

Speech of Ambassador William Hanna, Head of Delegation of the European Union to Bangladesh, at the Monthly Luncheon Meeting of the Foreign Investors' Chamber of Commerce and Industry (FICCI), Dhaka, Monday 2 May 2011.

Honourable President of FICCI, Executive Director, Distinguished Members of FICCI, Ladies and Gentlemen,

Good Afternoon.

It is a great pleasure for me to be invited as Guest of Honour at this monthly luncheon, so soon after arriving in Bangladesh and presenting my credentials to the Honourable President of the country. I suppose this reflects your recognition of the EU's positive role in Bangladesh. And I sincerely appreciate your kind gesture, shown to me and the institutions I represent.

Of course I may be wrong. Maybe you have just invited me here today because you have heard I am Irish! In fact the day after I presented my letters of credence, when I arrived at my office, I was greeted with warm congratulations, hand shakes all round. I felt pretty good about this, but then I discovered I was not being congratulated for presenting credentials as the new EU Ambassador. No, I was being congratulated for Ireland's historic win over England at cricket.

However today I am not going to talk about Ireland. I am here as a representative of the European Union, which I am sure you know, has 27 Member States. And the title I have been given is

"Prospects of FDI in Bangladesh from EU Countries"

So that's what I will try to talk about, including a question which I think is now crucial to sustainable investment: sustainable development.

If we look back in history, I'm told that the first major European investment in this part of the world was probably the Sterling tea gardens in the Sylhet region. More recently, European foreign direct investment has come to the pharmaceutical, chemical, cement, electric appliances and other sectors. FDI from the private sector of EU countries, inside the Export Processing Zones and outside, has contributed significantly to the Bangladesh economy over the years. Today there are more than 300 companies of EU origin operating in Bangladesh.

Some of you may wonder if the European Union has done anything to foster FDI from the EU in Bangladesh. Of course, FDI is a matter decided primarily by the private sector. Our role, as representatives of the EU, is to play the role of a catalyst.

Therefore we've consistently allocated part of our development cooperation to facilitating the development of the private sector. We're doing this both at the regional level and the bilateral level. Regional programmes such as Asia-Invest, Asia- Pro-Eco, SWITCH-Asia have benefitted many companies in Bangladesh. And the current bilateral programme called the Bangladesh Investment Climate Fund, which works with the International Finance Corporation, is active in any areas. Our BEST programme

works to improve standards in Bangladesh's export industries, and assists the two leading sectors exporting to the EU market: the garments and fisheries sectors.

I recently heard some businessmen telling the visiting Managing Director from the World Bank that what is badly needed in this country is more skills training. I'm pleased to say that the EU is already financing a skills training project, known as the TVET, which has already produced some very promising results.

More generally, the European Union as a whole is seeking to improve Bangladesh's capacity for trade and investment relations. The EU's trade-related technical assistance for Bangladesh is actually the largest of any donor for any country in the world. Moreover, several of our Member States' missions here in Bangladesh are making a major contribution in this area, through their commercial sections and bilateral chambers of commerce, as well as through their own technical assistance programmes.

A relatively new factor in FDI into Bangladesh is the very recent change in the relaxation of rules of origin for GSP in Least Developed Countries' exports to the EU. This has opened up great new potential for export from Bangladesh to our market. Of course, an immediate beneficiary is ready-made garments. But I'm also talking about other industrial products which are on the threshold of a new era, where duty free entry to the EU Member States and several other European countries is now generally possible with only 30% rather than 70% local value addition.

These new opportunities may encourage more EU investors to consider Bangladesh as their possible investment destination. Bangladesh's exports to the EU reached a record level of more than 6 billion Euros (approaching 9 million US dollars) last year, and there's every reason to believe that they will go higher this year. This would be very promising in terms of growth and job creation in Bangladesh.

However, it is unfortunate that bureaucratic inertia, uncertain legal protection, inadequate IPR laws and rent-seeking, as well as of course the unreliability of energy and transport infrastructure, appear to be the most serious impediments to foreign investment. This is by no means unique to Bangladesh but, given the country's obvious commercial potential, the extent of such problems here is frustratingly high.

I'm sure that everybody concerned here is aware of these problems. Last weekend I attended the launch by Transparency International of their 2011 report on Corruption and Climate Change. TI chose Bangladesh at the place to launch their report, partly because this country is in the front line of climate change but also because it has one of the most active TI chapters in the world. During that meeting we heard a strong plea that the new legislation concerning the Anti Corruption Commission should weaken this institution. I believe that investor confidence in Bangladesh may depend on whether this plea is heeded.

I also recently attended the recent opening of the Arbitration Council by the International Chamber of Commerce of Bangladesh. This is an encouraging example of Bangladesh's determination to build structures which will address key problems facing investors, and I'm pleased to note that the EU was able to support this through the Bangladesh Investment Climate Fund. Institutions that ensure the rule of law are vital. Of course enforcement is the key to success of all laws.

Ladies and Gentlemen,

I have now spent a few months in this country, and I should like to take this opportunity to make some personal observations. This is my first posting in Asia after many years serving in the Caribbean, Africa and Latin America, as well as in Europe, where I was often involved in promoting trade and investment and encouraging regional integration.

I asked to be posted to Bangladesh, because of the dynamism here, and also the challenges.

First of all, the dynamism in Bangladesh.

Like many newcomers, I've been impressed by how hard the people of this country work. It hits you everywhere you go, both in the city and in the countryside. There are the workers constructing next door all day to my residence. And there are the women I saw last week in rural Bangladesh, digging out the clay to create a pond for fresh water and then carrying it in heavy loads to build a dike to keep back the salt water.

In recent years, despite the economic crisis, growth rates have been high. Bangladesh, perhaps better than any other country in the world, has taken advantage of the most favourable trade regime in the world, the European Union's "Everything But Arms" arrangement for Least Developed Countries. This has created greater wealth for some of the richest people, as well as jobs for many of the poorer people in this country.

An amazing story has emerged recently that I am surprised to hear few people talking about. The latest reliable figures show a decline in poverty since 2005 from 40% to 31.5%. This is astonishing, and it's not just about percentages. In the last five years there have been real improvements in the lives of people, for example a huge drop in maternal mortality rates. Enormous progress has been made toward achieving the Millennium Development Goals. This is encouraging. Of course the absolute number of poor, and the ultra poor remains very high, but real improvements have been made.

Secondly, the challenges that Bangladesh faces.

For the progress I've discussed to be consolidated investment is vital, but not just any sort of investment. I firmly believe that Bangladesh needs investment that is sustainable. I am talking both about sustainable production and consumption.

This country is so densely populated that that it cannot go on producing in a way that pollutes or that uses up scarce natural resources. I'm told that one of the reasons why the dikes burst when Cyclone Aila hit south-west Bangladesh was that farmers there had breached them to make way for sea water for shrimp farming. The farmers I talked to last week in Satkhira district now know this was a mistake, but what a price they paid. Two years have gone by, many of them still lodge perilously on the embankments, and their land has only emerged from the sea water in the last two months. Ensuring production is sustainable, without sacrificing the livelihood of small farmers and the environment for quick gains, is a major policy issue for Bangladesh. What we in the EU can do here is to enforce the regulations we have, which are designed in the first

instance to protect the EU consumer, but which also encourage exporters to the EU market to produce sustainably.

And consumption must also be sustainable. In Europe today many consumers, when they see the label “Made in Bangladesh” on a sweater, want to know that it has been produced in a way that respects the environment, and that the people who have produced it have been paid a fair wage and worked in reasonable health and safety conditions. The retailers are so aware of this consumer pressure that they have representatives here to ensure that this is so. There is a win/ win situation. There is scope for Bangladesh to move to a higher end, earning more value added, allowing salaries in the sector to rise, and also protecting the environment. Decent working conditions are also vital for increased productivity of the labour force.

Ladies and Gentlemen,

I came to Bangladesh because I have a feeling that this country may be a future winner. There are encouraging signs, but there’s still a long way to go. Foreign Direct Investment will be key to this country's development. Consistency, continuity and transparency of the policies are important, and many impediments to FDI still need to be removed.

And now I’d like to go back to discussing cricket for a minute. Ireland's win against England was wonderful to watch, but I don't expect it to happen often. We in Ireland have very few players and it is not the most popular game in the country. On the other hand, Bangladesh's win against England, and of course its victories last year against New Zealand, should not be just a flash in the pan. You have the pool of talent, you have young kids playing cricket on every piece of land all over the country, even in the refugee camps and on the land devastated by recent cyclones.

Ladies and gentlemen,

I believe that with good management, by encouraging talent and by respecting the rules of the game, and of course with its large and resilient population, Bangladesh can develop its standing in international cricket much further. And I believe that, for similar reasons, Bangladesh should be able to attract the foreign investment it needs to lift many more of its people out of poverty and become a model for other countries around the world.

Thank you all very much for your attention!