates the terms under which business is done generally in Libya. All businesses – from taxi cab drivers and supermarkets to large domestic enterprises – are subject to this law. Article 375 of Law 23 of 2010 permits foreigners to own portions of Libyan companies (ie. enter into a joint venture with Libyan partners) or open offices (either a branch office or a representative office) in Libya.

   Article 375 stipulates that the 'governing authority' – in practice, the Economy Ministry – determines the percentage of shares that a foreign body can own in a company, the sectors that a foreign company can operate in, the time period permitted for investment, and other conditions. Foreign investors operating according to the commercial law do not need an Economy Ministry decision as is the case with the PIB. Investors may instead apply to the Economy Ministry's Licensing Administration for a license to operate.

During 2012, the Economy Ministry shifted its stance on the percentage of Libyan joint ventures foreign investors are permitted to own. Law 443 of 2006 originally permitted foreign investors to own up to 65 percent of shares in joint venture companies, and this allowance was reinforced by Article 3 of Economy Ministry Decision 103 of 2012, issued on May 13. Two months later, the Economy Ministry issued a new decision (number 207 of 2012, issued on July 5) prohibiting foreign investors from becoming majority stakeholders. Article 3 of Decision 207 of 2012 restricts foreign investors to owning 49 percent of shares in the majority of cases.

These decisions have been the subject of some debate among Libyans. Fairuz Smew of Tumi Law Firm has argued that Decision 207 of 2012 should be modified to permit limited liability companies registered abroad to own up to a 49 percent share of Libyan joint ventures, instead of only foreign joint stock companies as the law currently requires.

Abdullah Boulsien, a prominent Libyan investment banker, takes a dimmer view of the decision, calling for its repeal entirely. According to Boulsien, the minimums Decision 207 of 2012 establishes for Libyan ownership in joint venture companies reward established domestic enterprises who can 'buy foreign expertise' and shuts the door to foreign financing for less established Libyan entrepreneurs who are not able to self-finance a 51 percent share of a joint venture with a foreign partner.

Constitutional development in Libya

The interim National Transitional Council (NTC), which governed Libya from October 2011 to August 2012, took a gradual approach to changing the legal landscape in Libya. The NTC released an interim constitutional document on August 3, 2011, in the form of a 'constitutional declaration.' Article 35 of this declaration stated that all preceding laws (ie. from the previous regime) remained in effect unless they directly contradicted the declaration itself. As a result of this decision, Law 9 of 2010 and Law 23 of 2010 remain in effect.

The recent Economy Ministry decrees modify the provisions of Law 23 of 2010, but a new commercial law has not been written since 2010. The succession of decrees regulating investment in Libya are of less ultimate consequence than the future commercial and investment laws that will be written after a new constitution is passed.

In February 2013, Libyan officials took decisive steps toward drafting a constitution, including forming a committee to write a new law governing national elections to select a constituent assembly. Elections for the constituent assembly are expected in the second half of 2013, with a new constitution expected to be approved by national referendum in mid 2014.

There are a number of indications that Libyan political elites wish to encourage foreign investment in Libya, with this inclination toward facilitating investment manifesting itself in the future constitution. Economy Minister Mustafa Abufannas has given regional PIB offices greater authority to approve licenses for foreign investors to gain legal benefits under Law 9 of 2010. Prime Minister Zidan has spoken energetically in support of encouraging foreign investment.

Libya has also been open to IMF counsel, and approved a Legal Protection Agreement and Local Currency Agreement to allow the World Bank's Multilateral Investment Guarantee Agency guarantee an investment in Tripoli.

"There are a number of indications that Libyan political elites wish to encourage foreign investment in Libya"

Future steps

The democratically elected leaders of Libya have demonstrated prudence in building a prosperous, secure Libya. The formation of a democratically elected national body and the numerous peaceful transitions of power that Libya has already experienced inspire confidence in Libya's future. The measures outlined below would reinforce Libya's positive trajectory.

First, continued US government support for the Libyan government's security reform efforts is important to strengthening the bilateral relationship and guaranteeing the stability of the Libyan state.

Second, continued US government funding for commercial staff in US Embassy Tripoli beyond 2014 would demonstrate that American investors are supported in their efforts to rebuild Libya.

Third, an Overseas Private Investment Corporation (OPIC) Investment Incentive Agreement would allow Libya to access a portion of the $2 billion allotted to financial support for investment in the Middle East and North Africa in 2011. OPIC investment guarantees would facilitate American investments in Libya, leading to increased jobs for Libyans.

Fourth, the resumption of bilateral expert technical consultations under the US-Libya Trade and Investment Framework Agreement (following GNC ratification) would lead to increased US-Libya trade.

Fifth, given the importance of personal relationships in the Libyan private sector, foreign companies would benefit from opening representative offices under Law 23 of 2010 to get to know potential business partners.

Finally, the Libyan government's self-assessment of the national procurement system using the methodology and base line indicators of OECD Development Assistance Committee is an encouraging development for supporters of transparency. The Libyan government's continued collaboration with World Bank Procurement Specialists will ensure that contracts are awarded to the most qualified recipients.

The GNC's recent steps toward drafting the future Libyan constitution are positive steps toward instilling the primacy of law in Libyan public life, and the Libyan government's efforts toward security sector reform are supported by a large segment of the public. These two developments alone are cause for guarded optimism about stable representative democracy and prosperity in Libya. ■

Turkey's economic agenda in the Middle East North Africa: the urgent need for a regional approach

Javier Albarracín is Director of Socioeconomic Development at the European Institute of the Mediterranean (IEMed)

Today's Turkey is a quite unique paradigmatic case of some of the most relevant international debates that are shaping the world agenda. It is one of the few international examples (together with Malaysia and Indonesia) that have proven to the sceptics that there is no incompatibility between being a Muslim society and developing an inclusive successful market oriented diversified economy.

With its high sustained economic growth of the last decade (an average of more than 5% per year during the period 2002-2012, and the OECD estimates that it will be the member country with a higher economic growth between 2011 and 2017 with an average of 6.7% annually) and its parallel democratization process, Turkey has been able to establish itself as one of the most relevant emerging powers. These successfully reforms and modernization in both parallel tracks is one of the main reasons for Turkey's prestige in the Arab world. And this is directly linked to its pro-European Union reforms, thus making this process as important for Turkish image in the region as its potential real final membership.

By delivering positive results in both fields, economic and political, it is becoming one of the *old international system periphery* countries moving steadily to the centre of the new emerging international system.

Turkey is today an increasingly needed country to involve in the definition and implementation of solutions to many of the most important regional and international tensions, either political or economic. A member of the G-20, an increasingly international donor, both bilateral (based on official figures in 2011 Turkish development assistance amounted to around $2.3 billion, being $1.3 billion from public sources and the remaining amount from non-governmental sources) and multilateral (in January 2012 became the 20th largest IMF shareholder, thus entering in its Executive Board), an increasingly relevant trade and investment partner of the countries of the Middle East North Africa region (MENA), not only has Turkey the objective resources to be a regional power but it also has the political will to act as such.

Turkey, with a population of around 72 million people, has a demographic growth of more than 1.3 million new inhabitants per year, making it become by 2025 the most populated country in Europe and the second more crowded in the MENA region, only after Egypt. More than 60% of the population of Turkey are younger than 35 years old, making this country a very dynamic society in terms of potential for production and consumption.

Since 2002, the year the politically conservative and economically liberal Justice and Development Party (AKP) took power through fair elections, the size of its economy has tripled, its per capita income has multiplied by four and its exports have multiplied by more than four, reaching $152 billion in 2012.

Turkey is also becoming an inspiration paradigm for many of the emerging actors involved in today's changes in the Arab world and beyond. In fact, Turkey is considered to be the most diversified, inclusive, internationalized and value added economy in the Muslim world.

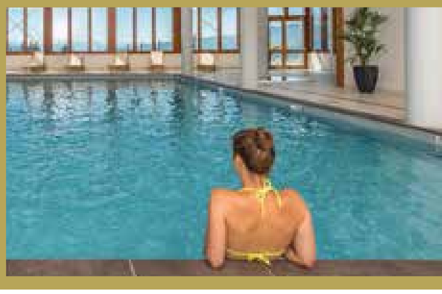
AKP's economic foreign policy

In these last years the government of Turkey has actively pursued a policy of comprehensive engagement with most of its neighbours by encouraging the involvement of the non-state actors with their national counterparts in these countries, among other active policies. By developing this deep and integral bilateral approach Turkey has been able to involve not only the institutions explicitly devoted to the internationalization of the economy, such as TUSKON, DEIK, MUSIAD, TUSIAD or TIKA, but also universities, schools, think tanks, NGOs, governorates, municipalities, media…

This has been complemented and reinforced by the state through the establishment of a set of international agreements that facilitated these contacts. Free Trade Agreements (FTA) with several countries of the MENA region were signed (being the most relevant in terms of economic impact the one established in 1996 with Israel, the FTA with Egypt entering into force in 2007 and in 2008 with Syria) as well as agreements to avoid double taxation. In parallel, visa-free agreements were deployed to facilitate all kind of contacts between Turks and other peoples of the region. These agreements have facilitated and paved the way for the economic spillover of Turkey into its neighbour countries.

The more relevant and quite unique case of a multilateral comprehensive approach lead by Turkey in this region was

4★★★★ RESIDENCES
SKI & GOLF



NOW IS THE TIME TO TALK TO US ABOUT
A CHOICE OF INVESTMENT OPPORTUNITIES

EDENARC 1800
SAVOIE · FRANCE

+33 (0)4 79 22 00 16
www.edenarc1800.com

A HIGH-END PRODUCT BY
SOTARBAT 360

Conception : Clair de Lune – www.clairdelune.fr – © photos : T. Shu, B. Nollet/Les Arcs

"Since 2002 the size of its economy has tripled, its per capita income has multiplied by four and its exports have multiplied by more than four, reaching $152 billion in 2012"

the establishment of the Close Neighbours Economic and Trade Association Council (CNETAC) between Turkey, Syria, Lebanon and Jordan in July 2010. CNETAC, whose main architect was Turkey, and was intensively advocated and lobbied by the private sector, had the explicit objective of creating a non-visa free trade zone to boost trade exchanges in addition to improve cooperation in transport, tourism and energy.

This regional agreement, established following the same logic and modus operandi of the European Union, has its declared main objective of expanding its geographical coverage by including in different phases more countries from the region. In fact, its long term objective was to create a wide area of welfare and stability via economic interdependence in regions among the Mediterranean, the Red Sea and Basra: the so called *'Vision of 3 Seas'*. Under this logic the next countries expected to join were Iraq and Egypt, followed later by the Gulf Cooperation Council (GCC) economies.

CNETAC has been suspended due to the war in Syria and its political, economic and human consequences for the region. Despite this suspension, Turkish authorities have shown their commitment to continue to pursue regional economic integration once the Syrian crisis is stabilized.

A total performance foreign economic policy

This kind of *total performance* foreign economic policy has allowed Turkey to have a stronger leverage on the neighbouring economies.

The increased normalization of bilateral relations of Turkey with most of the countries in the region in recent years, even in today's context of upheavals, and its national *economic imperative* of finding new unsaturated markets for the products of the export-oriented Turkish economy (which should sustain the high rates of Turkey's economic growth) has been led by an impressive trade and production diversification of Turkey's economy.

Turley has made an important effort during the last decade to diversify its domestic productive structure as well as to reach new markets, beyond the traditional saturated and crisis hit western economies. Turkey has been able to spread and consolidate its industrial development to other regions of the country apart from the traditional poles, like Istanbul, the Marmara region, Ankara and Izmir. As a Turkish Exporters Association (TIM) report of 2010 pointed out, in 2001 there were only four Turkish provinces exporting more than $1 billion. By 2009 there were 12 provinces exporting more than $1 billion. In parallel, in 2001 only 9 cities were exporting more than $1 billion, while in 2009 there were already 20 cities exporting more than that amount.

Many of the regions that have improved their economic internationalization are located in inland Anatolia, in areas with less connectivity to western markets and logistically and sociologically neared to the Middle East. Cities such as Gaziantep, Adana, Kayseri, Eskisehir or Konya, the so called *'Anatolian tigers'* due to their impressive economic growth, have become relevant national production centres for some traditional sectors such as textile or automotive. Significantly, cities like Gaziantep have become a sort of hub to trade with countries such as Syria and Iraq.

These cities have become one of the main drivers of Turkey's economic penetration in the Middle East markets due to their geographic proximity, their socio-cultural affinity and their connectivity (infrastructures such as highways, trains and border gates have been created to reinforce these trends). As a consequence, Gaziantep exports 60% of its goods to the MENA region while only 24% to the EU markets. Similar trends occur in other Anatolian emerging industrial poles such as Konya, Adana or Kayseri.

This same TIM report of 2010 showed the growing diversification of the productive base of Turkey's economy, with the increasing revalorization of traditional sectors (such as automotive components, textile and agriculture and food related businesses) and the strong emergence of other value added ones (such as transport and logistics, finance, ICT, environment and renewable energies). According to this report, in 2001 the total number of sectors in Turkey exporting more than $1 billion annually was nine while by 2009 there were already 18 sectors exporting more than this amount.

Turkey's main exports rely on low and medium technology products (representing as much as 66% of all its exports in 2011 and up to 69% if only export to the Mediterranean are analyzed), as shown in the tables.

Technological breakdown of Turkey's total exports to the world (%)

	1991	2011
Primary products	19	13
Resouce based	18	17
Low tech	46	33
Medium tech	14	33
High tech	3	4

Technological breakdown of Turkey's total exports to Mediterranean region (%)

	1991	2011
Primary products	17	10
Resouce based	27	18
Low tech	38	31
Medium tech	15	38
High tech	3	3

Source: UN COMTRADE, TEPAV

These kinds of products tend to target middle income economies due their price-quality relation. This is one of the reasons for the successful economic penetration by Turkey in the Middle East North African markets: the type of final and intermediate products it can provide are mostly demanded in these kind emerging non-sophisticated markets; and Turkey's geographic proximity is an added factor for the attractiveness of these products.

As a consequence of having more relevant exporting regions in Turkey and more sectors actively engaged in the internationalization processes, Turkey's foreign trade is going through a significant change in terms of trade partners. TIM figures show how in 2001 Turkish exports exceeding $1 billion went only to five countries, while by 2009 this figure was to 25 countries, many of these new markets being in the MENA region.

Turkey's foreign trade: a tale of two regions

The table below shows how Turkey's exports are increasingly focusing basically in two economic regions: the European Union and the Middle East North African region. These two *'regions'* represent more than 73% of its total exports.

Share of geographic regions in Turkey's exports

	MENA	EU	REST OF THE WORLD
2000	13.2%	56.4%	30.4%
2012	35.3%	38.2%	26.6%

Source: Turkstat

Significantly enough, these two economic regions are performing in opposite directions regarding Turkey's exports. While Europe still plays a leading role, the deep economic crisis it is suffering, and the dramatic contracting of its domestic demand, and the saturation of its markets, flooded with Chinese and other emerging economies products, are steadily reducing its attractiveness to Turkish exporters.

Conversely, the MENA markets are increasingly attractive to Turkish businessmen. The growing size of these markets next door (with significant demographic growth and unsatisfied demand), the improvement of the logistic connectivity with them, the facilities offered by the recently established bilateral agreements (free-visa, free trade…) and the complementarities between their needs and Turkey's productive sectors are favouring an intensification of commercial ties.

More than a trading state.

The performance of Turkey's economy has facilitated the creation and consolidation of a kind of Turkish enterprise that have acquired knowledge, technology, funds and vision to compete successfully at the international level. Turkish multinationals are expanding aggressively in some key sectors in these two economic regions. These companies not only trade with these economies but invest productively there, transfer technology, manage infrastructure, build all kind of construction projects and even finance big projects.

Several other Turkish economic actors are also increasingly involved in the MENA region to train, finance, plan infrastructure and promote cooperation. Turkey is establishing Turkish industrial parks in Palestine, Iraq and Egypt; is financing and constructing regional infrastructure (from pipelines to power grid interconnections, from highways to railways connecting the country to the rest of the Middle East economies).

It is financing important development projects such as schools and universities through its cooperation agency TIKA and other donors. It is developing logistic corridors to connect Turkey to the GCC markets (first through Syria and since April 2012 a Ro-Ro connexion between the ports of Mersin and Alexandria to bypass this country) or is deploying an advanced telecommunication infrastructure interconnection (the *JADI* project), connecting Jeddah, Amman, Damascus and Istanbul to Europe with strategic telecommunication underground infrastructure.

In today's regional context, and having in mind future demographic and climate change tendencies, Turkey's role in the MENA region as a strategic supplier of food and water will increase steadily due to its agricultural development, its powerful food processing industry and the big development water projects, specially the GAP mega project in the southeast of Turkey, bordering with Iraq and Syria.

It has been said that Turkey's active engagement with the region was due to the fact that it had become a *trading state* that needed to reach to more markets for its own products.

The factors mentioned before, as well as the fact that there is a comprehensive multilevel approach to the region (involving all kind of civil, political, economic, cultural and religious actors), are already making Turkey become more than a trading state. It is becoming one of the most relevant engines of economic cooperation in the region, being able to mobilize and coordinate around its power.

Besides this increasing economic involvement in the region, a tendency that will be reinforced after the upheavals of the region are stabilized, Turkey does not have a coherent, integral economic policy for the MENA region. Its policy towards the region is only an accumulation of bilateral links with each country. The previously mentioned CNETAC might have been the first step towards adopting a more multilateral approach led by Turkey.

In today's contexts of upheavals we might see in the near future the reinforcement of the image of Turkey as a successful socioeconomic inclusive development inspiration model, thus having more incentives to improve bilateral economic relations and strengthening the economic presence of Turkey in the region, as its *natural market*. Once the Syrian crisis is stabilized Turkey will have the economic and political potential to reinvigorate its leverage in the region and reactivate a *CNETAC-style* agenda and scheme. ■

International Chamber of Commerce
The world business organization

Commercial dispute? Think mediation

The benefits of commercial mediation as a mechanism to harness escalating dispute resolution costs and risks was the focus of the International Chamber of Commerce's annual mediation conference in Paris last month.

Attended by over 100 participants the event commenced ICC Mediation Week, a dynamic, seven-day programme of activities to raise awareness of the merits of mediation as a relatively low-cost and quick dispute resolution technique.

Featuring the 8th ICC International Mediation Competition, ICC Mediation Week saw over 600 participants converge for a rare chance to take stock of the latest developments in alternative dispute resolution and share experiences with dispute resolution professionals from more than 40 countries.

Outlining the steps companies can take towards conflict management in order to increase their company's price-earnings ratio Michael Leathes, former Head of Intellectual Property at BAT, underscored that while mediation offers an 80% success rate, a *"depressingly small"* number of companies have any form of conflict management system in place.

"Mediation is not a branch of law. It is a branch of business negotiation," he said.

The interactive conference was attended by over 100 participants who gained insight from mediation expert on how alternative and amicable dispute resolution (ADR) mechanisms can provide companies with greater control over escalating costs and risks compared to other dispute resolution processes, including arbitration and litigation.

Tailored to the interests of in-house counsel the ICC's annual Mediation Week was organized by the ICC International Centre for ADR, one of the world's leading institutions in the field of international commercial mediation.

"Legal remedies rarely solve the business issue at hand," said Alexander Steinbrecher, Legal Counsel at Bombardier. *"Clients need to take an informed decision based on an objective legal assessment when it comes to provisioning risks and opportunities. External counsel should not take the decision alone."*

Afternoon panel sessions highlighted the business benefits of using mediation to help parties find common ground for resolving disputes amicably, concluding that a won legal case is not always a won business case.

Christine Guerrier, Vice-President of Dispute Resolution and Litigation for Thales, France, told participants that Thales's budget for legal costs had been cut by approximately one-third down due to the increasing use of mediation. *"The earlier disputes are resolved the better for business," she said. It is difficult however to convince legal teams that who is right or wrong is not really the issue in a mediation,"* Ms Guerrier said.

The conference was moderated by Hannah Tuempel, Manager of the ICC International Centre for ADR, and Christopher Newmark, experienced Mediator, Arbitrator and Counsel, who summarized and visualized each session in the form of a conference 'mind map' to be used as a practical takeaway reference tool for participants.

The event received the support of several in-house counsel associations including the Association of Corporate Counsel Europe, Corporate Counsel International Arbitration Group, the European Company Lawyers Association, and the Round Table Conflict Management and Mediation of the German Economy.

On day two of Mediation Week, 66 university teams from 31 countries set out to showcase their mediation skills in ICC's 8th International Mediation Competition. The Competition is one of the world's leading mediation capacity-building events challenging competing teams with complex, international business problems, which they must attempt to resolve by mediation conducted under the ICC Amicable Dispute Resolution (ADR) Rules. It featured over 140 mock mediation sessions, based on real cross-border commercial disputes.

Jagiellonian University of Poland won the Competition

Jagiellonian University of Poland won the Competition, beating runners up, the University of Auckland, in the Competition final.

"The Competition is ICC's biggest educational event and is recognized worldwide for nurturing best practices in cross-border business mediation"

Mark Jackson-Stops has conducted over 1,000 mediations and explained why he volunteered his time to act as a judge in the Competition for the fourth consecutive year. *"Mediators are here because we want a whole generation of lawyers to recognize that mediation is really an important part of the dispute resolution system," he said. "We have years of experience and know how certain techniques work and how others don't. We aim to give encouragement to students and steer them into ways in which they can become more effective."*

The Competition is ICC's biggest educational event and is recognized worldwide for nurturing best practices in cross-border business mediation.

"The ability to peacefully resolve commercial disputes has always been at the core of ICC's activities since its creation in 1919," said ICC Secretary General Jean-Guy Carrier. "In this context ICC is proud to contribute to the next generation of dispute resolution specialists."

Nkoyo Igunbor, a member of the Institute of Chartered Mediators and Conciliators (ICMC) in Nigeria attended the Competition to learn more about the way others conduct mediations.

"We would like to see mediation become part of the academic curriculum in Nigeria and intend to take our learning experiences back home. If we can get the average law student to understand mediation to the level that has been displayed here and get them to think like mediators before they even come out of law school that would be a great achievement." ■

To learn more about ICC Mediation Week visit www.iccwbo.org

Shariah compliant wealth management: on the right track

Sohail Jaffer is Deputy CEO at FWU Global Takaful Solutions

In the wake of the financial meltdown, a global trend of ethics/value based investments has been on the rise globally. Renewed attention to social responsibility in economic markets, and advancing the idea of Financial Social Responsibility reached unprecedented momentum. The professional association USSIF: The Forum for Sustainable and Responsible Investment estimates in its *2010 Report on Socially Responsible Investing Trends* that around $3 trillion in assets under management subscribe to one or more of the aforementioned approaches to socially responsible investing.

Over 250 mutual funds in the United States alone, utilize a social screening process, with assets of approximately $316 billion. There are hedge and exchange-traded funds (ETFs) that adopt a socially conscious approach to investment, as well.

In Europe, as per a study conducted by KPMG (*European Responsible Investment Fund Survey*), 1,236 responsible investment funds were identified with €129.49 billion assets under management.

Shariah compliant investments: the growing category within SRI

The growing importance of ethics within the investment industry and its convergence with the principles of shariah compliant finance is increasing the acceptance of the alternative financial segment in secular markets. Islamic finance has proven its potential and triggered interest globally. With a sizable the potential to manage assets worth $4,400 billion, growing at 10 per cent per year, while the actual size of the industry today is just $1,130 billion worldwide, according to the *Global Islamic Finance Report 2011*.

It has expanded geographically, setting footprint beyond its home markets and is likely to develop significantly in the coming years, with most global financial brands involved in shariah compliant finance either with own subsidiaries through strategic tie ups.

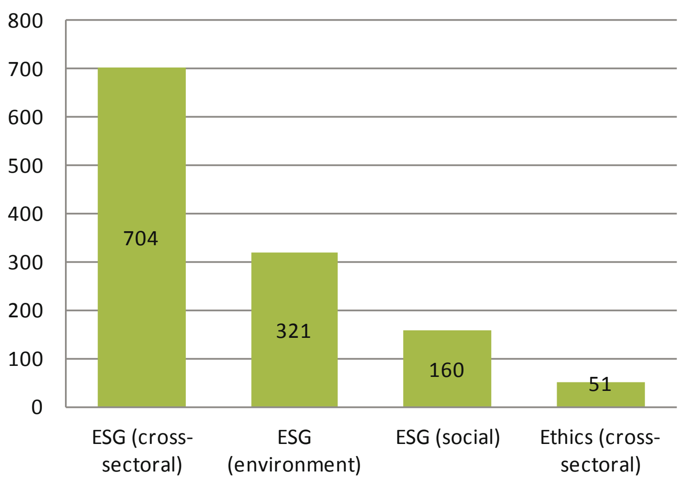
The KPMG SRI study has already identified 42 sharia compliant funds among the 'ethics' category of SRI funds, that comprises a total of 51 funds and an AUM of €2.5 billion representing the smallest of all categories of 1.9% of the total assets of SRI.

Growth prospects of Islamic wealth management industry are driven by a number of factors, organic liquidity driven by stable oil prices, younger more affluent population,

By categories

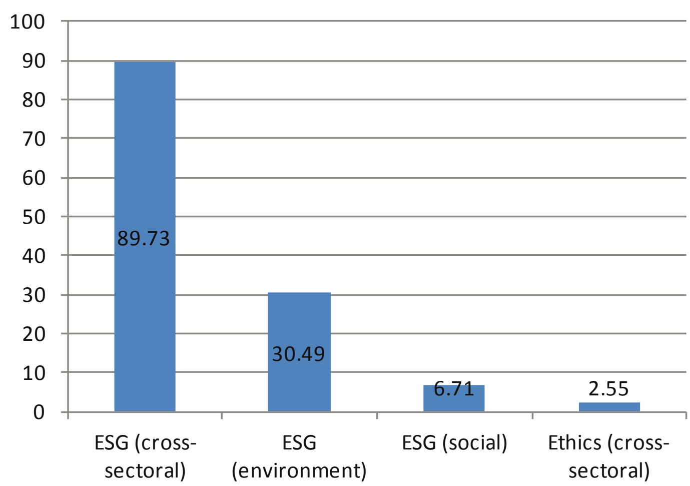
RI in nb of funds

Total = 1,236 funds



RI in AuMs

Total = €129.5 billion



Source: KPMG European Responsible Investment Fund Survey

WORLD COMMERCE
REVIEW

AWARD

Best Independent Corporate and Personal Tax Advisor 2013

World Commerce Review is pleased to announce that True Partners Consulting (UK) LLP has been awarded the Best Independent Corporate and Personal Tax Advisor Award 2013.

The selection panel took into account product innovation, on-going customer support and best practice criteria.

In addition, forward planning and CSR were seen as key areas for the award committee.

The World Commerce Review Awards are recognised as the principal indications of professional conduct and excellence.

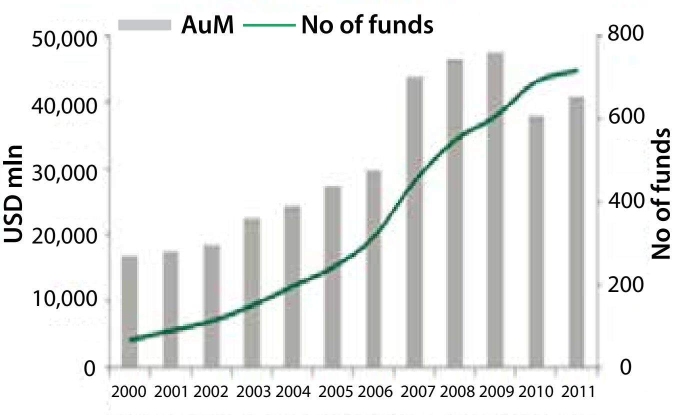
"The growing importance of ethics within the investment industry and its convergence with the principles of shariah compliant finance is increasing the acceptance of the alternative financial segment in secular markets"

growing sophistication of Islamic financial institutions and the increasing number of sharia-sensitive investors who until recently lacked proper shariah compliant opportunities to manage their wealth. There was also a significant surge in the personal wealth in the Middle East region that still constitutes the largest market for Shariah compliant finance. As per the *World Wealth Report* the high net worth individuals (HNWIs) population increased by 10.4 per cent to 440,000, with a combined wealth growing at 12.5 per cent to $1.7 trillion, (Dh4.4 trillion) of investable assets.

Relatively, the range of shariah compliant products and services remains limited within few classes and geographies but the depth and breadth of Islamic finance products have increased significantly from basic savings account to more sophisticated instruments on the capital market such as sukuk and Islamic real estate investment trusts.

There also has been significant growth in shariah compliant structured products such as undertaking collective investments in transferable securities (UCITS) funds. In addition, more flexible structures in Luxembourg such as the Specialised Investment Fund (SIF), which allows a wide variety of different investment strategies, can be used for shariah compliant private equity, property or other alternative investment schemes mainly aimed at institutional or high net worth investors. SIFs used either for shariah compliant funds or for conventional funds, have proven to be highly successful with Middle Eastern investors as per the Association of the Luxembourg Fund Industry.

Global Islamic funds growth trend



Source: Bloomberg, IFIS, Zawya, KFHR

Luxembourg has always been a first European mover in shariah compliant finance since the 80s, ranks today fifth worldwide by number of shariah compliant funds. The number of Middle East-based managers launching investment funds in the European country has increasedsteadily. There are 41 regulated shariah compliant investment funds domiciled in Luxembourg and total assets under management in shariah compliant funds are estimated at $5.3 billion.

Another pioneering initiative in Luxembourg was launched by four Luxembourg-based companies that are joining forces to create a specialised platform that will service shariah compliant investment funds. Amanie Advisors, ADEPA Asset Management, Theisen Law, and KBL European Private Bankers have launched a service that will be branded ALIF (Alliance for Luxembourg Islamic Finance), offering fund managers a service to have their custodianship and fund servicing carried out in a shariah compliant manner. Specifically assets will be held in segregated pools and prohibited from being used for short-selling or as security for interest-based lending, two activities prohibited under shariah.

Conclusion

The global wealth management sector is expected to grow with an annual average up to 6% from 2012-2015 to reach $162 trillion, despite expected slowdown in global economy.

Emerging markets are thought to be leading this growth. With financial assets growing robustly and influencing the global demand for equity products, HNWIs are expected to increase allocations to riskier assets such as equities and real estate, and their appetite for local equity products will grow as they become more willing to put money at risk in order to achieve higher rates of return, in line with improved investment confidence and especially if the global economy continue showing signs of recovery.

Shariah compliant wealth management is shining with an obvious continuous growth driven mainly by the increasing demand and preference for shariah compliant financial products, proactive measures taken by governments and jurisdictions worldwide to promote the development of Islamic finance in their respective countries, and the favourable demographics with growing young populations in most majority Muslim countries.

Many financial analysts believe that there is likely to be a bigger migration to Islamic financial services in certain markets due to the loss of faith in the conventional system arising from the global economic and financial crisis. As market conditions continue to improve, shariah compliant investment options are likely to be more attractive to larger audiences who will be looking for opportunities which are more transparent and ethically structured.

The outlook is certainly positive, however, for the industry to thrive, more products need to be developed, more innovation needs to be done to cater to the sophisticated needs of private banking clients. And most importantly the right regulation so these products can be facilitated. ■

Emerging markets – a risky business?

As more and more businesses look to expand globally, a key factor to consider when establishing themselves in other jurisdictions is the issue of regulatory risk and compliance. Ever-increasing and changing legislation means it is something that cannot be ignored.

Global law firm Eversheds recently hosted a roundtable event with senior legal professionals and business leaders to discuss this topic. Graham Richardson, head of Eversheds Consulting, led the roundtable event, and here discusses some of the key themes and expert opinions that emerged.

When expanding into other markets, there are many things a business should consider, not least the issues of governance, risk and compliance. With many businesses now focusing their growth strategy on emerging markets, Eversheds recently held a roundtable event that provided the ideal opportunity to delve deeper into the key risk and compliance issues affecting businesses operating in these markets. The event offered the chance for business leaders and legal professionals to discuss and debate the challenges businesses face when operating around the world.

A number of key themes emerged during the debate, including an acknowledgement that regulation does play an essential part when doing business in emerging markets, moving into the wider subject of how a business can ensure governance and regulatory compliance throughout its workforce, regardless of where it is operating.

Regulation in emerging markets

There was consensus around the table that for many multinationals, the issue of operating in emerging markets is not complying with regulation in that market, as many have fewer regulations, but ensuring that they are complying with the global regulations of their parent company whilst still being able to operate competitively in a new jurisdiction, whilst complying with necessary local regulations.

Many organisations are left in a Catch-22 situation, where the disconnect between regulations around the world often means that complying with regulations in one jurisdiction will mean that the business is not able to comply with regulations in another. Even within Europe there are opposing regulations that can prove challenging for many e.g. differences in Employment law, sale of goods guarantees and product liability requirements.

Participants agreed that, most often, organisations have to look to the regulations of the country they or their parent company is based in and comply with those first and foremost in order to be able to manage regulatory risks and maintain their reputation effectively.

Having to comply with home regulations, especially when businesses already based in the emerging market can operate without these restrictions, was felt by some to create an uneven playing field that leaves those coming in from an outside country at a disadvantage. The idea of delisting from the US stock exchange was discussed as a possible solution to this problem, so that a business could choose to base itself in a country with the least restrictions.

Regulation is essential

The participants acknowledged that regulation is essential to ensure that rogue operators are not allowed to proceed with undesirable or illegal activities. However, many attendees supported the notion that regulation, especially in the US and the UK, has gone too far. Many believed it was a case that regulators who lack experience in the actual markets they are regulating are imposing regulations that are both irrelevant and unnecessary. The wider question of whether businesses should comply with regulations solely because they exist, or because the regulation is morally or ethically the right thing was also raised.

Participants also discussed how regulation is constantly changing, but that the difference between coping with this change in your home market versus an emerging market is that it is easier to spot the precursors of change in a home market. Reading the signs of change in an emerging market, where a business is not attuned with public and political sentiment, can make the direction of regulation in other markets difficult to predict.

Do codes of ethics work?

For some companies, compliance is about setting and sticking to a code of ethics and set of rules. Participants discussed that a policy is only words and to ensure a culture of compliance that people believe in throughout a business you must incentivise people to do the right thing and have the right support mechanisms.

It was discussed how, for example, complicated financial services products should be incentivised by quality and suitability, not purely quantity, as the customer can't tell outright whether what they have been sold is good. Participants suggested that in the future, firms will need to provide empirical evidence of this and show that products have been marketed to the right people and developed with consumers in mind.

What solutions are there?

To conclude the evening, participants discussed what can be done to better deal with issues of governance and compliance.

They suggested that organisations need to realise that compliance is not just an occasional cost, but that ever-increasing and changing regulations, coupled with a desire to operate in more markets mean that it is something that should be invested in and factored into budgets as a daily expenditure.

Overall, attendees concluded that they realise that regulation is not something that will go away. Therefore, streamlined methods of dealing with it need to be found. This is particularly the case when multinational companies are competing with businesses in emerging markets. These companies have the home advantage of being totally familiar with the nuances of the market, and are not restricted by the additional responsibility of having to simultaneously comply with regulations from a different jurisdiction. ■

"... regulation is not something that will go away. Therefore, streamlined methods of dealing with it need to be found"

M&A - laying down the law

A report commissioned by global law firm Eversheds, *'The M&A Blueprint: From inception to integration'*, highlights some of the common issues that can affect the successful conclusion of international merger and acquisition activity. Insight and experience from 400 global firms has been gathered in order to share knowledge that could help drive value for cross border deals. Here, Robin Johnson, M&A expert and partner at Eversheds, highlights some key observations concerning the role, influence and impact of legal teams when it comes to identifying potential issues, helping deals run smoothly and, ultimately, realising the full value of a proposed transaction.

It is generally accepted that despite a number of challenging macroeconomic issues, boards within global businesses are under pressure to drive growth. While conscious of problematic economic conditions, international deal-making and merger and acquisition activity remains an important and strategic business tool to secure growth. However, driving value from such deals is a key factor in their future success and this is where problems can occur. According to our report, it appears that the full potential of cross-border deals is often compromised due to identified common weaknesses in the deal process.

This is the view of 400 multi-national companies who are involved in cross border M&A activity, and who shared their opinions and experience of such deals with Eversheds for our *The M&A Blueprint: From inception to integration report*. They highlighted the potential for concerns in the deal process and advocated close scrutiny of key areas which could, ultimately, determine the future success of the deal. One of these key areas is the involvement, role and influence of the legal team.

Some particular areas regarding legal team involvement as

"Respondents strongly advocated the essential requirement to create a core deal team to provide the 'connective tissue' to link all the phases of the deal together"

part of M&A activity were highlighted by respondents as being important considerations when it comes to assessing a successful deal. The involvement ranged from initial deal inception, planning and due diligence, through to deal execution and integration post deal.

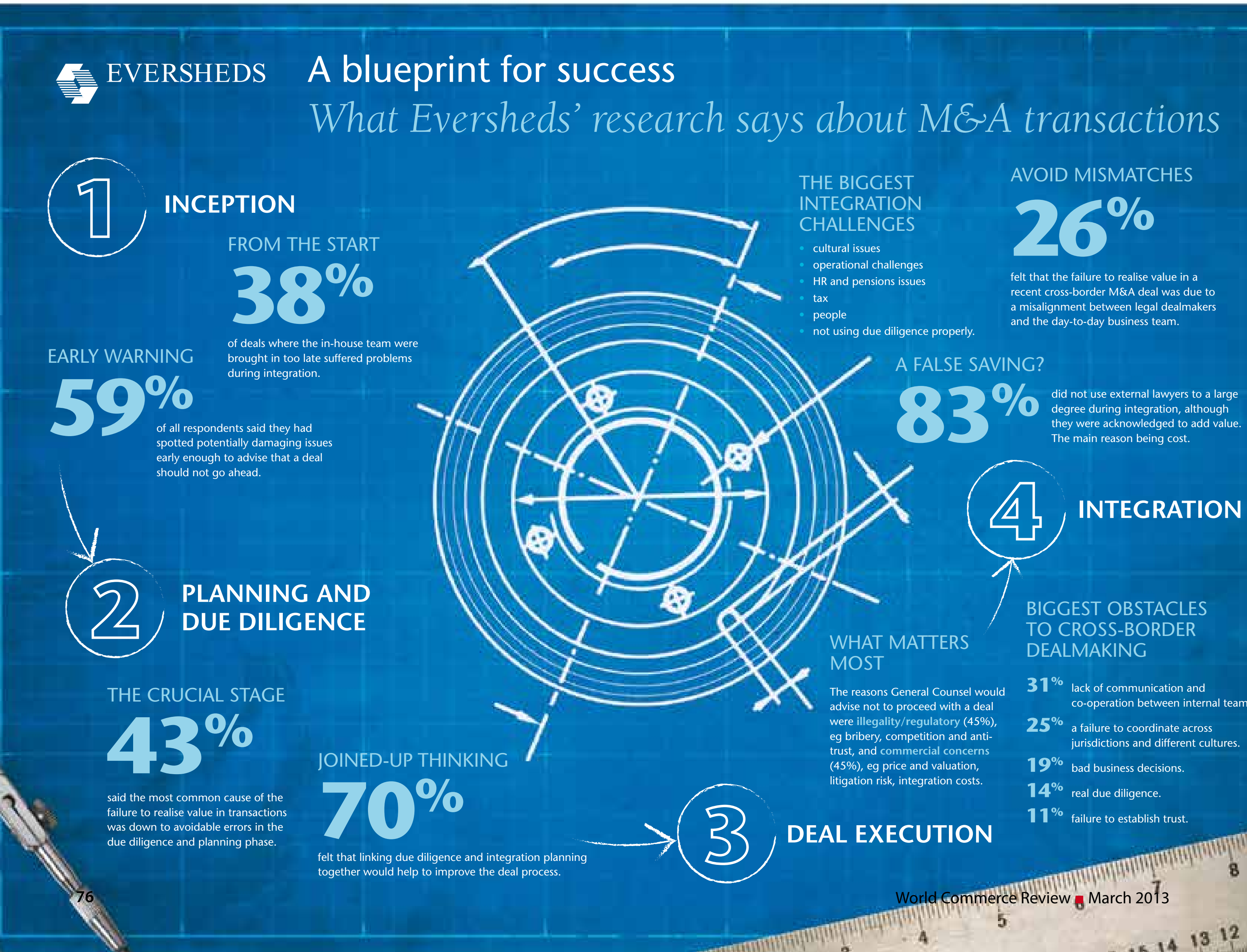
Working together

A crucial observation for deal success appeared to be the necessity to bring internal and external work streams together. The research found that business development teams often put the failure to realise value in M&A down to external, uncontrollable factors such as economic crises or the departure of the target's management team, whereas legal experts often point to internal and highly controllable factors as the reason for deal failure. In fact, over a quarter (26%) of the companies questioned during our research said that the key reason for the failure of a recent cross-border M&A deal was a misalignment between internal work streams and time pressures to complete, for example, when a legal team received the findings of operational due diligence too late to be able to properly react under the procedure fixed in the contract. Crucially, a lack of coordination or communication between legal and management teams was highlighted by many as creating unnecessary complexity in getting the deal done.

Experience counts

The report also advocated the importance of experience when it comes to successfully completing deals and then realising full value from them. It appears clear that legal M&A experts who had worked on more than 10 transactions over the past five years were more likely to pay attention to understanding the potential liabilities for directors and the company. Issues such as tax planning and strategy and gaining an overall understanding of the target company's operation and materiality were cited as things experienced legal experts would be more aware of. The view of experts was that less experienced legal M&A experts tended to focus more on contract review and managing outside counsel.

Experience does count and our research found that there is a clear relationship between businesses that had in-



"Organisations that fielded core teams, including legal experts, with members who were continuously involved from inception and planning through to the integration stages, were less likely to experience unforeseen difficulties during the subsequent integration phase"

house legal practitioners with experience of 10 or more cross-border M&A transactions over the past five years and subsequently fewer problems, both commercial and legal, during the integration phases.

Get legal teams involved – from the start

A significant issue for the M&A experts was their collective belief that on many occasions legal advice was sought at too late a stage and not at a strategic level. Indeed, gone are the days when businesses relied solely upon indemnities – they now want solutions pre-deal. Our report shows that integration went as expected for 86% of businesses that involved their in-house legal teams in the proposed transaction early enough.

Over a quarter (27%) of in-house legal teams do not get involved in integration planning until the negotiation phase or even after the deal has been finalised. As expected, nearly half of those who got involved in integration planning during the negotiations or after the deal had closed, felt it was too late. Even for a significant number (30%) who had played a role before due diligence had started, they too expressed that this entry point was also too late in the process.

The research showed there was a direct relationship between organisations who reported a less than smooth integration phase and the later point at which they had involved their in-house lawyers. On their most recent transaction, legal experts felt that they were two and a half times more likely to have faced problems with the integration if their legal team became involved in the integration planning too late into the process.

In-house legal teams feel that they could add more value by identifying and dealing with potential issues if they become part of the process earlier on, for instance when considering potential targets for mergers or acquisition activity, or before the decision to proceed and start due diligence has been made. The sooner in-house legal experts are involved in the process, it appears, the smoother the transaction.

Role of General Counsel

With regulatory concerns a real issue for many companies, the report highlighted the increasingly important consideration of legal risk around M&A and the assessment of potential deals. General Counsel provide essential input at such a stage and more than half (59%) of all respondents said they had spotted potentially damaging issues early enough in the process to caution senior management about proceeding further with the transaction. Such concerns could range from illegality issues and commercial worries through to personnel/human-related matters.

The majority of the experts who took part in the report admitted to being major purchasers of external legal advice. Although external lawyers were considered capable of adding value to the integration phase of a deal, the majority – some 83% - did not use them to a large degree during integration.

Continuity is key

Underpinning the key legal-related issues highlighted above is the overwhelming recommendation highlighted by the report. Respondents strongly advocated the essential requirement to create a core deal team to provide the 'connective tissue' to link all the phases of the deal together. Such a core team needs to take the deal from the inception stage through to post completion integration. Businesses need to start to join the dots between the different stages of the deal cycle to move the focus from just simply 'doing the deal' to thinking about life for the business beyond the deal itself.

Organisations that fielded core teams, including legal experts, with members who were continuously involved from inception and planning through to the integration stages, were less likely to experience unforeseen difficulties during the subsequent integration phase.

In the USA, companies tend to resource their integration teams with personnel who were involved in the early stages of the deal, including members of the legal team who had carried out due diligence. In the UK, however, there appears to be a lack of the same continuity. Elsewhere, such as in continental Europe, the Middle East and Africa, businesses are also less likely to have continuity of personnel on their integration teams.

Adopting a project management approach for the life cycle of the deal not only ensures that the critical inception, planning and due diligence stages perform as they should, but also lays solid foundations to allow the deal execution and integration stages to match the original objectives of the deal.

According to our respondents, the inclusion of expert and experienced legal teams at an early stage, and then throughout all the stages of the deal process to counsel, offer advice or highlight potential problems, appears to be of critical importance. And, if they are to derive value and realise the full potential from any merger and acquisition transaction, it's imperative that businesses make the decision to include legal experts in their deal teams from the beginning. ■

Copies of The M&A Blueprint: from inception to integration report are available from http://bit.ly/ScKnSX

Cayman Islands Aircraft Registry

Your Registry of Choice!

Enhancing aviation safety through regulatory excellence

Unit 2 Cayman Grand Harbour
Civil Aviation Authority of the Cayman Islands
PO Box 10277
Grand Cayman, KY1-1003
Cayman Islands

Tel: 345-949-7811
Fax: 345-949-0761
Email: civil.aviation@caacayman.com
www: www.caacayman.com

CIVIL AVIATION AUTHORITY
OF THE CAYMAN ISLANDS

Your registry of choice!

The Civil Aviation Authority of the Cayman Islands (CAACI) is the authority responsible for the regulation of aviation throughout the Cayman Islands and for aircraft on the Cayman Islands Aircraft Registry, wherever they are based and operated. The Cayman Islands is a UK Overseas Territory and is therefore committed to the obligations of the Chicago Convention to which the United Kingdom is a signatory.

The CAACI's regulatory requirements are based on the standards and recommended practices of the International Civil Aviation Organisation (ICAO) for effective safety oversight and efficient operation of domestic and international air transport. The *'Air Navigation (Overseas Territory) Order'* (the Order) is the statutory instrument that details the legislative provisions for all the UK Overseas Territories. Additionally, Overseas Territories Aviation Requirements (OTARs) are provided as a means of compliance with the Order.

Aircraft Registry in the Cayman Islands

The Cayman Islands Aircraft Registry is the registry of choice for many owners and management companies with corporate aircraft as it maintains a reputation of providing a safe, stable and credible flag for registration of an aircraft. Standards are rigid and specifications exact to qualify, but this has led to the register being highly respected and recognised throughout the aviation industry internationally.

The CAACI works in close partnership with a specialised group of legal and financial firms and other Cayman Islands' Government authorities to ensure that clients have the most comprehensive counsel on every avenue of law, custom law, tax and insurance.

Once an aircraft is accepted onto the registry, a registration mark prefixed with VP-C plus two other letters will be assigned. Highly qualified CAACI airworthiness inspectors will then conduct thorough inspections of the aircraft at the home base or the designated maintenance facility for ease and convenience for their clients. This entire registration process normally takes four to six weeks. All aircraft on the register are re-inspected annually to ensure compliance with regulatory safety requirements. The CAACI dispatches its surveyors and inspectors based on client preference and works to meet the needs and time demands of the aircraft owners and operators.

CI registered aircraft are based globally in countries throughout Europe, Middle East, South America, Asia, North America and South Africa.

VP-C Online

In an effort to maintain exceptional service to clients, the Civil Aviation Authority of the Cayman Islands (CAACI) has developed an electronic data management system that provides a secure way to manage documentation online, 24/7, 365 days a year. This includes registry applications, certificates and authorizations electronically. The new system will make it easier for CAACI clients to apply for the various approvals that are required for both initial aircraft registration and for continuing airworthiness.

Owners and operators have complete access to the registration documentation online, including certificates and survey information. This gives the client convenient access to their information from anywhere in the world using a secure internet connection and personalised credentials. They are also given the opportunity to check the status on their applications which are normally managed by a nominated Technical Coordinator and will receive email notifications to advise them on new documents issued or alerts of any upcoming certificate renewals. ■

For more information pertaining to aircraft registration, including the process, listing of our partners, forms, schedule of fees and VP-C Online, they can be found on the CAACI website at www.caacayman.com