

Report No. 41

*Poverty Reduction and Globalisation*

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**Centre for Policy Dialogue**

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*The Centre for Policy Dialogue (CPD), established in 1993, is an innovative initiative to promote an ongoing process of dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such major dialogues at local, regional and national levels. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional groups in civil society within a non-confrontational environment to promote focused discussions. The expectation of the CPD is to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues.*

*In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of CPD include The Independent Review of Bangladesh's Development (IRBD), Governance and Development, Population and Sustainable Development, Trade Policy Analysis and Multilateral Trading System, Corporate Responsibility, Governance, Regional Cooperation for Infrastructure Development and Leadership Programme for the Youth. The CPD also carries out periodic public perception surveys on policy issues and developmental concerns.*

*As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of the dialogue held at Hotel Sheraton, Dhaka on May 23, 2001 on the theme of **Poverty Reduction and Globalisation**.*

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*Dialogue on*  
**POVERTY REDUCTION AND GLOBALISATION**

**i) The Dialogue**

The Centre for Policy Dialogue (CPD) organised a dialogue titled **Poverty Reduction and Globalisation** on May 23, 2001 in the Ballroom of Dhaka Sheraton Hotel. Dr Mohammed Farashuddin, Governor, Bangladesh Bank was present at the dialogue as Chief Guest. Professor Adrian Wood, Chief Economist of the Department for International Development (DFID) presented the keynote paper and Mr. M Syeduzzaman, former Finance Minister of Bangladesh and a member of the CPD Board of Trustees acted as the Session Chair. Mr. Syeduzzaman introduced Professor Wood to the audience and delivered an introductory speech. Dr. Debapriya Bhattacharya, Executive Director of CPD, provided a short background of the dialogue and welcomed all participants including policy makers, entrepreneurs, academics, development activists, members of the diplomatic missions, journalists and representatives from other professions. This report provides highlights from Professor Wood's presentation and documents the points raised during the open floor discussion.

**ii) Introductory Remarks by the Chairperson**

Mr. Syeduzzaman initiated the dialogue by welcoming all the participants including the keynote presenter Professor Adrian Wood, Dr. Md. Farashuddin (Governor of Bangladesh Bank), eminent academics and experts, high level policy makers, leaders of chambers and grass root organisations, and the foreign envoys representing development partner countries and various international institutions.

Mr. Syeduzzaman briefly dealt with the issue of multidimensionality of poverty and noted the process of evolution of the concept of poverty overtime and how this issue came up at the various international summits and conferences held under the auspices of the United Nations including the World Conference on Women at Beijing, Conference on Environment at Rio de Janeiro, Conference on Population at Cairo, the Social Summit at Copenhagen and the International Summit on Micro Credit. He noted that major international institutions

including the IMF and World Bank have adopted a range of action/ strategies with the aim of reducing poverty by 50 per cent by the year 2015; however, actual level of our achievement in the field at both national and international levels is far from satisfactory. “The volume of assessment exercise, paper writing, task forcing, agenda setting etc. is really mind-boggling”, the Former Finance Minister of Bangladesh observed, “Though every month if not everyday a new acronym appears in the lexicon of poverty discourse, we are still not certain as to when the international community will get rid of this curse”.

Mr. Syeduzzaman expressed his hope that Professor Wood, in the light of his long experience in this field, would be able to show important insights into how poverty and the forces of globalisation are intermingled.

### **iii) Welcome Address by Dr. Debapriya Bhattacharya, Executive Director, CPD**

Taking the floor, Dr. Bhattacharya mentioned that he was delighted to welcome Professor Adrian Wood, and stated that he had had the privilege of meeting Mr. Wood at a critical period in Professor Wood’s career when he switched over to the arena of policy making from the academic world. Professor Wood taught at Cambridge, worked for the World Bank for a long time and before moving to DFID he was a Professor at the University of Sussex. “We feel encouraged whenever we see the academics are getting into the real world of policy making”, he added.

Referring to one of Prof. Wood’s articles published in the *Oxford Development Studies* early 2001, Dr. Bhattacharya pointed out that in that article Professor Wood compared the export basket of South Asia and other developing countries. Regarding the export structure of Bangladesh, Dr. Bhattacharya recollected, Professor Wood came up with a mixed conclusion--the share of manufactured goods in Bangladesh’s export basket was higher than the predicted share but the share of skill intensive export was lower than the prediction. The answer to this discrepancy, Dr. Bhattacharya echoed the conclusion of Professor Wood, lies in low investment in the education sector and lack of attention to skill up gradation.

As regards the divergent views on poverty reduction, Dr. Bhattacharya pointed out that many debates are yet to be settled at both national and international levels. In this context, Dr. Bhattacharya cited the example of the debate as regards the relationship between good

governance in the least developed countries and fulfilment of commitment by the developed countries. "While the donor countries lay emphasis on good governance as a major pre-condition for making globalisation work for the poor, the leaders from the developing countries and the multilateral institutions do not live up to their commitments" - observed Dr. Bhattacharya, "Unless and until these debates are settled we cannot expect any significant progress in reduction of poverty".

The rationale behind the dialogue, as stated by the CPD Executive Director, was that CPD was interested to see the nexus between the complex processes of poverty reduction and forces of globalisation and raise awareness of the Bangladesh civil society to the evolving nature of this relationship. He observed that *Bangladesh has done relatively well in coping with the process of globalisation.*

#### **iv) Presentation by Professor Adrian Wood**

Professor Wood informed the audience that poverty reduction and globalisation issues have dominated the UK Government's recent White Paper entitled "Making Globalisation Work for the Poor".<sup>1</sup> "The present dialogue may be termed as a sum-up of the major issues covered by the white paper" - Prof. Wood mentioned.

The white paper contained two major propositions:

*Globalisation would reduce poverty*

*Globalisation would not reduce poverty automatically*

To make globalisation work for the poor, actions need to be taken at every level. For instance, at the international level actions should be taken to reduce instability in the financial flows, rich countries should remove import barriers from the developing countries and underdeveloped countries should eliminate corruption, improve standard of education and modernise their health services.

Elaborating on globalisation as a concept, Professor Wood noted, "It simply refers to the process of falling barriers in all forms of international transactions between and among

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<sup>1</sup> Relevant parts of the White Paper were circulated among the participants.

countries: for instance, transaction of goods and services, mobility of people, free flow of information and transfer of technology". In other words, globalisation could occur because of technological advancement, development in international communication network and systematic removal of the artificial barriers to international transaction. Though globalisation has a great deal of economic components, it cannot be defined from only a narrow economic standpoint, Prof. Wood maintained.

Prof. Wood echoed the positive view of UK Secretary of State Clare Short that globalisation offers an unprecedented opportunity to reduce global poverty - "If this opportunity is grasped properly, poverty would be eliminated within a few decades. Again, if the opportunities are not utilised, no change is likely to occur in the fate of the poverty-stricken millions even after centuries ".

Touching upon the question of how globalisation can help the poor people in improving their condition, Wood pointed out that it can make people more productive by offering them access to modern inputs, technologies, new markets, and most importantly, new jobs. To illustrate this point, Prof. Wood cited the example of Readymade Garments (RMG) which generated employment for more than 2 million workers in Bangladesh, where women constitute the majority. So far the RMG sector of Bangladesh has achieved impressive success, he observed. He also expressed the hope that if everything goes on smoothly, attaining an export target of US \$ 60 billion over the next two decades would not remain unassailable for Bangladesh. This will generate further opportunities of employment in the manufacturing sector he projected.

Regarding Bangladesh's comparative advantage in the manufacturing sector, Prof. Wood brought in the example of labour intensive goods and services. According to Prof. Wood, Globalisation will lead to the expansion of labour intensive export sector and consequently the demand for labour will increase manifold. Prof. Wood was of the opinion that the poor countries will be the primary beneficiaries of globalisation since they have larger share in global labour force. "Bangladesh is one of the most densely populated countries in the world. This huge population needs to be turned into skilled manpower by imparting necessary education so that they can avail the opportunities of globalisation", he remarked.

Expressing the need for sectoral transformation in Bangladesh's economy Prof Wood said, " Presently the economy is dominated by agriculture where most of the poverty-stricken people of the country are engaged. The bulk of the labour force needs to be shifted from agriculture to industrial and service sectors because expansion of labour intensive manufacturing export sector in a large scale is an appropriate way of starting down the road"-said Wood, "I am not the first person to suggest this path rather this was mapped out by a group of Bangladeshi scholars three years back in a report entitled 'Bangladesh 2020' which envisaged a better future of Bangladesh with rapidly growing urban economy." Seconding Dr. Debapriya Bhattacharya's observation that Bangladesh has already made some progress in terms of shifting the labour force from agriculture sector to the manufacturing sector, Prof. Wood suggested that *Bangladesh's policy makers should focus on this long run development strategy which globalisation offers Bangladesh to pursue.*

Terming South Asia as the region with the highest potential to gain from globalisation, Prof. Wood observed that during the *take-off* period East Asia was almost similar to the present day South Asia - in terms of level of economic growth, job opportunities, density of population and level of education.

Turning attention to Bangladesh's comparative advantage in both manufacturing and service sectors because of the huge population, Prof. Wood opined that this advantage should be utilised properly. Yet another advantage, as pointed out by Wood, Bangladesh should capitalise to maximise the gains from globalisation, do waterways and natural internal connecting routes offer her internal connectivity. In terms of internal connectivity, Prof. Wood said, Bangladesh is better placed than most parts of India.

Professor Wood then moved on to the major challenges facing Bangladesh in the era of globalisation. These are: external competition, internal obstacles and illiteracy.

**a) *External Competition:*** One potential threat to Bangladesh's progress in the age of globalisation emanates from external competition. Whether Bangladesh would be able to triple her growth largely depends on how prepared she is in terms of coping with the external competition. In this regard, Prof. Wood mentioned Bangladesh's concern about the phasing out of the MFA and the GSP facilities in the year 2004. He opined that for the

survival of Bangladesh's economy in a quota free trade regime, Bangladeshi producers would need to make their goods more competitive in both regional and international markets.

**b) Internal Obstacles:** The question of external competition left apart, internal obstacles are not any less injurious to the economic development of Bangladesh –Prof. Wood opined. He singled out *two Ps* - Power and Port - as the two most prominent constraints afflicting the commerce and industries of Bangladesh

Commenting over the *first P* (Power), Professor Wood pointed out that power consumption in Bangladesh is extraordinarily low. “ Per-head power consumption in Bangladesh is as low as one third of the average of South Asia which is again one of the lowest by the world standard”-observed Prof. Woods. He also pointed out that urbanisation would not be possible under such circumstances as urban economy is highly dependent upon energy consumption.

As for the *second P* (Port) which appeared in his discussion as one of the major constraints to our progress in trade, Prof. Wood pointed out that port facility is a very important consideration to the buyers as they want to get their commodities through in minimum possible time. Suppliers have hardly any time to kill in a world market where demand patterns change very fast. Quoting the Commerce Secretary of Bangladesh, Prof. Wood informed the audience that the response time in Bangladesh between the placing of an order and its delivery is over four months which is very high.

Underscoring the need for addressing these internal obstacles in minimum possible time, Prof. Wood warned that once the MFA is gone, the business environment would be much more competitive and it would be very difficult for Bangladesh to meet the emerging challenges with such poor state of the infrastructure.

**c) Illiteracy:** Another serious problem facing Bangladesh in the age of globalisation, as Prof. Wood identified, is the low level of literacy. "It's a major obstacle because a large segment of people are likely to be left out in the process of transformation of the economy from one based on agriculture to one based on industry" - elaborated Prof. Wood, "It is very

difficult for the illiterate people to adequately participate in the process of shift in employment from agriculture to manufacturing and service sectors". He further stated that even in the agricultural sector, it becomes difficult for the illiterate farmers to diversify their products. In such a situation, the gains of the transformation are likely to be pocketed exclusively by the literate people already engaged in urban economy while the vast majority of the rural farmers would remain silent spectators of the transformation. So, in Prof. Wood's view, what is required of Bangladesh at the moment, is massive improvement in the standard of both general and technical education with a view to developing human resource which is at present the major resource sector of Bangladesh. He mentioned that this is exactly what the East Asian countries did.

Supporting the arguments put forward in the White Paper of the UK Government, Prof. Wood said that some people would inevitably be the losers in the process of integration of the world economy, as they would have to compete against the more skilled labour force. This category of people includes various vulnerable sections of the society who are unable to work because of old age, disability and other such reasons. Social safety nets in the form of guarantee schemes and income transfer mechanisms should be ensured for the inevitable losers in the process of globalisation.

Finally, in line with the White Paper argument, Prof. Wood opined that Bangladesh has the potential to eradicate mass poverty through closer integration into the world economy. But achieving this in reality would require some pragmatic steps for improvement in some crucial sectors such as energy, infrastructure and human resource development. "Again there is much to learn about globalisation, poverty reduction and the related policy issues. There is an enhanced need for new debates, dialogues etc. That's why I am extremely happy to be here" - Professor Adrian Wood concluded.

#### **v) Comments from the Chair**

Thanking Prof. Adrian Wood for his presentation, the chairperson of the session, Mr. M. Syeduzzaman raised the following points before opening the floor for discussion.

***a) Lack of sincerity on the part of the developed countries in reducing global poverty***

Mr. Syeduzzaman mentioned that international development goals are not often tailored to the needs of globalisation notwithstanding the fact that neither the developed nor the developing world can escape globalisation. Pointing out the need for more sincerity on the part of the developed countries in making globalisation work for the poor, Mr. Syeduzzaman cited the example of tariff reduction where both the industrial and the developing countries have reduced tariff by 50% but surprisingly many developing countries have reduced tariff barriers more than the developed countries and the LDCs have reduced more than the average developing countries. Citing an article published in the May 16, 2001 issue of the International *Herald Tribune*, Mr. Syeduzzaman pointed out that for each dollar of aid Bangladesh receives from the USA, \$7 remains un-accessed because of the trade barriers.

***b) Due attention not paid to the low income countries***

Observing that the interests of the low income countries are not duly represented in different multinational institutions including the World Bank, Mr. Syeduzzaman said, "All of us know that most of the Task Forces under the auspices of the World Bank are focused on the middle income countries on the ground that these middle income countries are home to around 80 per cent of the world's poor people who earn less than US\$ 1 per day." Mr. Syeduzzaman urged the participants to give their opinion as regards the necessity of due attention that should be paid by the multilateral institutions in order to address the needs of the low income countries.

***c) Negative perception about globalisation***

There are a lot of factors behind the failure of both the developed and the developing countries in opening up their respective markets. Mr. Syeduzzaman pointed out that the developing countries are particularly concerned about losing out in terms of competition, because of closing down of enterprises, loss of employment and so on and so forth. Even the agricultural sector is not perceived as free from threats, he said. In the low-income countries, agriculture is generally the most important sector; that's why any potential threat to this

sector is deemed as a big threat to a country's economy, he held. Again though agriculture's contribution is not significant in the GDP of the industrial countries their leaders are very careful in opening up this sector considering the sensitivity involved. Elaborating, Mr. Syeduzzaman mentioned that though scientists and producers of GMO foods (Genetically Modified Organism) have been repeatedly saying that GMO products are scientifically safe, there is still widespread resentment against trade in GMO goods in both developed and the developing countries.

#### ***d) Role of the Government***

Mr. Syeduzzaman observed that in most of the available literature on globalisation, the role of government is overlooked. However, as explained by Prof. Wood, Government has a very critical role to play in availing the advantage of the globalisation process particularly in developing infrastructure which is a precondition for increased foreign investment and trade. Governmental intervention is a must for infrastructural development (that would address the problems linked with the *two Ps* - Port and Power), development in the areas of education and human resource, he held.

#### **vi) A Resume of the Open-Floor Discussion**

##### ***a) The Other Ps***

In his keynote paper, Prof. Adrian Wood underscored the need for fundamental improvement in case of two Ps - Port and Power. The core argument in Wood's discussion was that the process of globalisation requires that Bangladesh should increase consumption of power and improve port facilities.

Mr. Syed Manzur Elahi, Chairman of the Apex Group and Advisor to the Caretaker Government of Bangladesh (1996), put up the *third P* which indicates *pollution*. "As an exporter of leather goods and footwear I am one of the worst victims of the large-scale pollution because now our goods are being refused by the foreign buyers on the ground that our production process is not environment friendly", continued Mr. Elahi "Most of the industries in our country are beset with this problem which is posing a fundamental threat to our survival because we lack sufficient capital and a functioning stock exchange".

Explaining from his personal experience regarding the negative impact of foreign investment on a Thai village, Mr. Elahi mentioned that in that small Thai village, with mostly farmers as populace, there was no abject poverty before the giant MNC, *Adidas*, decided to set up a factory over there. Once the factory was set up it brought in huge investment; agricultural land had to give way in order to provide space for new industrial units. The saddest part of the story, according to Mr. Elahi, was that people were brought in from outside to work at the factory whilst hundreds of villagers remained jobless. "The village has now turned into a hotbed of crimes and drugs", he added.

Professor Wood gave his reaction to the above example as narrated by Mr. Syed Manzur Elahi. He was of the opinion that one cannot jump into any conclusion about the present socio-economic condition of Thailand based on the sad story of just one small village. "For a balanced conclusion, circumstances prevailing in many other parts of the country should be brought under consideration"- he demanded.

Dr. Zaidi Sattar of the World Bank mentioned about the *fourth P* which is an internal obstacle to our progress. Highlighting the importance of fast communication in conducting business, Dr. Sattar dealt with problems linked to "Phones". He said that Bangladesh's telecommunication system is still at a primitive stage and some policy changes are necessary to improve the situation.

Dr. Sajjad Zohir of BIDS added the last of the series of Ps when he talked about "Politics". In his view, political goodwill is required for building up the necessary infrastructure which is imperative for making globalisation work for the poor. "We may rephrase this P as 'Institutions' since globalisation has a strong implication for major political institutions"-he stated.

### ***b) Globalisation and the doctrinal dispute***

Dr. Sajjad Zohir of BIDS held that it is not possible to touch upon all the related issues linked with globalisation in one single definition. According to Dr. Zohir, globalisation could be better conceptualised in a multidisciplinary framework rather than by thinking of it as a single homogenous process. Dwelling on about what path we should adopt for poverty

reduction in the age of globalisation, Dr. Zohir noted that there might exist parallel routes in the process of globalisation. We need to classify the routes first and then decide if adoption of any particular route leads to better result in poverty reduction, he held.

Mr. Farooq Chowdhury, a former Foreign Secretary of Bangladesh observed that Professor Wood had discussed globalisation from a very narrow perspective where mainly the aspects linked with trade came up repeatedly despite there being other aspects which have impact on globalisation. "For instance, trade, therefore globalisation, will be affected by both domestic and foreign policies of the countries but Professor Wood hardly referred to the policy making process of the countries," he commented.

***c) Losers to outnumber the gainers or vice versa?***

The issue of gainers and losers of globalisation initiated a lively debate during the dialogue. Dr. Salehuddin Ahmed, Managing Director of Palli Karmo Shahayak Foundation (PKSF) raised the issue with the comment, "Globalisation is a fast running train and the platform of the poor countries is located so low down the line that it is very difficult to get on the train from that point. Globalisation in its present form is not likely to help the poor".

The Swedish Ambassador to Bangladesh Mr. Larsen replied to the comment by saying that everybody needs to seize the opportunity of globalisation and there should be a win-win situation for all rather than a win-lose situation. He further stated that it poses some challenge for both the developed and the undeveloped countries. He was of the view that this is high time we paid due attention to the grievances of the LDCs at different multilateral negotiations. As for Bangladesh, the Swedish envoy felt that there was an urgent need to address such issues as creation of a predictable investment climate, equitable distribution of productive assets, land reforms, free and compulsory primary education to all children, more sophisticated higher education, high degree of domestic savings and human resource development.

Dr. Sajjad Zohir of BIDS observed that there is no denying of the fact that some people belonging to the poorest sections of the society will be the *absolute losers* in the process of globalisation. He held that if the question of losers and gainers is true for individuals it must

also be true for the *collectivities*, in other words, states. Elaborating, Dr. Zohir provided an example in the South Asian context where India far exceeds all her neighbours in size. According to his observation, in a global trading system free from any barrier or residency requirement, the MNCs may shift their base from Bangladesh to India in search of bigger markets. “The production activities may be done in India using Bangladesh as the source of inputs such as oil, gas etc.” Then, if the MNCs continue to supply in Bangladesh maintaining their base in India, our resources would serve only the Indian plants which would eventually make us the absolute losers, he cautioned.

Mr. Farooq Chowdhury, a Former Foreign Secretary of Bangladesh, observed that available data indicate gains from trade in most of the trading nations including Bangladesh. But the question remains, he added, whether foreign trade has benefited all the LDCs substantially and equally. He maintained that some of the LDCs have been marginalized by globalisation notwithstanding the WTO could not to be exclusively singled out for blame; rather in some cases internal policies are equally responsible. He cited the case of the policy of liberalisation which is primarily a matter of internal policy consideration.

Dr. Asaduzzaman, Research Director of the BIDS, pointed out that if the LDCs are to gain from trade liberalisation, goods produced by them must be tradable at the international markets.

Mr. Waliur Rahman, a Former Ambassador and Secretary to the Government of Bangladesh, was of the opinion that since the LDCs are expected to gain from trade liberalisation and globalisation in the long run, they should endeavour to reduce dependence upon the donor countries and work within a regional cooperation framework.

Ms. Rokia A. Rahman, President of the Women Entrepreneurs Association of Bangladesh, cast doubt as to whether there is any comparative advantage for Bangladesh simply because of her numberless illiterate people. Bangladesh is not rich in terms of human resource which is an essential factor in the era of globalisation. She apprehended that if we fail to transform the huge illiterate people into skilled manpower globalisation would rather erode the potentiality of this resource sector. Furthermore, according to Ms. Rahman, the losers of globalisation might be identified from a gender perspective. “In a liberalised market the

uneducated and the unskilled women have to face fierce competition in the job market in countries like Bangladesh where women have to work in a very poor working environment with a very meagre remuneration” - she pointed out.

In response to the view of the participants who held that the developing countries have been marginalized by globalisation, Professor Wood pointed out that a number of developing countries have nearly caught up with the developed countries in the last couple of decades. However, there are countries which have also fallen behind; this is particularly the case of some under-developed African countries, he added. But, according to Prof. Wood, it cannot be claimed that this has been caused by globalisation; rather backwardness of such countries is rooted in their failure to properly integrate their respective economies with the global economies.

With respect to *gender discrimination*, the keynote presenter agreed that this is an absolutely critical issue. Vast majority of the women workers in the underdeveloped countries work in a very poor environment and with a very meagre wage, he conceded. “The striking fact is that the international market for the labour intensive industries is extremely competitive and the wages are relatively poor” realized Prof. Wood, “But if a comparison is made between their wage and the possible wage from other alternative sources, the former is likely to be found as more acceptable.” That is to say, their present wage is not the best but it is generally better than the alternative sources.

#### ***d) The ever rising barriers***

Referring to Prof. Wood’s definition of globalisation, Mr. Rouf Chowdhury, Director, FBCCI, said that theoretically globalisation implies the falling of barriers. However, while on the one hand the developed countries are championing the idea of a global trading regime free from all types of barriers- tariff, non-tariff or technical, at the same time the developing countries are facing new barriers on both trade and non-trade issues such as standardisation, quality of labour, child labour, labour union, environment friendliness of production and so on and so forth. “We never know when all these barriers would be removed”, lamented Mr. Chowdhury.

On this point, Mr. Farooq Chowdhury opined that the new barriers to trade are not any less serious. “The developing countries are the immediate sufferers as they face these problems while setting trade relations with the developed countries”, he observed.

***e) Bridging the technology gap***

A number of participants termed the role of technology in the process of globalisation as one of the most critical factors.

Mr. Rouf Chowdhury, Director of FBCCI, observed that any nation or society with a leading edge in technology is capable of competitive foothold in the global market compared to others who don't have it. The entire world would be divided into two groups of countries in terms of access to modern technology – *one*, the technologically advanced countries and *two*, the technologically backward countries. He was afraid that technologically backward countries would not be able to follow the technology leaders by way of technology transfer and most of the backward countries would be left out in the *catching up* process. Accordingly Mr. Chowdhury, it remains to be seen if technology bridges the gap between the rich and poor countries or just contributes to increase the existing gap.

Professor Nasreen Khundker of Economics Department, Dhaka University, was of the opinion that technology is behind a lot of complexities facing the world presently. She questioned if all tools and machineries we import from the west really suit our needs and if these actually increase our productivity.

Dr. Salehuddin Ahmed, Managing Director of PKSF, thought that though mainly MNCs bring technology from the developed to the underdeveloped part of the world they hardly apply it for poverty reduction; rather they use technology with the sole aim of producing and selling their goods fast.

Dr. Ali Rashid termed the *technology factor* as one of utmost importance. He emphasised the need for adopting appropriate technology that would serve our domestic and international needs.

***f) The question of labour mobility***

Mr. Mahbubul Karim, Senior Vice President of PROSHIKA observed that though a lot had been discussed about free trade and free flow of goods and services, no reference had been made with regard to free movement of labour. He cautioned, “ We can not think of any comprehensive globalisation while putting the question of labour movement on the sidelines. Globalisation without free movement of labour will be particularly unjust to the South.”

Mr. Khurshid Hamid, a Former Ambassador and Secretary to the government of Bangladesh, pointed out that globalisation of labour should be properly discussed at the multilateral negotiations. Countering the fear prevalent in the developed countries that, if allowed to enter, the unskilled people from the poor countries would destroy social equilibrium of the developed countries, Mr. Hamid observed that unskilled workers start contributing to the economic growth of the developed countries within a period of just two to three years. He drew attention of the audience to an article published in the “**Economist**” which focused on the importance of globalisation of labour.

Underscoring the need for skilled manpower, Governor of the Bangladesh Bank, Dr. Mohammed Farashuddin said that if we fail to convert our labour services to tradable goods, our fate would be similar to that of the Latin American countries.

***g) Direction of FDI***

Dr. Mohammed Farashuddin shared some facts relevant to the global trend in FDI flow where annual share of LDCs stands at mere US\$ 5 billion compared to nearly US\$ 200 billion for other developing countries. Pointing out the need for attracting more FDIs in order to ensure our market access, Dr. Farashuddin observed that political stability and good governance are prerequisites in this regard.

“FDIs have increased in the global context but they are located mostly in the emerging developing countries. The structural weakness of the LDCs is largely responsible for the dismal amount of FDI ”- such was the observation of Mr. Farooq Chowdhury.

Regarding FDI inflow in Bangladesh Dr. K.A.S. Murshid of BIDS pointed out that FDI in Bangladesh is more or less concentrated in the energy sector and there is virtually no FDI in the labour intensive manufacturing sector. So, according to Dr. Murshid, Bangladesh's economy has not truly benefited from FDI inflow.

***h) Flow of capital: Does it require any regulation?***

Mr. Mahbubul Karim of Proshika pointed out that capital is moving freely all across the world but there is no authority to regulate the flow of capital. "I think, for eradication of global poverty, we need to sort out a global mechanism to have a global control over the flow of capital".

Stressing the importance of capital mobilisation, Dr. Farashuddin told the audience that proper mobilisation of capital would strengthen the industrial base of the country and it would significantly enhance the purchasing power of the middle class people who would ultimately provide a market for the industries.

The keynote presenter, Prof. Adrian Wood, admitted that there is a huge shortage of capital in most of the underdeveloped countries including Bangladesh and a poor country cannot rise up without adequate capital but "reality shows that savings rate goes up tremendously if there are profitable investment opportunities at all layers of the society."

***i) Education and sectoral transformation of Bangladesh economy***

Most of the participants were supportive of the keynote presenter's observation about the existing flaws in our educational system. They also felt the acute need for quality education in human resource development and the necessity of a shift of the labour force from agricultural sector to the industrial sector as pointed out by Prof. Adrian Wood in his keynote presentation.

Participating in the talks on this issue, Dr. Ali Rashid observed that we failed to pay due attention to the improvement of education in the past but we cannot think of reaping the benefits of globalisation in a competitive world economy leaving our people unskilled and uneducated. We have to raise the standard of both general and technical education.

Referring to the keynote presenter's observation about the mass illiteracy in Bangladesh, Ms. Nasreen Khundker stated that *illiteracy does not mean ignorance*. She observed, "Our uneducated rural workers and farmers have acquired skill by dint of long term involvement in their respective activities. We should not underestimate the importance of whatever skill they have developed."

Former Ambassador Waliur Rahman expressed doubt if it would be possible to shift the bulk of the labour force from agriculture to industry because, as he explained, "If they fail to produce quality goods at competitive price, they would not benefit from the process". Ambassador Rahman opined that we should aim at expanding the agro-based industries, as our people would be able to be engaged in this sector even without education. "We need to identify those activities within the agriculture sector where we have a comparative advantage", he emphasised.

Putting emphasis on the quality of education, Ms. Rokia A. Rahman observed that our educational system is not *gender sensitive* at all. "Though we have three to four parallel systems in education, nowhere the question of *women's participation in the development process* is properly discussed"-she noted.

Talking about the education related problems in the international context, Former Ambassador Farooq Chowdhury pointed out that the WTO rules and regulations are very intricate as it requires a lot of knowledge to comprehend the WTO texts, be it for settlement of international trade disputes or for any academic purposes. Chowdhury suggested that the WTO should take up programmes to educate people on international trade, commerce and globalisation.

***j) The need for collective bargaining: How different is South Asia from the South East Asia?***

Many participants including the chairperson of the session felt the need for collective bargaining by the poor countries at different multilateral negotiations.

FBCCI Director Mr. Rouf Chowdhury observed that the developed countries are forming groups such as NAFTA, EU, LAFTA etc. to strengthen their economies while the most of

the developing countries including those in the South Asia could not form successful regional organisations excepting countries of South East Asia which have set an example of successful regional cooperation by establishing the ASEAN. Highlighting the importance of intra-regional trade for regional development Mr. Chowdhury pointed out that the least developed countries should cooperate with each other and increase the volume of trade within the regional framework. “The question of regional trade put aside, the least developed countries should bargain collectively because it may not always be possible to realise the due share from multilateral negotiations by individual bargaining”- Chowdhury added.

The Chairperson of the session Mr. M. Syeduzzaman pointed out that if any comparison is made between the gaining and the losing sides of globalisation in terms of the unity amongst the respective groups, it would be found out that *there is association of gainers, but there is no association of losers.*

Dr. Mohammed Farashuddin pointed out some points of departures as regards the comparative picture drawn by Professor Wood with regards to East Asia and the South Asia. He pointed out that literacy rate in East Asia was higher compared to the South Asia. East Asia, compared to South Asia, had greater access to modern technology; income inequality was also low and savings rate was higher. Notwithstanding the differences, according to the Bangladesh Bank Governor, the success of the ASEAN can provide useful insights for the South Asian countries in terms of working together for poverty reduction in a regional framework.

#### ***k) Globalisation and poverty reduction in Bangladesh***

Speakers discussed a wide range of issues relating to poverty reduction efforts in Bangladesh in the era of globalisation. On some key issues, the speakers put forward divergent opinion.

Dr. K.A.S. Murshid was of the opinion that Bangladesh could achieve robust growth in the manufacturing sector largely due to the success of the Readymade Garments (RMG) sector. He added that this success precedes the actual start of globalisation and it could be achieved for policies that go against the core principles of globalisation. Dr Murshid argued that

globalisation upholds the spirit of a trading system which is completely free from all types of barriers. However, the success in RMG sector could become possible only in the context of the MFA, the GSP and other facilities which essentially go against the concept of free trade. Thus, as opposed to the view of the keynote presenter, the manufacturing growth and the export success was not, as such, the outcome of globalisation.

Mr. A.B.Chowdhury, Vice Chairman of the Export Promotion Bureau put forward the following points relating to global poverty reduction:

- ❑ The rich countries should open up their economies and create an environment for a sustained export led growth of the LDCs
- ❑ Debt relief should be granted to the heavily indebted countries
- ❑ The amount of Overseas Development Assistance (ODA) should be increased substantially so that national effort for poverty reduction could be continued

Rejecting the idea of the donor countries and the multilateral financial institutions that high growth would eventually eradicate poverty, Mr. Chowdhury said, “Sometimes high growth hardly touches the asset-less poor”. Stressing the need for national initiative for poverty eradication Mr. Chowdhury said, “We must make the concept of poverty clear because it entails different dimensions and facets.”

### ***1) Aid and poverty***

At one stage of his deliberation, the Governor of Bangladesh Bank informed the participants that from the year 2017 Bangladesh would be required to pay debt service at a rate of US\$1.5 billion per year which would have very critical implications for the economy. Mr. Syeduzzaman, the Chair, pointed out that he was somewhat puzzled because, though debt relief was granted to the highly indebted countries (HIPC), it was on condition that the money must be spent on social sectors for reducing poverty.

As regards the untying of aid, Professor Wood informed the audience that the donor countries agreed at the Brussels Conference to untie only the financial aids. Commenting over the poverty reduction prospect of Bangladesh in the age of globalisation, Professor

Adrian Wood observed that it is very difficult to predict if a particular sector or the entire country would lose or gain in the process of globalisation. At its worst, the whole country can lose from globalisation only in two ways –*one*, in case of mass exodus of factors of production from Bangladesh to some other countries in the world and *two*, in case of massive *brain drain*. “Attraction of both domestic and foreign investment, improvement in the standard of education might be possible answers to these problems”, - he concluded.

### **vii) Concluding Remarks by the Chairperson**

In his concluding remarks Mr. M. Syeduzzaman summed up the major issues discussed in the course of the dialogue. Recognising the need for continued exchange of views, ideas and experiences amongst the cross section of stakeholders including representatives of the civil society and policy makers as regards various issues which are critical to the country’s socio-economic development, the former Finance Minister of Bangladesh pointed out that it is not possible to touch upon all the aspects linked with such a broad phenomenon as globalisation in one single dialogue. Noting the significance of globalisation for the developing countries including Bangladesh, he hoped that with active cooperation of the members of the civil society, policy makers, development activists, academics and people involved in different professions, CPD would initiate and organise more dialogues in future on globalisation and related development issues. On behalf of the CPD, Mr. Syeduzzaman sincerely thanked all the participants for their keen interest and active participation in the dialogue deliberations.

**List of Participants**  
(arranged in alphabetical order)

Dr. M. Asaduzzaman	Research Director Bangladesh Institute of Development Studies
Ms. Allison Aldred	Regional Director OXFAM International
Mr. Alistair Fernie	First Secretary (Development) DFID
Mr. Anders Granlund	Counsellor Embassy of Sweden
Mr. A.B. Chowdhury	Vice Chairman Export Promotion Bureau
Mr. Abu Naser Khan	General Secretary POROSH
Ms. Ayesha Khanam	General Secretary Bangladesh Mahila Parishad
H.E. Mr. Anders Johnson	Swedish Ambassador to Bangladesh
Dr. Ali Rashid	Member Bangladesh Tariff Commission
Professor Adrian Wood	Chief Economist DFID
Mr. Babar Hasnat	North South University and State University of New York
Benedetta Musillo	Poverty Consultant, DFID, Bangladesh
Mr. Bazlur Rahman	Editor The Daily Sangbad
Mr. Bimal Kumar Saha	Research Fellow Bangladesh Institute of Development Studies
Mr. Bo Sundstrom	Economic Adviser DFID, Bangladesh
Dr. Debapriya Bhattacharya	Executive Director Centre for Policy Dialogue
Mr. Donal Brown	Adviser DFID
Dr. Fahmida Akhter Khatun	Research Fellow Bangladesh Institute of Development Studies

Ms. Fahmeeda Wahab	Development Adviser CIDA
Ms. Fatema Yousuf	Director, Training Academy for Planning and Development
Mr. Giambattista Mondada	Charge d' Affairs Swiss Agency for Development and Cooperation, Dhaka
Mrs. Gabriella Spirli	Swiss Agency for Development and Cooperation
Mr. Graham White	Donor Liaison Office BRAC
Mr. Jonas Wendel	First Secretary Embassy of Sweden
Mr. Jiban Chowdhury	Grameen Trust
Mr. Jorg Volker Keielsen	Charge D' Affairs European Commission Delegation, Dhaka
H.E. Mr. J.L. Ijzermans	Dutch Ambassador to Bangladesh
Mr. Khurshid Hamid	Former Ambassador of Bangladesh
Mr. Khaled Hassan	Merchandising Officer Standard Group
Dr. K.A.S. Murshid	Research Director Bangladesh Institute of Development Studies
Mr. Md. Abul Basher	Research Fellow Bangladesh Institute of Development Studies
Mr. M.A Rouf Chowdhury	Chairman Marc Group
Dr. Mohammed Farashuddin	Governor Bangladesh Bank
Mr. Mosharraf Hossain	Principal in charge APD
Mr. Md.Faruque Hossain	A Sociologist
Mr.Mahbubul Karim	Senior Vice President Proshika
Mr. Mohiuddin Ahmed	Former Principal, Foreign Service Academy and Secretary to the Government of Bangladesh
Professor Mustafizur Rahman	Research Director Centre for Policy Dialogue
Mr. M. Syeduzzaman	Member, Board of Trustees Centre for Policy Dialogue

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Ms. Rokeya Kabir	Executive Director Bangladesh Nari Progoti Sangha
Ms. Rokia A. Rahman	President Women Entrepreneurs Association of Bangladesh
Mr. Rashed A. M. Titumir	Fellow Centre for Policy Dialogue
Mr. Sayed Alamgir Farrouk Chowdhury	Former Secretary to the Government of Bangladesh
Mr. Syed Manzur Elahi	Former adviser to the Caretaker Government of Bangladesh
Ms. Shamim Hamid	Principal Officer UNDP
Mr. Sayeed Kamaluddin	Editor, Far Eastern Economic Review
Dr. Salehuddin Ahmed	Managing Director PKSF
Mr. Shamsul Bari	Project Director Grameen Trust
Mr. S. H. Shah Alam	Executive Director RDB
Dr. Sheikh Maqsood Ali	Convenor, National Task Force on Poverty Alleviation, Ministry of Planning
Dr. Sajjad Zohir	Senior Research Fellow Bangladesh Institute of Development Studies
Mr. Waliur Rahman Bhuiyan	President Foreign Investors Chamber of Commerce and Industry
Mr. Zillul Hye Razi	Economic and Information Officer Commission of the European Communities
Dr. Zaidi Sattar	Economist World Bank

***Journalists***

Mr. Ajit Sarker	BSS
Mr. Amirul Islam	Prothom Alo
Mr. Ghulam Ahad	The Independent
Mr. Habibullah	Bangla Bazaar Patrika
Mr. Khawaza Main Uddin	The Bangladesh Observer
Mr. Masud Parvez Milon	Dainik Arthoneeti
Mr. Monir Hossain	The Daily Jugantar
Mr. Mia Anwarul Islam	Radio Metrowave
Mr. Mizanur Rahman Khan	The Indeplendent
Mr. Mosaddeq Al Mahmood	Bangladesh Betar
Mr. Monjur Mahmud	The Daily Star
Mr. Nipu	Dainik Arthoneeti
Mr. Sayeed Islam	Bhorer Kagoz
Mr. Sultan Mahmud	The Inqilab
Mr. Shah Alam Sarker	Banglabazar Patrika
Mr. Shafiqul Islam Zibon	The Daily Manab Zamin
Mr. Waliul Alam	The New Nation
Mr. Zulfikar Ali	Azker Kagoz
Mr. Zaman	A freelance journalist