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NEWS

Speech

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Speech by Secretary of State for International Development: Making Globalisation work for Bangladesh

ASalaam Alaikum - Good evening - ladies and gentleman.

Just a few weeks ago, my colleague Kim Howells, Minister of State for Foreign Affairs, was in Bangladesh. The fact that I am following so quickly is testament to the strength of the UK's relationship with Bangladesh – our relationship has never been closer. It's no longer just about aid and immigration, but now covers the full political spectrum. The UK's primary purpose in Bangladesh is in supporting democracy and helping Bangladesh to achieve the Millennium Development Goals. That's why it is indeed a pleasure to be here in Bangladesh to talk about trade and investment in the context of globalisation.

Why does globalisation matter to any of us?

Well, every day 2 million garment workers in Dhaka are linked to markets in the UK, Europe and America. Their jobs have come about because of globalisation; their jobs depend on it. 7 million people now use mobile phones - a doubling since last year – with international connections growing at more than 60% - we are all linked together.

The speed of change can be frightening – some want to stop it. I remember seeing a demonstration with the banner "Worldwide movement against globalisation" – which shows some of the contradictions.

But it is not about being for or against globalisation. It is about making it work for social justice – to increase prosperity for everyone.

The most important thing is that globalisation can bring huge benefits if managed well. It can provide the foundation needed for ending poverty. And no country in the past 50 years has lifted itself out of poverty without joining the global economy.

But if we manage it badly, we will see rising inequality and increased insecurity. This evening I want to focus on those aspects of globalisation likely to be of most interest to you here in Bangladesh - Trade and Investment. These are the most powerful forces driving globalisation.

That's why the trade talks in Hong Kong on Tuesday are so important, and why I am going to the meetings. They are an opportunity to seek agreement to greatly expand world trade – to everyone's benefit – and in particular for developing countries.

It is rising trade that has supported the steady growth of your economy, created more jobs and helped reduce poverty. Women, in particular, have benefited from rapid employment growth in the garment industry. It has led to a jump in gender equality in Bangladesh by getting women into the workforce, with knock-on effects in areas such as reduced maternal mortality.

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But more could be done to ensure that the international trading system works better for the poorest countries. At Doha in 2001, developed countries agreed to reduce trade protection and end unfair subsidies, which for the first time put the concerns of developing countries at the heart of the WTO. The UK is now working with other developed and developing countries to ensure that the interests of the Least Developed Countries (LDCs), such as Bangladesh, are taken forward in the WTO talks.

I think there are three key areas:

- . First, in agriculture, developed countries should cut tariffs, avoid new protection by ensuring that less than 2% of all products are categorised as 'sensitive', cut trade-distorting domestic support by three quarters, and end all forms of export subsidy by 2010. Agriculture has got to be addressed in a serious way.
- . Second, we can do more to ensure that trade rules work better for developing countries. The right kind of Special and Differential Treatment should allow countries such as Bangladesh to have flexibility in areas crucial for food security and rural development.
- . There should be a simple "Special Safeguard Mechanism" for protecting countries from fluctuations in the volume and price of imports. And all

developed countries, and the larger developing nations, should be providing the Least Developed Countries with duty and quota free access for all products.

Third, the poorest countries will gain very little from the Doha Round of trade talks unless they can build their capacity to trade. And like many other LDCs, Bangladesh will need time and help to adjust to an increasingly liberalised global economy.

So we are working to ensure that assistance is available to countries in need. G7 finance Ministers recently agreed to increase aid for trade-related capacity building to \$4 billion.

For our part DFID will be trebling our "aid-for-trade" to £100 million by 2010, and we will do our share of making a success of the enhanced Integrated Framework, including expanding its resources so that country development plans include trade priorities to which donors can respond.

The Government of Bangladesh also considers these to be key priorities, and we both hope that progress can be made on these in Hong Kong.

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However, there is much that Bangladesh can do to improve its trade prospects through actions here at home.

As a start, a comprehensive trade strategy needs to be developed in consultation with all the major stakeholders – government, business, civil society. And, in part, to focus on expanding exports beyond the traditional garment sector.

One area of particular concern is in providing good and responsible working conditions. Labour standards in Bangladesh are improving but recent industrial accidents, such as at Spectrum in April this year, and the fire affecting six factories in Mirpur, in May last year, illustrate just how dangerous conditions can still be.

Bangladesh - and its business leaders such as yourselves - could do more in this area. This requires a concerted effort by all – the private sector, NGOs, unions and Government. The UK is helping to facilitate this process.

And progress in this area is not only good for workers, but improved labour standards will also help Bangladesh become more internationally competitive.

Despite the impressive recent growth, Bangladesh's exports as a percentage of GDP are around the lowest in Asia. You have a vibrant private sector that, with appropriate support, could quickly grasp new export opportunities. But this requires action on a number of fronts.

Why is it that in Bangladesh it takes 6 to 7 days to turn around a ship, compared to 6 to 7 hours in Singapore? Why does it take 38 signatures to import items into Bangladesh, but only 2 in Singapore?

Resolving problems like these requires the right policies and Government action. But it is not just a matter of what the Government can do. It also requires the private sector to get involved in streamlining regulation and red tape, and pushing for improvements in legislation.

A good example is the development of on line investment applications at the Board of Investment, reducing processing times and increasing transparency many times over. It's encouraging that many of you are beginning to play this role, for instance through the recently formed Private Sector Development Task Force. The Task Force has identified six key barriers to required early reform, including the duty drawback system.

Arguably, the key economic challenge for Bangladesh is to become, and remain, internationally competitive. This requires a host of things: building up educational and skill levels, becoming technologically innovative, improving productivity, and managing a more open market economy. A tall order for any country!

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However not everything can be done at once; nor does it need to be. It's essential to prioritise. The key to increasing Bangladesh's ability to benefit from the opportunities arising from international trade is to get the investment climate right – to give business the confidence to invest.

Foreign Direct Investment – FDI - to Bangladesh is low by Asian standards, but is growing – from \$79 million in 2001 to \$460 million in 2004. The Board of Investment has been very effective in attracting potential investors: there are announced plans of \$7 - \$8 billion over the next 6 years, including some major international investors such as Cairn Energy and Asia Energy. The UK has always been a major source of investment into Bangladesh, and we will continue to encourage this.

But the global picture of FDI is highly skewed. In developing countries, FDI is concentrated in just a few of the largest economies, notably China and India. And on average, FDI represents only around 12% of total investment in developing countries. So, while attracting more foreign investment remains vital, it is clear that the key to progress is domestic investment.

This means getting the conditions right for Bangladeshi firms to invest more in Bangladesh. This means engaging you, the business leaders of Bangladesh.

The stakes are high – if the investment climate in Bangladesh were to match China's, then, on average, wages in Bangladesh could be 20% higher, return on investment 80% higher, productivity would double, and employment could grow by almost 5%. These are the sorts of results that are needed if Bangladesh is to achieve its national plans to increase growth, reduce poverty and achieve the Millennium Development Goals.

Businesses, whether foreign or domestic, want a business environment that is stable and predictable, supported by transparent laws, fair competition, reliable legal systems, predictable and honest public institutions, and reliable transport and communications infrastructure.

But business managers in Bangladesh consistently rank corruption, and the lack of confidence in the courts to uphold property rights, as a greater constraint than do their competitors in countries such as India, China, Pakistan and Indonesia.

The court system makes contract and property enforcement expensive and unreliable. One prominent Minister admitted that even he has been waiting to receive papers for a tea garden purchased five years ago!

Why does it take 363 days to register a property in Bangladesh, but only 2 days in Thailand? The chief reason - outdated laws and overburdened courts. Property disputes account for the most case backlogs in Bangladesh's courts, often taking years to resolve.

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But infrastructure is also vital.

Without power, livelihoods are threatened and businesses crippled. There is a desperate need for investment in electricity generation and transmission Bangladesh. The civil unrest in places like Karimganj, Shaghata and Kalapara, in response to increased 'load-shedding', is both a worrying development and an indication of the extent of the problem. I am pleased to be able to say that have just signed an agreement to provide £50 million to support increased access to electricity in rural areas.

And without an efficient sea port - one that is free of the delays that I mentioned earlier - exports will be unable to compete in international markets - particularly as trade preferences are steadily eroded. And DFID is also looking to support the development of road infrastructure in Bangladesh.

Increased investment in infrastructure will require strong donor support, and the aid commitments made earlier this year by the EU, and by the G8 at Gleneagles will help – an additional \$50 billion a year in aid by 2010.

Many of you will be aware that the UK Government has agreed up to £40 million to help Bangladesh achieve a better investment climate. We are working closely with our development partners, the World Bank, Asia Development Bank, Japan, EU and Canada on this. We also hope to assist in the development of special economic zones, in which domestic and foreign firms will be able to secure a better investment climate.

It is encouraging to see the public and private sectors improving their cooperation, with frank discussions of Government capacity in key areas. It will be important to build on this and create better partnerships between employers and unions, and - critically - between the private sector and the public sector.

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Another important source of money is migrants' remittances. In Bangladesh, remittances have been historically larger than FDI. In 2004 formal flows were almost \$4 billion, some 6% of GDP, and more than 3 times greater than foreign aid. Remittances sent by migrants living in the UK and working in the Middle East are a major source of income for poor families in Bangladesh.

At an individual or household level, remittances directly increase income and reduce poverty. The recipient can use the money to build a house, for children's health or education, or to set up a small business. Evidence shows that in Bangladesh remittances play a really important role in poverty reduction.

For example, there is clear evidence in Bangladesh [from Matlab] that "without access to remittances, children's access to education would have been severely limited". A rough calculation puts the amount of formal remittances that is spent on education at twice the value of Primary Education Stipends.

Remittances also play a major role in times of need. Zillur Rahman describes remittances as "emergency reserves" that provide help to households when needed. They are a form of 'social security' for the elderly, and they increase in times of crisis. For instance, in the two weeks following the earthquake in Pakistan transfers to Pakistan jumped by 40%.

More can be done to support and expand this powerful source of "development finance". This will involve measures to reduce the cost of sending remittances, and expanding access to remittance facilities, particularly for the poorest and most disadvantaged migrants and recipients.

I had the pleasure today of signing the UK Government's Remittance Partnership with

Bangladesh, which should benefit more than 4 million migrants and families over a period of 3 years, by helping to reduce costs of remitting to Bangladesh. DFID will be working closely with the Bangladesh Bank to implement this initiative.

Bangladesh is making huge progress. The 15 years of economic growth at around 5%, and the reduction in poverty that has accompanied this, is an amazing accomplishment. But the progress that has been achieved faces a number of threats.

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Security, in particular, is an issue that concerns all of us, and insecurity undermines confidence – whether in the UK or here in Bangladesh. Concerns about recent violence cannot help Bangladesh – reports of extremism are a concern. It is essential for both Bangladesh's foreign image, and for its future, that the growing threats of terrorism and extremism are properly addressed.

Tackling these problems will take political will and courage, but we cannot allow the terrorists to succeed. We must work together to defend democracy and the rule of law in Bangladesh if the country is to develop and prosper.

The UK government has condemned the recent bomb attacks in Bangladesh and offers the families of the victims and the people of Bangladesh its deepest sympathy.

Terrorist attacks, wherever they occur, are not religious acts. We all know that Islam is a faith of tolerance and peace. Yet the extremists are harming Islam's image. These attacks are an attack on all of us. An attack in Bangladesh is especially felt in the UK, given our historical links and the Bangladeshi community there.

You will know that the UK has also suffered recent terrorist attacks. On July 7th, bombs in London killed and injured people from 19 countries and of many different faiths - Muslims, Christians, Hindus, Sikhs and Jews.

The leaders of Britain's diverse faith groups have all stated forcefully that people of every faith should stand together to fight terrorism. It is time the mainstream stood up to the extremists and reasserted the true values of Islam.

And in order to defeat terrorism, we also need to defeat poverty. An important way to do this is to make the most of the economic opportunities that a globalised world provides.

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Asia is changing rapidly and has demonstrated remarkable performance both on economic growth and poverty reduction in the last few decades. Asia is also key to global achievement of the Millennium Development Goals by 2015.

The time is now right for all of us with a stake in Asia's future to consider how best we can increase our efforts over the coming decade to have a real impact on reducing poverty.

The UK is committed to this process and we'll be getting together with Asian governments in 2006 to look at how - together - we can learn lessons from Asian successes and address the risks and remaining challenges to ensure progress continues.

And here in Bangladesh we stand ready to assist Government, civil society and you the private sector – working together - to achieve this important agenda. You have a huge source of talent and experience to call upon. And you have achieved so much already. Globalisation is an opportunity for Bangladesh - let's work together to grasp it!

Related links

- [World Trade Organisation \(WTO\) Ministerial in Hong Kong – Managing our expectations for a successful Round](#)
- [Why trade really matters in the fight against world poverty](#)
- [Bangladesh country page](#)
- [World Trade Organisation](#)

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