

EASTERN UNIVERSITY, SRI LANKA.
FACULTY OF COMMERCE AND MANAGEMENT

Final Year 1st Semester Examination in BBA

2012/2013(Feb/March 2015)

ECN 4013 Industrial Development

Answer all Questions

Time: - 03 Hours

29 APR 2015

1) **Industrial and Export Policy : South Korea**

South Korea is one of the developing world's great long term success stories. The country is now classified by the World Bank as a high income economy, with PPP income at close to US\$ 33000 in 2013. Korean consumer electronics and other brands have become synonymous with good quality at reasonable prices. Even more impressive are Korea's social development achievements. By 2004, Korea had attained the highest tertiary enrollment rate in the world, with graduates concentrated in technical fields. Life expectancy topped 81 and the country placed 15th on the human development index in 2014.

Exports particularly manufactures in such key sectors as consumer electronics and motor vehicles and recently in high technology have grown at an extraordinary rate in Korea. One apparent reason for South Korea's remarkable industrial achievement is the orientation of its national industrialization strategy toward the promotion of exports of increasingly sophisticated skill and technology content. Strong financial incentives for industrial firms to move up the ladder of skills and technology have been present in most of its policies.

In its years of rapid catch- up South Korea used major types of export promotion oriented industrial policy interventions. Some of them are following.

- i) Currency undervaluation. The effective exchange rate (EER) for exporters was kept higher than that for importers.
- ii) Preferential access to imported intermediate inputs needed for producing exports with strict controls to prevent abuse.
- iii) Targeted infant industry protection as a first stage before launching an export drive.
- iv) Tariff exemptions on input of capital goods needed in exporting activities. This is a price incentive.

- v) Tax breaks for domestic suppliers of inputs to exporting firms, which constitutes a domestic-content incentive.
- vi) Domestic indirect tax exemptions for successful exporters.
- vii) Lower direct tax on income earned from exports.
- viii) Direct export subsidies for selected industries.
- ix) Subsidised interest rates and preferential credit access for exporters.
- x) The creation of free-trade zones, industrial parks, and export oriented infrastructure.
- xi) The creation of public enterprises to lead the way in establishing a new industry.
- xii) The setting of export targets for firms.

Answer the following questions.

- a) Indicate some characteristics which recognize South Korea as an industrialized country.
(04 Marks)
- b) What is meant by export promotion-oriented industrial policy?
(04 Marks)
- c) Explain how export subsidies can lead to export promotion.
(05 Marks)
- d) Explain the meaning of "infant industry protection".
(05 Marks)
- e) How do you relate the industrial development with the following.
 - i) Free trade zones
 - ii) Industrial parks
 - iii) Export oriented infrastructures
(10 Marks)

(Total 28 Marks)

2)

- a) Secondary industry is involved with a certain amount of manufacturing activities. Define the term "manufacturing".
(06 Marks)
- b) What is meant by Industrial revolution? Briefly describe the history of industrial revolution of Western Europe and North America.
(06 Marks)
- c) What are the conditions necessary for the industrialization of a country?
(06 Marks)
- (Total 18 Marks)

3)

- a) Explain how the establishment of a strong central government and a central bank contributed to the industrial development of Japan during the Meiji era.
(06 Marks)
- b) How did fiscal reforms helped for the industrialization of Japan between 1868-1912?
(06 Marks)
- c) How did Japan improve her industrial base after the Second World War? What was her industrial strategy?
(06 Marks)
- (Total 18 Marks)

4)

- a) "The period of 1950-59 could be described as the least eventful as far as industrial development of Sri Lanka was concerned". Explain with reasons.
(06 Marks)
- b) What was the industrial policy of Sri Lanka during 1970-77? Explain the reasons for its poor performance.
(06 Marks)
- c) What is Nano technology? Indicate some national level initiatives related with the above technology in Sri Lanka.
(06 Marks)
- (Total 18 Marks)

5)

a) Explain how the development of manufacturing can help the agriculture sector.

(06 Marks)

b) Why do underdeveloped countries rely on foreign investments? Briefly discuss the impact of foreign investment in developing countries.

(06 Marks)

c) State some drawbacks of using foreign technology in developing countries.

(06 Marks)

(Total 18 Marks)