WORLD COMMERCE
REVIEW
ISSN 1751-0023
VOLUME 7 ISSUE 2 JUNE 2013
Cristián Larroulet on Chile's path to development
Karel De Gucht writes about the EU's ambitious trade agenda
Jürgen Thumann revitalising multilateralism
The business of change - the latest thinking in leadership development
Building on success to tackle climate pollutants
THE GLOBAL TRADE PLATFORM

YOUR OWN PRIVATE AIRLINE

NETJETS

FLIGHTS NOW LEAVING FROM WHEREVER YOU'RE STUCK
TO WHEREVER YOU DESPERATELY WANT TO BE.

+44(0)20 7361 9620

WCR@NETJETSEUROPE.COM

NETJETS MANAGEMENT LTD. IS THE MARKETING AGENT OF NETJETS TRANSPORTES AÉREOS S.A., AN EU AIR CARRIER.

The return of protectionism

The recent Sino-EU spat on solar panels has shown that favouring domestic firms at the expense of foreign rivals can create big headlines and be diplomatically painful. Such protectionism is rare, it is much more covert. Governments are adept at tilting the playing field to their advantage.

The holder of this year's G8 Presidency is the United Kingdom, who have made combating protectionism a priority. The out-going Director-General of the World Trade Organisation, Pascal Lamy, has warned that the protectionist threat is greater than at any time since the onset of the global financial crisis.

The *Global Trade Alert* has seen a resurgence in protectionism in the last year. Interestingly, G8 nations were responsible for a third of protectionist measures imposed in the last year. Non-G8 member China is the country most harmed by protectionist measures.

Unfortunately, the multilateral trade regime that has contributed so much to post-war prosperity is now under serious threat. The system only works if, from time to time, WTO members come together and agree a new 'trade round', which lower trade barriers across various sectors, and allow the global trade pie to keep growing.

A new trade round is "a global insurance policy against protectionism", as Lamy has noted. Unless a new round is agreed rules become outdated and the WTO grinds to a halt, so clogging up world trade. The world now badly needs a new trade round. Yet 12 years on from Doha, the talks remain gridlocked. Were the 159 member states to sign a deal, thousands of reciprocal trade liberalisation agreements would kick in. The benefits, in terms of commerce and poverty reduction, would be felt by billions.

Enter Roberto Azevedo, who has confirmed as the next director general of the World Trade Organisation. The Brazilian is his own man and will not favour western interests over another. Brazil, along with the rest of the BRIC grouping, is responsible for a third of the global economy, and hold over half of the currency reserves. They're also all net creditors, not least to large 'advanced' nations desperate to sell sovereign debts.

These large emerging markets, with many smaller countries following them, have exerted more and more pressure to have their say on the global economy, and now they've come together to appoint a WTO boss who the western world really didn't want.

Since the Cancun summit in 2003 Brazil has highlighted American and European agricultural subsidies, railed against the west for weakening the dollar, pound and euro through massive 'money-printing', a move which harms emerging market exports. Protectionist measures are increasing and nations are going their own way, cutting bilateral trade deals between themselves that exclude the west.

The emerging markets are fast-growing, have the fiscal strength and will soon account for the lion's share of the global economy. The west should make the sacrifices necessary to complete the Doha round, as future terms could be even more unfavourable.

The longer the world's leading nations fail to work together and the harder it will be to get the global economy back on its feet. ■

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

PUBLISHERS
Tom Forster
Roy Williams

MANAGING EDITOR
Tom Forster

EDITORIAL
Tom Page

SALES DIRECTOR
David Thompson

SALES TEAM
David Warmann
Phil Shaw
David Goldwin

CIRCULATION MANAGER
Andrew Kilby

PRODUCTION MANAGER
Michael Day

DESIGN AND PRODUCTION
West Riding Media Solutions

ISSN 1751-0023

©2013 The entire content of this publication is protected by copyright, full details of which are available from the publisher. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the copyright owner.

DISCLAIMER: Whilst every attempt has been made to ensure that at the time of printing the magazine the information herein is accurate and up-to-date, the publishers cannot be held responsible for any inaccuracies that may have occurred within the content of the publication.

Contents

08 Chile's path to development
Cristián Larroulet

12 Chile. A safe and secure place to do business. Q&A with Guillermo Tagle and Francisca Manuschevich

14 'The cheapest stimulus package you can imagine' – the EU's ambitious trade agenda
Karel De Gucht

18 Preferential trade agreements – a path to revitalise multilateralism
Jürgen Thumann

20 Navigating a 21st century global trading system
Bill Reinsch

24 How global supply networks drive jobs and growth
Matthew Slaughter

28 Estimating the effect of the TPP on Japan's growth
Yasuyuki Todo

30 ICC: global trade deals would generate exports creating 21 million jobs
International Chamber of Commerce

32 Time to move north?
Mikkel Barslund and Matthias Busse

34 First-ever rules for open account trade launched
International Chamber of Commerce

36 Building on success to tackle climate pollutants
Scott Vaughan

40 Planning for retirement
Christine Hallett

42 International pensions
Tim Bush

46 Natural hazard risk & investment in forestry?
Phil Cottle

50 TCI: out of uncertainty a new paradigm for investment
Mark A Fulford and Gilbert Morris

56 New construction norms are changing the face of luxury villas on the Spanish Costas
Richard A Rooke

58 Customization and expansion for executive education
Elliot Davis

62 The business of change
Garth Saloner

68 Building an in-house coaching program
International Coach Federation

72 Breaking down borders in business – future-proofing the MBA
Mark Stoddard

75 Leadership development as a key competency to addressing managers' burnout?
Karsten Drath

Successful digital businesses demand a jurisdiction where the financial and regulatory environment supports the need for speed in every aspect of corporate set up, activity and growth.

Bermuda does just that. We pride ourselves in rolling out more red carpet and less red tape.

That's why we've been long recognised as one of the world's top financial centres. And we back that up with our reputation as one of the world's most sophisticated e-Business jurisdictions.

According to the last four Economist Intelligence Unit's Digital Economy surveys for e-readiness, out of the world's leading economies, Bermuda has consistently placed in the top 22.

We are ready to help you succeed.

Bermuda
Delivers!

For more information:
E e-commerce@gov.bm
W ecommerce.gov.bm
T 1.441.294.2774

GOVERNMENT OF BERMUDA
Ministry of Economic Development
Department of E-Commerce

Iceland is just 3 hrs from EUROPE & 5 hrs from the USA

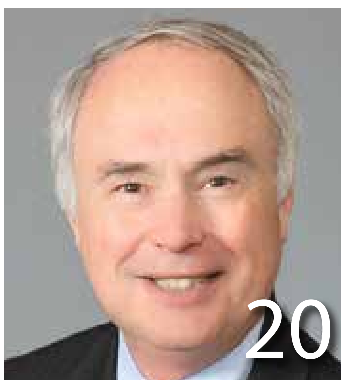
Let's meet in the middle

Put some truly out-of-the-ordinary experiences on your delegates' agenda, by offering them a gourmet dinner on a glacier, whale watching, bathing in natural hot springs, bread baking by an active sprouting geyser, a snowcat drive under the Aurora Borealis, a lunch meeting at the Blue Lagoon and many other unique delights.

Soltun 26 | IS-105 Reykjavik | Tel: +354 527 6666 | www.MeetinReykjavik.is

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.

Contents



78 Touch down for a lovely lazy holiday away from the crowd
Manoir Les Gaillardoux

80 Bermuda – the place to be for ICT
Bermuda Department of E-Commerce

82 The board of today
John Heaps

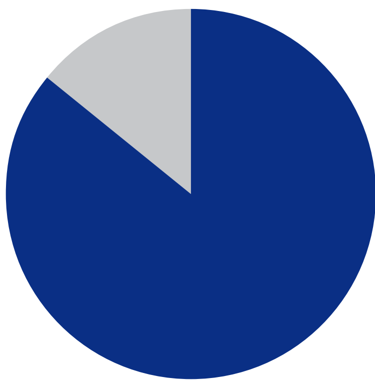
84 The Netherlands: a favourable jurisdiction for intermediate holding companies
Jos Peters

86 Sukuk: from a niche instrument to a global financial alternative
Sohail Jaffer

88 The benefits of the aircraft registry in the Cayman Islands
The Civil Aviation Authority of the Cayman Islands

Need Coaching?

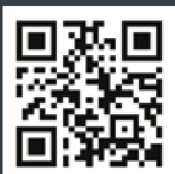
coachfederation.org



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**

Chile's path to development

Cristián Larroulet is Minister of the Presidency, Chile

Introduction

Chile is a long, narrow strip of land between the Pacific Ocean and the Andes Mountains in South America. Its wide variety of landscapes and climates make the country rich in agricultural products and natural resources.

The country is considered one of the most developed in Latin America and is noted for its political and institutional stability. It shares the same official language, Spanish, with all major economies in Latin America but Brazil.

For the past three decades, sound policies have contributed to steady growth and a dramatic decrease in poverty, with a strong commitment with free trade and foreign investment. The country participates in all major trade blocs in the region, including the Pacific Alliance with Mexico, Colombia and Peru, and has free trade agreements (FTAs) with most of the world´s leading economies.

Chile´s financial sector is well developed and has grown quickly in recent years due to high economic savings rates and responsible macro-economic policies. The country has benefited from the presence of large local institutional investors – mainly private pension funds – which are sophisticated investors that continuously invest in the local market. As a result, high-qualified human capital and a solid regulatory framework are already in place.

Consequently, Chile is an attractive investment opportunity and is well positioned to serve as a platform for foreign investors wishing to invest in Latin America.

FDI in Chile

Foreign Direct Investment has grown sharply, particularly during 2012. The figure of FDI as percentage of GDP for 2012 is the highest in Chile's history, with a 11.3%.

There are at least four areas in which Chile has achieved outstanding improvements that help to explain how we are becoming an attractive regional pole for foreign investment. These areas are international integration, sound fiscal and macroeconomic policies, innovative microeconomic measures and reliability of our institutions.

International integration

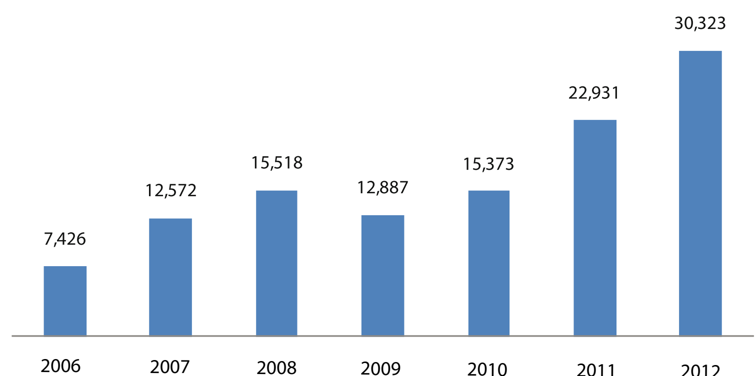
Chile is the best evaluated economy in Latin America and, indeed, one of the best evaluated among emerging economies worldwide. Its sustained economic growth and social progress have been highlighted by different international organizations and, in 2010, it became the first South American country to join the Organization for Economic Co-operation and Development (OECD).

Chile's open economy, combined with an active policy of bilateral, regional and multilateral trade agreements, has underpinned a sustained increase in foreign trade in goods and services and in the country's international competitiveness, consolidating its position as an active international partner. Just as an example, foreign trade in Chile was 16% of GDP in 1972 and is 69% in 2012.

Chile's 22 trade agreements, covering a total of 60 countries, have expanded its domestic market of 16.8 million inhabitants to one of over 4,300 million potential consumers around the world (representing 86% of global GDP and 62% of the world's population). These agreements include China, United States, the European Union, and several countries among APEC members, just to name some.

Nevertheless, Chile is still expanding its commercial networks, through negotiating an extension agreement with India and recently concluded negotiations with Thailand and Vietnam. Perhaps even more important is Chilean active participation in the Trans-Pacific Partnership (TPP) negotiations, which aims to further liberalize the economies of the Asia-Pacific region. Finally, Chile is a founding member of the Pacific Alliance with Colombia, Mexico and Peru, which Panama and Costa Rica will probably join in the near future.

Evolution of FDI inflows to Chile, 2006-2012



Source: Banco Central de Chile (www.bcentral.cl)

This agreement promotes economic integration within its members.

As a consequence of the previously mentioned trade agreements, Chile has an average effective tariff below 1%. This reflects Chile´s strong commitment to trade liberalization.

Sound fiscal and macroeconomic policies

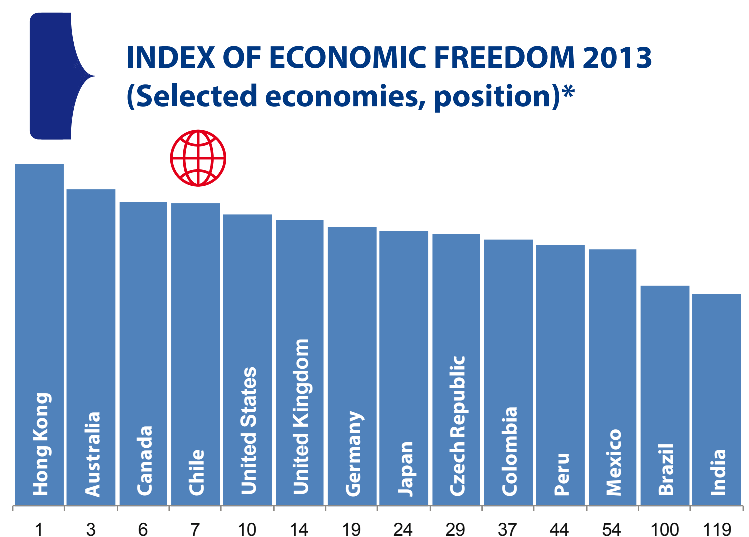
Fiscal discipline is one of the pillars of Chile's solid economy, with an independent central bank. Its fiscal accounts have shown sustained stability, only temporarily interrupted in 2009 when, as a result of the international crisis, revenues dropped and government spending was increased through a fiscal stimulus plan worth US$4,000 million that, according to the IMF, was one of the five largest in the world relative to GDP.

In 2010 we faced one the largest earthquakes ever recorded. Nevertheless, in the period 2010 - 2012 Chilean GDP growth averaged 5.9%; in 2012 we actually had the highest GDP growth rate among OECD countries.

Unemployment has decreased to around 6% percent since late 2012, and almost 900,000 jobs have been created on the last three years. Besides, inflation has been kept low; in 2012, it was only 1.5%.

Microeconomic reforms

Chile's economic freedom score is 79, making its economy the 7th freest in the *2013 Index of Economic Freedom* from The Heritage Foundation. Its overall score is 0.7 point better than last year, mainly due to improved scores in investment and business freedoms. Moving forward towards being one of the 10 freest economies of the Index, Chile enjoys the highest degree of economic freedom in the South and Central America/Caribbean region. As Chile's best indicators, the Heritage Foundation highlights property rights, investment freedom, monetary freedom and government spending. Chile continues to be a global leader in economic freedom. Flexibility and openness have equipped Chile's small economy with a strong capacity to adjust to external shocks. Facilitating entrepreneurial activity and sound policy choices grounded in a strong commitment to economic freedom have ensured economic dynamism. In addition, Chile was ranked 37th in the *Doing Business* index from the World Bank.



Source: Heritage Foundation (www.heritage.org)
**Out of 179 countries*

“Fiscal discipline is one of the pillars of Chile’s solid economy, with an independent central bank”

Chile’s position in both rankings has recently been improved due to specific initiatives from institutions such as the Ministry of Economy. These initiatives include the Competitive Boost Agenda, a set of 60 measures aiming to foster competitiveness, the reduction in starting a business from 27 days in 2010 to only one day in 2013, and the successful program Start-Up Chile, created to attract world-class early stage entrepreneurs to start their businesses in Chile.

For Chile, innovation is a key element towards reaching development. That is why the Ministry of Economy launched in 2013 the Year of Innovation, which encompasses a set of activities related to innovation, such as the program *ImaginaChile*, which rewards creative ideas to improve Chile.

Reliability

Chile and its institutions are reliable in many ways.

Chile is a safe and reliable place in which to do business. For a long time risk ratings agencies have kept their high ratings for Chile, based on its low level of public debt, the health of its financial system and its solid institutions. In fact, Fitch Ratings has ranked Chile with an A+, S&P with an AA- and Moody´s with an Aa3.

Chile is known for its transparency and this is reflected in international rankings that highlight the low level of corruption in the country and, particularly, its public finance, due to government efforts to raise standards in public administration. In Transparency International’s *2012 Corruption Perception Index*, Chile reached a score of 7.2 points, ranked among the 20 best-placed economies out of the 176 countries included in the Index. Chile has maintained a stable rating in recent years, leading among Latin American countries and enjoying the transparency standards of a developed country.

With the rule of law strongly maintained by an independent and efficient judicial system, prudent public finance management has kept public debt and recent budget deficits under control.

Reliability is also related with the impression of the country abroad. According to the Country Brand Index, from FutureBrand and AméricaEconomía, Chile as a country brand is ranked 34th on a global basis and 4th in Latin America.

Conclusions

In brief, we expect to become the first country in Latin America to reach development, based on an open and free market oriented economy together with a modern and stable democracy. ■

For further information visit:

www.gob.cl/english/
www.foreigninvestment.cl

-0.086348

CONTROLLING CORPORATE TRAVEL SPEND IS YOUR TOP PRIORITY

WE BELONG IN YOUR WORLD

You know it's about more than connecting people with their destinations—it's about transforming information into smart decisions that help you manage and control costs. That's your world, and when you make Diners Club® part of it, we help you see your world more clearly. We call it Global Vision®—because that's exactly what it gives you:

- Gain immediate access to your T & E expenses down to the individual charge level
- View and analyse expense data within days of posting in over 150 currencies
- Generate detailed reports in just minutes on spending activity, policy compliance, delinquencies and more

Call us now for solutions that put information in a new perspective.
DinersClubCorporate@discover.com | +1-623-643-2475 | www.DinersClub.com

51.5141151

BELONG

CORPORATE SOLUTIONS FROM DINERS CLUB INTERNATIONAL®

©2011 Diners Club International Ltd. All rights reserved.

CHILE

A SAFE AND SECURE PLACE TO DO BUSINESS

Chile is the first South American country to join the OECD and is one of South America's most stable and prosperous nations, leading Latin American nations in human development, competitiveness, income per capita, globalization, economic freedom, and low perception of corruption. In an interview with World Commerce Review, Guillermo Tagle, CEO & Partner, and Francisca Manuschevich, Head of Equity Research, IM Trust-Credicorp Capital, examine the attractiveness of Chile as an investment location.

Chile has been described as a key global emerging economy- please elaborate.

Chile has followed consistent macro and micro economic policies for at least 30 years. Among many, there are some policies that have been keystones for what has happened in Chile:

- **Commitment towards free trade.** It is part of the basics of our domestic economic model. Chile decided many years ago that it was not going to promote (through trade protections) any economic activity where there was no clear competitive advantage relative to other economies of the world. Starting from a situation where we had lots of protectionism (you may recall that Chile had its own auto industry at the beginning of the 70s), there was a plan to reduce trade barriers gradually through the years, removing every protection that a particular industry might have had, up to the current situation, 30 years later, when Chile has free trade agreements with almost every relevant economy in the world. Trade tariffs are close to zero for all imports. This process of a gradual opening of the Chilean economy was completed with no mixed feelings regarding particular areas of interest. In textiles, car and trucks, industrial manufacturing, the only ones that were able to succeed were the ones that could compete in a world with no tariffs, with standard, flexible and single exchange rate system, etc (many years ago, Chile used to have in the past different exchange rates for different industries, like in Venezuela today).

- **Pension fund system.** In 1980, the Chilean pension fund system changed from a pay as you go system to a fully funded capitalization system run by private sector pension funds. With assets under management over $160 billion, there are currently six private pension funds, '*Administradoras de Fondos de Pensiones*' and contributors are allowed to choose to invest in five different funds (ranging from a max of 80% equity to mainly fixed income). The establishment and operation of the private pension funds are regulated by law (the type of investments that are permitted are defined by law, pensions funds must deposit a minimum reserve, etc). Mandatory contribution amounts to 10% of the monthly income. Under Michelle Bachelet's government the pension fund system was reformed again.

  The minimum pension was replaced by a tax-funded solidary pension system, the legally defined framework within which pension fund investments are allowed was extended, and within a transitional period until 2015, independent workers will also be integrated into the pension system. The pension fund system in Chile has been crucial for the development of the financial market, and at the same time has increased the number of beneficiaries and the sustainability of the system.

- **Labour reforms (pro-employment and productivity)**. The incorporation of labour policies that harmonize labour flexibility with social protection, such as the current unemployment insurance has been crucial in generating quality jobs and increases in labour productivity.

- **Fiscal responsibility law**, which incorporates a structural balanced budget approach. It recognizes

an explicit objective of fiscal responsibility, which has allowed the conduction of a neutral budget cycle, which reduces the discretionary spending and soothes economic cycles.

- **Private concessions system** to complete all kind of public infrastructure projects of national interest. The participation of private players from the world through concessions has resulted in a significant increase in the development of roads, ports and jails infrastructure, among others.

- **Central Bank independence**, whose approach is centred in fighting inflation and maintaining a flexible exchange rate. The flexible exchange rate and the inflation targeting approach have allowed Chile to successfully go through the financial crisis of the last decade.

What kind of FDI has Chile been attracting.

Foreign direct investment has been consistently increasing in Chile. Between 2010-2012 it amounted to US$68.7 billion, showing an increase of 42% when compared to the period 2006-2009. During 2012, FDI represented 11.3% of GDP, the highest figure in the history of the country.

The sector that has attracted most of the foreign direct investment is mining, which accounts for 50% of total foreign direct investment, of which an important part is reinvestment of profits. The other relevant sectors are services (26%), energy (10%) and construction (2%). Infrastructure also accounts for a relevant amount of FDI, and is included in each of the abovementioned sectors (part of the FDI in those sectors is done through investment in infrastructure).

What are Chile's key advantages?

Chile has achieved a remarkable position in terms of:

- **Clear, efficient, transparent and stable regulatory framework.** Chile's regulatory framework has worked very well. It has undergone a series of structural reforms, including the labour market, deregulation of products and privatization of utilities, among others. All of these have increased the population's access to basic services and improved resource allocation. At the same time, it has required a complete upgrading of regulatory institutions. This clear regulatory framework has significantly improved the business climate in Chile.

- **Strong and autonomous institutions.** Chile leads the list in Latin America for political security, transparency, fiscal policy and business-friendly government.

- **Low corruption.** Chile is perceived as one of the less corrupted countries in the world. It was ranked 20 on Transparency International's *2012 Corruption Perceptions Index* (which reflects how corrupt the public sector is perceived to be), being the best in the region.

- **Rule of law** is strongly maintained by an independent and efficient judicial system. Contractual agreements in Chile are the most secure in Latin America, while courts are efficient and transparent. Expropriation is rare and property rights are strongly respected.

"Chile leads the list in Latin America for political security, transparency, fiscal policy and business-friendly government"

- **Open markets.** Chile has established free trade deals with many countries, while custom tariffs for most products have been abolished or significantly reduced. Foreign and domestic investors in general receive equal treatment due to the transparent and efficient investment regime.

All of these leave Chile in a favourable position for doing business, for both, local and foreign investors.

How easy is it to establish a business in Chile?

Chile is a safe and secure place to do business, with strong institutions and laws to protect investors.

According to the World Bank ranking for doing business, Chile ranks in the position number 37 out of 185 countries, and is the number one in Latin America and the Caribbean.

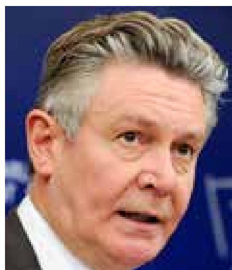
It is relatively easy for an individual or legal entity to start a business in Chile, and the process is very simple. The Congress recently approved a project that will allow entrepreneurs to incorporate companies online, in just 1 day and for free. This new law positions Chile as the country with the fastest process to incorporate a new business.

In terms of financial institutional investors, it is very easy. Investors need to get a simplified RUT (tax identification number), which they can get in a couple of days, and then they need a custody agent which will be in charge of the settlement of the operations.

What steps is government taking to make Chile a leading financial centre?

Probably the best example is the *'Ley Unica de Fondos'* (Funds Unique Law), which creates a single legal entity applicable to the third parties fund management industry, and establishes a regulatory framework for the administration of individual portfolios. This project aims to systematize and modernize the regulation applied to these investment vehicles, and to adjust the tax treatment that applies to foreign investors. With this, Chile will be able to maximize its potential of becoming an exporter of financial services and fund management.

The project aims to promote competitiveness and internationalization of this industry following the recommendations of the OECD. This initiative will allow the asset management and fixed income industries to operate with the same fluency as the equities market. ■



'The cheapest stimulus package you can imagine' – the EU's ambitious trade agenda

Karel De Gucht is the EU Trade Commissioner

Over the next ten to 15 years, 90% of world demand will be generated outside Europe. That is why it is a key priority for the EU to tap into this growth potential by opening up market opportunities for European businesses. Indeed trade is already one of the most important sources of our growth. The small contraction of the European economy in 2012 would have been four times larger if it were not for the money brought in by our trade.

One of Europe's main assets is that it remains one of the most open economies in the world, despite the crisis. The crisis has created public anxiety, which is in turn fuelling a critique of open trade policies. Families, workers, and even some companies, are seeking protection, which in turn prompts them to demand protectionism. Such a viewpoint is right about one thing. Trade has an important role to play in getting us out of the current situation. But closing down trade and investment is most certainly not the answer.

On the contrary: the European Union depends on trade in order to survive and prosper. Compared to others we have not reacted to the crisis by closing markets – on the contrary, we feel committed to further open them. Protectionism is not the answer if two thirds of EU imports are raw materials and components necessary for EU production process. We need imports to export. Raising the cost of imports would reduce competitiveness of EU production inside and outside the EU leading directly to a loss of European production and jobs.

That's why we want to keep our market open for imports and foreign investment. But we also want to make sure other economies open up for European services and investment. One way of ensuring this is through negotiating free trade agreements (FTAs) with our key partners.

In recent years, despite difficulties in moving forward in the multilateral context, we have not stood still in the face of rapid changes in the global economy. We have developed a trade policy agenda of an unprecedented scale: while less than a quarter of EU trade was covered by Free Trade Agreements before 2006, concluding on-going negotiations would bring this figure up to half of our trade and we are now accelerating and deepening this agenda with the opening of negotiations for an agreement on a far bigger scale with Japan and the US. Completing this agenda would bring the coverage of our trade by FTAs to two-thirds of EU external trade. This is by far the most ambitious trade agenda in the world today.

An ambitious trade agenda

So, what's on our plate? We have already successfully implemented a new-generation FTA with Korea. A similar agreement with Peru kicked into effect in March this year, and the deals concluded with Colombia and Central America are expected to start working during the summer of 2013, which is a great success for us and for the region.

We also recently concluded free trade talks with Singapore. Singapore is a gateway for the rest of South East Asia, in which we are also negotiating trade agreements with Malaysia and Vietnam, and have just started with Thailand. In wider Asia, we also hope to soon open talks on an investment agreement with China. Negotiations on a trade deal with Canada are close to finalisation. This deal would actually go beyond NAFTA, for example on government procurement.

FTA negotiations between the EU and Mercosur were re-launched in May 2010 and are of particular interest to the EU. As for India, an EU-India Free Trade Agreement would lay the foundations of our trade relations for the long term, bringing together a quarter of the world's population and 30% of its GDP. It has the potential to be a real game changer for global trade.

In parallel, we are also enhancing our engagement in our neighbourhood, where economic gains can be expected from deep integration and regulatory convergence. Deep and comprehensive FTA negotiations have been concluded with Ukraine and are on-going or soon to be launched with Georgia, Moldova and Armenia, as well as with Egypt, Jordan, and Tunisia. We recently launched talks with Morocco. The targeted level of integration is remarkable, and the EU's neighbourhood policy builds on the strong relation and synergy between trade policy and foreign policy, thus contributing to an area of peace and prosperity.

For development purposes, we have also concluded a comprehensive Economic Partnership Agreement (EPA) with the CARIFORUM group of States in the Caribbean and are pursuing negotiations with other African, Caribbean and Pacific (ACP) countries and regions.

All this shows that even in difficult times, we are able to

Confidence, insured.

Wherever there is trade, there is Atradius, ensuring that customers the world over won't fall prey to payment default and bad debt.

Supported by our expertise and market intelligence, business is free to look ahead with confidence – composed, flexible and resilient.

It's the perfect balance of managing risk and enabling trade, of safety and freedom, of insurance and assurance.

Seize the opportunity to discover more.

www.atradius.com

credit insurance | debt collection | business information

atradius

managing risk, enabling trade

"In recent years, despite difficulties in moving forward in the multilateral context, we have not stood still in the face of rapid changes in the global economy"

deliver ambitious trade deals that provide concrete benefits for the European economy.

EU-Korea: a landmark FTA which is already starting to produce results

In force since 1 July 2011, the EU-Korea FTA is the most ambitious trade deal ever concluded and implemented by the EU — and our first in Asia. It has led to an unprecedented level of tariff dismantling - starting with almost 99% of duties within five years - and some ground-breaking provisions on non-tariff barriers. EU exporters should save up to €1.6 billion a year in duties once the FTA is fully implemented. While it may be too early to draw final conclusions, there was a 37% increase in our exports during the first year of implementation of the agreement (against a rise of 1% in our imports). Our trade deficit has come down to just over €3.5 billion in 2011, from more than €11 billion in 2010 and well over €16bn in 2007.

Trade agreements with the US and Japan – negotiating with 'equals'

More than two thirds of the economic gains from our agenda would come from potential agreements with the US and Japan.

The EU's economic relationship with the US is its most important, unrivalled in scope and intensity, as illustrated in particular by the unique levels of mutual investment stocks (€2.4 trillion). Total US investment in the EU is three times higher than in all of Asia while EU investment in the US is around eight times the amount of EU investment in India and China put together. More than 15 million people are employed by European companies in the US or US companies in Europe. The transatlantic relationship has enormous potential which is far from being fully exploited.

Though the tariffs we impose on imports are low - around 4% on average - the volume of our trade is enormous. As a result every tariff we remove – even the lowest ones – will result in millions of euros of savings to companies, savings which can be reinvested for growth. But tariffs will only be a small piece of the deal. We are aiming for an even bigger package, which will include opening of markets for services and – very importantly – in public procurement. The most effort, however, will go into addressing those barriers that lie behind the customs border – such as differences in technical regulations, standards and certification requirements. These technical barriers to trade are estimated to have the same effect as if we had extra tariffs of between 10 and 20 per cent per product.

So I believe that it's certainly not exaggerated to say that such a 'transatlantic economic alliance' will be ground-breaking. In short: it moves beyond anything we have done before. It could boost our economies by between 0.5% and 1% of GDP and the real beauty of this deal is the fact that the increased trade between the EU and the US will offer real returns to every household - expected 545 euros per average household in Europe - for next to no investment. Given that both Europe and America are recovering from the biggest economic crisis in living memory, we cannot afford to ignore these gains now. The deal will create jobs and growth simply by opening up trade and investment flows. We hope such talks with the US can start in summer 2013.

A similar rationale lies behind our negotiations with Japan, which started in April 2013. Together the European Union and Japan account for more than one third of world GDP. Hence, an ambitious agreement between the two economic giants is expected to boost Europe's economy by 0.6 to 0.8% of its GDP and will result in growth and the creation of 400,000 jobs. It is expected that EU exports to Japan could increase by 32.7%, while Japanese exports to the EU would increase by 23.5%.

The Japanese market is huge but EU companies currently come up against serious non-tariff barriers. The result is that Japan has one of the lowest import penetration rates of any country in the OECD (6%, one fifth of the OECD average.) Likewise, it has the lowest level of inward foreign direct investment (FDI) in the OECD. Only 3% of global European FDI is in Japan. The EU-Japan trade and investment relationship is clearly underperforming and could be greatly enhanced.

Hence, the negotiations with Japan will address a number of these EU concerns, including non-tariff barriers and the further opening of the Japanese public procurement market. Both sides aim at concluding an agreement covering the progressive and reciprocal liberalisation of trade in goods, services and investment, as well as rules on trade-related issues. The negotiations will be based on the outcome of a joint scoping exercise, which the EU and Japan completed in May 2012. The Commission has agreed with Japan on specific roadmaps for the removal, in the context of the negotiations, of non-tariff barriers as well as on the opening up of public procurement for Japan's railways and urban transport market.

Given the importance that the elimination of non-tariff barriers has for achieving a level playing field for European businesses on the Japanese market, the negotiating directives adopted by the Council foresee a parallelism between the elimination of EU duties and of non-tariff barriers in Japan. They also authorise the suspension of the negotiations after one year, if Japan does not live up to its commitments on removing non-tariff barriers. In short: Europe can pull the plug on negotiations without penalty after one year if Japan doesn't show real evidence of removing certain non-tariff barriers in that 12 month period. And to protect sensitive European sectors there is also a robust safeguard clause.

Europe is still a key player in world markets

With all the doom and gloom about the euro crisis it can sometimes be easy to forget our strengths: the European

Avanzia
Taxand

Tax and Corporate Services

The '**International Tax Review**' **(ITR)** promotes **Avanzia Taxand** to **Tier 1** in the **2012 Transactional Tax Survey**.

For the 5th year running, **Avanzia Taxand** continues to increase market recognition for delivering quality, integrated tax advice and transactional tax excellence to multinationals around the world.

Experience. Expertise. Excellence.

Avanzia Taxand Ltd.,
Regional Building, Level 4, Mikiel Anton Vassalli Street, Msida MSD 9010, Malta
t +356 2730 0045 • f +356 2730 0049 • e info@avanzia.com.mt

Registered address: Leicester Court, Suite 2, Edgar Bernard Street, Gzira GZR 1702, Malta

www.avanzia.com.mt

Union is still the world's largest market, with 500 million affluent consumers. Our GDP of over 12 and a half trillion euro is rivalled only by the United States at 11 trillion. China and Japan, the next biggest economies, are considerably smaller, at around 4 trillion. The EU also remains the world's largest exporter, importer, source and recipient of foreign direct investment. We have managed to hold on to our 20% share of total world exports despite the rise of China, while Japan and the US have seen clear declines in their respective shares.

In short: those economies that do not have preferential access to our market stand to see their competitive position eroded if they do not take action by negotiating free trade agreements with the EU. At the same time, open markets are essential to kick-start growth and jobs in Europe. If we were to complete all our current free trade talks tomorrow, we would add 2.2% to the EU's GDP or €275 billion. This is equivalent to adding a country as big as Austria or Denmark to the EU economy. In terms of employment, these agreements could generate 2.2 million new jobs or additional 1% of the EU total workforce.

Truly, this is the cheapest stimulus package you can imagine. Trade is a key part of the solution to the current crisis and the EU is moving full steam ahead. ■

ABOUT THE AUTHOR

Karel De Gucht is European Commissioner for Trade since February 2010. A lawyer by training and a Belgian liberal (Open-VLD), he has held numerous political offices at both national and European level. He was first elected as a Member of the European Parliament at the age of 26 and has more recently been both Belgium's Deputy Prime Minister and Minister of Foreign Affairs (2004-2009) before first joining the European Commission as Commissioner for Development and Humanitarian Aid (2009-2010).

Preferential trade agreements – a path to revitalise multilateralism

Jürgen R Thumann is the President of BUSINESSEUROPE

With the WTO Doha round negotiations being stalled, the focus has turned towards plurilateral and bilateral trade liberalization. There are different voices about this change: some are very critical, warning that turning away from the multilateral approach makes the global trade more complex, contributing to the so-called 'spaghetti bowl' of diverging preferential trade agreements. Others argue that such agreements help to advance on trade liberalisation, as long as they generate more trade openness than trade diversion.

BUSINESSEUROPE, representing companies of all sizes across Europe, sees the multilateral route via WTO trade rounds as the best option for such liberalisation. At the same time preferential trade agreements, permitted under WTO law, also advance free trade and can act as catalysts for multilateral liberalization. The European Commission has engaged in a large number of free trade negotiations, some of them already concluded - as the one with Korea - others just being launched. Negotiations cover both big trade partners of the EU like India, and smaller ones like Singapore. During the last twelve months, two major trade partners have been added to the EU's negotiating agenda: Japan and the United States. If successfully concluded, both agreements can substantially contribute to European growth and employment. But what needs to be done to make this a reality?

With Japan, the EU officially launched free trade negotiations on 25 March 2013. Japan is the EU's 7th largest trading partner, while the EU ranks third in Japan's trade. While trade relations are significant, it is a widely accepted view that trade and investment is far below one could expect from two global economic powers. So from that perspective free trade negotiations make much sense. But in order to be successful and deliver on its potential, courageous decisions will have to be taken in sensitive areas.

Irrespective of the existing bilateral trade, Japan has and continues to be considered as a closed market which is extremely difficult to penetrate. Japan's economic rise in the 70s and 80s has been linked to the very strong export performance of its companies. Consequently, there was no pressure to open up its domestic market – a fact demonstrated by today's low stock of FDIs in Japan. With the global economic crisis strongly hitting Japanese business as well, there is now more understanding there that Japan has to open up as well.

Therefore, BUSINESSEUROPE expects from the Japanese government to deliver on its promises by taking very concrete and verifiable steps to open up its market to European competition. Free trade negotiations with Japan will only be successful if effective market access is granted to

European companies in Japan - comparable to that enjoyed by Japanese companies in the EU. In particular, the following results should be achieved:

- not just concessions on paper but specific, substantive, measurable, and non-discriminatory measures to open the Japanese market;
- the elimination of non-tariff barriers;
- the removal of obstacles particularly in the areas of services, investment, competition and IPR;
- comparable and effective market access in public procurement with the elimination of restrictive measures;
- parallelism between tariff reductions in the EU and elimination of NTBs in Japan for those sectors where Japanese tariffs are already low or inexistent; and
- in general, the resolution of all issues of significant economic interest to either party.

The list of obstacles is long, but their removal also represents a lot of new opportunities. Hence, BUSINESSEUROPE hopes that through the EU-Japan FTA – backed by both sides' highest political levels – longstanding barriers can be removed.

Turning now towards the Atlantic: the EU and the US enjoy the most integrated economic relationship in the world, generating more than $5 trillion in sales every year. Total US investment in the EU is three times higher than in all of Asia, while EU investment in the US is around eight times the amount of EU investment in India and China combined. Together, the EU and the US economies account for about half the entire world GDP and for nearly a third of world trade flows.

BUSINESSEUROPE strongly supports the launch of negotiation for a Transatlantic Trade and Investment Partnership (TTIP). Based on conservative estimates, a transatlantic agreement would increase GDP by 0.48% in the EU and 0.39% in the US, and increase income by 86 billion and 65 billion euros in the EU and the US respectively. Bilateral EU exports would rise by 28% and bilateral US exports would increase by 36%, creating thousands of jobs on both sides of the Atlantic.

What we want is a growth enhancing, deep, comprehensive and ambitious agreement covering all areas that have an impact on the business environment companies operate in today: trade in goods and services, investment, procurement, protection of intellectual property rights and regulatory issues. This would deliver the highest growth and jobs benefits for both the EU and the US economy. Therefore, the EU should negotiate on the basis of a very ambitious mandate from the member states.

A mandate on these terms means that all issues should be on the negotiating table to reach an ambitious deal with our largest trading partner. BUSINESSEUROPE recognises that EU and US negotiators will have to address sensitive issues for EU member states or for the Congress appropriately. However, this should not hamper the possibility of opening our economies widely for mutual benefit. We are especially opposed to either side excluding specific issues even before negotiations have started.

"Together, the transatlantic and the EU-Japan free trade agreements can provide significant new business opportunities for trade and investment to companies"

As regulatory divergences are a major obstacle to a truly integrated transatlantic market, we call for closer cooperation both at horizontal and sectoral level on this issue and for the agreement to introduce a mechanism that would prevent future divergences. BUSINESSEUROPE also strongly supports proposals on regulatory cooperation and public procurement coming from sector associations, whether made jointly or not with their American counterparts.

National treatment should be granted for investments in as many sectors as possible, including services. Investment protection should be provided in line with the best EU investment model and should be subject to transparent, objective requirements. On Intellectual Property Rights, the agreement should include commitments to preserve TRIPs and WIPO norms, to strengthen and better harmonise protections for trade secrets/confidential business information and areas of divergence should be solved in line with international standards of protection.

Given the importance of public purchases of goods, services and works by governments, procurement commitments under the Government Procurement Agreement (GPA) should be expanded in terms of coverage, at all level of government and public entities, lowering the existing thresholds and ensuring transparency as well as open and predictable procedural requirements.

Finally the agreement should strengthen the multilateral trading system by developing rules and standards in key areas (such as IPR, export restrictions, investment, and trade facilitation) that could be adopted beyond the transatlantic market.

Together, the transatlantic and the EU-Japan free trade agreements can provide significant new business opportunities for trade and investment to companies. And this is also to the benefit of other trade partners, as additional growth generated by these agreements will also stimulate trade with other countries significantly, as the EU, Japan and the US are large export markets for the rest of the world.

Additionally, Japan and the US are both engaged in the Trans-Pacific Partnership (TPP) free trade negotiations. All three initiatives will breathe new life into trade liberalization after long years when trade took a backseat. All of them – TTIP, TPP and EU-Japan FTA – can succeed, and can and should be mutually reinforcing. It is for that reason that BUSINESSEUROPE calls upon the negotiators of the EU, US and Japan to be very attentive that the different negotiations are closely aligned, in order to pre-empt any unnecessary regulatory divergence. ■

Navigating a 21st century global trading system

Bill Reinsch is the President of the National Foreign Trade Council

For the first three years of the Obama Administration, the Administration had done so little on trade that there was little to write about. Last year, however, was different, and this year will be different as well, although it will be a year where the work will be great and the results few. We will need to wait for 2014 for the latter.

After closing off the 'old' agenda of the Colombia, Korea and Panama free trade agreements in 2011, we are now moving on a new agenda – multilaterally, trying to rescue something, anything, at the World Trade Organization (WTO), plurilaterally moving on the Trans-Pacific Partnership (TPP) and a long-awaited US-EU negotiation, and unilaterally enacting trade negotiating authority.

Before discussing those issues, however, let me make a larger philosophical point about changes in the trading system that drive US policy.

We are living through extraordinarily rapid changes from traditional trade (exports and imports) to a global supply chain model. Everything is made everywhere. That means that the problems are not the same. Tariffs are no longer the big issue, though some big ones remain. Now it is non-tariff barriers, local content, intellectual property and more.

That has also changed the global political dynamic. The gap between rich and poor countries is narrowing, although inequality within countries, including the United States, is a growing problem. That creates new economic pressures on the developed countries at the very time their economies are most fragile, and it creates new institutional problems because the newly emerging economies have been reluctant to strengthen their commitment to a multilateral system they had little part in creating. Meanwhile, rich countries are no longer willing or able to pay high costs to maintain the system as is.

We also face the challenge of a non-Western economic model, what Chalmers Johnson called 'state developmental capitalism.' Originally it was Japan. Now it is China, India, Brazil and maybe Indonesia.

The consequence for the trading system is that inevitably we are moving away from most-favoured nation treatment and toward a two-track WTO, where one group moves faster on trade liberalization and the other group is 'just watching.'

This is why I am a short-term pessimist and a long-term optimist. Going through this transition will be painful. The developed countries have to adjust to diminished status. The emerging economies have to accept new obligations. Currently, neither is handling that very well, and I think we are in for a rocky five to 10 years. Eventually, however, new roles get sorted out, countries recognize where their interests, rather than their rhetoric, lie, and begin to act accordingly.

The US Administration's response has been to begin to act as though trade policy is a legitimate part of economic policy rather than a political millstone around their neck, but they also see it as part of a larger geopolitical strategy.

By that I mean the President's determination to be a 'Pacific President' and the growing challenge of China and the other BRICS to the West on many fronts. Both have forced the Administration to think more creatively about how trade policy fits into our overall global strategy. At the same time, the demise of the Doha Round has opened the door to more creative discussion about how to move forward.

The Round was one area of trade policy where the business community was solidly behind the Administration. No one thought there was enough on the table to get an agreement through Congress, or to persuade business to fight for it. That does not mean there was no interest in it. On the contrary, we were disappointed when it became obvious it could not be concluded, and we continue to hope for its resuscitation. For business, multilateralism is always the first best solution. At the same time, just as nature abhors a vacuum, we have also supported the Administration's efforts to move in new directions.

One of those is a services plurilateral agreement. The United States is one of the 22 or so countries having discussions on that, and it has the strong backing of the business community for two reasons. First, it offers tangible benefits in trade liberalization, which we support. Second, if it is successful it will send an important signal to those countries that were the obstacles in the Doha Round that much of the world is prepared to liberalize trade with them or without them. That a two-track WTO can become a reality.

It is already clear, to no one's surprise, that this negotiation will not be an easy one. None of them are these days. But a good deal of progress was made last year on a framework for the talks, discussions this year have continued to move forward, and there is currently a decent amount of optimism that an agreement will be reached.

www.aamil.com

AAMIL (Swiss) S.A.
TEL: + 41 22 818 6100
FAX: + 41 22 818 6101
E-MAIL: swiss@aamil.com

AAMIL (Mauritius) Ltd
TEL: + 230 210 1000
FAX: + 230 210 2000
E-MAIL: mauritius@aamil.com

AAMIL International Ltd
TEL: + 230 210 1000
FAX: + 230 210 2000
E-MAIL: seychelles@aamil.com

AAMIL (U.K.) Ltd
TEL: + 44 20 7242 9460
FAX: + 44 20 7242 9701
E-MAIL: uk@aamil.com

"The promising development is that the US Administration has discovered that trade policy is not a political albatross but something that can help grow the economy and thereby help them politically"

The other is expansion of the Information Technology Agreement, which likewise continues to make steady progress, once again without the participation of all the BRICS.

Meanwhile, squabbling continues over the remnants of the Doha Round as governments try to salvage whatever they can from it. Here there is less optimism. It turns out that there is no low hanging fruit. Things that once looked easy, like trade facilitation, have become difficult, both in their own right and because of the efforts of some to pile additional even more controversial issues on top of them. Thus, there is once again concern that we will have a failed ministerial meeting in Bali.

Such concerns push us to look for other ways to address the growing number of trade problems we face, many of them in new areas I mentioned.

Many of those focus on intellectual property (IP) enforcement and ensuring the free flow of information on the internet. That is not only in the interest of the United States. Strong IP rights are essential to the growth of an innovation class in any country. If you do not protect US companies' rights you are not going to be able to protect your own innovators' rights either, and if you cannot do that, they will leave and create somewhere else. Unfortunately, protectionist efforts in this area are becoming more numerous and more creative. We have moved way beyond simple theft into policies like forced localization and local content requirements.

Another topic left in the Doha debris is an agreement on green technology. This would be win-win-win – more jobs and growth, a cleaner environment, and a template of rules that can be used in other contexts as well. An important step was taken at APEC when members agreed to a cap on tariffs and on removing non-tariff barriers. This, too, is something we will be pursuing in multiple venues.

The main venue for these topics currently is the Trans-Pacific Partnership negotiations, soon to be joined by the US-EU negotiations. The parties have only now reached the point where significant concessions will need to be offered. Reports from the recently concluded negotiating round in Lima are that significant progress was made in a number of areas, but contentious issues remain on market access, IP and competition policy, including greater discipline on state-owned enterprises, among others.

The real danger point will occur when the issues are narrowed to a handful of politically difficult ones, at which time there is always a risk political will evaporate.

The latest development is the US-EU negotiation. There is no debate about the potential importance of this deal, and, while enthusiasm for it is great, there is also considerable scepticism about its chances. For one thing, we have been negotiating the regulatory issues for 20 years without success. I am optimistic we can get over that because of our mutual concern about emerging market competitive challenges, largely China, and the realization, to quote Ben Franklin, *"if we don't hang together, we will all hang separately."* Recognizing that, formal launch of the talks is set for this month with the first actual round to take place in July followed by two more this year.

Notwithstanding our mutual good intentions, however, we are divided by a number of fundamental differences. Three of the most obvious are privacy, competition and precaution. In particular, the latter, which underlies EU policy making in a number of areas, goes far beyond the American preference for science-based regulation. There are potentially middle grounds in these areas, but finding them and agreeing on them will not be easy. It will also be complicated because both sides have active oversight bodies in the Congress and the European Parliament, and both have numerous active civil society organizations that will be monitoring the talks closely. The European Parliament has already complicated the situation by agreeing to French demands for an exception for cultural matters in the talks.

The timing for concluding both these negotiations is uncertain. TPP members would like to finish this year, which is possible but unlikely. The European Union would like to conclude by the end of 2014 when the current Commission's term expires, but it is hard to believe that the regulatory issues will be resolved that quickly.

That suggests 2013 is likely to be a year of frenetic activity with few results. And I would say the same thing about the US Congress. A lot of work, but not necessarily a lot of results.

The biggest domestic topic will be new trade negotiating authority. The Administration does not need it to start a negotiation, but it needs it to finish. Both Senator Max Baucus, Chairman of the Senate Finance Committee, and Representative Dave Camp, Chairman of the House Ways and Means Committee, have said they are going to do it. The Administration has said the same, but seems to prefer doing it later in the context of a TPP agreement rather than sooner. The reality is that if the committees begin, everyone else will follow, so watch for hearing announcements.

This will be a long, complicated debate, if only because we haven't had it for 12 years, and there is pent up demand. There are people in the business community now thinking up ways to avoid complications, but it cannot be done. The National Foreign Trade Council, incidentally, plans to be in the midst of this debate. It has already offered its own draft bill and is consulting with Congressional staff on how to proceed.

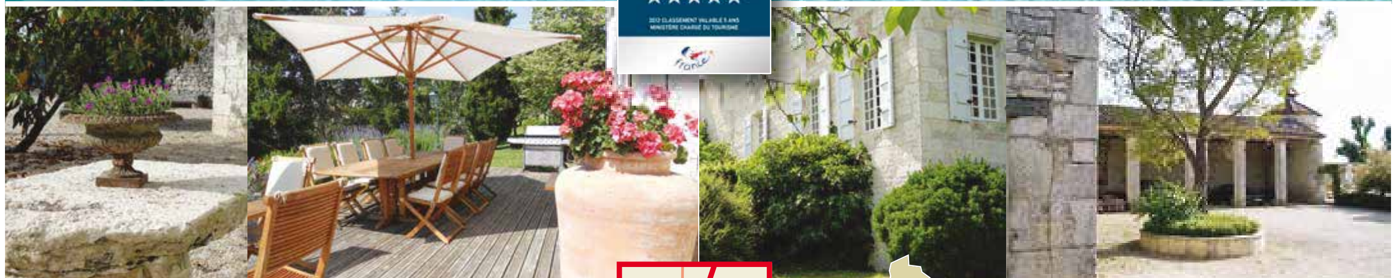
Touch down for a human scale holiday away from the crowd

RENT OUR

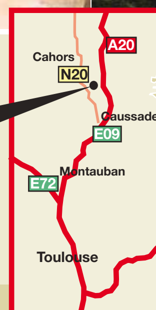
18th Century Manoir Les Gaillardoux

and enjoy buccolic, gastronomic SW France any time from June to mid October

Heated pool



18th Century Manoir Les Gaillardoux



XVIIIc Manoir Les Gaillardoux

5★COMFORT | PRIVACY | SPACE | EXCLUSIVE RENTAL

www.ManoirLesGaillardoux.com Tel. +44 (0)7860 215 202 enquiries@ManoirLesGaillardoux.com

On other matters, the Administration continues its policy of tougher trade law enforcement. From a business community point of view, there is nothing wrong with that, particularly since the Administration has been clear in its determination to only act in a manner consistent with our WTO obligations, but enforcement is a tactic, not a policy. It will only take one so far.

Of course, if you read between the lines on enforcement, you can see that a lot of it is really about China, which is rapidly becoming a special case in the trading system, and not just to us.

For companies the biggest problem is China's policies designed to force technology transfer and discriminate against foreign companies. Each meeting we have with China produces new commitments in these areas, but the record suggests that while the central government does what it says it will do, local authorities often pay no attention. That is not new – there is a 5,000 year history of that in China, but now it the foreigners that are bearing the costs. That means further legislative and administrative initiatives with respect to China are a certainty, as are expanding US efforts to enlist other countries in a united front on this.

On other matters, both the Generalized System of Preferences (GSP) and the Andean Trade Preferences and Drug Eradication Act (ATPDEA) expire July 31. Ecuador is the only remaining ATPDEA beneficiary, and faces significant opposition to its inclusion. Given that, it is likely Congress will simply let it expire. On GSP, Congress annually promises to overhaul it, and then ignores it until too late and ends up simply renewing it. This year we should hope for more but expect the same.

In addition, on the last day of the 112th Congress, members of the House Ways and Means Committee introduced a long-awaited miscellaneous tariff bill. While there was no time for action on it in the last Congress, its introduction set the stage for action on it this year. Ways and Means set a March 28 deadline for sponsors of the bill's provisions to provide updated disclosure information, and staff is now reviewing the updated information. Also, at the end of the last Congress, competing Customs reauthorization bills were proposed by Ways and Means Republicans and Democrats. Although there are many similarities between the two, the differences will need to be reconciled before the bill will move forward.

There are other issues looming – states' Buy America legislation, better protection of trade secrets, reorganization of our trade agencies, government procurement – but there is not space here to cover everything in a single article.

I have provided some guesses – hopefully educated ones. The promising development is that the US Administration has discovered that trade policy is not a political albatross but something that can help grow the economy and thereby help them politically. How they translate that understanding into actual accomplishments remains to be seen. ■

How global supply networks drive jobs and growth

Professor Matthew J Slaughter is Associate Dean for Faculty, Signal Companies' Professor of Management and Faculty Director of the Center for Global Business and Government at the Tuck School of Business at Dartmouth

Recent US jobs reports, while encouraging, show that we continue to confront a competitiveness challenge of too little economic growth and too few jobs. America's 113.2 million private-sector jobs today are not much above the number there were in late 2000, yet during these 12-plus years the US labour force grew by about 15 million.

The good news is there is a future in which America can create millions of good jobs and strengthen its economic growth by seeking opportunities in global markets. Achieving this future, however, will require thoughtful US policies based on a sound understanding that the success of American companies, and of the US workers they employ, increasingly hinges on their global engagement.

A new report I authored for USCIB, the Business Roundtable and the United States Council Foundation, *American Companies and Global Supply Networks: Driving US Economic Growth and Jobs by Connecting with the World,* explains what

Farnborough Airport

'The Business Aviation Gateway to London'

- Dedicated exclusively to business aviation
- Easy access to central London by car and helicopter
- Ample flight movement capacity
- Award winning FBO
- Full crew facilities and crew room
- Direct ramp access
- On-site luxury hotel - The Aviator
- Brand new hangarage, office space and storage available

www.tagfarnborough.com

"'Made in America' increasingly hinges on creative new ways to make goods and services in conjunction with the world"

American companies must do to succeed in today's dynamic global economy - and how that success fosters growth and jobs in America.

First, their success in America increasingly hinges on their venturing abroad to meet the growth in global demand that, over the past generation, has been much faster than that in the United States. The US share of world GDP fell from 32.3 percent in 2001 to just 21.6 percent in 2011. American companies see vast new markets with billions of new customers to serve not just via exports but, for global companies, via foreign-affiliate sales as well. For the affiliates of US-based global companies, the annual average growth in value added over 1999-2009 was 8.4 percent in Brazil, 22.8 percent in China, 24.9 percent in Eastern Europe and 26.8 percent in India. And 91.1 percent of what these affiliates produced abroad in 2009 was sold abroad, not imported back to America.

Second, successful American companies must also venture abroad to refine their operations by creating and integrating into global supply networks, which include both US and foreign companies. 'Made in America' increasingly hinges on creative new ways to make goods and services in conjunction with the world. One recent study estimated that the foreign content of US exports has tripled in the last 40 years, rising from about 7 percent in 1970 to 22 percent in the late 2000s - with a much sharper rise since 1990. A very important implication of America's engagement in global supply networks is not just rising exports but rising imports as well. In 2011 fully 62 percent of America's $2.2 trillion of goods imports were intermediate inputs that were used in America by American workers.

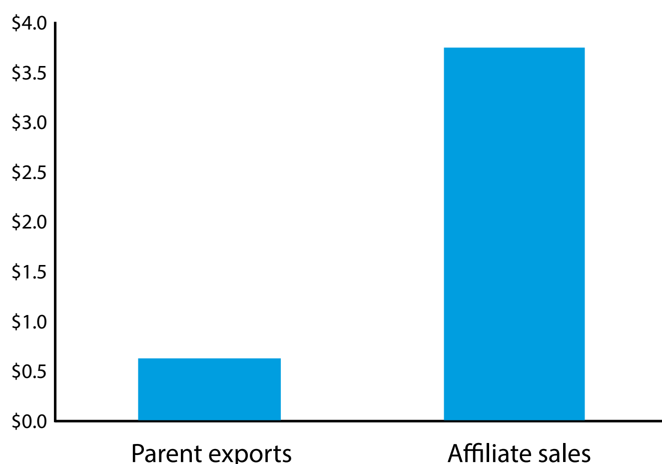
Third, even amidst all this global outreach, globally engaged US companies are fundamentally American companies whose activities drive economic growth and well-paying jobs in the United States. Global companies operating in the United States in 2010 employed 28.1 million Americans, at average compensation about one third above the national average. They performed $253.8 billion in research and development. They invested $587.3 billion in property, plant, and equipment. They bought from US suppliers more than $8.0 trillion in goods and services. And these companies are richly diverse in size and industry. Today about 26 percent of the US-parent companies of all US-based multinationals are classified by the US government as small businesses because they employ fewer than 500 people.

The global engagement of US companies tends to boost, not reduce, hiring, investment, and R&D in America. Research continues to show that more employment and investment abroad by US multinationals tends to increase employment and investment in their US operations. Globally engaged US companies also create jobs in other American companies.

In particular, they create jobs in small and medium-sized American enterprises that become part of their global supply networks. The US parent enterprise of the typical US global company buys more than $3 billion in intermediate inputs from more than 6,000 American small businesses, which was more than 24 percent of its total input purchases. All this job creation is dynamic, with many companies both expanding and reducing jobs as opportunities evolve.

Figure 1

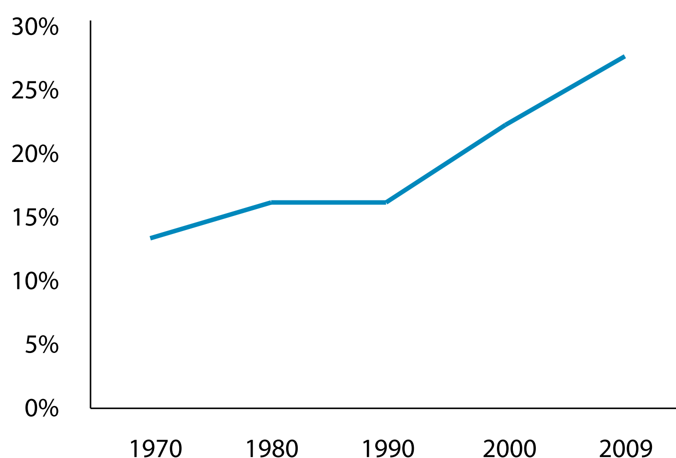
Parent exports and affiliate sales of goods, 2010



What global companies make abroad tends to stay abroad

Figure 12

Share of foreign value added in world exports



Exports are increasingly 'made in the world'

My report uses a mix of economic data, academic and policy research and case studies that detail how the success of globally engaged US companies, their customers and suppliers, as well as the US workers they all employ, increasingly depends on their competitiveness in the global marketplace. The companies profiled are The Dow Chemical Company, The Coca-Cola Company, ExxonMobil, FedEx Corporation, IBM, Procter & Gamble and Siemens.

There is no single strategy for what American companies must do to succeed and create jobs when venturing abroad. To stay ahead of intense international competition American companies must create, implement, and refine strategies from a truly global perspective. Globally engaged US companies need flexibility to experiment, learn, fail, adjust, and succeed.

To support American growth and jobs, US policies must help all companies in America - big and little, US and foreign, young and old - compete globally. Such sound policies are not guaranteed. But, if based on a clear understanding of what US companies must do to succeed in today's global marketplace, they are no doubt attainable. ■

ABOUT THE AUTHOR

Matthew J Slaughter served as a member of the Council of Economic Advisers from 2005 to 2007. His new report, American Companies and Global Supply Networks: Driving US Economic Growth and Jobs by Connecting with the World, published by USCIB, the Business Roundtable and United States Council Foundation, is available free of charge at www.uscib.org and www.uscouncilfoundation.org.

Key facts

Growth in demand abroad continues to surpass growth in demand in America.

International operations of US-based companies primarily exist to serve foreign markets, with more than 90 percent of the foreign production by American companies sold to foreign customers and not imported back to the United States.

Global companies operating in the United States in 2010 employed 28.1 million Americans, performed $253.8 billion in research and development (R&D), invested $587.8 billion in capital, and bought from US suppliers more than $8.0 trillion in goods and services.

The worldwide operations of US-headquartered global companies are highly concentrated in America in their US parents, not abroad in their foreign affiliates: in 2010, US parents accounted for 67.3 percent of their companies' worldwide employment, 72.5 percent of capital investment, and 84.3 percent of R&D.

Today about 26 percent of US-based global companies have US parent companies that are classified by the US government as small or medium-sized businesses because they employ fewer than 500 people.

Estimating the effect of the TPP on Japan's growth

Yasuyuki Todo is Professor and the Head of the Department of International Studies at the Graduate School of Frontier Sciences, University of Tokyo

Japan looks set to participate in the Trans-Pacific Partnership (TPP) negotiations. Reflecting the current debate in Japan, this column assesses what effect the Partnership will have on Japan's growth. Evidence suggests that the economic effects may be far bigger than the current consensus suggests.

Prime Minister Abe recently announced that Japan would participate in the Trans-Pacific Partnership negotiations, with all other Trans-Pacific Partnership parties now having accepted Japan.[1] This trade demarche is viewed as a key part of 'Abenomics'[2]. Although the dye has been cast, the debate in Japan has not ended. Many Japanese are sceptical about effects of the Trans-Pacific Partnership on the Japanese economy, so this is the right moment for research-based analysis of its economic effects.

Current estimates of the effects of the Trans-Pacific Partnership

The Japanese government disclosed their official estimate of the effect of the Trans-Pacific Partnership on GDP when Prime Minister Abe made the announcement. Based on a standard general-equilibrium model, the government forecasts Japan's participation in the Trans-Pacific Partnership to increase its real GDP by 3.2 trillion yen, or 0.66% in its ratio to GDP[3]. Furthermore, Petri and Plummer[4], using their extended Global Trade Analysis Project-type model which incorporates other factors such as extensive margins of trade and foreign direct investment, estimate that Japan's GDP in 2020 would be $95.5 billion (approximately nine trillion yen) or about 2% larger if Japan and Korea would participate in the Trans-Pacific Partnership.

Growth effects of the Trans-Pacific Partnership

These estimates, however, undervalue the its effects as they only focus on the direct impacts through lowering barriers for trade and investment and thereby increasing export and foreign direct investment and, in turn, domestic production. In addition to the one-time effect on output levels, economic integration may establish effects on output growth in the medium run through higher investment returns[5]. Furthermore, economic integration may lead to higher long-run growth by increasing flows of ideas across borders[6]. Therefore, a more substantial effect of the Trans-Pacific Partnership could be through expanding social and economic networks among participating countries and thus promoting innovation and technological progress.

Networks with diverse human resources have been found to lead to innovation at the micro level. For example, productivity of researchers is shown to be the highest when they have strong ties within their specific research community as well as external ties with 'outsiders' who have different specialties.[7, 8]

Furthermore, many studies indicate that export and inward/outward foreign direct investment improves the growth rate of Japanese firms' productivity. For example, Kimura and Kiyota[9] (2006), based on firm-level data, conclude that a firm's total factor productivity increases by 2.4% after it starts to export. According to my own research[10], foreign direct investment in research and development to a given industry in Japan increases productivity of Japanese firms in the same industry through knowledge spillovers from foreign direct investment. Furthermore, Japanese firms' foreign direct investment outflows in research and development and offshoring activities increase the productivity growth rate for their parent firms in Japan[11, 12].

Nevertheless, it is not fully understood by Japan's public nor policymakers that the Trans-Pacific Partnership will sustainably stimulate innovation and productivity growth, leading to an increase in the GDP growth rate and exerting significant long-term effects. As the figure below shows, according to the past estimates including those by Petri and Plummer, the Trans-Pacific Partnership will increase the absolute amount of GDP in the long run, but (without growth based on other factors) GDP will eventually stop growing and stabilise (as indicated by the red curve, A). If, however, the Trans-Pacific Partnership increases the economic growth rate by promoting innovation, GDP will continue to grow (blue curve, B). Obviously, effects on the growth rate will bring about significantly larger consequences on a cumulative basis.

The Trans-Pacific Partnership will increase the growth rate of GDP per capita by 1.5%

What, then, is the extent of such growth effects? By combining Trans-Pacific Partnership's effect on trade and foreign direct investment estimated by Petri and Plummer[13]

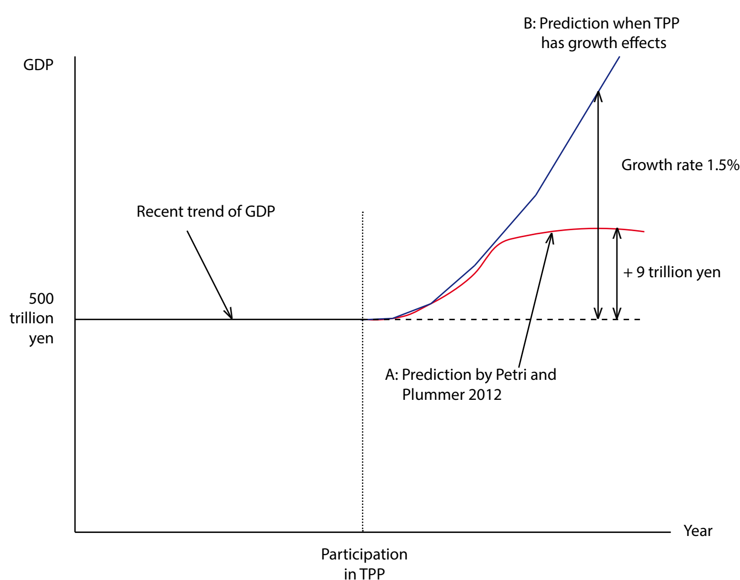
with the thick literature on the effect of trade and foreign direct investment on economic growth accumulated in the 1990s and 2000s, the Trans-Pacific Partnership's effect on the growth rate of GDP per capita can be estimated.

First, let's look at the effect of the increase in the trade volume. According to Petri and Plummer[4], the Trans-Pacific Partnership will increase Japan's trade volume (the sum of exports and imports) by $340 billion or 6.8 percentage points in its ratio to GDP in 2020. According to the estimate by Lee et al.[14], an increase in the trade share (the ratio of the trade volume to GDP) by one percentage point will increase the growth rate of GDP per capita by 0.027 of a percentage point. Accordingly, the increase in the trade volume due to the Trans-Pacific Partnership will raise the growth rate of GDP per capita of Japan in 2020 by 0.18 of a percentage point (that is, 6.8 multiplied by 0.027). This increase is significant given the nearly 0.8% growth rate in Japan's real GDP per capita over the past 20 years.

Second, an even larger effect would be expected with an increase in foreign direct investment to Japan. Petri and Plummer[4] estimate that the Trans-Pacific Partnership will increase foreign direct investment to Japan by $155.6 billion or 3.1 percentage points in its ratio to GDP. According to Alfaro et al.,[15] inward foreign direct investment increases the growth rate of GDP per capita, and the effect is larger for countries with a more developed financial system. When the ratio of inward foreign direct investment to GDP increases by one percentage point, the growth rate of GDP per capita increases by 0.78 percentage point times the ratio of private credits to GDP in logs. Given that the ratio of private credits to GDP for Japan in 2010 was 1.72 (World Bank's World Development Indicators), the increase in foreign direct investment to Japan due to the Trans-Pacific Partnership would increase the growth rate of GDP per capita by around 1.3 percentage points.

Combining the effects of trade and inward foreign direct investment, the growth rate of GDP per capita will increase

Figure 1



> ***"... it is not fully understood by Japan's public nor policymakers that the Trans-Pacific Partnership will sustainably stimulate innovation and productivity growth, leading to an increase in the GDP growth rate and exerting significant long-term effects"***

by 1.5 percentage points. With the average growth rate of Japan's real GDP per capita over the past 20 years at 0.8%, the Trans-Pacific Partnership could possibly lead to a growth rate exceeding 2%. Thus, participation in the Trans-Pacific Partnership could become the key policy measure for Japan's economic growth.

Some reservations and conclusions

We may have to interpret these estimates with caution for the following three reasons:

- First, the results above are based on the point estimates, ignoring confidence intervals.
- Second, although this article employs the results from seminal papers in the literature on the effect of trade and foreign direct investment on growth, other studies reached different results using different methods and/ or data.
- Finally, the estimate by Petri and Plummer [4]on the effect of the Trans-Pacific Partnership on trade and foreign direct investment will have different outcomes with different assumptions in the model.

Taking these factors into account, the Trans-Pacific Partnership's growth effects should be considered to have a significant range. However, even assuming the lowest limit of the 95% confidence interval of the estimates of Lee et al.[14] and Alfaro et al. [15], and assuming further that Petri and Plummer [4] overestimated the increases in trade and foreign direct investment volumes as being twice as large, the Partnership would still increase the growth rate of GDP per capita by 0.24 of a percentage point. This would still be a sufficiently significant effect for Japan whose recent growth rate has been 0.8%.

Furthermore, the macro analysis in Section 3 and the micro analysis in Section 2 do not seem to be inconsistent with each other. Kimura and Kiyota [9] demonstrated that starting to export increases the growth rate of the firms' total factor productivity by 2.4 percentage points on average. As the Trans-Pacific Partnership would lead to an increase in the number of exporting firms by prompting non-exporters to become exporters, the estimate of this article that the growth rate of GDP per capita increases by 0.18 percentage point through an increase in the trade volume would be reasonable. Also, Todo [10] demonstrates that spillovers of knowledge and technology associated with foreign direct investment into Japan improve the productivity of Japanese firms in average industries by 4%. Thus, it is not

surprising if increasing foreign direct investment to Japan due to the Trans-Pacific Partnership raises the growth rate by approximately 1.3 percentage points.

The estimated result that the Trans-Pacific Partnership will increase the growth rate of GDP per capita by 1.5 percentage points through promoting innovation may not be necessarily inaccurate. Furthermore, although we should interpret the estimates allowing for a sufficient range, its effect, even using a low estimate, will still provide sufficiently significant growth effects for Japan.

It should be emphasised, however, that the estimate is based on an assumption that the Trans-Pacific Partnership is completed without exceptions to the liberalisation of trade and foreign direct investment. The more there will be of exceptions and regulations in the Trans-Pacific Partnership, the less trade and foreign direct investment between participating countries will be resulted in, thus the smaller the effects of the Trans-Pacific Partnership. According to Petri et al.,[2] in the case that each participating country is allowed to have exceptions in three sectors, one-quarter of the Trans-Pacific Partnership-generated increase in Japan's GDP would diminish. Therefore, it is in national interests of participating countries, including Japan, that the governments will not set excessive exceptions so that they can benefit as much as possible from the Trans-Pacific Partnership. ■

1. For some governments, the assent needs to be confirmed by national parliaments.
2. Petri, Peter, Michael G Plummer and Fan Zhai (2013), "Japan's 'Third Arrow': Why Joining the TPP is a Game Changer", blog, Peterson Institute for International Economics, 15 March.
3. The simulation used the Global Trade Analysis Project (GTAP) model.
4. Petri, Peter and Michael G Plummer (2012), "The Trans-Pacific Partnership and Asia-Pacific Integration: Policy Implications", Peterson Institute for International Economics Policy Brief, refer to http://asiapacifictrade.org/ for more detailed results.
5. Baldwin, Richard (1992), "Measurable Dynamic Gains from Trade", Journal of Political Economy 100(1), 162-174.
6. Rivera-Batiz, Luis A and Paul M Romer (1991), "Economic Integration and Endogenous Growth", Quarterly Journal of Economics 106(2), 531-555.
7. Rost, Jatja (2011), "The Strength of Strong Ties in the Creation of Innovation", Research Policy, 40, 588-604.
8. Tiwana, Amrit (2008), "Do Bridging Ties Complement Strong Ties? An Empirical Examination of Alliance Ambidexterity", Strategic Management Journal 29, 251-272.
9. Kimura, Fukunari and Kozo Kiyota (2006), "Exports, FDI, and Productivity: Dynamic Evidence from Japanese Firms", Review of World Economics 142(4), 615-719.
10. Todo, Yasuyuki (2006), "Knowledge Spillovers from Foreign Direct Investment in R&D: Evidence from Japanese Firm-Level Data", Journal of Asian Economics, 17(6), 996-1013.
11. Hijzen, Alexander, Tomohiko Inui, and Yasuyuki Todo (2010), "Does Offshoring Pay? Firm-Level Evidence from Japan", Economic Inquiry 48(4), 880-895.
12. Todo, Yasuyuki and Satoshi Shimizutani (2008), "Overseas R&D Activities and Home Productivity Growth: Evidence from Japanese Firm-Level Data", Journal of Industrial Economics, 56(4), 752-777.
13. Petri, Peter and Michael G Plummer (2012), "The Trans-Pacific Partnership and Asia-Pacific Integration: Policy Implications", Peterson Institute for International Economics Policy Brief, refer to http://asiapacifictrade.org/ for more detailed results.
14. Lee, Ha Yan, Luca Antonio Ricci, and Roberto Rigobon (2004), "Once Again, Is Openness Good for Growth?", Journal of Development Economics 75(2), 451-72.
15. Alfaro, Laura, Areendam Chanda, Sebnem Kalemli-Ozcan, and Selin Sayek (2004), "FDI and Economic Growth: The Role of Local Financial Markets", Journal of International Economics 64(1), 89-112.

A version of the editorial was previously published on www.VoxEU.org

ICC: global trade deals would generate exports creating 21 million jobs

On behalf of global business, the International Chamber of Commerce (ICC) recently finalized recommendations for World Trade Organization (WTO) member countries to salvage parts of on-going Doha trade negotiations that could boost global GDP by US$960 billion.

Several hundred business leaders and trade experts met for the ICC World Trade Agenda Summit, held on the first day of the ICC WCF 8th World Chambers Congress, the first ever Congress to be held in the Middle East. The four-day Congress in Doha, Qatar gathered close to 2,000 delegates from chambers of commerce, as well as from multinational and small- and medium-sized companies.

Delegates met to give their stamp of approval to a final set of business priorities that would provide a debt-free stimulus to the global economy at a time when governments are struggling to inject growth into their economies.

By simplifying customs procedures – through trade facilitation measures – alone, member countries would deliver global job gains of 21 million, with developing countries gaining more than 18 million jobs and developed countries increasing their workforce by three million.

In March 2012, ICC and the Qatar Chamber of Commerce and Industry launched the ICC Business World Trade Agenda in response to calls from WTO members and from G20

leaders for fresh approaches following a 12-year impasse in multilateral trade negotiations.

"ICC has consulted with business around the world to develop a set of practical steps for reaching a new trade consensus," said ICC Chairman Gerard Worms. *"As the actors of trade in the daily marketplace, we are well placed to shed new light on stalled talks. We will mobilize CEOs around the world to make the case to national governments for this new trade agenda."*

The initiative has developed five recommendations that could achieve tangible outcomes by the end of 2013, to harvest gains from the WTO's Doha Development Round.

"The potential gains in terms of exports, jobs and GDP growth from multilateral trade liberalization are substantial ... international business strongly encourages political leaders to steer clear of protectionism and nationalism – and return to building inclusive open trade to stimulate global recovery and growth for many years to come"

These are:

- Conclude a trade facilitation agreement
- Implement duty-free and quota-free market access for exports from least-developed countries
- Phase out agricultural export subsidies
- Renounce food export restrictions
- Expand trade in IT products and encourage growth of e-commerce worldwide

Business recommendations from the event will be delivered to G20 leaders and WTO ministers ahead of the next G20 Summit in Saint Petersburg and the WTO Ministerial Conference in Bali later this year.

The Peterson Institute in Washington DC, recently studied ICC's Business World Trade Agenda, to quantify the potential benefits from the recommendations.

It is estimated that the payoff from liberalizing trade in services could generate world trade gains of US$1.1 trillion, which would translate into global employment gains of nine million jobs. At the same time, a meaningful WTO agreement on liberalizing trade in environmental goods, even on a plurilateral basis, could deliver US$10.3 billion of additional exports.

"The potential gains in terms of exports, jobs and GDP growth from multilateral trade liberalization are substantial," said Victor K Fung, ICC Honorary Chairman; Chairman, Fung Group. *"For these reasons, international business strongly encourages political leaders to steer clear of protectionism and nationalism – and return to building inclusive open trade to stimulate global recovery and growth for many years to come."*

The ICC WCF Congress is the year's biggest international gathering of chambers and their business leaders. The event provided a unique opportunity for interaction among the global community of 12,000 chambers of commerce.

"Sharing a common belief that open markets can bring about positive change in the world we have converged in Doha to identify the challenges and opportunities brought about by shifts in the global economy and to help chambers and their business leaders adapt to them," said Peter Mihok, Chairman, ICC World Chambers Federation. ■

The ICC World Trade Agenda Summit panels featured some of the world's leading business and trade policy figures

Time to move north?

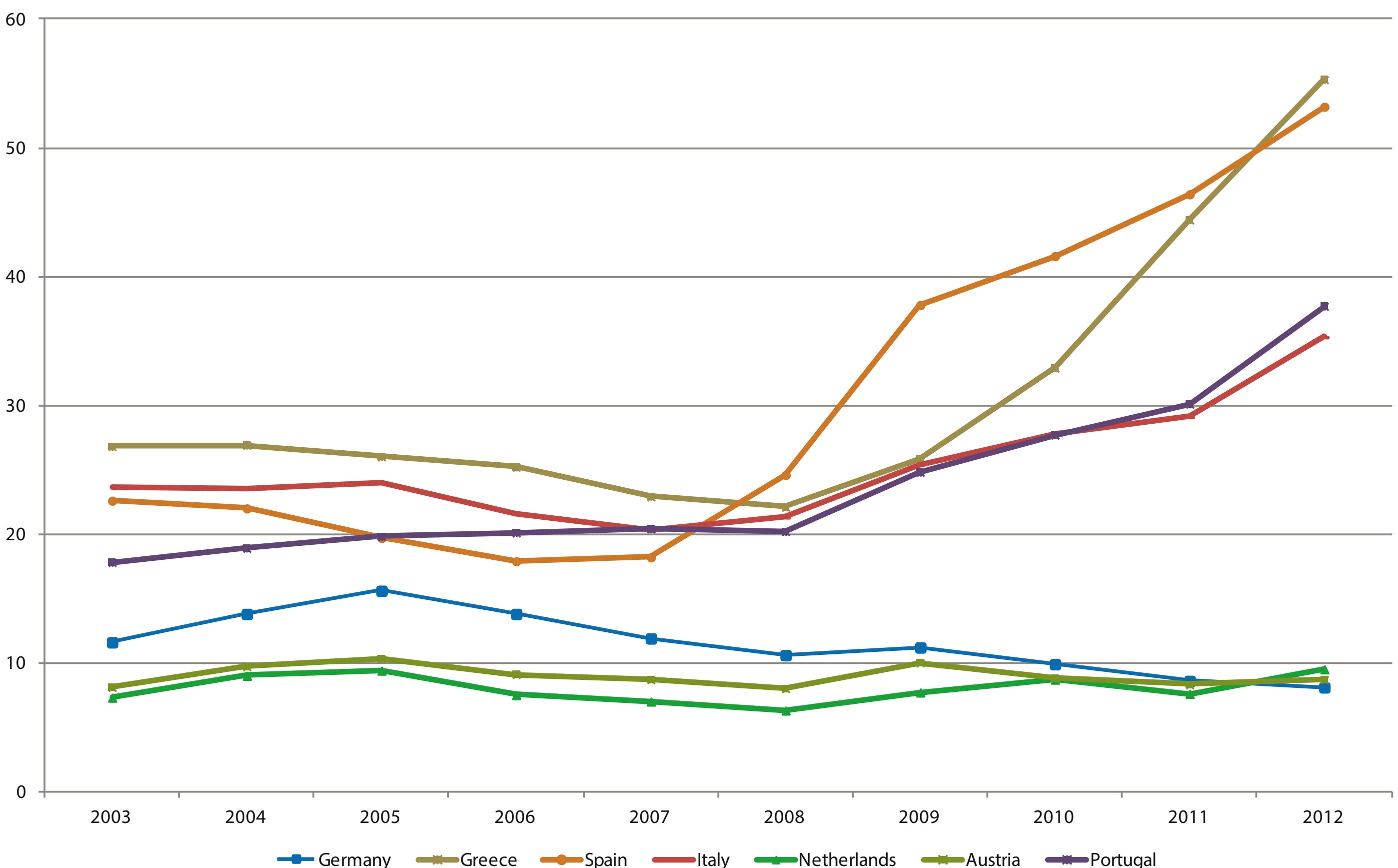
Mikkel Barslund is a Research Fellow and Matthias Busse is a Research Assistant at the Centre for European Policy Studies (CEPS)

That northern and southern Europe are diverging in many important ways is not breaking news. Nowhere is this clearer than in the labour market, especially on the issue of youth unemployment. Spain is now in its fifth year with youth unemployment rates above 35% and current figures well-above 50%. Even keeping in mind the low labour force participation for this age group (15-24 year olds) – most are still in school or studying – the fact is that a staggering one out of every four young people is presently unemployed in Spain. Comparable numbers in Greece, Portugal and Italy are hardly more encouraging. Germany, on the other hand, enjoys an historically low youth unemployment rate of 8% and is experiencing skill shortages in some occupations, as illustrated in the figure below.

It is often forgotten, however, that a dysfunctional labour market in the south, which put entrants at a distinct disadvantage, is nothing new. In fact, Spain has exactly the level of youth unemployment that one would expect based on its contracting economy.

While it is believed that this situation can be ameliorated by reforming the labour market as well as social and educational institutions, it is often overlooked that the effects of such reforms require substantial lead time – likely to be measured in years – before they materialise. That the issue of high youth and structural unemployment has been left festering in some countries for so long is probably a testament to this fact.

Divergences in youth unemployment rates in selected European countries



Source: Eurostat, 2013.

Setting or scaling up a vocational education programme that would enjoy broad acceptance among social partners – possibly borrowing from the German model that is currently in vogue and frequently touted – cannot be done overnight as part of a grand political bargain. In the first instance, schools have to be provided and teachers recruited, catering to the needs of a dual education system, which will exert additional pressure on fiscal balances. Secondly, employers will want to be compensated for participating in young people's education, and employee organisations will require strong safeguards against apprenticeships turning into underpaid labour. Even assuming that these points can be ironed out, it still takes time before the first cohorts graduate from the new system.

The lack of a credible short-term fix, paired with the grim outlook for growth in the south, makes for a bleak immediate future if you are young and unemployed. It is then perhaps surprising that not more young southern Europeans have moved north. EU-level statistics on intra-EU migration are scattered and dated (the latest Eurostat data point on migration to Germany by cohorts is from 2008), maintained in individual member states' statistical offices, if at all, and should be improved with all due speed.

Overall, recently released German data show a large increase in immigration of people from Spain, Italy, Greece and Portugal in 2012. In the case of Greece and Spain, the flows have tripled and doubled over the past years, respectively, but the numbers are still low. The figure of 30,000 workers (of all age groups) amounts to less than 0.5% of total unemployment in Spain and roughly equal the number of jobs created every second week within the country from 2003 to 2007. Migration flows from Italy, Greece and Portugal to Germany are roughly comparable, as reflected in the table below. The latest available data per age group from 2011 indicate that around 30% to 40% of migrants are less than 25 years of age.

The trend in immigration to Germany may be about to get another boost. GDP growth rates may be disappointing in the crisis countries but the growth in emigration promises alleviation. Not only are southern governments eager to foster this trend. Employer organisations in Germany aided by local governments are busy setting up schemes to help firms recruit qualified workers in the south – and help qualified southerners to navigate to jobs/apprenticeships in Germany. The projects are still at the pilot level, but the German Federal Ministry of Economics and Technology

"In the current situation, the European Commission should use its considerable strength and know-how in bringing partners and stakeholders together in order to facilitate the necessary infrastructure to allow better matching across borders of workers and employers"

recently funded an apprenticeship programme with €250,000 in funds redirected from the ESF, which aims to bring around 50 young applicants into apprenticeships in Hessen. These pilot schemes are sprouting in many regions of Germany and, although their success has yet to be proven, the central governments have taken notice of this beneficial cooperation. The German Minister of Labour Ursula von der Leyen and her Spanish counterpart Fatima Banez Garcia agreed on May 22nd to take the pilot projects to the national level. An estimated 33,000 apprenticeships are currently vacant offering an opportunity that is waiting to be seized. The two labour ministers issued a memorandum of understanding that 5,000 apprenticeships are to be filled by young Spaniards. A similar understanding is in the making with Portugal.

This cooperation is a first step in the right direction but it remains at the bilateral level. This is perhaps an area where the Commission could play a more active role. The Commission has launched laudable initiatives to combat youth unemployment – most recently the Youth Employment Initiative – but these focus mostly on domestic solutions.

In the current situation, the European Commission should use its considerable strength and know-how in bringing partners and stakeholders together in order to facilitate the necessary infrastructure to allow better matching across borders of workers and employers. The June European Council meeting offers a good occasion to launch initiatives to this effect. Financing could be made available from the Social Funds and leveraged by contributions from employer organisations. The EURES Job Mobility Portal – and the associated Youth on the Move initiative – is a first step in the

Immigration flows to Germany (all age groups) from southern EU countries

	Average 2005-09	2010	2011	2012	Difference average and 2012	Change 2011-12
Greece	8,400	12,500	23,800	34,100	25,700 (306%)	10,300 (↑43%)
Italy	19,000	24,500	30,200	42,200	23,000 (121%)	12,000 (↑40%)
Spain	9,200	13,600	20,700	29,900	20,700 (225%)	9,200 (↑45%)
Portugal	5,500	6,400	8,200	11,800	6,300 (115%)	3,600 (↑43%)

Note: Figures represent immigration flows of non-Germans from partner countries.
Source: Bundesamt für Statistik Deutschland, 2013.

right direction, but it will need more effort to make a decisive impact. It is disappointing to note that the overall target for 2012-13 across the entire EU is set at the puny sum of 5,000 brokered jobs.

Interestingly, this is an area where an initial investment might relatively quickly turn into a self-sustainable process as larger migration flows will aid the flow of information about vacancies and opportunities in the other direction via personal and social networks.

There is now a unique opportunity to make the EU labour market more mobile across borders. If a better functioning internal EU labour market would emerge as a permanent outcome of the crisis, it would be no mean feat. ■

First-ever rules for open account trade launched

The International Chamber of Commerce (ICC) has launched the Uniform Rules for Bank Payment Obligation (URBPO), a 21st century standard in supply chain finance that will facilitate international trade. The rules were developed by the ICC Banking Commission with a partnership established with financial messaging provider SWIFT to take into account the legitimate expectations of all relevant sectors.

Set to revolutionize trade finance transactions, BPO is an irrevocable commitment, made by one bank to another that payment will occur on a specified date after a specified event has taken place. It is an alternative instrument for trade settlement, designed to complement existing solutions and not to replace them.

Andre Casterman, Co-Chair of the ICC BPO Project and Head of Corporate and Supply Chain Markets at financial messaging provider SWIFT said: *"The new BPO payment method responds to banking industry calls to examine how technology can be leveraged to dematerialize bank-to-bank flows so that banks can offer services to their clients without acting as document transferring couriers, a process that slows down trade transactions."*

Casterman said that ICC's binding URBPO were critical for protecting banks intermediating trade transactions using the BPO payment method.

> *"BPO is a new payment option that is easy to use by corporate clients and can be considered by buyers and sellers to enrich their relationships and to introduce as a payment term in contracts at transaction level,"* he said. *"The revolutionary aspect of the URBPO is that we are helping banks develop innovative services for their corporate clients while at the same time mandating both the use of specific standards and electronic matching in the bank-to-bank space."*

Andre Casterman of SWIFT and Michael Quinn of JP Morgan led the launch and training event in Paris on 17 May

TUMAS
DEVELOPMENTS

MALTA...TRULY MEDITERRANEAN

MALTA'S LEADING PROPERTY DEVELOPERS

LUXURY LIVING ON THE MALTESE ISLANDS

Tumas Developments proudly offer Malta's most exclusive, standard setting lifestyle addresses. All three award winning projects boast the most spectacular waterfront views on the island and offer Special Designated Area benefits, which means that property can be purchased under the same conditions as locals. Being a member of the EU with growing business incentives and voted as having "The Best Climate on Earth", Malta is the ideal destination.

TUMAS GROUP

Tumas Developments,1052 Portomaso,
St Julian's, STJ 4011, Malta
Tel : (+356) 21 386 802 **Mob :** (+356) 79 497 504
Email : info@tumasdevelopments.com
Web : www.tumasdevelopments.com

PORTOMASO RESIDENCE

TA' MONITA RESIDENCE

TAS-SELLUM RESIDENCE

"BPO... is an alternative instrument for trade settlement, designed to complement existing solutions and not to replace them"

The BPO provides the benefits of a letter of credit in an automated and secured environment, and enables banks to offer flexible risk mitigation and enhanced financing services to their corporate customers.

Michael Quinn, Co-Chair of the ICC URBPO Education Group and Managing Director of Global Trade at JP Morgan said that the speed of trade, the complexity of supply chains and the reliance on information and data today is overwhelming. At an official ICC URBPO launch and training event in Paris on 17 May, Quinn told participants that over the last 10 years banks and corporates have become focused on financing liquidity down supply chains to ensure products can get to customers. The financial crisis forced a lot of companies to rethink their supply chain strategies and consider ways to ensure integrity down the chain while ensuring it remains liquid and appropriately protected. This, he said, had led to a convergence of corporate needs for supply chain financing with banks' need to support them in this and an ambition to reduce paper handling so that greater focus can be put on risk mitigation and financing.

"The importance of collaboration among the banking community is paramount today. We have case studies where banks are successfully using BPO in situations where there is high volume import, short shipment time periods and a need to provide liquidity to suppliers who are providing relatively low-cost retail consumer type goods," Quinn said. *"This provides us with excellent examples of how BPO is being leveraged to facilitate trade without getting bogged down in the processing of documents."* ■

The URBPO will enter into force on 1 July 2013 and are currently available from the ICC Bookstore at www.iccbooks.com

To learn how the new BPO payment method will operate in practice, ICC also offers a new online training that takes participants from basic concepts through to a detailed analysis of the rules. For more information or to register visit www.iccwbo.org

---

Building on success to tackle climate pollutants

Scott Vaughan is President and Chief Executive Officer of the International Institute for Sustainable Development

International Institute for Sustainable Development president Scott Vaughan joined the Canadian-based public policy think tank in early April, leaving the office of Canada's Commissioner of the Environment and Sustainable Development, where he had served for five years.

One of the most pressing issues facing policy-makers is climate change. For the first time, levels of carbon dioxide in the atmosphere have exceeded 400 parts per million, and projected emissions of carbon pollutants are forecast to keep increasing.

For more than two decades, climate change has been categorized as an environmental issue. However, long ago its effects began exerting significant economic impacts on core areas such as infrastructure, public safety, public health, farming, forestry and mining.

Accordingly, delegates at the 2013 World Economic Forum in Davos spent a lot of time looking at the impacts of climate change, and the head of the International Monetary Fund warned the single most important economic challenge of the 21st century wasn't the eurozone's slow global growth, or price volatility, but climate change.

Forecasts exceed global warming threshold of 2°C

The recent draft report of the National Climate Assessment and Development Advisory Committee (NCADAC)[1] to the United States federal government reflects the economic

A ROOM WITH A VIEW

TAX SAVING & GUARANTEED INCOME

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

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

A HIGH-END PRODUCT BY

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

"For more than two decades, climate change has been categorized as an environmental issue. However, long ago its effects began exerting significant economic impacts on core areas such as infrastructure, public safety, public health, farming, forestry and mining"

and other powerful effects of climate change. The report is important for three reasons. Firstly, it contains one of the most comprehensive scientific overviews to be issued prior to the next Intergovernmental Panel on Climate Change (IPCC) assessment report due in 2014.

Secondly, the report collects the views and concerns of 13 US federal agencies - from NASA and the US Environmental Protection Agency to the Pentagon, the Department of Commerce and the State Department. This collection of federal agencies reflects not only the multiple economic dimensions of climate, but also the foreign policy and security-related issues such as prolonged drought, food scarcity and political instability.

Finally, the scientific findings of the US report underscore that little has been achieved to date in bringing down climate pollutants.

At the 2009 climate change talks in Copenhagen, countries around the world (including Canada) committed to cap climate pollutants like greenhouse gas emissions in order to stabilize warming at 2 degrees — set as the threshold needed to constrain the most extreme climate impacts.

However, there are already enough greenhouse gases in the atmosphere to warm the planet by at least 2.4°C during this century.

More deeply troubling is the NCADAC report's conclusion that we are on a path to significantly surpass the 2°C threshold, with projections of as much as a 4° or even 6°C rise in this century. The report notes that the scientific evidence of observed climate change already abounds, by way of extreme weather events like drought, flooding, coastal storms and tornadoes.

Against the backdrop of these kinds of forecasts, many are asking why comparatively little is being done to lower the level of climate pollutants. It may be that we have become accustomed to hearing about climate change as a distant issue. Perhaps we have tuned out the warnings or accepted them with resignation, as tackling greenhouse gas emissions is too complex and expensive and the multilateral system has delivered too little?

Yet there has been some success, and it is important to build upon those solutions in order to tackle the environmental threats with urgency.

The Montreal Protocol: example of success

The single most successful global environmental treaty was born in Canada, with the signing of the 1987 Montreal Protocol. The treaty emerged to protect the Earth's stratospheric ozone from destructive chemicals such as chlorofluorocarbons (CFCs), once used widely in aerosols and other applications.

In the past 25 years, the Montreal Protocol has been a model in merging science, finance, and the cooperation and leadership of companies to phase out not only CFCs, but a generation of other ozone-depleting chemicals. Because of the Montreal Protocol, the significant destruction of the Earth's stratospheric ozone layer was averted in the 1980s and is on the path to full recovery by 2075. In turn, this will lead to the prevention of literally millions of cases of skin cancer around the world - an estimated six million in the United States alone - as well as other human health and environmental benefits.

Along the way, the Montreal Protocol has also become the single most successful international instrument in reducing climate pollutants. The chemical composition of ozone-depleting substances means that they also act as powerful agents, on a per molecule basis, in atmospheric warming. Therefore, by reducing and banning those ozone-depleting substances, the Montreal Protocol has done far more - as much as eight times more - to reduce climate pollutants than the Kyoto Protocol, according to estimates by the Institute of Governance and Sustainable Development. In fact, the Montreal Protocol has led to the avoidance of more than 200 Gigaton (Gt) of carbon dioxide ($C0^2$) equivalent from 1990 to 2010, compared to approximately 5-10 Gt $C0^2$ equivalent that the Kyoto Protocol is projected to achieve during its first commitment period of 2008 to 2012.

A growing group of countries are now looking to the Montreal Protocol as a means to accelerate actions to combat climate pollutants. A specific proposal that is gaining ground is to include within the Montreal framework a new category of particularly destructive ozone-depleting substances - hydrofluorocarbons (HFCs). This chemical, used in refrigeration and insulating foams, is already being replaced in some categories with cost-effective substitutes. Many believe their complete withdrawal from the marketplace wouldn't be missed.

The inclusion of HFCs in the Montreal Protocol would be the equivalent of reducing over 100 billion tons of carbon dioxide by 2050. And the cost of reduction is estimated to be just pennies per ton. The proposal to include HFCs within the Montreal Protocol has the support of over 100 countries, including Canada, the US and Mexico.

The focus on HFCs is an example of a growing interest to tackle other short-lived climate pollutants, such as black carbon and methane, which stay in the atmosphere for 15

to 30 years — compared with up to 50,000 years for some greenhouse gases.

In February 2013, the US State Department launched the Climate and Clean Air Coalition (CCAC) to fast-track and commercialize HFC substitutes. Canada and more than 20 other countries are strong advocates, along with non-governmental organizations such as IISD, which is also a member of the CCAC.

The Montreal Protocol shows that progress can be made in practical ways, away from the media spotlight of negotiations, with actions anchored in science. We can accelerate concrete, measurable and cost-effective actions to reduce short-lived climate pollutants and to marry those efforts with current work in reducing greenhouse gases like carbon dioxide.

With the 400 parts per million carbon dioxide threshold already passed, we need to build upon these examples of success to urgently tackle climate pollutants. ■

STOP PRESS:
On June 8, 2013, United States President Barack Obama and Chinese President Xi Jinping pledged to cut production of hydrochlorofluorocarbons (HFCs). This chemical, used in refrigeration and insulating foams, is already being replaced in some categories with cost-effective substitutes.

According to Vaughan, the agreement will greatly bolster calls by a growing number of countries to include HFCs within the 1987 Montreal Protocol.

1. *http://ncadac.globalchange.gov/*

Planning for retirement

Christine Hallett is CEO of Carey Pensions UK

Pensions continue to be the most tax efficient way in which individuals can plan a strategy for their retirement, not the only option, but clearly the foundation stone from which other strategies can build.

There are many options to choose from to suit every individual and their own personal needs, whether it is a requirement to have flexibility and control, or whether they just need a plain vanilla option. It is important therefore to determine what type of pension wrapper is needed to meet the requirements and what type of pension provider can fulfil those requirements fully until the point of retirement, as it can become an expensive activity if a transfer from one provider to another has to occur during the life of the pension. So, here are some reasons why you should think about establishing a pension and some things to think about when selecting your pension provider.

Whatever age, it is never too late to benefit from some of the tax advantages of pension planning whether it is to start accumulating funds, whether it is to consolidate existing arrangements or whether it is to start drawing down funds in a flexible way.

Reasons to establish a pension scheme:

- Tax relief on personal contributions paid in of up to £50,000 per annum, basic rate tax is claimed back by the pension administrator and goes straight into the pension scheme and higher rate tax payers claim the difference up to their higher rate through their self assessment
- If you have unused contribution allowance from previous years, you can carry forward any unused allowance from the previous 3 years once you have fully funded up to the annual allowance of the existing tax year, and provided you were a member of a registered pension scheme for those years
- Investment choice can be bespoke in certain pension scheme wrappers and therefore there is a wide range of options that can be selected or an adviser can advise on
- Any growth on the investments whilst inside the pension scheme is tax free
- When you decide to draw from your pension scheme (the earliest age this can be done is 55) 25% can be paid out as a tax free pension commencement lump sum
- Pension income can be drawn in a number of ways which gives flexibility

Things to consider when selecting your pension provider

- Are they a specialist pension provider?
- Are they financially robust?
- Do they have the flexibility you require?
- Are the fees clear and transparent?
- Are they an FCA regulated firm?
- What approach do they take in providing the service?
- Do you have one point of contact?
- Have you met them or visited their offices?
- Do you believe you could have a long term relationship with them?

Pension planning is a very personal thing and a personal approach is how we at Carey Pensions UK like to deal with all our clients. As a specialist pension's administrator and trustee we take pride in delivering a full range of pensions to suit a range of individual needs. ■

Call us to see how we could administer your pension scheme more effectively.

enquiries@careypensions.co.uk

T: +44 (0)1908 336010

Carey Pensions UK LLP is authorised and regulated by the Financial Conduct Authority No. 501747. Carey Pensions UK LLP does not provide advice. If you require advice in relation to your pension arrangements, please speak to a regulated professional financial adviser.

CAREY GROUP

Carey Pensions UK

Specialist pensions for specialist people

Global Pension Plans

UK and International pension plan services

Carey Group specialises in the delivery of pension plans
Specialist and independent administration and trustee services

WORKING TOGETHER • MAKING IT SIMPLE

Providing tailored solutions to suit the needs of companies and individuals wherever they may be

- UK SIPPs
- UK SSAS
- UK company pension schemes
- International pension plans
- International QROPS
- International QNUPS
- Third party administrators for other provider schemes both UK and Internationally

For further information please contact:

Christine Hallett
CEO, Carey Pensions UK
T: +44 (0)1908 336010
E: christine.hallett@careypensions.co.uk
www.careypensions.co.uk

Tim Bush
Director, Guernsey
T: +44 (0)1481 737203
E: tim.bush@careygroup.gg
www.careygroup.gg

ALDERNEY • CYPRUS • GENEVA • GUERNSEY • LUXEMBOURG • MONACO • UK • VIENNA • ZURICH

Carey Pensions UK LLP, 1st Floor Lakeside House, Shirwell Crescent, Furzton Lake, Milton Keynes MK4 1GA.
Carey Pensions UK LLP is authorised and regulated by the Financial Conduct Authority No: 501747. Carey Pensions UK does not provide advice.
Carey Pension and Benefits Limited is registered in Guernsey under Registration Number 39935 and is licensed by Guernsey Financial Services Commission.

International pensions

Tim Bush is a Director at Carey Pensions and Benefits Limited

Carey Pensions and Benefits Ltd based in Guernsey can offer a wide range of retirement and benefit solutions and tailored to your specific needs. Whether you are a financial controller of an organisation looking to provide benefits for mobile international employees or some form of share incentive scheme, or alternatively you are an advisor or an individual looking to enjoy your retirement overseas Carey Pensions has a scheme to suit.

Carey Pensions have developed an innovative software platform to administer pension plans in an efficient, secure and cost effective way. For corporate schemes, the employer company is provided with a web based HR system which enables them to maintain members' pension records and control the pension data. Each member has a 24/7 access to the plan contributions and valuation which is a feature of our system. Whilst developed for corporate clients this system works equally well for the individual plans that have been developed over the past few years.

International pension plan solutions are facilitated by the legislation in Guernsey which provides a tax neutral solution for non-Island residents and Guernsey is widely recognised as the market leader in these schemes. Benefits include:

- International pension plans moveable with employees across different locations and roles;
- In less developed countries an international pension plan can provide confidence and certainty to employees and employers alike;
- Schemes can be adapted to suit the particular needs and circumstances of the employer, and rules can be tailored to fit with the employer's philosophy;
- A wide range of asset classes can be included.

Carey Pensions have also facilitated a number of employee share schemes, both option and incentive; these type of schemes are become increasingly popular to encourage a high level of motivation from staff who have a direct participation in the success of a business. By their very nature these schemes are bespoke and our experienced team can work with you and your advisors in creating an attractive product to progress your business aims.

For individuals Carey Pensions have been offering Qualifying Recognised Overseas Pension Schemes (QROPS) to enable expatriates to move their UK tax relieved pension ensuring more flexibility as they approach retirement. Although recent changes in UK legislation meant that new schemes cannot be based in Guernsey, solutions have been put in place with partner firms in other jurisdictions to continue to be able to offer these products.

Where individuals, both onshore and offshore, have non-pension assets they wish to put into a retirement plan, or whether they wish to top up their UK lifetime allowance then a Qualifying Non-UK Pension Scheme (QNUPS) may be a solution. Carey Pensions have worked on these schemes since they became available in 2010 and can tailor a solution to the specific needs of an individual to ensure that their retirement is appropriately provided for. ■

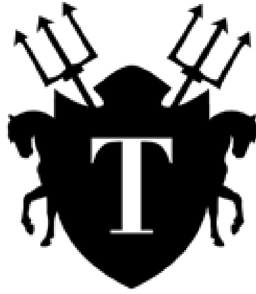
Call us to see how we could administer your pension scheme more effectively.

T: +44 (0)1481 700300

E: info@careygroup.gg

Carey Pension and Benefits Limited is registered in Guernsey under Registration Number 39935 and is licensed by Guernsey Financial Services Commission

WE TAKE CARE OF EVERYTHING



TRIDENT
INSURANCE

SOME AREAS WE COVER

Builders Insurance
Shop Insurance
Manufacturing Insurance
Public Liability
Office Insurance
Landlords Insurance
Salon Insurance
Restaurant Insurance
Professional Indemnity
Fleet Insurance
Hotel Insurance
Wholesale Insurance
Employers Liability
High Net Worth
Marine Insurance
Travel Insurance

www.trident-insurance.co.uk
Telephone: 0800 038 9000
374-376 High Road, Ilford, Essex IG1 1QP

Authorised and regulated by the FSA. Registration Number 306128

RA Shaw Designs is again garnering international attention for another of its stunning homes. Located on a sublime section of Long Bay Beach on Providenciales, in the exclusive Turks and Caicos Islands, Mandalay is not only another of Ron Shaw's astounding dream homes, rather it is a 12,233 square foot dream.

Pictures are worth a thousand words, they say. In the case of RA Shaw Designs' latest project, the stunning new Caribbean villa Mandalay, I'm forced to accept these limitations. As you peruse the images of Mandalay, please accept my apologies that simple words will certainly not do this home justice.

Because the home incorporates the original foundation of a home built 30 years ago, RA Shaw Designs was able to build Mandalay just 40' from the ocean. "Today's codes require homes to be a minimum of 120' from the sea. Due to the existing structure, we were grandfathered to the 40' contravention, which is one of the most striking features of the home." Shaw adds, "It really feels like the ocean is in the house."

This desire to blend the indoor and outdoor spaces is a hallmark of all RA Shaw Designs homes; Ron Shaw's passion is to make remarkable, livable homes that take full advantage of the climate of the Turks and Caicos Islands. Interior and exterior living spaces flow perfectly so you scarcely notice when you've wandered from one to another "The exterior dominates the interior," Shaw says, referring to Mandalay's nearly 7000 square feet of covered and uncovered outdoor living area, "But I think most would agree, it is as enviable as the interior." Indeed. Most would, I assure you.

RA Shaw Designs understands that the ocean is the star of the show, and has taken great pains to ensure as much undisrupted access as possible. Tempered glass railing is used throughout the home to avoid inhibiting the stunning views of the Caribbean Sea from the second floor. The swimming pool that perfectly matches the turquoise waters of the Caicos Bank is the crowning achievement in the illusion that makes Mandalay appear to drift off into the horizon, rather than end at the edge of the home's walls.

At over 4000 square feet the home's water feature is more like a lagoon, and is composed of four pools of various elevations that flow ultimately into one. This astonishing water feature serves as the heart of the villa and seems to bring the space to life, adding a sense of interconnectedness; one part of the home to another, the interior and exterior living spaces, and finally the ocean and the sky. It's a feat of magnificence and engineering that paradoxically seems like the most natural thing in the world. A Whirlpool spa cascades into the lower pool, and a 100,000 BTU gas fire pit is located at the water lounge.

For entertaining, there's a swim up bar designed for four guests, and four more guests can join them on dry stools. The table top features a chess board and four tic-tac-toe boards built-in, ideal for tournaments. The home also boasts five baths, three powder rooms, and a gymnasium. There are two additional one-bedroom caretaker apartments in the Coach House, and a three-car garage.

> ...the illusion that makes Mandalay appear to drift off into the horizon...

While this may all sound over the top, RA Shaw Designs has built Mandalay in a manner that leaves the home perfectly balanced. It is as luxurious as you'd imagine, while managing to be a home filled with comfortable and peaceful spaces within which to enjoy family and friends, or the simple joy of solitude. There's a second custom whirlpool in the private courtyard attached to the master bedroom for example. This oasis will provide the home's owners with their own space to retire to when they've finished entertaining their guests, who will in turn be taking advantage of personal sanctuary in one of four guest bedrooms. Lest you be concerned for the comfort of visitors to Mandalay, three of the guest suites boast their own secluded outdoor showers.

With purpose given equal priority to art, RA Shaw Designs creates and builds all their homes to withstand the unique environments they're made for. In the case of Mandalay,

that's the absolutely delightful climate of a Caribbean Island. In order to withstand the occasional bout of bad tropical weather, though, the home is built with the most advanced systems and materials available. The Bermuda Roof System mimics the original technology used in Bermuda for over 400 years, and is one of the most hurricane resistant systems available. The design of Mandalay eliminated overhangs, adding even more resistance to uplift. The home's superstructure consists of reinforced concrete and masonry to withstand hurricane wind loads, and all doors and windows are powder-coated aluminum which is highly resistant to the corrosion of sea salt blowing in from Long Bay Beach.

Whether you're fortunate enough to visit in person, or you must be content with the photo tour provided in these pages, it's easy to see that each detail has been considered with design in mind. Everywhere you look is flooded with beauty; but much more than that, with beauty that actually functions. RA Shaw Designs' Mandalay is a home that is sure to delight your senses and your soul.

An Enviable Destination

In addition to its enviable year-round warm temperatures, over 300 days of sun per year, the requisite palm trees and award-winning startlingly white sand beaches, the Turks and Caicos Islands offer a variety of other advantages over other potential retreat locales. A modern medical facility run by Interhealth Canada is another feature that can't be overlooked. No income, property or estate taxes; an English speaking population; and the US dollar as the official currency, are all incentives to make your second home in these islands. Just 90 minutes from Miami, with direct flights from many other US cities and even a couple of Canadian ones, getting to a home away from home is an easy trip.

Natural hazard risk & investment in forestry?

Phil Cottle, Founder and Managing Director of ForestRe, gives an insight into quantifying climate risk in relation to alternative investment opportunities.

Traditionally forestry has been perceived as being a low to moderate risk investment. While historically it has provided robust returns, new investment opportunities require careful selection between alternatives by means of risk factor discount rates for:

- Country (sovereign risk and operational/execution risk)
- Timber price volatility
- Timber market depth and diversity
- Timber market concentration
- Timber volume risk (physical hazards and technical)
- Investment liquidity.[1]

In 2013 investment conditions are changing so there is now more emphasis on fundamental return drivers such as biological in-growth, timber prices and for BRIC countries, land prices[2]. Assessing riskiness remains a challenging task often characterized by incomplete information. Well-understood risk components can be accounted for with direct adjustments of the projected cash flows in the valuation model.[1]

To date, physical hazard risk is rarely quantified by investing institutions! Yet of all listed risks, climatic events are almost completely outside the control of the timberland owners'. Natural hazard risk can be catastrophic for the investment in any given location, particularly near the end of the rotation or the term of an investment product when there is no time for recovery. Natural hazard risks have a frequency and severity that can be used to generate a discount rate for the investor that differs significantly between forest type and location.

Irrespective of climate change trends, catastrophic events should be on the agenda of all forest owners and investors; major losses due to fire, ice storms and hurricane can be fatal to the business or significantly reduce returns through lost timber assets or reduced subsequent growth. Long term forestland owners considering the use of forests for 'carbonland' will need to take particular notice of risk trends due to their long term carbon liabilities and the need to maximize carbon permanence so important in REDD+ and AF/RF projects.

Considerations for natural hazard discount rates

While by definition catastrophic events are generally rare, their potential impact cannot be ignored. Timberland investment publications often refer to average annual losses of c.1% of values from all loss events. But this 1% tells managers nothing about the volatility of their exposures, just the proportion of planted areas at risk across the entire portfolio. Such averages also say nothing about the cost to the business of fire protection, the increased costs of harvesting damaged timber, impacts on timber quality and future cash flows. In the table below there are some

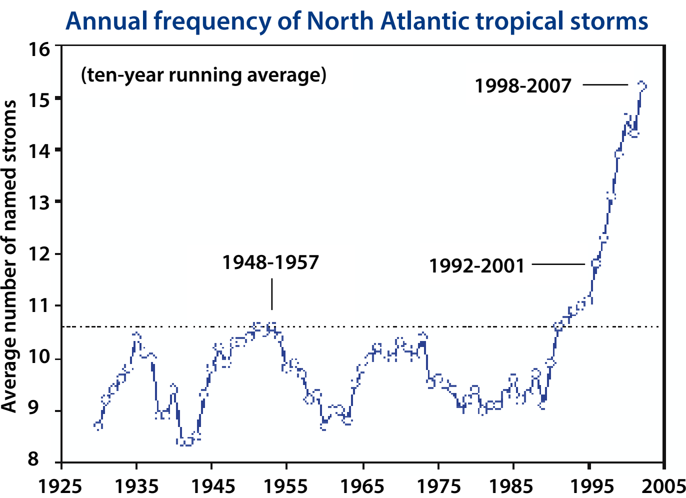
	Time series data: % Area Lost /yr				Event Data		Specific loss information		
	Fire		Wind/ Tornado		Frost	Ice/Snow	Peril causing largest loss	Largest annual, corporate or single event gross loss	Year of loss
Region	Low	High	Low	High	%	%			
Brazil (SE)	0.05	0.28	-	-	-	-			
Brazil (NE)	-	0.39	-	-	-	-			
Ecuador	-	0.031	-	6.39			Wind	$1,161,556	2012
Uruguay	0.07	0.33	0.02	0.17		-	Wind	$10,847,730	2010
Uruguay					2.13		Frost	$1,000,000	2012
Argentina (NE)	0.35	0.68	-	-		-			
Chile Central	0.54	1.72					Fire	$31,000,000	1999
Chile Central							Fire	$20,000,000	2012
Chile South	0.05	0.10							

examples of average loss rates over a 6 to 30 year time series, and the biggest individual or annual loss in US$. Note that very low average rates of loss hide extraordinary peak losses.

Thus the key questions are actually, 'how often?' and 'how severe?' And then, what is the sensitivity of the business to such events in reaching projected investment returns, or the costs in prevention or mitigation?

Is climate change affecting forests?

Yes. Recent scientific studies show that what was once thought of a 1 in 100 year event (1%) for extreme temperatures, is now nearer 1 year in 12 (8%). This is an 8 times increase in frequency. Extreme temperatures drive the strength of hurricanes, typhoons and windstorms, extreme rainfall, floods, droughts and forest fires (chart source; www.pewclimate.org). Similar charts can be shown for fires losses in forestry. Fires are growing in frequency, severity and cost. Frequency is a function of increased human activity creating ignition sources, while severity is responding to fuel moisture, wind and temperatures. US data illustrates this well, and is typical of the pattern worldwide.



What is a catastrophic loss?

It is an infrequent and severe event, and may be caused by fire, and in some parts of the world, hurricane, typhoon or ice & snow. Typically a single catastrophe event can be in the order of US$35 million for forestry. But they can be much bigger up to 10% of the value of a major investment.

To determine losses that might occur due to fire, ForestRe use the best data available on commercial timberland to generate a modelled loss profile. This helps to estimate for any state or for the entire portfolio, the potential value of the catastrophic loss and its frequency.

Hurricane risk profiles

ForestRe have produced the first map of hurricane impact on timberland for southern and eastern US states. We did this to a 5 X 5 mile grid for the critical 100 miles inland from the coast. For individual clients we are able to generate annual average gross losses for any forest or portfolio of forests on an 'as-if' basis over the last 157 years of tropical storms. We can overlay any institutional portfolio and determine the total losses in any one year, all years and the mean loss as US$. Our results show us that the danger is rarely from a single storm event but from multiple storms in any one year, or multiple threats (ice and fire).

Transferring risk by insurance

Insurers have to take the long view and that is why our risk profiling is done to protect the capital of all stakeholders in forestry. Our risk profiling results can alert investors and their forest managers to the true nature of their risk, and this includes the improbable co-incidence of extreme events (rainfall and wind storm for example).

Plan to mitigate risk: prevention, suppression and insurance

A range of management responses to risk threats are required, but it is important to cost and plan each of these to cover appropriately both the 'regular small loss events', and 'large, catastrophic events' in the most cost-effective way, whether for a small stand or for a large portfolio. The larger the portfolio, the more specific or tailored the provision of each strategy can be (eg. site-specific layout/prevention measures, in-house response by fire teams and tailored insurance products or packages for the major loss event).

"Investment managers have an obligation to their investors to understand and quantify these threats before they commit to an investment"

In terms of insurance, small owners should find insurance that protects them from losses that they could not afford to have - perhaps in excess of US$10,000 per year as an excess. For larger enterprises, they have a history of retaining all losses, as risk transfer (insurance) products had not been designed for many countries. They should be looking at insurance for losses greater than about US$500,000 (ie. most losses), up to a sensible loss limit ie. a loss that is the 1:50 or 1:100 event that would impact on their investor returns. Such a limit may be about US$10 million.

Model the future – don't average the past

Risk mitigation approaches can too often be guided by partial understanding of what has happened in the past. Forest landowners, in the face of increasingly uncertain weather patterns, more than ever need to understand the climatic risk facing their own properties, whether individual sites, or across larger portfolios. The cost-effective transfer of these risks by a combination of prevention, fire response or insurance needs to be an integral part of the forestry business plan.

Investment managers' responsibilities

ForestRe have seen a strong trend in enquiries from traditional corporate pulp and paper businesses towards investment companies now utilising timber, biomass and bio-fuel crops as an important alternative asset class.

Traditionally the main risks assessed for investments have been political, social and economic. Today investors are now looking for the added security of a comprehensive risk management profile of natural events such as fire, storm, ice and flood. Many of these are catastrophic risks.

Investment managers have an obligation to their investors to understand and quantify these threats before they commit to an investment.

With mega fires, storm and floods filling our news, investment managers want to demonstrate they have rigorously assessed these risks in their marketing material as their unique selling point. However, few investment managers have the in-house capability to carry out such an assessment. Once assessed managers may decide to transfer this risk to insurers where this is appropriate.

This is where ForestRe can help. With over 25 years forestry risk assessment experience we provide an excellent risk management service at a sensible cost compared to other non-specialist providers.

ForestRe only deals with forests, standing timber and plantations on a truly global basis so we know what we are talking about. Our clients have included the World Bank, forestry management organisations, institutional investors, eminent universities and government bodies as well as TIMO's, REIT's and pension fund managers across the world.

The exclusive and independent services we provide are tailor-made for each individual client. Services can be an on-ground forest risk survey to establish the risk environment - condition of the asset, meeting local communities, reviewing fire management systems and assessing any other onsite causes of loss. Usually we access our extensive and unique data base, coupled with risk modelling to quantify your exposure to climate-related events. Such events may be infrequent and severe so we put a dollar value on the risk due to fire, wind and other events with a frequency of the catastrophic natural event to help you make investment and risk transfer decisions.

Whatever your requirements ForestRe, through our data modelling, can produce a comprehensive and independent report for you and your clients. Furthermore should you decide to offset the risk by way of insurance/reinsurance we have the facility to access A+ rated insurance within our network of Lloyds syndicates and other international providers. ■

ForestRe specialises in assessing climate-related risk to investors. Generating natural hazard discount rates ForestRe then design bespoke insurance products for forestry and tree crops worldwide. Consultancy services by ForestRe enable clients to profile their alternative investments for climate risk without the insurance product.

Please feel free to visit our website www.forestre.com to find out more about what we can offer you and your investment clients. Alternatively give our team a call on +44 (0)207 347 5736 and we would be delighted to provide you with the benefit of our experience in this very specialized field of forestry and investment risk management.

ForestRe

1. Hancock Timber Resource Group 2012
2. Regions Timberland Group 2012

Bringing security to forestry investors worldwide

ForestRe is a London-based company who specialise in the design of **Insurance** and **Reinsurance** products and solutions for forestry and tree crops worldwide. ForestRe can provide global solutions for many perils and major catastrophic events including:

- Fire
- Lightning
- Explosion
- Aircraft
- Wind, Cyclone and Tornado
- Hail, Frost, Snow and Ice
- Earthquake, Landslide and Flood
- Strike, Riots, Civil Commotion and Material Damage (SRCCMD)
- Fire fighting costs

Capacity is provided by the London markets through our dedicated line slip broker Price Forbes Ltd by way of a binding authority so the preparation and issue of documentation is both compliant and speedy.

ForestRe provides significant risk management solutions for:

- Pulp and Paper Corporations
- Forestry management organisations
- Forestry Investment funds
- Timberland investment schemes (TIMO's)
- Real estate investment trusts (REIT's)

Natural forests are also insured and will be managed under the Reducing Emissions from Deforestation and Forest Degradation (REDD) initiative or other sustainable forestry initiatives.

ForestRe has combined experience of over 25 years of forestry insurance and risk management expertise within the team. This expertise is frequently called upon by many key players in the forestry industry as well as from institutional investors and governmental bodies on a truly global basis.

Please visit our website www.forestre.com for more information or alternatively give us a call on +44 207 347 5736

ForestRe Limited
Suite 408, 150 Minories
London
EC3N 1LS, UK

Authorised and regulated by the Financial Services Authority

In association with

TCI: OUT OF UNCERTAINTY

A NEW PARADIGM FOR INVESTMENT

Mark A Fulford, LLB, is Managing Partner at F Chambers Attorneys at Law and Professor Gilbert NMO Morris is Chairman of Caicos Brothers

Introduction

Despite the travails of the last three years – the suspension of the constitution and direct rule by the British - Turks and Caicos Islands (TCI) have shown that the brand it established in the last decade, as one of the top global premium luxury destinations for well-heeled families, is both sustainable and resilient. In the midst of a global economic and financial crisis, Turks and Caicos Islands, has surmounted its difficulties – with a new government – and is on stream to see the development of another 1,200 luxury villa rooms; including a stupendous new Marriott property in Providenciales.

Added to the foregoing, the attractiveness and scalability of the TCI as a destination for investment is being enhanced by new legislation, not least of which is a new Immigration Ordinance; which will result in the streamlining of the status of investors and more importantly, retirees and other long-term residents.

When imagined against the backdrop of the refurbishments at the Providenciales International Airport (PLS) and the active negotiation of new airlift, TCI seems poised to re-emerge both on the proven foundation of its brand strength and quality, together with its enhanced capacities driven by policies aimed at the deliberate cultivation of its competitive advantages.

From 2004-2008, TCI enjoyed one of the highest growth rates in the world at around 11%. We have the deepest internet and mobile phone penetration in the world. Our villa/resort model – under-which private villas make-up two-thirds of our hotel rooms – gives us not only one of the highest Average Daily Rates (ADR) in the world, but also means our model produces one of the fastest Returns on Investment (ROI) of any investment destination. Moreover, whilst other nations are labooring under unimaginable debts, our debt-to GDP ratio is under 35% and falling.

In respect of the specific 'opportunity-horizon' for investment in TCI, really it is an extension of our luxury brand, supported by our financial services platform. My co-author Professor Morris has argued that: "*with nearly 80 million people retiring in the United States between now and 2030, which is likely to induce a substantial intergenerational wealth transfer of historical proportions, Turks and Caicos - both competitively and comparably - is best located; best organized; with the best infrastructure and so best suited to accommodate residential and long-term stay opportunities which are set to increase exponentially in the near term*".

This sets the stage for a variety of investment options, which will only serve to strengthen our economic model.

Full disclosure

It would be remiss if we did not, at the very least, identify the headwinds, which may in some meaningful respect impact the economic performance of the Turks and Caicos on a forward basis. In advancement of any thesis on investment destinations, what investors seek is not a rosy picture unencumbered by reality. Rather, a mature perspective is one that anticipates, acknowledges and assesses potential risks, which strengthens the proposition of any investment opportunity.

The Turks and Caicos Islands has a new constitution, written by the British, promulgated and entered into force in 2012.

The constitution establishes a post of Chief Financial Officer, a role better suited to corporations than the Executive branches of government. The CFO position is tied to a Sovereign Loan Guarantee provided by the British in respect of a loan to TCI, with a maturity date in 2016.

This structure is relevant to any investor in TCI because it is appurtenant or connected to our tax and fiscal obligations. That is, the CFO position falls away after the retirement of the debt and so the loan guarantee, again in 2016. However, in the interim, the Turks and Caicos Government (TCIG) must act with reassuring prudence in all expenditures, to ensure the nation's positive debt service profile remains undisturbed.

As a subtext to these considerations, the TCIG, together with the opposition party (PDM), and the business community rejected a proposed VAT as the main revenue option for government income. This means that at the same time that the government must exercise unprecedented prudence in its financial decisions concerning resource allocations, it

RASHAWDESIGNS.COM

WHERE FORM AND FUNCTION ARE ONE

The foremost custom residential design firm
renowned throughout the islands for creating some of the most sophisticated and technologically advanced luxury properties in the Caribbean, offers architectural design and construction services ranging from concept to completion. RA Shaw Designs specializes in creating a unique sense of place with building techniques and architectural details that reflect the surrounding culture.
For more information, visit us online or call **1.649.941.4394**

"Turks and Caicos has an in-built infrastructure and capacity to meet, match and facilitate the long-term residential demands of retirees"

must at the same time act to foster economic growth in an effort to stabilize government's revenues up to and beyond the loan maturity period.

In this way, our bad news is our good news.

This turn of events means the TCIG must balance tax policy with growth options, and where this is so, investors are co-beneficiaries for the reason that this is the optimum environment for dealmaking, in which mutually beneficial opportunities have the best chances of approval and success.

The new paradigm

When we set out to imagine and discuss an enterprise level luxury retirement industry, we have found the synergies, which are quickened on the one hand, and then metastasized by the presence of a global luxury resort brand, are innumerable. That is to say, Turks and Caicos has an in-built infrastructure and capacity to meet, match and facilitate the long-term residential demands of retirees.

In this context, the opportunity-horizon in Turks and Caicos, can be said to be listed as, but not limited to the following:

- The design and development of (single unit) retirement villas
- The design and development of multi-unit retirement condos
- The design and development of retirement-specific-communities
- Medical services for the aged
- Medical spa services
- Financial services for retirees, including family offices, estate planning and captive insurance services

These options for investment, aimed at facilitating retiree demand for luxury residential propositions are inherently amenable to what we have already developed in Turks and Caicos, supported by a legislative regime, with full regulatory capacity.

When we thought through these options for investment, we looked at general deal-paths for an investor considering these opportunities.

Thinking strategically, the demand for the Turks and Caicos as a retirement option must be read against the volume of registrations for Retiree Residency Certificates and the rate and types of real estate purchases, which are already rising. At F Chambers, we have begun to take inquires for the Retiree Residency Certificates, also at an increasing pace; even though the legislation is not yet passed into law.

As an investment proposition, one must see how the options in the list above 'systemizes' to create a new paradigm. Professor Morris has written on this point as follows:

> *"Retiree long-term residency demand is at one and the same time a strengthening of the existing tourism model in TCI and a diversification away from it. From the perspective of the investor the formula is the same: there is demand for construction, secured by deposits, and a date certain for delivery. The financial aspects are various and offer opportunities to cultivate numerous familiar products, such as bonds, private placement vehicles, trusts and funds. Even retirees can place surplus funds, earmarked for investment (particularly annuities), based on cash-flow models where larger scale multi-unit communities are developed and sold".*

Space does not permit us to expand with the expected flourish on these methods, options and structures. But Turks

FEARLESSLY COMMITTED

F CHAMBERS

ATTORNEYS AT LAW

Professional Legal representation, advice and services to all clients both personal & corporate, domestically & internationally.

- Real Estate Law
- Company Formation
- Government Affairs
- Inward Investments
- Business Licensing
- Hotel Development
- Litigation

info@fchamberslaw.com

PO BOX 666 7 SDR Complex
176 South Dock Road
Providenciales, Turks & Caicos Islands

TEL: (649) 339- 6275

WWW.FCHAMBERSLAW.COM

F Chambers is Affiliated with Chambers in Europe, North America & the Caribbean.

and Caicos is a destination for the seasoned investor, who understands how the hospitality business transposes into real estate opportunities and extends into financial services.

There are additional reasons why Turks and Caicos Islands represent a comparatively ideal investment destination. When we imagine the services platform, there is much to consider in respect of our location and our carrying capacity, again listed as, but not limited to the following:

- A new immigration ordinance, likely to be passed in Parliament this summer; giving a clear and definitive status to retirees, include ease of ingress and egress into and out of Turks and Caicos Islands
- Turks and Caicos is 2-hours by jet service from major hubs in Miami, Dallas/Forth-Worth, Charlotte, NC, Washington DC/Baltimore, New York, Canada, with additional services from Chicago and Philadelphia and weekly jet service from London
- We have 18 major resorts, with spa facilities
- We have a world-class service culture, and our food-stores and restaurants move more wine than any other Caribbean country
- We have a premium private jet centre, with an additional jet centre coming on stream
- We have two major class A rated hospitals managed by Interhealth Canada, served by US, UK and Canadian medical professionals, together with local physicians
- Turks and Caicos has an 18 hole PGA Golf Course (owned by the Emir of Qatar), with a new Nick Faldo Golf Course coming on stream at the Amanyara Resort, major food-store brands, 54-top rated restaurants
- Our landfill is managed by a family which owns the largest landfill management company in America
- We have the third largest reef system on earth, and the best snorkelling and diving in the region
- We have 5 major auto dealerships (with service centres) and 5 major auto rental centres with lease options
- We use US currency and are capable of every transaction amenable to and expected in a global financial centre

Conclusion

The world is an interesting place, in which opportunities are constantly emerging. Turks and Caicos is essentially an old country (511 years from Columbus' landing), with a new story. We are still largely unspoiled by metropolitan development, yet we are uniquely cosmopolitan.

More importantly, divine forces have driven comparative advantages for us, such as location, the quality of our beaches and the size (29,800) of our native population. We have taken those comparative gifts and cultivated competitive advantages, in the form of our multi-billion dollar premium luxury resort industry.

Nature has ordained another comparative advantage in that we live next door to a North American continent, in which demographic changes will lead to competitive choices by 'baby-boomers' about where to live out their 'November years'.

This leads to an additional competitive decision for investors: whether, in facilitating these comparative options, Turks and Caicos is sufficiently attractive; considering the need for government to engender growth through Foreign Direct Investment. When you consider – as was previously mentioned – of our nearly 3,000 hotel rooms, nearly two-thirds are privately owned villas, that is a vote of confidence no article can vouchsafe, and maintained only through previously satisfied customers. ■

ABOUT THE AUTHORS

This is not the first time Professor Morris and Mark Fulford have joined together to advance a significant proposition. In 2009, The Hon. Galmo W Williams, MP, appointed Professor Morris as Special Envoy from the Premier's Office. Morris turned to Fulford and the two drafted the Cockburn Town Declaration and took Missions to the House of Lords All Party Committee, in London together to present the Declaration. In the end the Interim Government of Turks and Caicos from 2009-2012 implemented 8 of the 16 policy options laid out in the Declaration.

Fulford was Special Advisor to the second Premier of the Caicos Islands, charged with arranging, processing and facilitating investment negotiations and prioritizing domestic policy options for the Premier's office. Fulford attended University of Buckingham Law School, where he served as President of the Law Society. He is a member of Lincoln's Inns of Court and was Called to the English Bar and the Turks and Caicos Bar. Since his call, Fulford has had a string of impressive legal successes and has charted a new course in investment advisory in Turks and Caicos.

Professor Gilbert NMO Morris is one of the world's leading experts on Financial Centres. He was Professor at George Mason University, and has lectured at nearly 100 universities worldwide. In 2003 he completed the largest shipping study in the Caribbean Basin for The Vice Premier of China, Madam Wu, and the Chinese International Trust & Investment Corporation (CITIC). He was Senior Economic Advisor to the Ministry of Finance in TCI and served as Chairman of TC Invest, the National Investment Agency of the Turks and Caicos.

For further information contact:

Mark A Fulford, LLB
Tel: 649 331 4855
maf@fchamberslaw.com

Professor Gilbert NMO Morris
Tel: 649 242 5906
chairman@caicosbrothers.com

RICHARD A ROOKE

Award Winning Independent Property Consultant

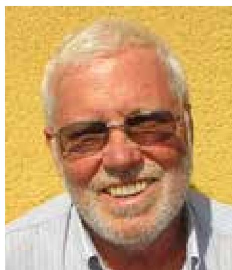
Best Buys on the Spanish Costa Blanca • Safe, Sound, Secure Property investments
Plus All Year Round Golf in the Sun • MAKE THE RIGHT CHOICE

WWW.VILLAVALUE.COM

The Property Exhibition and Information Centre
Playa 9, Mil Palmeras, Pilar de la Horadada (Alicante) Spain.

Tel/ Fax: +34 96 532 00 24 E-Mail: richarda@eresmas.net

Member of FIABCI,
The International
Real Estate Federation



New construction norms are changing the face of luxury villas on the Spanish Costas

Richard A Rooke is a British independent property consultant, real estate agent and runs Villa Value

From the 1st June, all new properties (re-sales as well) will need an energy efficiency certificate from a qualified surveyor, and will be graded from A to G, in accordance with the new environmental norms aimed at reducing the levels of greenhouse gas emissions.

In some cases, to achieve an A certificate, the construction company's architects are designing new and exciting modern-style properties using new materials, equipment, fixtures and fittings. New luxury properties already completed, and built to these new standards, are changing the face of luxury villas on the Spanish Costas. A new generation of architects is taking over with outstanding results - beautiful designs and luxurious features that were just dreams a few years ago.

Prices will vary according to the size of the villa, the plot and location, and the Costa del Sol is generally much more expensive than the Costa Blanca or Costa Cálida. In spite of the financial crisis, the latest sales figures published are very encouraging, and the volume of property sales in Spain is on the increase again.

One construction company on the Costa Blanca has produced a complete line of really modern luxury villas, under construction, or off-plan, at various locations along this part of the coast, at prices from around 300,000 up to +/- 1 million euros. Also available, bespoke villas designed to your own personal requirements.

The Costa Blanca, at the moment, is definitely producing more sales than other parts of the coast, and luxury villas are playing an important role in this new sales recovery, with British, Russian, Scandinavian, and Benelux buyers keeping the property market moving upwards.

Another reason why the Costa Blanca-Costa Cálida area is proving to be more popular, is the ever increasing demand for good class golf courses, and availability of accommodation for sale on these courses. This region has rapidly turned into a golfer's paradise with an enormous variety of new and established courses to choose from.

Leading the way is the Las Colinas Golf and Country Club, acclaimed by a leading golf magazine as one of the 20 best new golf courses in the world. Situated south of Alicante, 10 minutes from the coast and the fabulous beaches of Campoamor and Pilar de la Horadada, it really is a world apart. A prestigious championship golf course, abundant natural landscape and a selection of luxurious properties combine to create an exclusive environment with breathtaking views and a tranquil, relaxed atmosphere. With its frontline, private beach club, and other sporting activities, this is the ultimate destination. ■

ABOUT THE AUTHOR

Richard A Rooke is a member of FIABCI, the International Real Estate Federation, CEI, The European Real Estate Confederation, and GIPE, one of the leading Spanish Real Estate Associations, and runs an extremely well-known real estate agency and consultancy on the Costa Blanca. With over 30 years experience in the real estate industry, and officially recognised Spanish real estate qualifications, Richard's expertise is second to none.

For further information please email:

richarda@eresmas.net or visit: www.villavalue.com

The Las Colinas villas meet all the new norms of construction

Customization and expansion for executive education

Elliot Davis is a research associate with AACSB International's Research and Knowledge Services Group

As the global economy begins to rebound, many businesses are again looking to consider how executive education programs can meet the professional development needs of their staff. Their emerging demands, including the desire for more offerings in developing countries, have prompted strategic changes at many business schools that provide executive education programs.

Executive education is typically offered by business schools to companies for the purpose of developing their senior level professionals. In recent years, many top business programs have expanded the focus and geography of their offerings. Their goal: to address the evolving needs of companies and individuals whose areas of focus increasingly span diverse global contexts. The result is an increase in the variety of customizable options tailored to meet the wishes of companies with specific cultural and commercial needs.

The Association to Advance Collegiate Schools of Business (AACSB) accredits many schools that are currently pushing the boundaries in the realm of executive education, offering high-quality programming around the world. Known and respected as the leading accrediting body of business schools, AACSB accredits schools in nearly 50 countries and territories and connects a network of more than 1,350 educational institutions, businesses, and other entities devoted to advancing quality management education.

Following over two years of study and collaboration with the leadership of global management education community and employer organizations, AACSB's Accreditation Standards were revised as of April 2013. Part of this revision included the adoption of a standard pertaining specifically to executive education. This standard was designed to ensure that AACSB-accredited schools providing executive education have *"appropriate processes to ensure high quality in meeting client expectations and continuous improvement in executive education programs."*[1] This standard comes at an opportune time, as AACSB-accredited schools continue to expand their executive education offerings in light of the growth of demand within the industry.

Many of the executive education programs offered by AACSB-accredited schools have seen accelerated growth in the areas of global expansion and customization options. These trends will likely continue, as the global economy continues to recover from the economic slowdown.

Resurging interest in executive education

In January 2013, The International Consortium for Executive Education (UNICON) released findings from its annual membership survey. This survey included participation from nearly 100 educational institutions that offer executive education programs around the world. The survey's results suggest that the growth of executive education stymied for a time due to the global economic downturn, but it is beginning to rebound with significant continued growth expected for the coming year.

Of the participants, 94 percent of executive education programs expect increased interest in executive education to lead to revenue growth for the 2012-2013 calendar years.[2] Driving this forecast is a resurgence of interest among employers in investing in talent development, and an acknowledgment that such investments are ultimately good for their companies' bottom lines.

UNICON chair Melanie Weaver Barnett, the chief executive education officer at the Stephen M Ross School of Business at the University of Michigan, explains that *"companies are beginning to invest in their people again, and our survey suggests that this investment might accelerate in the year ahead."*[3]

A customized world-class experience

The increased interest in executive education offers great opportunity for organizations and executives in many regions, particularly emerging markets such as those in South America or Asia where executive education opportunities have thus far been limited. Yet with these increased opportunities also come the realities of time away from the daily routine.

During a May roundtable on executive education held by the *Financial Times*, Jayne Jennings, general manager of Open Programs and Learning at Melbourne Business School, noted that for many organizations it has become *"increasingly difficult for executives to be away from the office for long periods."*[4] Similarly, Della Bradshaw, business education

editor of the Financial Times cited her observations of *"an increasing reluctance on the part of companies to send managers away to business school,"* saying that instead, *"they need professors to come to them."*[5]

Business schools have not wasted time seeking alternative strategies to meet the needs of client companies and business professionals around the world. Advances in online education technologies alleviate some of the challenges associated with time spent travelling between work and school. But many schools find that their executive clients still value face-to-face instruction and mentoring, and have chosen to bridge the geographic gap through the global expansion of their executive education program.

Through a network of branch campuses and satellite locations, many schools are expanding executive education offerings to numerous locations around the world, and customizing them to local participant needs in the process. Some schools even provide their executive programming at the facilities of their client companies with content, examples, and delivery highly customized to the specific company and/or industry.

The proliferation of customized programs is, in fact, one of the chief reasons for the growth of executive education programs in recent years. According to UNICON's Barnett, these custom programs *"allow university-based executive education providers to provide the original research and academic rigor that distinguishes university-based education from other providers in a format that meets the unique educational needs of clients."*

Considerations for those pursuing executive education

With a wider array of executive education offerings than ever before, selecting the right executive education program has become an increasingly complex task, with numerous new factors worth considering. Of course, traditional considerations such as the price, the duration, and the strength of the provided curriculum will likely continue to top the list in terms of importance to most business professionals when weighing their options for executive education. But, the expansion and growing variation in the way programs are conducted has given way to several additional factors which could impact the program's value to the participant and the participant's company.

How customized does the program need to be to a company's specific internal and external environment?

The customization factor has quickly become an important consideration, as evidenced by UNICON's data, as well as the response of the many business schools to the growing industry demand for tailored programming. Certain companies may have highly specific cultural or commercial needs for their ongoing employee development, while others may be less reliant upon this degree of customization. Each case is different, but having the option to make company (or country) specific modifications to an offering can certainly be appealing.

HEC Paris, for example, has notably adapted its long focus on executive education through custom programs for business professionals in African countries such as Burkina-Faso, Ivory Coast, Senegal, Togo, and other developing nations.[6] Harvard Business School (HBS) similarly makes its faculty expertise more widely available, and narrowly applicable, by working one-on-one with companies in various locations around the world, designing customized curriculum packages that are highly targeted to the cultural standards of the company's region, as well as the business needs for that organization.[7]

"The proliferation of customized programs is, in fact, one of the chief reasons for the growth of executive education programs in recent years"

How important is it that the program be local?
Not all companies have convenient access to locally delivered executive education offerings that are ideal for their needs. Yet a concern held by some companies, as noted by Jennings and Bradshaw, is the loss of important personnel for extended periods of time due to travel to-and-from executive education classes in other locations. It is possible now, with the advent of the online classroom, for individuals to participate in online classes from their own office, or even their home. The surging popularity of the Massive Open Online Course (MOOC), a free, web-based interactive course experience, underscores the growing acceptance of online learning as a viable option for personal development. By taking a course online, a student is able to remain local while still connecting globally to a broader international community.

In lieu of an online program or a local brick-and-mortar option, others are content to travel to their desired provider, to receive a global experience (through immersion) in the process of completing the program. Such an approach also may offer greater opportunities for networking with a globally representative set of peers. All options are perfectly viable, dependent upon the unique needs for the participant and the company.

Is it valuable for a school to have a collaborative international network to draw from?
Collaborations can be an ideal way for schools to test out new markets and to expand their global reach, without necessarily investing significant capital into the construction of facilities. Students can benefit from these collaborations, by experiencing a unique blending of international perspectives which can make for a more globalized experience. And, in an increasingly globalized economy, having more international understanding can be quite valuable to many business professionals.

In a global collaborations survey conducted by AACSB, 230 institutions representing 50 different countries named themselves as 'partners' in collaborative agreements involving non-degree or executive education programs. Additionally, there were 34 schools, across ten countries that indicated they desired to participate in more collaborative partnerships.

Where are they looking? Respondents indicated they were primarily pursuing executive education partners in the Asia-Pacific region (37 percent), but also Europe (18 percent) and the Americas (15 percent). Many of these collaborations are market driven, and their focus often changes depending on the strengths of the business school, and the needs of the business community.

One such school is the University of Miami's Miami School of Business Administration. The school has agreements with a variety of business schools in both Latin and South America, through which it intends to offer joint executive education offerings to local professional residents. Schools collaborating with the Miami School of Business include the University of Sao Paulo in Brazil, the Pontifica Universidad Catolica Business School in Peru (CENTRUM), and the University of San Andres School of Business in Argentina. Concerning these collaborative agreements, Miami School of Business dean Barbara Kahn stated that *"[n]ot only will these partnerships lead to cooperation between [The University of Miami] and the other schools, we will also connect schools in each region with one another for the exchange of ideas and knowledge."*[8]

Future path
With the 2013 Standards now in place, AACSB's commitment to the quality of executive education has never been more pronounced. The growth and accompanying changes within the realm of executive education should prompt those interested in pursuing it to review all pertinent factors. Emerging considerations such as level of customization, mode of delivery, and need for international perspective are all worthy of deliberation.

Currently, AACSB expects the growth path for executive education to become more innovative, as business schools continue to work outside the box, and establish unique ways to better team with business. The economic downturn may have slowed the growth of these programs temporarily, but the recent gains indicate that accelerating growth is on the way. ■

1. http://www.aacsb.edu/accreditation/business/standards/2013/academic-and-professional-engagement/standard14.asp
2. http://uniconexed.org/en/in-the-news-nav-link.html?id=217
3. http://uniconexed.org/en/in-the-news-nav-link.html?id=217
4. http://www.ft.com/intl/cms/s/2/0c5d6bac-b8a0-11e2-a6ae-00144feabdc0.html#axzz2UEeR5iAu
5. ibid
6. http://www.exed.hec.edu/locations/africa
7. http://www.exed.hbs.edu/programs/custom/Pages/default.aspx
8. http://www.newson6.com/story/11168175/university-of-miami-school-of-business-extends-reach-to-latin-america-asia-and-europe?

Make the difference through the value of

MAGNANIMITY

IPADE BUSINESS SCHOOL
UNIVERSIDAD PANAMERICANA
MEXICO
Inspiring people. Developing leaders.

At IPADE Business School, founded in 1967 by a group of prominent businessmen, we offer Programs that respond to the challenges of the globalized world –a world of constant evolution and change– . We do not limit ourselves by merely knowing technical aspects or business efficiency. We are a center of studies that seeks truth and the promotion of integral humanism in those who head organizations.

For more information join us at:

www.ipade.mx

The business of change

Business schools must change if they are to serve their students and society well, says Garth Saloner

Just over a year ago Stanford Graduate School of Business in California took the unusual step of launching an institute aimed at poverty alleviation. When most people think about relieving poverty, the next words out of their mouth are usually not business school. Nevertheless, as we undertook the process of establishing the Stanford Institute for Innovation in Developing Economies, known as SEED, we began thinking about how entrepreneurship and the management disciplines we teach could be used to make an impact on poverty alleviation and on other pressing global challenges.

Some of the world's biggest problems – education, environmental sustainability, healthcare, country governance, and access to food and clean water – are not just technical challenges; they are business, leadership and management challenges. For example, the problems of healthcare are not simply those of new drug discovery or medical device innovation but of healthcare delivery, including hospitals, healthcare systems and innovation in healthcare delivery organisations.

Those of us in the field of business education know that today's students are eager to address these types of challenges. The millennial students, those earning higher-education degrees in the 21st century, walking through our doors don't just want to make money; they want to make a difference.

They want to lead lives of impact and meaning and they see the challenges I have described as opportunities and as problems to be solved. And I believe we have the opportunity to equip our graduates with the skills they need to meet those challenges. It is an exciting prospect and it is what energises me for my job every morning.

I realise this view may not obviously fit with our day-to-day thoughts as business school deans, senior administrators or even faculty members. In so many ways our business schools feel beleaguered, challenged and stressed. The prolonged global economic crisis and the Occupy movement have put business schools under intense scrutiny.

Internally, we face curricular pressures and the need to adjust our programmes to meet the demands of a changing student body. We face new competition and a changing industry environment that is different to what it was just a decade ago. The return on investment of the business school programmes we offer is also being questioned, a business model that is likely to be enormously impacted by online education.

However, despite all of the challenges we face, I remain optimistic about the role of management education. And for Stanford University, I think the challenge of poverty alleviation could and should be a significant part of our mission. The change in our own strategy and in particular what we think we can and should address, has its roots in our own process of curriculum reform that occurred over

Ashridge was established in 1959 and is one of the world's leading business schools. It is one of just 60 or so triple **accredited** business schools worldwide out of 7000 and is consistently ranked as a **premier** provider of executive education and management development.

We help **people and organisations** to gain **competitive advantage.** We take pride in working in **partnership** with some of the world's leading organisations in tackling the complex challenges they face, such as formulating and implementing **strategic** development, **leadership** and **change.**

Flexible study. Immediate impact.

Rigorous. Relevant. Real. Online.

www.ashridge.org.uk/mim
admissions@ashridge.org.uk

ASHRIDGE
business school

the last several years. In fact, if it were not for curriculum reform I don't think we would be advancing SEED.

Lessons from curriculum reform

We began curriculum reform in 2006. In February of that year our former dean put together a task force that I had the privilege of leading. He had asked us to present a proposal to him by that May so there was not a lot of time.

The genesis of reform was faculty concern about insufficient student engagement in the educational experience. One of the most significant problems was the extreme diversity of backgrounds among the students. Many of them had spent their undergraduate time and early work careers preparing for business. But many others had never planned to attend business school and had worked for non-governmental organisations such as the US Peace Corps or Teach for America prior to entering business school.

The students who had prepared for a career in business had already learned or had jobs doing what we planned to teach them, while other students did not have a solid foundation in management or business. The problem was that we were taking a varied student body and putting them through a one-size-fits-all curriculum.

We were exacerbating the problem by the order in which we taught our curriculum. If I use the analogy of a house, we would first start with the foundation (economics, statistics, organisational behaviour), followed by the walls (accounting, marketing, finance) and finally we'd add the roof (broad general management topics), which were the topics many of them had come to business school to study.

We decided to change many things as part of curriculum reform. First, we decided to start with the roof of the house, which was a big conceptual change for all of us on the faculty! The bet we placed, which turned out to be well-founded, was that in grappling with general management issues the students would understand where they had shortcomings in their understanding of the foundations and walls and would be highly motivated to address those when we later turned to those subjects.

To deal with differing levels of knowledge, we also added menus of options to those so that our students could take the appropriate level foundation course based on their own background and experience. The roof includes a course on critical analytical thinking (CAT), which requires students to take a position each week on a business case – pro or con – and defend that position by facing intensive questioning by their peers. Further, our Leadership Labs course asks students to role play and then review their performance with a personal coach. We also added a global study trip requirement for each student in their first year to provide them with hands on cross-cultural experience.

Many of the ideas we proposed and implemented did not work. For example, I am not sure what we were thinking when we added a required course, a synthesis class, in the spring semester of the final quarter for our second-year students! We ended up cutting some classes and though it was controversial it has gone well.

The link between curriculum reform and SEED

In looking back at the process of curriculum reform, I realise we changed ourselves in ways we had not anticipated and in ways that make some things natural for us now that would not have been natural before. Even as we were trying to act as change agents ourselves through curriculum reform, we have realised that we've broadened the education we provide in a way that more effectively helps our students to become change agents in their future lives.

The fundamentals of our programme remain extremely important. For us, it is unthinkable that a graduate of an MBA programme should not be equipped with the core conceptual frameworks of accounting, finance, strategy, operations and so on. However, graduates must have at least three essential skills if we want them to tackle the world's most significant problems.

First, they must have the ability to figure out the problem, which is an area where we have traditionally been strong and have embellished through CAT.

Second, they must be able to come up with a solution. This is largely a creative process, which has traditionally not been a strength of management education programmes. To improve our positioning in this area, we borrowed and implemented ideas from design thinking about how to drive innovation.

Third, alongside finding the solution is the ability to implement, which is done by and through collaboration with others. This is why we emphasise fundamental leadership skills such as self-awareness, character and cross-cultural communications.

Putting this overlay of problem identification, innovation and personal leadership on top of the more fundamental components of our programme takes our students beyond what we used to do before. They come in as high-potential individuals and are transformed into leaders equipped with the knowledge and skills to become effective change agents in the world. It is what we mean when we say *"change lives, change organisations, change the world"*.

This evolution in how we think about our role as management educators is shaping our strategy. Directions which may have seemed off-mission before now look like they are right down the middle of the fairway. These problems include the environment, education, global health and sustainable development.

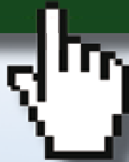
جامعة الأخوين
AL AKHAWAYN
UNIVERSITY

Al Akhawayn University in Ifrane

With the Bachelor's, Master's, and Executive Education programs in Business Administration at Al Akhawayn Unviersity in Ifrane, Morocco, you can gain the education and skills needed to take your career, and your future, to the next level.

As a prestigious university in North Africa that uses English as the primary language of instruction, Al Akhawayn University blends a comprehensive business education with an international perspective.

www.aui.ma



facebook.com/AlAkhawayn

“Some of the world’s biggest problems – education, environmental sustainability, healthcare, country governance, and access to food and clean water – are not just technical challenges; they are business, leadership and management challenges”

It is in that spirit that we have embraced SEED. If we think of our role as developing leaders who are change agents who can tackle the world’s biggest problems, then SEED is very much part of our mission. When I think about the leadership that it will take to address the problems of global poverty and the many other challenges the world faces, I am inspired by leaders who have made a real difference in the world, those who redefine their businesses or their industries or create new ones.

Some of these are our alumni, some of them are your alumni and others have never had a formal management education. One Stanford GSB alumnus who particularly inspires me right now is Cormac Lynch (MBA 91). Following his successful career in investment banking, he is now founder and CEO of Camara, an international organisation dedicated to using technology to improve education and livelihood skills in disadvantaged communities around the world.

Founded seven years ago in Dublin, Ireland, Camara has established e-learning centres that have provided digital literacy services to some 450,000 children in poor communities in 1,650 schools in Africa, Ireland and the Caribbean. The organisation has installed over 35,000 computers and trained more than 5,000 teachers to use the technology for learning purposes.

Another alumni, Jane Chen (MBA 08), is cofounder and CEO of Embrace, a non-profit company that has developed a low-cost portable baby incubator. She was inspired to start the company after visiting Africa and learning that each year 20 million low-birth-weight babies are born worldwide and four million infants die within the first month because their low body fat does not allow them to regulate their own body temperature.

The incubator Embrace sells uses a gel-like liquid that can be heated in boiling water and inserted into the back of a modified infant sleeping bag, which keeps a baby’s body temperature at a constant 37 degrees. Today, these baby incubators cost less than $200 – about 2% of the cost of a traditional incubator – and are saving lives in India, Africa and beyond.

As we all know, change agents come from every background and every part of the world. Another example is Jeff Bezos, CEO of Amazon.com. He’s not a GSB graduate but founded Amazon as an online merchant of books and later expanded to a wide variety of products. Under his guidance, Amazon.com has become the largest retailer on the internet, and is now used as a model for global internet sales.

I am inspired by these leaders because they make me optimistic about our role in society – to educate change agents. But also because they are exemplars for us – suggesting how we can reinvent ourselves. And I do think that we have the opportunity to reinvent ourselves. Moreover, I think we should be highly motivated to do so.

First, the millenials, our students, are looking for us to provide them with the ability to be change agents. They increasingly come to us wanting to make a substantial impact on the world.

Second, we face significant future challenges in our industry that demand that we innovate more rapidly than in the past. We don’t have to look very far to see what happens to companies that do not adapt their businesses, their products or their business models in the face of changing consumer demand or as a result of the next economic dislocation.

From bookstores to video retailers and from banks to car manufacturers, companies in America, Europe and across the world are shutting their doors. I certainly do not want business schools to be added to a long list of entities that failed because they did not or would not keep up with the changing demands of society. The challenges to our conventional way of doing business are greater than ever and we will see big changes in the years ahead. Online education is perhaps the greatest of these.

Stanford’s President John Hennessy has described it as the tsunami that is headed towards us. We can ride it as some institutions in America are already doing or we can risk being crushed by it.

Third, the problems of the world simply need our attention, focus and help. When we talk about the need for innovation and for leaders who can bring it about we have in mind people such as those I have mentioned. As business schools, I think we are increasingly going to have to apply those lessons to ourselves.

The business of change can be relatively uncomfortable at times, but it is through this process that all of us – students, faculty, corporations and institutions – are able to transform ourselves so that we can stay relevant and competitive in today’s global economy.

The good news is that if we are successful, our graduates will be seen as the leaders who are bringing about positive change in the world and we as the institutions that are equipping them to do so. ■

ABOUT THE AUTHOR

Garth Saloner is the Philip H Knight Professor and Dean of Stanford Graduate School of Business.

This article was originally published in EFMD Global Focus, Volume 07 Issue 01, 2013. www.efmd.org

Adrian Davies

Current company: Barclays

Current position: Network Area Director

Why did you decide to do a Masters in Management?
I commenced employment straight from school and have built a very rewarding career: however I felt I lacked any formal qualifications beyond GCSE level. I felt a Masters in Management could be an excellent differentiator for my career, especially if I were to take a different avenue moving forward.

Why did you choose Ashridge Business School?
The profile and reputation of Ashridge was an important factor in the decision making process. The quality of the programme is guaranteed.

Did you have any reservations before starting?
I was concerned if I would be able to cope with studying again, whilst also succeeding and holding down a very demanding role professionally.

How do you manage your work/life balance?
I have a very understanding wife and three children! They give me the time to study, but we also make sure that we have quality time together – but this does have to be planned and maintained if the studies are going to give the intended rewards.

How has your company benefited from your studies?
As a loyal employee, this investment from them only strengthens that loyalty further. I am also developing myself further, which will help the company move to the next level with their commitment to developing its people. The knowledge and understanding that I am getting from the programme is helping to also develop my communication skills, something that directly feeds back into my work. ■

For further information please contact:

www.ashridge.org.uk/mim
admissions@ashridge.org.uk

BUILDING AN IN-HOUSE COACHING PROGRAM

As the global economy moves from crisis toward recovery, developing and retaining top talent within an organization is more important than ever. In fact, the 729 CEOs, presidents and chairmen from across the globe who responded to *The Conference Board's 2013 CEO Challenge* survey listed human capital as their most critical challenge for this calendar year, ranking it above corporate brand and reputation, government regulation, and even customer relationships.

Increasingly, in-house coaching programs are becoming part of many organizations' talent-development plans. According to the *2012 International Coach Federation Global Coaching Study*, 14 percent of professional coaches self-identify as internal coaches; ie, professional coaches who are employed within an organization and who have specific coaching responsibilities identified in their job description. (This does not account for the percentage of professional coaches in private practice who are contracted to provide coaching services to one or more organizations.) One organization to experience the benefits of an in-house coaching program firsthand is TINE, a Norwegian dairy cooperative that has included coaching in its talent-development plan for more than a decade and that has had an internal coaching program in place since July 2005.

With more than 5,000 employees and 10,000 member farms, TINE processed 19.4 million litres of goat's milk and 1,453.9 million litres of cow's milk last year, for annual revenue of 19,769 million NOK (Norwegian Kroner). In total, TINE offers more than 200 varieties of high-value food products, including milk, cheese, butter, yogurt, juice and ice cream.

Hanne Refsholt, CEO of TINE, a Norwegian dairy cooperative

In 2002, TINE completed what was, to date, the largest merger in Norwegian history, bringing nine dairy companies together under one umbrella. To aid the transition process, TINE offered all nine companies' board chairmen and directors access to an external coach. The next year, TINE offered coaching to participants in a program for upper-level management.

Under TINE's current CEO, Hanne Refsholt, who began her tenure in 2005, coaching has continued to grow within the organization, becoming a centrepiece of the company's talent-development plan and a priority item within TINE's human-resource budget. In 2010, the International Coach Federation (ICF) recognized TINE for its effective use of coaching and documented return on investments (ROI) and expectations (ROE) with an International Prism Award, and the program has continued to grow in subsequent years. (Learn about the ICF Prism Award and read the stories of more past winners at Coachfederation.org/prism.) TINE's internal coaching program exemplifies several best practices for organizations considering in-house coaching for talent development and retention.

A top-down approach

Harald Arnesen, an ICF Professional Certified Coach and the head of TINE's internal coaching program, says that coaching only succeeded within the organization because of support from the C-suite. *"When we started the program, the human resources department introduced coaching to a few members of the top management. Word about this spread within the leadership team, and the CEO [Refsholt] then asked to try coaching herself."* Refsholt quickly became TINE's most vocal spokesperson for the value of coaching. *"She liked the process so much that she continued using a coach,"* Arnesen adds.

Higher education that meets higher expectations.

Getting your degree online shouldn't mean sacrificing a quality education. The University of Wisconsin-Whitewater's College of Business and Economics MBA is online, and it's accredited by AACSB International. When only 5 percent of business schools worldwide are accredited by AACSB, you know you're dealing with an outstanding institution. You can get a real, quality, accredited MBA degree, and you can get it anytime, anywhere right at your computer. Find out how at www.uww.edu/cobe/onlinemba.

UW-WHITEWATER
BUSINESS ONLINE
A DEGREE ABOVE

UNIVERSITY OF WISCONSIN
WHITEWATER

"Like any other company, we want to create the best possible results for our owners. Whether that owner is a farmer or a shareholder does not really matter. We all want to achieve profitability in the end"

Beginning the coaching process within TINE's upper echelons yielded another benefit for the organization, Arnesen says. *"Several surveys have shown that lack of good management is one of the main reasons why people leave their jobs, with some reporting that as many as 30 percent of people who leave their jobs do so citing poor leadership."* By providing coaching for managers that focused on leadership skills and style, TINE was able to boost employee engagement and satisfaction throughout the organization.

Because TINE's leadership was convinced from the beginning about the value of coaching - and because the benefits trickled down rapidly to impact operations throughout the organization - there was never a question that coaching should be a fiscal priority, with designated HR budget lines to hire external coaches for top management and to fund the training of internal coaches who work with TINE employees and member farmers.

Authentically aligned

Although TINE is a cooperative business (ie, a business where ownership, decision-making and profits are all shared by its members), Arnesen says that the organization's goals are not unlike those of other organizations: *"Like any other company, we want to create the best possible results for our owners. Whether that owner is a farmer or a shareholder does not really matter. We all want to achieve profitability in the end."*

Productivity yields profitability, and this is the focus of TINE's coaching program. *"We want to build leaders who are able to use coaching skills to create motivation among the employees,"* Arnesen explains. To this end, managers are coached on several skills. These include:

- Being a good listener who is able to be silent when necessary.
- Asking good, open-ended questions of colleagues and subordinates.
- Offering perspectives instead of solutions.
- Setting and working toward goals.
- Providing thoughtful, useful feedback.
- Acknowledging employees' efforts and accomplishments.
- Identifying the building blocks of a productive conversation.
- Communicating effectively.

Participants in TINE's coaching program are also encouraged to identify and understand different leadership styles, learning when and how to adopt each style appropriately. Ultimately, Arnesen says, TINE's coaching culture aligns with another key organizational value: cultivating an atmosphere of learning and growth.

Investing in the best

Since the inception of coaching at TINE, the co-op has only contracted external coaches who hold an ICF Credential. Coaches who have been credentialed by the ICF have met stringent requirements for education and experience, and they have demonstrated a strong commitment to excellence in coaching. The *2010 ICF Global Consumer Awareness Study* revealed that 84 percent of adult consumers who had experienced a coaching relationship think it is important for coaches to hold a credential. When TINE adopted internal coaching, the program's leadership opted to enrol all coach candidates in an ICF-accredited training program and

Kellogg WHU

EXECUTIVE MBA GLOBAL NETWORK

CHICAGO DÜSSELDORF HONG KONG MIAMI TEL AVIV TORONTO

Distinguish yourself – Globally!

Thrive with modules in Germany, Canada, Israel, Hong Kong and the USA
Focus on collaborative management and personal development
Expand your network worldwide with over 55,000 alumni worldwide

Kellogg-WHU EMBA, Germany
Tel. +49 261 6509 186
emba@whu.edu
www.kellogg.whu.edu

committed to financing the cost of initial and continuing coach training.

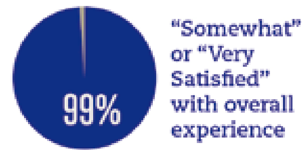
Today, all of TINE's internal coaches are required to possess an ICF Credential and be ICF members.

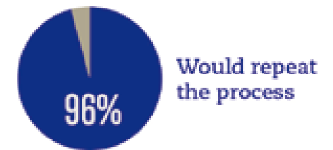
> *"Prioritizing ICF credentialing and accreditation is a matter of making sure that there is quality behind the skills of our coaches,"* Arnesen explains. *"ICF Credential holders and Accredited Coach Training Programs already have a good standing in the world. We should reach for the best to make sure the results are the best."*

Reaping the rewards

Although TINE's exact ROI from coaching is difficult to quantify, the organization is able to point to some specific indicators of the program's success. In one survey, 85 percent of the co-op's member farmers said that interventions from farm advisors who had completed coach training made them more effective, independent and satisfied. On the processing and distribution side, TINE experienced monetary impacts, as well. In the first five years of the coaching program, short-term sick leaves for one of the company's largest packing plants decreased by 45 percent, for an annual savings of 3 million NOK. Not coincidentally, the same plant's leader was known to use coaching skills to motivate and manage his employees.

TINE is not the only organization to yield a host of benefits from coaching. A whopping 99 percent of respondents to





the *2009 ICF Global Coaching Client Study* reported being 'somewhat' or 'very' satisfied with the coaching experience. Ninety-six percent of survey respondents said that they would repeat the process given the same circumstances that first prompted them to seek coaching. Meanwhile, 86 percent of companies participating in the *ICF Global Coaching Client Study* reported that they at least made their investment in coaching back, while 19 percent reported an ROI of 50 times their investment and 28 percent reported an ROI of 10 to 49 times their investment.

For Arnesen, however, the best of evidence of coaching's value to TINE is the coaching program's sustainability and adaptability over time. Coaches and coaches alike praise the program in formal evaluations. Perhaps more significantly, they promote the program to their colleagues via word of mouth, with many touting it as the most valuable programs offered by the company. ■

If you think that a coaching program could be the ideal solution to your organization's talent-development and –retention needs, learn more about coaching and its benefits at Coachfederation.org.

Breaking down borders in business – future-proofing the MBA

Global business of the future will be about collaboration in a super-connected world. Management education needs to adapt now to prepare the next generation of business leaders says Mark Stoddard, Accreditation Manager, the Association of MBAs.

There is no doubt that, since its inception at the beginning of the 19th century, the MBA has been a very successful business education tool. It has evolved with the times to become more elaborate and varied and it has spread around the globe so that today almost any aspiring business leader has an interesting choice of programmes. With change comes increased diversity and that means more choice. Today's challenges require an even quicker response from management educators who have to contend with a world where the capitalist view of optimising purely for profit is questioned, environment and sustainability are now integral to responsible business, and the digital era creates new opportunities.

Over the years, the MBA has been pretty resilient; it has evolved as the sometimes startling technological, political, and social changes have emerged unannounced. In response to these changes, and ones just around the corner, the top business schools have adapted and they continue to look at the evolution of the postgraduate management degree and how to future-proof the MBA. As a leading international accreditation organisation, the Association of MBAs (AMBA)

provides its elite group of top business schools with a forum to exchange ideas and discuss innovative ways to reshape the management training agenda for the future at its annual International Conference for Deans and Directors.

Meeting in Warsaw, under the backdrop of Poland's remarkable transformation and achievement, this year's conference demonstrated the changing dynamic of MBA education. Senior management from more than 140 business schools from around the world gathered to share ideas and exchange best practice to reshape the management training agenda for the future. Three key themes emerged for business schools to embrace: Collaboration; localisation and culture; and connectivity and learning styles.

Sharing an orbital perspective on the new way to do business, NASA astronaut Ron Garan gave a big picture view to the deans and directors from the world's leading business schools.

Garan's view that the future is about collaboration on a global scale came from his own experience of six months at the International Space Station. Three hundred miles above the earth where you see 16 sunsets and sunrises per day and share your mission with astronauts from many different nationalities has confirmed Garan's view that all business needs to do is collaborate to make the world a better place.

He told delegates that he believes the fundamentals of business are changing rapidly and trends are developing, that if embraced and accelerated, could have a positive impact on society and help solve many of the problems facing our world.

"On Earth many of our problems stem from not being able to collaborate on a global scale – we need to put aside our differences. There are lots of organisations independently working for good – but what if they collaborated?"

He told conference delegates that successful companies of the future will be those that realise that businesses that have the main focus to create social good are simply good businesses.

"In an ever changing world where the future is uncertain it is important to know that quality remains fundamental to the teaching of future generations of leaders"

"Business is a way you can change the world. You can have a profound and positive effect on the world by encouraging people going into business to look for ways to do good."

Following in Garan's theme for open collaboration, AMBA's conference encouraged the sharing of ideas among business schools. In the same way that the emerging economies are powering growth as the global economy struggles to adapt to a new business world order, the leading business schools in emerging markets are re-shaping business education and introducing innovative new concepts to the MBA curriculum.

"The emerging economy business schools have a great advantage to become number one in the world because they don't need all this time for unlearning because they are just learning," said Professor Danica Purg, President, IEDC-Bled School of Management in Slovenia and President of CEEMAN.

As business leaders need to understand the dynamic inter-relationship of globalisation and localisation in today's 'global village', business schools are able to offer leadership training with local cultural perspectives to develop the managers of the future. Given their unique position, these schools are able to give students a firsthand experience of business realities in the world's fastest growing economies.

By applying lessons as diverse as those from music and arts, and also spirituality and the humanities, accredited business schools are showing how different cultures and creative thinking can create more effective leaders.

"A manager's effectiveness is the function of that manager's knowledge and skills, maturity and wisdom and state of mind

Global MBA trends presented by Alex Chisholm, Director, Statistical Analysis, GMAC

at time of taking the decision – it is about the rational mind, intuitive mind and equanimity," Professor Prem Chandrani from the SP Jain Institute of Management & Research told delegates in Warsaw.

In SP Jain's MBA programme students learn about the spiritual and emotional qualities needed in a leader, they look at how to contribute to society on a programme that takes them out to the Indian slums and how to develop corporate citizenship with NGO work in rural areas.

Professor Purg shared the details of IEDC Bled's innovative MBA curriculum that focuses on the arts and told conference delegates that traditional education with an accent on skills and knowledge improves the analytical capabilities, but not the necessary capabilities to lead change.

"In order to develop leaders who are open for change and to improve their communication skills, we need educational programmes with impact on emotion and imagination."

IEDC believe in creativity and the power of music and the arts as inspiration for leadership and include these in their Arts MBA curriculum. *"Art and artists stimulate us to see more, to hear more and to feel more about what is going on within us and around us."*

Their Arts MBA Programme was a finalist for AMBA's recent MBA Innovation Award along with other schools including Wuhan University School of Economics and Management. The long established Chinese University with a strong background in humanities and social sciences has played to its strengths in developing an Executive MBA that integrates China's traditional humanities and philosophy into its management education.

In a snapshot survey conducted by AMBA during the three day conference, the Deans and Directors overwhelmingly agreed that innovation was critical to success, with over 77% of the delegates who took part in AMBA's survey saying they thought that the MBA will have to innovate in order to remain the flagship business school degree.

NASA astronaut, Ron Garan, addressed deans and directors at AMBA's conference

While business schools like SP Jain talk about breaking down borders of traditional management education they are also crossing borders with their international campuses. One of the top ten business schools in India, SP Jain has campuses in Sydney, Singapore, Dubai and Mumbai. A growing number of business schools have been adding international campuses for many years; in the UK this includes the University of Manchester Business School which has seven global centres and Nottingham with campuses in China, Malaysia and Singapore. Another AMBA-accredited business school that positions itself a global institution is Hult International which offers MBA students a global campus rotation across all five of their international hubs.

Hult states that *"Today's global economy leaders need to have worked across borders, understand cultures, and operate in international contexts."*

Technology is breaking down the borders of management education and offering MBA students opportunities to interact across geographies without having to physically relocate. In a presentation to conference delegates, GMAC's application trends showed that 66% of all global online MBA programmes reported growth in 2012, whilst only 47% of full-time MBA programmes and 49% of Executive MBA programmes reported growth.

AMBA's research has also shown a growth in distance-learning and at a previous conference the MBA community agreed that blended learning would be the MBA of choice in the future.

While the choice of MBA programmes will continue to grow with accessibility of online courses it is important to be able to differentiate in a crowded space. At the meeting of deans and directors it was agreed that accreditation will play an increasingly important role in the future of postgraduate management education to differentiate the quality MBA programmes. Employers and students alike will know that MBA programmes with AMBA accreditation are committed to adapt and change while maintaining standards.

In an ever changing world where the future is uncertain it is important to know that quality remains fundamental to the teaching of future generations of leaders and that this resilient vehicle, the accredited MBA, will provide comprehensive management education for a long time to come. ■

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

Leadership development as a key competency to addressing managers' burnout?

Karsten Drath is adjunct faculty at the Center for Responsible Leadership at the WHU – Otto Beisheim School of Management

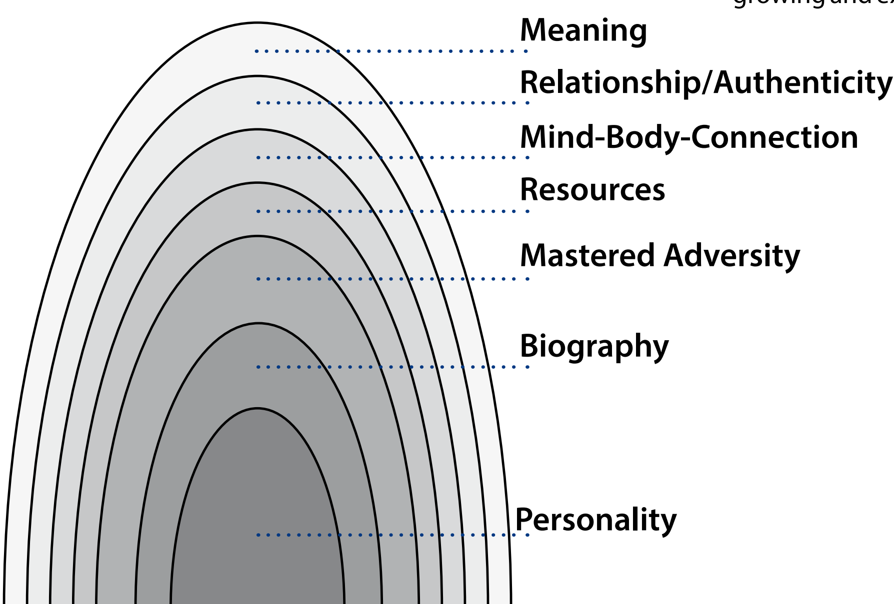
Why do managers fail even with the best knowledge and skills? Why do they create work environments that stress out people? And: why do managers burn out themselves? Truly successful leadership requires managers to be aware of their impact on others, the working climate and on their own resilience. But why do management practices still break down, even with the best skills and knowledge?

Today, in the globalized economy companies and their management put themselves under enormous pressure to succeed, given that demonstrable results must be achieved quarter after quarter, often with diminishing resources. The faster pace of work and increasing complexity and ambiguity of the tasks involved often lead to insolvable assignments. This pushes many managers to their mental, physical and emotional limits. This, when met with an unbounded willingness to thrive and constant accessibility, can create a downward spiral ending, ever more often, in manager burnout.

However, manager burnout is not an entirely individual phenomenon, but in equal measure, a structural problem. 'Fire accelerants' affecting teams and departments can, over the long run, cripple the productivity and capacity to innovate in entire businesses. Safeguarding the so-called resilience of executives and organizations must, therefore, constitute a core competence of modern management. As a manager's personal aspects impact their social and emotional interaction with their teams, their professional development must coincide with personal development too. The necessity of this cooperation for true successful leadership is why Kellogg-WHU's Executive MBA has continually focused on leadership development.

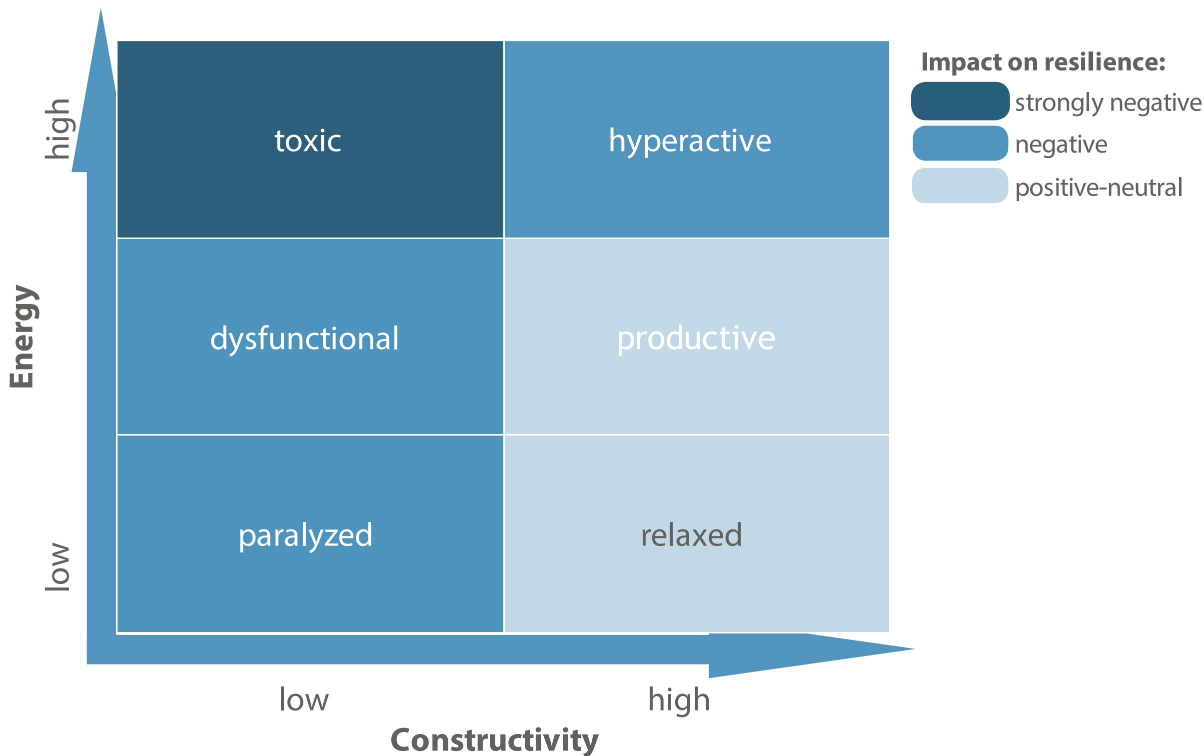
"As Shakespeare put it 'know thyself!' Before one can be a good and resourceful leader of others one needs to be a good leader of himself," says Kellogg-WHU executive coach and alumnus Karsten Drath. *"Knowing your individual strengths and potential downfalls helps improve your leadership agility and your emotional health. Having worked through the different layers that make up a person's resilience is key to maximizing ones stamina and resourcefulness."*

Leadership development hence can be considered a skill area by providing a process of observation, reflection, and action. The most effective and inspiring leaders are those who continuously make their personal development a priority and acknowledge it as essential to their professional excellence. These professionals know that being open to growing and exploring outside their comfort zones enhances their ability to innovate, communicate, and stay afloat in tough times. Resilient Leadership helps you seek to learn information about yourself - being a unit of mind, body and soul - that will help you become more enduring, successful and happy in both your personal and professional life.



Resilience derives from the Latin word 'resilere', which means to spring back or rebound. In psychological terms, the word is used to denote the power of recuperation. Here, the emphasis is not so much on strength, but rather on flexibility. Resilience of managers describes the capacity of individual leaders to cope with the pressures to perform, changes and crises, whilst

How we work: Energy-Constructivity-Matrix



continuing to be capable to action and even coming out stronger than before. But the concept of resilience does not only apply to individuals. Within the organization resilience describes the ability of a company, division or department to cope with global and economic changes, reorganizations and crises in such a way that its managers and employees remain fit for work in the long term. Culture, leadership style and role models as well as the 'intrinsic speed' of an organisation form an environment that can be beneficial or detrimental for the resilience of individuals. The practical application of these models can have a big impact on the actual performance of a team or organization.

"The Kellogg-WHU's executive coaching program takes leadership and resilience theory from an abstract level down into the individual level of each participant," says Karsten, who is also managing partner at Leadership Choices, a European professional services firm focusing on executive development.

As Karsten says: *"In the EMBA program, there's a strong link between academia and experiential leadership development to transfer the learned theory into real life."*

The Kellogg-WHU EMBA program encourages its participants to interactively develop their leadership and resilience skills through a range of elements, such as keynote speeches by senior leaders, lectures on leadership topics, individual 360° feedback, behaviour analyses, personality assessment and work with an executive coach. In an atmosphere of mutual trust and confidentiality, managers can gain insightful feedback into their personal management strengths and weaknesses to help improve their communication on different levels and their resilience. These leadership skills are perfected with practical experience, where managers cement their coaching with outdoor training. Specialised instructors take study groups through challenging leadership tasks to assist their personal development, promote team building and provide managers a unique opportunity to crank up their resilience. ■

ABOUT THE AUTHOR

Karsten Drath is a Leadership Coach since 2006. He has an extensive international business and leadership background gained over 16 years. He held leading positions at accenture, Bombardier Transportation and Dell. In his last position as Managing Director for DELL's consulting business, he built up the field of business consulting in Europe. Today he is one of the Managing Partners of Leadership Choices, a leading European firm in the field of executive development. Karsten Drath is accredited by the International Coach Federation, the Center for Creative Leadership and the World Economic Forum. He is adjunct faculty at the Center for Responsible Leadership at the WHU and a certified psychotherapist. He published several articles and books, eg. Coaching and its Roots.

"The most effective and inspiring leaders are those who continuously make their personal development a priority and acknowledge it as essential to their professional excellence"

Case Study

Dmitry Shustrov

Current company: JTI Yelets (part of Japan Tobacco International, an international business of Japan Tobacco Group)

Current position: General Director

Why did you decide to do a Masters in Management?
My key objective was to update my theoretical knowledge of management. The reason is that nowadays it becomes more and more challenging to do business effectively due to numerous factors such as competitor pressure, market turbulence and the need to keep staff motivated and engaged.

In order to be successful it is essential to know what theoretical management models are, how to apply them, when and why. On the other hand, there is a great deal of accountability to lead a function in a huge, successful, multinational FMCG company, which does require a successful leader to be able to cope with all areas of management. The Masters in Management provides the opportunity to gain comprehensive knowledge on management, thus building grounds for a participant to become successful at work.

Why did you choose Ashridge Business School?
In order to develop individuals who are involved in management of certain areas of the business, JTI is in cooperation with world-class business schools and Ashridge is certainly one of them. The company works with Ashridge on customised programmes and I had the pleasure of participating in one. So, I investigated other programmes Ashridge had, picked up on the Masters in Management (effectiveness and cost-efficiency were key criteria), proposed it to my supervisor, received approval and started studying.

Did you have any reservations or worries before starting?
Actually, I did have some worries and few of them have materialised. The first thing is that I have never tested an assignment-based study approach. The second one is that I enrolled for a programme which was run by a UK based business school, so English was the language of communication. The third thing is the workload which often makes it difficult to allocate time for literature review and study. In reality it turned out to be a bit easier to manage.

Can you give an example of how you have applied your learning?
While working on the People module I was developing the Belbin team roles approach. I chose this as my team underwent numerous changes resulting in efficiency loss. It was becoming more and more critical for me to come up with something to bring things back on track. I decided to look at the team in the context of the Belbin roles, allocate those to my team members, identify excesses and omissions and re-adjust my style of communication to the team and to individuals. It did help as I was able to observe efficiency improvement during weekly meetings.

How do you think the programme has impacted on your career prospects?
I do not expect any direct impact on my career because of my studies with Ashridge. However, I do expect improvements in my managerial skills and competencies because of Ashridge. Consequently, I hope to do my job more efficiently and think that improvements will be noted by my supervisor. Provided that I am working in that way on a constant basis, my supervisor may decide that I am ready for my next position once available. So, the Ashridge Masters in Management does provide a solid ground not for a direct promotion, but for performance improvement which is the basis for possible up-coming career moves. ■

For further information please contact:

www.ashridge.org.uk/mim
admissions@ashridge.org.uk

Touch down for a lovely lazy holiday away from the crowd

Luxury in the Lot, SW France

Pigeonnier in the spring

Situated in the Causses du Quercy Blanc, Manoir Les Gaillardoux provides a special retreat in the heart of this beautiful part of France - a base from which to explore the many riches of the region and to taste its rich delicacies.

The Lot region of south-west France has secret places and untapped pleasures for those who take time to discover them. Rich in architectural heritage and cultural activities, this delightful corner of France has spectacular cliff-top fortresses, historical remains and stunning scenery. Large river valleys attract water sports lovers with boat hire, fishing and canoeing, while its picturesque medieval villages, with their quintessentially French street markets, are fascinating to explore on foot or by bicycle. Then there are the vineyards, the region's strong gastronomic tradition and the many excellent restaurants – and of course the world-famous black truffle.

Set in 3 acres of park and orchards, beautifully restored and comfortably and elegantly furnished, Manoir Les Gaillardoux offers space, style, privacy and 5 star comforts. Tasteful modernisation provides stylish luxury for up to 12 guests in six double rooms with en-suite facilities, while retaining all the historic traditional features of a French country manor.

"When we bought the property in November 2005, this 17th and 18th century domain was in great need of restoration to realise its potential," explains Bob Wileman, who lives with his French wife Josiane in the UK, but fell in love with the Manoir. Led by a local project manager, the restoration work required no less than 17 different trades: *"The challenge*

was the sheer scope of the work and we wanted it to be completed within 3.5 months. The team rose to the challenge and the work was finished to a high standard, in time for a festive thank-you celebration on 21st April 2006," says Wileman." "Now, we enjoy the Manoir on and off for a few months throughout the year. In the summer, we rent it to an international clientele who are looking for sunshine and exclusivity away from the crowd."

Rural Quercy Blanc with its scenic wild landscape offers a complete *'depaysement'*. Yet, its lively cultural traditions, surviving medieval architecture, folkloric events and world famous gastronomy offer opportunities for rich experiences, unique to the region. There are for instance, opportunities to discover and sample the famous black truffle (the 'Black Diamond'), foie gras, wild mushrooms, imaginative duck dishes, *'gateaux aux noix'*, locally made cheeses, Chateau bottled Malbec wines, and much, much more... *"Our guests tell us that they run out of time, long before they run out of things to do!"* says Josiane.

Ideal for family or friends to get together, or simply as a retreat from a busy work schedule, life at the Manoir is a good way to rebalance your mind and body.

"Our guests appreciate our attention to details and our efforts to help them make the most of their holiday - everything that could be expected from the Manoir's caring team and from a property given a 5 star rating by the French Tourist Board," Josiane Wileman adds.

"In particular, our guests love the heated salt-water swimming pool. It adjoins a traditional stone built dovecote, the round 'pigeonnier', and a large open barn with stone pillars, ideal for a summer party or games. At meal times, the attractive elevated south-facing terrace, bordered with lavender, rosemary and geraniums, is another real favourite. It offers rural views over part of the 1.2 hectare wooded park and orchards, and the countryside beyond. The fruit trees are a treat for both children and adults and, depending on the season, our guests can help themselves to cherries, apples, pears, figs and walnuts..."

Heated swimming pool

Cool shade in the park

Corner of master bedroom

Manoir Les Gaillardoux is praised for its comfort, space and privacy

The main house, with its large stone outbuildings, heated swimming pool and terrace with open views, is ideal for entertaining both large and intimate parties.

Room for everyone. With 500sq metre floor space, the Manoir is spacious. Two comfortable drawing rooms, the 'salons', and a billiard room are an invitation to relax and unwind. The large dining room, with its open fire, is located next to the kitchen and has folding doors opening wide onto the terrace. This terrace, with its large BBQ, and the functional gourmet kitchen are perfect to prepare and enjoy home-cooked meals - using the abundant local produce, of course! Looking out to the east and south, the 68 sq metre master bedroom suite includes a boudoir, dressing room, and bathroom with Italian shower and a spa bath. Smaller but equally comfortable, the five other bedrooms each have their own en-suite facilities (WC, double basin, Italian shower).

The modern central heating ensures the Manoir is cosy in winter, while the thick stone walls keep the house cool in the summer.

Place yourself in the centre of the Lot history by renting this little masterpiece of 17th-18th century architecture as your summer base for exploring the area. And let the magic work its charm...

Manoir Les Gaillardoux is located 16 km south of Cahors and one hour from Brive and Toulouse international airports via the A20 motorway. ■

www.ManoirLesGaillardoux.com
enquiries@ManoirLesGaillardoux.com
+44(0)1428 654835 / +44(0)7860 215202

Bermuda – the place to be for ICT

Bermuda's Information Communication Technology (ICT) sector remains vibrant with widespread adoption of technology usage across the island.

The latest *State of ICT in Bermuda* report for 2012, commissioned by the Department of E-Commerce, shows that the island's businesses and residents continue to embrace ICT as adoption and penetration rates remain high, despite the island continuing to feel the effect of the global economic downturn. Indeed a tough economy is often a driver for increased use of ICT in an effort to find cost savings and efficiencies and this appears to be the case in Bermuda.

As the digital economy drives the economy, several years ago Bermuda felt it important to take a regular reading of the *State of ICT in Bermuda* and so the report establishes a benchmark against which to compare progress, spot shortcomings and identify new trends and opportunities. The study also provides information for policy makers, businesses, educational institutions and others to assist with decision making and forward planning.

The 2012 *State of ICT in Bermuda* study is the fifth such survey to be carried out, with the first conducted in 2007. The 2012 study data points to the importance that local organisations and individuals place on ICT devices and usage as non-negotiables, even in the face of difficult economic choices.

Dr. the Hon. Grant Gibbons JP, MP, Minister of Economic Development under whose Ministry the Department of E-Commerce falls said: *"The latest State of ICT in Bermuda report is encouraging in that Bermuda's residential and corporate sectors have pushed the use and adoption of technology even higher in the past few years despite starting from a very high level. Being an isolated island in the North Atlantic, Bermuda relies heavily on technology to communicate with and transact with individuals and companies around the world."*

The study assesses ICT usage in residential and business environments and it is clear that adoption and use of technology remains high in terms of areas such as computer ownership, cellular device and smart phone ownership. Eighty-eight percent of households are connected to the internet and ninety percent of residents use the internet via home, work, cell or smartphone or internet cafes. The majority of residents also own cellular devices (95%) of which 78% are smartphones. More than half of these users are on a 3G or higher network.

The attitudes towards technology in Bermuda also show that residents understand it's importance, with 97% agreeing with the statement that 'In order to compete in the global economy, Bermuda must continue to meet of exceed global technology standards.' In addition, 92% agree that 'having a strong knowledge of technology is essential in getting ahead today.'

Similar to the residential sector, the corporate entities in Bermuda also understand the importance of, and embrace the use of all aspects of ICT. In the corporate findings 100% of companies had computers with 83% using laptops and 98% using a desktop. About half of companies had a wireless network to which employees connected to using internet ready devices such as i-Pads and netbooks. More than 90 percent of respondents indicated their employees used cellular devices, with 87% of those being smartphones.

One hundred percent of firms reported having internet access and the majority of companies (96%) had a broadband connection. Most companies (92%) had a company website with more than a quarter of businesses offering an online payment facility. Almost half of businesses reported having a company intranet. Many companies (43%) reported using social networking websites to communicate with clients and other businesses.

Business also understand the importance of security of data with more than 40% of companies having an network attached storage area in house, and most other companies using a variety of methods to back up data either internally or through third party providers. A majority of companies (93%) have disaster recovery and business continuity plans.

Companies continue to leverage technology to both reduce costs of some activities while also expanding the options available to them in their business interactions. For example, more than half of the companies surveyed (55%) use video conferencing technology. Cloud computing is also a hot topic on the island and as companies come to understand the benefits of using this technology, there is evidence of continued adoption. Most companies reported that they use technology for business-to-business (95%), business-to-consumer (90%), internal systems (97%) and business-to-government (86%) purposes.

In order to ensure a vibrant and sophisticated technology landscape in Bermuda, the Department of E-Commerce actively promotes the study of and use of technology everywhere, for everyone, every day. An annual Technology Leadership Forum (TLF) programme runs for local students during the summer and assists those seeking to work in ICT fields.

Several ICT and traditional businesses that rely on ICT participate in and sponsor the TLF programme and these companies take on the participants as interns as part of the programme. These intense and rigorous internship programmes comprise technical, business and soft skills development. It is expected that interns graduating from the programme will become respected and accomplished members of Bermuda's ICT workforce through experiencing the program and the specialized training offered. Moreover, participants are encouraged to network and develop relationships in the ICT community during the programme which may then assist them as they search for employment. The TLF programme helps to ensure Bermuda's next generation of ICT specialists and innovators are able to keep Bermuda moving forward and to remain relevant in today's digital world.

Telecommunications reform has also taken a leap forward with the introduction of a Regulatory Authority that on April 29th 2013 issued Integrated Communications Operating Licenses (ICOLS) to the island's communication companies, scrapping an old license system that limited companies to a certain segment of the market.

"... the island's businesses and residents continue to embrace ICT"

Companies can now offer land line, cellular service, internet and cable TV all through one company. This change reflects efforts other developed countries have made to ensure consumers get the best value and service through a competitive but regulated market.

Increased efficiencies and bundling of services are expected to result from the issuance of ICOLs and this will further develop the island's ICT sector. Indeed two local Internet Service Providers have already merged; prices for broadband have decreased while available speeds have increased.

Bermuda is also one of the most connected small islands in the world, with three fibre optic cables providing significant bandwidth to the island. These cables connect to the US, Caribbean and Europe and, with the advent of privacy protection on the island, the opportunity exists for the island to be a cloud jurisdiction of choice and for global business who may be looking for a sophisticated and secure offshore jurisdiction to conduct their business. ■

For more information contact e-commerce@gov.bm

The board of today

The global economic downturn has changed the way that companies and their boards respond to the challenges they face. John Heaps, chairman of global law firm Eversheds, examines the key findings of a new report that sheds light on the link between boardroom characteristics, composition and outlook, and business success.

Businesses across the world are still facing significant challenges as a result of the economic downturn, and the ways in which companies are led is subject to greater scrutiny. Companies need to see strong leadership and risk management from their boards to keep shareholders onside.

At the height of the recession, Eversheds conducted research into the correlation between board composition and share price performance. To build on this to examine how businesses have adapted to a new economic landscape, we have expanded the scope of our original research into a new report published this year, the *'Eversheds Board Report: The Effective Board'*. This report highlights what leaders in organisations are doing to drive better performance from the boardroom down, and sees interesting variations in trends around the world.

Following the launch two years ago of the first *Eversheds Board Report*, continued intense media scrutiny and focus on the role of shareholders has ensured that the boards of some of the world's largest businesses remain firmly in the spotlight. As such, it is important to understand how boards have adapted. Our latest report is based upon a global study of over 500 top companies in Europe, the USA, Asia-Pacific, the Middle East and Brazil.

This extensive report closely examines share price performance between 2011 and 2012 so that we can more clearly understand the link with this and characteristics and cultures of global business boardrooms. It is also supported by insight through in-depth interviews with 85 senior board members from across the world. It is from this significant body of data and opinion that a number of key trends and themes have emerged that help to shed light upon what goes into making an effective board in today's increasingly competitive business environment.

The report reveals several characteristics of what makes up a successful board. A global move towards smaller boards, with a higher number of executive directors is more likely to secure success. Alongside this is the crucial importance of board diversity, with a realisation that true diversity is wider than just a mix of gender.

The characteristics of successful boards

From the findings, it is clear that companies with better share price performance have certain board characteristics. For instance, over the past five years, companies in most regions have reduced board member numbers, with a significant decrease of 8% in board size since 2007. Five years ago, the average number stood at 13.4 directors, a figure that reduced to 12.3 by 2012. The greatest change in board size took place over the last three years, where the average size of a board reduced by 7% between 2009 and 2012. The figure of a dozen board members was cited by the majority of participants as the ideal number for board effectiveness.

Another key feature of successful boards is the ratio of non-executive directors (NEDs) to executives. The research found that companies with a higher ratio of executive directors to NEDs, when compared to the regional norm, produce a better share performance – a fact illustrated by close share price analysis over the past two years. Proportions of NEDs on boards varies across international regions. For example, in Hong Kong only 35% of board make up is NEDs, which contrasts greatly with the presence of 87% of board members being NEDs in the USA.

Industry experience also influences business success, with sector diversity across a board reflected in strong share price performance. Organisations with a higher number of directors from within the same industry performed below those that had access to director experience from other industry sectors. Again, Hong Kong led the way, with the lowest percentage of NEDs with the same industry experience (13%) on company boards, compared to the highest in the study, India at 48%.

While age and experience are important, the report findings highlight in interesting age-related issue for boards. From assessing share price performance, the research found that the most successful companies have slightly younger directors. This fact runs contrary to the general trend that

sees company directors on average getting older, with the overall average increasing from 58 two years ago to the current average director age of 60. While the average age of a director in the Asia-Pacific region is 61 years old, this contrasts markedly with the Middle East, which has an average company director age of just over 51 years.

A consistent factor across both the first *Eversheds Board Report* and the 2013 report is the impact of board size and shareholder numbers in relation to share price success. Both pieces of research highlight that companies with smaller board sizes and a greater number of major shareholders deliver, on average, better performance.

"The study found that diversity is key to successful boards; with a significant majority of board directors (61%) believing that diversity in the widest sense has an important impact on board performance"

Board diversity

The study found that diversity is key to successful boards; with a significant majority of board directors (61%) believing that diversity in the widest sense has an important impact on board performance. This includes diversity of skill sets, expertise outside of sector, international experience, age and background as well as gender. However, with boards getting smaller, it is now ever-more challenging to achieve diversity on a board.

The issue of gender diversity in the boardroom was investigated, and the findings highlight that in the last five years there has been a 50% increase in the percentage of female directors on boards across all regions. However, this increase is against the context of a low base and the appointments of women are mostly of a non-executive, rather than executive, nature. The largest increases were in Europe (156%) and in Hong Kong (133%).

That said, thinking on diversity has moved on since the first *Eversheds Board Report* in 2011, with the majority of directors clear about the kinds of diversity required for success. Interestingly, diversity is now viewed and recognised as a wider issue beyond simply gender. Experience and sector diversity were the most favoured attributes, followed by international experience and background, age and generation, then gender. It may be that gender appears lower on the list now because companies believe they have been addressing the gender issue over the last few years. There is a clear belief in that greater diversity can help counteract 'group think' in board decision making, with the presence of more directors with experience of a different industry sector helpful in this regard.

Shareholders – a changing relationship

Views on the supposed increase of shareholder engagement were covered by the report – whether this was an upsurge in shareholder activity or simply better engagement with companies. The broad consensus was that the so-called 'shareholder spring' was over stated, with the vast majority of companies reporting that they had received over 80% shareholder approval for executive remuneration packages. However, the reality of a changing relationship is apparent to directors, with many of those interviewed recognising that greater shareholder engagement is having an impact on board strategy and remuneration-related issues.

Dialogue between companies and shareholder groups was, on the whole, largely positive according to the directors questioned, a factor that many cite as being important for the high approval ratings for remuneration packages that were agreed.

Risky business

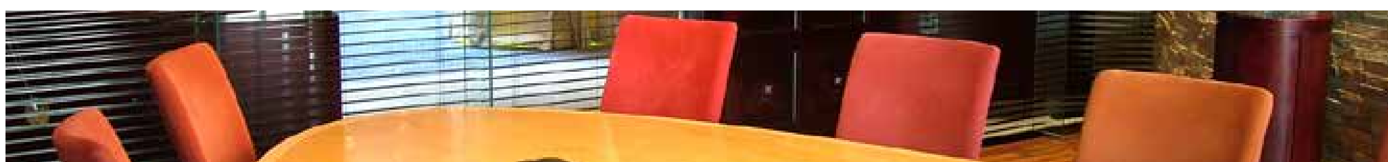
Finally, our report assessed company approach to risk. Asked about the three top challenges they face, directors outlined growth strategies, the economic climate and risk strategies. The research findings highlight that companies are far more proactive and positively focussed on matters concerning risk and managing it, with 72% of participants reporting their board's attitude to risk had changed in the past two years. This has resulted in risk being a far higher priority on a board's agenda.

Interestingly, the trend remains for risk to be handled by an audit committee, with many directors preferring not to have separate risk committees for such purposes.

Board composition for future success

The latest *Eversheds Board Report* highlights many interesting findings that should help fuel and inform the debate around what makes a successful board in the changing economic landscape of the 21st century. It is clear that there are certain attributes a board should have to ensure good share price performance, such as a higher number of executive directors but a smaller overall board size. While the importance of board diversity is recognised and the debate of what true diversity is has moved beyond the issue of gender, it appears the reality of a move towards smaller board sizes sets a real challenge for board selection committees. As a result of this, careful choices will need to be made to ensure optimum board composition leads to success. ■

To request a copy of 'Eversheds Board Report: The Effective Board', please visit: http://bit.ly/YZtn6n.



The Netherlands: a favourable jurisdiction for intermediate holding companies

Jos Peters, the Senior Tax Partner at Merlyn International Tax Solutions Group, discusses how companies can receive a Dutch tax credit for foreign dividend w/h tax, even though the dividend received is not taxed in the Netherlands under the Dutch participation exemption

The Netherlands is under heavy attack, lately, because of its undisputed number one status in the world as treaty shopping jurisdiction. Foreign tax authorities and even the OECD and the European Commission seem to believe that the Dutch government, over the years, has created quite a few tax planning instruments to attract foreign businesses.

Only insiders know that this is not true: most of the attractiveness of the Netherlands in international tax planning stems from its favourable tax treaty network (ie. international tax measures which a foreign tax authority has explicitly agreed to) and another substantial part stems from modern Dutch supreme tax court case law which is never aimed at creating opportunities and just deals with existing cases.

The Dutch supreme tax court has always been miles ahead of most other tax jurisdictions via its modern interpretation of a number of basic tax rules that apply everywhere else too. But contrary to what happened in those other jurisdictions, the Dutch supreme tax court has introduced items such as 'transfer pricing adjustments' and 'non-discrimination', long before these measures got to be explicitly established as such elsewhere.

The few measures the Netherlands has taken explicitly to boost its position as an attractive tax planning location often go unnoticed! What I am about to describe below is an international tax feature which the Netherlands has introduced already many years ago to boost its effectiveness as a favourable jurisdiction for intermediate holding companies which even savvy Dutch tax advisers often forget to mention when doing a presentation on tax planning via the Netherlands, however odd this may seem.

Most readers will know that the Netherlands, in 99% of the cases, will not charge corporate income tax on foreign dividends and capital gains realised on foreign shareholdings. To qualify for this 'participation exemption' only a few easy-to-meet criteria must be fulfilled:

- The Dutch entity must own at least 5% of the economical and legal interest in the foreign entity (both dividend rights and voting rights);
- The foreign entity must have a capital divided into shares;
- The foreign entity does not have to be subject to any foreign profits tax, unless the entity qualifies as a 'passive' entity as defined by law, in which case the foreign underlying profits tax must be 10% or more.

So if a Dutch company receives a dividend from a foreign shareholding which meets these criteria, which will be true in most cases, the Dutch entity will not have to pay corporate income tax on the dividend. The same is true if the Dutch entity should realise a capital gain with the shares in the foreign entity. The Dutch participation exemption covers 'benefits of whatever kind and whatever form realized with qualifying foreign shareholdings' so a dividend is treated the same way as a capital gain, when applying the participation exemption in the Netherlands.

In many cases the Netherlands will not levy a dividend withholding tax on outgoing dividends. This is clearly the case in situations where the Dutch entity is owned by a company in another EU jurisdiction, but also some Dutch tax treaties with non-EU countries provide for a zero rate. To mention a few: Singapore, Switzerland, the United States, Malaysia, Norway and Egypt.

However, this implies that the Netherlands does levy a dividend w/h tax on distributions to very many other countries in the world, even if it has a tax treaty with these countries. And vice versa! This, of course, is not an incentive for companies in those other jurisdictions to use the Netherlands as a stepping stone country to establish an intermediate holding company: one might in such a case well be able to benefit from a lower dividend w/h tax rate by using the Dutch tax treaty with a given country, but only at the cost of adding a Dutch dividend withholding tax.

So putting the Netherlands into the dividends or capital gains loop for investments in countries where the Dutch tax treaty would be more beneficial than the home country treaty requires thorough further research on what happens when the dividend received is paid onwards. Dividend w/h tax rates, if they are not zero, are often 5 or 10% in treaty

situations and the Netherlands has many treaties. In many cases the Dutch treaties will likely be at least 5% 'cheaper' than the home country treaty rates. But as long as this potential treaty shopping benefit is undone by the fact that the Netherlands itself charges a dividend tax of its own of at least 5%, the whole exercise may become useless and would only cost money: keeping an intermediate holding company alive attracts hosting and management fees pus other expenses, of course.

"In many cases the Netherlands will not levy a dividend withholding tax on outgoing dividends"

Once this became clear to the Dutch Ministry of Finance in 1995 (no doubt based on information it received from international tax advisers), it was decided to introduce a special measure to boost the attractiveness of the Netherlands as a holding company location by introducing a special tax credit which is quite out of the ordinary. Because the foreign dividend is untaxed in the Netherlands, a tax credit against Dutch corporate income tax, the usual way to take foreign underlying taxes into account, is impossible. That's why the tax credit was 'hidden' in the Dutch dividend tax act, as follows:

- If a Dutch intermediate holding company should receive a dividend from a foreign participation which qualifies for the participation exemption, and the foreign country withholds at least 5% dividend tax under its tax treaty with the Netherlands, and:
- If the Netherlands itself has the right under the tax treaty with the home country of the parent of the Dutch entity to withhold at least 5% Dutch dividend tax on the onward payment of this foreign dividend to this foreign parent company:
- The Netherlands will grant a 3% tax credit against the Dutch dividend withholding tax, to avoid 'doubling up' on dividend withholding taxes.

I regularly come across brochures, flyers, seminar slides etc. in which this very easy to use Dutch international tax feature is not addressed at all! This article is intended to make a wider audience aware of its existence. Two real life examples will illustrate how this unknown Dutch tax feature, that everybody can easily benefit from when contemplating to set up a Dutch intermediate holding company, works:

Example 1: a Turkish investment in Russia

Suppose a Turkish enterprise wants to take a 20% participation in a joint venture or consortium in Russia in say the abundant Russian mining industry. In a direct investment, Russia would be allowed to withhold 15% dividend tax on dividend distributions to Turkey. But by routing the investment through a Dutch company, the Russian dividend tax would go down to 10%. So if the expected dividend amounts are big enough, the resulting 5% tax savings would easily outweigh the expenses to set up and maintain the Dutch entity.

However: the Netherlands itself charges a 5% w/h tax on dividend distributions to Turkey. On the face of it, this will undo the benefit of interposing such a Dutch legal entity entirely: the combined dividend withholding taxes in Russia and the Netherlands would still be 14.5% (10% in Russia and 5% in the Netherlands on the remaining 90%) and the 0.5% tax savings would not be worth wile or not enough to cover the expenses of the Dutch entity, even on substantial annual dividends.

However, because of the Dutch tax credit for Russian dividend w/h tax, even though the Netherlands will not charge corporation tax on the Russian dividend, the Dutch dividend tax on distributions to Turkey will – on request, to be filed with the dividend tax return – go down to 1.67% (the Dutch facility of 3% is given on the gross Russian dividend before the payment of Russian dividend tax so 3% of 90% which equals 3.33%. The total combined effective dividend w/h tax burden will now be reduced to 10% Russian dividend w/h tax + 1.67% Dutch dividend w/h tax, ie. in total 11.67%. The tax benefit is now 3.33% and might well have become worth considering.

Example 2: a Canadian investment in Russia

The Canadian/Russian tax treaty provides for a 10% dividend w/h tax in cases where a Canadian company owns more than 10% of the shares in a Russian entity. The Netherlands tax treaty with Russia brings the Russian dividend w/h tax rate down to 5%. The Dutch/ Canadian tax treaty also provides for a 5% dividend w/h tax rate, however. So at first sight it makes no sense for a Canadian company to set up a Dutch intermediate holding company for its investment into Russia. Without the special Dutch tax credit, the combined dividend w/h tax burden would be 5% plus 5% on the 95% paid onwards, which equals 9.75%. No-one would enter into tax planning for such a small difference (let alone the question what the Canadian tax credit system is, and how much foreign tax credit the Canadian entity can absorb under the Canadian tax credit limitations which apply it its specific case, two issues which are both out of scope for this article but which will also need to be reviewed in an actual case).

But the special Dutch tax credit of 3% kicks in here as well: because Russia will withhold 5% dividend tax on dividend distributions to the Netherlands, the Dutch dividend w/h tax rate on the onward distribution of the Russian dividend to Canada will be reduced from 5% to 1.85% and the combined effective dividend tax burden will therefore be 6.85% instead of 10%. With an average annual dividend of say €10 million, this special Dutch tax feature therefore saves the Canadian company €315,000 every year. The annual expenses to run such a Dutch intermediate holding company should not exceed €15,000 per year so the net tax benefit to the Canadian investor, before Canadian foreign tax credit which

may well be zero, over a 10 year period is a whopping €3million.

In conclusion: when planning foreign investments via an intermediate holding company in one of the European jurisdictions which are well-known for their favourable investment climate (the Netherlands, Luxembourg, Cyprus and Malta, to name the four countries that would immediately come to mind), understanding the special Dutch dividend w/h tax credit for onward paid dividends from foreign shareholdings, held by a Dutch intermediate holding company, may well make the difference. ■

Sukuk: from a niche instrument to a global financial alternative

Sohail Jaffer is Deputy CEO at FWU Global Takaful Solutions

The Islamic capital market continues to witness a significant development in terms of diversification of asset classes and geographies, but to date, sukuk remains the leading structure and has seen unprecedented growth within the last few years.

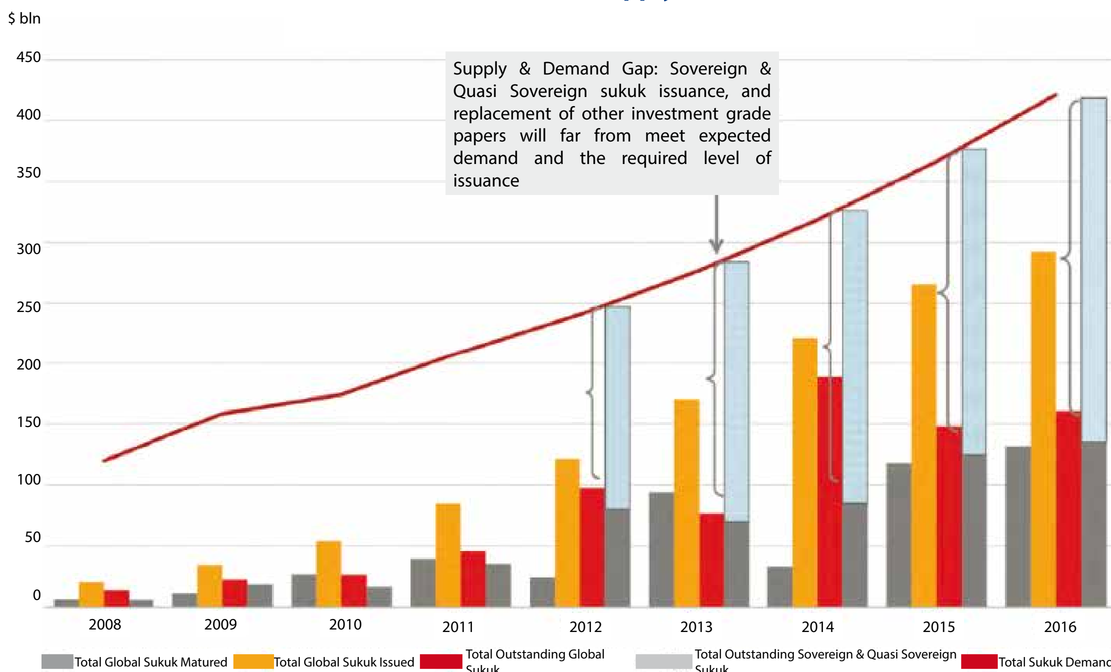
Sukuk, the plural of sak, an Arabic word for certificate is considered to be the sharia compliant version of conventional bond, except that sukuk are asset backed. Although referred to often as Islamic bonds, sukuk are in reality investment certificates evidencing an undivided prorata ownership of an underlying tangible asset.

The sukuk market now provides fundraising opportunities for various purposes of different scales, as the economic and financial demands of markets have pushed for the development of a now varied basket of sukuk structures that meet the needs of both investors and issuers.

A study by Thomson Reuters (*Annual Sukuk Perceptions and Forecast*) labelled 2012 as the year of sukuk issuance with more than $130 billion worth of issuances, the market is set for further growth as the global captive sukuk demand is expected to double from $240 billion in 2012 to reach $421 billion by 2016 as per the same study.

A report by Kuwait Finance House, noted that Malaysia and the ringgit continue to dominate the market of sovereign sukuk issuance. The top countries in sukuk issuance are as follows: Malaysia, Saudi Arabia, UAE, and Indonesia.

Sukuk demand and supply levels (2012-2016)



Sukuk Perceptions and Forecast study 2013 Thomson Reuters

Notable issuances include the SAR1.9 billion ($506.6 million) sukuk issued by Banque Saudi Fransi and structured using murabahah and mudharabah principles. Similarly, governments remained the largest issuer type, representing 70.1 percent during December while there were a number of significant issuances also issued in the financial services sector. Both sectors have represented 61.8 percent and 11.4 percent of the primary market respectively in 2012, while the transport sector represents 13 percent.

The GCC sukuk market has reached unprecedented growth in terms of new issuance, driven by a fast growing appetite for infrastructure finance as the UAE emerged as the third global growth market.

Sukuk could provide such companies the longer-term funding they need via a different funding source. This source is becoming more liquid as it reaches across border and becomes more global and grows in scale.

The ratings agency analysts observed GCC companies have been crossing the figurative border into Asia for infrastructure finance. Abu Dhabi National Energy Co and Bahrain-based Gulf Investment Corp are the first to issue sukuk in Malaysian ringgit.

"These types of cross-border deals are more than a smart funding solution, in our view. They could also develop the trade relationship between the countries of the GCC and Asia to their mutual benefit" commented an industry expert.

"Such deals might signal the start of more cross-border transactions between the Gulf and Asia, which could help the market become more mature and truly global, and stimulate even more deals and trade between the two regions."

This extensive growth shows that sukuk is evolving from a niche instrument to a widely recognized investment alternative with global acceptance.

The emergence of a eurosukuk market

Numbers show that undoubtedly, Malaysia still holds the lion's share in sukuk issuance followed by the GCC, but industry experts forecast that more emerging markets such as, Indonesia, Turkey, and Egypt will join the list of significant issuers. A genuine interest in sukuk issuance is also spreading beyond home markets of Islamic finance to reach even secular countries.

Across Western Europe, sharia compliant finance has seen welcoming initiatives, and sukuk instruments are increasingly attracting attention as a source of funding and diversification.

It was in Germany that the first sukuk issuance took place in Europe. In 2004, a €100 million quasi government sukuk, structured as sukuk ijarah, was issued in the federal state of Saxony-Anhalt in Germany.

While the European market has not yet known any significant sovereign sukuk issuance, a number of corporates are integrating the sharia compliant financial instrument.

"... sukuk is evolving from a niche instrument to a widely recognized investment alternative with global acceptance"

Examples worth mentioning include Sukuk Al-Musharaka by UK-based International Innovative Technologies (IIT) a maker of milling machines in northeast England which was privately placed with one investor in Dubai.

In France, where Islamic finance acceptance is progressing gradually, the first sukuk was issued in Summer 2012 to finance an investment in a growing market in the food sector in France, halal catering, the €500,000 sukuk was issued by French halal food specialist, Bibars, to finance the opening of its new restaurant in Paris.

The second is in the area of solar panels and finances an ecological, economically responsible investment. Launched by Legendre Patrimoine, the oraisi sukuk were the first French Islamic certificates open to private individuals as well as institutional investors.

More recently, in November 2012, it was in Germany again that a pioneering initiative took place in the emerging euro sukuk market. FWU a Munich-based financial group announced what is considered to be the first issuance by a German corporate and the largest of its kind in Europe. The €55 million is based on the Islamic principle of ijara or sale and lease-back.

The underlying assets are a proprietary computer software system and associated intellectual property rights developed in-house by the FWU Group and used by its bank distribution partners in connection with their combined takaful operations. FWU group sukuk added a new innovation mark with the first sukuk ever to have intellectual property as underlying assets.

According to banking officials, 2013 is expected to witness significant expansion of sukuk market in MENA region. Zawya estimates placed the sukuk pipeline for 2013 to be above $14 billion.

Beyond rose-tinted spectacles, the sukuk market faces challenges that may slow or even clog growth channels. Challenges persist in the areas of transparency, standardization, and liquidity in the secondary market due to the shortage of trading mechanisms and the different treatment of certain sukuk structures.

To free the arteries of the Islamic capital market and subsequently enrich its tributaries and downstreams, there is a need for practical studies that address its challenges, and that will provide a clearer picture of its current and forecasted status. ■

THE BENEFITS OF THE AIRCRAFT REGISTRY IN THE CAYMAN ISLANDS

CAACI has a long standing relationship with local legal and financial firms that conduct business in the Cayman Islands to be able to offer its clientele a 'one-stop' shop approach. Clients find that they are able to facilitate the registration of their aircraft or other assets, financial structures, legal arrangements, mortgage registration and securitization of assets by taking advantage of the relationships that exist between the CAACI and their legal business partners.

Standards are rigid and therefore the specifications must meet the exact requirements in order to be qualified for the registry; just one of the benefits that keeps the register highly respected and recognized throughout the business aviation industry internationally. In order to be accepted onto the registry, eligible person(s) will have to go through a stringent due diligence screening process which is predicated upon global and local Anti-Money Laundering Regulations and best practise standards.

There is also excellent protection for a financier's interest through a dual registration system such as the Cayman Islands Mortgage Register and the ability to register on the International Register, with local Cape Town Legislation enacted in the Cayman Islands.

Corporate ownership

A majority of the CAACI registry client base are owners of corporations who prefer the ease of travel between international destinations, with relative anonymity, which is afforded to Cayman Islands registered aircraft. The clientele also enjoy personalised service from each division of the CAACI and are assured to have fast and efficient service for provision of required documents or responses to queries regarding the aircraft's operation.

Reduced tax liability

The Cayman Islands are renowned as a leading offshore jurisdiction, achieved through its tax neutral environment within which a highly developed legal system based on English legal principles flourishes. Applicants to the registry are encouraged to work with one of the local legal and financial partner firms who are versed in aircraft registration and who can provide legal advice pertinent to clients' individual circumstance.

Access 24-7-365

CAACI has launched a new electronic data management system 'VP-C Online' to manage all registry applications, certificates and authorizations electronically. The new system will make it easier for clients to apply for the various approvals that are required for both initial aircraft registration and for continuing airworthiness including the renewal of documents. It is designed to streamline processes within the CAACI and allow more efficient service provisioning to clients. Authorized users will be able to utilize online smart forms for submission of applications including electronic submission of all supporting documentation required by the specific application. The custom designed, intuitive user screens will also provide clients online access to their certificates at their convenience. CAACI is currently working on the development of phase II which will include additional functionality for a more convenient process of the aircraft registry. ■

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

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

THE
RIGHT CHOICE FOR
CAPTIVE INSURANCE MANAGEMENT
IN THE CAYMAN ISLANDS

KENSINGTON
Management Group Ltd.

Kensington Management Group, Ltd. is one of the leading providers of innovative solutions within Cayman's Captive Insurance Marketplace.

Let us help you *"take control of your insurance destiny"*.

For further information, please contact us at 345 946 2100 or visit www.kensingtonmanagement.ky