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INDUSTRIAL DEVELOPMENT IN BANGLADESH <sup>1/</sup>

by

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## INDUSTRIAL DEVELOPMENT IN BANGLADESH.

Bangladesh, with a population of 79.8 million in an area of 55,000 square miles, is one of the industrially least developed nations in the world. The contribution of the industries sector of Bangladesh to the Nation's GDP of about US \$ 9,400 million, is only about 10%. Its per capita consumption of steel is about 4 kg. compared to 11 kg. in India, cement 9 kg. against 27 kg. in India and power about 20 KWH against 112 KWH in India. The history of industrial activity in this part of the world has been influenced by two predominant factors, namely lack of resources other than water, natural gas, some agricultural raw materials and a large un-skilled labour force and peripheral status of this region as related first to India manufacturing in the West Bengal area and then to the then West Pakistan. However, the modest industrialisation which has taken place since partition of India is mainly in the field of jute, sugar, textile, edible oils, fruit processing, preservation and canning of fish, paper, newsprint, leather, forest industries, sericulture, tea processing etc. Jute is the leading industry in Bangladesh. This industry has 14,350 hessian, 8,151 sacking and 2,146 broad looms. It produced about 4,50,000 tons of jute goods in 1975-76 and it is expected that by 1977-78 the production would increase to over 7,00,000 tons. The export earning from jute goods is at present around US \$ 150 million which constitutes about 45% of the country's total foreign exchange earnings. Next to jute, is textile, with a little over 9,00,000 spindles and 7,000 looms. The number of registered factories in Bangladesh is about 3,200 of which about 800 are in textiles, 576 in chemicals, 406 in food manufacturing, 257 in metal products, 207 in footwear, wearing apparels and made up textiles and about 200 in leather and leather products. A great majority of these industries are however cottage level and small scale industries.

2. At the time of partition of India the share of industry in GDP in this region was about 4% contributed almost entirely by the cottage and small industrial establishments. In the subsequent two decades, the industries sector grew at over 6% per annum which was twice the growth rate of GDP. As a result, the share of value added in manufacturing sector in the total GDP almost doubled over that period. This was achieved mainly through expansion in the production capacity of jute and cotton textiles and a shift towards large scale production. Today the large scale industries contribute 60% of the total value added in the manufacturing sector, the balance 40% coming from the cottage and small industries sector. An important feature of the industrial development process of the country is that about 75% of the industrial production is in two sub-sectors, namely (i) food beverages and tobacco and (ii) jute and cotton textiles. Yet another important characteristic of industrialisation is that about 90% of the industries are based on agricultural products. The contribution that the manufacturing sector made to the country's GDP from 1949-50 to 1969-70 is given in the following table :

Table No.1: VALUE ADDED IN THE MANUFACTURING SECTOR,  
1949/50-1969-70  
( at constant 1959/60 factor cost )

	1949/50	1954/55	1959/60	1964/65	1969/70
<b>Value Added (Rs.Mn)</b>					
Total manufacturing sector	472	651	912	1210	1696
Large-scale	69	200	406	633	1041
Small-scale	403	451	506	577	655
<b>Share in total GDP %</b>					
Total manufacturing	4.1	4.9	5.9	6.3	7.2
Large-scale	0.6	1.5	2.6	3.3	4.4
Small-scale	3.5	3.4	3.3	3.0	2.8
<b>Annual compound Growth %</b>					
Total manufacturing	6.6	7.0	5.8	7.0	
Large-scale	24.6	15.2	9.3	10.5	
Small-scale	2.3	2.3	2.6	2.6	

3. The level of industrial development in Bangladesh, as will be evident from the statistics given above, is one of the lowest in the world. The country has been critically dependent on agriculture which continues to contribute about 60% of the GDP. With a 2.8 per cent growth rate of production and very little arable land left, the country has no other alternative but to develop industrially even to maintain the present per capita income at the present level of only about US \$ 70.
4. The role of industry as a dynamic instrument essential to the rapid economic and social development particularly of a least developed country is universally recognised. In view of the circumstances prevailing in Bangladesh, the need for rapid industrialisation has assumed added importance. In the LIMA Declaration and Plan of Action on Industrial Development and Co-operation it has been envisaged that the share of the developing countries in the world production would have to be increased to at least 25% by the year 2000 and UNIDO has been entrusted with the task of preparation of a programme of action for the effective implementation of this Plan of Action. Bangladesh, with its huge population and a very modest industrial growth, presents a model for the UNIDO to prepare its programme of action for effective execution of the projects and measures envisaged in the LIMA Declaration and Plan of Action.
5. The problems which have been faced by the least developed countries in their industrial development would by and large, be similar inspite of their diversity of socio-economic conditions and geographical locations. These are generally lack of tapped natural resources, absence of infrastructure facilities like communication net-work, building materials, power, shortage of investable funds, absence of appropriate technical know-how, lack of entrepreneurship, dearth of technically qualified managerial, supervisory and skilled people etc. All these are

very much applicable to Bangladesh which was born out of a devastating war of Independence in 1971. To add to its problems were wide spread damages and devastations inflicted by the war to the industrial establishments and the modest infrastructure which was built up before the war. Yet another problem was the inheritance of the industrial structure which was built up in the context of a unified country with the then West Pakistan. After 1971, the viability of a large number of industries has been seriously jeopardized. To quote an example, the cotton textile industry which was wholly dependent on supply of cotton from the western part of the country had to suddenly depend on supplies from foreign countries requiring over \$ 120 million only in foreign exchange. Similarly paper, newsprint, Rayon filament, electrical cable and many other industries were built up for a protected domestic market, but after 1971 the viability of these projects had to be established on the basis of the exportability of the products which was completely a new concept for their size. Besides, a large percentage of the small number of skilled industrial man-power which could be created during the pre-liberation days, abandoned those units after 1971, creating both management and operational problems. As a result, the industrial production is yet to reach the level of 1969-70 in some of the sectors. The complex nature of these problems have, therefore, made the planning of industrial strategy extremely difficult for Bangladesh. The Government of Bangladesh has, however, taken up the challenge of re-building the industrial structure and has by now built up a base from which the country can look forward for higher growth rate of industrialisation. It is the most opportune time for Bangladesh to accept and absorb the assistance which UNIDO and other International Organisations can render within the scope of LINA Declaration and Plan of Action on Industrial Development and Co-operation. Bangladesh has already come forward with a big list of projects for assistance from the UNIDO. We gratefully

acknowledge the assistance already extended by UNIDO and are looking forward towards obtaining greater assistance to be able to overcome our difficulties.

6. UNIDO and many other International Organisations and donor countries have come to the assistance of Bangladesh by giving expert assistance and funds for financing our development programmes. A resume of the assistance given by UNIDO so far is given below :

- (a) Plastic Processing:- It aimed at establishment of a demonstration centre for the Plastics industry, providing training on quality control and introducing new techniques. The amount involved was US \$ 2,00,288.
- (b) Jute Processing:- It aimed at advising on management information system for the Corporations and assisting in drawing up a programme of longer term assistance. It involved US \$ 75,593.
- (c) Textile industries development:- It envisaged giving advice and training on management of textile industry, quality control, raw material selection and establishment of training programme for technicians and lower level supervisors. It involved US \$ 46,670.
- (d) Small industries:- It envisaged improvement of the organisation of BSIC and formulation of a programme for BSIC and a project document for further assistance. It involved US \$ 56,750.
- (e) Metal working:- It aimed at advising on improvement of production planning, project design and management for the Machine Tools Factory and drawing up a project document for further assistance in these fields. It involved US \$ 60,170.
- (f) Assistance to Petro-Bangla:- It envisaged strengthening the management and improvement of operation and maintenance of Eastern Oil Refinery. It was also to enable Petro-Bangla to fulfil the function assigned to



it in the fields of oil refining and petroleum marketing. The amount involved was US \$ 142,200.

- (g) Linkage study:- It was to develop capacity of engineering industry to produce inputs and spare parts for the rest of the engineering industry in Bangladesh. The amount involved was US \$ 137,500.
- (h) Jute research:- It envisaged preparation of a full project document and giving assistance in developing new end-use for jute and improving the quality of jute products. It involved US \$ 51,400.
- (i) Light weight aggregates:- It was to enable housing and building research centre to demonstrate feasibility of the production of light weight aggregates for the building industry from bloated clay. The amount involved was US \$ 59,950.
- (j) Sponge Iron:- It aimed at conducting a study on the techniques of sponge iron manufacture. In this project US \$ 15,000 was involved.
- (k) Synthetic Resin Plant:- This was a SIS project for giving advice on improving capacity utilization at the Synthetic Resin Plant Chittagong and on product development. The amount involved was US \$ 53,685.
- (l) Study on Polymerisation of Poly acrylonitrile:- It aimed at determination of the feasibility of manufacturing various types of Synthetic fibre from natural gas and imported monomer. It involved US \$ 8200.

The above projects have been approved by UNIDO and the total amount involved in these projects stand at US \$ 907,406. In addition to these, the following projects are in the pipe-line awaiting approval:

Leather industry:- The project is to assist in the quality control, marketing and technical training for the leather industry.

Food industries:- It aims at improvement of the capacity utilization of the units under the Food and Allied Industries Corporation and development of the new markets and improvement of quality control. It will involve approximately US \$ 52,000.

Utilization of natural gas for Vinyl Chloride and PVC production:

This is to advise on methods on converting natural gas to acetylene and the use of acetylene for other vinyl monomer and polymer production. This will involve about US \$ 7900.

Gypsum by-products:- It will aim at advising on the feasibility of setting up a complex for utilization of gypsum by-products from the TSP fertilizer plant.

7. The most fundamental objective of the industrial policy of Bangladesh in its initial period was to rehabilitate the industrial activity of the country. In this process, the Government had to take over a large number of industries which were abandoned by their previous owners at the time of liberation. Besides, the Government decided to take over the key industries in line with its policy of creating a society free from economic exploitation. As the investment climate improved, the Government dis-invested a large number of industrial units to the private industrialists. The process is still continuing and it is expected that in the near future it would be possible to strike an appropriate balance between public enterprises and private undertakings in the field of industrialisation of the country. The Government have taken up the execution of the First Five Year Plan which was launched in July 1973. It provided for a total capital outlay of about US \$ 1200 million with a foreign exchange component of about US \$ 600 million. Of this amount, US \$ 1000 million including a foreign exchange component of US \$ 500 million was for public sector and the balance was for private sector. Out of these allocations, 18.11 per cent was for

development of Petro-Chemical and fertilizer, 12.00 percent for textile, 11.17 per cent for iron and steel and 10.54 percent for engineering industries. The Plan was made in such a way that maximum emphasis was given for increase of supply of agricultural inputs and development of industries which provide linkages with other industries and other sectors of the economy. The utilization of domestic resources and development of export oriented as well as consumer goods manufacturing industries were also given special attention. As regards building up of infrastructure for industries and other sectors, it was envisaged that about US \$ 1000 million would be spent for transport and communication, about US \$ 200 million for power and natural resources and over US \$ 400 million for education and man-power training, during the Five Year Plan Period. The Industrial Sector Corporations which were created to administer the State owned enterprises have been given the responsibility of developing industries in the public sector. For private sector, financing has been arranged mainly through the two industrial financing institutions. A number of incentives were provided for the private sector industries. These included tax holiday for a period of 5 to 7 years, rebate of customs duty on imported machinery, deferred payment of 50% of customs duty on imported machinery etc. The ceiling on investment in the private sector which was originally fixed at Tk. 2.5 million in 1972-73 was raised first to Tk. 30 million in 1973-74 and then finally to Tk. 100 million in December, 1975 in order to encourage more private investment in industries. The Government has also taken up a liberal policy for foreign private investment in industries. This has been done to encourage foreign private investment with a view to supplementing the resource base of the country as well as to obtain the much needed technical know-how from abroad. The foreign companies are allowed to remit all post-tax dividend on foreign capital and savings from

earnings, retirement benefits and personal assets of foreign individuals. Repatriation of foreign capital including capital gains and re-investment out of profits have been allowed within the first 10 years from the commencement of production and protection against double taxation has been provided where such agreements were signed between Bangladesh and the private investors' country of origin.

8. We believe, that we have been able to give a picture of the present level of industrialisation and the effort of the Government in bringing about a rapid growth rate in the industries sector. Bangladesh requires massive assistance from the International Organisations and donor countries in implementing its programme of development. Assistance which it will be in need of will have to be in the form of funds, technical know-how, training facilities for its managers, supervisors, technicians and skilled labour and of paramount importance an assured regional market for its products. It has to build up its infrastructure and man-power base quickly enough if it has to attain a growth rate of 5% as has been envisaged in its First Five Year Plan. The success of Bangladesh in the field of industrialisation will primarily depend on the optimum utilization of its agricultural products and natural gas, but the exploitation of the vast human resources by giving them training in basic skills will also be a very important factor for achieving a rapid economic growth rate.

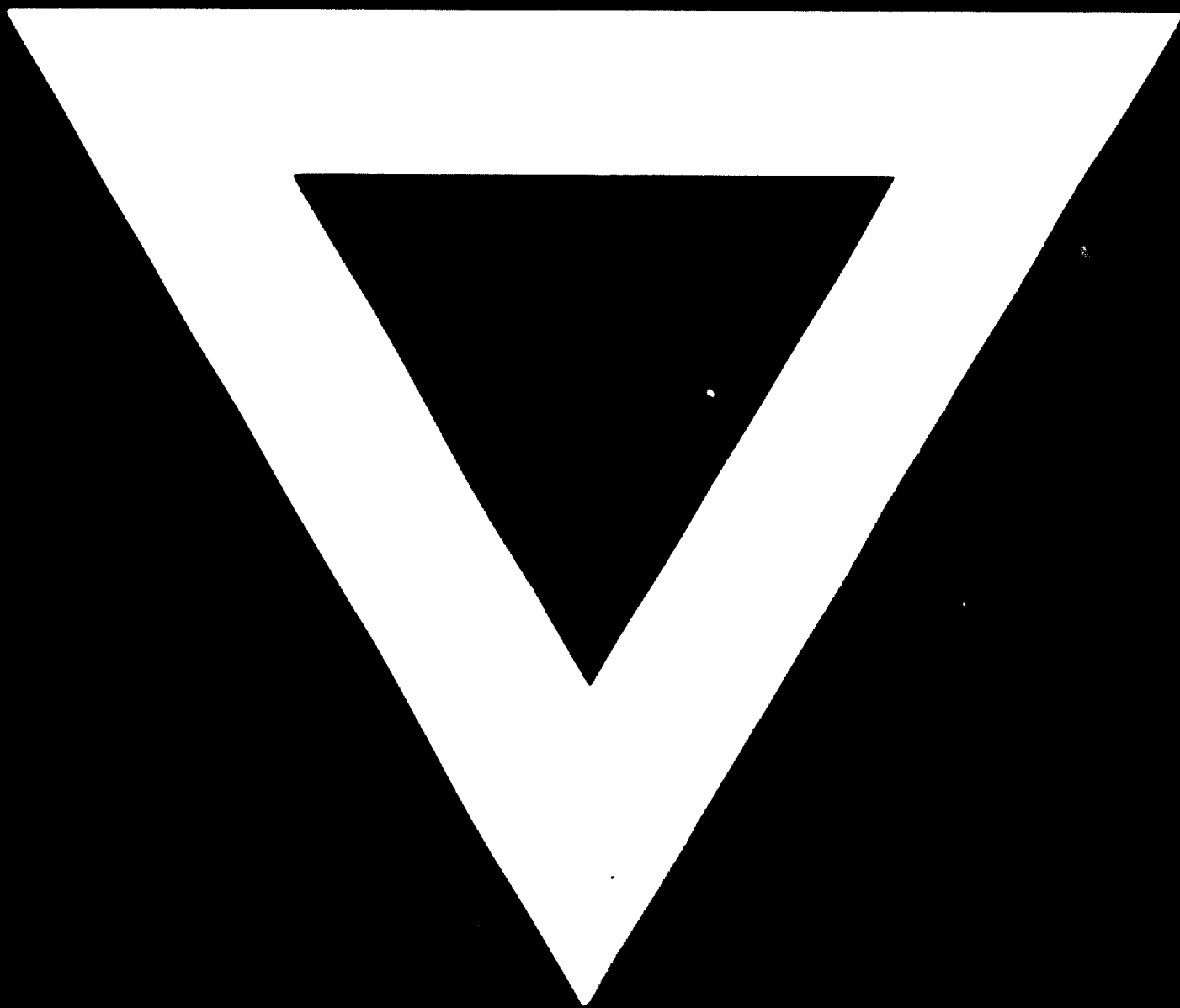
9. In this connection, Bangladesh wants to emphasize that it is absolutely necessary for any foreign expert or consultant engaged in a project to associate local consultants not only to arrive at accurate findings in the shortest possible time but also to develop the local expertise. With this end in view, Bangladesh requests UNIDO to provide association of local consultants in as many projects as possible. Financing for local associates also has been requested for from the UNIDC in view of the resource constraint of our country. We expect that our proposals would be favourably considered by UNIDO.

10. We are most grateful to the UNIDO for having invited the Government of Bangladesh to participate in this meeting which is extremely important for our country. We are also very grateful for the suggestions put forward by the UNIDO Secretariat in the shape of project proposals. Taking into account the national priorities, 15 project proposals will be put forward by the Bangladesh delegation to UNIDO for their consideration.



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