

SELECTED ESSAYS

11. PROBLEMS OF INDUSTRIAL DEVELOPMENT IN BANGLADESH: CONVERSATION WITH A FEW CONCERNED BANGLADESHIS

Ruhul Kuddus, Ph.D.

Although the current economic condition of Bangladesh appears to be dismal, there are reasons to be optimistic about its future. Historically, the people of the area had taken correct and courageous decisions in the face of crisis and came out winners. Bangladesh is on the world map today as a sovereign nation as a result of a series of such bold decisions. Today, poverty is very severe in Bangladesh and is frequently highlighted in the world media. The present essay is not intended to depict the severity of poverty in Bangladesh, however. The truth is, there is no alternative to an immediate economic revolution for the very survival of the nation. The public psyche has already been touched by the urgency of the situation. It appears that a spark, like the language movement of 1952 or the freedom movement of 1969-1971, is just what is needed to ignite a movement for economic emancipation.

Where should the spark for this economic revolution come from? It is highly unlikely that it will originate from public education, even though it is commonly believed that growth in public education eventually results in economic development. In two decades of independence, public education has not succeeded in producing any meaningful result. Institutes of higher education have been in the grip of anarchy. As a result, thousands of school hours have been lost. Despite tough competition to enter into higher education programs, the nation's graduates are hardly equipped to directly engage into the task of economic development. Due to the lack of adequate employment opportunity and personal growth at home, the best students of our universities are eager to leave the country.

Can the spark come from agriculture which is the largest employer of the nation? Currently, the nation's agriculture is largely subsistence level family farming. Small farmers have been vulnerable for ages and have been gradually losing their belongings. Among other factors, ecological problems, such as the

effects of low water flow in the Padma river, will aggravate the situation even further. Although the nation has never been able to tap into the full potential of the agriculture sector, there is no reason to believe that agriculture by itself will ever bring the needed prosperity to the nation.

Can we look for the spark in the industrial sector which has largely been neglected and untapped in Bangladesh? The presence of smart and easily trainable manpower of the nation, together with large potential internal and external markets, indicates that there are significant opportunities in the industrial sector of the country. In principle, the level of industrial development of a nation indicates the overall prosperity of that nation. This is because industrial development is known to trigger the development of education, health care system and stability of the political system (although, ironically, we are also aware that industrial development requires stability of the political system) of a nation.

The education sector has not so far provided skilled managers, production forces or innovating entrepreneurs for the industrial sector. The Government-owned industries have also performed poorly. The garment industry is the only industry that appears to be doing slightly better, although the industry is dependent on foreign countries for the export quotas of garments as well as for the import of garment machineries. Other than this, the innovators in the private industrial sector are poorly educated technicians who own small shops in different parts of old Dhaka city. Functionally, they are subsistence level manufacturers. These innovators have been inconspicuous and have no protection for growth. However, they are trying to produce manufactured products of vital importance to our agriculture and government-owned industries.

Dr. Ashraf Ali, the Secretary and Treasurer of BDI, on his recent trip to Bangladesh, talked with a few of these subsistence level manufacturers in an attempt to understand their problems. Their problems appear to be identical to those of the industrial development of Bangladesh. The failure of the Government in spurring industrial development in the country is dismal. Yet these subsistence level manufacturers have managed to survive so far. Some have even made good progress. Here we present the views of these Bangshal and Dholai Khal area innovators, along with the views of two other distinguished Bangladeshis, on the problems of industrial development of Bangladesh.

A. Chunnu Mia: General Secretary, Dhaka District Dholai Khal Small Parts Manufacturing and Repairing Workshop Owner's Association.

Chunnu Mia is one of the insiders and a representative of about 1900 manufacturers of Dhaka District Dholai Khal. He is aware of the problems of industrialization in Bangladesh. He has visited quite a few developed and developing countries like India, Pakistan, Thailand, Malaysia, Hong Kong, Japan, Korea and U.S.A. in order to gain experience in manufacturing entrepreneurship.

According to Chunnu Mia, the lack of a long-term plan for the industrial development of the country is the main problem for the manufacturing sector. He observed that each new Government brings its own new plans and proposals, and at the same time, discards the initiatives of the previous Government. This results in tremendous instability. Many politicians lack the vision and use political power as a vehicle for personal gain. The small manufacturers have had to adjust themselves continually with each Government reshuffle in order to survive.

The present Government, according to Chunnu Mia, expects that an industrial finished product be manufactured by a single manufacturing unit. Industrial loans are disbursed keeping this in mind. Ironically, the country at present has no such heavy manufacturing giants. As a result, under this plan, project implementation is extremely slow and often incomplete. The cost of production is also very high. Chunnu Mia suggested that there should be consortia of small manufacturers. Each member of a consortium will manufacture a few components at his own responsibility. An umbrella plant would receive the components from the members and assemble them into the final product. Such a system, which Chunnu Mia calls a "Subcontracting System", ensures the survival of small manufacturers and can produce quality products with reasonable speed and cost. Unfortunately, however, such coordinated approaches have never been encouraged by the Government. The industrial loans are often misplaced and cannot be recovered. Many real manufacturers are reluctant to accept the high-interest, bribe-ridden loans. The unavailability of capital has forced such real manufacturers to progress only very slowly.

Chunnu Mia mentioned that the small manufacturers can only afford to pay very low salaries to their employees. Low salaries are a major obstacle to getting the best out of the employees, he said. The employees are forced to continue to work with such low salaries because of high unemployment in the nation.

Despite low employee wages, low income taxes and relatively cheap energy cost, domestically produced goods are often more expensive

than imported goods. This happens due to two reasons: smuggling of foreign goods and dumping of goods by foreign competitors. Some protection to the local manufacturers is indispensable for the development of the industrial sector, he added.

Chunnu Mia repeatedly emphasized the importance of a coordinated approach or the subcontracting system for the development of heavy industries. These heavy industries can immediately target our transportation sector by starting to repair and rebuild components for trucks, for example. Subsequently, these industries could gradually shift toward manufacturing them domestically. An estimated three to four hundred thousand of these trucks are running right now in the roads of Bangladesh. Chunnu Mia personally formed a consortium of 21 small manufacturers who are currently rebuilding a few parts for the sugar mills. Their future plan is to manufacture these parts through the consortium using the experience gained during repairing and rebuilding. The sugar mill authorities owe them about a crore of takas because they cannot sell their sugar in the market, Chunnu Mia mentioned as a matter of conversation.

Chunnu Mia pointed out that these consortia could be helped best if BDI could try to establish a "service center" in Dholai Khal and other such manufacturing zones. The tasks of these centers would be (1) product identification, (2) demand or market assessment, (3) training and technical help, (4) raw material acquisition and (5) coordination with different companies and organizations. "We are willing to help in any way we can toward the establishment of such centers", he said.

B. Sharif Ahmed: Treasurer, Dhaka District Dholai Khal Small Parts Manufacturing and Repairing Workshop Owner's Association.

Sharif Ahmed reemphasized the lack of protection of the local industries by the Government. "The authorities permit import of goods at a price which could be as much as fivefold higher than that of a similar product manufactured locally", he said. Getting loan from the Government may not be all that important. He said, "Just allow us to do our work and give us access to the market. We will do fine. There is a demand for our products in the market place. We are not asking for the entire market share, but only a portion of it. The Government imports three to four hundred crores worth of manufactured goods annually. We ask for a market of only one hundred to one hundred and fifty crores."

Criticizing Government import policy, Sharif Ahmed said, the Government sometimes does not allow import of some parts that the local manufacturers cannot produce but are needed to assemble a

final product. At the same time, the Government allows import of finished products. To complicate the situation even further, the Government has recently introduced the value added tax (VAT) which has considerably increased the price of some locally produced goods. Even though VAT may have served a good purpose in other situations, Sharif Ahmed feels it has affected the local manufacturers adversely.

Local manufacturers are victims of additional controllable factors, such as, unprotected import and smuggling of finished manufactured products. Such factors make foreign products less expensive than domestically produced goods. This can force the local manufacturers out of existence. For example, Sharif Ahmed had to shut down the lathe machine manufacturing business two years ago. He also complained that the Government sometimes unreasonably regulates the work schedule of local manufacturers and shortens work hours which not only cuts into the profit of local manufacturers but also decreases the production of the nation. He argued that manufacturers must have freedom to follow their own work schedule under the established labor law.

C. Abdul Khaleque: President, National Association of Small & Cottage Industries of Bangladesh (NASCIB), Dhaka City South Branch.

Mr. Abdul Khaleque contrasted the roles of the Government and the concerned technical communities in accelerating the cause of the small manufacturers of the country. He, however, acknowledged the help he and his co-manufacturers receive from BUET (Bangladesh University of Engineering and Technology). He said, BUET is eager to help save and promote the manufacturing base in Bangladesh. Unfortunately, the Government does not place enough importance on this matter and is rather inclined to maintain the status quo. BUET lacks adequate funding to conduct research in this area. BUET does whatever it can on its own, he added.

Abdul Khaleque echoed Sharif Ahmed's statements on the import policy of the Government. He said that the authorities prevent the import of raw materials on the one hand, and encourage the import of finished products on the other. These finished products, for example, water pumps, which can be produced locally, are sometimes imported at elevated prices. Besides other factors, the domestic production is also undermined by under-invoicing and smuggling.

Ideally, the Government should promote production, rather than import, in industry and agriculture, Abdul Khaleque asserted. As an example, he cited the policy of wheat import for the purpose of road construction. He suggested that the money

could be invested in producing wheat and rice, or building infrastructure in Bangladesh. Here the import of wheat may not be the best example, but the idea should be to create enough demand for construction materials and machineries and then help meet this demand domestically and not through imports.

In an inaugural address of a conference entitled "Management and quality control of the products of small and cottage industries" organized by NASCIB, Dhaka City South Branch on May, 1992, Mr. Khaleque said, "There are a multitude of problems in our country's economy and industrialization efforts. We cannot overcome the problems and bring about an industrial revolution overnight, even if we wanted to." In the address he presented five proposals to the Government and other organizations. These proposals have relevance to the present discussion and have, therefore, been summarized here:

1. To establish 20 very promising industries within one year in the south side of the city of Dhaka, specially in the old city of Dhaka under the joint sponsorship of NASCIB, BSCIC and Ministry of Industry at the cost of only taka four crores.
2. To Rehabilitate at least 30 industries from the unfavorable working conditions of Bangshal area to the newly declared industrial city of Kamrangir Char.
3. To add 14 more bicycle parts to the list of 11 such other parts that the Government put under an import ban in 1986. (The Bangshal area manufacturers are at present capable of manufacturing 25 bicycle parts of international standard).
4. To provide training on different aspects of manufacturing and special loans to 50 potential BSCIC entrepreneurs in coming one year arranged through the BSCIC training institute and design center on behalf of NASCIB Dhaka city south branch.
5. To establish a small training center adjacent to the NASCIB Dhaka city south branch office building through the Youth Ministry to train unemployed educated youths.

These five proposals reflect the sincerity of the small manufacturers of Bangladesh. Being aware of their problems, they are ready to adjust to the demands of modern manufacturing. However, for such innovations they are not requesting a huge capital, which is usually required for the establishment of modern industries. Furthermore, as a socially sensitive group, they are advocating training of unemployed youths and potential manufacturers who would likely be their future competitors. It is a positive indicator for the future growth of our manufacturing base.

D. Dr. Syed Ali Afzal: Professor of Mathematics (retired), BUET, Dhaka, and a published author on science and technology issues.

Dr. Afzal has written extensively on the technological aspects of industrial development. The very first thing he said during the conversation was: since Bangladesh is a small country with so many people, 'technology' is expected to play a vital role in its economic development. Unfortunately, the authorities in Bangladesh apparently have little understanding of the significance of science and technology, he continued. Admittedly, science and technology are relatively difficult concepts to grasp. It requires constant upgrading of knowledge, he added. Similar to Chunnu Mia, Dr. Afzal identified the lack of a long-term development plan for the nation as the main obstacle for industrialization. A long-term plan comes from the vision of the leaders of the nation, Dr. Afzal argued. As an example he cited India which received her development plan from the vision of Mr. Nehru. Mr. Nehru conceived the plan in 1935, while he was in jail, long before the independence of India. After independence, the plan was laid and was implemented by successive Governments. India built 12 to 15 research institutes between 1950 and 1960. Zhou-En Lai did the same for China. The people who really understand the impact that science and technology may have on economic development should be given responsibilities in carrying out their mission, he added.

"Our Governments lack the vision", he said sadly. In 1973, as an employee of the Bangladesh Atomic Energy Center, Dr. Afzal visited a high official of UNESCO in Italy. On one occasion he pointed out to the top UNESCO official that the industrially developed nations are possibly ready to help rebuild Bangladesh, as they helped her gain independence. He then asked the official, "Is it possible for UNESCO to establish a research institute in Bangladesh which in future would significantly affect the reconstruction and rapid development of Bangladesh?" To his surprise, the UNESCO official answered, "Your government wants only food, not science and technology. The proposal should come from your Government. How can we give something that your Government does not want?"

The lack of political vision is reflected in the lack of adequate protection of our infant industrial sector. Dr. Afzal cited child labor as an example. "Poor people send their children to work to earn a few pennies for living. These children never become adults to earn a decent livelihood. A human child needs protection for up to 25 years to grow to adulthood. Industrial development in its infancy likewise needs protection". Although major protection of domestic industries comes from adequate

import regulation, acceptance of foreign aid is also related to this issue and becomes important in this regard. Our Governments have accepted foreign aid with conditions that have created adverse effects on the growth of our industries. Most foreign aid is tied to specific conditions. The Government fails to realize that these conditions may destroy the existing local industries and prevent emergence of new industries. Some corrupt Government officials are after the commission off the foreign development aid, he added.

Dr. Afzal cited the following examples to clarify his points on the import and foreign aid acceptance policy of Bangladesh.

- (1) In one aid package, given to an electrical board in Bangladesh, he noticed a condition: 'electronic products for these projects can be purchased from any country except Bangladesh'. Needless to say, Bangladesh accepted the aid with the condition.
- (2) He also observed that our Government is keen to import foreign goods. All the components and machineries for irrigation can be domestically produced in Bangladesh. But an open import policy has ruined the existing industries associated with manufacturing the irrigation machineries.
- (3) The failure of the MISHUK automated rickshaw is another result of an open import and aid acceptance policy. Mishuk was developed by BUET, but before the technology was perfected, it had to compete with cheap imports brought in initially on a conditional aid package. Stiff competition and lack of funding for research and development (R&D) have relegated the MISHUK technology to obscurity.

Dr. Afzal suggested that BDI should provide financial aid to BUET for R&D on MISHUK. Under these financial assistance programs, graduate students will be working toward their Master's or Ph.D. degrees. As a generalization of this point, he emphasized that R&D must be tied to the existing technical problems in Bangladesh, a concept which is not well understood in our country.

- (4) The Bangladesh machine tool factories are capable of producing machineries worth 100 crores of takas annually. These factories are asking for a market of 30 to 35 crores so that they can produce diesel engines to at least break-even. Unfortunately, 90 percent of these machineries are imported under the development aid and the market for the Bangladesh machine tool factories are lost to imports. As a consequence, the machine tool factories are under the threat of closure.

Dr. Afzal commented that, in Bangladesh, we see only the superficial symptoms and make judgements based on such

symptoms alone. He cited two examples. Suppose a Bangladeshi girl surfaced in Karachi. The girl most likely came from a remote Bangladeshi village, the economic condition of which might have been completely ruined. She failed to make a living in the village and was forced to accept any offer that promised her a better living. We try to remedy this problem by employing more security forces at the national border and never confront the real issue, which is to uplift the economic condition of the village.

As a second example, Dr. Afzal mentioned the on-going sugar crisis in Bangladesh. Bangladeshi sugar worth about 100 crores of takas is lying in go-downs and cannot be sold because the sugar imported (and smuggled) from India is less expensive (Incidentally, Chunnu Mia independently talked about the same thing). Bangladesh cannot currently produce sugar at a production cost less than 26 takas per kilogram (kg) whereas India can sell sugar at about 20 takas per kg. The Government responds to this crisis by employing more border security forces to curtail smuggling of Indian sugar rather than confronting the real problem which is technical in nature. It can be described as follows: India can produce about 2450 kg of sugar cane per hectare, whereas Bangladesh produces only about 1650 kg. Furthermore, India can recover 10 kg sugar per 100 kg of sugar cane, whereas Bangladesh recovers only 8 to 8.5 kg. India gets (10% of 2450) = 245 kg of sugar per hectare, whereas Bangladesh gets only (8% of 1650) = 132 kg. In summary, the productivity of Bangladesh in sugar production is about one half of that of India. Therefore, the solution to the sugar crisis must be sought through technological innovation in the factories as well as in the sugarcane fields via R&D.

E. Dr. Nurul Islam: Director, Institute of Appropriate Technology (IAT), BUET, Dhaka.

As the Director of the Institute of Appropriate Technology, Dr. Nurul Islam tries to keep in touch with the local manufacturers of industrial goods. He is familiar with their activities and needs, specially technological needs. Many manufacturers approach him to help them prepare marketing brochures for their products for potential domestic and foreign buyers. Many of these manufacturers lack the very concept of technological content of a marketing brochure and are only eager to have a colorful brochure. This illustrates where Bangladeshi manufacturers stand in the modern technological world. IAT arranges courses for the local manufacturers with a view to providing them with appropriate training in some technological aspects of industrial manufacturing. The workshops on "Reverse

Engineering" held at IAT, offered specially to the Dholai Khal area manufacturers are noteworthy.

Dr. Nurul Islam is aware of the connotation that "Appropriate Technology" carries. He himself explained that there are two school of thoughts on the interpretation of appropriate technology. According to one school: anything moved by hand, or a slight improvement thereof, is considered an appropriate technology. Putting tires and brakes on a bullock cart is an example of this version of appropriate technology. This group says that developing countries do not need advanced technologies. Naturally, this group advocates labor-intensive production methods for the developing countries.

Dr. Nurul Islam clearly said, he does not subscribe to the above group's interpretation of appropriate technology. He said, "Our evaluation is that the marginal additional productivity gained by such technologies cannot be economically sustainable. In today's socio-economic and political world context, the technology that is suitable for us is the appropriate technology. So, in our definition, it is a time variable and social variable function. To us, computer may be an appropriate technology for certain work, lathe machine may be appropriate in another context. These two may be appropriate at the same time."

Dr. Nurul Islam said, we need rapid mechanization in the agriculture sector. But the whole hierarchy in the agriculture ministry fears a massive labor displacement, in case of mechanization in agriculture. He wrote an essay on this in which he said the fear was totally unfounded. If we need to increase labor productivity, we do not have any choice other than mechanization of agriculture. There will be labor displacement as a result. But the surplus labor will be absorbed in other sectors. This labor displacement phenomenon is a result of the impact of technology on society. It has happened all over the world. In U.S.A., in the early days, GDP was higher in agriculture. Agricultural productivity has increased since then, but its contribution, i.e., its ratio in GDP has gone down. We have to accept exactly the same thing. Unfortunately, however, this philosophy is not easily accepted in Bangladesh.

From the above discussion, the following problems of manufacturing and industrialization in Bangladesh can be identified:

1. Lack of a long-term plan for industrial development.
2. Lack of capital and venture entrepreneurship, lack of proper management of industrial loan disbursement.
3. Lack of adequate import control and appropriate foreign aid acceptance policy to provide protection to the young industries.

4. Lack of research and development and quality control.
5. Lack of stable internal and external market development.
6. Lack of co-ordination among small manufacturers toward the development of heavy industries.

It is apparent that the above-identified problems of manufacturing and industrialization in Bangladesh are more political and managerial than financial in nature. Problems related to human factors are relatively easy to address. The country now has a democratically elected Government and there is good reason to believe that democracy will continue to thrive in the country. A democratic nation sooner or later understands its problems and takes practical approaches to address them. The managerial problems are less serious because people involved in this field are now being exposed to broad world views of the problem of industrialization. Furthermore, domestic and expatriate specialists in this field are now willing to contribute. Regarding capital and finance, the required amount is not unmanageably high and appropriate tapping of internal and external resources could very well yield the necessary figure because the potential for return in personal and national level is obvious. Together it appears that Bangladesh can be industrialized in a foreseeable future.