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Emergence of Export-Oriented Shipbuilding Industry in Bangladesh: Current Position & Future Prospects

Tofayel Ahmmad

Abstract

The export basket of Bangladesh is very limited where ready-made garments alone account for nearly 80 percent of its total exports. The extreme dependence of export earnings on the ready-made garments may pose serious threats in the near future. Thus, product diversification is necessary in that case shipbuilding could be a new horizon. The giant ship building nations such as Korea, Japan, China, and Vietnam have been booked with large orders for the next ten years. Some countries have already announced that they will not go for building ships less than 25,000 DWT (Dead Weight Tonnage). This opens up an opportunity for Bangladesh. If Bangladesh could nurture this opportunity with a helping hand from the government, as well as from other quarters, it could be the second largest export earning industry after ready-made garments within less than 10 years. But the shipbuilding industry of Bangladesh currently faces several problems such as high rate of bank guarantee, lack of working capital with low interest rate, lack of availability of land on river banks to build shipyards, etc., which should be solved on a priority basis to get results early from this industry.

Bangladesh is a land of rivers and shipbuilding is synonymous with Bangladesh. Thousands of locally-built ships ply its inland waters. Almost 90 percent of petroleum and food products and 20 percent of passengers move through the waterways which has created the opportunity to build and use these water vessels here. Historically Bangladesh has a ship building infrastructure.

Shipbuilding in Bangladesh is not new but the rise of export-oriented shipbuilding industry is. With the first export order for building ocean going vessel secured by Ananda Shipyards and Slipways Ltd. and the keel-laying of first export order ship on 22nd February, 2006, the real era of building export oriented ocean going vessel began in Bangladesh. It could be the golden opportunity for Bangladesh if the opportunity can be exploited with a robust helping hand from the government and other stakeholders.

At present, Bangladesh is looking for the market for small ocean-faring vessels less than 25,000 DWT. The global market for the small ocean-faring vessels is now estimated to be \$ 400 billion annually although some estimates place this figure at only \$ 200 billion. Major shipyards of the world can meet 75% of the total demand. If Bangladesh could achieve 4% market share of the surplus demand, which is \$100 billion (25% of \$ 400 billion), it could earn \$4 billion annually.

This paper describes the present situation of shipbuilding. It explores the benefits that can be derived from it; with government support such benefits could be maximized. This paper examines

the problems faced by the shipbuilding industry and suggests ways to overcome them.

Research Methodology

The research was begun by conducting a literature review, mostly through information available on the internet. After acquiring the background material and a basic understanding of the industry, separate questionnaires were drafted for the Bangladesh Shipbuilders' Association and for the two main export-oriented shipbuilders to elicit the necessary data.

In addition, interviews were conducted with relevant parties. Interview with the managing director of Western Marine Shipyard Ltd. was conducted at BFTI premise. Earlier, Shipyard of Western Marine Ltd. in Chittagong was visited. The Shipyard of Ananda Group was also visited and interview with its chairman was held at the organization's head office. Mr. Omar Faruq, Director of Export Promotion Bureau of Bangladesh, responsible for shipping matters, was also interviewed.

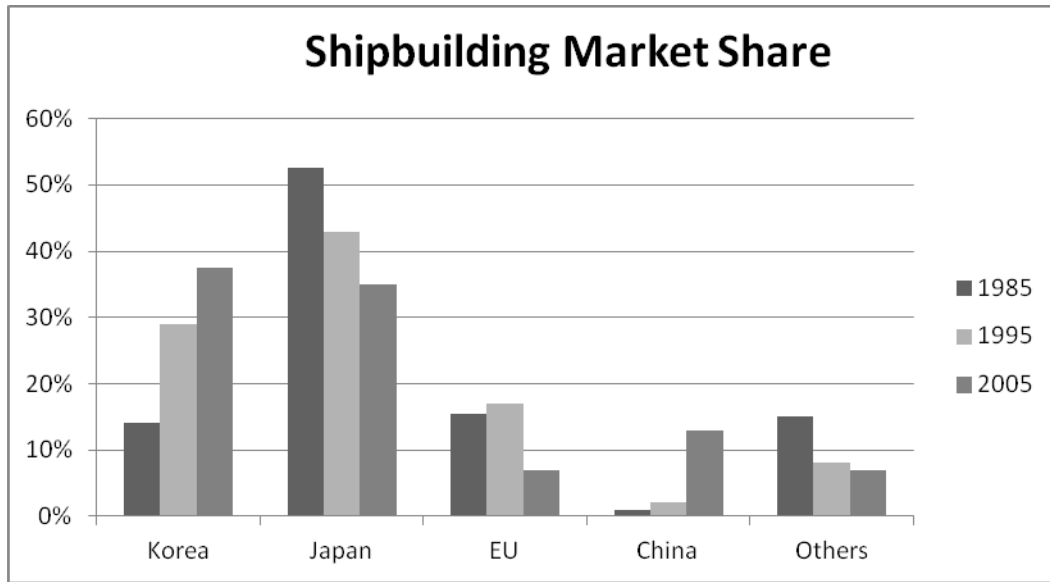
Responses were received from Western Marine and Ananda Group and were analyzed along with information obtained during the interviews to determine the medium and long-term potential of the industry.

Global Scenario of Shipbuilding

Major Shipbuilding Countries of the World

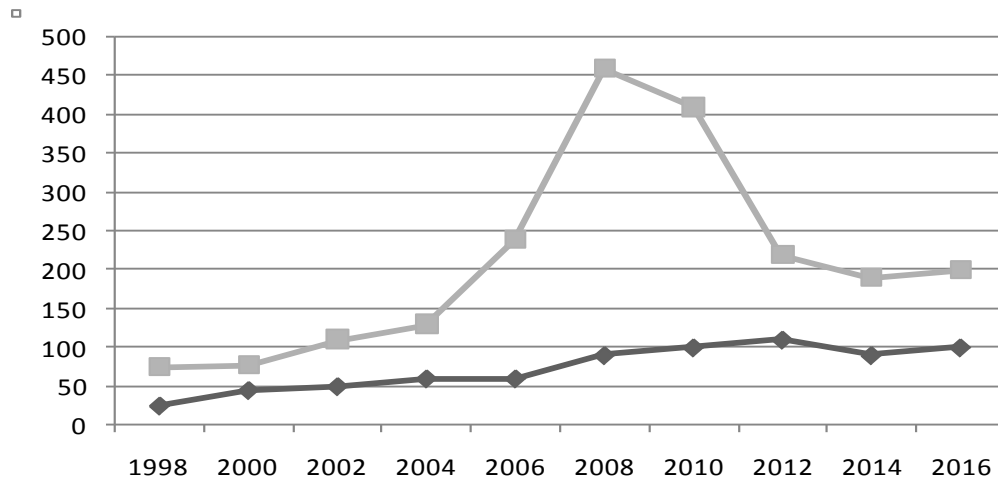
At present, the shipbuilding industry is dominated by Japanese and Korean shipyards which together

Figure 1: Major Shipbuilding Countries of the World



Source: KOSHIPA, <http://www.equitymaster.com/detail.asp?date=2/15/2007&story=1>.

Figure 2: Global Shipbuilding Order Book and Deliveries (in million DWT)



Source: Clarkson's data, KPMG Analysis

accounted for 73% of the total world output in 2005. China has gained 13.5% of the world market share, with the European Union at 7%.¹ Bangladesh currently has a market share of less than 0.1%.²

Figure 1 shows that Korea is occupying 1st position while Japan and China are occupying 2nd and 3rd place in shipbuilding at present (2005). In 1985, Japan was No. 1 in building ships, but over time the industry has moved from high labor cost countries to low labor cost countries.

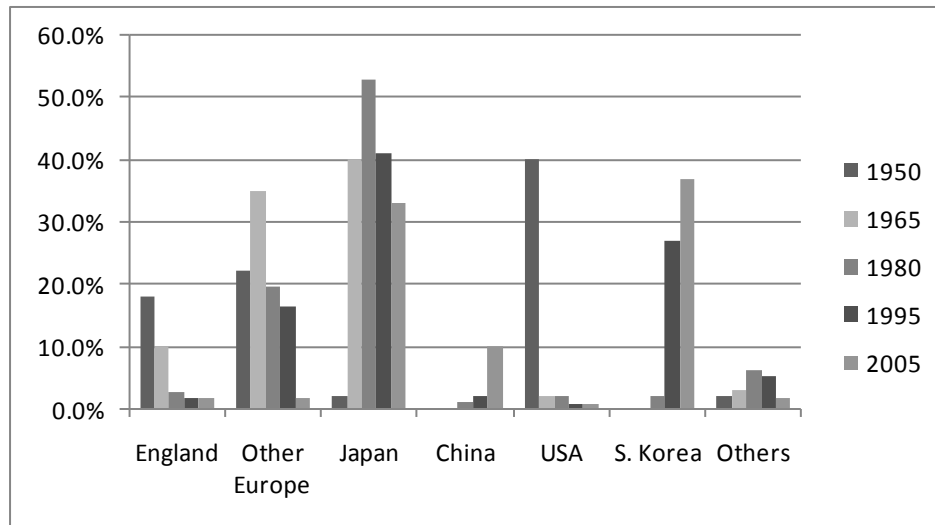
Changes in the International Arena

Shift in Demand

The shipbuilding industry has historically witnessed a strong growth in demand for new vessels. There were short term peaks and troughs but, overall, the sector has shown a healthy rising trend in demand.

From the latest trends it is found that the demand for shipbuilding is reaching a short-term peak. It is

Figure 3: Share of Different Countries in Deliveries with the passage of time



Source: www.shipbuildinghistory.com, KPMG Analysis

estimated that the shipbuilding market would stabilize by 2012; after that the demand would return to its material growth rate over the long-term. Deliveries would increase as well as the order book, and the ratio between them would remain at historical levels (Figure-2).

This unparalleled growth was due to a distinctive situation where several drivers played a vital role. . The key drivers responsible for this unique growth in demand include increase of global seaborne trade; replacement of aged fleet; conversion of single-hull tankers, and demand for large-sized ships.

Shift in Supply Bases

Supply bases have shifted to new destinations driven by supply constraints and cost advantages and other factors. The industry has changed supply bases to low cost destinations in the last century. New countries have emerged, especially during boom periods. England and US were the world leaders till 1950 (Fig.3). Japan and Korea emerged as leading shipbuilding nations during the 1950s and 1970s. The current boom has brought China to the forefront. Korea, Japan and China account for more than 85 percent of world deliveries at present.

The production of small ocean-going vessels and vessels that are not very complex are moving to newer destinations given the relative ease in their manufacture and low cost. The current order book of Korea and Europe is tilted towards complex

vessels such as container ships and cruise vessels, while that of the emerging nations and China is dominated by bulk vessels. Emerging nations have therefore started with bulk orders and might gradually move up the value chain with experience.

Capacity constraints in leading countries and lower shipbuilding costs in the emerging nations are the main drivers for such shifts in shipbuilding bases. The lower cost comes from the cheap labor cost and Government support in the form of direct/indirect subsidy to reduce shipbuilders' costs or export buyers credit to reduce ship buyers' costs. Countries such as Vietnam and India are enjoying these economic advantages (lower cost advantages) which are helping them to emerge as shipbuilding nations.

Shipbuilding Industry and Bangladesh

R.I.S.Q

The basic requirement for any shipbuilding industry is R.I.S.Q where,

- R = Riverine Country
- I = Infrastructure
- S = Skilled Manpower
- Q = Quality Management System

All of the above basic requirements for a shipbuilding industry are available in Bangladesh.

History of Shipbuilding in Bangladesh

Bangladesh has a rich history of building ships. It is

Table 1: Export Order of Ananda⁴

Particulars	Amount in USD Million
On going	108
On hold (Signing completed)	142
Total	250

Source: Ananda Shipyard & Slipways Ltd.

found from the writings of travelers to Bengal referring to Chittagong as the centre, building ocean-going vessels. By the beginning of the 19th century Chittagong was building ships up to 1,000 tons. These ships were used by the British Navy in the Battle of Trafalgar in 1805, while some of the current shipbuilders have indicated that some of the Portuguese and Dutch discoverers of the 15th and 16th century returned to Europe from Asia using Bangladeshi-built ships.³ However, the industry started waning due to the emergence of steam engines and other factors, including protection granted by the colonial power to their own shipbuilding industries.

Shipbuilding in Bangladesh did not vanish, but retreated to focus on local demand and today there are about 300 small and large dockyards, generating about 100,000 jobs. Shipbuilding in Bangladesh therefore refocused and essentially delivered vessels for use on its inland waterways and within the coastal zones of Bangladesh only, i.e. ships that did not have to be approved for use in international waters. Bangladesh, through the company, Highspeed, delivered eight vessels for use by the Food and Agricultural Organization (FAO) to Rome, Italy at the turn of the millennium. These 2,900 DWT vessels were used for shipping in coastal waters.

Bangladesh has a history of building a diverse set of vessels although all of them were not up to the international standard. These include container vessels, tourist vessels, Ro-Ro ferries, dredging barges, landing crafts, tug boats, passenger vessels, speed boats, deep sea trawlers, pilot vessels, hydrographic survey boats, buoy tender vessels, hospital vessels, tankers, dry cargo vessels, etc.

Current Export Oriented Shipbuilding Industry of Bangladesh

Bangladesh has approximately 300 different shipyards building anything from small wooden boats such as ghhugis, podis and sampans to tankers, barges and ferries for inland use and trawlers

And other boats for use in coastal waters. But export-oriented shipbuilders in Bangladesh are few. Actually, the first export order for building an ocean going vessel secured by Ananda Shipyards and Slipways Ltd. in 2006 started the real era of building export-oriented ocean going vessels in Bangladesh.

Currently two Bangladeshi Shipbuilders build ships for export or have the capacity to build ocean-going ships:

- a) Ananda Shipyard and Slipways Ltd. and
- b) Western Marine Shipyard Ltd.

Ananda Shipyard and Slipways Ltd: In terms of executing orders and volume of orders, Ananda is by far the more advanced company and number one in Bangladesh. The head office of this shipbuilding company is situated in Noyapaltan of Dhaka and the shipyard is situated on Meghnaghat of Narayanganj. Ananda entered into a contract with Stella of Denmark to deliver a number of vessels in the 4,100 DWT range and the first of these, the Stella Maris, was handed over to the its owner on 15th May, 2008. The second ship, the Stella Moon was also delivered to the buyer on 3rd April 2010. The company is now building four 6100 DWT ships and six 5500 DWT ships for buyers in Germany, Netherlands and Denmark. The total export order of the company currently is shown in the table below:

Western Marine Shipyard Ltd.: Western Marine Shipyard Ltd. is the other company building ships to meet export demand. The head office of the company is situated in Agrabad, Chittagong and its shipyard is situated in Kolagaon, Patiya of Chittagong. In 2007, Western Marine received the “World Maritime Day Award 2007” in recognition of its contribution to the ship building industry in Bangladesh. They delivered ten coastal vessels to buyers in China and Finland. They have invested Tk. 20 million in their shipyard to build export oriented ships. At present, the company is building 20 ships of 5,200 DWT for the buyers of Germany, Denmark, Libya and Pakistan. The export orders with the number of ships are shown in the following table:

Table 2: Export Order of Western Marine⁵

Buyers	No.	Total Amount in USD Million
German	12	170
Denmark	5	
Pakistan	2	
Libya	1	

Source: Western Marine Shipyard Ltd.

Hence, the total export order received by the shipbuilding industry of Bangladesh is \$420 million⁶

Potential Export Oriented Shipbuilding Organization of Bangladesh

Some ten companies have been identified who are shaping up to enter the export oriented shipbuilding industry at present. Among these, the following are notable:

- The Meghna Group recently signed a US\$35 million deal with South Korean shipbuilding giant STX to build the country's largest shipyard with all modern facilities. According to its chairman a total of over \$100 million will be invested over a period of two years, although other sources have placed the investment at Tk. 220 crores (approximately \$30 million). The company will have the capacity to build ships up to 25,000 DWT and is situated on 33 acres of land (approximately 133,500m²) on the Meghna River. The Meghna Group is also contemplating setting up a steel plant that could meet the requirements of the shipbuilding industry.
- Dockyard & Engineering Works Limited (DEWL) is the country's oldest shipbuilder and is currently run by the Bangladesh Navy. It has already made a decision to develop its existing infrastructure to international standards to lure export orders from overseas buyers. DEWL is situated on 22 acres (approximately 89,000 m²) of land at Sonakanda in Narayanganj district on the banks of the Sitalakhya River. Currently, it has the building facility of Ro-Ro ferries, tugboats, inland and coastal vessels. DEWL plans to install capacity to build ships up to 8,000 DWT.
- Rangs Group is in the process of setting up Desh

Shipbuilding at a cost of Tk. 100 crores (approximately \$13.5 million) in Sadar Ghat in Chittagong.

- Meghna Ghat-based Khan Brothers has invested around Tk. 16 crores (approximately \$2.1 million) to develop a shipbuilding infrastructure at Gazaria in Munshiganj near the Meghna Bridge outside of Dhaka.
- Bengal Electric has acquired approximately 50 acres (202,000 m²) of land in Munshiganj to start shipbuilding for export.
- Khulna Shipyard Ltd (KSY) is a commercial enterprise of Bangladesh Navy. Over the years, it has been developed into a leading local ship building and repair organization. As the shipyard already has shipbuilding infrastructure so it will be easy to transform it into ocean-going export oriented shipbuilding organization.

Rise of Export Oriented Shipbuilding Industry in Bangladesh

Changes in the international arena

During the first three decades following World War II, most shipbuilding took place in Europe and Japan. Over the last two decades of the 20th century, shipbuilding started to move away from Europe towards lower cost countries in Asia, notably Korea, with China also entering the market in the last decade. India, Indonesia and Vietnam also entered the shipbuilding industry during the last decade. Owing to the high cost of skilled labour and the relatively higher cost of labour in the overall cost structure of smaller ships vis-à-vis larger ships, some of these Asian Builders have started to move away from building small ocean-going vessels to the larger and more profitable vessels.

At present, shipyards in China, Korea, Taiwan, Singapore and Japan and Vietnam are fully booked for the next ten years buildings super-ships, and the owners cannot find yards to build smaller vessels. So, the opportunity of building small ocean-going vessels opens up to Bangladesh. At present, the market size of small oceangoing vessels (i.e vessels less than 30,000 DWT) is estimated to be \$ 200 billion.⁷ If Bangladesh could gain only 2 percent market share, it could add \$4 billion annually to the country's export basket which would be the second largest after readymade garments in case of earning foreign currency.

Global Recession

The recent global recession has affected the developed and developing economies of the world, but did not have a major impact on the economy of Bangladesh other than a drop in employees working abroad. On the other hand, global recession has brought a golden opportunity to the shipbuilding industry of Bangladesh; more buyers have come to Bangladesh to build small ships at a lower cost. More than fifteen orders took place during this global recession. However, since the execution of the order took time due to the recession, shipbuilders got time to develop their infrastructures and capacity: The buyers asked the shipbuilders to build the ship slowly to phase out the recession.

Competitive Advantage

One of the most important reasons for the rise of export-oriented shipbuilding industry in Bangladesh is because of its competitive advantage. Some of the most important competitive advantages are:

Low labor Cost: Labor cost plays a very important role in the total cost of shipbuilding. It amounts near to 30% of the total cost. The labor cost in our country is one-third that of China and two-thirds that of Vietnam which is a most important competitive advantage for the rise of export-oriented shipbuilding industry in Bangladesh. Some other competitive advantages are:

- Intelligent technical manpower and management.
- Familiarity with English language among the general mass.
- Shipyards are over booked in Korea, China, and Vietnam. They have no space for building small vessels.
- Presence of classification societies with full support institution like Marine Academy and the Department of Naval Architecture and Marine Engineering of BUET producing technically

competent marine engineers, master mariners and naval architects.

- Pioneering business houses
- Support from foreign embassies in Bangladesh
- Active and proposed support from NGO's, European Union and other bodies.

Economic Benefits of the Shipbuilding Industry

Shipbuilding activities bring enormous economic benefits and opportunities. The total economic benefits are measured in terms of the effects of the shipbuilding industry on the country's employment (i.e., jobs created), backward linkage industry, export diversification, manpower export, rise in export value and value addition.

Employment Opportunities

Shipbuilding activities play a very important role in employment generation of a country. Bangladesh is one of the world's most densely populated countries. Due to over-population, the number of unemployed people in Bangladesh is very high. The population below the poverty line is 36.3 percent (2008 est.)⁸ Hence shipbuilding activities through its main industry and backward linkage industry can create huge employment opportunity in Bangladesh. The present employment scenario in the two export-oriented shipbuilding company in Bangladesh is shown in Table 3.

Table 3 indicates that the present export oriented shipbuilding companies of Bangladesh have created more than 4,000 jobs, averaging more than 2,000 jobs per company. If the shipbuilding industry receives appropriate support from Government and other quarters and enjoys a full export order book, it is estimated that average employment per company would exceed 3,000. However, the above table reflects only the direct jobs created by the export oriented shipbuilding companies; the indirect job creation through backward linkages is not shown here. As a result of commercial shipbuilding activities in USA, a total of 147,230 jobs were created in 2001.⁹ The US commercial shipbuilding industry grew more rapidly than the U.S. economy during the 1990s continuing into the 2000-2001 period. The same thing could happen in Bangladesh if the government accords due importance to the shipbuilding industry. The potential employment generation by the export-oriented shipbuilding industry of Bangladesh is shown in Table 4.

Table 3: Current Employment Status in the Shipbuilding Company of Bangladesh¹⁰

Company Name	Non-skilled	Semi-skilled	Skilled	Technical	Total
Ananda Shipyard and Slipways Ltd.	290	510	480	192	1,472
Western Marine Shipyard Ltd.	100	500	2000	2000	2,600
Total					4,072

Table 4: Potential Employment Creation by the Shipbuilding Industry of Bangladesh¹¹

Particulars	Companies	No.	Non-Skilled	Semi-Skilled	Skilled	Technical	Total
Direct	Shipbuilding Companies	10	1,950	5,050	12,000	10,960	30,360
	Backward Linkage Industries	20	3,000	5,000	1,200	800	10,000
	Others such as infrastructure development, river maintenance, etc.						500
Total							40,860

The employment figures are based on the following assumptions:

- Direct job creation per Shipbuilding Company is 3,036 where non-skilled is 195, semi-skilled is 505, skilled is 1,240 and technical is 1,096 per company.
- Indirect job creation by backward linkage industry is 500 per company where non-skilled is 150, semi-skilled is 250, skilled 60 and technical is 40 per company.
- Indirect job creation by others is shown by total figure as 500.

Table 4 indicates that more than 40,000 jobs could be created if the shipbuilding industry is nourished to its full potential in Bangladesh. Although the shipbuilding industry would not be as labour intensive as the ready-made garments industry, this fewer number of employees will generate higher salaries in comparison to other industry employees with its economic implications.

Development of Backward linkage Industries

The shipbuilding industry could give birth to a number of backward linkage industries to support its

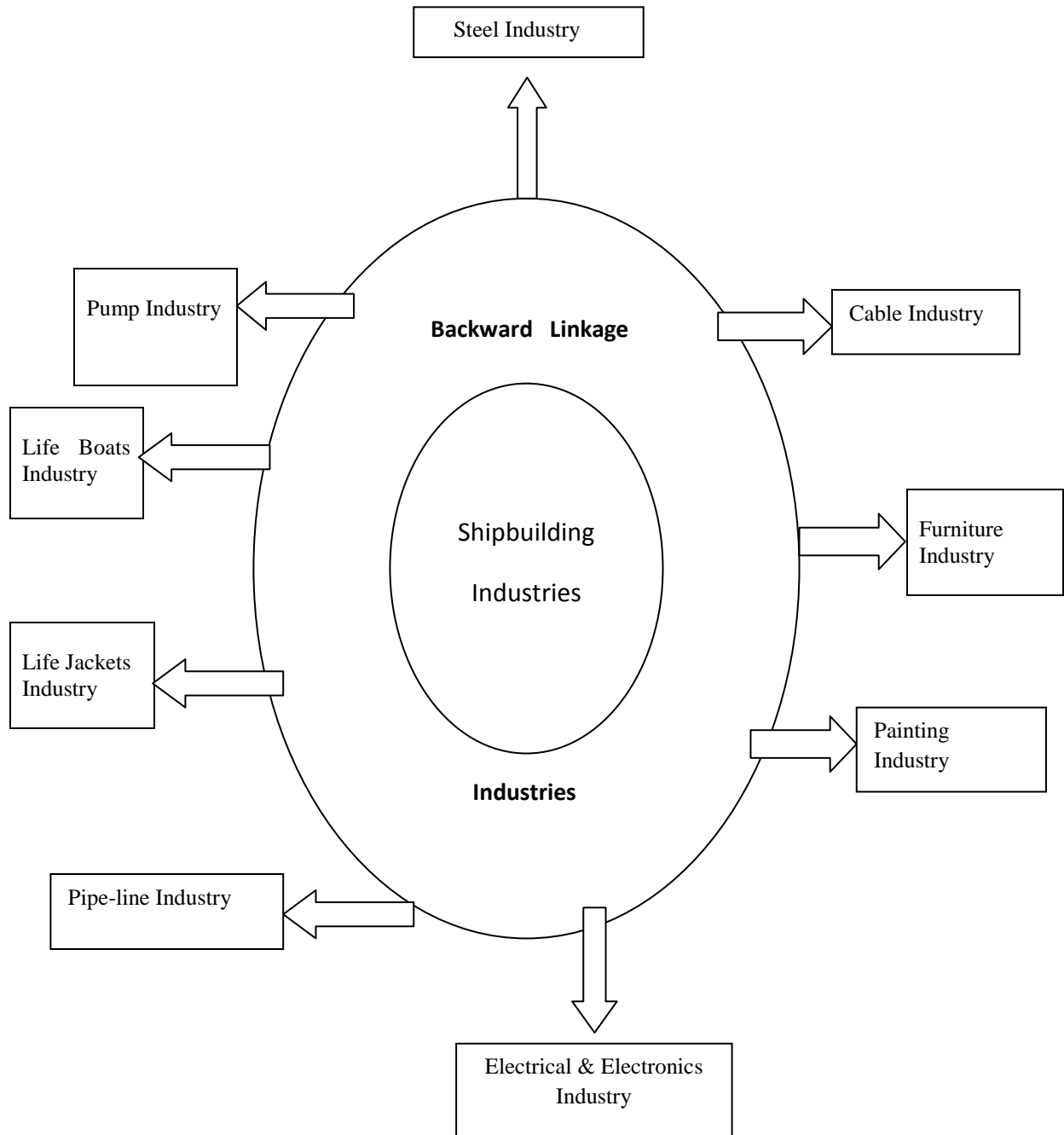
mainstream activities. The following possible backward linkage industry could emerge as the result of shipbuilding activities which can be converted into export-oriented shipping appliance companies later.

These backward linkage industries (Figure 4) can create significant employment opportunities. The backward linkage industries will be independent industries in their own right and will also create their own backward linkage industries, for example the cable industry can establish a plastic industry to manufacture the covers for its cables, etc. This will further contribute to GDP growth, poverty alleviation and a diversification of Bangladesh's export basket.

Export diversification

As mentioned above, Bangladesh's export basket is very limited at present, with only five or six products constituting more than 90 percent of total exports. Shipbuilding can be the catalyst to diversify the export basket of Bangladesh through the creation of backward linkage industries that should evolve over time. This provides the Government with an extra incentive to provide the industry with the necessary support to develop it fully.

Figure 4: Backward Linkage Industries as a result of Shipbuilding Activities



Manpower Export

Shipbuilding develops semi-skilled, skilled and technical manpower. By producing more and more semi-skilled, skilled and technical manpower capability through shipbuilding activities, more workers can be employed in overseas shipyards, thus earning additional foreign currency to boost Bangladesh's foreign currency reserves.

Rise in Export Value

If the shipbuilding industry develops in the right direction in Bangladesh, it will play a very important role in increasing our export value. Shipbuilding is a heavy industry with high-value products. At present the total export order in the export-oriented two shipyards is \$420 million (till June, 2010), which could reach to more than \$4 billion in the coming years if the industry receives proper attention, thus increasing our export revenues every year .

More Value Addition

Value addition in the shipbuilding industry is high when compared to the value addition in other industries. While the shipbuilders estimate that value addition in the ready-made garments industry may be between 20 percent and 25 percent, value addition in the shipbuilding industry varies between 30 percent and 40 percent at present, depending on how much of the design is done in Bangladesh. Over the long term, it is estimated that value addition could increase to at least 60 percent if certain raw materials and components could be manufactured in Bangladesh through its backward linkage industries.

Problems of the Shipbuilding Industry of Bangladesh

General Problems

The export-oriented ocean-going shipbuilding is an infant industry in Bangladesh. Every industry in its infancy faces some problems but the Bangladeshi shipbuilding industry is facing additional problems not encountered in other shipbuilding nations. Some of these problems include:

1. There is no separate and favorable shipbuilding policy to make the industry a promising one.
2. There is no human resource development program from the part of government to enable people to be semi-skilled, skilled to run shipbuilding activities.
3. Most of the raw materials are imported from abroad as the backward linkage industries are yet

to develop.

4. The depth of only three rivers such as Karnaphuli, Meghna and Pasur is suitable for building higher DWT ships, but the government isn't leasing or making available land on the bank of these rivers to build shipyards.
5. There is no EPZ and Central Logistic System for the shipbuilding industry.
6. There is no proper, coordinated, and strong marketing activities to attract buyers, attention toward Bangladesh's shipbuilding industry.

Financial problems

Financial problems were very severe and represented the main problem at the very beginning of the emergence of the export-oriented shipbuilding industry in Bangladesh. After some study and presenting papers on the problems of the shipbuilding industry by organizing a seminar at Hotel Sonargaon on September 29, 2009 by Bangladesh Foreign Trade Institute (BFTI), many of the major problems like high L/C charge, currency erosion, very high bank guarantee, green channel status for import of raw materials, etc. were solved by the Government. Yet other major problems persist. At present, the total financial cost represents 15 percent to 17 percent of the total price of the ship, which disadvantages the Bangladeshi shipbuilding industry, despite these figures previously being even higher at between 20 percent and 25 percent.

High Rate of Bank Guarantee

Shipbuilders are required to provide bank guarantees against buyers' advance payments. These guarantees comprise a performance guarantee (for timely delivery), a refund guarantee (for stage payments) and a post-construction guarantee (towards defects). At present, the bank guarantee rate in Bangladesh is around 6% (2% at builder's bank and 4% at buyer's bank) which is very high in comparison to other shipbuilding countries of the world. Earlier this bank guarantee rate was 8% (4 percent at builder's bank and 4 percent at buyer's bank) in 2008. The bank guarantee cost ranges between 0%-1% in other shipbuilding countries.

Tax Holiday

Although the Government has declared shipbuilding industry as a thrust sector, it has not yet been provided tax holiday facility, despite this facility being available to other export-oriented industries. This should be addressed as a matter of urgency since declaration of tax holiday may also attract Foreign Direct Investment in the shipbuilding

industry.

High Letter of Credit (L/C) Charges

The current letter of credit opening charge for the importation of raw materials for the shipbuilding industry is 1.5%. Although this is a significant improvement from the 2008 level of 2%, there is no reason why this cannot be further lowered to 1%.

Lack of Working Capital at Lower Interest Rate

A shipbuilding company typically requires working capital of around 25-35 percent of the total cost of the ship during the entire construction period. The interest rate on working capital in Bangladesh is very high at around 13% whereas in India it is 10.5% which is still regarded as high. In contrast, the interest rates presently offered to shipbuilding industry overseas are significantly lower at around 5-6 percent in Korea and around 4-8 percent in China.¹² In addition, export credit in these countries is offered at much lower interest rates.

Lack of Subsidy

The government of Bangladesh is not currently providing any subsidy to the shipbuilding industry which has to compete against other competitive shipbuilding nations such as India and Vietnam that are enjoying subsidies of 30 percent and 40 percent respectively. There is no single country in the world which didn't provide subsidy to its shipbuilding industry during its inception.

Recommendations

Some recommendations are offered in this section to address the existing problems of the shipbuilding industry of Bangladesh, thereby gaining real and economic benefits from the industry more quickly making the industry the second largest export-oriented industry of Bangladesh:

- Government should develop a favorable policy to help the export-oriented shipbuilding industry of Bangladesh.
- Government policy should be directed at leasing or sanction of more land on the bank of the river Karnaphuli, Meghna and Pasur in order to build shipyards.
- Government should create an EPZ for the shipbuilding industry and establish a central logistic system to facilitate shipbuilding activities.
- Like in China, the Government can provide sovereign refund guarantee for the export-

oriented shipbuilding industry that will eliminate the huge rate of bank guarantee cost.

- Government may grant the shipbuilding industry a tax holiday of 5-10 years. This period could either be fixed or be calculated separately for individual entities.
- Government, through Bangladesh Bank, should reduce the L/C charges further to 1%.
- Government may order the Bangladesh Bank to resume or sanction the refinance scheme which is created to provide working capital loan to the shipbuilding company via commercial banks at a lower interest rate.
- As for other export oriented commodities, government could provide a 5-10 percent cash incentive to the shipbuilding industry to facilitate its rapid growth.
- Government may assist the industry in acquiring the necessary technology required for the various shipbuilding contracts through subsidizing the cost of buying basic design drawings.
- Government can assist the backward linkage industry, e.g. the steel, cable, pipe and furnishing industries to obtain the necessary class or standard that will allow these industries to supply the shipbuilding industry with raw materials and components.
- Government should undertake human resource development program to produce skilled and technical people for the shipbuilding industry. It may establish a national scholarship system that supports excellent students to study in advanced countries in shipbuilding technologies such as in Korea, Japan, etc.
- An important recommendation is to open a maritime related national research institute such as MOERI (Maritime and Ocean Engineering Research Institute) in Korea and NMRI (National Maritime Research Institute) in Japan. MOERI is one of the largest research institutes in its kind in the world and has the most advanced test facilities aforementioned with well-qualified scientists. This national research institute is not only to develop some technologies for shipyards but also to give jobs for many high degree holders who cannot be absorbed 100 percent in shipyards. If this cannot be accomplished soon, some urgent and necessary test facilities can be constructed in BUET or in Marine Academy and many professors can be involved in conducting tests and research.

Another important recommendation is that the government should undertake coordinated, effective, and efficient marketing activities to

introduce Bangladesh to the world as a shipbuilding nation. It is important to note that the Western Marine Shipyard Ltd. got its first export order by joining a trade fair on their own in Dubai. This indicates a great need for marketing activities and programs for the growth of this industry. Government can do this through the Export Promotion Bureau (EPB) by involving shipbuilders and employing specialized marketing professionals and professors. However, there should be coordination between the government or nominated organizations and the shipbuilders to make these marketing program a success. The government should help in allotting or getting stalls and engaging shipbuilders in the international trade fairs abroad. The government may establish a committee consisting of marketing professionals and shipbuilders to run these marketing activities smoothly for the quick success and growth of shipbuilding industry of Bangladesh.

Conclusion

Bangladesh and Korea had a similar historical background in terms of the prosperous culture and technology in the past, colonized and liberated, and also the tragedy of a fratricidal war. Korea started to rebuild its strength from the really “nothing” and celebrated total exports of 100 million US dollars in 1964. Korea exported a total of 1 billion USD in 1972, 10 billion USD in 1977, 100 billion USD in 1994 and 426.7 billion US dollars in 2008. Between 1964 to 2008, Korea expanded its export by more than 4,267 times. Korea is unique in the world to have achieved this miraculous condensed growth in such a short period. It is worthwhile to mention that in 2008, exports from the shipbuilding sector of Korea was 43.1 billion USD which is almost 2 times more than the total export of Bangladesh.

It is the shipbuilding Industry in Korea which made Korea’s economy so strong. But this shipbuilding sector in Korea didn’t emerge automatically; there was robust Government support. Korea had a great leader, the late president Jung-Hee Park, who made Korea progress in the right direction with a clear aim and vision. When he became the President, he appointed the 1st presidential economic aide who studied naval architecture in UK and asked him to draw a blue road map for shipbuilding prospects. It is no doubt that the present Korea owes a debt to his excellent leadership.

Similarly in Bangladesh, the development of the

shipbuilding sector has great potential to impact the economy strongly including the manufacturing and service sectors. To realize its growth potential, the window of ongoing opportunity needs to be capitalized to firmly ground the industry along with its ancillaries. The shipbuilding industry in Bangladesh is in the process of establishing itself as a potential growth industry that could become the third biggest contributor to foreign currency reserve after remittances and the RMG sector within less than 10 years. Like Korea, the Government of Bangladesh should target and influence the future growth and success of not only the shipbuilding industry but also the backward linkage industries providing raw materials and components to the industry.

Endnotes

1. Source: <http://www.equitymaster.com/detail.asp?date=2/15/2007&story=1>
2. Engr. Md. Sakhawat Hossain, Managing Director of Western Marine Shipyard and Slipways Ltd. revealed in an interview on June 10, 2010 at BFTI conference room that Bangladesh has less than 0.1% market share in global shipbuilding at present.
3. Engr. Md. Sakhawat Hossain, Managing Director of Western Marine Shipyard and Slipways Ltd. has given the information at the time of conducting an interview with him.
4. Figure in this table is up to June 10, 2010.
5. Figure in this table is up to June 10, 2010.
6. The total export order from these two industries is up to June 10, 2010.
7. This information was recorded from Md. Sakhawat Hossain, Managing Director of Western Marine Shipyard and Slipways Ltd. during an interview with him on June 10, 2010.
8. Source: CIA Fact Book
9. This Information has been collected from the paper titled The Economic Contribution of the U.S. Commercial Shipbuilding Industry by LECCG, LLC.
10. Data of table -4 has been collected from Engr. Saiful Islam of Ananda Shipyard and Slipways

Ltd and MD of Western Marine Shipyard Ltd. on June, 2010.

11. The source of data for the Table-5 is hypothetical. The hypothesis of data is drawn from the interview with Western Marine and Ananda Shipyard MD.
12. Source: Indian Shipbuilding Industry: Poised for Take Off? KPMG in India.

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Tofayel Ahmmad, Research Associate,
Bangladesh Foreign Trade Institute (BFTI)
TCB Building (5th floor), 1, Kawran Bazar,
Dhaka-1215
Phone: 0088028152476-7, Fax: 0088028152479
Email: sabuzz_mm422@yahoo.com
Mobile: 008801718420393
Web: www.bfti.org.bd