

Bdst 2 topic 7: Industry

What is meant by industrialisation

- Country moves from agricultural to manufacturing society / increasing secondary sector / growth of industry

The important industries of Bangladesh

Garments:

- export orientated, increasing home market, 80% employees female, dependent on imported raw materials, growing industry, products (include shirts, jackets, trousers), main markets EU and USA, use of machinery, small scale, labour intensive

Jute:

- declining, synthetic materials more popular, many debts/losses, electricity failures, changes in government policy, products include carpet backing, sacks, bags, caps, canvas

Leather:

- export orientated, mainly to EU, Brazil, Singapore, increasing with government support, products include shoes, jackets, bags

Craft:

- cottage/small scale industry, family based, local raw materials, low capital, traditional techniques, products include textiles, pottery, bamboo, cane, brass

Paper:

- modern mills privately run, use imported pulp, some use recycled paper or jute and straw cuttings, not sufficient for local demand

Growth of manufacturing:

- increased privatisation and liberalisation
- opening up of markets – less domestic tariffs, quotas and subsidies
- increased power/energy production
- garment industry
- shrimp processing

- big demand from other countries
- mostly small scale enterprises based on existing skills and/or low levels of technology
- not requiring high levels of investment
- investment by multi national companies or foreign investment
- government support
- political stability
- cheap labour
- Dev marks for explaining how one or more of these features led to growth.

Benefits of industrial growth

- provides employment (more jobs in secondary sector also allows people currently employed in the agricultural and informal sectors to move into secondary sector jobs and this leads to economic growth as these jobs usually pay higher wages and have more scope for adding value than agricultural products)
- (more and higher quality domestic goods thus) reduces reliance on imports
- goods can be exported
- earns foreign exchange/increase GNP/income/economic development
- attracts MNCs/foreign investment
- more scope for adding value than agricultural products (due to the use of machinery and trained workers)
- encourages investment
- more resources
- more formal employment

Difficulties facing industrial development

- lack of finance/loans/state benefit
- low domestic capital, technology and technical knowledge
- shortage of skilled workers
- weak home market/people cannot afford to buy goods
- exports face tariff barriers/quotas
- shortage of power/blackouts
- lack of raw materials
- poorly developed infrastructure/transport
- poor legal framework
- can't compete with imports
- political instability

- corruption
- frequent strikes
- inefficient management
- lack of planning
- lack of government help

Explain how Bangladesh can overcome obstacles to industrialisation / What improvements can be made to support industrialisation / What can the State do to encourage industrialisation in Bangladesh

- improve and enforce legal framework – contracts easily violated and perpetrators get away easily
- improve law enforcement – to prevent strikes which occur frequently
- improve infrastructure – roads, electricity supply, ports (max 2)
- improve financial support/loans
- attack problem of 'bad debt' (government oversight and assistance to ensure loans are repaid giving financial institutions confidence to lend money)
- create political stability
- action against corruption
- (through these actions ensure accountability and transparency) encourage MNCs/FDI (foreign direct investment)
- provide training for workers
- provide better management
- provide Government subsidies
- decrease tax on imported machines
- increase tax / tariffs / quotas on manufactured imports
- protect infant domestic industries with legislation
- (Government can help with international marketing)

Describe how banks can help industries to develop

- provide working capital e.g. loans repayable in 20 years low interest rates
- technical assistance free of charge
- assist in selection of projects
- accept different kinds of deposits
- create self-employment opportunities
- long term finance to buy machinery
- make/receive payments for imports/exports

- make foreign exchange available to allow firms to import machinery
- Allow elaboration

Describe how government policies protect new industries in Bangladesh

- new domestic industries need protection against international competition
- support until they become mature and stable
- to keep international competitors from damaging or destroying the new industry,
- introduces import duties, tariffs, quotas and exchange rate controls (max 2)
- to stop international competitors from matching/beating prices of an infant industry
- reducing hartals/strikes
- provide subsidies

Describe how each of the following can help with the development of industry:

Government

- Creating infrastructure
- e.g. roads, railways
- provide basic services such as water, electricity, sewage
- provide training or education
- create sound legal and financial framework for industry to develop
- provide loans/create political stability
- help with international marketing

Private investment

- Equipment and machinery
- money required for start up
- marketing of output
- close watch on investment to ensure it is successful

Multinational companies

- Money for investment
- links to existing supply lines for inputs
- links to international markets for outputs
- expertise from other countries (knowledge of new technologies and production methods)
- provide people with management skills

Describe how foreign direct investment and multinational companies (MNCs) can help the

development of industry / Effect of industrial development in multinational investments /
Attracting more foreign investment will provide the best future for Bangladesh

- Provide capital / investment
- BD needs money from outside because poor
- Limited number of wealthy people in the country who could invest
- Difficult to raise capital from Bangladeshi banks
- Govt has not had good record of stimulating industry
- Best way to get money to stimulate development
- Local companies need investment to raise productivity and improve quality of products
- Provide expertise from other countries
- Provide technology / machinery
- Provide links to supply lines for inputs / raw materials
- Open up international markets / global market
- Train workers / develop management skills / more skilled workers
- Increases GDP
- Credit e.g.s:
 - Gas industry has attracted foreign investment Garment making industry attracts foreign companies

Foreign investment can have serious drawbacks

- Foreign investors have influence on how BD develops
- BD loses control
- profits made will go abroad and not to BD
- benefits may go to other countries but not to Bangladesh
- Pakistan has much foreign investment but GNP is not significantly higher

Why is a reliable electricity supply necessary for industrial growth

- needed for efficient use of machines
- higher output/fewer stoppages/continuous production
- needed for office work – computers, etc.
- for lights/fans/air conditioning
- to compete with other countries

State ownership is most likely to improve industrial production

- subsidised by the state
- allowed loans from banks
- profits kept within the country – not private hands
- possible corruption/obverse – law enforcement
- certain industries set aside for state ownership/issue licences
- have control of infrastructure
- political pressure to do well/regulated by government
- train workers
- slow development

Increased ownership by the private sector is the best way to improve industrial production

- capital available, particularly from foreign firms (advantages of MNCs)
- possibly higher wages
- (encourages entrepreneurship)
- develop small scale industries
- desire to make a profit – no subsidy
- efficient use of man-power and resources/more productive more technology
- (pay attention to market demand, allocating resources accordingly, setting up and expanding industries that are in demand thus successful)

	<u>cottage industry</u>	<u>large scale industry</u>
example	weaving, handicrafts, pottery	jute, textiles, sugar, garments, furniture, paper mills, etc
labour	family/few workers low wages	more than 10 workers higher wages skilled
machinery	simple/traditional technology	sophisticated, expensive, automated
export and earnings	little export, low earnings, 20% value	high export, 80%value foreign exchange

Examples of cottage industries

- Dying cloth
- Silk
- Textiles
- Thread making
- Handicrafts / arts and crafts
- Metalwork
- Jewellery making
- Leather goods
- Pottery
- Furniture making
- Ornament making
- Paper recycling
- Bamboo working
- Handloom weaving / Jamani
- Jute baskets
- Nakshi Katha / embroidery

Name two types of industries that are classed as small scale or cottage

- Crafts/baskets/pottery etc. Accept metal working but not other industries which can be done on variety of scales

Describe the main features of cottage industries in Bangladesh

- Small scale / low output / low value output
- Low productivity / growth
- Mainly rural
- Low wage / income / profit
- Home based
- Few employees (1–10)
- Family labour
- Women and children employed
- Low capital / low investment
- Local raw materials
- Use traditional crafts / methods
- Handmade products
- Manual power

- Low / simple technology / labour intensive / less modern machines
- Low export value

Explain how cottage industries can help people break out of the cycle of poverty / It is important to encourage more cottage industries to reduce unemployment / Supporting cottage industries and small-scale industries is key to further reducing poverty in Bangladesh

- small scale
- do not need state assistance
- provides income
- employs many people/reduces unemployment
- (Investing in and supporting small-scale industries provides vital employment opportunities and so reduces poverty. For many poor people, this is a way to support themselves)
- supplements agriculture
- employment and empowerment for women
- **no education necessary**
- develops traditional/simple skills
- limited outlay/cost/capital to get started and maintain
- Large numbers of people work in small-scale industries, 80% employment but only 20% value of output
- It is better to employ more people at low wages in cottage industries than increase output in large-scale industries with fewer people

Bangladesh's increased economic growth depends on expanding the small scale industrial sector

- provide rapid growth
- with smaller input/simple technologies
- state assistance not needed
- rely on cheap labour/low wages
- but employ more people
- low skills

Differences between cottage and textile industries

- large scale/small scale
- many machines/one machine

- large machines/small loom
- advanced technology/simple technology
- many workers/one worker
- all male/female
- modern factory/home/verandah
- electricity for lights/natural light
- large pieces of material produced/small piece of cloth
- output more/less

Why are small scale industries very successful in Bangladesh

- do not need state assistance/foreign buyers supplied credit
- exports
- no quota restrictions/large exports
- cheap labour/low wages
- plenty of (trainable) labour
- simple technology/advanced machinery not necessary
- quality control
- demand for cheaper clothing from abroad
- as a less developed country – preferential treatment from USA and EU
- government incentives – streamlined export-import formalities, warehouse facilities

To maintain economic growth Bangladesh needs to improve its large scale industries / Investing in large-scale industries is necessary for Bangladesh's continuing development

- higher profits
- higher wages – less poverty
- high value-added goods
- high output/productivity
- exportable
- earnings/foreign exchange – to reinvest
- reduces needs for imports
- international recognition
- attract MNCs
- 15% employment but 80% value of output – raises GDP

Explain why the garment industry has become so important in Bangladesh

- Use existing skills or people easily trained
- large capital not required
- builds on skills etc. from cottage industry
- wages are low so can produce at low cost
- tradition of textiles in Bengal
- earns foreign currency and so helps economy
- helps reduce unemployment or create jobs

• FDI- Foreign Direct investment:

- It is an investment in the form of a controlling ownership in a business in one country by an entity based in another country.
- It is thus distinguished from a foreign portfolio investment by a nation of direct control.
- **MNC:** A multinational corporation or worldwide enterprise is a corporate organization which was or controls production of goods or services in at least one country other than its home country.
- **Quotas:** An import quota is a type of trade restriction that sets a physical limits on the quantity of good that can be imported into a country in a given period of time. Quotas like other trade restrictions are typically used to benefit the procedure of a good in that economy.
- **Tariffs:** A tariff is a tax on import or export between sovereign states. It is a form of regulation of foreign trade . It is a policy that taxes foreign product to encourage or protect domestic industry. Kt helps limit trade deficit.
- **Subsidies:** A subsidy or govt incentive is a form of financial aid or support extended to an economic sector generally to promote economic and social policy.

- **Liberalization:** Economic liberalization is the lessening / reducing govt. regulation and restriction in an economy in exchange for greater participation by private entities.
- **Adv.:** Quality production is ensured
- Wages of the worker increases
- **Dis adv.:** Increase the production of harmful goods, sudden closedown of industry
- **Privatization:** Handing over public owned company to private owners.
- **Why is FDI, MNC less interested to invest the country like BD.?**
- Ans. Corruption
- Political instability
- Less infrastructural development
- Poor general environment
- **Why do new smaller industries provide rapid growth?**
- Need not to be under govt.
- Need less capital
- Use simple technology with domestic raw material
- Cheap labour

7-B- Types of industrialization

- **1. Large scale industries:**
 - These are the firms in the formal sector which means that they do have to register under govt. structure and employees are more than 10.
 - These are macro scale firms like jute, textile, fabric and yarn, dying industries.
- **2. Small scale industries:**
 - These are micro scale firms in the informal sector which are too small to come under the regulatory structure of govt.
 - Bamboo working, metal working, handloom weaving are the example of it.
- **3. Cottage industries:** It refers to family based/owned small-sized production units with small amount of capital.
 - Its production process is mostly based on local raw materials , inherited artistic skills and simple indigenous technology.
 - Example: Handicrafts.

Criteria	Small scale	Large scale
Productivity	20%	80%
Employment	85%	15%
Wages	Low	High
Output	Low	High
Export Oriented	Not	Yes
Profit	Less	More
Machinery used	simple	modern
Economic growth	Very few	faster