

THOUGHTS AND INITIATIVES

3. THE MANUFACTURERS OF DHOLAI KHAL: THEIR PROSPECTS AND PROBLEMS

The area called 'Dholai Khal' is about three square miles in size and is located in the old city of Dhaka, about two miles from Gulistan. At present there are about 2,000 small and medium-sized metal-work factories in Dholai Khal area. After the liberation of Bangladesh, the entrepreneurs of this area initially established some of these as workshops for repairing and selling old machineries. Gradually, they started production of machines and machine parts in order to satisfy some of the local demand. About twenty five to thirty thousand workers are currently employed in the factories of Dholai Khal. Every year eight to ten thousand new skilled workers are trained here. Nowadays a variety of machineries of different grades is manufactured here. Some of the machineries are complex and are of acceptable quality compared to those imported from foreign countries. Since early eighty's, the products of Dholai Khal slowly started earning respect in the local market. More recently, these products are gaining reputation even outside the country. For example, the Al-Galini Company of Ryiad, Saudi Arabia bought six lathe machines for an amount of US \$10,272. The Saudis were impressed with the product and flew the manufacturer of the lathe machines (Ostad Giasuddin) to Saudi Arabia at their own expenses.

The achievements of Dholai Khal, along with the enormous installed manufacturing capabilities of the huge government-owned machinery-producing establishments, are essentially unknown to the general public of Bangladesh. Even highly educated Bangladeshis, at home and abroad, still think that Bangladesh cannot produce a needle or a screw. At one time the manufacturers of Dholai Khal were used to be called "buyers and sellers of old machines", "masters of imitation" or "nothing but improved blacksmiths". Nowadays it is said that there is hardly any machine that Dholai Khal cannot manufacture. In fact, the varieties of machines, equipments and spare parts produced in Dholai Khal are so numerous that it will be very difficult to produce an exhaustive list of them. A few of the machines and spare parts produced by the Dholai Khal manufacturers are listed below:

spare parts of automobile, railway, sugar mill, jute mill and textile mill; ball press, power press, power loom, hydraulic press, plastic machine, liner, piston and piston ring load spring, nuts and bolts, locks, ground equipment parts for Bangladesh airline, fan and electric motor, modern technology-based biscuit-making machine, motor, modern grade spare parts for fertilizer factory, spare parts for Titas Gas machineries, sewing machine, high-quality sanitary bathroom fittings, hardware products, machine parts for Water Development Board, machine parts for Power Development Board, machine parts for Water Supply and Sewerage Authority (WASA), parts for a variety of machines, lathe machines of different sizes, mixture machine, gas stove, plastic dice for thread machine, three-wheel auto tempo, automobile radiator.

One of the main products of Dholai Khal manufacturers is the sanitary bathroom fittings. Prior to the independence of Bangladesh, these fittings were imported from then West Pakistan. After liberation, the Dholai Khal manufacturers were the pioneers in establishing factories to manufacture these fittings. At present there are about 50 to 60 factories located in Dholai Khal area which are engaged in the production of sanitary bathroom fittings. These factories employ about 2,000 workers. The products are known to be of international standard. Dholai Khal factories alone can more than meet all the demand of the country.

Starting from the administration of the late President Ziaur Rahman, the Government banned the import of a number of machine parts including sanitary bathroom fittings, which resulted in the flourishing of these industries. However, the current government has lifted the import ban, and moreover, imposed a 15% VAT (value added tax) on the locally manufactured products. This has put the Dholai Khal entrepreneurs into a very disadvantageous situation, despite the fact that they offer free servicing after purchase.

Another product manufactured here is the powerloom; about 50/60 factories are engaged in the production, which employ about 600/700 workers. Local textile mills extensively use these powerlooms and because of their high quality, the demand has soared in recent times. In fact, the manufacturers cannot keep up with the rising demand. The price for the locally made powerloom is also low compared to that of imported ones. For example, a powerloom manufactured in a Dholai Khal factory costs about 32/37 thousand takas, whereas an imported powerloom sells at more than 100 thousand takas. However, reconditioned Japanese imports are being sold at 50 thousand takas which is putting pressure on the local producers.

About 400 factory owners of Dholai Khal have formed an association called the "Dhaka District Dholai Khal Small Parts Manufacturing and Repairing Workshop Owner's Association", also known as the Owner's Association in short. The President of the Association, Tajjil Haque (Master), and the General Secretary, Shah Alam (Chunnu Mia), are confident of the capabilities of the Dholai Khal Manufacturers. According to Tajjil Haque (Master), Dholai Khal factories can manufacture latest machineries. He says, "The question is not what we can manufacture, rather is there anything that we cannot? We have built all these capabilities with our own efforts and money, without much of any help from the Government."

Both Tajjil Haque (Master) and Chunnu Mia, along with other members of the Owner's Association, are very unhappy and concerned about the imposed 15% VAT. They think that if the Government does not withdraw the VAT and does not stop unrestrained import, most factories of Dholai Khal will close down within a year or two. Already many production lines have been shut down because of unjudicious import.

According to Chunnu Mia, the very first thing the Dholai Khal Manufacturers need for further progress is a Service Center which will primarily be dedicated toward improving the quality of the manufactured products. The Center, if established, will also train workers, and will provide technological direction and health care facilities for the manufacturers and their families. He said that although the Dholai Khal products are of high quality, they are losing market because of low-quality Indian imports. Indians, he complained, take low-quality products, put shiny outer appearance and export them to our country. Oftentimes products made in India are labelled with other country's name and exported to Bangladesh. Also, a group of dishonest businessmen in our country is engaged in marketing Indian goods by putting other foreign labels. Our Government should watch out for this kind of irregularities.

Dholai Khal manufacturers have made significant progress over the last 10/12 years period. The policies of past Governments were more favorable for growth in the engineering sector as compared to those of the current Government. In order to protect the local engineering sector, the late President Ziaur Rahman, as mentioned earlier, banned the import of a host of engineering products including lathe machines up to 12 feet, but the current Government has lifted the ban for unknown reason. Also, old, low-quality Indian machineries are being imported illegally into Bangladesh and are capturing Bangladeshi market, which is threatening the local products.

Under the leadership of Chunnu Mia, twenty one companies of Dholai Khal area have formed a manufacturing group called the "Dynamic Consortium", which will be engaged in manufacturing automobile parts, motor cycle, baby taxi and tempo. In 1987, ten of the twenty companies of the Consortium jointly manufactured six tempos on an experimental basis with an investment of 20,00,000 takas. The tempo was called "Agradoot". Because of lack of Government support, the tempo did not go on production on a commercial basis. Agradoot, if it were successful, could be sold at a price of 80,000 takas per unit. In the meantime, Indian tempos ('Krishan' at a price of 1,25,000 takas per unit and 'Vespa' at a price of 1,75,000 takas per unit) captured the Bangladeshi market.

Recently, Dynamic Consortium entered into agreements with four Indian companies (Makino, Punjab Bevel Gears, Gwalior Automobiles and S. K. Enterprize) essentially to obtain technologies for the manufacture of clutch plates, brake lining, brake shoes, control cable, gear cable and so on. Under the current scheme of the Consortium, spare parts for motor cycle and tempo will initially be produced, and will be gradually extended to manufacture of entire motor cycle, baby taxi and tempo. It will require the import of engine and gear box from India; all other parts will be manufactured locally. When the Dynamic Consortium goes into full production, 500 other related industrial units will be benefitted from it. If this venture is successful, it will be able to satisfy the entire domestic demand in seven to ten years.

In addition to the Service Center, Dholai Khal manufacturers are badly in need for a heat treatment plant. They also need capital and land for expansion, access to the domestic market and export facilities. The Government should, among other things, lower the tariff on the inputs needed for these industries and consider the lifting of the VAT imposed unfairly on these industries.

Obviously, the Dholai Khal manufacturers suffer from the chronic problems that plague the whole economic development agenda for the entire nation. Without a serious commitment on the part of the Government (politicians, bureaucrats and indenters), any scheme, no matter how solid its foundation may be, is likely to collapse. Take, for example, the agreement signed between the Dynamic Consortium and the Indian companies. The agreement not only involves direct payment to the Indian companies for the technology transfer, which is only the tip of the iceberg, but will also require the purchase of expensive heavy machineries from India or other countries for the utilization of the transferred technology. This heavy investment can come to fruition if, and only if,

the Consortium has access to a significant portion of the domestic market (at least) for the products manufactured using transferred technology. As mentioned earlier, what the local manufacturers need in this case is not a handout, but a fair chance to compete in the marketplace on a 'level ground', which can be ensured by revising existing (unfair) tariff structure, lifting/reducing recently imposed VAT on the manufactured goods and providing adequate export facilities. Without these, the Consortium has a very poor chance to succeed in this undertaking. Fortunately, things are recently improving somewhat in Bangladesh which will hopefully help not only the Consortium, but also all Government and private local manufacturing industries.

[Editor]

[This essay is partly adapted from an article "Dholai Khal: What is Needed is Government Patronage" written by Shamsuzzaman Biswas, Shilpo-Bazar: Paper for Industry and Commerce, January 29 to February 12, 1994. Also, the editor recently visited Dholai Khal area and had extensive discussions with the manufacturers and the officers of the Dholai Khal Association.]