

'Britain's Role in the World Economy'

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 how room and the incentives it needs to create jobs. We have one of the lowest burdens of Government debt, of tax and of public expenditure in the European Union.

And we have pioneered a programme of structural reforms, particularly labour market reforms. We now have one of the most flexible labour markets in the world.

Unlike our European neighbours, we have said 'no' to the Social Chapter, to prevent new barriers to employers running their own businesses and creating new jobs.

Obviously, when you compare Britain to most countries in the developing world, our state sector is very large and our labour market is controlled by lots of rules and regulations. But for a mature democracy, the British economy is supple and nimble on its feet. I believe we are in better shape than many of our European neighbours to compete successfully in the modern global economy over the next 10 or 20 years.

Contribution to Global Economic Thinking

Britain has had 150 years or more of being a leading player on the world economic stage. Our Empire has gone, but it has left us with a genuinely worldwide spread of economic interests and an economy which faces outward. The success of the British economy is inextricably linked to the health and stability of the world economy.

The size of the British economy and our membership of the European Union, the G7, the UN Security Council and our continuing role in the Commonwealth, has given us the politi-

cal clout necessary to back our own economic interests and to make a valuable contribution to advancing the common interests of the international community.

In our increasingly interdependent global economy, we all have a strong interest in creating open markets, in international financial stability and in global prosperity. It has been in British interest, but also I believe in the interest of the world, that we have time and again taken a lead in setting the global economic agenda.

A succession of recent events — the Mexican crisis, the collapse of Barings, the need for economic reconstruction in Yugoslavia — have presented, and continue to present, a formidable set of challenges to international policy-makers.

And to the solution of these problems, we have brought, and continue to bring a distinctive British approach. A belief in that it is best to harness the power of markets for good, rather than try to work against them. A preference for the light regulation rather than heavy handed legalistic approaches. A belief in pragmatism. A bias against big government, but also a belief that markets need to be underpinned by good economic policies and effective rules and legal systems. A belief in effective and efficient institutions both at home and in the international arena.

British policy makers over recent years have made an exceptional intellectual contribution to world economic thinking.

Exporting Privatisation

The big idea for internal structural reform in the 1990s

was made in Britain in the 1980s. The UK invented privatisation and we have gone on to export it to the world. Privatisation has had instant, worldwide appeal.

Because it offered a convincing theoretical solution to the all-too-obvious problems of loss-making and inefficient state enterprises.

Because our privatised companies have shown the practical benefits which accrue from privatisation — more investment and a better quality and often lower price service for the consumer.

And because the participants in the British privatisation programme have been selling their expertise to governments across the world.

The privatisation story shows Britain at its best, combining innovation in policy, with the practical skills to implement it. Financial and consultancy firms which have the vision to recognise the commercial opportunities offered by privatisation and the global reach and credibility to capitalise on them.

Privatisation is now part of the standard IMF and World Bank prescription. The UK's expertise is now being sought and implemented from Australia to Zimbabwe — and UK firms are active on all the continents — except Antarctica, where commercial opportunities still seem to be limited!

The export of privatisation is one of the reasons why we can be more confident about the future prosperity of the world. More countries will escape from the burden of uneconomic and inefficient public services.

In countries which are short of capital, the privatisation route opens up the possibility of much faster expansion of services, essential to raise the living standards of the poorer members of the community.

We are now finding similar international interest in some of the ideas we have developed in the Private Finance Initiative for harnessing private capital, management and bottom line incentives in the provision of public services.

Meeting the enormous de-

mand for capital to improve infrastructure is a major policy priority for many developing countries. This finance is best provided by the private sector and we believe that many of the techniques that we have developed in the UK could usefully be applied to similar investments in developing countries. Involving the private sector in providing the finance and sharing the risk associated with infrastructure investment, combined with appropriate Government policies and regulation, will improve economic efficiency — a view firmly supported by the IMF.

We hope that we will be able to share our experience with others, including the International Financial Institutions to ensure that the private sector is able to play its full part in financing these important projects.

Opening Markets World-wide

John Major and Margaret Thatcher before him have been tireless advocates of free trade. Within Europe, we played a key role in bringing about the Single Market. And we were an important, possibly decisive influence in ensuring that the EU was a force for trade liberalisation in the Uruguay GATT round, and in launching the WTO. We are now pursuing our '2020 vision' — a plan for true global free trade by 2020.

The past few years have seen a rapid growth in regional trading blocs. The EU is still by far the biggest and the most developed, but it is no longer the only one to cover a significant percentage of the world economy.

The USA, Canada and Mexico have formed NAFTA. Argentina, Brazil, Bolivia and Paraguay have come together under MERCOSUR. Indonesia, Malaysia, the Philippines, Singapore, Thailand have formed the Asian Free Trade Association or AFTA. And there is APEC which is more wide-ranging than a trade agreement, with ambitions in the area of competition policy.

I believe these trading blocs, backed up by the rules of the multilateral trading system,

could be one route towards global free-trade. But we must be extremely careful that they do not have the opposite effect — causing a retreat into managed trade rather than an open world market. That would damage the prosperity of us all.

Modernising the World Economic Institutions

Just as Britain, in the person of John Maynard Keynes, played a key role in establishing the Bretton Woods institutions and the post war economic order, so we are now taking the lead in bringing those institutions up to date.

The system we established in 1944 was a highly centralised one — one which tried to channel, if not directly control, market forces. The IMF was pivotal in that system. Today the International Monetary System is very different — decentralised and increasingly market-led.

So while we live in a world of global financial flows, that world is still managed by national governments and their central banks. The IMF still plays a pivotal role, acting on behalf of its member countries. In order to keep the International Monetary System functioning — in order to ensure that the market operates within a ordered framework — a good open dialogue between national authorities in the international fora is essential.

The same applies to many other fora through which we advance our interests and common interests. National member states are still running the show, but they operate through, for example, the EU, the G7 or the IMF.

Britain is very good operator in this modern, world of international cooperation. We are good at negotiating and building alliances and partnerships. We have done very well to have our ideas heard and to gain other countries' support for a number of British initiatives we have brought to the international institutions.

The IMF and World Bank were set up in an era of near universal exchange controls and very limited private international capital flows. The role of the IMF was to help countries suffering temporary balance of

payments problems as a result of current account imbalances, and to promote full convertibility of current account payments. The World Bank's role was to help fill the gap in the international capital markets, by providing long term capital for investment. Both institutions need to adapt fully to a world in which there are huge private international capital flows.

Capital nowadays flows around the world more readily than at any time since the golden age of economic 'col-

onialism in the period before the first world war. Arguably, they have become as powerful as trade flows in promoting global economic integration. Private flows to developing countries, for example, are now five times the size of official flows. But the official world community has been slow to adapt its thinking to this new reality and slow to harness the new potential.

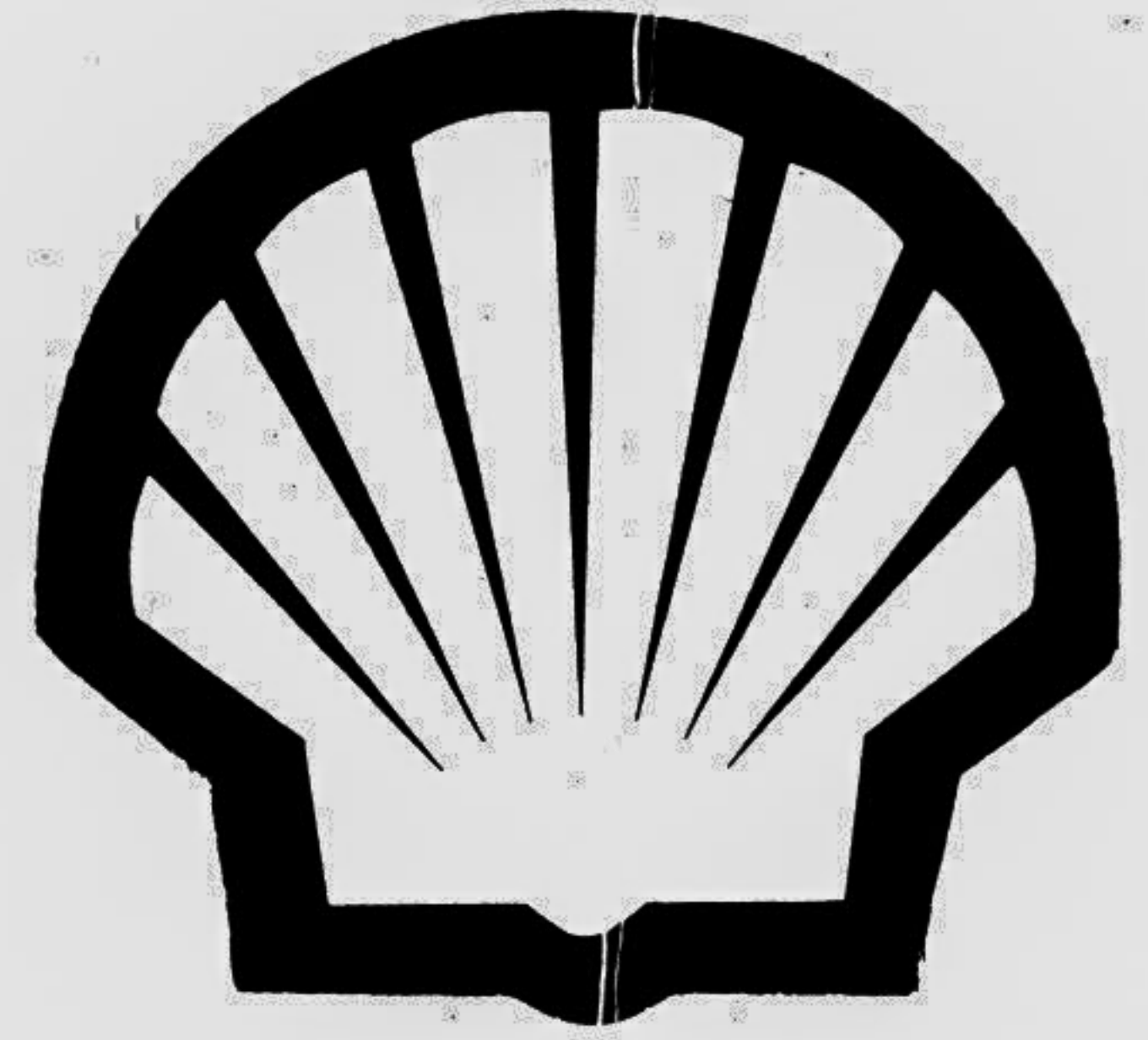
The Fund must redefine its mission to promote freedom of capital movement as well as current account payments, to

help countries establish the policy credibility needed to attract flows of private capital, and to help countries tackle the new challenges for macroeconomic policy that these flows bring.

That is why last year I proposed a change in the Articles of the IMF. As they stand they give the Fund no mission in the area of capital flows, and even encourage countries to impose control in some circumstances; they date from a bygone era.

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undertaken in Bangladesh for the British exporting industry. The Fair will generate further interest in the local market and encourage Bangladesh interests to increase business with the UK and so act as a catalyst to further the trading relations between the two countries in the economic development of Bangladesh.

Mr Harold D Biswas is the Assistant Commercial Officer in British High Commission, Dhaka.

Britain : A Major Trading Nation

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 Nevertheless, Bangladesh maintains a healthy trade balance with the Exports to the UK reaching £279.6 million in 1996, dominated by readymade garments (80 per cent of the total) which enjoy tariff-free access to the UK and the rest of the EU under the EC Generalised System of Preferences scheme (GSP). The other main exports are fish (mainly shrimps) and textile yarn and fabric.

The British Council, long established in Bangladesh as a teaching and cultural centre, is also committed to providing support to British exporters and to Bangladeshi importers and users of British goods and services. The British Commercial Information Centre (BCIC) is now operating in joint partnership between the British Council and the British High Commission in collaboration with the Dhaka Chamber of Commerce and Industry (DCCI). Located in the heart of Dhaka's Commercial Area, it is the ground floor of the DCCI building at 65-66, Motijheel Commercial Area, Dhaka. The Centre has been equipped with funds provided by the Southern Asia Advisory Group (SAAG) of

the United Kingdom's Department of Trade and Industry (DTI). The Centre is a convenient first point of contact for Bangladeshi firms and businessmen who wish to obtain directory information on the availability of goods and services from Britain. Services provided by the Centre include: Business enquiry service, CD-ROM facilities, business and trade journals, directories, newspapers and magazines. A second BCIC is now being planned for Chittagong.

British Government bodies assist exporters by creating favourable conditions and by providing practical help, advice and financial support. British Invisibles, financed mainly by the private sector, promotes invisible trade. ECGD (Export Credit Guarantee Department), another government department, specialises in making available insurance for British exporters of capital goods sold on short-term credit, allowing exporters to overcome many of the risks in selling overseas. ECGD also provides cover for overseas investment.

SAAG, formed in 1994 within the DTI, is a driving force to encourage British exports which holds regular promotional events throughout Britain focusing on Bangladesh and providing information and support to UK businesses and investors wishing to enter the Bangladesh market. The highlights of the past few years have been SAAG Missions and Chamber Missions to Bangladesh comprising many companies, large and small, in different sectors. The Missions had seminars and workshops on two occasions, namely the British Infrastructure and Technology seminar, and the British Design and Quality Management Seminar. Opportunities were identified for joint investment in infrastructure, engineering and textile projects. SAAG also assists in securing substantial publicity for Bangladesh in the UK media. A series of short reports on the country was shown on the BBC's 'Business Breakfast' programme in 1995 and a number of British national dailies carried pull-out sections. Activities of this nature in the UK seek to persuade small and medium sized enterprises (SMEs) to look at the Bangladesh market.

This year, high profile visits from the UK by Prime Minister John Major, Chairman of the British Overseas Trade Board Sir Martin Laing and HRH The Prince of Wales have underlined the commitment and increased interest in further developing trade and investment to help Bangladesh compete in a global environment.

The first ever UK Trade Fair in Bangladesh takes place in Dhaka from 9-11 March, with participation from 32 UK companies in Bangladesh, all household names, and 7 British educational institutions. The Fair presents British excellence in Bangladesh: the products, technology, design, services and financial expertise. Britain is seeking out further fruitful areas for collaboration with Bangladesh partners. This will be an opportunity to underline the continuing importance which British industry and commerce attaches to the market, and to demonstrate its determination to collaborate at the highest level of technology.

The Trade Fair is a continuation of the promotional events

List of Participants

Participant Name	Stall No.
ACI Limited	5
A N Z Grindlays Bank	24
Bangladesh Tobacco Company Ltd	23
BOC Bangladesh Ltd	29, 38, 42, 43
British Airways	53
The British Council	31, 32, 33, 34, 47, 48, 49, 50
British Petroleum	55
BTS Computers (UK) Ltd	30
Commonwealth Development Corporation (CDC)	11
Crown Agents	6
Duncan Brothers	59
Energypac Power Generation Ltd	57
Fujitsu ICL	16
General Electric Co Bangladesh Ltd (GEC)	27
Hongkong Bank	19, 22
James Finlay Plc	14
Lever Brothers Bangladesh Ltd	17, 18
Mackie International Ltd	7
Massey-Ferguson (UK)	56
Meghna Dairy & Food Products Ltd	54
Mott MacDonald	3
Mukta, Dinwiddie, Maclaren	52
Multidrive Limited	58
Petbow Generators UK	36, 37, 44, 45
P&O Bangladesh (Private) Limited	4
Reckitt & Colman Bangladesh Ltd	8, 9
R G Foster Textile Machinery	2
Shell Company of Bangladesh Ltd	12, 13, 28, 29
Standard Chartered Bank	25
Thorn Security	51
Tootal Thread Bangladesh Ltd	10
British Commercial Information Centre Information Stall	
British High Commission	Information Stall

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