

VI. Structure of Import of Capital Goods from Japan

6.1 The broad composition of the capital good imported from Japan has been shown in Table 14 while the detailed break up has been shown in Table 17. As can be seen from the Table, the dominant category of import in 1991-92 was machinery for other industries. However, this was mainly because of the item (8908) Vessels and other floating structures for break up, which accounted for nearly 35 per cent of capital good imported from Japan. If this item is ignored, Textile machinery becomes the major category of capital machinery imported from Japan in 1991-92. Within this category, sewing machine was the leading item followed by spinning machinery and weaving looms. But during 1990s, the importance of textile machinery in the imports of capital goods from Japan declined significantly bringing down the share of the item from 15.8 per cent in 1991-92 to nearly 8 per cent in 1999-00.

Table 14: Composition of Capital Goods Imported from Japan

(Value in million \$)

Description	1991-92		1999-00	
	Value	Share in imported capital goods (%)	Value (Yearly growth %)	Share in imported capital goods (%)
Electrical machinery and equipment	10.65	8.45	7.19 (negative)	3.76
Transportation related capital goods	12.22	9.70	43.88 (17.3)	22.95
Textile machinery	22.45	15.82	15.20 (negative)	7.95
Machinery and equipment for metal, engineering and machinery industry	8.51	6.75	4.67 (negative)	2.44
Agricultural machinery and equipment	5.00	3.97	3.59 (negative)	1.88
Telecommunications equipment	3.93	3.12	3.79 (negative)	1.98
Construction machinery and equipment	0.49	0.39	12.98 (50.6)	6.79
Food processing machinery & equipment	8.00	6.35	0.86 (negative)	0.45
Other industries	40.96	34.50	75.08 (7.9)	39.27
Health sector	0.68	0.54	2.56 (18.0)	1.34
Miscellaneous machinery and equipment	13.11	10.41	21.40 (6.3)	11.19
Total	126.00	100.00	191.2 (5.4)	100.00

Figures within parentheses show annual compound rate of growth

6.2 Transportation related capital goods was the next major item of import from Japan in 1991-92 and during the decade the import of this item registered sharp rise. Special purpose motor vehicle and public transport type passenger vehicles were the main items experiencing rapid growth in imports. This evidence appears to be consistent

with rapid growth of the construction sector and increase in the demand for transportation service due to growth of export industries.

6.3 On the whole however, import of capital goods from Japan shows negative growth for most categories as a result of which the share of Japan in Bangladesh's total import of capital machinery has declined significantly during the decade of the 1990s. Of particular significance is the decline in the import of textile machinery from Japan. To bring out this point more clearly, we have presented in Table 15 information relating to the level and sourcing of textile machinery imports in Bangladesh.

6.4 Import of textile machinery increased from a level of about \$78 million in 1991-92 to about \$134.5 million in 1999-00 registering an impressive 7 per cent annual growth. But there have been significant changes in the sourcing of these imports during this period (Figure 6). Import of textile machinery from Japan, Hong Kong and U.K experienced net decline while there was significant increase in the import from Singapore, Germany and other countries including Thailand, North Korea, USA and the Philippines.

6.5 Since Singapore and Germany registered highest increase in the supply of textile machinery to Bangladesh, we looked at the composition of the textile machinery imported from these two countries in 1999-00. The evidence presented in Table 16 shows that sewing machine is the dominant type of textile machinery imported from Singapore while Germany is the major source of machinery for spinning and other preparations of textile fibers, and machinery for dyeing and finishing.

Table 15: Import of Textile Machinery by Country of Origin

(Value in million \$)

Country	1991-92		1999-00		
	Value	% share	Value	Yearly growth (%)	% share
Japan	22.45	28.7	19.90	Negative	14.8
India	11.42	14.6	14.66	3.2	10.9
Hong Kong	7.90	10.1	5.50	Negative	4.1
South Korea	6.73	8.6	8.20	2.5	6.1
China	6.49	8.3	13.0	9.1	9.7
Germany	4.46	5.7	13.85	15.2	10.3
Singapore	4.22	5.4	23.54	24.0	17.5
Italy	2.97	3.8	4.30	4.7	3.2
U.K.	2.66	3.4	2.56	Negative	1.9
Taiwan	2.58	3.3	7.40	14.1	5.5
Others	6.34	8.1	21.59	16.5	16.0
All	78.22	100	134.5	7.0	100

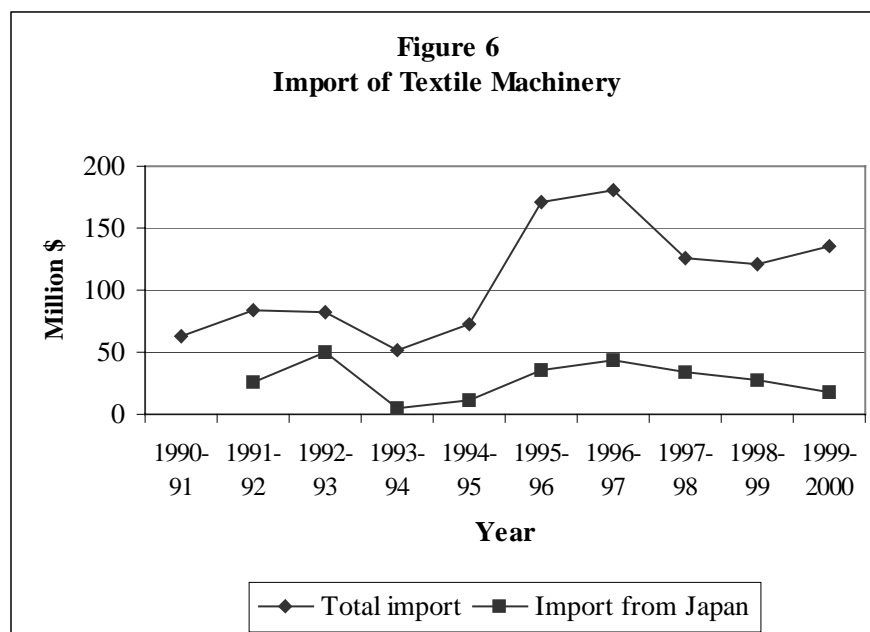


Table 16: Composition of Textile Machinery Imported from Singapore & Germany, 1999-00

HS Code	Description	% of imported textile machinery	
		Singapore	Germany
8420	Calendering or other rolling machine	0.30	0.00
8444	Machine for extruding, drawing, texturing or cutting	0.00	0.00
8445	Machine for preparing textile fibers: spinning, doubling, reeling and winding	0.30	49.9
8446	Weaving machine (looms)	0.90	0.20
8447	Knitting machine, stitch bonding machine and machine for making gimped yarn, tulle, lace, embroidery, trimming, braid, net tufting etc	6.90	11.0
8448	Auxiliary equipment for use with textile machine such as dobbies, jacquards etc	1.20	7.70
8451	Machine for washing, cleaning, drying, ironing, pressing, bleaching, dyeing, dressing, finishing textile yarns, and textile articles	11.2	28.0
8452	Sewing machine	79.2	3.20
	All	100	100

Table 17: Structure of Import of Capital Goods from Japan 1991/92 – 1999/00

4-digit H.S. Code	Description	Share in capital goods import (%)	
		1991-92	1999-00
Electrical machinery and equipment		8.45	3.76
8504	Electric transformers and inductors	2.25	0.24
8535 – 8539	Electric circuit breakers, fuses, voltage limiters, boards, panels, consoles and parts thereof, electric fittings and lamps	1.99	1.56
8501	Electric motors and generators	0.35	0.40
8502, 8503	Electric generating sets and rotary converters and parts thereof	2.05	1.05
8414	Vacuum pumps, compressors, table fan parts	0.65	0.30
8410, 8411, 8412	Hydraulic turbines, gas turbines, other engines & motors	1.07	0.17
8507, 8530, 8533	Electric accumulators, electric signals and resistors	0.09	0.03
8475	Machinery for assembling electric lamps	0.00	0.01
Transportation related capital goods		9.70	22.95
8407 – 8409	Internal combustion marine propulsion engines and engines for three wheelers and parts thereof.	2.68	1.57
8901, 8902, 8905, 8907	Vessels for the transportation of passenger or goods, light vessels, fire floats, dredgers etc., other floating structures	0.00	0.00
8702, 8704, 8705, 8716, 8708	Public transport type passenger motor vehicle, motor vehicle for transportation of goods and special purpose motor vehicle such as crane lorries, concrete mixers, refrigerated vans etc., trailers, and parts thereof	5.94	19.73
8601, 8607, 8608	Externally powered railway locomotives, parts of railway locomotives, railway track fixtures and fittings	1.07	0.18
8406	Steam turbine for marine propulsion	0.01	1.44
8802, 8803, 8805	Aviation related equipment	0.00	0.03

Table 17 (contd.)
Structure of Import of Capital Goods from Japan 1991/92 – 1999/00

4-digit H.S. Code	Description	Share in capital goods import (%)	
		1991-92	1999-00
Textile machinery		15.82	7.95
8445	Yarn spinning, reeling, twisting and winding machinery	5.47	3.41
8452, 8449	Sewing machine for garments industry, felt making machine	6.86	2.03
8448	Auxiliary machine for use with spinning, weaving and knitting machine	0.46	0.40
8451, 8420	Machinery for washing, cleaning, wringing, drying, ironing, bleaching, dyeing textile yarn, fabric and garments	0.51	0.11
8447	Knitting machine	2.38	1.22
8446	Weaving machine (looms)	0.08	0.77
8444	Machine for extruding, drawing, texturing or cutting man-made material	0.06	0.01
Machinery and equipment for metal, engineering and machinery industry		6.75	2.44
8480 – 8484	Molding boxes for foundry, safety and check valves, ball or roller bearings, transmission shafts and cranks, gaskets	4.75	2.14
8202 – 8208, 8508	Hand tools	0.17	0.15
8456 – 8463, 8466, 8467	Lathes, drilling, grinding, planing, die stamping, and other milling machine and parts thereof	1.49	0.07
8454, 8455	Foundry and re-rolling machine	0.09	0.01
8468, 8515	Soldering and welding machine	0.25	0.06
8543	Electroplating machine	0.00	0.01
Agricultural machinery and equipment		3.97	1.88
8432	Machinery for soil preparation and cultivation	0.00	0.01
8701, 8706	Tractors, chassis for tractors	0.03	0.32
8413	Irrigation pumps	3.85	1.40
8201, 8424, 8433, 8436	Other machinery and equipment for agriculture, horticulture, forestry and poultry	0.09	0.15

Table 17 (contd.)
Structure of Import of Capital Goods from Japan 1991/92 – 1999/00

4-digit H.S. Code	Description	Share in capital goods import (%)	
		1991-92	1999-00
Telecommunications equipment		3.12	1.98
8525	Transmission and other apparatus for radio, television and telegraphy	2.37	1.70
8526, 8527, 8529	Radar and radio navigational equipment, reception apparatus for radio telephony and parts thereof	0.74	0.28
8517	Apparatus for line telephony	0.01	0.00
Construction machinery and equipment		0.39	6.79
8429	Bulldozers and mechanical shovels	0.02	4.53
8474	Concrete mixers	0.31	0.13
8425, 8426	Pulley, winches, jacks, cranes	0.03	1.51
8430, 8431	Compacting machinery and parts of construction machinery	0.03	0.62
Food processing machinery and equipment		6.35	0.45
8438, 8435	Machinery for bakery, chocolate, fruit juice and other food manufacturing	0.01	0.26
8422	Machinery for cleaning, drying, filling and sealing bottles	6.03	0.19
8478	Machinery for preparing tobacco	0.00	0.00
8434	Milking machine and dairy machinery	0.00	0.00
8437	Machinery used in milling industry	0.31	0.00
Other industries		34.50	39.27
8908	Vessel, other floating structure for break up under ship breaking industry	33.55	36.50
8453	Machinery for tanning hides and making footwear	0.03	0.02
8439 – 8441	Machinery for making pulp, paper and paperboard	0.22	0.35
8477	Machinery for working rubber or plastic	0.01	0.81
8442 – 8443	Printing and ancillary machinery	0.70	1.59

Table 17 (contd.)
Structure of Import of Capital Goods from Japan 1991/92 – 1999/00

4-digit H.S. Code	Description	Share in capital goods import (%)	
		1991-92	1999-00
Health sector		0.54	1.34
9018 – 9020	Medical, surgical, dental, instruments	0.48	1.28
9022	Apparatus based on X-ray, alpha, beta radiation	0.06	0.06
Miscellaneous machinery and equipment		10.41	11.20
8479	Other machines/mechanical appliances having individual functions	0.32	2.83
9028	Gas, electricity, liquid meters	0.04	0.01
8469, 8472, 8473, 9009	Office machines and parts thereof	1.07	0.44
8418	Refrigerators, freezers	0.11	0.30
8419	Water heater, surgical sterilizers and dryers	0.02	0.05
9026	Instruments for measuring flow, level and pressure of liquid	0.22	0.18
8470, 8471	Automatic data processing machines, cash registers	0.01	0.08
8415	Air conditioning machine	2.40	0.28
8428	Lifts, escalators, conveyors	0.03	0.34
9015	Surveying, hydrographic instruments	0.09	0.26
8402, 8403, 8404	Steam or other vapor generating boiler, auxiliary plants	3.95	0.03
8423	Weighing machine	0.04	0.03
8405	Producer gas or water gas generator	0.00	0.01
9023	Demonstrational instrument/models	0.02	0.02
9025	Hydrometer, thermometer, pyrometer, barometers	0.05	0.00
8421	Centrifugal dryers & filtering machinery	0.21	0.30
8416, 8417, 8514	Industrial furnace and ovens	0.15	0.08
9027	Instruments for physical or chemical analysis	0.19	0.32
8506	Primary cells and batteries	0.04	0.07
8516	Electric space heater and immersion heater	0.02	4.17
8531	Electric sound signaling apparatus	0.00	0.02
8540	Cathode ray TV picture tube	0.28	0.01
8548	Miscellaneous electrical parts and machinery	0.00	0.19

Table 17 (contd.)
Structure of Import of Capital Goods from Japan 1991/92 – 1999/00

4-digit H.S. Code	Description	Share in capital goods import (%)	
		1991-92	1999-00
8709	Electric vehicles	0.03	0.05
9010	Apparatus for photographic laboratory	0.09	0.26
9017	Drawing and calculating instruments	0.01	0.00
9030	Oscilloscope, spectrum analyzer	0.13	0.06
9031	Measuring or checking instruments	0.01	0.01
9032	Thermostat and voltage stabilizers	0.46	0.24
	Miscellaneous items	0.42	0.54

VII. The Sample Survey and the Universe of Knitwear Enterprises in Bangladesh

7.1 Bangladesh Knitwear Manufacturers' and Exporters' Association (BKMEA), which is the apex trade association of knitwear enterprises in Bangladesh, currently has a member list of some 587 knitwear manufacturing units. However, the list provides an inadequate description of the universe of knitwear industry in Bangladesh due to three reasons. First, there are some knitwear units which have enlisted themselves with the Bangladesh Garments Manufacturers' and Exporters' Association (BGMEA) rather than with BKMEA. Second, the list leaves out those who are non-members. Finally, the list does not take into account attrition so that the names of those enterprises that have been closed down or merged with other units still exist on the list.

7.2 The present survey of knitwear enterprises in Bangladesh was initially intended to cover the totality of the universe, or at the least, all operating enterprises on the BKMEA list. But data collection proved to be more time consuming than was anticipated. Due to time and resource constraint, the field survey was terminated after completing interview of 250 enterprises.

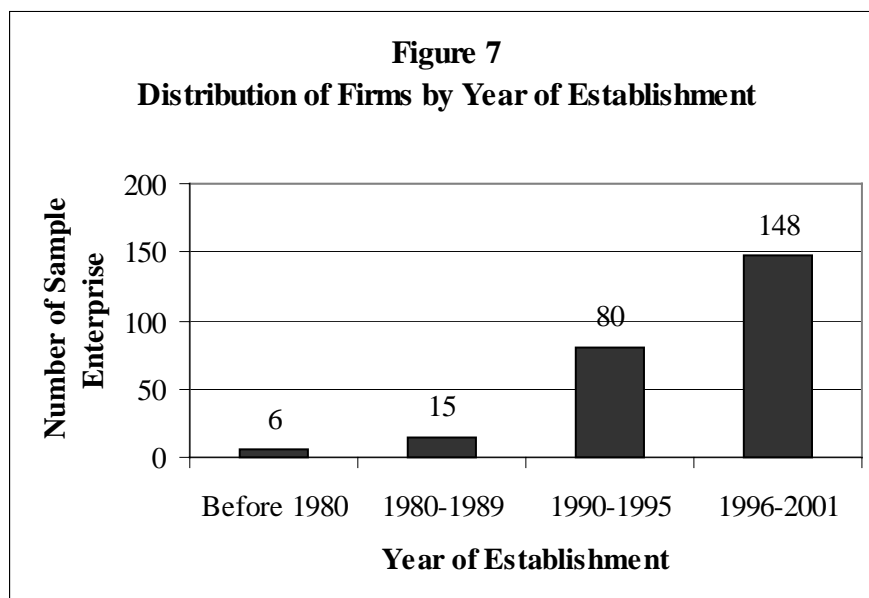
7.3 Since the survey was initially intended to cover the whole population, no scientific methodology was adopted to select the enterprises for interview. For ease of data collection, areas where cluster of knitwear enterprises exist were visited first and information were collected from enterprises that were operational and cooperative. A significant amount of time was lost in tracking down enterprises either because the address on the list was wrong or the unit had moved or closed down. Delays also occurred due to the need to undertake repeated visits since all enterprises could not or did not provide all information in one go. In some cases, the pursuit had to be abandoned after several failed attempts to get the information.

7.4 Of the sample enterprises covered in the survey, 246 were on the BKMEA list while three units were outside of the list. One enterprise was mistakenly covered twice and therefore was finally dropped, which left 249 valid cases. The following section provides preliminary findings from the sample survey, highlighting the profile of knitwear industry in Bangladesh. It needs to be mentioned here that due to missing or inconsistent information, the number of reporting cases in some of the Tables presented below is less than 249.

VIII. Growth of Knitwear Industries in Bangladesh

8.1 Prior to 1991-92, exports of readymade garments from Bangladesh consisted of woven garments only and there were no knitwear exports. The knitwear enterprises that existed at that time catered solely to domestic market. In 1991-92, an export of \$118.6 million of knit garments made the beginning. By 1999-00, export of knitwear rose to \$1270 million indicating a compound annual growth rate of 34.5 per cent. The rapid expansion of the knitwear industry was facilitated largely by the realization of the Generalized System of Preference (GSP) facility through setting up of backward linkage industries, which in turn benefited from targeted fiscal incentive in the form of 25 per cent cash subsidy.

8.2 The age distribution of the sample enterprises (Figure 7) also tells the story of rapid growth of this industry during the past decade. As can be seen from the Figure, nearly 32 per cent of the enterprises were set up during the first half of 1990s while another 59 per cent were set up after 1995. Nearly 96 per cent of all enterprises commenced production within one year of establishment.



IX. Size Distribution and the Incidence of Foreign Investment

9.1 Knitwear enterprises in Bangladesh belong overwhelmingly to large enterprise category. Industrial Policy 1999 defined large industry to include all industrial enterprises having 100 or more workers and/or having a fixed capital of over Taka 300 million (\$ 5 million). As is evident from Table 18, more than 80 per cent of the surveyed enterprise fell in the large enterprise category while about 11 per cent fell in the medium size category having between 50 and 99 workers. About 6 per cent of the enterprises are small units having fewer than 50 workers.

9.2 While the industry is dominated by local private capital, its competitive advantage due to labor intensive nature of production and preferential market access under the GSP has also attracted some foreign investment. As shown in Table 18, there are 2 joint venture enterprises and 3 fully foreign owned enterprises amongst the sample enterprises. It may be noted here that foreign investment in export oriented industries in Bangladesh are concentrated mainly in the Export Processing Zones having various types of infrastructural facilities and fiscal and other incentives. The existence of these five units with foreign investment outside of the EPZs is, therefore, quite significant.

9.3 The other point to note is that foreign investment is concentrated in larger size enterprises. As can be seen from the Table, two out of the three foreign owned units fell in the largest size category of 500 & above workers and none belonged to medium or small category.

Table 18: Distribution of Enterprises by Employment Size and Local/Foreign Ownership

Local/foreign	No. of workers				Total
	1-49	50-99	100-499	500 & Above	
Local private	15	24	181	17	237
Joint venture		1	1		2
Foreign			1	2	3
Others		1	2	2	5
Total	15 (6.1)	26 (10.5)	185 (74.9)	21 (8.5)	247 (100)