

# **DISSERTATION**

## **State Business Nexus & Democracy In Bangladesh:**

**The case of Asia Energy, BGMEA, and Quick Rental  
Power Plants**

The logo of the University of Bielefeld, featuring a green square with a white L-shaped cutout on the left side, and the text "Universität Bielefeld" in white on a green rectangular background.

**Universität Bielefeld**

**Author:**

**Maha Zeeshan MIRZA**

**Faculty of Sociology, University of Bielefeld**

**Nov, 2020**

# State Business Nexus & Democracy In Bangladesh: The case of Asia Energy, BGMEA, and Quick Rental Power Plants

---

A Dissertation:

For the academic degree of Doctorate of Philosophy at the Faculty of Social  
Sciences of the University of Bielefeld, Germany

Author:

**Maha Zeeshan Mirza**  
University Matrikel Nr.: 2210109

University of Bielefeld

November, 2020

Examining Committee:

Prof. Dr. Detlef Sack	Professor of Comparative Politics, Faculty of Sociology, University of Bielefeld.
Prof. Dr. Andreas Vasilache	Professor of European Studies, Faculty of Sociology, University of Bielefeld.
Prof. Dr. Udo Hagedorn	Professor of Social Science Education, Faculty of Sociology, University of Bielefeld.
Dr. Anna Spiegel	Research Assistant in the Sociology of Work and the Economy (Prof. Mense-Petermann, University of Bielefeld.

---

©Copyright by Maha Zeeshan Mirza 2020

All Rights Reserved

Submitted to Bielefeld University

Printed on: November, 2020

---

Declaration:

I hereby declare that this thesis is written by me and used none but the indicated resources.

Maha Zeeshan Mirza

---

Printed on wood and acid free permanent paper as per DIN EN “ISO 9706”

---

## **Acknowledgement:**

Foremost, I would like to express my sincere gratitude to my Supervisor Prof. Dr. Detlef Sack (*Professor of Comparative Politics, Faculty of Sociology, University of Bielefeld*) for his immense support, guidance, and patience. I have learnt vastly from his knowledge and skill. I am genuinely thankful.

Beside my advisor, I would like to thank the rest of my thesis examining committee: Prof. Dr. Andreas Vasilache (*Professor of European Studies, Faculty of Sociology, University of Bielefeld*), Prof. Dr. Udo Hagedorn (*Professor of Social Science Education, Faculty of Sociology, University of Bielefeld*), Dr. Anna Spiegel (*Research Assistant in the Sociology of Work and the Economy (Prof. Mense-Petermann, University of Bielefeld)*) for their time and insightful comments.

I would also like to thank all my fellow activist friends and comrades. I have learnt tremendously from this collective journey of ours in battling injustice and inequality in every sphere of our national lives.

Last but not the least; I would like to thank my family. Without their patience, understanding, and mental support, I wouldn't be able to make this happen. I am genuinely thankful.

---

## **Abstract:**

The issue of interrelationship between political power of business and the democratic elements of policy making has been touched upon quite substantially in the Western academia. However, the emerging influence of the business actors in Bangladesh and the attempts of business groups to influence public policy in favor of business interest in general have not yet appeared as a crucial factor in the discussion of democracy in Bangladesh. Rather, in the larger public domains of Bangladesh, the discussion on democracy has mostly remained limited to the procedural aspects of it.

In the recent decades, parts of the business world in Bangladesh have gained substantial leverage by developing alliance with the governing elites. While big business actors are seen to be enjoying direct access to the highest level of the policy making domain of the state, this study has explored the existing patterns of interactions between the business actors and policy actors in Bangladesh. The study has discussed four different patterns of state-business nexus in Bangladesh including (i) state subsidy to business, (ii) state's legal support to business, (iii) state's repressive policies against the opposing counterparts (workers/citizens), as well as (iv) state's questionable attempts to democratize the policy making process. In order to examine how and to what extent the combined actions of the state and the business groups affect the 'democratic process' of the country, the study has selected three business groups as cases, namely (i) BGMEA, (ii) Quick Rental Power Plants, and (iii) the Asia Energy Corporation.

In order to gain detail understanding of the relationship between the state and the business actors, and its implication on the policy process, the study has addressed a number of interrelated questions: What kinds of state-business nexus occur in Bangladesh? What are the implications of such nexus on the policy elements of the state? What factors contributed to the failure of a state-business nexus? Under what circumstances it succeeds? And what are the implications of such nexus on the democratic process of the state?

---

## **Glossary:**

ADB	Asian Development Bank
AL	Awami League
BAPEX	Bangladesh Petroleum Exploration Company
BERC	Bangladesh Energy Regulatory Commission
BGMEA	Bangladesh Garments Manufacturing Export Association
BIC	Bank Information Center
BILs	Bangladesh Institute of Labor Studies
BKMEA	Bangladesh Knitwear Manufacturing Export Association
BPC	Bangladesh Petroleum Corporation
BNP	Bangladesh Nationalist Party
ESIA	Environmental and Social Impact Assessment
FBCCI	Federation of Bangladesh Chambers of Commerce and Industry
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPP	Independent Power Producer
NGO	Non-Government Organization
PDB	Power Development Board
PRSP	Poverty Reduction Strategy Paper
RMG	Ready Made Garments
SAP	Structural Adjustment Programs



---

## **Table of Contents:**

CHAPTER 1.	INTRODUCTION .....	15
1.1	THE PROBLEM AND THE CONTEXT .....	15
1.2	RESEARCH QUESTIONS .....	16
1.3	CHOICE OF CASES .....	16
1.3.1	<i>A Comparative Analysis using the 'Most Similar Systems Design Model'</i> .....	17
	<i>Why BGMEA?</i> .....	18
	<i>Why 'Quick Rental'</i> .....	19
	<i>Why Asia Energy? The case of a failed state-business nexus</i> .....	21
1.4	METHODS OF RESEARCH.....	22
1.5	RESEARCH ORGANIZATION.....	25
1.5.1	<i>Segment One: Theoretical and Conceptual Review (Chapter 2)</i> .....	26
1.5.2	<i>Segment 2: Empirical findings on the pattern on State-business nexus and its implications on the policy process (Chapter 3, 4, 5, 6, &amp; 7).</i> .....	26
1.5.3	<i>Segment Three: Comparative Analysis (Chapter 8 &amp; 9)</i> .....	28
1.6	LIMITATIONS OF THE STUDY .....	29
1.6.1	<i>Concluding Remarks on the Limitations of the Study</i> .....	35
1.7	OVERVIEW OF THE THESIS .....	36
CHAPTER 2.	STATE-BUSINESS NEXUS AND DEMOCRACY: THEORETICAL AND CONCEPTUAL ISSUES .....	38
2.1	OVERVIEW .....	38
2.2	THEORIES OF STATE: STATE IN A CAPITALIST ECONOMY .....	39
2.2.1	<i>Political Power of Business within a State System</i> .....	40
2.2.1.1	The Theories of Elite Unity.....	41
2.2.1.2	Theory of State's Structural Constraint.....	45
2.2.1.2.1	Structural power of capital and Ideological de-polarization of Politics.....	48
	SEGMENT II: DEMOCRACY .....	49
2.3	THEORIES AND DISCOURSES OF DEMOCRACY.....	49
2.3.1	<i>Defining Democracy</i> .....	50
2.3.2	<i>Criteria for Democracy</i> .....	51
2.3.3	<i>The Extent and Limitations of Democracy</i> .....	51
2.3.4	<i>Discourses of Democracy and its Critiques</i> .....	53
2.3.4.1	Liberal Democracy and its Critique .....	53
2.3.4.2	Procedural/Minimalist Democracy and its Critique .....	55
2.3.4.3	Pluralist Democracy and its Critique.....	58
2.3.4.4	Post Democracy .....	60

2.4	NEOLIBERALISM AND DEMOCRACY .....	62
2.4.1	<i>The Theoretical Separation between Market and Democracy</i> .....	62
2.4.2	<i>Neoliberalism in Theory: A Background Analysis</i> .....	64
2.4.3	<i>Neoliberalism, Law-making, and Democracy</i> .....	67
2.4.4	<i>Neoliberal Reform, State Repression, and Democracy</i> .....	70
2.4.5	<i>Neoliberal Reform and the impression of ‘democratizing’ the policy process</i> .....	72
2.4.5.1	The Nature, Impact, and limitations of Donor-driven ‘Democratic’ Policy making .....	73
2.4.6	<i>Contradictions of Neoliberalism: Pro-market intervention vs Pro-business subsidy</i> .....	75
2.4.7	<i>The Convergence of Neoliberalism and Post Democracy</i> .....	77
2.5	CONCEPTUAL REVIEW OF LOBBYING.....	78
2.5.1	<i>The Convergence of the Policy Actors and Interests Groups</i> .....	80
2.5.2	<i>How and when business interest succeeds in the policy process</i> .....	82
CHAPTER 3.	EVOLUTION OF STATE-BUSINESS NEXUS IN BANGLADESH.....	85
3.1	INTRODUCTION .....	85
3.2	PARTIES AND POLITICS IN BANGLADESH .....	86
3.2.1	<i>Distinctive features of Political Parties</i> .....	87
3.2.2	<i>The Left Political Parties in Bangladesh</i> .....	88
3.3	THE STRUCTURE OF GOVERNANCE IN BANGLADESH: FROM PRESIDENTIAL TO PARLIAMENTARY SYSTEM	89
3.3.1	<i>The Policy Actors in Bangladesh: The ‘unchallenged’ power of the Prime Minister</i> .....	89
3.3.2	<i>The Policy Actors in Bangladesh: The Bureaucracy, the Council of Ministers and its Limitations</i>	91
3.3.3	<i>The Parliament and the Policy Process: The Question of Accountability, Representation, and Limitations</i> .....	93
3.3.4	<i>Parliamentary Committees and Parties: How Parties Control Committee Members</i> .....	95
3.4	THE BUSINESS ACTORS IN BANGLADESH: DEVELOPMENT OF INDUSTRIAL AND BUSINESS CLASS IN BANGLADESH.....	96
3.4.1	<i>The Early Liberalization Era (post 1975)</i> .....	98
3.4.1.1	Development of Business Associations .....	98
3.4.2	<i>The Neo Liberal Era (post 90s)</i> .....	100
3.4.3	<i>Business Representation in Parliament</i> .....	103
3.5	CHANNELS OF POLICY INTERACTIONS (THE CASE OF BGMEA, QUICK RENTAL, AND ASIA ENERGY)	104
3.6	OTHER SPECIAL INTEREST OR COMPETING GROUPS IN BANGLADESH: THE HISTORY OF RESISTANCE	107
CHAPTER 4.	PRO-BUSINESS LEGAL INTERVENTION .....	113
SECTION I.....		113
4.1	PRO-BUSINESS LABOR LAW: THE CASE OF BGMEA.....	113
4.1.1	<i>A Historical Overview of Bangladesh Labor Laws</i> .....	114
4.1.2	<i>The Negotiation Process to amend Labor Law 2006</i> .....	116

Restriction on strikes .....	118
Membership restrictions for Trade Unions .....	119
The question of Labor ‘Misconduct’ .....	121
Profit Sharing .....	122
Differences in Penalty and Punishments .....	123
Maternity Benefits .....	124
Complex process of dispute settlement .....	125
4.1.3 <i>Concluding Remarks on Pro-business Labor Law</i> .....	127
<b>Section II</b> .....	128
4.2 PRO-BUSINESS LEGAL INTERVENTION: THE CASE OF SPECIAL POWER SUPPLY ACT .....	128
4.2.1 <i>Justifying the Extension of Special Power Supply Act: The State’s Version</i> .....	129
4.2.2 <i>Behind the initial approval process of Rental Power Plants in 2006</i> .....	130
4.2.2.1 Quick Rental Power Plants during the BNP Tenure.....	131
4.2.3 <i>Quick rental power plants during Awami League Tenure</i> .....	133
4.2.3.1 The ‘Indemnity’ Clause: The issue of lack of transparency and accountability .....	133
4.2.3.2 Bypassing Tender: The issue of lack of competency .....	134
4.2.3.3 Short term rental projects are operating in longer terms .....	135
4.2.4 <i>The Current Approval Process under Special Provision Act</i> .....	136
4.2.5 <i>Who is behind Special Power Supply Act?</i> .....	137
4.2.6 <i>Concluding Remarks on Special Provision Act</i> .....	138
<b>Section III</b> .....	140
4.3 PRO-BUSINESS LEGAL INTERVENTION: THE CASE OF ASIA ENERGY.....	140
4.3.1 <i>Background of Coal Policy</i> .....	141
4.3.2 <i>The National Coal Policy and the Negotiation Process: State vs Independent Experts</i> .....	143
4.3.3 <i>The Interaction between Policy Actors and the Interest Groups</i> .....	147
4.3.4 <i>The Criticisms against the IIFC Draft</i> .....	149
4.3.4.1 IIFC Draft: Emphasizing on Foreign Investment in Mining .....	149
4.3.4.2 Pre-determined support for Asia energy .....	153
4.3.4.3 Encouraging Electricity Production through Private Producers (IPP).....	154
4.3.4.4 Pre-determined position on export of coal .....	155
4.3.4.5 Pre-determined position over open pit mining .....	157
4.3.5 <i>The Concluding Observations</i> .....	159
<b>CHAPTER 5. STATE SUBSIDY</b> .....	<b>161</b>
5.1 STATE SUBSIDY TO BUSINESS: A THEORETICAL REVIEW .....	161
5.1.1 <i>Subsidy: Terms and Definitions</i> .....	162
5.1.2 <i>The Subsidy Debate</i> .....	163
5.1.3 <i>State Subsidy: The Experience of Bangladesh</i> .....	164
<b>SECTION 1</b> .....	165
5.2 STATE SUBSIDY: THE CASE OF BGMEA AND THE READYMADE GARMENTS SECTOR .....	165
7 0 4 <i>at Sources</i> .....	166
5.2.2 <i>Corporate Tax on RMG</i> .....	167

5.2.3	<i>BGMEA Lobbying to Review Corporate Tax</i> .....	168
5.2.4	<i>Back To Back L/C Facility</i> .....	168
5.2.5	<i>Cash Incentive</i> .....	169
5.2.6	<i>Loan Investment from State-owned Banks</i> .....	170
5.2.7	<i>Export Credit System</i> .....	171
5.2.8	<i>Loan waiver to RMG exporters</i> .....	171
5.2.9	<i>Tax Holiday and VAT Waiver</i> .....	172
5.2.10	<i>Concluding Remarks on State Subsidy to BGMEA</i> .....	172
<b>SECTION II</b> .....		173
5.3	<b>STATE SUBSIDY: THE CASE OF QUICK RENTAL POWER PLANTS</b> .....	173
5.3.1	<i>State Subsidy to Quick Rental Power Plants</i> .....	174
5.3.1.1	Land and Infrastructure for rental companies .....	174
5.3.1.2	Direct and Indirect Financial subsidy.....	175
5.3.1.2.1	State Subsidy at supplying Petroleum to Quick Rental Power Plants .....	176
5.3.1.2.2	Power Development Board buys Electricity at a higher price from Quick Rental power plants .....	177
5.3.2	<i>The hidden figure of Subsidy: State's Lack of Transparency and Distortion of Information</i> .....	178
5.3.3	<i>Was the state structurally constrained to subsidize the rental power plants in addressing the power crisis?</i> 179	
5.3.4	<i>Concluding Remarks on State Subsidy to Quick Rentals</i> .....	182
<b>SECTION III</b> .....		183
5.4	<b>STATE SUBSIDY: THE CASE OF ASIA ENERGY</b> .....	183
5.4.1	<i>State patronage/subsidy to Business in the form of reduced Royalty</i> .....	184
5.4.1.1	What could be an ideal Royalty rate?.....	186
5.4.2	<i>The Argument for National Capacity Development in a Neoliberal Era</i> .....	187
5.4.2.1	Reduced Royalty vs elements of Public Interest .....	188
	Transportation Cost to be borne by the state .....	190
	Asia Energy's Revenue Earning vs State's Royalty Earning.....	190
5.4.2.2	Other Investment Incentives for foreign investors .....	192
5.4.3	<i>Concluding Remarks on State Subsidy to Asia Energy</i> .....	192
<b>CHAPTER 6. STATE REPRESSION</b> .....		194
6.1	<b>NEOLIBERAL REFORM, STATE REPRESSION, AND DEMOCRACY</b> .....	194
6.1.1	<i>Neoliberal Reform and State Repression in Bangladesh</i> .....	194
<b>SECTION I</b> .....		196
6.2	<b>STATE REPRESSION IN THE READYMADE GARMENTS SECTOR IN BANGLADESH</b> .....	196
6.2.1	<i>Background of State Repression and Labor Protest in the RMG sector</i> .....	196
6.2.2	<i>State-BGMEA led repression against Trade Unions: Evidences of False Cases and Lay offs</i> .....	198
6.2.3	<i>The State's attempt to form industrial police and the use of 'foreign conspiracy' argument</i> .....	202
6.2.4	<i>Content of Repression in the Labor Law</i> .....	204
6.2.5	<i>Repression against Women Workers: lack of action by State and BGMEA</i> .....	206
6.2.6	<i>Concluding Remarks on State Repression to RMG workers</i> .....	207
6.3	<b>STATE REPRESSION: THE CASE OF QUICK RENTAL</b> .....	208

6.3.1	<i>State's repressive actions against opposition to quick rental</i> .....	209
6.3.1.1	Nature of Opposition to Quick Rental and its inability to create pressure on the policy process .....	209
6.3.1.1.1	Public Dependence over Electricity .....	211
6.3.1.1.2	Public apathy over general strikes .....	212
6.3.2	<i>Concluding Remarks on Repression against Opposition to Quick Rentals</i> .....	213
<b>SECTION III</b> .....		214
6.4	<b>STATE REPRESSION IN PHULBARI: THE CASE OF ASIA ENERGY</b> .....	214
6.4.1	<i>The community's lack of access to the state's policy actors</i> .....	215
6.4.2	<i>The Use of state's Paramilitary force on non violent community protest</i> .....	216
6.4.3	<i>State officials' lack of interest in negotiation</i> .....	218
6.4.4	<i>Similar position of State and Asia Energy on August 26<sup>th</sup> violence</i> .....	218
6.4.5	<i>Use of threat by State's Paramilitary Forces against Local Administration</i> .....	220
6.4.6	<i>State's lack of action against the Security Forces</i> .....	220
6.4.7	<i>Concluding Remarks on State Repression to Phulbari Movement</i> .....	221
<b>CHAPTER 7. NEOLIBERAL REFORM AND THE ATTEMPT OF DEMOCRATIZING THE POLICY PROCESS</b> .....		<b>223</b>
7.1	THE DEVELOPMENT OF NATIONAL LEGISLATIONS AND 'DEMOCRATIC' PRACTICES IN BANGLADESH 223	
7.2	STATE, BGMEA, TRADE UNIONS: ATTEMPT OF 'DEMOCRATIZING' THE RMG SECTOR.....	226
7.2.1	<i>Provision of Participatory Committee: Attempt of 'democratizing' the work place</i> .....	227
7.2.2	<i>Trade Unions, Membership Requirements, and the fault-lines of 'Democratization'</i> .....	228
7.2.2.1	State's lack of cooperation .....	229
7.2.3	<i>Workers' access to policy process through participation in wage board: fault-lines of Democratization</i> .....	230
7.2.4	<i>Concluding Remarks on the attempt of 'democratizing' the RMG Sector</i> .....	233
<b>SECTION II</b> .....		234
7.3	QUICK RENTALS, BANGLADESH ENERGY REGULATORY COMMISSION, AND CITIZEN GROUPS: AN ATTEMPT OF DEMOCRATIZING THE POWER SECTOR .....	234
7.3.1	<i>The BERC and its attempt to democratize the power sector policies</i> .....	235
7.3.2	<i>The 'Power Struggle' between the Ministry and BERC: Fault-lines of 'democratization'</i> .....	236
7.3.3	<i>The Citizen groups' access to the policy making process</i> .....	238
7.3.3.1	The counter arguments presented by different Citizen Groups .....	239
7.3.4	<i>The Impact of BERC Hearing: The Concluding Remarks</i> .....	242
7.4	THE STATE, ASIA ENERGY, AND THE COMMUNITY OF PHULBARI: ATTEMPT OF 'DEMOCRATIZING' THE PHULBARI COAL PROJECT .....	243
7.4.1	<i>The attempt of Asia Energy to 'democratize' the Phulbari mining project</i> .....	243
7.4.2	<i>Public discontent in Phulbari and its 'failed' attempt to access the policy process</i> .....	245
7.4.2.1	The Role of the Local Administration.....	247
7.4.3	<i>Concluding Remarks on the attempt of 'Democratizing' the Phulbari Coal Project</i> .....	247
<b>CHAPTER 8. C " H C K N G F " ö U VPGWGU"IPVGRV U ö -E'OF ASIA' ENERGY</b> .....		<b>249</b>

8.1	THE THEORY OF SOCIAL RESISTANCE MOVEMENT.....	250
8.2	THE LIMITATIONS OF THE RESISTANCE MOVEMENTS AGAINST BUSINESS POLICIES IN BANGLADESH (THE CASE OF RMG INDUSTRY AND QUICK RENTALS).....	252
8.2.1	<i>The perception of ‘Lack of Alternative’ to existing policy.....</i>	254
8.2.1.1	The textile workers perception of ‘lack of alternative’ for the RMG industry .....	255
8.2.1.2	The urban citizens ‘perception of ‘lack of alternative’ to steady supply of electricity .....	256
8.2.2	<i>Lack of united political platform: Cases of Workers, Citizen Groups, and Consumers .....</i>	257
8.3	THE SUCCESS OF PHULBARI RESISTANCE: A ‘SELF-SUFFICIENT’ AGRO-BASED COMMUNITY WITH NO PERCEPTION OF ‘DEPENDENCE’ OVER MULTINATIONAL INVESTMENT .....	260
8.4	A COMPARATIVE ANALYSIS USING THE ‘MOST SIMILAR SYSTEMS DESIGN MODEL’ .....	262
8.5	IS RESISTANCE TO ASIA ENERGY PROJECT A RESISTANCE TO ‘NEOLIBERAL DEVELOPMENT’? .....	265
8.6	DOES SOCIAL RESISTANCE MOVEMENT STRENGTHEN CONDITIONS OF DEMOCRACY?.....	266
8.6.1	<i>Do all social resistance movements strengthen conditions of democracy? .....</i>	267
<b>CHAPTER 9. THE EVOLUTION OF BUSINESS LOBBYING IN BANGLADESH.....</b>		<b>269</b>
9.1	THE EARLY PHASE OF LIBERALIZATION ERA AND SCOPES OF BUSINESS INTERVENTION IN THE POLICY PROCESS (80S AND EARLY 90S).....	269
9.1.1	<i>Formal consultation in the government.....</i>	272
9.1.2	<i>Pro-active advocacy by business .....</i>	273
9.1.3	<i>Personal liaison and lobbying .....</i>	273
9.2	LATER PHASES OF LIBERALIZATION/POST-LIBERALIZATION ERA (NEOLIBERAL REFORM).....	275
9.2.1	<i>Current Scopes of Business Intervention: The case of BGMEA, Quick Rental, and Asia Energy</i>	277
9.2.1.1	BGMEA.....	278
9.2.1.1.1	BGMEA’s direct access to the highest level of policy process .....	279
9.2.1.1.2	Pro-active advocacy by BGMEA .....	279
9.2.1.1.3	Formal representation of BGMEA in the Government.....	280
9.2.1.2	Quick Rental .....	282
9.2.1.2.1	Ruling party members owning power plants.....	282
9.2.1.2.2	Rental owners’ direct access to the Prime Minister (Limited power of Council of Ministers and the Parliament) 283	
9.2.1.2.3	State pro-actively representing rental owners’ interest.....	285
9.2.1.3	Asia Energy.....	285
9.2.1.3.1	Ministry’s persuasion of the interest of ‘foreign investor’ .....	287
9.2.1.3.2	State Officials’ persuasion of Asia Energy’s interest in Expert Committees .....	288
9.3	HOW PRESSURE CREATED BY COMPETING INTEREST GROUPS AFFECT THE NEGOTIATION PROCESS ....	289
9.4	CONCLUDING ANALYSIS.....	289
<b>CHAPTER 10. CONCLUDING ANALYSIS.....</b>		<b>295</b>
10.1	RESEARCH QUESTIONS I: WHAT KINDS OF STATE-BUSINESS NEXUS OCCURS IN BANGLADESH? .....	296
10.1.1	<i>Current Channels of Access for Business Actors .....</i>	296
10.1.1.1	Ruling elites owning business: State pro-actively representing business interest .....	298
10.1.1.2	Formal representation of business in the executive policy making process (Advisory bodies/consultation committees/expert committees) .....	303

10.2	RESEARCH QUESTION II: WHAT MADE THE STATE BUSINESS NEXUS FAIL? THE CASE OF ASIA ENERGY	304
10.2.1	<i>Limitations and constraints to parliamentary power</i> .....	305
10.2.2	<i>Executive power dynamics</i> .....	306
10.2.3	<i>Level of visibility of the conflict</i> .....	307
10.2.4	<i>Existing conditions for social resistance</i> .....	309
10.3	RESEARCH QUESTION III: WHAT ARE THE IMPLICATIONS OF STATE-BUSINESS NEXUS ON THE DEMOCRATIC PROCESS OF BANGLADESH?.....	310
10.3.1	<i>Is it a perfect condition for Post Democracy?</i> .....	315
10.4	CONCLUDING STATEMENTS .....	317

**REFERENCE 318**

**APPENDICES 343**

APPENDIX A: INTERVIEW QUESTIONS AND CONTEXT.....	343
APPENDIX B: FOCUSED GROUP DISCUSSION QUESTIONS.....	348
APPENDIX C: LIST OF INTERVIEWEES.....	349

**List of Tables:**

Table 1: Ruling period of Major Political Parties in Bangladesh .....	87
Table 2: Members of the Parliament or Ministers owning /leading business groups in Bangladesh..	111
Table 3: Result of the negotiation process in the Labor Law Reform Committee.....	126
Table 4: Negotiation process in drafting the National Coal Policy: State vs. Independent Experts ..	148
Table 5: Year by Year PDB loss (FY2008-2015).....	179
Table 6: Alternativemethods for increasing electricity supply in the system .....	181
Table 7: Revenue Earning for Asia Energy (Over the 30 years of mine life).....	191
Table 8: Number of laid off workers in the RMG sector .....	201
Table 9: The gap between demanded wage and approved wage (1994-2017) .....	233
Table 10: A comparative analysis using the Most Similar Systems Design Model .....	264
Table 11: A comparative picture of different forms of state-business interactions between the early liberalization era and post liberalization era .....	293

**List of Figures:**

Figure 1: Business Actors’ Scopes of Intervention in the policy process in Bangladesh .....	84
Figure 2: The original/official process of PDB-approval for power projects .....	130
Figure 3: BPC + PDB subsidy to Quick Rental Power plants .....	175
Figure 4: Power relation between Ministry and BERC .....	236



---

## Chapter 1. Introduction

### 1.1 The Problem and the Context

The policy environment of Bangladesh has evolved from a heavily regulatory one to a liberalized economy in the last three decades. Though a private sector led liberalization process began in the late 70s in Bangladesh (Sobhan, 1993:926) a more coherent and systematic process of liberalization in Bangladesh began to emerge under the structural adjustment policies (SAPs) in the 80s (Rahman, 2005: 107). It is claimed that the implementation of liberalization policies involving trade liberalization, privatization, and withdrawal of public investment led to the emergence of a pro-investment/pro-business environment, based on a patronage system, causing the formation of a highly influential business and industrial class in the country which have appeared to control a major portion of the industrial and financial assets (Nuruzzaman, 2004:33).

The liberalization policies were observed to be gaining considerable momentum following the restoration of the parliamentary democratic system in 1991. Both political parties in government continued to apply ‘liberal’ economic reform programs led by the principles of *Washington Consensus*<sup>1</sup> and gradually opened up a number of crucial sectors of the economy for private/multinational investment, which a number of scholars in Bangladesh have characterized as ‘neoliberal reform’(Rahman, 2005:108). Parts of the business world in Bangladesh have gained substantial leverage by developing alliance with the governing elites. Meanwhile big business actors are seen to be enjoying direct access to the highest level of the policy making domain of the state including the ministers, secretaries, and even the Prime Minister (discussed in the later parts of the study).

The emerging influence of the business actors in Bangladesh and the attempts of business groups to influence public policy in favor of business interest in general have not yet appeared as a crucial factor in the discussion of democracy in Bangladesh. Rather, in the larger public domains of Bangladesh, the discussion on democracy has mostly remained limited to the procedural aspects of it. The periodic elections and electoral practices have frequently been presented by the mainstream political discourse and the media as the principal elements of democracy in Bangladesh.

---

<sup>1</sup>The Washington Consensus is a set of economic policy prescriptions constituting the ‘structural adjustment’ package assigned for debt driven developing countries back in the 80s by Washington, D.C.-based institutions such as the International Monetary Fund (IMF), World Bank, and United States Department of the Treasury.



---

It is to be noted that the issue of interrelationship between political power of business and democracy has been touched upon quite substantially in the Western academia (see Chapter 2). However, this debate remains almost non-existent in the academia or public domains in Bangladesh. Whatever may be the reasons for this vacuum in academia and in public debates, my argument is that exploring the relationship between the two in the context of Bangladesh deserves immediate attention, mainly due to the fact that a number of crucial business actors in Bangladesh have lately gained considerable financial and political leverage over the policy making process of the state. This particular phenomenon has been largely referred to be counterproductive to the democratic process of the states (Lindblom, 2007; Prezworski, 1988; Offe, 1991; Crouch, 2004; Bernhagen, 2007; Vogel, 1989; Block, 1977; Domhoff, 1998; Bernhagen, 2007; Nuruzzaman, 2004).

In this context, it is important to investigate and analyze the existing patterns of interaction between the business actors and policy actors in Bangladesh, along with its different implications on the policy elements of the relevant sectors of Bangladesh. It is also necessary to examine how and to what extent the combined efforts and actions of the state and the business groups affect the democratic process of the country.

## **1.2 Research Questions**

In order to gain detail understanding of the relationship between the state and the business actors, and its implication on the policy process, as well as on the democratic process of the state, this thesis will address a number of specific and interrelated questions:

- i. What kinds of state-business nexus occur in Bangladesh? What are the implications of such nexus on the policy elements of the state?
- ii. What factors contributed to the failure of a state-business nexus? Under what circumstances it succeeds?
- iii. What are the implications of such nexus on the democratic process of the state?

## **1.3 Choice of Cases**

By positioning ‘the implication of state-business nexus on democracy’ as the theoretical framework, the study attempts to explore and examine the nature and activities of three business groups in Bangladesh:

- 
- a. BGMEA (Bangladesh Garments Manufacturing and Exporting Association)
  - b. Asia Energy Corporation (a London based coal mining company)
  - c. Quick Rental/Rental Power Plants (a group of privately owned power plants).

It is important to note that though the chosen business groups of this study are different from each other in nature, they operate similarly at their own capacity and motive. For instance, BGMEA is a formally registered and structured association of garments business owners. On the other hand, quick rental/rental power plant owners do not have a formal or structured common association yet. Asia Energy Corporation is a London based mining company (enlisted in the London Stock Exchange) responsible for conducting operation in the northern coal fields in Bangladesh.

It is important to note that the rise of all three business groups could be seen as more or less associated with the neoliberal policy reform of the country. For instance, BGMEA as an association of readymade garments factory owners have benefitted largely from the state's direct export promotion policies throughout the 90s (discussed in Chapter 5, Section I). The decision of the government to outsource a part of its power production to privately owned rental companies have been a continuation of the government's ongoing privatization policies of the power and energy sector which begin in late 80s under the guidance of structural adjustment policies led by World Bank and IMF (see Chapter 4/5, Section II). The Asia Energy coal mining project in Phulbari is also largely associated with the consequent decisions of the Bangladesh government to liberalize important natural resource sectors in the country by attracting multinational investment into the sectors (see Chapter 4/5, Section III).

### 1.3.1 Case Study: Quick Rental/Rental Power Plants

A comparative analysis will be used in this study by applying a 'Most Similar Systems Design Model' in which three similar cases are compared while the dependent variable (the outcome of the process) differs for at least one case (the case of Asia Energy mining project in Phulbari) (discussed in later parts of this section). The following section of this chapter will discuss the main features of the chosen business groups, along with the reasons behind the choice of each case.

---

## Why BGMEA?

It is already stated that the Readymade Garments (RMG)<sup>2</sup> in Bangladesh has largely benefitted from the state's export promotion policies since the late 80s. Within a time period of two decades, the industry in Bangladesh has become a major export sector and a major source of foreign exchange for the country. Currently, the export earning of the RMG sector accounts for as much as 76 percent of the total export revenue of the country (Hasan and Ullah, 2016:40). The industry employs about 4 million workers of whom 90% are women (Hasan and Ullah, 2016:39). Bangladesh Garment Manufacturers and Exporters Association (BGMEA) is an industry group that was found in 1983 to initially assist the government to manage the administrative aspects of the global quota system on garments trade (U.S Staff Report, 2013:4). The official objective of the BGMEA is to protect and promote the interests of the RMG industry.<sup>3</sup>

While the BGMEA is observed to be enjoying growing influence within the government system (see Chapter 4 & 5, Section I), a large number of researches have indicated that working conditions in the readymade garment sector severely violates the International Labor Organization (ILO) standards. This includes absence of trade union in the industry, informal recruitment pattern, irregular payments, sudden terminations, wage discrimination, excessive work load, absence of weekly holidays, unhygienic environment, and workplace accidents (Ahmed 2012:3).<sup>4</sup>As an association of factory owners, the BGMEA is long being accused of opposing reforms that would ensure workers more rights (see Ahmed, 2012; U.S Staff Report, 2013: 4; Hague, 2015). The global outrage aggravated in 2013 by the fire incident of Tazreen Fashions Limited (which caused the death of around 110 workers), and by the collapse of 'Rana Plaza' building (which caused around 1100 death), raised serious concerns regarding the role played by BGMEA in suppressing labor rights and working conditions.

Though BGMEA leaders have consistently claimed that they are welcoming of unions in garment factories, any serious progress is yet to be observed in this regard (see Haque, 2015).

---

<sup>2</sup> The term RMG is commonly used as an abbreviation for the Readymade Garments industry in Bangladesh. This study has also frequently used the term 'RMG'.

<sup>3</sup>BGMEA's officially stated goals include maintaining liaison with foreign buyers, business associations, and chambers; bringing opportunities for local manufactures to interact with foreign buyers; organizing trade missions to explore new markets; facilitating trade in existing markets and recommending on key policies to the government officials (Official Website of BGMEA).

<sup>4</sup>The absence of a labor standard monitoring system, absence of effective building codes, lack of workplace safety, outdated labor laws, and lack of awareness of labor rights among workers continue to be serious concerns in the readymade garments industry of Bangladesh (Ahmed, 2012:3).

---

It is argued that a serious lack of political will is evident from the part of the state in improving the conditions of labor rights and working environment in Bangladesh due to the heavy political influence practiced by BGMEA (U.S Staff Report, 2013: 4). It is also observed that a large number of parliament members have close ties with BGMEA officials, and many are direct owners of textile factories themselves (U.S Staff report, 2013: 4; Financial Post, 2016; also see Table 2 in Chapter 3).

It is to be noted that labor unrest is widespread in the RMG sector in Bangladesh. In most cases, the attempt or process of forming trade unions is obstructed by severe repression, dismissal, arrest, and assaults (Ahmed, 2012:4, see Chapter 6, Section I). It is also important to note that current labor law of Bangladesh is accused for being accommodating the interest of the factory owners at the cost of labor interest (see Chapter 4, Section I). It is also evident that the BGMEA has consistently pursued the government to provide a large number of financial subsidies and policy incentives for the factory owners (see Chapter 5, Section I). Moreover, despite of a consistent labor campaign for a minimum wage of \$200 per month, and a negotiation process from the part of the state to implement the minimum wage in 2013, the BGMEA has been able to successfully block the bill and pressurized the state to compromise at a wage rate of \$100 per month (see Chapter 7, Section I). Overall, BGMEA represents a worthy case to understand the different dynamics and nature of state-business nexus in the readymade garments sector of Bangladesh. It is also important to explore how and why such state-business nexus functions in the RMG sector even in the face of constant labor struggle.

### **Y j { " ÷ S w k e m " T g p v c n ø**

The Quick Rental power plants in Bangladesh are a group of privately owned power plants which are owned and operated by different business groups. As of 2017, the government has signed contracts for around 39 rental/quick rental plants.<sup>5</sup>It is to be noted that Bangladesh Government began to allow the private actors in the field of power production in the early 90s (Previously it was the state owned power plants which produced and supplied the required electricity to meet national demand). Due to excessive power shortage during the

---

<sup>5</sup>The only difference between the rental and quick rental power plants is the ‘time frame’ of the contract mentioned in each agreement. For instance, quick rental contracts are commonly signed for 3-5 years, whereas rental power plant contracts are signed for a comparatively longer period (8 to 10 years). The fact that most tenure for the quick rental power plants have been renewed in the recent times for further 3-5 years, the ‘rental’ and ‘quick rental’ plants have failed to remain distinct from each other. In this thesis I have used both the terms ‘rental’ and ‘quick rental’ interchangeably.

---

year of 2009, the state entered into deals with a group of private companies to produce electricity for a short term basis. Rental/Quick Rental projects are considered to be a part of the state's reform agenda under the policy directives of the World Bank to gradually outsource/privatize a large portion of its electricity production to private actors (see Chapter 4, Section II). The *Ministry of Power and Energy* consistently claimed that the privately owned quick rental power plants are the quickest way of meeting the growing demands of electricity in the country.

There are various ways through which the rental business groups attempt to interact with the policy actors and the state officials of the country. The strong political and financial liaison between the owners of the quick rental power plants and the members of the ruling party is also visible in the public domain (discussed in Chapter 4). The implications of such interaction could be seen in various policy elements of the state. For instance, one of the major criticisms of the quick rental system is that these private power plants are heavily subsidized by the state (discussed in Chapter 5, Section II).<sup>6</sup> It is also important to note that the state-owned power plants produce electricity at a much cheaper rate than the privately owned quick rental plants (discussed in Chapter 5, Section II). The continuing cycle of state subsidy to the quick rental power plants (while the quick rental plants continue to charge a high price for produced electricity) have also caused a vicious price hike since the year of 2009.

In 2010, a Special Power Supply Act was passed in the parliament which permits the state officials to bypass the regular procedures of competitive bidding during the entire process of awarding rental contracts to private companies. It has also blocked the legal jurisdiction over the power production process ((discussed in Chapter 4, Section II).

Despite opposition from various groups including experts, economists, and left oriented political parties, a number of quick rental deals have already been extended for another 3-5 years. The quick rental power plants, as a group of private sector power producers, presents a crucial case which exhibits strong responsiveness of the state towards business interest, despite of emerging discontent of the other countervailing groups within the country.

---

<sup>6</sup>For instance, the state buys diesel and furnace oil from the international market at a regular market price and supplies it to the quick rental power plants at a subsidized rate in order to keep the production cost low.

---

## Why Asia Energy? The case of a failed state-business nexus

By early 90s the government of Bangladesh began to open-up its important sectors of mineral resources (including oil, natural gas, and coal) for foreign investors under the policy guidelines of the World Bank and the International Monetary Fund (IMF). The Asia Energy Corporation, a British based public limited company signed an agreement with Bangladesh government in the year of 1999 with the task of mineral exploration and open pit extraction of coal in the Phulbari coal-field (a sub district located in the Northern part of Bangladesh).

The Phulbari coal-field covers a total land area of around 179 square kilometers (REC, 2006:5). It is claimed that few projects in Bangladesh have involved such large scale land acquisitions (BIC, 2008:12). According to the BIC report,<sup>7</sup> the project in long term would end up displacing around 50,000 people from the area (BIC, 2008:15).

An ‘Independent Expert Committee’<sup>8</sup> claimed that a number of irregularities existed in every phase of the Asia Energy contract. The agreed royalty rate (6%) for the host government is alleged to be significantly lower compared to the potential environmental and agricultural loss from the mining operation (REC, 2006:6).<sup>9</sup> It is also evident that the National Coal Policy of the state contains clauses which are indicative to the state’s inclination towards business interest, including preferences for open pit mining and export of coal. It is also alleged that the various clauses of the coal policy are designed to provide a range of facilities to the lessee company, as well as to offer a leeway for Asia Energy to operate in the region, despite of public discontent (see Chapter 4, Section III).

The Phulbari coal project was ultimately abandoned by Asia Energy in the face of a mass uprising in the Phulbari region. Despite of the strong financial incentive for the company to carry on with the project, and the perceived alliance between the Asia Energy officials and various elements of ruling party, the state administration was ultimately forced to withdraw

---

<sup>7</sup> BIC (Bank Information Center) is a globally operating non-profit organization with the stated objective of making the International Financial Institutions (such as World Bank) accountable in the ground of social and economic justice and ecological sustainability.

<sup>8</sup>An expert committee, headed by Prof. Nurul Islam, Director, Institute of Appropriate Technology, Bangladesh University of Engineering and Technology (BUET), was formed on November 17, 2005 by the Government of Bangladesh, in order to make suggestions on appropriate methods of coal mining considering the geological conditions, and to make suggestions on taking required steps for environmental protection (REC, 2006:1).

<sup>9</sup>An Asia Energy report itself has acknowledged that the Phulbari coal mining project would cause substantial loss of agricultural land, livelihood, and cereal production, cost of involuntary relocation, increased vulnerability of poor people in the project area, and disruption to social bondage (see REC, 2006:9-10; BIC, 2008). The other potential negative impacts of the project include groundwater changes, surface water pollution, spills, air pollution, and noise pollution.

---

its security forces from the area due to strong pressure created by the locally organized mass movement (see Chapter 6, Section III). The failure of Asia Energy Corporation in implementing the Phulbari coal project in 2006 therefore presents an unique case. Several important questions could be asked to understand the dynamics of the failure of the state-business nexus in Phulbari: Which factors/variables influenced the ‘democratic’ elements of the society to resist the joint attempt of the state and the business? In which ways the uprising of Phulbari was different than the struggle of textile workers of the country? In which ways it is different than the constant campaign of the left parties against privatization of the power sector?

Overall, the case of Asia Energy presents an exceptional case in which the democratic elements of the society are observed to be successful in challenging the elements of state-business nexus with much effectiveness. It is also within the scope of this study to briefly explore the extent of effectiveness of such attempt in ensuring long-term democratic change within the state system (discussed in Chapter 9).

#### **1.4 Methods of Research**

The study used a mixed methodology containing both primary and secondary tools of research. In order to investigate the existing forms of state-business nexus in the three cases of this study and to understand its implications in the policy process, it was necessary to use a diverse ranges of methods for each case. Since each case study deals with widely dissimilar phenomena (subsidy, legal reform, repression, and attempt of democratization) it was not feasible to use any one particular method which would cover each case. Hence, to identify the policy interactions between the business actors and policy actors and the implications of such interactions in the policy elements, almost all of the following methods of research were used back and forth:

- a. Interviews
- b. Academic Research/scholarly journals
- c. Newspaper content analysis
- d. Government documents/Policy paper analysis
- e. Informal focused group discussions
- f. Personal attendance and observation of government events (i.e. Public Hearing).



---

## **Interviews**

The following persons are frequently interviewed for Chapter 3 to Chapter 9:

- ◁ Prominent academicians and experts
- ◁ Business leaders or members of the business groups
- ◁ Government Bureaucrats/Formers members of the Government
- ◁ Trade union leaders and activists
- ◁ Communities of Phulbari (the area in which Asia Energy attempted to operate)
- ◁ Members of the left political parties
- ◁ Journalists covering the relevant sectors for long

It is to be noted that the different academicians and experts I have interviewed for this thesis are well known in the public domain for their long-term specialized expertise in the relevant sectors. The political leaders I have interviewed are also well-known public faces in Bangladesh who have been widely acknowledged in the political arena.

To understand the dynamics of the Labor Law and its implications on both owners and the workers, I interviewed a number of prominent Trade Union leaders, former government officials, and former high officials of BGMEA. Similar interviews are conducted to understand the participatory approaches of both policy actors and the RMG owners.

To understand how the quick rental plant owners interact with the policy actors, I interviewed B.D Rahmatullah, a former director of the power sector. He provided a useful insight over the various channels of interactions in the power sector, as well as how the vested interest system works within the power sector of Bangladesh (see AppendixC for complete list of Interviewees).

## **Newspaper Content**

One of the major problems I faced during searching for authentic materials is the lack of official documents and academic publications. I have extensively covered a large number of news reports and articles for tracking down events and incidents related to my cases. I used few largely circulated English and Bengali daily newspapers (i.e. Daily Prothom Alo, Daily Star, Dhaka Tribune, New Age, Daily Kaler Kantho) and a number of well acknowledged online based news websites (i.e. bdnews24.com) for references. Chapter 5 (State Subsidy) has



---

widely used newspaper contents to track down the series of financial incentives and subsidies provided to the RMG industry in the last decades. Chapter 6 (State Repression) has also used series of news contents to track down reports of state's repressive actions against the RMG workers as well as the anti-privatization left activists. It is to be noted that state repression in Phulbari, as well as in the RMG sector is comparatively well documented (both in news and publications). On the other hand, resistance to quick rental projects and repression against left activists is relatively less understood and less documented due to its sporadic nature (described in Chapter 6, Section II).

### **Government Documents/ Academic Publications**

A large number of government documents and academic publications are being used for different chapters of this study. For instance:

Chapter 4 (Legal Reform) used the following drafts/policies

- ◁ National Coal Policy Draft
- ◁ National Labor Law 2006 and 2013
- ◁ Special Power Supply Act 2010

Chapter 5 (State Subsidy) used the following publications:

- ◁ Annual reports on Bangladesh Power Development Board; Annual reports on Bangladesh Petroleum Corporation.
- ◁ Expert Committee Assessment Report for Asia Energy Project

Chapter 6 (State Repression) used the following publications:

- ◁ Academic publications on Phulbari resistance
- ◁ Academic publications on state repression on RMG sector

Chapter 7 (Attempt of Democratization) used the following government documents/academic publications/company documents

- ◁ Official documents of Bangladesh Energy Regulatory Commission;
- ◁ Documents prepared by Consumers Association of Bangladesh (CAB).
- ◁ Asia Energy reports on Phulbari Public Consultation
- ◁ Independent Expert Committee reports to verify the consultation process.

---

## **Focused Group Discussion**

To understand the local dynamics of the social resistance movement in the Phulbari region against the Asia Energy project, I conducted a focused group discussion in Phulbari (in 2015) involving seven residents from the community who directly participated both in the movement and in different surveys conducted by Asia Energy. The discussion took place in an informal manner through which I attempted to understand the following issues: i. Phulbari community's attempt to reach the policy process, and ii) The 'independent' variables which contributed to the development of the Phulbari resistance (see Appendix B for list of participants and points of discussion for the focused group discussion).

## **Personal Attendance, Observation, and Documentation**

I personally attended at least two public hearing meetings arranged by the Bangladesh Energy Regulatory Commission, at the TCB center, Dhaka (held on August 7-14, 2016; September 25-October 4, 2017). Following the meetings I personally met a number of important stakeholders of the event, including the left party leaders, members of business associations, and the energy advisor to the Consumer Association of Bangladesh (CAB), as well as the Chair of BERC. I have also personally collected documents from a number of state-officials and stakeholder participants, which are used for understanding the operational capacity of BERC, as well as the stake of other competing forces in the process.

I have also personally attended a number of demonstrations and protest activities in Bangladesh mostly arranged by left political parties or trade unions, through which I gained an understanding of the strength and limitations of the social/political movements in Bangladesh. In a small number of cases I used my own observations and my participation to different events as formal references.

## **1.5 Research Organization**

The study contains 3 major segments:

1. Theoretical and conceptual review of *state, state-business nexus, democracy and the convergence of neoliberal reform with democracy*
2. Empirical findings on different patterns of state-business nexus along with its implications on the policy process
3. Comparative analysis of the three cases based on empirical findings (based on Most

---

Similar System Model).

### **1.5.1 Segment One: Theoretical and Conceptual Review (Chapter 2)**

The first section of the thesis is largely consisted of secondary literature based on theoretical scholarships. It is mostly designed to review existing academic literature on:

- a. Theories of state and the theories of political power of business (i.e., elite unity and structural constraints of state)
- b. The definition, the notion, and the critiques of different discourses of democracy, as well as the impact of state-business nexus on democracy.
- c. A theoretical analysis on the convergence of neoliberal reform, state-business nexus, and democracy at different layers
- d. The theories of lobbying and the particular conditions of interactions between policy actors and business actors

### **1.5.2 Segment 2: Empirical findings on the pattern on State-business nexus and its implications on the policy process (Chapter 3, 4, 5, 6, & 7).**

The second segment attempts to explore the different patterns of interaction between the state actors and the business actors, and investigates the various empirical implications of these particular state-business nexus in the policy process. The underlying questions are: To what extent and in what forms state business nexus occurs in the particular cases of this study? And how does it affect the policy elements of the relevant sectors?

It is important to note that there is no single existing theoretical structure which identifies all different forms of state-business nexus. Theoretical works suggest that the interaction between the state and the business actors occurs both at the executive and the legislative channels. The choice of interaction or intervention points of different interest groups or business actors largely depends on the policy making structures of different countries, as well as the strength and limitations of different policy actors. While business actors may find it convenient to interact at the executive level by establishing connection with the bureaucrats, ministry officials, or ministers; other interest groups may find the parliamentary committees more accessible and responsive (see Bernhagen, Dür, and Marshall, 2015 in Chapter 2).<sup>10</sup>The

---

<sup>10</sup>Chapter 3 discusses the channels of intervention in policy making system of Bangladesh including the functionality and efficiency of both the executive branch and the parliamentary committees.

---

work of Kochanek (1994)<sup>11</sup> suggests that the interaction between the policy actors (both state officials and parliamentary members) and the business actors in Bangladesh during the early liberalization period (80s and early 90s) occurred mostly at four levels:

1. Ruling elites (Both state officials and parliamentary members) themselves own and operate business, and thus naturally represents the business interest in the policy making domain.
2. Pro-active advocacy by business associations (Business itself uses its right of petition to play a direct advocacy role through formal and informal meetings, memorandums letters, and conferences).
3. Formal representation of business in the policy making mechanism (Government forms verities of formal advisory committees, commissions, or councils, through which business organizations present their demands and concerns).
4. Personal lobbying based on individual level connections.

It is important to note that during the 80s the government of Bangladesh has adapted to the structural adjustment programs led by the policy directives of the World Bank and the IMF. The era of structural adjustment policies is identified as the early phase of ‘economic reform era’ in Bangladesh which included various measures of trade reform, privatization programs, and financial reform (see Chapter 3 for detail). During the same time the government began to withdraw its investment from important public services.

The liberalization policies gained considerable momentum following the restoration of the parliamentary democratic system in the 90s. Consequent governments continued to apply ‘liberal’ economic reform programs led by the principles of Washington Consensus. Important sectors of natural resources were opened up for foreign investment. A *Board of Investment* was established to attract multinational investment by offering a large number of financial incentives. The post 90s liberalization programs are largely identified by a number of scholars in Bangladesh as the era of ‘neoliberal reform’ (Muhammad, 2015; Nuruzzaman, 2004; Greenwood & Kabir, 2016). As measures of liberalization intensified with the reform policies of the state, a number of interaction points between policy actors and business actors are being observed, which largely resembled the earlier channels of interactions previously

---

<sup>11</sup> Kochanek’s *Patron-Client Politics and Business in Bangladesh* is a comprehensive academic work based on nearly hundreds of extended interviews and discussions with leading politicians, business owners, associational staff, government officials, and policy makers in Bangladesh. Kochanek’s work attempted to capture more than 2 decades of internal politics of associations in Bangladesh (Kochanek, 1993:9).

---

identified by Kochanek. Chapter 9 will discuss in detail the similarities and differences of the patterns of state-business alliances between the early liberalization era and the later phases of the liberalization period (academically known as the era of ‘neoliberal reform’).

### Implications of State-business nexus on the policy process

Empirical field research of this study suggests that the interaction between the state and business actors following the neoliberal reform policies led to at least four distinct outcomes or implications in the policy process of Bangladesh. For instance: as liberal reforms continued, policy makers of the state have made attempts to change specific laws or to intervene in the legal process in favor of business. Similarly, substantial amount of state subsidies are observed to be provided to business groups. State applying repressive policies towards public opposition against business interest has also become common. Meanwhile, as reform oriented social/economic discontent intensifies, in many cases both the state and the business actors attempt to ‘democratize’ the policy spaces in order to ensure participation of other countervailing forces in the process. Despite of such attempt (either caused by international pressure or local resistance), the ‘democratization’ programs are eventually observed to be ‘biased’ in favor of business interest (See Chapter 7). In addition to the above mentioned implications of state-business nexus, incidents of illegal/extra-legal deals, bribery, bank-loan defaults, and widespread corruption have also been evident in Bangladesh. However, such implications are out of the scope of this particular research.

### **1.5.3 Segment Three: Comparative Analysis (Chapter 8 & 9)**

Segment 3 attempts to investigate the underlying causes behind the success or failure of a state-business nexus. This study has used the Most Similar System Model to undertake a comparative analysis for its three cases. To break it down, if a state-business nexus appears to be successful, the study will address the factors/variables which contributed to such success. If a state-business nexus appears to be unsuccessful, the study will attempt to address and analyze the factors/variables contributing to that outcome. For instance, in the case of Asia Energy, the presence of a social resistance movement in Phulbari appeared to have played the most crucial role in blocking the ‘nexus’ between the state and the business actor, which tried to implement a coal mining project in the region.

---

The Most Similar System Model compares very similar cases which only differ in its *dependent variable*. The model also attempts to understand why the outcome is different between the subjects. The goal is to identify those *independent variables* which explain the presence/absence of the dependent variable. There are two methods of applying the most similar systems design model: a. a stricter application and b. a loose application. The stricter application chooses cases with a number of similar variables (control variables), which would only differ from each other by one single independent variable. The ‘looser application’ uses similar concept; however, while the cases have similar characteristics, they are not strictly adhered to a set of control variables. A ‘looser application’ is applied in this study in which three similar cases are compared while the dependent variable (the outcome of the process) differs for at least one case (the case of Asia Energy mining project in Phulbari).

Based on the theoretical and conceptual understanding of various discourses used in this study, this study aims to conclude that a successful state-business nexus indicates a policy process which is short of necessary democratic elements. On the other hand, a failed state-business nexus indicates a policy process which has become exposed to adequate level of countervailing pressure, and hence turned out to be responsive to the democratic elements of the society (i.e Social Resistance). By understanding the independent variables influencing the ‘success’ or ‘failure’ of a state-business nexus, the study will attempt to examine how a democratic process operates, succeeds, or fails within a state system. The study will also analyze the long term implications and the limitations of such democratic elements occurring in the society.

## **1.6 Limitations of the Study**

It is important to note that during the initial phase of the research, I planned to investigate and identify the actual lobbying process within the policy making domain through which business actors bargain with the policy makers. I planned to address an important question: *How* does business lobbying occur in Bangladesh? Initially I prepared a set of interview questions and attempted to interview a number of policy makers from relevant ministries as well as the members of the business groups in order to identify the current process of lobbying in Bangladesh.<sup>12</sup>The objective of my interview questions were as follows:

---

<sup>12</sup> Appendix A has demonstrated one of the sets of interview questions prepared for the BGMEA officials, labor representatives, and the government officials dealing with the RMG sector in Bangladesh.

- 
- ◁ Identifying the strength of network; for instance, the frequency of contact, duration and intimacy of association, provision of reciprocal services, overall connectedness or disconnectedness of actors.
  - ◁ Understanding the content and pattern of relationships in order to identify what kind of information/resources is exchanged between the two actors? How is it relevant in the policy making process? For instance, “Who gives what kinds of information to whom?” “Who does not give/receive certain information?” and “How policy actions differ based on that?”
  - ◁ Identifying the common social origin of actors indicating an ‘elite-network’ (see Milliband, 1969).
  - ◁ Identifying how the actor’s kinship, work, or relationships affect the way in which actions are taken?

It is important to note that Kochanek’s study (1993) exclusively focused on the evolution of business groups in Bangladesh and investigated the different channels of interactions through which business entities lobbied in Bangladesh. The work of Kochanek has already identified four distinct patterns of policy channels (both formal and informal) within the government bodies during the 70s, 80s, and the earlier parts of 90s. The four patterns of state-business interactions is already specified in Section 1.5.2 (Segment 2 of this chapter), which is observed to be having close resembles with the contemporary patterns of lobbying in Bangladesh since the post liberalization era (since mid 90s).

It is already noted that Kochanek specifically identified ‘pro-active business advocacy’, ‘formal representation of business in government’, ‘ruling elite’s ownership of business’, and ‘personal lobbying’, as four distinct procedures of lobbying through which business actors in Bangladesh interacted with the policy makers throughout the 80s and early 90s. Though the findings of this study and understanding of the policy channels of Bangladesh in the post 90s era are largely similar to Kochanek’s findings, few variations also exist (see Table 12 in Chapter 9). A brief summary of different patterns of policy interactions in the current times is noted below:

- ◁ Pro-active advocacy by business associations in Bangladesh occurs in a number of forms. In general, government officials or ministers from relevant sectors are invited to attend seminars, symposiums, or conventions, organized by business associations,

---

in which business leaders present their demands, and lobby publicly in front of the media. Arranging press conferences to place a particular demand at times of economic urgency is also another common form of advocacy by business groups. Currently, business actors are also frequently seen to be presenting their views and demands in TV talk shows.

- ◁ A number of systematic/formal representation channels exist for the business groups in Bangladesh, which includes Government-led Consultation Committees, Expert Committees, or Special Advisory Committees.
- ◁ The most common form of lobbying occurs ‘closed door’ at an individual level based on mere personal connections. Big business actors have more direct access to the highest echelons of the policy making domain of the state. This form of lobbying is difficult to track and examine.
- ◁ Ruling party members owning shares of business has remained a common phenomenon in Bangladesh, which is largely evident in the RMG sector and the power sector. This particular phenomenon has played an important role in shaping the role of the policy makers in favor of business interest (discussed in later parts of the study).
- ◁ Business actors frequently get to meet the state officials in various social events. The important state officials and ministers also regularly attend international conventions in which business leaders frequently join as delegates.

Chapter 3 of this study has discussed in detail the lobbying process in Bangladesh during the liberalization era, with heavy reference to Kochanek’s work. However, after Kochanek, no other single study was conducted in Bangladesh, attempting to investigate the nature of influence of the business world in the policy process of Bangladesh during the later phases of the liberalization era (post 90s). In this context, following a number of interviews, I identified a number of limitations of my understanding of the lobbying process in Bangladesh, as well as the limitation of the very mechanism of mere ‘interviewing’ as a tool to investigate such lobbying process. For instance, Kochanek’s work (1993) specifically focused on the interest group behavior within the state system of Bangladesh, which required extensive level of inside connection, direct/indirect assistance from the government officials, and a large number of visits in the ministries. It is mentioned earlier that the findings of Kochanek’s work were based on more than hundreds of conducted interviews and discussions with leading politicians, business owners, associational staff, government officials, and policy



---

makers in Bangladesh. Kochanek's work also attempted to capture more than 2 decades of internal politics of associations in Bangladesh, along with its alliance with the state's policy makers (Kochanek, 1993:9). However, as the market system gradually evolved in Bangladesh since the 90s, the process of lobbying has become more intense and complex in the current times. Excessive secrecy and lack of transparency within the policy-making domain has made the process of lobbying more and more unsystematic, personalized, and covert. Therefore, merely interviewing the policy actors and the business actors are not sufficient enough to receive important information to have a systematic understanding of the lobbying process in the country. While finding direct evidences of personal lobbying remains difficult, scattered and partial information provided by the business representatives and the policy makers indicates an arbitrary, unsystematic, and informal nature of lobbying that currently exists in the policy domain of Bangladesh. Some sector specific findings from the interviews (in relation to the lobbying process in Bangladesh) are noted below:

**BGMEA:** It is evident from the policy choices of the government that BGMEA, as a powerful association, practices high level of influence over the government. Pro-active advocacy through seminars and press briefing along with formal representation in various government-led consultation bodies are common opportunities for BGMEA to pursue the state actors. However, my interview sessions with the representatives of the BGMEA did not help me to identify a systematic pattern of BGMEA lobbying in the government. According to high officials of BGMEA, BGMEA members get to meet the policy makers/government officials 'whenever an issue arises'.<sup>13</sup> Such issues range from concerns over minimum wages to even gas/power connection to new RMG factories. The former vice president of BGMEA even claimed that if he wants he can get an appointment of the Prime Minister within a matter of 2 hours.<sup>14</sup> He also humorously mentioned that the highest earner of the family always gets the biggest piece of the chicken. Though, the overall tone of the BGMEA officials I interviewed gives an impression that the BGMEA issues are 'well taken care off' in the ministries considering its 'immense' contribution to the Bangladesh economy; based on the conversations, it was not possible to identify the frequency and duration of their associations, the content or pattern of discussion, or if there is any reciprocal services involved or not. The following findings are noted:

◁ BGMEA feels that the highest level of the government is easily accessible.

---

<sup>13</sup> Azim, Shahidul. Former Vice President of BGMEA. Interviewed on July 29, 2014.

<sup>14</sup> Ibid.

- 
- ◁ Discussion and meetings take place spontaneously, based on the urgency of the issues.
  - ◁ The mode of communication or lobbying could be both formal and informal, considering the strength of relationship and kinship between the two actors.

In this context, to better understand the nature of policy interactions in the RMG sector, I majorly focused on interviews with the Trade Union leaders who participated in different consultation committees in order to assist the drafting of the labor law. In addition to that, various news paper contents and academic publication are used as important sources of information to understand the implications of state-business interaction in the policy outcome of the RMG sector.

***Quick Rental Power Plant Owners:*** As there is no common platform or formal association for the quick rental power plant owners in Bangladesh, I did not get to speak with a ‘representative’ of common interest; rather I had to interview individual owners of the quick rental power plants. I attempted to interview at least five owners of the rental plants, however, managed to interview only three of them. All spoke to me in their individual capacity and motive, and preferred to remain anonymous. For all three interviewees, the prepared set of questions seemed bit out of context.

Firstly, my questions regarding the actual ‘lobbying’ process (involving frequency, duration, intimacy, pattern, and content of meetings, as well as exchange of information and other services) are frequently ignored by the interviewees. All three of them ‘assured’ that there is no systematic ‘lobbying’ in this sector. In most cases, the business actor (directly or indirectly associated with the ruling party) directly approach the Prime-Ministers office for receiving approval for the proposed rental power plants. In many cases, the policy actors act pro-actively to assist the quick rental plant owners. Interviewees affirmed that political or financial intimacy between rental owners and ruling party members is a common phenomenon. A rental plant owner mentioned humorously that considering the business community’s constant ‘donation’ to the political parties during the election time, the rental deals are trivial reciprocal contribution from the part of the government to the business groups. Overall, little useful information could be retrieved from the interviewed owners in relation to the frequency of contact or intimacy of association, provision of reciprocal services, and overall connectedness or disconnectedness of actors, which could help to identify any systematic channel of lobbying. However, I had the rare opportunity to interview

---

the former director general of the Power Cell of the government (who was sacked by the then BNP government in 2006 for his opposition to quick rental projects), who provided sufficient information which helped to understand the internal dynamics of the power sector lobbying, including the policy outcomes of the special committee meetings on the issue of rental deals. While lobbying for rental deals are found to be largely depending on individual connections between rental plant owners and ruling party members; series of state subsidy to rental plant owners were mostly observed to be driven by policy maker's pro-active moves (see Chapter 9 for detailed discussion).

My realization is that due to the lack of transparency in the system, there exists a degree of discomfort among the rental owners to talk about the process of lobbying and rental owners' connection with the ruling party owners. While the BGMEA officials have been very open about their visits to the Prime Ministers' office, lack of comfort was evident in the conversation with the rental owners while talking about their direct access or direct 'dealing' with the high officials of the state. It is important to note that, whether or not the quick rental owners lobby collectively or individually to the different layers of government is a matter of further investigation.

To understand the nature of lobbying and policy interactions in the power sector, I majorly focused on interviews with experts and government officials who participated in different advisory and consultation committees for drafting the national coal policy. In addition to that, various news paper contents, expert committee reports, and government documents are used as critical sources of information to understand the implications of state-business interaction in the policy domain of the power sector.

***Asia Energy:*** Following the Phulbari uprising against open pit coal mining in 2006, Asia Energy Corporation changed its name to GCM and continued to remain 'low profile.' I have made several attempts to meet the formal officials of the company, but failed. The contact numbers (mobile no) I received from different sources no longer exist. Visiting their Dhaka office did not help, as no high profile official seems to work from there. After several failed attempt of interviewing, I could interview only one official who previously worked for the Asia Energy project. However, information derived from the interview was not sufficient enough to be able to identify a solid lobbying pattern.

---

For the purpose of this section of the study, I majorly focused on interviews with experts who participated in different advisory and consultation committees to draft the national coal policy. In addition to that, various news paper contents, expert committee reports, different versions of National Coal Policy drafts, and government documents are used as important sources of information to understand the implications of state-business interactions on the policy process. Various national/international research on Phulbari resistance and a focused group discussion with Phulbari residents also helped understanding the factors influencing the development of a successful social resistance in Phubari.

### **Limitations to Interviews with policy actors/government officials**

I have attempted to interview at least 5 policy makers/government officials from the relevant ministries, and managed to interview 3 of them.<sup>15</sup> All three admitted that there is a consistent presence of business lobbyists in the ministries. It is also admitted that the bureaucrats/officials of the ministry often feel obligated to respond to the demands of the business actors mostly due to their direct connection to the Ministries. The government officials I interviewed confirmed that lobbying occurs both at individual and collective level. In many cases, it occurs outside the Ministry, at a personal level.<sup>16</sup> It is also confirmed by the government officials that many influential members of the ruling party have been very close to the known business tycoons of the country, including various BGMEA leaders and rental plant owners. It is also confirmed that a number of them also tend to build family relationships by ‘arranging’ marriages among their children. Though the interview begin with a formal set of questions, it was difficult to stick to it, as the interviewees preferred to go with a free flow. It was also difficult to identify a systematic pattern of lobbying or network due to the random nature of information. Nevertheless, a large number of important information was derived from the interviews which helped to identify the implications of the state-business policy interactions on various policy outcomes of different sectors.

#### **1.6.1 Concluding Remarks on the Limitations of the Study**

A systematic study focusing on the current lobbying process in Bangladesh would require long-term examination and a large number of interviews with policy makers, government officials, and representatives of different business groups. It would also require long term

---

<sup>15</sup>See Appendix A

<sup>16</sup> Islam, Shafikul. Former Joint Secretary, Cabinet Division, Government of Bangladesh. Interviewed on December 3, 2015.

---

engagement and regular visits to the Ministry to receive updates on meetings and negotiations that occur between the government officials and business representatives. It would also require a great level of ‘insider information’ as well. For the above mentioned limitations, a systematic or scientific approach to identify the lobbying patterns in Bangladesh would be outside the scope of the study. Instead, this particular study has examined in detail four specific patterns of state-business interactions which largely resemble the pattern of policy interactions identified by Kochanek in 1993. The study also majorly focused on four different ‘implications’ of the different patterns of state-business nexus in the policy process of the state.

A systematic and comprehensive examination of the process of business lobbying occurring both inside and outside the government would be a solid addition to the study, and would complete our understanding of the process through which state-business nexus might occur in Bangladesh.

## **1.7 Overview of the Thesis**

The thesis has ten chapters. Following the introductory chapter, Chapter 2 presents the general conceptual and theoretical issues of state, state-business nexus, and democracy in relation to economic reform or ‘neoliberal reform’. Chapter 3 covers the historical evolution of the business groups in Bangladesh in relation to the different phases of liberalization era. It also examined the strength and limitations of the current governing structure and policy process in Bangladesh in which business groups function as a dominant political player.

The next four chapters have discussed the different implications of state-business nexus or how the ‘nexus’ affects different policy elements related to the relevant sectors. For instance, Chapter 4 (Pro-business legal intervention) examines the legal interventions from the part of the state in making laws or policies, or initiating special acts in favor of business interest in the case of the three particular business groups in Bangladesh. Chapter 5 (State-subsidy) has discussed how various types of direct and indirect subsidies are provided to the three business groups in Bangladesh through out the economic reform era. Chapter 6 (State Repression) examines how the state actors have adopted repressive actions in order to contain public opposition against the three business groups of this study. Chapter 7 (Attempt of Democratization) explores the attempts of the state and the business groups in ‘democratizing’ the policy process through the adoption of various participatory approaches.

---

However, the chapter also examines how due to underlying alliance between the state and the business groups, along with the business actors' natural inclination towards business interest, such attempts of democratization becomes counterproductive.

Chapter 8 has examined the role of social resistance movements (along with the role of other factors/variables) contributing to the success or failure of the existing state-business nexus in Bangladesh. Chapter 9 compares the similarities and differences of the patterns of policy interactions between the earlier era of liberalization and the later phases of liberalization era in Bangladesh. Finally, Chapter 10 addresses the research questions asked in the beginning of the study and drew a concluding analysis in light of the theories discussed in Chapter 2.

---

## Chapter 2. State-business nexus and Democracy: Theoretical and Conceptual issues

### 2.1 Overview

This chapter presents an overview of the main theoretical and conceptual issues that examines the theories of state, theories of democracy, concepts of state-business nexus, and the interrelationship between state-business nexus and democracy. To understand the nature of the nexus between the state and the business groups, and its implications in a democratic system, it is vital to consider the following questions: What is the role of the state in a market economy? In a capitalist market economy, does the state work as a sovereign actor? Or is it compelled to represent the business interest? To what extent the interest of the state and the interest of business class is interlinked? And how does the economic and political power of business affects the democratic practice of a state?

It is important to note that the academia on democracy is vast and diverse. However, analyzing it exclusively from the perspective of the political influence of business power can enhance our understanding of the limitations of the existing notion and practices of democracy. In the last few decades, scholars have made important contributions towards bringing the issue of power of business in discussing discourses of democracy. We have witnessed a large and growing body of academic literature exploring the dynamics between business power/business lobbying and democracy. The work of Lindblom (2007), Prezworski (1988), Offe (1991), Crouch (2004), Bernhagen (2007), Vogel (1989), Block (1977), and Domhoff (1998) has extensively covered the issue of business power and its capacity to influence policy making within the framework of a democratic state.

This chapter has four major segments. The first segment discusses the theories of state and its structural characteristics and constraints. It also discusses the notion of state-business unity by specifically focusing on i). the elite unity theory and ii). the theory of structural power of capital. The second segment explores various discourses of democracy, alongside with its critiques. Segment three undertakes a theoretical review on concept of lobbying and the impact of state business nexus on democracy.

---

## Segment I

### 2.2 Theories of State: State in a Capitalist Economy

In the 1960s, Marxist scholars began to make substantial efforts to develop a theory for the state. In the late 60s, British political scientist Ralph Miliband (1969) attempted to show that the capitalist class played a dominant role in the society by its domination of the state. According to Miliband, those in significant positions in government were disproportionately from elite social backgrounds, thus biasing state actions toward the interests of the capitalist class (See Miliband, 1969). Miliband's argument was considered to be an instrumentalist position which contributed to a serious debate among Marxist political theorists (Mizruchi, 2007:6).

Toward the middle of the 1970s and throughout the 1980s, other Marxist theorists began to develop a more 'structuralist' Marxist account of the state. The best known structuralist critique of Miliband was provided by Nicos Poulantzas (1972), who argued that Miliband's focus on the social origins of government officials was problematic (Mizruchi, 2007:6). Such structuralist notion suggests that the social background, level of education, past career choices, individual motivation or capacity of policy actors play little part in the policy making of the state (See Poulantzas 1972; Mirzruchi, 2007:6).

Structuralists argue that the state operates within a capitalist mode of production, and plays a critical role in the construction, organization and circulation of economic forms of capital (see Harvey, 2007), not due to the fact that elite individuals are in powerful positions, but because the institutions of the state feel obligated to function in such a way as to ensure ongoing viability of capitalism and thereby reproduces the logic of capitalist structure in its economic, legal, and political institutions (see Poulantzas 1972). Hence, structuralists would argue that the institutions of the state function in the long-term interests of capital holders, rather than in the short term interests of the individual elite members of the capitalist class.

Poulantzas' argument was pushed even further by Offe (1974). Leading contemporary German political sociologist Claus Offe has long argued that the state in a capitalist system has serious structural and functional limitations (See Offe 1974). According to Offe, the state is an independent entity with its own set of interests and imperatives, which operates in the



---

interests of the capitalist class as a whole, not because it is controlled by the capitalist class, but because it depends on corporate investment activity for its revenue (see Offe 1974).

### **2.2.1 Political Power of Business within a State System**

Power of special interest within the state system has been a core topic within the study of democratic politics. It is argued that business elites in general tend to develop relationships with the relevant branches of government (ie, the civil servants and individual parliament members) (Maass 1951; Sayre and Kaufman 1965; Redford 1969). For instance, the elite theory of Mills (1956) insisted that American politics is shaped by the combined activities of its economic, military, and political elites. The theory reflects the tendency of corporations and the government elites to become deeply intertwined with each other which makes it difficult for perceiving the two separately. Mill further claimed that the shift of the corporate executives into politics has downgraded the professional politicians into secondary levels of power. Mill stated, *the growth of the executive branch of the government, with its agencies that patrol the complex economy, does not mean merely the 'enlargement of government' as some sort of autonomous bureaucracy: it has meant the dominance of the corporation's man as a political eminence* (Mill, 1956:274-5).

These functional linkages between the business groups and government elites are also observed in the 'revolving door' phenomenon (Salisbury 1989). Bernhagen, supporting Salisbury's findings, elaborated on the fact that private firms regularly hire former civil servants, regulators, and even cabinet ministers for their expertise and privileged connections. The former ruling elites or policymakers, in their private sector positions, use their connections and technical expertise to influence regulatory matters which promote the interest of the particular company instead of the interest of general public. The opposite phenomena also occur in which industrialists are hired to serve various state sponsored national committees on different public issues (Bernhagen, 2007:36). Academic studies show that within such networks, policy makers ultimately seek to accommodate the needs of the business elites (Maass 1951; Sayre and Kaufman 1965; Redford 1969).

Based on a review of existing literature on political power of business, Bernhagen (2007) has categorized several conditions at which a nexus between the state and business groups might develop, and through which business groups attempt to influence policy makers in favor of business interest. Two of these conditions are discussed below in detail.

- 
- ◁ **Elite Unity:** Two forms of elite unity exist. a. Within the business community, and b. Between the business elites and the government elites. Both enables business lobbies to access the policy making process.
  - ◁ **Structural constraint of the state:** The power and capacity of the capital holders to invest (or withdraw investments) and to affect the overall growth of the economy, structurally constrains the democratic agendas of the state. As a result, the policy makers of the state tend to be naturally responsive towards business interest in comparison with labor interest.

### 2.2.1.1 The Theories of Elite Unity

Three crucial questions are addressed in this section. ‘Does business unity exist?’ ‘If it does, why?’ ‘And is there a similarity of behavior or ‘structural equivalence’ among business groups?’

#### Does Business Unity exist?

There has been a long standing academic debate on whether business interest should be perceived as a ‘unified’ or ‘homogeneous’ unit-of -analysis or not. Pluralists in general do not perceive ‘business unity’ as a common phenomenon based on the understanding that business faces constant competition from each other in a market system. Though the pluralists do acknowledge the risk of a ‘united elite’ acquiring political power and achieving dominant position in the system (Bernhagen, 2007: 34), the perception that there is a tendency towards conflict and fragmentation within the business community is typically highlighted in the pluralist paradigm.

For instance, the pluralists assert that different social and economic interest groups compete to gain attention of elected officials, aim to secure favorable political outcomes, and avert unfavorable ones, by influencing the formation of public policy (Bernhagen, 2007:34).In Polsby’s (1980) words, an ideal pluralist democracy is a place which is ‘*fractured into congeries of hundreds of small special interest groups, with incompletely overlapping memberships, widely differing power bases and a multitude of techniques for exercising influence on decisions salient to them*’ (Plosby,1980:118).

---

Pluralists generally perceive that the structural characteristics of the market lead to constant competition among businesses, which makes ‘business unity’ a rather ‘exception’ than a norm. as Mizruchi and König (1986) pointed out, possible sources of conflict within the business community can be seen between financial and manufacturing firms, between manufacturing and retail, between utilities and corporate consumers, importing versus exporting industries, and competition within the same industry as well (Mizruchi and König, 1986:482–3). According to Mizruchi and König, the occurrence of a persistent business unity aiming for political power depends on the structural factors like ‘market dominance’ and ‘inter-firm transaction volumes’ (Mizruchi and König, 1986:482).

The issue of foreign direct investment (FDI) in the retail sector of India is a great empirical example of how there exists a constant competition among different retail groups within the same business community. It is important to note that the Indian retail industry is generally divided into two major segments. ‘Organized retailing’ refers to trading activities undertaken by licensed retailers who are registered for sales tax and income tax. These include the corporate backed retail chains and also the privately owned large retail businesses. Whereas ‘unorganized retailing’ refers to the traditional formats of low cost, low margin retailing. For example, the local shops, owner operated convenience stores, small family owned shops, hand cart and pavement vendors with a strong networks with local neighborhoods (Bhattacharyya, 2012: 100).

For India, FDI is one of the major sources of investment which can largely aid the cash deficient domestic ‘organized retailers’ of India (Bhattacharyya, 2012:104). The organized retailers also argue that foreign direct investment in this sector of the economy will eventually improve the supply chain, distribution efficiencies, storage facilities and logistics, along with the introduction of modern technology which would help reducing wastages and improve processing, grading, handling and packaging of goods (Bhattacharyya, 2012:104-105).

On the other hand, while a section of the domestic retailers would be benefited, FDI in the retail sector is claimed to be harmful for the unorganized retail sector of India. The small retailers have been resisting the proposal of FDI based on the argument that FDI in ‘single brand’ retail will strengthen ‘organized retail’ to an extent that it will ultimately take over the entire consumer market, leading to unfair competition and large scale exit or displacement of

---

small unorganized retailers, particularly the local “mom and pop” stores. FDI in retail might also mean that the foreign retailers will directly procure from the main suppliers, which would create unemployment in the ‘front end retail’ and a significantly large number of ‘middleman’ in the process might be thrown out of their jobs (Bhattacharyya, 2012:105-106). The incident of FDI in Indian retail sector exhibits a classic case of ‘fragmented’ or ‘conflicted’ interests within the same business community. Theoretically, neither the post democracy thesis nor the elitist theorists have acknowledged the possible existence of such conflict within the same business community. While Crouch has put no attention towards the possible sources of conflicts within the business groups, the elite theorists have at least acknowledged these tendencies towards fragmentation within the same business community. However, the elite theorists have also pointed out several mechanisms that facilitate cohesion and unity among the business community (Bernhagen, 2007:34).

Despite such ‘tendencies towards fragmentation’ or a perceived lack of unity among the business communities, the elite theorists have commonly argued that there is a ‘common’, ‘class-wide’ and ‘long-term interest’ within the business community which helps them to operate beyond their own individual interest, promotes their collective political activity, and helps to overcome the ‘intra-class competition’ (Bernhagen, 2007:34). In the words of Domhoff, *‘The business interest groups are part of a tightly knit corporate community that is able to develop class wide cohesion on the issues of greatest concern to it: opposition to unions, high taxes, and government regulation’* (Domhoff, 1998:3). Domhoff also claims that business interests rarely lose unless it faces opposition within the community (Domhoff, 1998:3).

Additionally, Moore (1979) used formal network analysis to investigate the existence of a largely un-fragmented elite network in different institutional and issue-related contexts. The structure of the network indicates that a strong potential for unity exists among the elites who also hold high potentials for political influence due to their high-level positions in different institutions (Moore, 1979).

It is important to state that this study acknowledges the existence of ‘competition’ and ‘conflict’ within same business community. However, based on the work of Bernhagen (2007), Domhoff (1998), Moore (1979) and Schmitter and Streeck (1999), along with the empirical observations in the context of Bangladesh, the study perceives business groups as unified and a homogenous unit-of-analysis.

---

Y j { " ÷ D w u k p g u u ø " w p k v g u A "

Schmitter and Streek has (1999) pointed out three principal issues based on which entrepreneurs or business elites may be forced to politicize their interest and to form class or sectoral associations. Since historically, capital owners enjoy greater advantages over the workers, pre industrial estates, and consumers, a range of attempts can be observed from the part of the capital owners to form network of associations which would preserve the viability of the system as a whole. In general, such associations are formed to avoid price competition or to build common platforms for sellers, exporters or manufacturers (Schmitter and Streeck, 1999:12).

Secondly, the political mobilization of workers could always be a threat to the combined interest of the capitalist class. Historically, it is common that business communities form their common platform to organize and coordinate with the aim of counting the collective interest of the working class (Schmitter and Streeck, 1999:12).

Thirdly, the scholars argue that as political democracy functions based on the principle of ‘one man-one vote’, it has an ‘inherent tendency’ to come up with ‘interventionist policies’ with the target of ‘economic redistribution’ (Schmitter and Streeck, 1999:12). As Schmitter and Streeck notes, *Business interest associations have always put priority to the task of countering political intervention over the liberty to invest. It also finds it essential to contain the ‘irrational’ redistributory tendencies of political democracy. In this sense, the more economic process are mediated, facilitated and regulated through democratic political institutions, the more business as a whole, or sectors of it, are drawn into the political game and forced to develop a capacity for collective action. As a result and in response to the democratic politicization of social and economic exchanges, business interests may have to become politicized themselves, i.e., may become subject to collective definition and redefinition within the institutionalized process of interest representation and intermediation* (Schmitter and Streeck, 1999:13).

K u " v j g t g " ÷ U k o k n c t k v { " q h " D g j c x k q t ø " f g r g p f k p i "

Mizruchi (1992) argues that the perceived unity within the business community or a similarity of their behavior could be an ‘objective characteristic of social structure’, rather than a ‘shared set of normative sentiments’. This is a phenomenon Mizruchi terms as

---

‘structural equivalence’ (Mizruchi 1992: 33–52). Mizruchi suggests that ‘structurally equivalent actors’ are the ones who share identical relations with other actors in the social structure (Mizruchi, 1992:44). In this view, even in the absence of an active network within the business community, a ‘structurally equivalent’ position of business elites can be an incentive for firms to adopt common political strategies. As Bernhagen suggests, *therefore, it may not be necessary to demonstrate the existence of business cohesion in order to demonstrate that the corporate community in the aggregate is a powerful force capable of acting in a politically unified manner. Rather, business is a formidable political actor to the extent that individual businesses react identically to a change, or anticipated change, in their operational or regulatory environment. Regardless of any intention on the part of business to act with one voice, the structurally equivalent position of any number of individual enterprises with respect to a particular policy induces them to act in a similar way* (Bernhagen, 2007:39).

### 2.2.1.2 V j g q t { " q h " U v c v g ø u " U v t w e v w t c n " E q p u v t c k p v

Though the liberals and the pluralists acknowledge the existence of powerful elites in different political, economic, and social domains, they believe that there is a lack of cohesion within the community of elite, which prevents the emergence of a unified and dominant ruling class. The pluralists perceive power to be ‘competitive’, ‘fragmented’, and ‘diffused’, which they believe leads to a ‘plurality of interest’, preventing any concentration of power (Miliband, 1969:6).

However, it has long been argued that the holders of capital in market economies have a distinct advantage over other segments of the society due to their capacity to impact the overall economy (Kurtz, 2004:268).

For instance, one of the leading 19<sup>th</sup> century Marxist theorists Rosa Luxemburg believed that capitalists are endowed with ‘public power’ which no ‘formal institutions’ can resist, and therefore in capitalist societies, governments are obligated to operate in the interests of the capitalists (Luxemburg 1970). Similarly, a leading contemporary political sociologist Claus Offe has long argued that the state in a capitalist system has serious structural and functional limitations (Offe 1975).

---

The theory of structural power of business indicates that the economic capacity and investment decisions of private capital owners allow them to exercise considerable autonomy over the state, and enable them to put heavy restrictions on possible range of government policies. This is how, according to Schmitter and Streeck, the capitalist class can tolerate and sustain political democracy (Schmitter and Streeck, 1999: 12).

American Political Philosopher Charles Lindblom indicated a governing process which delivers constant attention to the needs of the market elites in the fear that disappointed members of the market elites may almost immediately reduce production, cut the workforce, shut down and move abroad in case of noncooperation from the part of the government (Lindblom, 2001:247). Lindblom (1977) observed *“because public functions in the market system rest in the hand of businessmen, it follows that jobs, prices, production, growth, the standard of living, and the economic security of everyone, rest in their hands ...In the eyes of government officials, therefore, businessmen do not appear simply as representatives of a special interest... they appear as functionaries performing functions that government officials regard as indispensable”* (Lindblom, 1977:172, 175).

The theory of structural power of business also asserts that any public policy involving redistributory mechanism over capitalists profit and revenue leads to ‘disincentives for investment’ followed by negative effects on ‘growth’, ‘employment’ and ‘tax revenues’ (Bernhagen, 2007:45). As business groups have allocation power over society’s capital, policymakers tend to consider the electoral and fiscal consequences of any public policy that might affect the revenue and profit potential of business. Unless the government has a plan to counter the consequences of disinvestment, negative growth and employment, it automatically prioritizes business confidence and restrains from ‘redistributive reform’ (Bernhagen, 2007:45). In addition, the fact that governments do not heavily depend on the performance of other competing groups such as the farmers or labor unions makes it possible for the business elites to push their demands over the democratic demands of the state (Lindblom, 2001:248).

Przeworski and Wallerstein’s model similarly predicts that an ‘egalitarian’ transfer of resources is not possible without risking the level of capitalist investment (Przeworski and Wallerstein’s, 1988:15-16). In the words of Przeworski and Wallerstein, *“The reason the state is structurally dependent is that no government can simultaneously reduce profits and increase investment. Firms invest as a function of expected returns, policies that transfer*



---

*income away from owners of capital reduce the rate of return and thus of investment. Governments face a trade-off between distribution and growth, between equality and efficiency. .... Governments can and do choose between growth and income distribution, but because material welfare of any constituency depends upon economic growth as well as its share of income and because distribution can be achieved only at the cost of growth, all governments end up pursuing policies with limited redistributive effects (Prezworki and Wallerstein, 2008:60).*

Similarly, in the words of Crouch, *large corporations have frequently outgrown the governance capacity of individual nation state. If they do not like the regulatory or fiscal regime in one country, they threaten to move to another, and increasingly, states compete in their willingness to offer them favorable conditions, as they need the investment(Crouch, 2004:29).*

Block (1977) similarly maintained that capitalists in their ‘collective role as investors’ enjoy the power of vetoing the policy decisions of the state. Parallely, their failure to invest can create major political problems for the state managers (Block, 1997:15). As Miliband argues, state managers ‘internalize’ the purpose of the capital holders and exploit the state as a tool to serve their own interests (Milliband, 1969).

In explaining the risk associated with underestimating the power of capital, Schmitter and Streeck notes: *Any government which fails to take this constraint into account and which takes measures adversely affecting the willingness of capital owners to invest, is bound to create economic disturbances which not only destroy the economic base of state activities but also tend to erode the government’s political support. Hence.... state policies tend to be geared to the interests of capital owners even if the government happens to be in the hands of non- or anti business oriented parties (Schmitter and Streeck, 1999:12).*

Similarly, another argument prevails that the capital owner’s power to influence public policy not necessarily depends on their ability to mobilize politically but rather on the fact that their apparently ‘non political’, ‘economically rational’ activities in the marketplace itself become the determining factor for the success of public policies (Schmitter and Streeck, 1999:12).This also implies that even if the capitalist class does not mobilize politically or engage in any political action at all, public policy would nevertheless be ‘systematically biased’ in favor of their interests (Bernhagen, 2007:44).On the other hand, Kurtz pointed out that though business does not always succeed in lobbying or influencing political process, its



---

range of interests is seriously considered by the governments in making of policy decisions (Kurtz, 1994:268). In the words of Przeworski and Wallerstein, *It does not matter who the state managers are, what they want, and whom they represent. ... Capitalists do not even have to organize and act collectively: it suffices that they blindly pursue narrow, private self-interest to sharply restrict the options of all governments* (Przeworski and Wallerstein, 2008:59).

#### **2.2.1.2.1 Structural power of Capital and Ideological de-polarization of Politics**

As it is being discussed earlier that it is the capitalists' power over investment and employment which leads to the capital holders' domination of the political process. As major investment decisions in a capitalist system are usually private, policy makers do not generally risk a 'capital strike' by proposing policies that challenges the owners of capital (Lindblom 1977:170–88). This is where both Crouch and Miliband argues that the ideological elements of politics have seized to matter as the policy makers can no longer act on behalf of their political ideology (Miliband 1977: 74). Lindblom argues, since the political survival of the governing elites depends on the process of capitalists' accumulation and a steady flow of state revenue, along with the political legitimacy which comes with it, the 'autonomy' of the ideological component of political parties becomes irrelevant and weak (Lindblom 1977:170–88). As Block (1977) concluded, the ruling class no longer rules.

Crouch has explained the phenomenon of 'ideological decline' in the post industrial European political context. According to Crouch, due to a steep decline in the British manual working class during the early 80s, British business groups experienced a sharp rise in its bargaining power, which eventually forced the British labor party to gradually abandon class based politics and associate itself with business interest (Crouch, 2004:56-57, 65).

Similarly in the Indian case, Indian scholar Sarangi (2005) pointed out that the 90's economic liberalization have not created any new ideological issues in Indian politics, rather the ideological differences between the main political parties have disappeared which in turn led to a 'depolarization' of ideological politics. For instance, most political parties in the post-liberalization era have not taken a fixed and long term ideological position that would distinguish them from other parties (Sarangi, 2005:80). During the 90s, almost every party in power in India has accepted the policy reforms while opposition parties commonly distance themselves from the reform; only as long as they were in the opposition (see Sarangi 2005).

---

Also, both BJP (Bharatiya Janata party) and the *Janata* party in India opposed to the reform process before the 1996 election, but continued with the same reforms after becoming part of the government (Sarangi, 2005:80). The Indian experience with the rise of business power therefore exhibits that a partisan democratic system cannot function properly if the state's capacity is functionally restricted by its dependence over capitalist expansion. In the words of Przeworski and Wallerstein (2008), *People may have political rights, they may vote, and governments may pursue popular mandates. ...But the effective capacity of any government ... is circumscribed by the public power of capital. The nature of political forces that come into office does not alter these limits, it is claimed, for they are structural- a characteristic of the system, not of the occupants of governmental positions nor of the winners of election* (Przeworski and Wallerstein, 2008:58).

In explaining the ideological incapacity of the political parties in power, Przeworski and Wallerstein also notes, *Even a government that was a perfect agent of wage earners could not and would not behave much differently from one that represents capitalists. If workers are best-off with a fair dose of wage restraint, a pro-labor government will also avoid policies that dramatically alter the distribution of income and wealth. The range of actions that government find best for the interest they represent is narrowly circumscribed, whatever these interest may be* (Przeworski and Wallerstein, 2008:60). This is where Bernhagen suggests that contemporary democratic politics has become a 'mere sham' (Bernhagen, 2007:46).

## **Segment II: Democracy**

### **2.3 Theories and Discourses of Democracy**

The meaning of democracy can be understood using two Greek words, *demos* and *kratos*, meaning 'people' and 'rule', the combination of which implies as 'rule by the people' (Held, 1991:876). In this regard, a set of question is raised by political theorist Robert Dahl: What does it mean that the people rule, the people is sovereign, or a people governs itself? What are the distinctive characteristics of a democratic process of government? Or how does it differ from rule by the few, or rule by oligarchy (Dahl, 1989:106)? Other important questions addressed by Dahl are: Who are to be considered as 'the people'? What constitutes 'people' entitled to rule themselves? And what kind of participation is envisaged for them? (Held, 1991: 876).

---

Some other relevant questions are addressed by political theorist David Held as well. For instance, is democracy a set of political institutions or a process? How broadly or narrowly the scope of rule is to be interpreted? And can ‘democracy’ be justified if it fails to provide adequate protection for non-political rights such as the advancement of the common good (Held, 1991: 877)?

As Held observes, the historical conceptualization of democracy is marked by conflicting interpretations, as Greek, Roman, Medieval, and Renaissance notions had been combined to build ‘ambiguous and inconsistent accounts’ of the terms of democracy today (Held, 1991:876). Apart from the work of Robert Dahl and David Held, other democratic theorists such as Pateman (1970), Dryzek (2000), Bernhagen (2007), Beetham (1993), Hyland (1995), and Diamond (1990) has attempted to define democracy which is discussed below.

### **2.3.1 Defining Democracy**

It is important to note that there is no general agreement over the theories and notions of democracy (Samarasinghe, 1994:6). The existing definitions of democracy range from minimalist definition in which the role of citizens is largely restricted to electing representatives, to the more substantive definition involving the active participation of citizens in policymaking (Bernhagen, 2007:18). Examples of richer conceptions might include Pateman’s (1970) account of participatory democracy with its focus on direct participation by citizens at the local level and in the workplace.

Beetham (1993) for instance, explains the concept of democracy as a “mode of decision-making about collectively binding rules and policies over which the people exercise control”. Beetham also includes, “The most democratic arrangement to be that where all members of the collective, enjoy effective equal rights to take part in such decision making directly” (Beetham, 1993:55). Democracy can also be defined as a system for arriving at collectively binding decisions that guarantees equal effective rights of participation in the making of these decisions to each person subject to them (Hyland 1995:75).

Larry Diamond (1990) defines democracy as a “system of government that meets three essential conditions: meaningful and extensive competition among individuals and groups (especially political parties) for all effective positions of government power, at regular intervals and excluding the use of force; a highly inclusive level of political participation in

---

the selection of leaders and policies, at least through regular and fair elections, such that no major (adult) social group is excluded; and a level of civil and political liberties - freedom of expression, freedom of the press, freedom to form and join organizations - sufficient to ensure the integrity of political competition and participation” (Diamond, 1990:2-3). It is important to note that most of these definitions have attempted to cover both the procedural elements and the participatory decision making aspects of democracy.

### **2.3.2 Criteria for Democracy**

In Held’s account, a democratic system indicates a state in which a form of political equality should exist among the people (Held, 1991: 878). Dahl as well, continued to focus on the importance of adopting a ‘strong principle of equality’ for an effective democratic system which implies that everyone is equally qualified to participate in the political process (Dahl, 1989: 105).

Dahl has attempted to ‘characterize’ democracy by highlighting the following five conditions which he suggests are necessary for an ideal democratic order (Dahl, 1989:11-13).

- ◁ Effective participation
- ◁ Voting equality
- ◁ Enlightened understanding
- ◁ Control of the agenda
- ◁ Inclusiveness

The above criteria, Dahl argues, "fully specify the democratic process" and the concept of political equality (Dahl, 1989:130).Held similarly, in his review of Dahl asserts that Dahl’s set of criteria establishes the basic standards necessary to determine whether the decision-making processes are "fully democratic” or not (Held, 1991: 879).

### **2.3.3 The Extent and Limitations of Democracy**

It is important to note that there is a long standing debate over whether a model of political democracy that restricts its focus to civil and political rights would be adequate, and whether the vision of democracy should be extended to include the social and economic rights as well. A theory of democracy that limits itself only to the procedural aspect of the political process has also been challenged by the more ‘substantive’ understanding of democracy (Samarasinghe, 1994:6).

---

In Dahl's account, democracy includes certain 'substantive goods' which implies to a range of rights from freedom of speech, press, and assembly, to the right of voting in a free and fair election, and to form opposition political parties (Dahl, 1989:170). According to Dahl, such primary political rights are crucial in order for citizens to be able to govern themselves. Though Held considers Dahl's assertion of rights as 'clear' and 'eloquently stated', he believes that Dahl's view is 'too restrictive a view of democracy', and relies on how one perceives the bundle of "substance" and "process" (Held, 1991:881).

On Dahl's account of 'rights', Held attempted to maintain a balanced view by stating: "*Such a bundle of rights should not be thought of as merely an extension of the sphere of accumulated private demands for rights and privileges over and against the state, as many liberal thinkers have conceived; nor should it be thought of as simply redistributive welfare measures to alleviate inequalities of opportunity, as many of the theorists of the welfare state have interpreted* (Held, 1991:881). In Held's account, five categories of rights are crucial to enable people to participate on free and equal terms in the democratic process: the civil, political, economic, social, and reproductive. Together, Held believes, these 'bundles of rights' represent the 'interrelated space' in which the 'principle of autonomy' can be 'pursued' and 'enacted'. According to Held, the five categories of rights do not simply represent 'an endless list of goods'; rather they represent 'fundamental enabling conditions' for 'free, equal, and meaningful participation' (Held, 1991: 882).

It is important to note that the scope and limit of democracy remains a complex matter of debate due to the existence of a whole range of democratic visions along with strong criticisms of the democratic system itself. For instance, French scholar Jacques Rancière, in his overview of the critiques of democracy asserted that there have been attempts both in the ancient and modern times to substantially limit the scope and reach of democracy, and to reduce the system of democracy into oligarchies in order to compromise with the aristocratic legislators and to submit to the skills of experts and technocrats (Ranciere, 2006: 2).

In addition to that, a theoretical tension long exists between democracy and various notions of distributive justice that seek to protect principles of equality or egalitarianism. A common question has been raised frequently: Does democracy require a broader egalitarian notion that equalizes all social, cultural, and economic differences? (Post, 2006:32). As the very notion of equality can contradict with the principle of individual liberty (Post, 2006:32), the notion of egalitarianism, fairness or 'distributive justice' continue to remain in constant tension with the notion of democracy.

---

### **2.3.4 Discourses of Democracy and its Critiques**

A diverse range of academic work is available that attempts to explore different thoughts on democracy ranging from currently dominant liberal doctrine, and the Schumpeterian view of procedural or minimalist democracy, to the critiques of the liberal and procedural paradigm. While focusing on the legal and political process associated with the procedural elements of democracy and the issues of individual rights, the existing range of scholarships attempt to explore the economic linkages of democracy as well.

On this regard, Held notes that there is an ‘interesting convergence’ of theoretical accounts reflecting the transformation of the language of debate among the liberals, pluralists, and Marxists (Held, 1991: 876). For instance, a notable number of non-Marxists have come to acknowledge that how ‘concentrations of ownership’ and ‘control of productive property’ has limited the scopes for the democratic lives of citizens. Meanwhile, some important Marxist scholarships have appreciated the role of ‘liberal representative institutions’ and asserted that the state activity has to be partly understood in relation to the ‘dynamics of electoral processes’, ‘changing patterns of interest constellations’, and the ‘competitive pressures of groups’, not all of which has relations with class (Held, 1991: 876). In this regard, Held notes that Robert Dahl perceives democracy as not something ‘fixed’ or ‘given’; rather, as something whose nature and forms are both ‘contestable’ and ‘malleable’ (Held, 1991: 877). The next segment of the chapter attempts to explore the original thoughts, philosophy, and limitations of the liberal, pluralist and Schumpeterian view of democracy.

#### **2.3.4.1 Liberal Democracy and its Critique**

The contemporary liberal theories of political science have been dominated by the assumption that there is no internal tension between free market economy and democracy (Kumar, 2008:54). In Fukuyama’s account, after the collapse of socialism, liberalism emerged as the ‘last victorious ideology’ which has confirmed its ‘superiority’ as a political form (Fukuyama, 1989/90:22-23), (Held, 2006:220-221). As Indian scholar Kumar noted “So powerful and pervasive has been its propagation that the last two decades have witnessed a near universal acceptance of this belief”. As a consequence, liberal democracy and free market have been promoted as notions both compatible and complementary to each other (Kumar, 2008:54).

---

It is important to note that academically modern political thoughts have been driven by the understanding of both liberal and democratic principles (Samet and Schmeidler, 2003:213). Liberalism is naturally associated with the perception that individuals should be free to pursue their own preferences in religious, economic, and political affairs (Held 2006). On the other hand, democracy assigns the authority of decision making to majorities. The question of the 'right balance' between these two principles has remained as a continuing matter of debate. According to Samet and Schmeidler, an effort is continually made to draw the line between the domains in which each principle applies (Samet and Schmeidler, 2003:213).

### **Development of Liberal Democracy**

Held has explored the original attempts of the liberal doctrine which attempted to defend the values of 'freedom of choice, reason, and toleration' while countering 'tyranny, religious intolerance and monarchy' (Held, 2006: 59). The principals of liberalism attempted to restrict the 'clerical power of the church' and the 'despotic power of the monarchs', with the goal of freeing the polity from religious control, and freeing business and society from political interference (Held, 2006:59). Bentham and Mill, according to Held, have provided a clear explanation for the liberal democratic state, which prioritized the rights of individuals to 'pursue their self interest without the risk of arbitrary political interference', to 'participate freely in economic transactions', to 'exchange labor and goods on the market' and to 'appropriate resources privately'. As Held notes, the vision of nineteenth century 'English Liberalism' was based on these principles (Held, 2006:75).

### **Liberalism and the question of Inequality**

While the liberal argument prevails that the regulatory authority of the state must be restricted so that individual citizens can pursue their social or economic interests (Held, 2006:59), Held asked whether the individual citizen's liberty to accumulate unlimited economic resources poses a challenge to the extent of political liberty or not. According to Held, overlooking such possibility may lead to unawareness of a crucial fact that serious inequality can be resulted from the process of unlimited accumulation of resources. This in turn may violate the necessary conditions for political liberty and democratic politics (Held, 2006:223).

For instance, Lindblom (2001) suggested that inequalities in income and wealth leads to inequalities in 'opportunity to run for office', 'launching candidates', 'lobbying', 'capacities



---

to use the mass media to influence voters’, and ‘access to policy makers’ (Lindblom, 2001:236). Dahl as well recognizes that both market capitalism and the system of private ownership leads to inequalities in wealth, income opportunities, skills, education, control over information, and thereby contributing to political inequality. According to Dahl, this violates the basic rationale of democracy (Dahl, 1998:59, 158-59).

As Held suggests, thoughts of liberal democracy fails to ask if the existing form of minimally regulated market relations produce systematic irregularity in income, wealth and opportunity or not. Held also notes that the failure of liberals to consider the reality of inequalities of ownership and control might create political conditions damaging to the very democratic values and aspirations of the original liberal thinkers of the 18<sup>th</sup> century (Held, 2006:223).

#### **2.3.4.2 Procedural/Minimalist Democracy and its Critique**

As it has been discussed earlier, though liberal democracy is committed to ensure political equality and equal opportunities for participation in democratic procedures, it does not necessarily ensure equality of outcomes (Joseph, 2007:3217). As Sarah Joseph argues, though it is vital to maintain democratic procedures, the claim that liberal values can be effectively promoted through mere institutional procedures rather than in more ‘substantive ways’, is disputable (Joseph, 2007:3217).

In this regard, Schumpeter’s view on democracy which is perceived to be a notion of democracy that focuses merely on the procedural aspects of the political process becomes relevant. Schumpeter defined democracy as an ‘institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s votes’ (Schumpeter, 1942:269). Schumpeter’s focus on mere ‘institutional arrangement’ has long been considered to be a narrow view of democracy. It has also been challenged by the scholars from different spectrums of academia including the social democrats and the Marxists.

Institutional arrangements and procedures, according to Joseph, bring legitimacy to the process and help upholding equality and freedom of voters at the time of election. However, this in general is achieved at the cost of rigidly isolating the election period from the possibility of a continuous political participation of the citizens (Joseph, 2007:3217). As Joseph fears, exclusive attention to election malpractices and on the ‘rules of the game’, and a



---

mere emphasis on procedures as the principal characteristic of a democratic state may turn political attention away from the more long-term and substantive political and economic issues. In short, the process of election itself cannot guarantee the quality of the democratic process, nor can it ensure accountability of elected governments to the electors (Joseph, 2007:3217).

Schmitter and Karl (1991) suggest that for democracy to function efficiently, citizens must be able to influence public policy between elections, and the polity must be self-governing. Kurtz suggests, elected representatives must remain accountable to citizens during the inter election periods (Kurtz, 2004:267). A range of other scholars (Brittan 1975; Kurtz 2004; Crouch 2004; and Fishkin 1991) have identified several other limitations of procedural democracy in relation with voter's apathy and a lack of ideological distinctiveness of political parties, which is discussed below.

### **Lack of distinct ideologies**

The Schumpeterian view of democracy assumes that electors have definite position about policies, represented by political parties which are expected to implement them. Within a procedural format, it is also expected that parties formulate their policies in response to the requirements of their mass membership (Brittan, 1975:133). However, such notions are being largely challenged by a range of academicians. Classical elite theorists such as Michels, Mosca and Pareto pointed out that mass democracies in general do not operate in such a way, rather policies are mostly formulated by small groups within political parties or the civil service; which have very little relation to 'professed ideologies'(Brittan, 1975: 133). Similarly, Crouch (2004) in his post democracy theory asserted that due to the rise of business interest in politics, political parties are no longer ideologically divided, rather parties from all political spectrums exclusively seek to serve the purpose of business elites.

### **Voter Apathy**

A range of scholars have discussed the changing role and mindset of voters in relation with the efficacy of democracy. For instance, according to Kurtz, in order to maintain the 'representativeness' of democratic politics and the accountability of politicians, it is important that voters practice a 'vibrant associational life' (Kurtz, 2004:267). Meanwhile,

---

Mueller (1992) suggests that the pressure of such ‘organized associational interests’ is more important than elections maintaining the ‘regular accountability of elites’ (Kurtz, 2004: 268).

Nevertheless, there is a range of scholarships that have identified the overall decline in the average citizen’s ability to organize and to act politically (Brittan 1975; Kurtz 2004; Crouch 2004; Fishkin 1991). James Fishkin, one of the pioneers of the idea of deliberative democracy has pointed out that there has been severe apathy and lack of interest in polity among large parts of the electorate (Fishkin, 1991:1). He noted that voter turnout has declined in general (despite the extension of voting right to previously excluded groups). Fishkin also argues that debates in modern democracies are generally ‘superficial, ill informed and thoughtless’; and there is a clear sense of disconnection between the voters and the political process. In the words of Fishkin, *The emphasis on politician’s personalities, rather than a focus on policy, pervades the media-saturated world of electoral politics. Sound-bites replace arguments, celebrity glitz displaces principled political argument, and candidates are selected ‘more or less the way we choose detergents* (Fishkin, 1991:3). He suggests that the policy process has been largely controlled and manipulated by opinion polling, focus groups and other marketing tools. It is mostly designed to conform to the existing views and interest rather than being critical over the policy domains (Fishkin, 1991:3).

Other studies show that general voters do have a rough general impression of the stands of the main parties on the prominent headline issues, however they hardly think in terms of left or right (Brittan, 1975:133). Studies conducted by the ‘Michigan School’, showed that most voters are largely oblivious of most policy debates (Brittan, 1975:133). Brittan suggests that it is only a ‘politically interested minority’ who holds ideologies or opinions on different issues in which the mass electorate remains largely passive and indifferent (Brittan, 1975:135). Brittan also suggests that partisan allegiance or the official position hold by preferred parties hardly plays a role in influencing voters on supporting different policies (Brittan, 1975:135). Another argument prevails that voters attempt to measure political party’s success in general terms of ‘peace or prosperity’, rather than to evaluate ‘rival objectives’ (Brittan, 1975:135).

More recent studies have explored the phenomenon of political disengagement of the average citizens in association with the contemporary liberal (neoliberal) reform policies. It is argued that as the receptive power of the state is significantly diminished with the withdrawal of state institutions from important public services, the ability and capacity of the citizens to

---

influence their livelihood decisions through democratic participation diminishes too (Kyroglou and Matt, 2017:4). As liberal economic order cannot assure wealth and income to be equally distributed among the constituents of a democracy (see Stiglitz, 2010), and politicians are also seen to be increasingly constraint to the technocratic parameters of a free-market logic (regardless of the mandate of their constituency), it diminishes the ability of ‘political’ citizens to influence the decisions pertaining to their community (see McAfee, 2017, Kyroglou and Matt, 2017:4). Overall, existing scholarships suggest that the system of procedural democracy requires a conscious group of voters and political parties with distinctive ideologies. In the absence of both, mere procedures are not sufficient for a democratic system to deliver.

### **2.3.4.3 Pluralist Democracy and its Critique**

The structural dependence theory has long argued that all interests in the society are not equivalent in terms of their collective power, rather the holders of capital in market societies have a distinct advantage over other interest groups due to the crucial role they play on the growth and employment prospects of the economy (Kurtz, 2004:268). On that note, Kurtz asserts: “For truly democratic representation to occur, the organization of interests must also be reasonably well distributed across the major social groups and cleavages of the polity, else politicians are likely to prove responsive only to specific, powerful minorities” (Kurtz, 2004:268). Pluralists on the other hand claim that the structural characteristics of the market lead to constant competition among businesses and other groups, which prevents the emergence of one particular group becoming too powerful to be able to dominate the policy domains. They perceive the ‘clash of interest’ between different groups in society as a facilitating factor for the operation of democracy. In this regard, Brittan asserted that the pluralist notion of democracy assumes an automatic fair balance between business and labor interests in the society (Brittan, 1975:137). This also implies that the ‘bias of the system’ or the ‘structural bias of the state’ in favor of the capital owners is a phenomenon which is largely ignored by the pluralist understanding of a democratic system.

In the words of Olson, *since relatively small groups will frequently be able to voluntarily organize and act in support of their common interests, and since large groups normally will not be able to do so, the outcome of the political struggle among the various groups in society will not be symmetrical. Practical politicians and journalists have long understood that small*

---

*'special interest' groups, the 'vested interests', have disproportionate power ... The small oligopolistic industry seeking a tariff or a tax loophole will sometimes obtain its objective even if the vast majority of the population loses as a result. The smaller groups – the privileged and intermediate groups – can often defeat the large groups – the latent groups – which are normally supposed to prevail in a democracy. The privileged and intermediate groups often triumph over the numerically superior forces in the latent or large groups because the former are generally organized and active while the latter are normally unorganized and inactive (Olson, 1965: 127–8).*

Meanwhile, some other scholars have continued to defend the notion of pluralist democracy. Lohmann suggests that a degree of voter ignorance is required for policy makers to favor special interest groups. Lohmann argues, elected politicians are normally constrained to favor special interests, as the 'rational voters' can be expected to observe the attempt of politicians to favor vested interests at the cost of the interest of general public (Lohmann, 1998: 810).

Similarly, Becker notes, *a disaffected majority aware of such a policy bias could punish its political representatives by voting them out of office. Therefore, the idea of small, efficient groups hijacking the policy process at the expense of latent groups has to rely on some degree of voter ignorance. Political incumbents have to be able to systematically fool a majority of voters by favoring special interests while keeping the costs imposed on the majority below some awareness threshold (Becker, 1983: 391–4).*

Similar views are also shared by Morton and Cameron (1992) who believe that policymakers and business interests do not get away easily with 'circumventing the democratic process'. This notion also implies that business groups do not hold excessive political power in comparison with ordinary citizens, and therefore is not strong enough to challenge the democratic process. However, the cumulative work of Bernhagen (2007) has documented a great range of empirical research showing that in a variety of crucial policy areas, 'business interests fare remarkably well as far as political outcomes are concerned' (Bernhagen, 2007:31).

Critiques of the pluralist view have also noted the widespread ideological influence of the business groups and its structural privilege over society's economic production (Bernhagen, 2007:31). It is also important to note that the neo-pluralist notion of McFarland and Vogel has acknowledged the power of business groups in influencing/altering public policies. In

---

their views, business may not be the ‘dominant power group’, but it could be ‘the most important power group’ (McFarland, 1991: 271). In Vogel’s (1989) view, political power of business do exist which relies on the performance of the economy and the extent of unity among business groups.

Therefore, the notion of pluralist democracy can be challenged by addressing the reality of business groups’ privileged access to policymakers, and policy maker’s structural bias towards business interest at the cost of general public. Based on such understanding, it is also fair to argue that excessive power of big business not only challenges the foundational idea of pluralist democracy; it also challenges the workability of democracy itself, as suggested by Crouch’s theory of post democracy.

#### **2.3.4.4 Post Democracy**

Post-Democracy is a comprehensive work of Colin Crouch (2004) that goes beyond the current complaints about the failing of democracy and explores the deeper social and economic forces that account for the current transformation of politics. Colin Crouch argues that in a post-democracy, while elections still exist and is able to change governments, politics is shaped in private by interaction between elected governments and elites that largely represent business interests (Crouch, 2004:4). According to Crouch's thesis, the rise of business interest in politics, the influence of corporate lobbying in policy making, and the emerging influence of elites and experts in politics and government, has hollowed out the institutions of democracy and damaged the quality of democratic governance.

Crouch’s and Rancière’s conceptions of post-democracy are by far the most influential ones in the discourse. Crouch identified a number of major developments in the neoliberal era, which transformed the formerly democratic systems into post-democratic ones since the 1970’s.

1) While formal democratic institutions stay intact, they began to lose influence on the political decision-making process, which is largely dominated by a small number of economic elites.

2) A “degeneration of political parties” has been taking place, which transformed the parties into “mere vote catching apparatus”. Political parties focus on profit orientation instead of

---

political information and education, making them unable to develop meaningful agendas (see Ritzi, 2014:171).

As Crouch pointed out, most of Western Europe and North America had observed its democratic moment around the midpoint of the twentieth century, when a post war welfare system had been developed associated with Keynesian economic policies, and when the general health of the economy was seen as depending on the prosperity of the mass of wage-earning people (Crouch, 2004:7). The post-war development of the welfare system in the European industrial societies, and the simultaneous redistribution of income and de-commodification of labor was primarily the result of a 'class compromise' made between 'organized labor' and 'capitalist business' in the context of the post war cycle of mass production (Crouch, 2004:7). However, overtime Crouch has observed a dramatic decline in the negotiating power of the working class, as well as a sharp reversal in the earlier welfare achievements (Crouch, 2004: 55-57). Crouch claims that the decline of working classes in Europe and America in the recent decades combined with the rise of global corporation and capital has led to the rise of a political class that is highly associated with wealthy business interests, and thereby no longer pursues political agenda concerning welfare demands of mass people.

One of the basic understandings of Crouch's thesis is, as governments outsource and sub-contract more of its activities, and as wealth and power concentrate towards the corporate sector, business groups begin to acquire privileged access to politicians and civil servants. Crouch argues, in a post-democratic phase, politicians respond primarily to the concerns of a handful of business leaders whose special interests are allowed to be translated into public policy (Crouch, 2004:23). It also implies that current politics has shifted towards a liberal model of lobbying as opposed to the politics of parties (Crouch, 2004: 46).The post democracy thesis also suggests that with the rise of business groups, politics and governments are now increasingly 'slipping back' into the control of privileged elites in the manner similar to the 'pre-democratic times' when 'politics was a game played between the elites and the powerful' (Crouch, 2004:6). Overall, post democracy thesis simultaneously counters the general understanding of pluralist, liberal and procedural democracy by addressing the reality of rising business power in political system and its contradiction with the principal of liberty, plurality and democracy.

---

### **Segment III:**

#### **2.4 Neoliberalism and Democracy**

##### **2.4.1 The Theoretical Separation between Market and Democracy**

To examine the relationship between state-business nexus and democracy and the implications of state-business nexus in state policies, it is important to understand how the existing neo-classical activities attempt to neutralize economic practices (ie, lobbying) and place them ‘beyond the reach of democratic deliberation and action’(see Swanson, 2007:210). The theoretical vision of market economy is generally criticized based on its attempt to perceive the economy as an independent sphere with no major connection with the existing ‘cultural’ and ‘political’ realities (Swanson, 2007:209). For instance, neoclassical economics as an academic school of thought, perceive the economy as a ‘self-constituting unity’ which has no interlink with the other segments of society (Calleri, 1988:230).

Charles Lindblom and Robert Dahl both criticized the process of theoretical separation between economics and politics, and documented several ways in which neoclassical theory and its assumptions, concepts, methods, and its apparently more ‘scientific’ nature undermine democratic polity (Swanson, 2007:209, 218). On the other hand, according to Swanson, the political scientists who ‘theorize’ and ‘investigate’ political phenomena underestimates the ‘diversity’ and ‘complexity’ of the relationship between economic and political practices (Swanson, 2007: 209).

It is important to note that originally it was the classical liberals who theoretically separated the ‘economic’ and the ‘political’ by viewing free markets as inevitable and natural in allocating resources (See Friedman, 1962:13; and Buchanan 1995). According to Stephen Gill and David Law (1988), it is Adam Smith who opened the way towards a separation of ‘politics’ and ‘economics’ by highlighting the apparent ‘invisible hand’ of the market mechanism (Gill and Law, 1988:5-6). The Comparative Advantage model of David Ricardo has attempted to further separate the ‘economy’ from the ‘polity’ (Gill and Law, 1988: 5-6). Crouch (2004) in his post democracy thesis noted that the primary concern of the original eighteenth century formulations of free market economic doctrine by Adam Smith and others was to separate the political world and the private entrepreneurs from each other (Crouch, 2004:51).



---

Marx on the other hand believed that the classical liberal approach of separating economics and politics is an artificial mechanism as it ignores the power relations inherent in the production process, and views production and exchange occurring at a separate economic sphere through entirely depoliticized means (Gill and Law 1988:6).

It is important to note that Karl Polanyi (1944) hold the American constitution responsible for entirely isolating the economic sphere from the jurisdiction of the constitution by putting private property under the highest conceivable protection of the state (Polanyi, 1944: 225-6). Polanyi argued that this sort of constitutionalism became a key institutional ‘lock-in mechanism’ for separating politics and economics, and thereby delinking economic policies from the ‘popular forces’ and ‘democratic influence’ (Polanyi, 1944: 225-6). Gill further analyzed the notion by arguing that separation of economics and polity in ways that reduces the chances of democratic accountability represents a deliberate and self-conscious element of a broader ‘neoliberal’ project (Gill, 1998: 34-35). Thus, for Gill, such constitutionalism is designed to allow dominant economic forces (such as corporate business lobby) to be increasingly separated from democratic rules and accountability (Gill, 1998:35).

Similar arguments are found in Brown's work (2005). Brown emphasized that liberal democracy has provided an ‘ethical gap’ between economy and polity, which submits every aspect of political and social life to ‘economic calculations’ (Brown, 2005:46). According to Brown, instead of protecting and preserving moral and political values, liberal constitutionalism tends to preserve mere economic efficacy and profitability (Brown, 2005:46).

Similarly, in his criticism of neoclassical economic theories, Robert Dahl notes, *it sees individuals solely as producers and consumers, not citizens; it conceptualizes the individual as a supremely rational computer forever calculating and comparing precise increments of gain and loss at the margin and acting always to maximize net utilities, overlooking other human motivations such as loyalty and social attachment to others;.. it neither aims for nor predicts economic equality, ignoring the impact of economic inequality on the democratic principle of political equality; and it conceives freedom as “freedom of choice in the market place”, not as the collective self-determination of a community* (Dahl, 1989: 324-26 and 1996:645-46).



---

## 2.4.2 Neoliberalism in Theory: A Background Analysis

Neoliberalism refers to a political-economic philosophy that de-emphasizes or rejects government intervention in the domestic economy. In popular terms, neoliberalism is associated with the idea of a radically free market, maximized competition, free trade, economic deregulation, elimination of tariffs, and a range of monetary and social policies favorable to business (Brown, 2003:38). Neoliberalism is also equated with the idea of withdrawal of the state from crucial public services, followed by privatization of certain state functions (Brown, 2003:44). Taking from the basic principles of neoclassical economics concerning efficiency and productivity, neoliberal policies also strives to undermine labor rights, such as minimum wage and collective bargaining power of the workers (Blanton and Peksen, 2016).

According to Foucault (2008), American neoliberalism has developed following the expansion of the Keynesian New Deal adopted by the Federal Government in response to the great depression of 1930s. By 1970s neoliberalism became ‘a new economic orthodoxy regulating public policy’ in the Western World (Harvey, 2005:22). The post-war governments in the Anglo Saxon world led by Keynesian consensus, intervened in the domestic economies to deliver higher levels of employment (or full employment) by cutting taxes, boosting state spending, and increasing level of state’s economic activity (see Dutton, 1997). The role of trade unions had been encouraged and expanded, while a larger role for state ownership for utilities (i.e gas, electricity, coal, rail, etc) have been established (Dutton, 1997). Overall, by ensuring unemployment benefits, progressive taxation, redistributive welfare spending, comprehensive schooling, and health/old age benefits, post-war governments have successfully created the format of welfare states (Dutton 1997; Kavanagh, 1992:75-90).

However, since the 80s a ‘paradigm shift’ occurred in the countries of both Europe and North America which replaced the post-war Keynesian thinking by free market ideals. The various political and economic welfare gains achieved under policies and institutions inspired by the Keynesian thoughts have been observed to be reversed (see King, 1987; Palley, 2004). Such transformation involved widespread liberalization programs including privation policies, free trade, austerity, and reduction in state spending. According to Harvey, it has been a

---

systematic political project to re-establish the conditions for capital accumulation and to restore the power of economic elites (Harvey, 2005:19).

Marxists apply notions of Marxist political economy to frame neoliberalism as the dominant capitalist ideology of the current time. For instance, Harvey (2005) in his ‘A Brief History of Neoliberalism’, defines neoliberalism as ‘a theory of political economic practices proposing that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong property rights, free markets, and free trade’ 208 (Harvey, 2005:2). For Harvey, neoliberalism works by ‘accumulation by dispossession’ of lower class which occurs through a process of privatization, financialization, management of crises and state redistribution (Harvey, 2005:160-164). According to Harvey, neoliberalism eventually emerged as the single process to reactivate capitalist accumulation as it benefited upper classes through ‘redistributive effects’ that increased social inequality (Harvey, 2005:16). Harvey also claims that neoliberalization in the United States was formed by the corporate sector, who used their wealth and power to influence the state and government (Harvey, 2005:22).

#### *Extending market values*

Brown’s article ‘Neo-liberalism and the End of Liberal Democracy’ is an example of the Foucauldian criticism of neoliberalism and a review of Foucault’s discussion of various forms of neoliberalism during different periods ranging from the 1930s to the 1960s. Following Foucault, Brown seeks to define neoliberalism as a political rationality that extends and disseminates ‘market values to all institutions and social action’ (Brown, 2003:39, 40). Brown re-emphasized that neoliberalism is not merely a set of economic policies involving free trade, maximization of corporate profits, and challenging welfarism, but also involves extending and disseminating market values to all institutions and social action. It advocates institution building, policy formation, and dissemination and institutionalization of such rationality (Brown, 2003:38-39). For Brown, in a neoliberal era, the political sphere is submitted to an economic rationality; in which government actions and policies become subject of profitability, utility, benefit, or satisfaction. Neoliberalism does not simply assume that all aspects of social, cultural, and political life can be reduced to calculation of profit; rather, it develops institutions and rewards for enacting this vision (Brown, 2003:40).

---

### *State takes no responsibility*

Neoliberalism is also perceived to be a political-economic process which erases the difference between economic and moral behavior by considering ‘morality’ as a matter of rational reflection of costs and benefits. Based on this understanding, rationally calculating individual bears full responsibility for the consequences of his or her action no matter how severe the existing social or economic constraints are (lack of skills, education, or child care in a period of high unemployment and limited welfare benefits) (Brown, 2003:42). Lemke argues, “the state leads and controls subjects without being responsible for them, and citizenship is reduced to success in entrepreneurship (Lemke, 2001:201) (see Brown, 2003:43-44). It also reduces political citizenship to a group of individual entrepreneurs and consumers with an unprecedented degree of passivity. For Brown, it creates a new mode of depoliticization of social and economic power (Brown, 2003:43). Brown also claims that as policies are required to meet a ‘profitability test’, Neoliberalism has the effect of radically transforming and narrowing the criteria for good democracy and good social policies (Brown, 2003:44).

It is important to note that by mid-1980s, due to high inflation and recession through-out the world, a large number of developing countries failed to make payments of their debts to the global commercial banks. Major financial institutions such as the World Bank and International Monetary Fund intervened to avert the crisis through formulating a set of policy packages namely the “Structural Adjustment Policies” under the larger umbrella of neoliberal ideals (Heidhues and Obare, 2011:55-58). As Structural Adjustment Policies in the developing countries emphasized on the market allocation of resources in favor of the private sector, along with shifting the provisions of state’s social services to the private sector; the role and activities of the private sector had expanded largely over time, and the influence of business actors in the policy process became an issue of political concern. The empirical findings of this study find a number of interrelations between the neoliberal policy frameworks and the expanded role of the business actors in the policy process.

The next section will attempt to undertake a theoretical discussion over four separate symptoms of neoliberal policies which appeared to have a degree of influence in shaping the policy process at least in the case of Bangladesh. It might appear that such symptoms emerge in isolation, or could be disconnected from each other. However, as a neoliberal regime attempts to expand the role of private sector and open up critical sectors of the economy to

---

foreign investment, along with pursuing policies of deregulation, export promotion, and free trade; a number of significant effects are largely visible in the policy process. For instance, big business actors intervene in the legal process to influence legal acts in favor of business. Business actors also tend to influence the policy actors for providing a large amount of subsidy or financial incentives to business. On the other hand, state actors are frequently seen to be using repressive forces against resistance activities occurring in opposition to business interest. Moreover, as a result of significant level of local crisis, resistance, and transitions caused by the neoliberal reform policies, along with its destabilizing implications, both the policy actors and the business actors in the recent decades have appeared to be interested in ‘democratizing’ the policy spaces to some extent. A thorough review of existing theories under the coherent framework of neoliberal ideals would give us a comprehensive understanding of the series of outcomes or implications of the state’s persuasion of neoliberal policies in association with its business counterparts, specifically in the context of Bangladesh.

### **2.4.3 Neoliberalism, Law-making, and Democracy**

Since the era of classical liberalism, the ideal of individual autonomy exclusively connected with property ownership has worked as a motive for the state to intervene in the legal system (Grewal and Purdy, 2015: 8). Despite of the fact that law does not place prominently in most of the literature of economics, the ‘neoliberal’ theories do acknowledge the need to address at least some fundamental market norms through law. This recognition is claimed to be a result of the neoclassical thought that a market system cannot exist in the absence of rules to regulate exchange (Glinavos, 2010:64). It is claimed that the absence of an appropriate legal framework may not stop economic/financial exchanges, but when the legal system is inadequate and attempts to restrict private trade, it tends to diminish the rewards for market exchange, as substantial private resources is to be spent on securing contract enforcement (Glinavos, 2010:64).

The neoliberal model assumes that a liberal democracy could be created with a limited state and a level of legal interventions (Glinavos, 2010:63, 70). The need to free the individual from the influence of the state and to protect private interests required strong constitutional laws. It also requires legal mechanism and appropriate institutions to maintain and enforce the proper functioning of free market (see Clairzier and Beaudreau, 2009).

---

However, due to the strong anti-regulatory bias of neoliberal model, the measures of legal interventions exclusively emphasizes on some very specific aspects of law reform, mostly in the areas of property rights and contract law (Glinavos, 2010:63, 70). On the other hand, the lack of interest over the importance of an overall legal reform both in the social and political spheres was noticeable (Glinavos, 2010:64).

A number of arguments have been used to justify the measures of pro-market law reform during the neoliberal era. Firstly, the assumption that market efficiency provides the basic measure of governance, and it is inappropriate or even impossible to changes the existing market relations (Grewal and Purday, 2015:6). Secondly, strong property rights and private contracts are the best means to increase overall welfare, as well as to best protect equal freedom and dignity of individuals. And thirdly, democratic politics and public institutions alone cannot successfully shape and discipline economic affairs (Grewal and Purdy, 2015: 5).

It is re-emphasized in Brown's work that neoliberalism does not conceive of either the market itself or rational economic behavior as purely natural (in contrast with the classical economic liberalism). Neoliberalism perceives that both are constructed or organized by law and political institutions, and requiring political intervention and orchestration. For Brown, "Far from flourishing when left alone, the economy must be directed, buttressed, and protected by law and policy as well as by the dissemination of social norms designed to facilitate competition, free trade, and rational economic action on the part of every member and institution of society" (Brown, 2003:41). As political discourse on all matters is framed in entrepreneurial terms; the state strives to behave like a market actor even in legal measures (Brown, 2003, 41). As for Lemke, "the market does not amount to a natural economic reality, instead, the market can be constituted and kept alive only by political interventions. This fundamental economic mechanism can function only if support is consistently guaranteed by legal measures" (Lemke, 2001:193) (Brown, 2003:42).

#### *A Historical Analysis of Law, Market and Property Rights*

During the second half of the nineteenth century and the early decades of the twentieth, the conflict between capital and labor, the scope and nature of property rights, and the constitutional extent of the state's power to regulate, was commonly recognized as the major questions of political economy (Grewal and Purdy, 2015:8, 11). The pursuit of individual autonomy through mere spending decisions was widely propagated as an account of personal

---

liberty (Grewal and Purdy, 2015:11). Such perception of individual liberty was also perceived to be structurally linked with the concept of good governance (Grewal and Purdy, 2015:11).

By legally constraining the regulatory power of the state, the ideology of classical liberalism attempted to secure the fundamental structures of early industrial capitalism from collective interventions which was seen to be a threat to the ideals of ‘free contract’ (Grewal and Purdy, 2015:11). Afterwards, the state was observed to be using its power to restructure various domains of law along the market lines.

During the late 19th century, under subsequent Supreme Court precedents in the United States, large corporations were endorsed as ‘persons’, entitled to its 14<sup>th</sup> Amendment protections (See Meyers 2000). In the recent time, along the same line, the Supreme Court of the United States has endorsed unlimited campaign spending by corporations, with the argument that it could be a key contribution to good governance (Grewal and Purdy 2015:16). This law is observed to be deeply embedded in U.S. constitutional jurisprudence.

#### *Law Reform in the Transition Era*

Law in the transition era of 90s was claimed to be a de-facto transformative tool (Glinavos, 2010:63). In the late 1980s and early 1990s, the Washington consensus emerged as a policy expression for market based neoliberal economics. During the post communist era of 90s, law reform was seen to be used as a tool to promote the potential of the market both in the former soviet blocks and in other developing countries. Various international development agencies had been observed to build legal frameworks and legal institutions that are facilitating to economic growth and macroeconomic stability (Ngugi, 2005:515). The Structural Adjustment Programs (SAPs) of the 80s and 90s under the umbrella of the Washington consensus were given a legal structure which was imposed upon a large number of developing countries involving economic deregulation, trade liberalization, and privatization.

#### *Rule of Law vs Democratic Participation*

Ngugi (2005) attempted to exhibit that the institutions of rule of law in the neoliberal era are seen to be bypassing the democratic system by undermining some fundamental political questions (Ngugi, 2005:515). According to Ngugi, it only ensures the integrity of the legal formal procedures that allow individual actors to shape their own decisions in the marketplace, while simultaneously restricting the possibility of multiple and competitive

---

politics (Ngugi, 2005:515). For Ngugi, this sort of legal reform justifies the shift of power from the electoral representatives to the technocrats who are less responsive to popular demands and politics. Rule of law becomes a totalitarian imposition of a structure, where the imposition of certain set of economic/financial law insulates fundamental political decisions from debate or revision. Instead of becoming a tool for ensuring accountability and political participation, law could become a mechanism for legitimating the continuation of a set of economic reform policies independent of public opinion and representative institutions (Ngugi, 2005:517). Overall, in the logic of Crouch and Ranciere, the ongoing restriction and decline of competitive democratic politics with the imposition of legal procedures, and the shift of power from electoral representatives to technocrats have gradually created the political/economic conditions appropriate for a post-democratic state. Chapter 4 will discuss in detail the mechanism through which business actors influence the law-making process in Bangladesh (Labor Law, Special Provision Act, and National Coal Policy) and its impact on the democratic elements of the Bangladeshi society.

#### **2.4.4 Neoliberal Reform, State Repression, and Democracy**

Neoliberalism as a political economic philosophy is perceived by some scholars to be compatible with the characteristics of authoritarian regimes or a para-militaristic form of state (Brown, 2003:39). However, it is important to note that scholars still remain divided on some critical questions:- Is there any relation between economic liberalization and state repression? Does market liberalization requires state repression? Can the level of political repression be explained by the state's move towards higher degree of market oriented economic liberalization (Soysa and Vadlamannati, 2006:3-5).

Several theories exist exploring and explaining the links between market reform and economic liberaization with the authoritarian and repressive policies of the state. Economic liberalization usually requires substantial changes to the existing regulatory, institutional, and structural design of the economy, which is aimed at increasing economic efficiency by promoting privatization of markets, free competition, and securing property rights (Soysa and Vadlamannati, 2006:5). It is commonly expected that a government's attempt to implement economic reform programs would be accepted by the majority of the population, as the vast majority should automatically desire economic efficiency. However, a number of scholars pointed out that economic reform generate winners and losers, and the gap between



---

aspirations and achievements or between ‘demand generation’ and ‘demand satisfaction’ generates social frustrations and destabilizing impacts which could turn to political protest and violence, ultimately leading the governments to resort to repression (Pion-Berlin, 1986:50). Additionally, in order to maintain a neoliberal regime, a market society is required to be established in which public resources must be privatized and welfare states must be slimmed down by austerity programs targeting health care, education, and other social security schemes (Azar, 2015). ‘Austerity’ is perceived to be a crucial social force which is used as a tool for the neoliberal state to facilitate authoritarianism or repression (See Azar, 2015).

As economic liberalization requires attracting foreign capital, trade, and private investment, it also tends to increase international constraints on domestic politics (see Pevehouse 2002, Soysa and Vadlamannati, 2006:6). Thus, it is only normal that economic reforms would require strong political authority since the ‘loser’s from reform are likely to resist (Haggard and Kaufman 1992). For instance, once the regime turns to multinational corporate capital, it becomes necessary to lift price controls, freeze minimum wage, and suppress union activities (Pion-Berlin, 1986:53). According to Pion-Berlin, these anti-worker economic arrangements could not be sustained without the backing of a strong authoritarian state. As the military paves the way for capital accumulation by coercively weakening the working class, it imposes a political and social order which would benefit the national and transnational capitalist classes at the expense of others (Pion-Berlin, 1986:53). In short, public forces are observed to be used for private or multinational capitalist accumulation.

### *Economic Development, Military Intervention, and Repression*

There exist a number of theories which explore the links between economic development, military interventions, and repression. As the armed forces are trained in combat for purposes of national defense, the vision of a military regime engaged in acts of repression against its own citizenry seems incompatible with standard norms of military conduct. However, the theory suggests that traditional perceptions of military role have changed with the changing context of internal security issues. Drawn from the Latin American experiences in the late 1950s, scholars found links between economic development, internal insurrection and national security. Once a stagnant economy fails to meet the demands of the working class, a well organized and highly mobilized labor movement might emerge demanding for higher wages and income redistribution, which may in turn pressurize the affected propertied class



---

to alien with the military. Domestic insurrections are also identified to be posing serious threats to economic progress and therefore to political order and stability, which eventually leads the military to turn warfare inward, so that they can defend the national interest in the face of ‘hostile radical forces’ (Pion-Berlin, 1986:52)

Overall in the understanding of post-democracy, the requirement for authoritarian imposition of policies driven by neoliberal reform, along with the repressive measures of the state taken against citizen movements challenging business power, has led to the development of an appropriate post-democratic condition, in which the state forces are seen to be directly representing the interest of the business actors. Chapter 6 will discuss in detail the ongoing repressive measures taken by the state in affiliation with the business actors against a number of resistance movements in Bangladesh (i.e RMG workers’s movement, left opposition to Rental power plants, and Phulbari Resistance).

#### 2.4.5 Neoliberal T g h q t o " c p f " v j D g k q e t g w k k k p i q h v j g " r q n

It is already discussed that the era of neoliberalism is characterized by growing number of crisis, transition, and resistance (Lastrico, 2016). It is argued that the neoliberal agenda of ‘structural reform’ generated different forces of resistance, mostly organized to recover the democratic spaces and reverse the elements of pro-market liberalization (Petras and Velmeyer, 2011:80).<sup>17</sup> As the processes through which government policies have been developed, implemented, and monitored came under serious criticism for being undemocratic and unaccountable; and social and political resistance continued to grow in response to the destabilizing impact of neoliberal policies, a new thinking emerged that the policy process of the government must be inclusive with popular participation (see Sen 1999). However, such new policy approaches of the 90s claiming to contain participatory and democratic contents have been heavily criticized for its structural limitations, donor-driven biases, and false impression of ‘democratization’.

---

<sup>17</sup> These new social movements were concerned with a range of issues such as the protection of human rights, protection of environment, the rights of labor, the advancement of gender, land reform, and other forms of social equality (Petras and Velmeyer, 2011:80).

---

#### 2.4.5.1 The Nature, Impact, and limitations of Donor-policy making

It is important to note that the requirements of participatory approach and public participation in the policy making process are in most cases prescribed by various international organizations and financial institutions (discussed in detail in Chapter 7). The same organizations have been heavily criticized in the 90s due to the undemocratic formulation of their policy packages (namely SAP), along with their lack of accountability to the people of the indigenous communities (see Sen 1999). As SAPs could not ensure national ownership, legitimacy, and public acceptability due to its rigid policy content, it became necessary to modify the old approach (Adejumobi, 2006:13). Gradually, World Bank and other donor organizations have taken into account the importance of dialogues and public participation, while attempted to make the institutions more sensitive and responsive to the local needs (Adejumobi, 2006:13).

The criticisms against SAPs ultimately led to a new round of policy proposals, widely known as PRSPs (Poverty Reduction Strategy Papers), which was initially appreciated for its participatory elements and its potential impact on the overall governance process (Adejumobi, 2006:16). PRSPs attempted to emphasize on stakeholders' participation and claims to shift the discourse and design of development policies from a technocratic to political and democratic space, in which a whole range of voices are heard. It also claims to promote democratic accountability and public scrutiny while pursuing to build national capacity and ownership (Adejumobi, 2006:16-17).

However, the new approaches claiming to contain participatory and democratic contents have serious structural limitations due to its donor-driven nature of governance. Firstly the nature and quality of participation and to what extent it represents the voices and interests of the poor is highly contested (Adejumobi, 2006:21). For instance, it is argued that many of the policy papers are usually not prepared through any process of participation, but by technocrats in collaboration with the officials of the donor organizations. In most cases consultation with civil society or grassroots occurs after the finalization of the policy documents (Adejumobi, 2006:19). It is also noted that many African governments prepare PRSPs not necessarily because they want to involve their citizens in policy making or improve the democratic content of policy agenda but mainly to secure additional donor

---

financing and debt relief. This questions the very nature of the commitment to the consultation process and the extent to which it is sustainable (Adejumobi, 2006:21).

In many countries the consultation process with the NGOs are also highly criticized. It is claimed that apart from a few cases, important civil society organizations like organized labor, students and professional associations are side tracked in the consultation process. The key democratic institutions like the Parliament and the political parties are also being undermined. By marginalizing or bypassing existing democratic structures, institutions, and key democratic players in the political process, this sort of selective participation and consultation undermines the necessity of a holistic democratic reform (Adejumobi, 2006:21).

Additionally, it is claimed that the choice of NGOs as key partners in the consultation process is not a coincidence, as they are to some extent considered to be the supporters of market oriented democratic practices (Adejumobi, 2006:21). For instances, in many African and South Asian countries, majority of the NGOs are largely urban-based, elitist in nature, mostly dependent on external funding and have weak social bases, and thus the extent to which they represent the voices of the poor is questionable. According to a former Minister for Planning and Economic Development in Kenya: *Most of these organizations are urban based, middle class led, single oriented and donor supported. While they may quite often ably articulate the issues of the poor and advocate pro-poor policies for governmental action, they are rarely in a position to mobilize the poor to speak for themselves. ...The poor therefore remain largely unorganized, powerless, and marginalized in terms of raising their voices in public policy making, or in terms of participation in public affairs. So called active civil society is confined to a small layer of elites that is relatively articulate and close to the centers of power. The extent to which their "voices" leads to better economic dispensation for the poor remains problematic* (Adejumobi, 2006:21).

Since both the government and private companies select the NGOs to be consulted on various development issues, it is observed that in most cases the chosen ones hardly have fundamental differences with the policy visions. Furthermore, the consultation process in most cases are externally financed or organized by the private company itself, raising the question of its legitimacy and sustainability. The experience of Niger has been noted in this regard: *Civil society participation in the Niger PRSP was financed almost entirely .. by the Canadian government. Some NGOs reportedly participated because of the prospects of*

---

*financial gain rather than because of an intrinsic interest in the PRSP process* (Ntangsi, 2003: 6).

In addition PRSP has been heavily criticized for being embedded in the market oriented policy framework. The features of liberalization, deregulation and privatization of social services, which characterized the earlier SAP era, remain as important elements of the PRSPs. A study of PRSP in Zambia noted that it does not propose any radical alteration of the existing macro-economic regime; rather, some elements of SAPs still continue to remain in the new set up (Seshamani, 2002: 9). Though the donors claim that the new policies are open to modification and improvement, it is fair to argue that the actual content of such approach ultimately remains unchanged and non-negotiable (Focus on Global South, 2001: 1). This also means that regardless of public opposition, the final policy outlines ultimately serves the interest of those institutions. Chapter 7 will discuss in detail the various new approaches of ‘democratization’ adopted by the state in response to the ongoing social/economic crisis resulting from neoliberal policies. The chapter will also examine the limitations and biases of such attempts, claiming to contain democratic elements.

#### **2.4.6 Contradictions of Neoliberalism: Pro-market intervention vs Pro-business subsidy**

It is already discussed that neoliberal state exists in theory to guarantee the free operation of market and withdrawal of the state. Neoliberalism is commonly defined as a political rationality that extends and disseminates ‘market values to all institutions and social action’ (Brown, 2003:7). However, it is important to note that the conception of “pro-market” and “pro-business” differs significantly which is also perceived to be one of the inherent contradictions of neoliberal ideals.” As Zingales (2009) pointed out that the pro-market ideal is supposed to assist the operation of a fair marketplace in which all businesses compete equally with no one particular business or industry getting special privilege from the state. On the contrary, a ‘pro-business’ position of the policy makers reflects the government’s decision to provide a special advantage or privilege to a particular business or industry (Zingales 2009). For instance, the governments are commonly seen to provide special tax provisions, financial incentives, or low interest loans merely to few specific industries, or the policy makers may attempt to change a particular set of law to assist a single specific industry.

---

According to Harvey, *powerful interest groups tend to distort and bias state interventions (particularly in democracies) for their own benefit.* As Zingales (2009) noted that instead of seeking for level playing fields, big business groups spend large sums of money in lobbying for the state's special patronage and attempt to change laws and regulations in favor of them at the expense of fair competition (Zingales, 2009). In his words, *“Most lobbying seeks to tilt the playing field in one direction or another, not to level it. Most lobbying is pro-business, in the sense that it promotes the interests of existing businesses, not pro-market in the sense of fostering truly free and open competition. Open competition forces established firms to prove their competence again and again; strong successful market players therefore often use their muscle to restrict such competition. As a result, serious tensions emerge between a pro-market agenda and a pro-business one”* (Zingales, 2009).

In general free market proponents argue that state subsidies distort the functioning of the free market mechanism. It is claimed that subsidy artificially protect inefficient firms or encourages wasteful consumptions of scarce resources (Schrank, 2003:7). High subsidy to public sector entities may push up fiscal deficits of the government, as well as the level of unproductive expenditure. However, due to rise of business interest in a 'neoliberal' reform era (which in theory should uphold the ideals of free market), selective business groups are commonly seen to be provided with special financial incentives of state subsidies (The case of RMG industry and Rental power plants in Bangladesh shows that the ones with direct political or financial relations with the ruling party members tend to gain special access in the policy domain of the state; see Chapter 5). It is also observed that the government's long term financial support to a particular domestic industry eventually ends up benefitting merely the owners of the industry, leading to the dismantling of a level playing field (Siddique, 2015:12). In accordance with the logic of Crouch, it is fair to argue that large money spent by the business lobbyists in order to pursue for pro-business policies and subsidies at the cost of the other parts of the society (i.e Workers/consumers) has largely contributed to the formation of a post democratic regime. Chapter 5 will discuss in detail the different forms of state subsidy that are given to the business groups in Bangladesh (BGMEA, Quick rental and Asia Energy) along with its various implications.

---

#### 2.4.7 The Convergence of Neoliberalism and Post Democracy

Colin Crouch discussed how a new wave of economic liberalism in the last four decades has led to a post democratic society in the western world. A post-democratic state as discussed by Crouch, confronts a situation in which business interests become far more powerful than the mass of ordinary people. Politicians respond primarily to the concerns of few business leaders whose special interests are allowed to be translated into public policy. In the logic of Crouch, post-democracy as a paradigm, dominant since the success of neoliberal ideology, is largely based on the classical liberal idea of ‘reduced role of state’, yet inscribed in a comparatively more centralized and technocratic mode of policy making, substantially separated from its democratic elements (see Lastrico, 2016: 367). These two opposing symptoms of neoliberal power appear to support each other, for the maintenance of a post-democratic regime. French political philosopher Jacques Rancière also criticized the rising influence of experts/technocrats on politics, as he believes that politics dominated by experts fundamentally undermines the idea of equality (Rancière 1999: 102).

It is already discussed that Neoliberalism is equated with the idea of withdrawal of the state from crucial public services. On the contrary, the neoliberal state is also expected to establish a strong role for the state to ensure the smooth operation of the crucial functions of the free market economy. According to Lastrico, the convergence of the two apparently conflicting pattern of ideals produces the conditions for a ‘technical state’, which is embedded in the logic of technocratic formation of public policies, instead of a participatory decision-making process (Lastrico, 2016:367). For Meynaud (1966), reducing policy problems to mere economic efficiency solvable through technical methods not only indicates suppression of political power, but a techno-bureaucracy requiring strict planning and programming (see Lastrico, 2016: 366). As for Supiot (2011), governance based on quantitative/technical indicators is suitable to the tools for autocratic or undemocratic planning (see Lastrico, 2016: 367). It is believed that as the state’s policy makers more and more inclines towards technocratic solutions for policy making, which takes away the democratic substance from the policy process, the conditions for a post democratic society is created (Lastrico, 2016: 367).

On the other hand, the thesis of Crouch and Rancière opened an important debate on depoliticization of the Western democracies (Ritzi, 2014:53). Both Crouch and Rancière conceptualized democratic politics not merely as an institutional setting but as a sphere of

---

societal/political life which should not be “managed” by applying fixed economic rules or expert knowledge but which is based on conflict and interaction between ‘equal’ people (see Ritzi, 2014:175). In the discourse on post-democracy, neoliberalism is perceived primarily (but not exclusively) as an ideology (as Foucault suggests) and as a governmentality which fundamentally changes the political decision-making processes, and standing in opposition to the fundamental democratic values (see Ritzi, 2014:175). In addition to the decline of democratic values and depoliticization within the citizenry, neoliberalism also set the norms for all societal/political practices to be related with significant stake of power, wealth or status (Wolin 2004: 564).

For both Crouch and Ranciere, the rise of neoliberal thinking to a hegemonic paradigm has deteriorated democratic values in the Western states which ultimately led to the development of a post-democratic regime (Ritzi, 2014:171, Ranciere, 2003: 1, 1999: 107). For him, democracy is a permanent and endless process of emancipation and Post-democratization in this understanding is a process of depoliticization. Ritzy argues, neoliberal hegemony has been creating a new form of de-politicization by supporting the increasing influence of economic/business values on all spheres of life (see Ritzy, 2014: 172), while reducing plurality in the political sphere and stands in opposition to the normative ideal of politics (Rancière 1999: 102). For Crouch, political passiveness of citizens, degeneration of political parties, and the lost influence of democratic institutions over political decision making process are the major developments of the neoliberal era, which transformed the formerly democratic systems into a post-democratic one since the 1970’s (see Rtizi, 2014:171).

## **Segment IV**

### **2.5 Conceptual Review of Lobbying**

Different Interest groups including business actors are frequently involved in policy processes in pursuit of their interests. Consultation between policy-makers and interest groups is usually seen as an important part of democratic politics. In general different interest groups target different sections of the government, bureaucracy, or parliamentary bodies, which have the formally defined policy-making structures [Ippolito and Walker 1980: 270]. Similarly, policy actors including parliamentarians perceive different interest groups as important sources of information, knowledge and expertise (Norton 1999: 12; Patzelt 1997:



---

59). 404. However, the openness, accessibility, and efficiency of different policy actors play an important role in determining interest groups' influence on policies [Presthus 1974; Grant 1989; Richardson 1993; Howlett and Ramesh 1995].

To understand the process through which special interest groups attempt to negotiate or ally with the government, it is important to explore the conceptual elements of lobbying. Considerable effort has been made by the researchers in studying the role played by special interest groups or lobbies in the policy-making process and their effects on policies (Basely and Coate, 1997:67). The term lobbying in general refers to the 'liaison' that occurs between organizations and the government (Parvin, 2007:22). Both big business actors or other special interest groups of the society use 'lobbying' to exercise pressure or influence on policy makers of the state (Parvin, 2007:9; Bernhagen, 2007:24). Lobbying is also pursued by different citizen groups, labor unions, NGOs, consumer forums, or even charities in order to influence government policies policies (see Parvin, 2007:21).

A large body of research suggests that business interests are the most powerful and influential non-state actors in capitalist democratic systems compared to the other types of actors (see, Olson, 1965; Schlozman & Tierney, 1986; McFarland 1991, Streeck & Schmitter, 1991; Schneider & Baltz, 2003). The power of a business lobby is generally determined by its ability to exert pressure on the policy makers (Bernhagen, 2007:25). According to Bernhagen, "This ability varies with the size and type of a group's membership, its financial resources, monopolistic control of expertise and information, status and access to government and the media, the capacity to influence public preferences and its organizational structure" (Bernhagen, 2007:25).

There has been a long-standing debate between those who perceive business lobbying as 'inevitably corrupting influence' on policy makers, and those who view business lobbying as a healthy and crucial part of policy process, as such the pluralists (Lowery, 2007:30). It is important to note that, it is the nature of interaction between business and the political process and the expectation of business to get a heavy return from the process of lobbying, generates 'skepticism' about the role and influence of business lobbying (Parvin, 2007:10).

Although in the Anglo-Saxon context, the process of lobbying is protected constitutionally, historically the policymakers have been appeared to be conscious of the negative effects of lobbying (Mayer, 2008:492). As American president James Madison feared that groups of citizens united by common passions or interests would form organizations or interest groups



---

to pursue government action (or inaction) that would advance their own interests but would have an adverse impact on the interest of general public (Mayer, 2008:492).

Though much theoretical work has been found in explaining the notion of lobbying, a lack of empirical evidence is observed on how lobbying is conducted. It is important to note that to form an alliance with the relevant government agency, business groups or lobbyists generally attempt to achieve an ‘insider’ status within the policy-making mechanism, while delivering as much as ‘input’ as possible into the process of ‘policy development’ and ‘decision-making’ (Parvin, 2007:31). According to Wyn Grant, the government perceives ‘insider’ groups as ‘legitimate spokespersons’ for particular interests or cause. The government also shows interest in engaging in dialogues with such groups. Whereas, outsider groups might be considered as ‘ideological protest groups’ who are not willing to be a ‘collaborating part’ of the government or they might just simply lack necessary skills or resources to gain recognition by the state (Grant, 2004: 408-409).

In general, different methods of communication occur during the process of lobbying. The U.S IRS website defined *direct* lobbying as attempts to influence a legislative body through communication with a member or employee of a legislative body, or with a government official who participates in formulating legislation. *Grass roots* lobbying is referred to as attempts of influencing legislation by trying to affect the opinion of the public with respect to the legislation and encouraging the audience to take action with respect to the legislation (Official website of IRS).

### **2.5.1 The Convergence of the Policy Actors and Interests Groups**

Different interest groups including trade unions and business actors target different sections of government, bureaucracy, or parliamentary bodies. As the parliamentary system is one of the most important tools to influence government policies, interest groups’ affiliation with parliamentary committees remains an important area of research. Saalfeld (1997) observed that members of parliamentary groups commonly have strong ties with different associations, through which associations or interest groups have a formal chance to influence the committee deliberation by attending public hearing (see Saalfeld, 1997:380-395).

Several authors have shown that interest groups look for competitive advantage over other groups to influence policy makers. In most cases, policy-makers are offered with ‘binding

---

promises of payment’, which is ‘conditional’ on the chosen policy (Bernheim and Whinston 1986; Besley and Coate 2001; Dixit, Grossman and Helpman 1994,1996, Persson and Helpman 1998). Maloney, Jordan and McLaughlin (1994) emphasized on the ‘exchange-based’ nature of the relationship between interest groups and policymakers, and pointed out how policymakers offer organized interests the opportunity to shape policies, while lobby groups provide policymakers with politically useful resources including knowledge, advice, expertise, membership compliance, or guarantees for implementation (Maloney, Jordan and McLaughlin1994: 20-27). While most interest groups attempt to shape policies by means of strategic information; corporations and business associations are observed to be relatively more active in accumulating knowledge, researching their political environment, and controlling relevant information (Schlozman & Tierney, 1986, Ainsworth, 1993; Austen-Smith, 1993; Grossman & Helpman, 2001, ch. 4; Dür, Bernhagen, and Marshal, 2015:5).

The work of Basely and Coate (1997) suggests, business lobbies provide both ‘political support’ and ‘utility enhancing transfers’ to policy-makers which highlight the ‘complementary aspects’ of the relationship between parliamentary candidates and lobbyists (Basely and Coate, 1997:68). As Mayer (2008) notes, the actions and activities of legislators are generally influenced by a range of different but interrelated preferences: for instance, their ‘personally desired policy results’, which promote their ‘ideological goals and their view of the public interest’; the policy outcomes preferred by those they represent; an ambition for ‘power and authority’; a desire to be re-elected; and other personal desires, such as to become wealthy and famous (Mayer, 2008:522). According to Mayer, interest groups also provide campaign financing for parliamentary members, including ‘individual and bundled campaign contributions’, ‘campaign volunteers’, ‘campaign-related advertising’, and ‘voter mobilization efforts’ (Mayer, 2008:524). Basey and Coate also suggest that business groups tend to lobby particularly to those whom they find ‘cheapest to bribe’ (Basely and Coate, 1997:68).

While interest groups are commonly seen to maintain frequent communications with the members of the parliament, a number of scholars argue that strength of the parliament has been weakened over time while the executive dominance over the policy making system has increased. Bryce (1999) argued that the growth of pressure groups and strong party activities have declined the moral influence of parliamentary representation while parliamentary scrutiny of the executive became increasingly ineffective. According to Hamer (2004), when

---

there is a majority government, party discipline becomes dominating, and the cabinet becomes answerable not to the parliament but to the caucus of the majority party.

On the contrary, Philip Norton, a leading parliamentary scholar argued that legislatures have not declined in the modern era; rather there is an unequal relationship between the executive and the parliament. Norton (2000) identified the increasing growth of party discipline, expansion of civil service and the growth of organized interests group as recent developments which makes the executive ‘not just dominant but overly dominant’ in comparison with the parliament (Norton, 2000:10).

### **2.5.2 How and when business interest succeeds in the policy process**

As lobbying frequently takes place in competitive environments, business groups routinely faces competition in the attempt of initiating new legislation. According to Wilson (1995:143), business in the US consistently faces rising levels of taxation, increased regulatory supervision, and stronger injunctions against unfair labor practices. While in the capitalist systems, business actors are seen to be better resourced than other organized interest, many non-business interests including trade unions and citizen groups are seen to gather considerable material resources to mobilize politically while constituting significant countervailing levers (Galbraith, 1952). In the case of the European Union, non-business actors are frequently seen to be aligned with both the European Commission and the European Parliament in pushing policy changes (Dür, Bernhagen, and Marshal, 2015).

Dür, Bernhagen, and Marshal (2015) also argue that business actors are generally less successful than citizen groups in the EU policy process. It is suggested that the success of business lobbyists is conditional with the level of contestation on a policy issue. In case of lower level of conflict within the interest groups, business actors are observed to be more successful in protecting their interest. However, in case of higher level of conflict, the legislative outcomes tend to shift closer to the preferences of citizen groups in comparison with the preferences of business interests (Dür, Bernhagen, and Marshal, 2015:3-5). Studies show that unions and citizen groups are more likely to be involved in the relatively more open processes involving larger numbers of participants, while business interests attempt to shape the policy process quietly, by avoiding open conflict (Dür, Bernhagen, and Marshal, 2015:3-5). Salisbury (1984) found that citizen groups tend to play more prominent roles in

---

comparatively visible public domains, while business seem to be more active in the less visible arenas (Salisbury, 1984: 74-5). Similarly, it is found that when the public gets involved and ‘spotlight’ is on, business interest tends to lose and political equality prevails (Danielian and Page, 1994:1076). It is important to note that the increasing politicization of some layers of the European Union as well leads to greater public attention to the public policies, which tends to favor the demands of citizen groups (see Dür& Mateo, 2014). Business actors may still be able to defend their interests in such context, as long as policies are agreed upon in a comparatively closed elite circles involving few lobbyists and executive officials (Dür, Bernhagen, and Marshal, 2015:3-5).

Dur, Bernhagen, and Marshal (2015) also observed that business actors are frequently unsuccessful in preserving the status quo of the regulatory environment of the European Union. By contrast, the institutional structure of the European Union, offering frequent and multiple accesses to the labor unions or citizen groups which tend to allow them to be particularly more effective in imposing new or added regulations (Dür, Bernhagen, and Marshal 2015:3-5, Mazey & Richardson, 1993; Mazey, 1998; Geddes, 2000, Kohler-Koch, 1997). The European Commission is also observed to be significantly considerate to different citizen groups as they serve as allies in its attempt to enhance its competences and legitimacy (Pollack, 1997).

Studies also show that the political leverage of business groups are observed to be frequently associated with access to the executive institutions (Richardson & Jordan, 1979), which in some political systems are less accessible to countervailing groups. By contrary, citizen groups are more likely to rely on the parliamentary bodies and their members (Denzau and Munger, 1986). According to Dür, Berhagen, and Marshall (2015) when policy debates and decision-making powers shift from the executives to the parliamentary bodies, business lobbyists tend to lose their competitive leverage compared to other interests. This implies that business actors can protect their interests best when the power of the parliamentary bodies is limited (Dür, Berhagen, Marshal, 2015: 11).

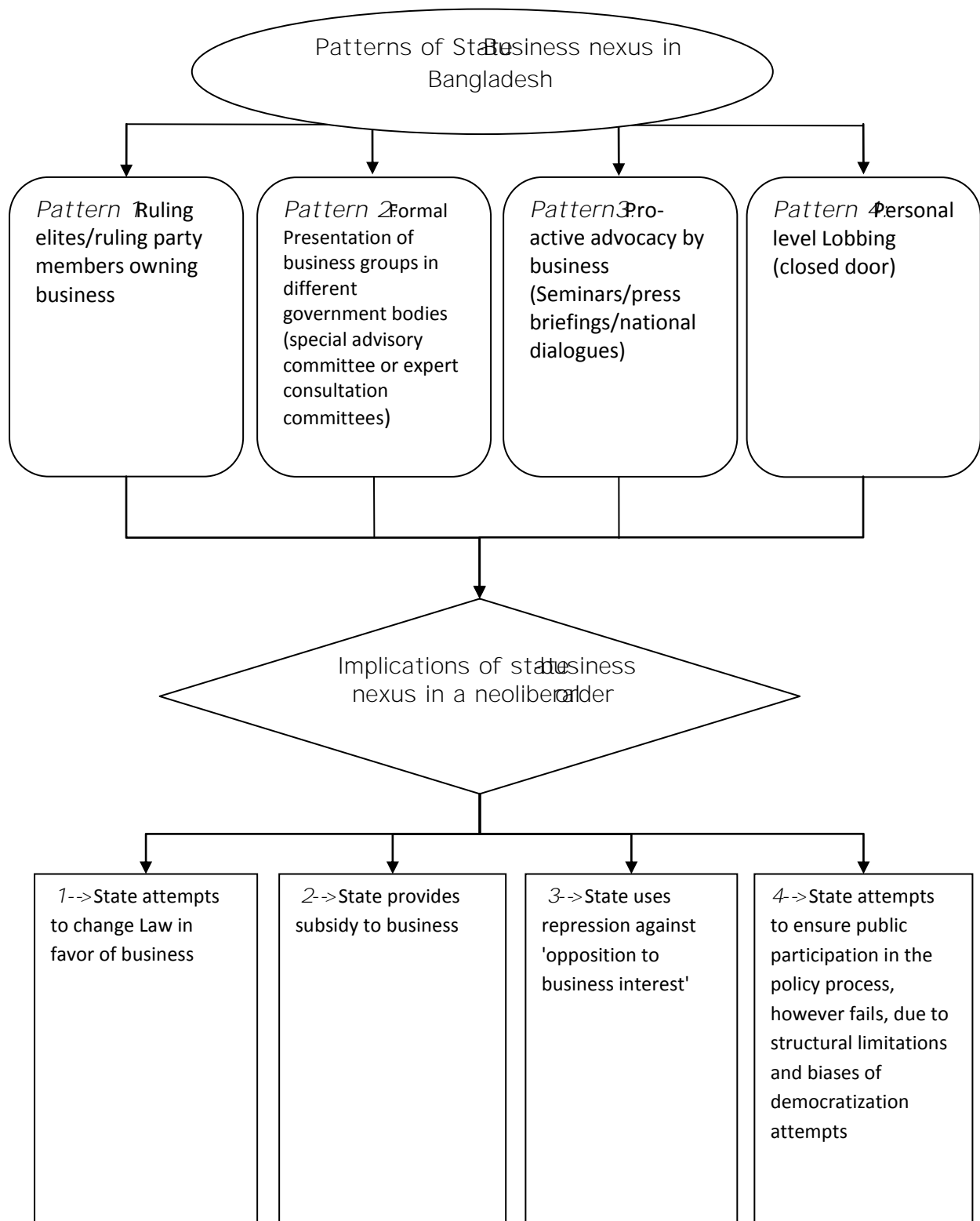


Figure 1: Business Actors' Scopes of Intervention

---

## Chapter 3. Evolution of state-business nexus in Bangladesh

### 3.1 Introduction

Bangladesh is one of the most densely populated countries in the world which remains predominantly rural in character (David, 2011:13). The country is widely known for its problems of governance, widespread poverty, and high levels of corruption (David, 2011:3). Formerly, East Pakistan, Bangladesh emerged as an independent nation in 1971, after a two-decade long struggle for autonomy (David, 2011:2). The political scenario of Bangladesh has been turbulent since the country's independence. Two decades of electoral democracy have been interrupted by several military coups, two long periods of authoritarian military rule, and state of emergencies (Sarker, 2005:1). It has also experienced a series of mass protest movements that ultimately overthrew the military regime of General H.M. Ershad in late 80s.

Though in 1990, parliamentary system of democracy was revived in Bangladesh (David, 2011:3), the policy process remain largely inaccessible to large sections of the society. The political process/policy process in the country has largely evolved through some persistent general characteristics: The significant centralization of power in the hands of the executive, the 'unchallenged' power of the Prime Minister over the executives, a weak parliament of elected representatives, the limited power of the parliamentary committees, election rigging by the government, and a weak and submissive judiciary (see Jahan 2014;Jahan 2015; Riaz, 2014; Kochanek, 1994:51). It is important to note that these particular characteristics have significant relevance in shaping the policy process of the cases of this study. This chapter discusses the following:

- ◁ The party system of Bangladesh and the narrowing down of their ideological differences in the later part of the liberalization era
- ◁ The formal governing structure/policy process of Bangladesh: i. Centralization of power by executives, ii. The unchallenged power of the Prime Minister, iii. The Council of Ministers and its lack of power, and iv. The limitations of parliamentary authority
- ◁ The evolution of business actors and the rise of business interest from the time of early liberalization to contemporary (neoliberal) reform era, and
- ◁ The ability/inability of other countervailing forces to reach the policy process.

---

### 3.2 Parties and Politics in Bangladesh

Unlike many western countries, political parties in major developing countries have come into force through the anti-colonial struggle of the nationalist leaders, which eventually followed by struggles for national liberation (Sarker, 2005:1). Bangladesh has two main political parties. The Awami League (which has generally been considered to be a centre/centre-left political party) and the Bangladesh Nationalist Party (BNP), which is considered to be 'center right'. Founded in 1949, the Awami League represented the Muslim population of East Pakistan. The movement for provincial autonomy was led by the party which eventually transformed into the freedom movement of the 60s (Kochanek, 2000:532). Following the liberation war, the Awami League led by Sheikh Mujib, with widespread public support, formed a parliamentary system of government. The party was able to rule almost without any significant opposition during the period of 1972 to 1975.

Kochanek (1996) showed how the Awami League government was composed of middle class and rural-based elite groups that heavily practiced a culture of 'patron-client' politics. According to Kochanek, the highly 'fractionized' party was held together by Mujib's 'charisma' and a substantial amount of government patronage. The Awami League leaders and members along with Mujib's relatives were highly criticized for extorting state resources throughout the Mujib's era (Kochanek, 2000:532).

Following the assassination of Mujib in August 1975, a series of coups and countercoups took place, through which General Ziaur Rahman, a leading freedom fighter of the liberation war, established a 'bureaucratic-military state' in Bangladesh (Kochanek, 2000:532). Zia afterwards established his own political party, Bangladesh Nationalist Party (BNP), with the aim of 'civilizing' the government which would make him less dependent upon the military (Kochanek, 2000:532). Zia created a 'broad based coalition' of political forces in opposition to Awami League, drawn from the military, the bureaucracy, the business community, a portion of leftists, pro-Islamic/pro-Pakistani elements, and a number of former members of the Awami League (Kochanek, 2000:532). According to Kochanek, unlike the lower middle class Awami League counterparts, most BNP members were drawn from the 'upper strata' of the Bangladeshi middle class and rich farmers in the rural areas. Kochanek observed that these diverse interests were held together by Zia's Charisma and his promotion of a religion based nationalism. Zia's 'patrimonial system of patronage' built on government jobs, bank loans, business licenses and permits, also played an important role in strengthening the party

base. Due to its emerging social base, the BNP could continue to function as a major political party in Bangladesh even after the assassination of Zia in 1981 (Kochanek, 2000:532).

**Table 1: Ruling period of Major Political Parties in Bangladesh**

<b>Ruling period</b>	<b>Party in Power</b>
1971-1975	Awami League led by Sheikh Mujib
1975- 1980	Bangladesh Nationalist Party led by General Zia
1980-1988	Jatiya Party led by General Ershad
1991-1995	Bangladesh Nationalist Party led by Khaleda Zia (widow of General Zia)
1996-2000	Awami League led by Sheikh Hasina (daughter of Sheikh Mujib)
2000-2006	Banagladesh Nationalist Party led by Khaleda Zia
2006-2008	Military-backed Care Taker Government (State of Emergency)
2008-Current	Awami League led by Sheikh Hasina

### **3.2.1 Distinctive features of Political Parties**

The Awami League which led the struggle for national liberation did not explicitly commit itself to a socialist agenda during the liberation time. The move towards a more explicit socialist agenda was partly motivated by the political mobilization of the late 60s led by the left parties, leading to the downfall of the Ayub Khan regime (Pakistan period) in 1969. The election manifesto of Awami League for the 1970 national elections also included a socialist scheme. Afterwards, this led to a party constitution committed to democracy, nationalism, secularism, and socialism. After the liberation of Bangladesh in 1971, the Awami League government theoretically remained committed to the agenda of 1970's election manifesto.<sup>18</sup>

Meanwhile both BNP and Jatiya Party-led military governments ruled the country from 1975 to 1991. The officially stated ideology of Bangladesh Nationalist Party (BNP) included nationalism, democracy, free market economy, and preserving the teaching of Islam. It is to be noted that from 1975 to 1990 the economic policies of the two military regimes were heavily influenced by the structural adjustment policies of the World Bank and the International Monetary Fund.

<sup>18</sup> This was reflected in the framing of the constitution in 1972.



---

As the liberalization policies were observed to be gaining significant momentum following the restoration of the parliamentary democratic system in 1991, both political parties have been observed to be undergoing changes in their ideological orientation. A narrowing of differences was evident in the policy manifestation of both party's' economic agenda (Jahan, 2014:52). A political consensus across all parties in Bangladesh was observed in the 90s on the issue of pro-private sector industrialization and deregulation (Jahan, 2014:52; DCCI, 2003:1,6). Both parties adopted a liberal economic agenda, focusing on free trade, privatization, import liberalization, and export promotion (Rahman, 2005:108, Jahan, 2014:52, and DCCI: 2003:1). Both parties have attempted to open vital sectors of the economy (such as the power, energy, and mineral resources) to multinational investment. Jahan (2014) noted that business owners continued to dominate the circle of legislators in the parliament throughout the tenure of both political parties. The practice of party-building through distribution of state resources also continued during the rule of both parties (1991-present) (Jahan, 2014:53). In case of both parties, the reward system for the ruling party included appointments to various public institutions, business deals and contracts, and impunity to corrupt members of the ruling party (Jahan, 2014:53).

### **3.2.2 The Left Political Parties in Bangladesh**

The Left in Bangladesh has a long legacy dating back to the country's struggle for independence. In spite of their significantly long political existence, they fail to emerge as a viable political force in capturing the power at center (see Sarkar, 2015). The political left in Bangladesh, represented by a number of socialist and communist parties, has remained significantly small and divided by internal dissension (see Sarker, 2005). Both the pro-Soviet and pro-Chinese blocks of communist parties played major roles in the battle fields of the liberation war, as well as in the post-liberation period of the 70s state system. During the 1980s, leftist parties were forced into supporting roles, within alliances with the major opposition parties (Sarker, 2005:2). However, the scope and opportunities for left politics has remained strongly relevant in Bangladesh due to the economic difficulties experienced by the working class and the farmers of the country. In the recent decades, the left coalitions made itself visible in the public domain by participating in a number of protest movements including the protests of the RMG workers. The Phulbari movement (against open pit mining) was led by a national platform consisting of the major left political parties of the

---

country (see Chapter 6 & 9). The left parties are also observed to be vocal against various price hikes in the recent times (see Chapter 6 & 9).

### **3.3 The Structure of Governance in Bangladesh: From Presidential to Parliamentary system**

Following its independence in 1971, Bangladesh state has experienced both electoral democracy and military ruling, and rotated between a parliamentary system and a presidential system of governance. In 1972, a multiparty parliamentary system was adopted, based on the Westminster model which endowed the parliament with supreme legislative power. While the executive authority was given to the Cabinet, headed by a Prime Minister (supported by the majority of the parliament), the President (elected by the parliament) became the ceremonial head of the state (Jahan, 2012:2).

However, the ‘parliamentary democracy’ in Bangladesh could not survive for long. In January 1975, the constitution was amended and a one-party presidential system was introduced. The amended constitution restrained the power of the parliament and initiated a presidential system of government in which the President became the executive head of the government (Kochanek, 1994:63). It is already mentioned that in August 1975, the military intervened and the presidential system was retained by the military rulers for the next 15 years. In 1990, widespread people’s movement finally overthrew the Ershad’s military government. A parliamentary system was restored in 1991 which continued till the present time with the exception of a two year rule (2007-2008) by a military backed caretaker government. Five parliaments have been elected since 1991 and more or less completed their terms (Jahan 2012:2).

#### **3.3.1 The Policy Actors in Bangladesh: The unchallenged power of the Prime Minister**

The extent of power enjoyed by the Prime Minister has always been a matter of debate in Bangladesh. Following the restoration of parliamentary democracy, the executive authority has always been vested with the Prime Minister and is exercised either directly or through the officers subordinate to her. The Prime Minister is elected for five years and is the head of the government, head of the armed forces, and chief executives. The Prime Minister also has the

---

power to appoint and dismiss the ministers of state, deputy ministers, and the judges (Kochanek, 1994:63).

In the recent years, the debate around prime minister's power has become a politically contentious issue. It is Article 70 (Order 1972) of the constitution which is considered to be contradictory and damaging to the very notion of the check and balance mechanism which the parliamentary system is expected to provide. Article 70 states that, "a person elected as a member of Parliament at an election at which he was nominated as a candidate by a political party shall vacate his seat if he –

(a) resigns from that party ; or

(b) votes in Parliament against that party..."<sup>19</sup>

This implies that if parliament members vote against their own party, it will lead to an automatic cancellation of their parliamentary seats. It is alleged that Article 70 contradicts with the provision of fundamental rights in the constitution, including freedom of speech and freedom of conscience.<sup>20</sup> It is argued that the article has the effect of preventing free votes and 'crossing the floor'<sup>21</sup> by Parliament members. As a result, the parliamentary system of Bangladesh lacks the very capacity to hold a *no confidence* motion to remove a Prime Minister.<sup>22</sup> Due to the lack of opportunity for a no-confidence motion, there exists a very few options by which a prime minister can be legally dismissed. The institutional check and balances mechanism on the power and authority of the Prime Minister are hereby largely constrained. According to Saki (2015), the lack of accountability and the unchecked authority of the Prime Minister of Bangladesh has largely contributed to a 'monolithic power system', leading to a form of 'dictatorship'. The 'unchecked' power of the prime minister, a weak Council of Minister and an inefficient parliament shows that the most significant policy initiatives usually come from influential individuals or groups inside or outside the government with strong connection with the highest level of the government directly linked with the Prime Minister herself.<sup>23</sup>

---

<sup>19</sup> Article 70 (Vacation of seat on resignation or voting against political party), Constitution of the People's Republic of Bangladesh).

<sup>20</sup> Kaiyum, Hasnat. Supreme Court Lawyer; Expert in Bangladesh Constitution. Interviewed on June 29, 2018.

<sup>21</sup> *Crossing the floor* refers to a situation in which a member of the parliament changes allegiance to his/her own party in a Westminster system.

<sup>22</sup> Kaiyum, Hasnat. Interviewed on June 29, 2018.

<sup>23</sup> Kaiyum, Hasnat. Interviewed on June 29, 2018.

---

### 3.3.2 The Policy Actors in Bangladesh: The Bureaucracy, the Council of Ministers, and its Limitations

After independence, countries in the Indian sub-continent inherited an organized bureaucratic structure, originally evolved to meet the needs of colonial administration (see Kochanek, 1993:51). Though it was assumed that the ruling structure would be substantially re-structured and political actors would establish authority over the executive bureaucracy, in reality many elements of colonial bureaucratic structure had remained largely unchanged.<sup>24</sup> The executive bureaucracy in Bangladesh persistently enjoyed significant independence without much interference from the political actors, while the parliamentary committees struggled to reinforce parliamentary supervision over executive bureaucracy (see Mahiuddin, 2009:95-97). The Government of Bangladesh is formed of 60 Ministries which are further divided into divisions and wings, headed by secretaries, joint secretaries and deputy secretaries (Kochanek, 1993:66). Currently, the key participants in the decision making process in Bangladesh are the Prime Minister, her formal group of advisors, the Council of Ministers and the Secretary who is the chief executive officer of the Ministry (Kochanek, 1994:66). In theory, the Council of Ministers is the highest decision making body in Bangladesh. It is composed of the Prime Minister, deputy ministers, and all senior ministers. The Council of Ministers is formally responsible for advising and assisting the Prime Minister in the exercise of her functions. The Cabinet of Ministers meets regularly (generally once in a week), and its decisions are implemented by the cabinet division of the concerned secretariat and the ministry. Decisions of the Council of Ministers must be approved and signed by the Prime Minister (Kochanek, 1994:65).

Every ministry in Bangladesh has a number of departments/divisions attached to it.<sup>25</sup> In general, policies are initiated, designed and drafted by the bureaucrats/officials of the departments. After the policy is drafted, often with the consultation of the Ministry, it is sent to the *Ministry of Law* for vetting. The Law Ministry reviews, examines, and corrects the draft policy and sends to the cabinet with a no objection. Once the policy draft is submitted to the cabinet in the form of a bill, it is required to be discussed in the cabinet in which ministers are expected to debate the policy. Once the bill gets through the cabinet with the approval of

---

<sup>24</sup> Ibid.

<sup>25</sup> For instance, the Ministry of Power, Energy, and Mineral Resources has two Divisions headed by two secretaries. The Power Division is responsible for all policies and matters relating to electricity generation, transmission and distribution. The Power Cell acts as its 'Think Tank' and provides policy support.

---

the prime minister, it is sent to the parliamentary committees.<sup>26</sup> The parliamentary committees are composed of Ministers, Deputy Ministers, and the members of both opposition and ruling parties. Once the parliamentary committee examines the bills and makes necessary changes, the final draft is submitted to the parliament for discussion. The policy or act is passed in the parliament with a majority of votes from the parliament members.

Although the Council of Ministers meets regularly and also for special sessions; in practice, it has rarely been the center of decision making for the State (Kochanek, 1994:65). Kochanek observed that during the Ershad Era (1980-1990) decision making was done by President Ershad and his mini-cabinet, which was composed of a group of generals or ministers close to him (Kochanek, 65). Kochanek noted: “On paper, a variety of formal decision making bodies appeared to play an important role. In practice, however, all major and even minor decisions were made by President” (Kochanek, 1994:63). The observation of Kochanek on the function of the Cabinet of Ministers remains valid even today. Even after the restoration of parliamentary democracy in the 90s, both the cabinets and the parliamentary committees are largely seen to be merely used to receive reports from ministers on various problems and actions taken by the ministry. According to Kaiyum (2018), the cabinet largely fails to operate as a functional body of decision making as it is mostly dependent on the whims of the prime minister. The cabinet meetings also provide the Prime Minister with a forum to lecture on different policies or to make casual statements that holds the ‘force of command’. Most crucial decisions are also announced even before the cabinet could meet or at the cabinet meeting itself. In short, Kochanek’s observation of the military regime of the 80s that ‘the cabinet meet to announce decisions and not to make them’ still remains valid (Kochanek, 1994:65).

In addition, the relationship between the ministers and the secretary of the same ministry has long remained a matter of strain (Kochanek, 1994:66). Although the minister is consulted on all policy issues, policy changes are virtually not possible without the support and cooperation of the Secretary of the Ministry who is in a position to manipulate different layers of bureaucracy or simply block any action. It is also observed that even the lower level of the secretariat/bureaucracy is capable of blocking any action if they are not ‘compensated’ properly. Ministers are often seen to be complaining publicly about the immovability and

---

<sup>26</sup> There are departmental parliamentary committees in Bangladesh parliament.

---

non-cooperation of the secretariat/bureaucracy (Kochanek, 1994:67). Often Secretaries of different Ministries are observed to be holding more leverage than the Minister himself due to his special connection or direct access to the Prime Minister.<sup>27</sup> According to Rahmatullah, Such connection depends on a number of factors including political association, financial stake, or the secretary's better access to the vested interest groups.<sup>28</sup>

Overall, it could be stated that the Council of Minister, which is expected to be a highest decision making body for the state, has hardly enjoyed the power and capacity to make critical decisions for the state due to the Prime Minister's exclusive dominance over the system, as well as the lack of cooperation from the Secretariat.

### **3.3.3 The Parliament and the Policy Process: The Question of Accountability, Representation, and Limitations**

As a principle state organ the parliament is expected to examine the legislative proposals, watch over the executive activities, create a check and balance between the executive and legislative branch of the government, and filter the legislative proposals before its enactment into law (see Mahiuddin, 2009:94). Some argue that though in the last two decades, elections are held more regularly in Bangladesh, the frequent and abrupt changes of the legislative system adversely impacted the development of an effective parliament (Jahan, 2012:1). In addition, the opposition party was also seen to be repeatedly boycotting the parliamentary sittings. Moreover, the 2014 election was held without the participation of the main opposition party (Bangladesh Nationalist Party) based on the allegation that the ruling party (Awami League) manipulated the election system and failed to provide a level playing field for the participating parties. As a result the current parliament is running virtually without a strong opposition.<sup>29</sup> Since 2014, the main opposition party has more or less focused on street agitation, 'violence', and occasionally called for general strikes. Overall, the performance of the parliament in terms of its main functions including legislation, budget, and scrutiny falls far short from the expectation of its citizens (see Riaz, 2014; Jahan, 2012:2).

---

<sup>27</sup> Rahmatullah, B.D. Former Director of Power Cell. Ministry of Power, Energy, and Mineral Resources. Government of Bangladesh

<sup>28</sup> Ibid.

<sup>29</sup> With the election boycott of the main opposition party BNP in 2014, more than half of the 'elected' members (153 out of 300) of the 2014 parliament were the only candidates for their seats. The outcome of the election 'positioned' Jatiya Party (formed by former President Ershad) as the Parliamentary Opposition. However, series of events show that the Jatiya Party was handpicked for this role of opposition (see Riaz, 2014:152).

---

Though the parliament in Bangladesh is yet to emerge as an effective institution (see Jahan, 2012), a CPD<sup>30</sup> research (2012) found that in recent years, there have been some positive developments:

- ◁ A total of 48 parliamentary committees were established in the first session of the parliament.
- ◁ The parliamentary committee meetings and their reports are now more regular.
- ◁ The Parliamentary committees are no longer being headed by ministers.
- ◁ For the first time, opposition members have been given Chairs of different committees.
- ◁ The number of bills passed per session and per year has increased (Jahan, 2012:2).

It is important to note that though parliamentary committees in Bangladesh formally enjoys extensive power and are formed exclusively to evaluate legislative proposals and scrutinize activities of the executive branch of the government, the role of the parliament in ensuring parliamentary supremacy over the executives and to make the government regularly accountable to the parliament remains heavily unsatisfactory in Bangladesh<sup>31</sup> (see also Mahiuddin, 2009:95-97). Despite of some positive trends, the accountability of the parliament members to the public causes, as well as the representation of the marginalized sections of the society also remains a matter of concern (Jahan, 2014:27-40).

It is also important to note that the parliamentary committees of Bangladesh cannot initiate bills or do not hold the authority to rewrite texts or bills. The government bills (initiated in the Ministry) are sent to the appropriate parliamentary standing committees, in which bills are reviewed and examined in a clause-by-clause basis. Though the ability to initiate and reframe legislation is a crucial source of power, the autonomy of the parliamentary committees is only limited to proposing amendments, recording minute of dissents, or identifying any unclear or vague clause of the bill (See Mahiuddin, 2009:96).<sup>32</sup> According to Kaium (2018), the parliament has been frequently used as a tool for endorsing policy decisions coming from the executives, and granting legitimacy to the ‘rulers’. None of the committees of the parliament could ever be seen to challenge the dominance of the executive branch<sup>33</sup> (See also Mahiuddin, 2009:95-98).

---

<sup>30</sup> Center for Policy Dialogue.

<sup>31</sup> Kaiyum, Hasnat. Interviewed on June 29, 2018.

<sup>32</sup> Without majority approval in the parliamentary committees, no amendments can be adopted in the committee.

<sup>33</sup> Kaiyum, Hasnat. Interviewed on June 29, 2018.



---

The committees in the Bangladesh parliament also do not hold the power to arrange public hearing on legislative bills. They can only invite experts for obtaining opinion and can summon persons for a witness (Mahiuddin, 2009:97). In addition, parliamentary committees in Bangladesh can only make recommendations and decisions, while the ministers and the bureaucrats remain free to defy any recommendations or decisions made by the committees. (Mahiuddin, 2009:98).<sup>34</sup>

### **3.3.4 Parliamentary Committees and Parties: How Parties Control Committee Members**

Political Parties influence the activities of the parliamentary parties through both formal and informal manners. Parliamentary functions in Bangladesh are largely prepared and guided by the parties in the parliament who control or manipulate the activities of their members in the legislative process (Mahiuddin, 2009: 99). Members of both ruling party and opposition party in general are obliged to follow the direction of their own party leadership.

The party leadership in the parliament use rewards and sanctions to ensure that no member goes against the party position in the parliamentary committees. The loyal members may get seats on more prestigious committees, become chairperson of a committee, or promoted in the party hierarchy or in the government posts. On the contrary, if the party member does not adequately represent the party position, the member may get stripped off from tasks and lose opportunity of reappointment to the next committee (see Damgaard, 1995:320-321).

It is to be noted that building a representative parliament and to ensure representation of the ‘resource poor’ remains another difficult challenge in Bangladesh. On the other hand, the representation of business owners in the parliament has expanded gradually (discussed in the following sections). Different members of important governmental bodies that f g allocation and distribution policies are also observed to be associated with various private business interests (Discussed in detail in Chapter 4). The next section discusses the development and the evolution of the business and industrial class in Bangladesh.

---

<sup>34</sup> The Bangladesh Constitution (Article 76 (2)) also authorizes the parliamentary committees to make investigations, inquire into the activities of the Ministry, and enforce ministers to provide with relevant information. However, Parliamentary committees are not obligated to publish important documents exclusively on the ground that the disclosure of certain information could be detrimental to the safety or interest of the state. On this ground, reluctant ministers can refuse the request of the committee. According to Kaiyum, the ongoing practice of ‘obligation to secrecy’ has created a major block in the way of ensuring overall accountability to the system.



---

### **3.4 The Business Actors in Bangladesh: Development of Industrial and Business Class in Bangladesh**

The industrial development of 'East Pakistan' was hindered by inadequate infrastructure, lack of management know-how, a shortage of skilled labor, lack of capital and credit, along with a restrictive regulatory system created by the new government of Pakistan (Kochanek, 1996: 708). The vacuum was mostly filled by West Pakistan based business groups and entrepreneurs.

At independence in 1971, Bangladesh faced the challenge of rehabilitating its economy. Faced with very low foreign exchange reserves and a poor export base, the government resorted to severe import controls. Rahman (2005) noted that the protectionist measures of the post-liberation era were not influenced by a deliberate industrialization policy, but rather reflected a desperate attempt of the government to improve the worsening balance of payments situation (Rahman, 2005:107). Following the liberation of Bangladesh, the industrial sector was made up of around 3100 registered factories which contributed only 7.8% of the country's GDP (Kochanek, 1996:709). The industry was mostly dominated by producers of consumer goods, which included jute and cotton textile mills, chemical units, and food companies (Kochanek, 1996:709). The total contribution of indigenously (Bengali) owned factories were trivial, representing only 18% of total industry assets, where as the non-Bengali (Pakistani) companies held ownership of 47% of the asset (Kochanek, 1996:709). Meanwhile foreign private capital controlled merely 1% of the total assets (Kochanek, 1996:709).

As it is mentioned earlier that post-independence Bangladesh inherited an 'over-regulated' economy (Sobhan, 1993: 925). A number of academic work suggested that the immediate post-liberation environment of Bangladesh was 'hostile' towards business (see, Sobhan 1993, Kochanek, 1996:714). The new Awami League government not only nationalized the 47% of the abandoned industrial assets (previously controlled by Pakistanis), but also a large number of indigenous assets in the jute, cotton textiles, sugar, banking, and insurance sector which caused the share of industrial asset of the public sector to expand from 34% to 92% (Sobhan, 1993: 925; Kochanek, 1996:710, 714). Rahman (2005) noted that the post-independence policies of nationalization eventually created a large network of vested interest groups (Rahman, 2005:107). On the other hand, Kochanek noted, "Bangladesh

---

embarked upon its *great socialist experiment*<sup>35</sup> and a shattered private sector was reduced to indenting, real estate speculation, contracting, and smuggling” (Kochanek, 1996:710, 714). Prominent economist Rehman Sobhan considered the move towards post liberation nationalization programs as a necessity of time, rather than a genuine socialist vision. In his words, *since the indigenous bourgeoisie was under-developed and had only evolved over the previous 10 years under heavy state patronage, the decisive influence in expanding the public sector was the circumstantial pressures arising out of independence rather than a categorical commitment of the ruling party to build a command economy* (Sobhan,1993: 925).

Following the collapse of the Awami League government in 1975, persistent loss, low productivity, and poor management of the public sector led to a new set of visions for the industrial policy of Bangladesh (Kochanek, 1996:711). The major changes took place within the time frame of 1975-81 under General Ziaur Rahman, whose industrial policy was designed to revive the private sector by gradually shrinking the public sector units. The post-1975 industrial policy was observed to be contributing to the rapid growth of a new ‘family-based industrial elite’ (Kochanek, 1996:713). It is important to note that most of the new entrepreneurs grew very fast and were seen to be highly dependent over various forms of government patronages including contracts, loans, and credits (Kochanek, 1996:713).

Following the assassination of General Zia in 1981, the new military government of General Ershad announced a new industrial policy to foster private sector growth, to further denationalize the state-owned jute and cotton mills, and to liberalize the economy. The share of industrial assets in the public sector declined from 92% in 1972 to 40% in 1988 (Kochanek, 1996:711). In the words of Kochanek, “within 10 years of liberation, Bangladesh's great socialist experiment came to an end”(Kochanek, 1996:711). Kochanek also noted, *“While many of the new elite are drawn from the old, established business families, a large number are new groups that have benefited from the patronage of successive regimes. Most top groups are politically well connected and interconnected by family, marriage, and business relationships. The leaders of the new industrial elite are active in politics and business associations, and although the size and character of the elite are still highly fluid and depend heavily on an*

---

<sup>35</sup>*italics are mine.*

---

*individual's political connections with the regime of the day, it is clear that the most successful are those who have been able to maintain significant connections despite changes in regime. This pattern of indigenous entrepreneurial development has had a major impact on the pattern of industrialization, the development of associational life in Bangladesh, and the emergence of the business community as a force in the political process (Kochanek, 1996:714).*

### **3.4.1 The Early Liberalization Era (post 1975)**

Over the last three decades, the policy regime of Bangladesh has evolved considerably from a highly interventionist regime to a substantially liberalized one (Rahman, 2005:107). It is already mentioned earlier that the reform era began in 1976 under the new military government of Zia, which gradually distanced itself from the 'socialist' approach of Mujib's government (Rahman, 2005: 107). Since 1977, the World Bank and USAID introduced extensive lending programs in Bangladesh which promoted the role of private sector in various economic activities. Pressure was also applied to end the subsidized food rationing system in the urban areas (Sobhan, 1993:926). It is observed that a more coherent image of liberalization in Bangladesh began to emerge under the structural adjustment policies (SAPs) of the 80s (Rahman, 2005: 107). By the beginning of 1980s, in the face of serious macro-economic imbalances, the new military regime led by General Ershad (who seized power in 1982) was observed to be more responsive to the World Bank and IMF led reform policies. The measures included macro-economic stabilization, financial deregulation, import liberalization, fiscal reforms, divestiture of public enterprises, and de-subsidization of public utility services (Sobhan, 1993:926). However, the distributive implications of such reform initiatives raised serious questions. According to Rahman, the lack of popular support for the liberalization policies eventually led to a lack of political commitment from the part of the government in properly implementing the policy packages (Rahman, 2005:107).

#### **3.4.1.1 Development of Business Associations**

It is already mentioned that the immediate environment during the liberalization era in Bangladesh was hostile towards business groups and its associations (Kochanek, 1996:714). Bangladesh in 1971 had eight officially recognized chambers of commerce and ten industry associations (Kochanek, 1996:715). Business associations in Bangladesh

---

only began to revive in the late 1970s, yet remained organizationally weak, highly factionalized, and exerted only a limited influence in the political process (Kochanek, 1996:715).. Even after different phases of rehabilitation and restoration of business associations throughout the 90s, the two largest chambers of the country (Dhaka and Chittagong Chambers of Commerce) remained highly politicized, poorly organized, and dominated by petty traders (Kochanek, 1996:715). Kochanek observed that the number of associations in the 90s reflected neither ‘a rising tide of business activity’ nor a ‘growing sense of collective interest’ on the part of the business community. Rather, in Kochanek’s words, “it appears to reflect a sense of ‘individualism’” (Kochanek, 1996:716).

As Bangladesh began to liberalize its economy in 90s, the business associations were gradually seen to be more active in pressing their demands collectively. Kochanek observed that business associations were seen to be organizing seminars and symposiums at a regular basis not only to press their demands to the government but also to improve the image of the private sector, and to create an independent ‘counter-voice’ to the dominant role played by the IMF and World Bank in the policy making process (Kochanek, 1996:716).

It was also observed that the business associations throughout the 90s collectively complained about the lack of sense of urgency of the state in implementing its declared policies of privatization and deregulation. The collective platform of associations also demanded to shift regulatory powers from the state agencies to business associations, to impose greater labor discipline, and to provide financial aid to declining industries. The associations also complained about the poor political management, highly centralized mechanism of decision making, and lack of dynamism of the government, along with the dominant bureaucratic culture of regulation, rent seeking, poor infrastructure and low labor productivity (Kochanek, 1996:717, 718).

Kochanek’s extensive study also explored the types of patron-client relationships that existed in the policy making scenario of Bangladesh during the early liberalization era. Kochanek explored the different types of personal level interactions that occurred between the individual business persons and the government bureaucrats, which included exchange of gifts, personal loans, foreign trips, entertainment, employment of relatives, or financing education of children of officials in foreign universities (Kochanek, 1996:718). The result was observed to be a distortion of national goals and priorities as every policy

---

decision was flexible based on personal level communications with vested interest (Kochanek, 1996:718).

### 3.4.2 Privatization (post 90s)

The liberalization policies were observed to be gaining considerable momentum following the restoration of the parliamentary democratic system in 1991. Both political parties since the 90s showed their enthusiasm in adopting liberal economic agenda by gradually dismantling and privatizing state owned enterprises, removing import restrictions, and providing various promotional incentives to export oriented industries (Rahman, 2005:108).<sup>36</sup>

Since the 80s, consequent governments of Bangladesh with the advice and finance of the World Bank and the Asian Development Bank paved the way for gradual privatization through liberalizing foreign trade, relaxing exchange controls, and restructuring import tariffs (Amin and Khanam, 2008:38). A Board of Investment was established in 1989 under which a large number of state owned enterprises in Bangladesh were transformed into joint stock companies throughout the 90s (BIDA official Website). In 1991, the Asian Development Bank financed a public sector redundancy program titled as “Improvement of Labor Productivity in the Public Manufacturing Enterprises” (see ADB, 1992). In the process, about 1264 workers were laid off in selected state owned mills (Amin and Khanam, 2008:38). In 1993, a *Privatization Board* was established by the government following significant pressure from the World Bank for a speedier and more independent privatization process (BIDA official Website).

It is to be noted that the process of privatization of state owned enterprises and the efficacy of institutions in carrying out the privatization programs has come under serious scrutiny by experts, economists, and civil society members in Bangladesh (see Amin and Khanam, 2008:38). A number of critics including Sen (1997), Akram (1999), Sobhan (2005), Raihan (2005), and Muhammad (2015) have found little evidence to suggest that privatization of state owned enterprises has produced significant benefits by increasing employment, output, productivity, profitability, investment, or innovations. According to Amin and Khanam

---

<sup>36</sup>Currently the Bangladeshi state offers highly competitive fiscal and non-fiscal incentives to foreign investors, including repatriation facilities of dividend and capital, long tax holidays, cash incentives, export subsidies, duty free import of machinery, and up to 90% loans for export promotion (see Chapter 5, Section I).

---

(2008) the design and implementation of privatization policies in Bangladesh was structurally flawed to begin with, as it encouraged the ‘intrusion’ of vested interests in the system (Amin and Khanam, 2008:38).

It is claimed that the World Bank reports throughout the 90s had largely influenced and shape the opinion of the political domain that the state owned enterprises of Bangladesh were highly inefficient<sup>37</sup> (see also Raihan, 2005; Amin and Khanam, 2008:38). Various World Bank reports throughout the 90s frequently used the arguments of productivity, efficiency, competitiveness, and profit maximization in promoting and instilling the principal notions of Washington Consensus, which in turn help shaping the ‘neoliberal’ economic agenda in Bangladesh throughout the 90s<sup>38</sup> (see also World Bank 1994; World Bank 1999; Nellis 1999; Raihan 2005). During the same period, the policy actors of Bangladesh themselves were largely seen to be taking pro-active positions in favor of privatization and liberalization based on the ‘neo-liberal’ premises that efficiency, profitability, and financial conditions of business enterprises could only be improved by foreign investment, privatization, and deregulation of existing financial structures (see Amin and Khanam, 2008:38-39).

Since the 90s, FDI (foreign direct investment) increased massively and new contracts have been signed with foreign companies in the energy, power, and telecommunication sector in Bangladesh (Muhammad, 2014:63). A substantial portion of the state owned power and energy sector in Bangladesh was also pressurized to be privatized and outsourced. In 1996, the power sector was opened up for multinational investment (Muhammad, 2014:63). A number of significant impacts of the ‘neoliberal reform’ era have been identified by Muhammad as follows (see Muhammad, 2015):

- ◁ A large number of state-owned enterprises were dismantled; while large mills were replaced by export processing industries.
- ◁ Export-oriented readymade garments industry has become the largest foreign currency owner for the country.
- ◁ Expansion of export processing zones led by the process of trade liberalization has facilitated the creation of a large pool of temporary, part-time, outsourced, and ‘sub-contracted workforce.

---

<sup>37</sup> Khan, Tanzimuddin. Professor, Department of International Relations, University of Dhaka. Interviewed on May 30, 2017.

<sup>38</sup> Ibid.

- 
- ◁ Profit repatriation by foreign companies and local business groups (both legally and illegally) led to a large outflow of resources from the country.
  - ◁ Large scale bank default has become common among business groups.
  - ◁ Widespread inflation and reduction of purchasing power has been common.
  - ◁ Widespread bribery, illegal commissions from project deals, and leakages from different governments projects have become common.

In addition to that the relationship between trade liberalization and employment creation in Bangladesh has become an issue of academic and political debate over the years. Though the World Bank and the International Monetary Fund claimed that the pace and extent of liberalization in Bangladesh in the 1990s was not as rapid compared to other developing countries (see World Bank 1999), economists and private entrepreneurs in Bangladesh complained that a much slower pace of liberalization was necessary (see Mahmud 1998). It is also claimed that the local stakeholders' views had not been taken into consideration during the framing and implementation of liberalization policies (Raihan, 2008:1). A lack of academic consensus is also evident over the impact of liberalization policies on the local entrepreneurs and domestic economy (Raihan, 2008:2). Though the liberalization policies in Bangladesh created a large number of jobs in the export oriented industries, including the RMG sector; widespread incidents of job destruction, relocation, and associated adjustment costs relating to liberalization programs are evident (Raihan, 2008:3). The gradual reduction of various import duties as well largely affected the domestic economy by making it vulnerable to foreign competition (Raihan, 2008:3).

It is also claimed that the implementation of pro-market policies involving trade liberalization, privatization, and withdrawal of public investment failed to ensure income equality among different societal and economic groups in Bangladesh. Rather, the emergence of a pro-investment, pro-business environment, based on a patronage system, led to the formation of a highly influential business and industrial class in the country which have appeared to control a major portion of the industrial and financial assets (Nuruzzaman, 2004:33). Following the liberalization era, while GDP growth and per capital income



---

has risen, the issue of fair distribution of income and social equity remains a serious matter of concern (see Khan, 2017:1; Kibria, 2018).<sup>39</sup>

### 3.4.3 Business Representation in Parliament

To describe the influence of business in Bangladesh in the 80s and early 90s, Kochanek mentioned, “*Although politics and business in Bangladesh are closely intertwined, the business community is simply too small to cover the enormous costs of election in the country. Money was not the dominant factor in Bangladesh politics. Since liberation, business contributions have never been able to match the political and economic advantages of incumbency* (Kochanek, 1993:225). Certainly, the situation has changed with time. In the last two decades, factory owners and business houses have become an increasingly important source of electoral fund in Bangladesh, and an appealing source of party fund as well.<sup>40</sup> It is being observed that various large business groups have benefited largely from the government’s import policies, import/export licenses, loan sanctions and tax waivers, and in exchange have spent large amounts of surplus cash during election times.

Since liberation, business representation in Bangladesh parliament has been quite significant. Kochanek (1993) noted, in 1973, the number of business persons elected to parliament was 23.7 percent. In 1979 election, business representation increased to 26 percent (Kochanek, 1993: 222). In 1981, 33.5 percent of the members of the BNP (Bangladesh Nationalist Party) Executive Committee were business owners, 4 out of 24 of General Zia’s cabinet ministers (1975-1979) were business owners, and some 28 percent of the BNP members of the parliament were business owners (Kochanek, 1993:223). Kochanek also noted that ministers with business backgrounds were much more prominent, who played important roles in the governments of Zia and Ershad during the late 70 and 80s. In his words, ‘*as Zia began to ‘civilianize’ his regime, top businessmen and professionals with close ties to landed interests, along with the military, and the bureaucracy began to move into positions of power*’ (Kochanek:1993:223).

---

<sup>39</sup> Currently, while the annual average growth of Gross Domestic Product (GDP) has increased to about 7.0 per cent; income Gini Co-efficient increased from 0.458 in 2010 to 0.483 in 2016 indicating a gap in the income distribution effect (Kibria, 2018) (Report published in Financial Express).

<sup>40</sup> Islam, Shafikul. Former Joint Secretary of Cabinet Division, Government of Bangladesh. Interviewed on December 3, 2015.



---

It is important to note that business owners continued to dominate the circle of legislators in the parliament through out the last two decades. In 1991, the number of business owners elected in the parliament was estimated to be 54 percent (Kochanek, 1993:222). According to SUJON's<sup>41</sup> 2014 estimate, out of 350 parliament members of the last Awami League government, around 175 happen to be business owners, which accounts for about 50 percent of the total elected representatives (Daily Prothom Alo, 2014a). According to another report currently readymade garments owners account for around 10 percent of the parliament members of Bangladesh (Financial Post, 2013). In recent decades, owners of different business entities have served as ministers and parliament members with frequent access to important government bodies which make national economic policies and allocation decisions.<sup>42</sup> According to Umar, as the development of much of the capitalist industrialist class in Bangladesh has relied solely on the state's direct and long-term patronage, the effect of this mutual relationship could be observed in different layers of the policy making process.<sup>43</sup> The next section will attempt to provide a brief understanding of the different channels of policy interactions between the policy actors and the business actors of the country in current times, in reference to the three cases of this study.

### **3.5 Channels of Policy Interactions (The case of BGMEA, Quick Rental, and Asia Energy)**

It is mentioned earlier that there is no single existing theoretical structure which identifies all different channels of policy interactions between the policy actors and the business actors. It is already discussed in Chapter 1 that the interaction between policy actors and business actors in Bangladesh during the early liberalization period (80s and early 90s) occurred mostly at four levels (Kochanek, 1993):

- < Formal representation of business in the policy making mechanism
- < Pro-active advocacy by business associations
- < Ruling elites themselves own and operate business
- < Personal lobbying

It is already mentioned in Chapter 1 that the findings of this thesis also largely resemble the

---

41 SUJON (*Sushaner Jonne Nagorik*) was formed in 2003 as a citizen's platform to monitor and evaluate the electoral process of the country.

42 See Table 2: Members of the Parliament/Ministers owning /leading business groups in Bangladesh

43 Umar, Badruddin. Marxist Thinker, Academician, Writer. Interviewed on August 16, 2015.

---

findings of Kochanek. For instance, in last two decades, BGMEA representatives have participated in different advisory committees or consultation committees arranged by the *Ministry of Finance* or the *Ministry of Trade and Commerce*, which asked for views and opinions of the stakeholders prior to the yearly budget sessions. Particularly in the case of demands for tax waivers and loan incentives, the ministry officials are seen to be active in engaging with BGMEA officials in regular intervals (Dhaka Tribune, 2017; New Age, 2017).<sup>44</sup>

Pro-active business advocacy by business associations is also commonly observed in Bangladesh as a way to influence the policy actors to provide various incentives and facilities to business groups. For instance, BGMEA, as a long existing association of RMG business owners commonly arranges seminars, national dialogues, press conferences, or round table negotiations through which the demands of the RMG owners are presented systematically and regularly. In addition to that, yearly export promotion events (arranged by business associations) regularly invite crucial ministers of the state through which the business actors frequently interact with the state ministers and high officials. For instance, Bangladesh Apparel and Textile Exposition (Batexpo) and Dhaka Apparel Summit has long been inaugurated by the Prime Minister of the country in prestigious locations (see BGMEA 2010; 2011; 2017). News reports show that a number of important ministers including the Finance Minister, Minister of Industry and Commerce, Foreign Minister, Textile and Jute minister, State Minister for Labor and Employment, Shipping Minister, and Tourism Minister regularly participate in such events while addressing the sessions as special guests (BGMEA 2010; 2011; 2017). Reports also show that the BGMEA Presidents, Vice Presidents, Board of Directors, former BGMEA Presidents, foreign diplomats, academics, industrialists, business leaders and journalists regularly attend such events (BGMEA 2010; 2011; 2017). There are also records of announcing large stimulus packages to RMG exporters in such events (Daily Star, 2010;<sup>45</sup> New Age, 2017). It is also reported that the prime minister was once invited by the BGMEA to unveil a web portal for the readymade garments industry (BGMEA, 2009). BGMEA also regularly arrange post-budget press briefing in which their discontents and demands are presented in front of the national media (BGMEA, 2013; Daily Sun, 2016; New Age, 2017; Hossain, 2018).<sup>46</sup> Moreover, in annual World Economic Forums at Davos,

---

<sup>44</sup> Some recent news reports are titled as: '*BGMEA wants 5% cash incentives on export for 2 years* (Dhaka Tribune, 2017); *BGMEA seeks source tax exemption, additional cash incentive* (New Age, 2017).

<sup>45</sup> News Titles goes: *TK 100cr more for RMG sector*.

<sup>46</sup> News title goes: *BGMEA: Do not increase tax rate for RMG sector* (Dhaka Tribune, 2018); *BGMEA says proposed budget is not RMG sector friendly* (New Age, 2017).

---

Switzerland; the Prime Minister's delegation team regularly includes ministers from relevant ministries, along with BGMEA representatives as well as representatives of other business associations (see The Independent 2015b, Daily Star, 2017). It is observed that joint foreign trips and frequent participation in international conferences naturally leads to many spontaneous conversations between the high officials of the country and the business delegates,<sup>47</sup> which could be considered as 'opportunities' highly limited to the members of the high profile business world. On the contrary, policy actors of the state have rarely seen to be actively engaging in policy dialogues with the representatives of the RMG workers or other citizen groups.<sup>48</sup>

It is also evident that the state officials and policy actors of the state pro-actively represent the interest of business groups in a regular basis within the policy domains. Kochanek (1994) has already noted that the ruling elites' ownership of various business have long played a crucial role for the policy actors to pro-actively represent business interest in the earlier periods of liberalization in Bangladesh. It is observed that a number of state officials who participated in different government-led committees, have regularly prioritized the commercial agenda of business groups over the interest of different citizen groups. For instance:

- ◁ The state representatives of the Minimum Wage Board and the *Labor Law Reform Committee (2008)* have regularly played an 'inactive' role in the negotiation process between the BGMEA and the workers (discussed in following chapters).
- ◁ A number of state officials from the *Prime Minister's Special Committee to engance power production (2006)* were accused of creating pressure on the chairperson of the committee for approving a large number of quick rental applications (without going through the official procedure of competitive bidding) (see Chapter 4, Section II). State officials were also accused of pro-actively designing the *Special Power Supply Act 2010*, which has exclusively protected the interest of the quick rental owners (see Chapter 4, Section II).
- ◁ A number of ministry officials from the *National Coal Policy Draft Committeewere* seen to be regularly creating pressure on the 'independent' experts of the committee for keeping the provisions for coal export and open pit mining in the draft (see Chapter 4, Section III). M. Tamim, the Energy advisor to the *Ministry of Power*,

---

<sup>47</sup> Islam, Shafikul. Interviewed on June 2, 2018.

<sup>48</sup>Ibid.

---

*Energy, and Mineral Resources* (who led the 9th version of the coal policy draft) himself was known to be associated with the fuel companies in Bangladesh (discussed in Chapter 4, section III).

It is important to note that among all other business actors, the lobbying activities or persuasion approaches of BGMEA remain more formally structured and hence more transparent.<sup>49</sup> As a formally structured association, BGMEA is mostly seen to be mobilizing and acting based on its collective interest, rather than individual needs.<sup>50</sup> On the contrary, the quick rental owners in Bangladesh are known to be operating in individual basis, mostly based on closed door connections.<sup>51</sup> Similarly, though meetings between Asia Energy officials and ministry officials were occasionally reported in various newspapers (throughout the mid 90s), the major points of discussion and the role played by different actors remained largely unknown, indicating a lack of transparency in the policy process.

### **3.6 Other Special Interest or Competing Groups in Bangladesh: The History of Resistance**

It is already noted that the implementation of pro-market liberalization policies since the late 80s, including trade liberalization, privatization, and gradual withdrawal of state subsidy from critical sectors of Bangladesh has been observed to be incapable of distributing benefits among the different socio economic groups in Bangladesh (Nuruzzaman, 2004; Kibria, 2018). Different interest groups in Bangladesh have attempted to reach the policy process through different mechanisms, or participated in resistance activities against such policies. In the recent decades, a number of countervailing forces (in opposition to various business agenda) have become prominent in the policy domains which could create some degree of pressure on the policy actors of the state in changing the programs and policies associated with the liberalization effort of the state.

#### **Left Political Parties**

It is already noted earlier that political left in the country has been fragmented by internal dissension and factionalism. According to Sarkar (2015) a general sense of mistrust prevails

---

<sup>49</sup> Islam. Shafikul. Interviewed on June 2, 2018.

<sup>50</sup> Exceptions are also evident. Islam. Shafikul. Interviewed on June 2, 2018.

<sup>51</sup> Islam Shafikul. Interviewed on June 2, 2018. At least one of my anonymous interviewees (Associated with rental power business) also indicated to similar experience.

---

among the parties themselves which prevents their emergence as a unified platform (Sarkar, 2015:5). While they continue to remain diffused based on their ideological dilemma, and remain incapable of capturing the political power at the centre (Sarkar, 2015:5), the left political parties in Bangladesh had played an important role in various people's movements occurring throughout the decades. For instance, in the early 90s, peasant movements in Bangladesh under the leadership of Bangladesh Communist Party, played a major role in addressing the issues of land reform.<sup>52</sup> Lately, the proposal of building a mega coal-based power plant near the Sundarbans (Largest Mangrove forest in the world) led to a significant left movement under the leadership of the *National Committee*.<sup>53</sup> The left parties in Bangladesh also regularly arranged demonstration and protest activities against price hikes or against 'development' projects associated with displacement. Though such activities have gained large support and sympathy from the urban middle class of the country, due to lack of participation from the general people, most protest activities arranged by left parties remain incapable of creating any meaningful pressure over the policy process of the state (see Chapter 6 for more discussion).

### **Trade Unions**

Trade Union Movements in Bangladesh were closely connected with the popular struggle for national independence in the 60s. It played a significant role both during the British colonial rule and the Pakistani military regime (see Hossain, 2010). During the 80s, due to the de-nationalization and privatization programs adopted by the military regimes under the liberalization effort, a large number of factories were privatized, closed down, dismantled, or sold out (see Raihan, 2005). The state led disinvestment and privatization process in the earlier liberalization era largely weakened the long existing trade union movements in the country (Hossain, 2010:11).

By the 90s, as the readymade garment industry emerged as the largest foreign currency sector of the country with the assistance of the state's export promotion measures, the poorly paid workers in the industry had made themselves visible as a strong social force in Bangladesh. With unofficial restrictions on trade union activities in the RMG industry, the garment sector long witnessed militant activities amongst the workers, demanding for better wages and

---

<sup>52</sup>The landless peasants of Bangladesh took over large amount of *Khas* lands (Sandy tracts which emerged from the riverbed) in their possession in the southern coastal belt (see Golder, 2011).

<sup>53</sup> National Committee to protect oil gas mineral resources power and ports.

---

better working conditions (see Chapter 6, Section I). However, due to the existence of a large number of state-backed unions, as well as BGMEA sponsored trade unions, the trade union activism remains fragmented and confused. Most active and vocal trade unions have found it very difficult to receive formal registration status due to the lack of assistance from the state administration (see Chapter 6, Section I). Currently, a handful of trade unions actively lead and participate in the workers' struggles for better wages and better conditions (see Chapter 6 & 7 for complete discussion).

### **National Committee**

“National Committee to Protect Oil, Gas, Mineral Resources, Power, and Port” is a national platform, established in 1998, mostly consisting of independent experts, researchers, and major left oriented political parties of the country. This particular collective platform has constituted a new form of socio-political resistance movement in Bangladesh, actively challenging a range of policy decisions of the later phases of the liberalization era, mostly against various investment agreements with the multinational corporations, along with the decision of the state to undertake various environmentally damaging development projects in association with foreign investors (Pegu, 2011:6,12). The National Committee played a crucial role during the resistance movement in Phulbari in creating pressure on the policy actors, which ultimately helped blocking the entry of Asia Energy Corporation in the area and prevented the implementation of the project. The *National Committee* also played a prominent role in gathering large support against the construction of a Coal-based Power Plant (located near a mangrove forest in the coastal belt of the country) in association with Indian investment. The *National Committee* was also able to emerge as a credible opposition to both the major political parties, by challenging the consequent government's policy decisions (in association with the liberalization attempts) to open up national gas fields to foreign companies, privatize power production, and increase price of electricity (see Pegu, 2010).

### **Civil Society, NGOs, and Independent Experts**

In general, civil society and Non-Government Organizations (NGOs) in Bangladesh are recognized for its vibrant performance in social development. NGOs have created a public resource distribution system parallel to the state system. For instance, micro credit,

---

community-based health and education programs introduced by NGOs have had significant impacts on poverty eradication, literacy and health management in Bangladesh (Ullah and Routray 2003; Amin 1997; Dowla 2006; Diamond 1999). Due to legal vacuums for which vulnerable groups are unable to enforce their rights, NGOs in Bangladesh have also taken on important roles in addressing legal and political issues (ADB, 2008:2).

Throughout the 90s, various NGO in Bangladesh were also seen to be engaged in a range of protest activities particularly against policies associated with the economic reform of the state (see Majumdar, 2009), which had been largely believed to be discriminatory to the lower income population of the country (see Nuruzzaman, 2004). However, their activities are observed to be confined in the forms of campaigns and protests, which are yet to be transformed into effective social resistance movements (see Chapter 7 for a complete discussion on the limitations of NGO/donor driven campaigns). On the other hand, the civil societies in Bangladesh are often criticized for being politicized, polarized, and co-opted by different political parties or political blocks (see Tasnim, 2017). Civil societies in Bangladesh are also largely seen to have compromised its ‘watchdog’ status due to the strong influence of political blocks and its accompanying loss of autonomy and independence (Quadir 2003). Moreover, civil societies and NGOs in Bangladesh are both criticized for being a part of a long existing patron-client relationship in the country running from the highest level of the government to the periphery of the country (Lewis 2004; White 1999; Hashemi 1996).

While a major portion of the civil society members are found to be politicized and divided along party lines, as well as patronized by the ruling party, a handful number of professionals, intellectuals, and experts have become known as ‘independent experts’ due to their autonomous, non-partisan, and non-complaint role in various democratic process. For instance, a number of independent experts are seen to be playing ‘bold’ roles in different advisory/consultation committees of the government. For instance, the role of Consumers Associations of Bangladesh (CAB) in the public hearing events organized by BEREC (Bangladesh Energy Regulatory Commission) (see Chapter 7, Section II), the critical reports of *Independent Expert Committee* in assessing Phulbari Mining Project (see Chapter 7, Section III), and the position of various Expert Committees to evaluate the National Coal Policy (Nurul Islam Committee and Patowary Committee in 2007) (see Chapter 4, Section III) are both popularly appreciated and acknowledged for its added value to the attempted democratic process.



**Table 2: Members of the Parliament/Ministers owning /leading business groups in Bangladesh**

Name of political actor	Name of the Party	Political Position/Location of Constituency	Type of Business	Name of the Business Organization	Position in Business
Faruk Khan	Awami League (AL)	Former Minister of Trade and Commerce	Power Plant	Summit Power Limited	Board of Director
Enamul Huq	AL	Member of Parliament (MP) - Rajshahi 4	Power Plant	Northern Power Solution Limited	Owner
Shahriar Alam	AL	Minister of Foreign Affairs	Readymade Garments (RMG)	Pandora Fashions Limited	Owner
Abul Hossain	AL	Former Minister of Communication	IT	ISOLACK Samsung	Bangladesh Representative of ISOLACK Samsung
Anishul Huq	AL	Mayor, Dhaka North City Corporation	Power Plant	Desh Energy Limited	Chairperson
Salman F. Rahman	AL	Advisor to the Prime Minister	Chemical/ RMG/ Pharmaceutical	Beximco Group of Industries	Chairperson
Salam Murshedy	AL	MP- Khulna	RMG	Envoy Group	Managing Director
Jaynul Abedin Faruk	Bangladesh Nationalist Party (BNP)	MP- Noakhali 2/Advisor to former Prime Minister	RMG	JAF Garments	Owner
Tipu Munshi	AL	MP- Rangpur	RMG	Sepal Group	Owner/ Former President of BGMEA
Elias Mollah	AL	MP- Dhaka	RMG		
Selim Osman	Jatiya Party	MP- Narayanganj	RMG	Wisdom Attires	Owner/ Former President of BKMEA
Kamal Majumdar	AL	MP- Dhaka	RMG	Mohona Group	Founder/ Chairperson
Aslamul Huq	AL	MP- Dhaka	Power Plant	Maisha Group -Dhaka West Power Ltd. -CLC Power	Founder and Chairperson



				Company Ltd -Dhaka North Power and Utility Co. Ltd	
Abul Kalam Azad	AL	Former Minister of Information	RMG	Shathi Fashions	Owner/BGMEA member
Abdul Momin Mondol	AL	MP	RMG	Mondol Group	Chairperson/ BGMEA member
Mijanur Rahman Sinha	BNP	MP- Munshiganj 2	RMG/ Pharmaceutical	Sinha Group -Sinha Fabrics Limited -Acme Laboritories	Managing Director
Fazlul Azim	BNP	MP- Noakhali 6	RMG	Azim Group	Chairperson
M. A Mannan,	AL	Former State Minister of Planning	RMG	Mannan Group	Owner
Golam Sarwar Milon	AL	MP- Chandpur	RMG	Penta Group	Owner

Source: Official websites of business groups and different news links.

---

## **Chapter 4. Pro-business Legal Intervention**

Chapter 2 already mentioned that due to strong anti-regulatory bias, the measures of legal interventions in a neoliberal state in general emphasizes on some very specific aspects of law reform, which generally favors rules of market relations (Glinavos, 2010:63, 70). Ngugi (2005) attempted to exhibit that law in the neoliberal era are seen to be bypassing the democratic system by merely focusing on the legal formal procedures while simultaneously restricting the possibility of competitive democratic politics (Ngugi, 2005:515), and by overlooking the importance of an overall legal reform both in the social and political spheres (Glinavos, 2010:64).

One of the most common patronages provided by the state to the business groups is its attempt to change existing laws or to pass new bills/laws to protect business interest. The state may also attempt to block a proposed law or bill which might work against the interest of business. A number of evidences exist which suggest that pro-business legal changes or legal interventions from the state largely benefit various business groups at the cost of the economic and social interest of the citizens. This chapter will critically examine how the Bangladeshi State has pro-actively intervened in the legal system either by creating a new set of laws or shaping existing laws in order to protect business interest. The case of Labor Law (RMG sector), Special Power Supply Act 2010 (Quick rental Power plants) and National Coal Policy (Asia Energy) has been examined in detail in the following sections.

### **Section I**

#### **4.1 Pro-business Labor Law: The case of BGMEA**

The state of labor law in a country is considered to be a crucial component of the struggle between the capital holders and the working class. Labor Law is the body of laws and administrative procedures that deals with the legal rights of workers and their right to organize (Edward and Robinson, 2012:4). As labor laws were initially written due to the demands of workers for better working conditions and the right to organize; as well as the simultaneous demands of the owners to restrict the power of labor unions and to keep labor costs low, it is important to examine different elements of labor law in order to understand the motive and background of 'legal intervention' from the part of the state in favor of business interest. As increased relative bargaining power of big business ultimately forces the

---

government to relax its regulations on wages, taxes, and workplace compliances, it has become more and more difficult for the workers to negotiate or resist against the policy process of the state (Crotty, Epstein & Kelly, 1998:3)

It is already discussed earlier that while the readymade garments sector has emerged as the largest employment generator in Bangladesh, the working conditions in the garment sector severely violates the International Labor Organization (ILO) standards (see Hossain, Ahmed, and Akter, 2010; Ahmed, 2012; Odhikar 2008). This includes absence of trade union in the industry, informal recruitment, irregular payment, sudden termination, wage discrimination, excessive work load, absence of weekly holidays, unhygienic environment, workplace accidents, fires and panic stampede. The absence of a labor standard monitoring system, effective building codes, outdated labor laws, a lack of awareness of labor rights among workers, and maintaining workplace safety continues to be serious concerns in the garments sector (Ahmed, 2012:3). In addition, most of the RMG workers are not even fully aware of their legal rights and entitlements (Odhikar, 2008:1).

The following sections will briefly discuss the history of labor law in Bangladesh. The next sections will attempt to understand the negotiation process around the labor law (following the initial enactment of Labor Law 2006) and how the content of the ‘three-party’ dialogues among the state officials, workers representatives, and BGMEA officials (throughout the years of 2009 to 2011) had influenced the different clauses of the Amended Labor Law 2013. The section identifies a set of elements in the labor law including issues of trade unions, right to strike, membership restrictions for unions, maternity leaves, profit sharing, and discrimination in punishments, which have been largely disputed by the trade union leaders since the enactment of the first labor law in 2006.

#### **4.1.1 A Historical Overview of Bangladesh Labor Laws**

The labor law system is more than a century old in Bangladesh. The first labor law was enacted in the Indian sub-continent during the British period, in 1881, which introduced a number of laws addressing important labor issues, including working hour, child

---

employment, maternity benefit, trade unions, and minimum wage (BEF, 2009:2).<sup>54</sup> After the separation of the Indian sub-continent in 1947, the Pakistan government retained most of the pre-partition labor laws, with some modifications and amendments. After the independence of Bangladesh in 1971, the Bangladesh government retained the previous laws through the ‘Bangladesh Laws Order’, while enacting few additional laws based on the changing circumstances (Hossain, Ahmed, and Akter, 2010:5)

In many cases these laws were claimed to be outdated, scattered, and contradictory with each other. In 1992 the Government of Bangladesh formed a Labor Law Commission which examined 44 labor laws and recommended to repeal 27 laws (BEF, 2009:5). In 1994, the Commission prepared a draft Labor Code (BEF, 2009:5). After going through series of changes, in 2006 the state finally adopted the revised version of Bangladesh Labor Law 2006.

The Bangladesh Labor Law 2006 is a consolidation and updating of 25 separate acts (Hossain, Ahmed, and Akter, 2010:5). The law covers issues such as working conditions, working hours and leaves, youth employment, health and hygiene, safety regulations, injury compensations, wages and payments, welfare, trade unions, dispute management, provision for labor courts, provident funds, penalty, punishment, inspection, and more (Hossain, Ahmed, and Akter, 2010:5). Though the 2006 labor law was appreciated by some due to its alignment with the ILO conventions (Hossain, Ahmed, and Akter, 2010:5,6), a large number of criticisms continue to prevail. In reality, widespread violations of labor rights have been observed in different sectors of Bangladesh. Moreover, major gaps and weaknesses are observed within the clauses of the labor law itself. For instance, a thorough analysis of *BILS*<sup>55</sup> *research and advisory team* (2010) found that in cases of ‘misconduct’ by workers, the law allows termination of workers without prior notice (Hossain, Ahmed, and Akter, 2010:15). In the determination of minimum wage, the size of the family has not been considered (Hossain, Ahmed, and Akter, 2010:15). The mandatory wage review in every five years is also considered to be too long given the country’s inflation scenario and the rising workers’ needs.

---

<sup>54</sup>The Factories Act (1881), Workmen's Compensation Act (1923), Trade Unions Act (1926), Trade Disputes Act (1929), Payment of Wages Act (1936), Maternity Benefit Act (1939), and the Employment of Children Act (1938) were some important labor laws enacted during the British period (BEF, 2009:2).

<sup>55</sup>Bangladesh Institute of Labor Studies

---

A number of occupational safety and health concerns are also identified in the labor law.<sup>56</sup> Labor rights activists criticize that the amount of compensation given to workers due to work-related injury, disability and death is not adequate.<sup>57</sup> Most importantly, membership requirements to form trade unions are identified to be unrealistic and obstructive (see Chapter 6,7; Section D).

It is important to note that in 2013 both the Cabinet and the Parliament of Bangladesh passed a set of reforms/amendments to Labor Law 2006. While amendments were made to 87 sections of 9 existing laws, international observers claim that it fell short of expectations (U.S. Senate, 2013:9). According to ILO observers, “The amendments did address some of the ILO’s specific concerns, while falling short of several important steps called for by the ILO” (U.S. Senate, 2013:9). A large number of clauses are being identified by the labor leaders and civil society groups as ‘labor-unfriendly’ and designed to penalize the union organizers or workers who might become vocal about their rights (discussed in detail in the following section).

It is important to note that a *Labor Law Reform Committee* was formed by the government in 2008, in which representatives from both workers and business associations took part (see below). It was agreed that ‘disputable’ clauses would be addressed based on the debates and discussions occurring during the committee meetings. While the state representatives claimed that the Reform Committee has successfully held rounds of dialogues, the labor leaders complained that their concerns were not properly addressed.

#### **4.1.2 The Negotiation Process to amend Labor Law 2006**

It is already noted that a Labor Law Reform Committee was formed in 2008 by the *Ministry of Labor and Employment* in order to address various ‘disputable’ elements of Labor Law 2006. While the Committee was headed by Mujibul Huq, the Minister of *Labor and Employment*, a number of representatives from various influential business associations including BGMEA, BKEMA, and FBCCI were invited to participate in the committee. Similarly, a number of trade union leaders/labor leaders were also invited to participate in the

---

<sup>56</sup>Labor Law 2006 has no clear provision on specific weight limit (for load carried by workers in any factory) in relation to age, condition and sex. The law also does not have any provision for worker-toilet ratio (Hossain, Ahmed, and Akter, 2010:15).

<sup>57</sup> Islam, Shahidul. Secretary of Bangladesh Garments Workers Unity Forum. Interviewed on March 17, 2016.

---

dialogues.<sup>58</sup> The negotiation process continued throughout the year of 2009 to 2013, up to the finalization of the amended Labor Law in 2013. Both Trade Union Center and Bangladesh Socialist Workers Front, the two most prominent labor right organizations submitted their written documents to the State Minister (Chairperson of the Labor Law Reform Committee) which focused on the following 6-point demands in relation to the Labor Law 2006:<sup>59</sup>

- a. Re-enacting the previous 5% profit sharing clause of the Companies act
- b. Implementing 6 months of maternity benefits.
- c. Allowing workers' right to strike
- d. Strict punishment for violating work place compliance
- e. To withdraw the restriction on membership requirements for trade unions.
- f. Ensuring a fair legal process by enacting the 'right to appeal' against the verdict of the Labor Court on issues of lay-off, retrenchment, discharge and dismissal.

While labor leaders had specific concerns, complaints, and demands in relation to labor law 2006, the position of the business representatives are observed to be 'colliding' with the original clauses of the Labor Law 2006. It was observed that in the face of harsh criticism, both BGMEA and FBCCI representatives repeatedly defended most existing clauses of the Labor Law, specifically in relation to workers' right to strike, membership requirement for trade unions, and punishment for misconduct. BGMEA officials have claimed in different times that the Labor Law in Bangladesh has created a level playing field for both parties. The official statement of BGMEA regarding the Amended Labor Law is placed as: *The Labor Law 2006 was amended in July 2013 which is a step forward towards better workers' rights. Through this amendment the law has been made time-befitting and aiming to establish good relations between the workers and the owners*" (The Independent, 2013).

According to Nazrul Khan, the Director of Bangladesh Institute of Labor Studies (BILS), the concerns and arguments raised in the committee meetings were seriously noted by the State Minister. A number of promises were also made by the State Minister specifically regarding

---

<sup>58</sup> The representatives of the business owners include officials from BGMEA, BKMEA, FBCCI, owner of APEX group, owner of Barger Paint, and a number of influential business leaders including Nasim Osman and Kamran Rahman. The Representatives of the workers include A. Matin from Labor League (ruling party), Rajekuzzam Ratan from Bangladesh Socialist Workers Front, and Wajedul I. Khan from Trade Union Center (Bangladesh Communist Party), along with other influential labor law experts including S.M. Abu Jafar, Nazrul I. Khan, and Chadhuri Ashikul Alam.

<sup>59</sup> I personally collected the written draft demands from Shahidul Islam, the member of the Bangladesh Garments Workers Oikko Forum. No official documents could be availed from the participants of the business associations regarding their position in relation to the Labor Law 2006.

---

the issue of trade union registration. However, the final amended version of the labor law in 2013 showed that concerns raised in the committee meetings were largely overlooked by the Ministry of Labor and Employment.

The following sections will examine the disputable clauses of Labor Law 2006. It is important to note that each of the following clauses was repeatedly discussed in the Labor Law Reform Committee, in which both parties (BGMEA and the trade unions) received the opportunity to express their concerns. However, the trade union leaders participating in the reform committee specifically complained that the concerns and allegations raised in a number of reform committee meetings were barely reflected in the final version of the Amended Labor Law 2013. On the other hand, BGMEA members officially welcomed the amendments (see *The Independent*, 2013).

### **Restriction on strikes**

The right to call strike is noted to be one of the major tools for the factory workers to practice their democratic space (see ILO convention 87, 98). However, section 211(8) of the Labor Law 2006 stated “No strike shall be permissible in an establishment for a period of three years from the date of commencement of production, if such establishment is a new one or is owned by foreigners or is established in collaboration with foreigners.” According to Shahidul Azim, the former Vice President of BGMEA, this clause has given 3 years of provision period to a 'new' or 'foreign' factory owner to be able to safeguard the initial production process, as well as the goodwill of the company.<sup>60</sup> While the trade union leaders in the labor law reform committee complained over this particular clause in the 2006 Labor Law, the BGMEA representatives argued that the first few years of settlement is crucial and sensitive, and any unnecessary disturbance within this time period from the part of the workers may halt the production process and cause withdrawn of international apparel orders.<sup>61</sup> However, the union leaders argued that this clause has put the factory management beyond any accountability for 3 years, and helps the owners to set up a factory settlement without having to face any possible labor discontent which might have a negative impact on the initial production phase.<sup>62</sup> The clause also directly conflicts with International Labor

---

<sup>60</sup> Azim, Shahidul. Interviewed on July 29, 2014.

<sup>61</sup> Ibid. Azim confirmed that N. Osman shared similar views in the committee meetings.

<sup>62</sup> Khan, Nazrul. Interviewed on June 2, 2018. Khan confirmed that Ratan, Matin and Khan all shared similar opinion in committee meetings which took place in August 11, 2010 and March 17, 2011.

---

Conventions 87 (Freedom of Association) and 98 (Right to organize and collective bargaining) (See ILCs, no. 87, no. 98) as it violates the rights of the workers to call strikes in case of necessity. This also indicates that in case of incidents of unpaid wages, unpaid overtime, or unfair practice by the owners of the establishment, the workers are legally restrained from taking action against the factory establishment.<sup>63</sup> It is also reported that this particular clause has made a way for company ownership to re-appear as a new company in every 3 years and thus enjoy a strike-free environment (see Hossen and Miazee, 2016:214) The clause remained unchanged in the amended Labor Law 2013.

### **Membership restrictions for Trade Unions**

Though the labour law of Bangladesh has clear provision for establishment of trade unions in factories, in reality, without direct sponsorship and patronage from the state or the BGMEA, both formation and operation of trade unions remain a challenging task (see Mirza and Islam, 2015). Clause 179(2) and clause 180 of the current labour law has elements which are accused for being highly owner/management friendly and restrictive to formation of trade unions. For instance, section 179(2) of the labor law 2006 clearly states that “A trade union of workers shall not be entitled to registration under this chapter unless it has a minimum membership of thirty percent of the total number of workers employed in the establishment in which it is formed” (BEF, 2009:83). Union leaders argued in the committee meetings that the process of getting membership signature itself is a complex and labor-unfriendly procedure.<sup>64</sup> As many factories in Bangladesh employ a very large number of workers, it becomes very difficult to obtain membership consent from 30 percent of the workforce.<sup>65</sup> Union activists inform that in the process of obtaining signatures from at least 30 percent of the workforce, dismissal and laying off begins as well. Due to possibilities of such lay offs, not only the workers restrain themselves from getting involved, in many cases, even the trade union organizers restrain themselves from getting involved in many factories.<sup>66</sup>

---

<sup>63</sup> Islam, Shahidul. Interviewed on March 17, 2016. Khan, Nazrul. Interviewed on June 2, 2018. Khan confirmed that Ratan, Matin and Khan all shared similar opinions in committee meetings which took place in August 11, 2010 and March 17, 2011.

<sup>64</sup> Akhtar, Taslima. Coordinator, Bangladesh Garments Workers Solidarity. Interviewed on January 26, 2015. Khan, Nazrul. Interviewed on June 2, 2018.

<sup>65</sup> Akhtar, Taslima. Interviewed on January 26, 2015. Khan, Nazrul. Interviewed on June 2, 2018. Islam, Shahidul. Interviewed on March 17, 2016.

<sup>66</sup> Akhtar, Taslima. Interviewed on January 26, 2015. Khan, Nazrul. Interviewed on June 2, 2018. Islam, Shahidul. Interviewed on March 17, 2016.



---

Section 180 of Labor Law 2006 states, “a member of a trade union will be disqualified if: (b) he is not employed or engaged in that establishment in which the trade union is formed.” This clause also mentions that a worker will be disqualified as a member if the factory management fires him based on any specific allegation (BEF, 2009:84). This implies that in case of dismissal, the dismissed worker would be considered to be an outsider, while losing her/his eligibility of remaining a union member.

It is to be noted that according to the 1969 labor law of East Pakistan, up to 25 percent of the members of the unions were allowed to be chosen from ‘non-workers’.<sup>67</sup> In this way, nationally prominent labor leaders, or politicians popular among workers, could become members/leaders of trade unions which were formed within the premises of both state owned and privately owned firms. The later versions of labor laws also contained similar provisions. However, in 2006 labor law, the provision for ‘non-worker-membership’ was reduced to only 10 percent, and that is also applicable merely to state owned firms (BEF, 2009:83). In case of privately owned RMG firms, non-workers are strictly prohibited to become members of any trade union formed within the establishment, as specified in clause 180(b) (BEF, 2009:84). On the contrary, there is no such restriction applies for the owners/management of the establishment.<sup>68</sup>

According to Azim, this law is particularly drawn due to incidents in which ‘outsiders’ attempted to destabilize the work environment of the RMG sector. According to him, if ‘non-workers’ are allowed to be part of the trade unions, members of political opposition would crowd out the RMG sector and union activities will be run by political motives rather than genuine workers interest.<sup>69</sup> However, trade union leaders argued in the committee meetings that this clause is discriminatory and a violation of ILO convention 87 and 98, as it violates the rights of the union workers to choose their own leaders.<sup>70</sup> Additionally, ILO convention 87 also mentions, it is only the union workers who should decide the number of trade unions to be formed within a factory premise (See ILCs, no. 87). However, section 179 of the current labor law (2013) disallows more than 3 unions to be formed in one establishment. Overall, each clause in labor law 2006 in relation to the ‘trade union requirements’ remains unchanged or unaddressed.

---

<sup>67</sup> Mishu, Moshrefa. President of Garments Workers Unity Forum. Interviewed on June 20, 2015. Khan, Nazrul. Interviewed on June 2, 2018.

<sup>68</sup> Khan, Nazrul. Interviewed on June 2, 2018.

<sup>69</sup> Azim, Shahidul. Interviewed on July 29, 2014.

<sup>70</sup> Akhtar, Taslima. Interviewed on January 26, 2015. Mishu, Moshrefa. Interviewed on June 20, 2015. Khan, Nazrul, Interviewed on June 2, 2018.

A number of clauses in the labor law 2006 have dealt with issues of ‘misconduct’ and ‘unfair labor practice’ by the workers in the RMG sector. Some of the clauses are highly criticized by the labor activists in the ground that the interpretation of terms such as ‘misconduct’ or ‘unfair labor practice’ could be subject of manipulation. For instance, clause 190(e) (Cancellation of registration) states that the ‘Director of Labor’ may cancel the registration of a trade union, if the union members commit any 'unfair labor practice' (BEF, 2009: 87). Clause 23(1) (b) (Punishment for conviction and misconduct) states that a worker may be dismissed without prior notice ... if he is found guilty of 'misconduct' (BEF, 2009:31). Additionally, according to clause 23 (3), any worker found guilty of ‘misconduct’ may be faced with punishments such as removal, reduction to a lower post, stoppage of promotion, withholding of increment, fine or suspension without wages (BEF, 2009:32).

It is already noted that BGMEA has long opposed all kinds of union activities, and workers’ attempt to organize has commonly been treated as 'misconduct' or 'illegal practice'.<sup>71</sup> Evidences show that ‘unfair labor practice’ is a term which has been long misused by the factory management. Once trade union activities become troublesome for the management, it attempts to cancel the registration of the union by bringing allegations of ‘misconduct’ against the workers (Mirza and Islam, 2015:34). According to Khan, arrests and detentions of random workers by filing false cases of misconduct has become a common practice in the RMG sector.<sup>72</sup>

Clause 23(4) of current labor law also proposes that a worker will not be entitled to any compensation if she/he is dismissed for ‘misconduct’ (i.e riotous or disorderly behavior in the establishment) (BEF, 2009:32). Union leaders argued in the committee meetings that the factory management takes advantage of the clause by defining ‘misconduct’ in accordance to its convenience, and thereby have a wider opportunity to deprive the workers from their right to benefits.<sup>73</sup>

---

<sup>71</sup> Ibid.

<sup>72</sup> Khan, Nazrul. Interviewed on June 2, 2018. Khan confirmed that both Ratan and Khan have shared their experiences of dealing with cases of arrests and detentions in a large number of factories which mostly took place based on ‘random’ charges of ‘misconduct’. On the other hand, Azim defended the arrests of workers based on the argument that workers are only charged when involved with vandalism and ‘aggressive behavior’.

<sup>73</sup> Khan, Nazrul. Interviewed on June 2, 2018. Khan confirmed that both Ratan and Khan shared similar views in the committee meetings which took place in August 11, 2010 and March 17, 2011.

---

Labor leaders also pointed out in the committee meetings that under the labor law provision for ‘termination’, workers’ dismissal has become a common practice. Several evidences have already shown that workers, who have been dismissed or ‘terminated’ based on accusations of ‘misconduct’ lost their entitlement towards wages and allowances (see Mirza and Islam, 2015:35). While the employers are not required to give any reason to terminate a worker, workers are deprived of a chance for self-defense.<sup>74</sup> Additionally, in cases of ‘serious misconduct’, the law allows termination of workers without a prior notice.<sup>75</sup> This deprives the workers from claiming due compensation. On the contrary, BGMEA representative N. Osman in the reform committee argued that, there has been repeated attempts of the ‘outsiders’, mostly ‘goons’ of political opposition, to destabilize the RMG sector. Hence, this particular clause ensuring punishment for ‘misconduct’ is a necessary one in order to identify and penalize those who are instigated by the ‘outside forces’ attempting to create chaos in the industry.<sup>76</sup> This particular clause remains unchanged in the Amended Labor Law 2013.

### **Profit Sharing**

The Companies Profits (Workers Participation) Ordinance, 1995 in Bangladesh requires companies to distribute 5% of its profit (before tax) to the employees (The Company’s Profit Act, 1995). Though this particular law had been in prevalence since 1968, the RMG owners have long refused to comply with this provision.

The labor representatives had long demanded for state monitoring for proper implementation of the 5 percent direct profit sharing scheme. The international brands/buyers have also demanded for the implementation of this ordinance (see ILO, 2018). However, the new labor law in 2006 proposed an exemption of this provision for the RMG sector (see BEF, 2009:107). In place of profit sharing, a new provision has been incorporated into the labor law, requiring the creation of a welfare fund for the workers. For instance, clause 234 (1) of labor law 2006 requires the RMG company to establish a ‘Participation Fund’ and ‘Welfare Fund’ for the workers and pay five percent of its net profits to the funds every year (BEF, 2009:107).

---

<sup>74</sup> Kaiyum, Hasnat. Interviewed on June 29, 2018.

<sup>75</sup> Ibid.

<sup>76</sup> Azim, Shahidul. Interviewed on June 28, 2018; Khan, Nazrul. Interviewed on June 2, 2018. Both Khan and Azim confirmed that BGMEA representative N. Osman in the Reform Committee meeting blamed the ‘outsiders’ for instigating the workers. While Azim holds similar view, Khan argued that BGMEA has consistently used the argument of ‘outside conspiracy’ or ‘foreign conspiracy’ to bypass the existing issues of workers’ discontent.

---

Union leaders in the Reform Committee argued that the previous ordinance of ‘profit sharing’ ensured the direct entitlement of workers to 5 percent of company’s profit. However, through this new provision of different categories of ‘fund’, direct access to company profit is being made more complex and uncertain for the workers, as it has given more leverage to the factory management in controlling and distributing the company profit.<sup>77</sup> As a result, the RMG employers are no longer obligated to directly distribute 5% of the company profit to the workers.

On the contrary, business representatives have collectively opposed the 5% profit sharing scheme in the committee meetings based on the ground that such legal compulsion of ‘profit sharing’ will have a negative impact in the competitiveness of the business.<sup>78</sup> Rather, a more pragmatic choice would be to create separate funds for workers welfare, to address the social and medical needs of the workers and their families.<sup>79</sup> The exemption from ‘5% profit sharing’ remains intact in the amended labor law (2013), while the provision for workers’ Welfare Fund continues to exist in the amendment.

### **Differences in Penalty and Punishments**

Clause 309 (Penalty for contravention of law with dangerous results) of Labor Law 2006 states , “(1) whoever contravenes any provision of this act or any rules, regulations or schemes, shall be punishable- (a) if such contravention results in loss of life, with imprisonment which may extend to four years or with fine which may extend to *one hundred thousand* Taka (equivalent to around US \$1250) ...or (b) if such contravention results in serious bodily injury, with imprisonment which may extend to two years or with fine which may extend to *ten thousand* Taka (around US \$125) (BEF, 2009:123 ).”

Trade Union leaders argued in the committee meetings that this particular clause is discriminatory in terms of the extent of punishment and penalty.<sup>80</sup> For instance, a 4 years of jail term is announced in case of negligence from the part of the management, and in case of lack of work place compliance leading to mass death, building collapse, or fire incidents. However, it is considered to be trivial in comparison with the other provision of punishments

---

<sup>77</sup> Khan, Nazrul. Interviewed June 2, 2018.

<sup>78</sup> Azim, Shahidul. Interviewed on June 28, 2018; Khan, Nazrul. Interviewed on June 2, 2018. Both Khan and Azim confirmed that BGMEA representatives opposed the 5% direct profit sharing scheme for the workers. Azim shared similar views

<sup>79</sup> Azim, Shahidul. Interviewed on June 28, 2018.

<sup>80</sup> Khan, Nazrul. Interviewed on June 2, 2018.

---

for even smaller crimes committed by the workers (i.e misconduct).<sup>81</sup> Also, though misconducts and sexual assaults against women workers of the industry is identified to be a common practice in the RMG sector (see Odhikar, 2008:39), the punishment is set to be a 3 months of jail or one thousand Taka (US \$12.50) of penalty (BEF, 2009:123 ). This provision is also considered to be too insignificant compared to the frequency and graveness of the incidents.<sup>82</sup>

### **Maternity Benefits**

Clause 46(1) (Right to, and liability for, payment of maternity benefit) of labor law 2006 states, “every woman employed in an establishment shall be entitled to and her employer shall be liable for, the payment of maternity benefit in respect of the period of eight weeks preceding the expected day of her delivery and eight weeks immediately following the day of her delivery” (BEF, 2009:39). This particular clause allows a total of 4 months of maternity leave for the female workers in the RMG sector. However, the labor leaders have long demanded for a minimum 6 months of maternity benefits for the RMG workers based on the ground that the female employees of the state-owned sectors in Bangladesh are entitled to a 6 months maternity leave (see Hossain, 2015).

The union leaders in the Labor Law Reform Committee repeatedly raised the issue of maternity leaves in the committee meetings.<sup>83</sup> However, this particular clause in the labor law 2006 has been strongly opposed by the BGMEA representatives in the Reform Committee.<sup>84</sup> According to Azim, as the RMG sector employs a very large number of young woman (90 percent of the total RMG employment), 6 month of maternity benefit to the female workers will bring unnecessary burden to the industry.<sup>85</sup> S. Osman, (BGMEA representative in the Reform Committee) argued in the committee that considering the high population growth of the country, the provision for 4 months of maternity leave should be removed from Labor Law 2006, as the absence of maternity leaves will ‘assist’ the female workers to keep their

---

<sup>81</sup> Khan, Nazrul. Interviewed on June 2, 2018. Mishu, Moshrefa. Interviewed on June 20, 2015.

<sup>82</sup> Ibid.

<sup>83</sup> Khan, Nazrul. Interviewed on June 2, 2018.

<sup>84</sup> Ibid.

<sup>85</sup> Azim, Shahidul. Interviewed on June 28, 2018.

---

families smaller.<sup>86</sup> According to S. Osman, maternity periods should be considered as ‘absentee’ from ‘sickness.’<sup>87</sup>

On the other hand, clause 286(1) (Penalty for contravention of the provisions of by an employer) states, “if any employer contravenes any provision....., he shall be punishable with a fine which may extend to five thousand Taka (nearly US\$60)” (BEF, 2009:120). Khan argued in committee meetings that while the factory management is legally obligated to pay 12 thousand Taka (nearly US\$150) of maternity benefit to a female worker, the penalty for violation of this law is only 5 thousand Taka. According to Khan, this clause has encouraged the management to pay the comparatively lower amount of penalty money rather than paying for the total maternity benefit to the workers.<sup>88</sup> It is to be noted that both clauses from labor law 2006 (maternity leaves and penalty contravention) remains unchanged in Labor Law 2013.

### **Complex process of dispute settlement**

The union leaders in the reform committee meetings complained that the legal process of dispute settlement specified in the labor law 2006 is complex, time consuming, and expensive for the workers and the unions.<sup>89</sup> For instance, according to clause 179 (4), once the *Director of Labor* rejects an application for trade union registration, the workers get a 30-day period to file an appeal before the Labor Court (BEF, 2009:83) (BEF, 2009:85). To the union leaders, a time restriction of only 30 days for ‘appealing’ is a narrow time limit which is unfair for the unions and the workers as they lack sufficient resources, workforce, and technical expertise to take prompt actions.<sup>90</sup> On the other hand, the state representative in the reform committee argued that an aggrieved worker is legally entitled to appeal against the verdict of the Labor Court on issues of lay-off, retrenchment, discharge and dismissal, and thus, any ‘unfair’ decision could be challenged right away.<sup>91</sup>

---

<sup>86</sup> Azim, Shahidul. Interviewed on June 28, 2018. Khan, Nazrul. Interviewed on June 2, 2018. Both Azim and Khan verified that Osman advocated for the removal of the 4 months of maternity benefit from the Labor Law. Azim confirmed that other BGMEA leaders, along with himself, share similar views.

<sup>87</sup> Azim, Shahidul. Interviewed on June 28, 2018.

<sup>88</sup> Khan, Nazrul. Interviewed on June 2, 2018.

<sup>89</sup> Khan, Nazrul. Interviewed on June 2, 2018. Khan confirmed that Matin, Ratan, and Khan repeatedly raised their concerns over the ‘complex procedures’ of the dispute settlement mechanism of the labor court.

<sup>90</sup> Ibid

<sup>91</sup> Azim confirmed that State Minister Mujibul Huq defended the labor court procedures in the committee meeting which took place in August 11, 2010.

Union leaders also argued in the reform committee that the rules of the court are extensively complex and technical, which eventually favors the financially capable employers.<sup>92</sup> It was also claimed that for suspension and termination cases, workers are not given sufficient time and opportunity to be informed or notified about the basis of the cases filed against them.<sup>93</sup> The time restriction is considered to be a major obstacle for the workers to defend themselves through a fair legal process. This particular clause remains unchanged in the amended labor law 2013.

**Table 3: The result of the negotiation process in the Labor Law Reform Committee (2008)**

Elements of Labor Law 2006	Position of Trade Union	Position of BGMEA	Status in the Amended Labor Law 2013
Restriction on Strike	Asked to withdraw restriction on strikes	Defended the existing clause	Unchanged/unaddressed
Membership restriction on Trade Unions	Asked to withdraw restriction on membership	Defended the existing clause	Unchanged/unaddressed
Punishment for Labor misconduct	Complained that the term 'misconduct' is used against workers involved in union activities	Defended the existing clause	Unchanged/unaddressed
Profit sharing	demanded for re-enactment of an old ordinance allowing '5% profit sharing' in the factories instead of the provision of 'welfare funds' for workers	Opposed 5% direct profit sharing	Complete withdrawn of '5% direct profit sharing' clause. New provision for 'welfare funds' continues in the clause
4 months of Maternity Benefit	Asked for 6 months of maternity benefits instead of 4 months. Asked to increase Penalty for RMG owners for not complying	Demanded complete removal of the provision for 'Maternity Leaves'.	4 months of maternity leaves remain intact. No change in 'Penalty for owners' for not complying (Penalty remain lesser than benefit itself)
Penalty and Punishment	Asked to change discriminatory punishments for workers and owners.	Defended the existing clause	Unchanged/unaddressed
Dispute settlement procedure	Asked to change <i>Court Rules</i> which are argued to be complex, technical, and time consuming, and favors the financially capable employers	Defended existing clause	Unchanged/unaddressed

<sup>92</sup>Khan, Nazrul. Interviewed on June 2, 2018. Khan confirmed that Ratan, Matin, and Khan repeatedly raised their concerns over the 'complex procedures' of the dispute settlement mechanism of the labor court.

<sup>93</sup> Ibid.



---

### 4.1.3 Concluding Remarks on Pro-business Labor Law

Chapter 2 has already discussed how law could become a mechanism for legitimating various ‘reform’ policies independent of public opinion or representative institutions. It also discussed how the imposition of law can contradict with the elements of democratic politics. It is also discussed that as a neoliberal state pursues for liberalization and deregulation policies, increased relative bargaining power of big business ultimately forces the government to relax its regulations on wages and workplace compliances (Crotty, Epstein & Kelly, 1998:3). This weakened bargaining position of the state in a neoliberal order makes it more difficult for the workers to negotiate over the country’s wage and regulatory structures. As a result, over the last decade, there has been an increase in ‘temporary’, ‘contract’, ‘sub-contract’, and ‘part-time’ forms of employment that advanced the expansion of a comparatively low-cost, unstable, and non-unionized workforce (see Muhammad, 2015).

The negotiation process in the Labor Law Reform Committee in Bangladesh shows that the concerns raised by the labor representatives in the committee have not been addressed properly by the state actors of the committee.<sup>94</sup> This section concludes that the current labor law in Bangladesh contains clauses which tend to restrict trade union activities while ensuring ‘security’ and stability for the RMG owners. The current labor law in Bangladesh is also criticized for its lack of provisions for adequate maternity leaves, its complex process of dispute settlement, its divisive penalty and punishments for ‘misconduct’, and its confiscation of workers direct entitlement to profit. Additionally, the current labor law makes it easier for the state to contain any opposition activities by taking ‘legal’ measures against protesting workers. Thus, it is fair to suggest that the current labor law has been used as a tool by the state actors to contain workers’ discontent in the RMG sector, while incidents of widespread violation of labor rights and poor working condition of the workers have been majorly overlooked.

---

<sup>94</sup>Chapter 7 (Section I) has discussed the limitations of such participatory approaches in detail.



---

## Section II

### 4.2 Pro-business Legal Intervention: The Case of Special Power Supply Act

It is already discussed that a regime adopting neoliberal reform policies attempts to cut down state spending and initiate a process of privatization by transferring public resources to private actors (Cahlil and Beder, 2005:5-22). It is also mentioned that the international financial institutions in the 1980s pushed the Bangladesh government to gradually withdraw its support from the state-run electricity production under the policy directives of the World Bank. In 1996, the Government of Bangladesh approved a 'Private Sector Power Generation Policy' through which the consequent governments have regularly attempted to open up the country's power sector for private companies (see Muhammad, 2014).

In 2006, amid severe power crisis, the BNP government first decided to invite private companies to take over the production of a portion of the national electricity supply. In 2010, the Awami league government adopted a rental based power production system through which a total of 31 rental/quick rental companies received government contracts for producing electricity. In 2010, the government also passed a bill termed as 'The Speedy Supply of Power and Energy (Special Provision) Act 2010'. The Special Provision Act 2010 is one of those steps which is considered to be a legal intervention from the part of the state to protect the business groups involved in the power production process of the country. For instance, the Special Provision Act has allowed the Power Development Board in Bangladesh to enter into contracts with private rental companies without going through the official process of open tender and competitive bidding. It has also blocked the jurisdiction of the court from taking appropriate action against measures involving 'unlawful' practices in dealing with projects in the power and energy sector (Discussed later in this chapter).

It is already mentioned that the year of 2007-2008 was a time of severe power crisis. The country's demand for electricity outpaced the national generation capacity. The government claimed that in this particular context it had no other option but to adopt a rental power plant based solution for the power crisis. Initially in 2010 the government enacted the Special Provision Act for two years only (The Daily Star, 2014). Under the act, Bangladesh Power Development Board signed a large number of contracts to purchase electricity from private

---

sources including rental and quick rental power plants with a combined generation capacity of about 2,000MW (Energy Bangla, 2014). Lately, in August 2014, the Cabinet approved the extension of the Special Provision Act by another four years till October 11, 2018 (The Daily Star, 2014). It is to be noted that all 31 rental/quick rental power plant projects were eventually undertaken by Bangladesh Power Development Board under this particular act.

#### **4.2.1 Justifying the Extension of Special Power Supply Act: The State v. Gøu " X g t u k q p**

According to the government officials, the extension of the special provision act in 2014 was necessary in order to achieve the government's future power generation targets. The justification for the act was spelt out in the special provision act itself, which involved the following arguments:

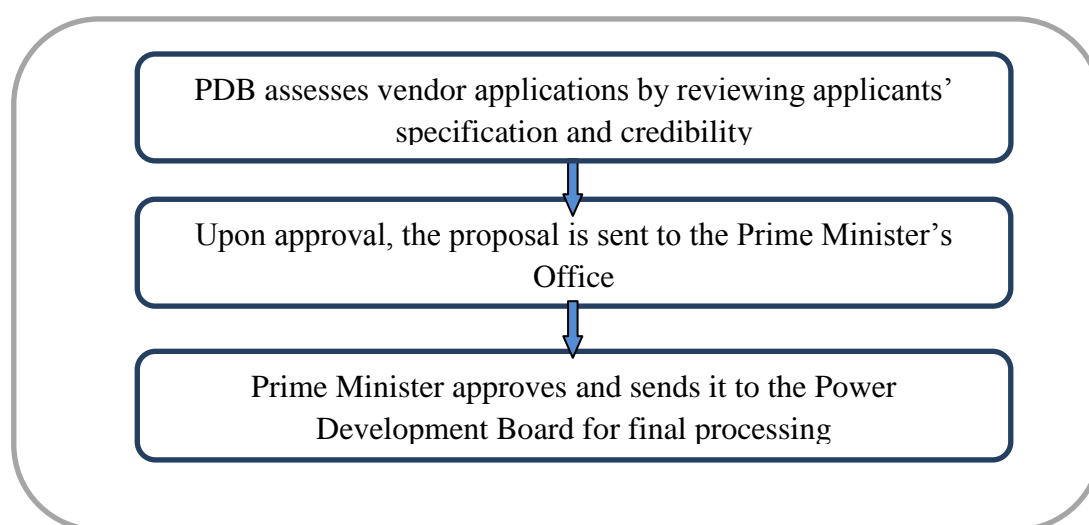
- i) The country was suffering from severe power crisis. Agriculture, industry, business and household work had been affected due to shortage of fuel and electricity. Lack of power supply had caused lower economic growth, slower technological expansion and low rate of poverty alleviation. It had also created difficulty in achieving the Millennium Development Goals (MDG).
- ii) A rapid increase in power production was necessary to tackle the slowdown.
- iii) The existing law and procurement rules involving complex project awarding process was time consuming to follow.
- iv) It was vital for the state to ensure fast production of electricity, along with its transmission, transportation and marketing. It was also necessary to quickly implement the plan of importing fuel and electricity, along with ensuring fast exploration and extraction of mineral resources (See Special Provision Act 2010).

Overall, it was claimed from the part of the state that a large number of power plants were needed to be built at a short span of time, and the special act would help to expedite the implementation of the projects which had been stalemated for years (Energy Bangla, 2014). Afterwards, former Cabinet Secretary Musharraf Bhuiyan claimed that the implementation of the special act has been proved very fruitful as it was not possible to meet the countrywide growing demand for electricity under the traditional procurement laws and rules (The Daily Star, 2014).

#### 4.2.2 Behind the initial approval process of Rental Power Plants in 2006

It is important to note that the Power Development Board of Bangladesh (PDB) has conventionally enjoyed the authority to conduct assessment studies for any government led power project. PDB is also authorized to make decisions of approval or non-approval of applications/proposals for private power plants, selection of project sites, and specifications for power plants following thorough examination. It is also among the official responsibility of PDB to call for open tenders and review the proposals submitted by the vendors.

**Figure 2: The original/official process of PDB-approval for power projects**



It is already mentioned that in the backdrop of severe power crisis, the BNP led government first attempted to initiate a rental based power production process in 2006. The decision and the process of adopting a rental solution for power crisis had been heavily criticized by a number of energy experts and left political parties of the country. A number of concerns were raised in the public domain since the approval of quick rental power projects in 2006:

- i) The political association of the business groups/vendors applying for rental projects
- ii) The possible lobbying of business groups to the Secretary of the *Ministry of Power Energy, and Mineral Resources*
- iii) The violation of official rules and requirements in approving rental power projects.<sup>95</sup>

<sup>95</sup>Consumer Association of Bangladesh (CAB) Reports presented at BERC. Professor Shamsul Alam, the Power and Energy Advisor to CAB discussed in detail the above mentioned points at various BERC (Bangladesh Energy Regulatory Commission) events (see Chapter 7, Section II).

---

Moreover, the arrest and imprisonment of the Secretary of the *Ministry of Power, Energy, and Mineral Resources* in the year of 2008 (discussed in the later part of this section) based on charges of corruption associated with the approval of the rental power projects further confirms the validity of the allegations of lobbying and ‘nexus’ in the power sector.

#### **4.2.2.1 Quick Rental Power Plants during the BNP Tenure**

To address the ongoing power crisis during the BNP rule (2000-2006), a Special Committee was formed in 2006 titled as the *Prime Minister’s Special Committee to Enhance Power Production*, led by B.D Rahmatullah, the former Director General of the Power Cell. The stated objective of the committee was to come up with an immediate solution for the power crisis. Akhtar Hossain, the then Chairperson of the Power Development Board (who was also a member of the Special Committee) first proposed for a quick rental solution to the committee as a short term remedy for the power crisis.<sup>96</sup> During the initial meetings of the newly formed committee, PDB Chairperson suggested that 10 privately owned small rental power plants (10 MW each) should be operated in short term. Meanwhile, larger power plants should be built under the ownership of the state. However, within a matter of a week, the number of applications for quick rental power plants increased from 10 to 39. By the next few weeks, the number of applications put forwarded by PDB Chairperson reached to 51.<sup>97</sup> Rahmatullah observed that Hossain was personally interested in pursuing a rental solution for the power crisis. Rahmatullah also observed that majority of the applicants for rental plants were politically associated with the then ruling party (BNP). Moreover, both Salauddin Q. Chaudhury and Mirza Abbas, two influential parliament members of BNP, were also observed to be pursuing Hossain for arranging ‘rental deals’ for them.<sup>98</sup>

It was also observed that Secretary Akhtar Hossain consistently enjoyed a ‘direct access’ to the former Prime Minister.<sup>99</sup> Once the Special Committee was formed in 2006, Hossain held the position of the chairperson of PDB. However, during the same tenure he was promoted as the Secretary to the Ministry of Power, Energy, and Mineral Resources.<sup>100</sup> According to Rahmatullah, his promotion to a higher layer of the Ministry at the end of 2006 also helped

---

<sup>96</sup> Rahmatullah, B.D. Interviewed on August 11, 2015.

<sup>97</sup> Rahmatullah, B.D. Interviewed on August 11, 2015; Telephone Conversation on May 20, 2018.

<sup>98</sup> Ibid.

<sup>99</sup> Rahmatullah, B.D. Telephone Conversation on May 20, 2018. Islam, Shafikul. Interviewed on June 2, 2018.

<sup>100</sup> Rahmatullah, B.D. Interviewed on August 11, 2015.

---

him to gain an extra leverage over the activities of the Special Committee.<sup>101</sup> Hossain's promotion and his consistent persuasion for a large number of rental plants (which Rahmatullah perceived to be unnecessary and costly) led to rising conflict between Rahmatullah and Hossain.<sup>102</sup> As conflict intensified within the committee, Rahmatullah was removed (by the order of the Prime Minister) from the Special Committee, as well as from the Power Cell of Bangladesh Government in September 1, 2006.<sup>103</sup> The quick removal of Rahmatullah as the Director of Power Cell and as the head of the Special Committee is considered to be a result of Hossain's exclusive reach to the Prime Minister, as well as his strong association with the business groups linked with the rental projects.<sup>104</sup> It is to be noted that following the take-over of the military backed care taker government in January 2007, Rahmatullah filed for a formal complaint at the Anti-Corruption Commission in Bangladesh against Akhtar Hossain (see below). The following allegations were brought by Rahmatullah against Hossain:<sup>105</sup>

- ◁ As per PDB rule, the application for any power project must be objectively reviewed by a committee, and any decision of approval should be made based on the consensus of majority of the committee members. However, Hossain attempted to manipulate the formal procedures of the committee by bypassing the required specifications for selecting a vendor.
- ◁ Instead of reviewing each rental proposal based on specifications set by the PDB, Hossain 'aggressively' pursued Rahmatullah to approve all 51 applications for rental power plants. Hossain also forced Rahmatullah to sign the draft letter for approval.<sup>106</sup>
- ◁ Hossain attempted to manipulate the already drafted committee recommendations and manually changed the number of power plants from 39 to 51 without consulting with Rahmatullah or any other committee members.

Rahmatullah in his formal complaint specified that these were clear violations of the formal procedure of the committee. In 2007, within a year of the take-over of the 'care taker

---

<sup>101</sup> Rahmatullah. B.D. Telephone Conversation on May 20, 2018. Islam, Shafikul. Interviewed on June 2, 2018.

<sup>102</sup> It is widely known in the Ministry that Rahmatullah from the very beginning was against the rental solution based on the ground that it would not be economically viable for the power sector of the country. Rahmatullah was active pursuing the ministry for building larger power plants under the ownership of the state, based on the following grounds:

- a. The government is capable of building larger gas-based power plants with reasonable investment
- b. Vested interest groups would not get opportunities to manipulate over national power supply
- c. Quick Rental solutions would increase the price of electricity

<sup>103</sup> Rahmatullah. B.D Interviewed on August 11, 2015; Islam Shafikul. Interviewed on June 2, 2018.

<sup>104</sup> Islam, Shafikul. Interviewed on June 2, 2018.

<sup>105</sup> Legal Documents (in Bengali) collected from B. D Rahmatullah in 2016.

<sup>106</sup> As the head of the committee, Rahmatullah hold exclusive authority to veto or block the approval of power plants

---

government',<sup>107</sup> Hossain was removed from the ministry based on charges brought against him by the Anti-Corruption Commission. The Anti-Corruption Commission also filed a case against Hossain based on allegations of corruption, acceptance of bribe from major quick rental vendors, accumulation of wealth, and approval of rental projects without following legal procedure (Daily Star, 2008). In January 2008, Hossain was sentenced to ten years imprisonment for accumulating illegal wealth beyond known sources of his income and concealing wealth information (Daily Star, 2008; bdnews24.com, 2008).<sup>108</sup> It is to be noted that the caretaker government in 2008 finally approved the applications for 3 rental power plants to address the ongoing power crisis (Dhaka Tribune, 2013).

#### 4.2.3 Quick rental power plants during Awami League Tenure

During the two consequent terms of Awami League government (2008-current), a large number of quick rental power plants were approved by the *Ministry of Power, Energy, and Mineral resources*. It is already mentioned that in 2010, a 'Special Power Supply Act 2010' was passed in the Parliament. This particular act has commonly been referred as the 'Indemnity Act' in the public domain. The initiation of the 'indemnity' clause, the approval of around 31 quick rental power plants under the indemnity clause, and the repeated extension of the special power supply act has raised specific questions over the rising influence of vested interest groups over the policy making process of the state. Three specific allegations against the Special Power Supply Act/ Special Provision Act are described below:

##### 4.2.3.1 V j g " ÷ K p of 'g B p d k w u { g < " V j g " k u u w g " q h " n c e m " q h " V Accountability

The Indemnity clause of the Special Provision Act legally immunizes the state agencies for quick initiation and implementation of power projects. According to Rahmatullah, Clause 9, 10, and 11 of the act could be identified as equivalent to an 'indemnity bill' as these are designed to shield any unlawful operations in the power and energy sector.<sup>109</sup> For instance, Clause 11 has allowed the *Ministry of Power, Energy, and Mineral Resources* to take any

---

<sup>107</sup> The caretaker government stayed in power for 2 years (2007-2008).

<sup>108</sup> According to various reports, Akhter obtained wealth worth of Tk 2.23 crore illegally by abusing power, and concealed information about Tk 80 lakh in a statement submitted to the Anti-Corruption Commission (ACC) earlier. His name was also on the first list of 50 corruption suspects published by the ACC on February 18, 2007 (Daily Star, 2008; bdnews24.com, 2008).

<sup>109</sup> Rahmatullah. BD. Interviewed on August 11, 2015.

---

action merely by submitting a legal notice (see Clause 11, Special Provision Act 2010). Clause 9 ensures that no petition could be filed in the court as opposed to any activity or actions taken under the special provision act (see Clause 9, Special Provision Act 2010). Clause 10 ensures indemnity for all actions (made under the act) based on the ground that ‘all actions are taken with *good intention*’ (see Clause 10, Special Provision Act 2010). The above mentioned clauses are reflective of the reality that no petition could be filed (either civil or criminal) against any employee or officials of the state for operating under this act. In case of any legal or operational fault, the court will no longer remain legally entitled to intervene or take actions. It is also specified that officials would be waived from any charges under this act, as such actions should be identified as ‘based on good intent’. It is being long claimed that this act is specifically designed to provide legal protection to the officials of the power and energy sector, involved in awarding contracts to vested interest groups in a non-transparent way.<sup>110</sup>

#### **4.2.3.2 Bypassing Tender: The issue of Lack of Competency**

One of the major features of the special provision act is that it allows the government agencies to award projects/contracts in the power and energy sector without going through the official tender and procurement process or the competitive bidding process. It is to be noted that the ‘Public Procurement Rule 2008’ of Bangladesh specified a large number of general guidelines, terms, and conditions for public tenders. In general the procurement act involves competitive bidding, determination of tender price, and formation of tender evaluation committees. Both the national and international procurement process for Bangladesh Government requires different tendering methods, including limited tendering, open tendering, and two-stage tendering (Public Procurement Rule, 2008:22-25, 62-70). It has also specified a number of general guidelines involving tender validities, security deposits, verification of the authenticity of tender security, and terms of reference for proposals or quotations (Public Procurement Rule, 2008:25-27).

It is already mentioned that the government has consistently claimed that the existing official procedure for public tendering is highly complex and time consuming, and thus it became necessary to enact a special law which would allow bypassing the official procedures in order to obtain power production facilities at a fastest possible time. The special provision act

---

<sup>110</sup> Ibid. Khan, Tanzimuddin. Professor, University of Dhaka. Interviewed on May 30, 2017.



---

allows taking over power projects merely by obtaining the signature of the Prime Minister. Discussions and negotiations are made ‘closed door’ with utmost secrecy. To allow it to happen at a quickest possible time, the Ministry is observed to be operating directly under Prime Minister’s oral approval (Daily Kaler Kantho, 2015).

It is already noted that all 31 of the quick rental projects have been taken over without going through the open bidding procedure (Daily Kaler Kantho, 2015). It is claimed that such project awarding process under a special provision act (with no official obligation for open tendering or competitive bidding) has not only led to a complete lack of transparency in the system, but also to serious favoritism and preferential treatment to incompetent companies or business groups.<sup>111</sup> It is also observed that the owners of most rental/quick rental companies which received contracts under the special provision act are directly or indirectly associated with the ruling political party (discussed in the following sections).

#### **4.2.3.3 Short term Rental Projects are operating in longer terms**

A special act in general is enacted based on short term necessities or emergency situations.<sup>112</sup> The Special Provision Act 2010 was initially enacted for only two years for the ‘quick awarding’ of contracts in the power and energy sector, while meeting the demand for electricity at the fastest possible time (Energy Bangla, 2014; New Age, 2014). Newspaper reports reveal that though the act was activated only for short term projects, a large number of long term projects have already been contracted under this act. The following section has listed a number of mid-term/long-term contracts signed/awarded under the Special Provision Act both in the power and energy sector:

Contracts signed/awarded under Special Provision Act in the power sector:

- i. The state-run Power Development Board has signed 20 contracts to purchase electricity from 15 quick rental and 5 rental suppliers with a combined generation capacity of about 2,000MW for three to five years.
- ii. Power Development Board has also signed 15 contracts to buy electricity from the independent power producers (IPP)<sup>113</sup> with a combined generation capacity of

---

<sup>111</sup> Rahmatullah, BD. Interviewed on August 11, 2015.

<sup>112</sup> Ibid.

<sup>113</sup> In 1995, through a legal state ordinance, the government of Bangladesh opened up the public power sector for private investments. A number of private companies were contracted by the state to produce electricity in order to address the power crisis of the country. The privately owned power producing companies are officially referred as IPPs.



---

about 1,000MW. The government also extended 10 existing contracts with the independent power producers for five years.

- iii. Power Development Board has signed two power purchase agreements with Indian National Thermal Power Corporation to import 250MW of electricity for 25 years, and with PTC India Limited to import another 250MW of electricity for three years (New Age, 2014; Energy Bangla, 2014; Daily Kaler Kantho, 2015).

It is important to note that none of the above mentioned projects awarded under the special provision act could be identified as ‘short term’ projects, considering their long term operational plans. Moreover, following a number of measures taken by the state, it is observed that the power supply situation has been improved since 2009/2010.<sup>114</sup> In this context, concerns have been raised against the decision of further renewal of the special provision act. The implementation of a whole range of mid-term/long -term power projects under the ‘short term’ special provision act also raised questions over the transparency of the process and the lack of accountability that it brings into the system.

#### **4.2.4 The Current Approval Process under Special Provision Act**

It is observed that the official procedure of approving a power plant project has been largely altered under the special provision act. Shafikul Islam, A former Cabinet Secretary observed:<sup>115</sup>

- ◁ Special Committees are no longer formed to discuss the viability of rental based power plants.
- ◁ Assessment studies are no longer required for the approval of rental plant proposals.
- ◁ Instead of going through PDB specified assessment process, rental power producers directly approach the Prime Minister.
- ◁ Upon Prime Minister’s written approval, PDB prepares the necessary documents for the formal approval of the project.

Overall, the current approval process under the special provision act indicates that the process of approving rental plants have become exclusively ‘vendor driven’ through which merely the influential vendors or business groups with direct access to the Prime Minister are able to submit applications for rental power plants. According to Rahmatullah, under the current

---

<sup>114</sup> See BPDB 2017.

<sup>115</sup> Islam Shafikul. Interviewed on June 2, 2018.

---

circumstances, no business group without a strong or direct reach to the Prime Minister could possibly arrange a ‘deal’ for a rental project.<sup>116</sup> This also means only the ‘rich’ and the ‘powerful’ receives the approval, which has gradually intensified the participation of ‘political businessmen’ in the power production process in Bangladesh. It is also argued that the process of evading country’s Procurement Law in selecting vendor/contractors has created a favorable environment for corruption and illegal practices.<sup>117</sup>

#### **4.2.5 Who is behind Special Power Supply Act?**

Though there is no direct evidence that special power supply act is the result of direct ‘lobbying’ of the business groups associated with the rental production, evidences show that a large number of rental power plant owners are directly associated with the ruling party member themselves, or partially owned by the same group of people (see Table 2 in Chapter 3). For instance, the Summit group (owned by Faruk Khan, the former Awami League nominated Minister of Commerce) received around six different rental contracts for an overall 42 MW of electricity. Northern Power Solution Limited (owned by Enamul Huq, an Awami League-nominated Parliament Member from Rajshahi-4) has received a deal for a 50 MW power plant in Katakali (Daily Prothom Alo, 2014b). Similarly, Abul Hossain, the former Awami League nominated Minister of Communication, happens to be the formal local representative of ISOLACK Samsung, a Spain based company, which has been contracted to produce a 450 MW power plant in Shidhdhirganj. Desh Energy Limited (owned by industrialist Anisul Huq, the former Mayor of Dhaka city, nominated by the Awami league government) has been awarded with a rental deal for producing 100 MW of electricity. Power Pack Holdings, a branch of Sikder Group (known to be a close ally of the Awami League government) has also received a rental contract for producing 100 MW of electricity.

It is already understood that the special provision act facilitated the allocation of quick rental deals based on individual connections or personal contacts between the members of the government and different business groups. Strong rumors exists that individual vendors, directly approaching the Prime Minister for the approval of quick rental power projects, contribute heavily to the ruling party fund. Rahmatullah claimed to be aware of a number of incidents in which significant amount of money has been donated to the party fund by business groups in order to receive formal rental approval from the Prime Minister. Though,

---

<sup>116</sup> Rahmatullah. B.D. Telephone Conversation on May 20, 2018.

<sup>117</sup> Islam, Shafikul. Interviewed on June 2, 2018.

---

no hard evidence exists to verify Rahmatullah's claim, a general perception is observed to be existing in the public mind that approval for rental plants are arranged in exchange of 'donation to party fund'. Nonetheless, the profile and background of the rental/quick rental owners are already a clear indication to the fact that a strong state-business nexus occurs in the power sector of Bangladesh.

It is observed that the special provision act maintained highest level of secrecy before its submission to the cabinet meeting in 2010. There was no publicly available information on the formation of any special committee for drafting or reviewing this act. The bill itself only became public on the day the act was approved in the cabinet by the Council of Ministers. Even the journalists covering the cabinet meetings in regular basis had no prior information about the Special Provision Act.<sup>118</sup> The extensive level of secrecy, lack of transparency, lack of prior information, bypassing of formal procedure of the law, repeated extension of the act, and the political identity of a large number of rental plant owner is indicative to the fact that vested interest groups have been associated with the process of allocation of rental deals (who nominally gained from the high price electricity as well as the substantial level of state subsidy that has been provided to quick rental power plants over the last decade).

#### **4.2.6 Concluding Remarks on Special Provision Act**

It is already noted that Bangladesh government has attempted to open up its power and energy sector for privatization under the policy guidelines of the World Bank. In the backdrop of economic reform, the power crisis of 2006-2007 was presented in a manner that private solutions to power production was widely perceived to be the only viable solution. The policy makers of the state ignored alternative solutions to the power crisis (suggested and recommended by the energy experts of the country) and continued to pursue a private sector based solution to the power crisis which appeared to be highly costly.

With the enactment of the Special Provision Act and the indemnity clause attached to it, the current ruling party pro-actively entered into deals with companies with no prior experience of power production. In addition, the deals were awarded in a non-transparent way, without going through the legal requirements for competitive bidding. It is also evident that members of the government hold significant financial and political connection with the rental plant

---

<sup>118</sup>Multiple conversations with journalist Arifuzzaman Tuhin on the year of 2016/2017. Tuhin regularly covered both the Cabinet meetings and the Parliamentary sessions on power and energy issues.

---

owners, which is assumed to be playing an important role in influencing the state mechanism to pass this particular act. However, it is also to be noted that due to complete lack of transparency in the policy process of the power and energy sector, it is difficult to track the actual procedure through which the special act was designed. While it is observed that no formal ‘expert committee’ was formed in drafting the special act, the cabinet meetings were also merely used as a platform to announce it. Though it is perceived by the analysts that the long term renewal of the special provision act in 2014 could be the result of direct influence of the vested interest groups which remain active within the state agencies itself, no direct evidence could be found to verify such claim. Nonetheless, the act is observed to be highly beneficial to the politically associated rental/quick rental power plant owners, who received consistent financial subsidy from the state (see Chapter 5, Section II for detail).

Three important remarks could be made based on the discussion of this particular section:

- ◁ Crouch (2004) in his post democracy theory asserted that due to the rise of business interest in politics, political parties are no longer ideologically divided; rather parties from all political spectrums exclusively seek to serve the purpose of business elites. In the case of Bangladesh, both political parties are observed to have pro-actively pursued privatization policies in the power sector, despite of repeated expert suggestions to adopt state-based solutions. Both members of the earlier BNP government and the current Awami League government have observed to be using extra legal ways to bypass the official procedure of approving rental plant projects. In both cases the rental applications/vendors are seen to be associated with the ruling party members.
- ◁ As the rental mechanism of power production remains largely dependent on state-subsidy, and state-based solutions remains less expensive (discussed in detail in Chapter 4, Section II); no real ‘structural constraint’ exists from the part of the state. In the absence of any structural obligation, the state’s proactive stance in implementing the special provision act could be presumed as the state actors’ internalized obligation towards the rental plant owners due to their political/financial connection and stake over the rental business. This particular phenomenon in Bangladesh was described by Kochanek (1994) as, “Ruling elites themselves own and operate business, and thus naturally represents the business interest in the policy making domain”.

- 
- ◁ Theoretically, privatization of public services (under the broader framework of economic reform) does not necessarily encourage capturing of state resources by ruling party members. However, in this particular context of Bangladesh, capturing of state resources by ruling party members has become a common scenario (see Jahan, 2014:53). The implementation of the special provision act (with an indemnity provision attached to it) has exclusively helped the consequent ruling parties in Bangladesh to establish a process through which merely the ruling party members could obtain the benefits of privatization.

### **Section III**

#### **4.3 Pro-business Legal Intervention: The Case of Asia Energy**

Though widespread economic reform programs have facilitated the liberalization of important sectors of natural resources in many developing countries, foreign investment in the natural resource sectors has still remained a critical public issue due to its strategic and geographical importance.

In the case of Asia Energy in Bangladesh it is observed that the state actors have consistently attempted to build a legal framework to prepare a national coal policy through which commercial coal extraction, coal export, privatization of electricity production, and foreign investment in natural resource sectors could be legally promoted. Consequently, a number of clauses in the different versions of the draft coal policy are identified to be exclusively ‘pro-business’ which overlooked important elements of public interest. The policy also attempted to create a favorable environment for the lessee company by containing provisions for a range of financial stimulus (discussed in Chapter 5), and by accommodating the lessee company’s preference for open pit mining and export of coal. A number of clauses are also identified to be promoting the profit interest of the foreign investors while undermining state’s own capacity to explore and extract (discussed in the following sections).

It is already mentioned that the Asia Energy Corporation signed an agreement with Bangladesh government in the year of 1999 with the task of mineral exploration and open pit

---

extraction of coal in Phulbari.<sup>119</sup> In 2006, as massive protest broke out in Phulbari, the then BNP-led government announced complete scrapping of the deal with Asia Energy and was enforced to take several initiatives to determine a policy framework for the development and extraction of domestic coal. Considering the whole range of complex issues associated with extraction of local coal resources, Bangladesh government drafted a coal policy in 2005 which have been largely criticized for its pro-investor/pro-business approaches. In this context, it is important to review the background of the national coal policy in order to understand the nature of interaction between different policy actors and interest groups in drafting the policy. This chapter will also critically analyze the various clauses of the draft coal policy including the issues of foreign investment, gradual privatization of the power sector, and state's pre-determined position over open pit mining and coal export which exhibit the policy actors' inclination towards the interest of the foreign lessee company.

#### 4.3.1 Background of Coal Policy

##### *The decision of hiring IIFC to draft the coal policy*

It is already mentioned that laws, rules, or acts are in general initiated and designed in relevant ministries of the government. If necessity arises, an 'advisory committee' or 'expert committee' is formed (led by the ministry) to accommodate the experience and specialties of the experts. However, the *Ministry of Power, Energy and Mineral Resources* in 2005 directly hired *Infrastructure Investment Facility Center (IIFC)*<sup>120</sup> to draft the National Coal Policy on behalf of the government of Bangladesh (Draft Coal Policy, 2006:1), while sidelining the requirement for forming an 'expert committee' to examine the various national, financial, and environmental aspects of coal extraction.

It is to be noted that the IIFC is a state owned company that provides professional services to different agencies of the government to develop infrastructure projects through *private sector participation*. One of the important services listed by IIFC is to promote and facilitate infrastructure projects in the country through *Public-Private Partnerships (PPP)* (Official

---

<sup>119</sup> Considering the energy crisis of the country and the declining level of domestic gas reserves, the *Ministry of Power, Energy, and Mineral Resource* in Bangladesh has prioritized domestic coal to be an important source of future power generation for the country (see PSMP 2016:2-23).

<sup>120</sup> Infrastructure Investment Facility Center (IIFC) is a state-owned consulting company based in Bangladesh incorporated in 1999 with the objective of promoting public-private partnership in the infrastructure sector.

---

website of IIFC).<sup>121</sup> It is also observed that IIFC has no specialized knowledge or expertise over energy issues, and has no experience in development planning at the national level, particularly in the field of power and energy.<sup>122</sup> As IIFC has a declared vision to establish foreign private ownership/partnership in different sectors of the economy, the government's decision to appoint IIFC in drafting the national coal policy indicates the government's deliberate position on involving foreign companies in the strategically important sectors of the country including coal and natural gas.<sup>123</sup>

### *The appointment of the Chairperson of Foreign Investment Board as the advisor to the Ministry*

During the tenure of Bangladesh Nationalist Party (BNP) government (2001-2006), Mr. Mahmudur Rahman, who was already holding the position of the Chairperson of the *Foreign Investment Board*, was appointed as the Advisor to the *Ministry of Power, Energy and Mineral Resources*. The appointment was highly criticized by the left political parties in Bangladesh.

It is important to note that the *Foreign Investment Board* in Bangladesh is assigned with the task of attracting foreign investment in different sectors of the economy by providing various financial incentives to the foreign companies (Official website of BIDA<sup>124</sup>). On the other hand, the *Ministry of Power, Energy and Mineral Resources* in Bangladesh holds constitutional obligation to the people to ensure sufficient supply of power/electricity at an affordable price.<sup>125</sup> Thereby, the decision of appointing the Chairperson of the *Foreign Investment board* as the Advisor to the *Ministry of Power, Energy and Mineral Resources* was highly criticized by a number of experts and politicians in Bangladesh based on the ground that the power and energy sector of the country is a service provider institution of the

---

<sup>121</sup> As a part of the government campaign, IIFC declares in its website that it is committed to facilitate government's PPP campaign in different sectors including telecommunications, power, coal, oil and gas, transport, roads, ports, water supply, and housing (Official website of IIFC).

<sup>122</sup> Muhammad, Anu. Professor, Department of Economics, Jahangir Nagar University. Member Secretary, National Committee to Protect Oil, Gas, Mineral Resources, Power, and Port. Interviewed on July 25, 2015.  
Islam, Nurul. Energy Expert; Professor at Bangladesh University of Energy and Technology. Interviewed on November 4, 2015.

<sup>123</sup> Muhammad, Anu. Interviewed on July 25, 2015.

<sup>124</sup> Bangladesh Investment Development Authority.

<sup>125</sup> Clause 15 (Provision of Basic Services) of Constitution of People's Republic of Bangladesh confirms the state's responsibility to ensure its citizens' basic necessities of life including education, Medicare, housing, water and electricity.



---

state, and considering its constitutional obligation, it should not operate as a subject of foreign investment.<sup>126</sup>

### **4.3.2 The National Coal Policy and the Negotiation Process: State vs Independent Experts**

It is mentioned earlier that in 2006, due to massive unrest in Phulbari, the then BNP-led government announced scrapping of the deal with Asia Energy and was enforced to take initiatives to develop a policy framework for coal exploration and extraction in the country. Due to continuing protests in the Phulbari region, all the successive advisers and ministers of the *Ministry of Power, Energy and Mineral Resources* continued to commit themselves to prepare a national coal policy, which would provide a specific guideline for coal exploration and extraction in the country. Overall, ten consequent drafts have been prepared by the Ministry of Power, Energy, and Mineral Resources, involving a group of government officials and Independent Experts. This section has discussed the major elements of the different drafts and the negotiation process which took place in the process of preparing the consequent drafts.<sup>127</sup>

#### *1<sup>st</sup> & 2<sup>nd</sup> IIFC draft*

It is already mentioned that the Ministry of Power, Energy, and Mineral Resources hired IIFC to draft the national coal policy on behalf of the state. IIFC consequently produced two versions of the draft coal policy (published in December 1, 2005 and January 23, 2006) which were criticized on the ground that it allowed the multinational corporations like Asia Energy and Tata (India) to influence vital policy decisions of the energy and mineral sector of the country. It was claimed that the draft coal policy made a way for Asia Energy Corporation to extract coal from Phulbari coal mine through an open-pit method. It is also claimed that the coal policy's inclination towards coal export would ultimately drain out the valuable mineral

---

<sup>126</sup> Muhammad, Anu. Interviewed on July 25, 2015.

Saki, Jonayed. Coordinator of GanoShanghati Andolon (People's Solidarity Movement). Interviewed on June 12, 2018. Rahmatullah, B.D. Interviewed on August 11, 2015. Both Saki and Rahmatullah has pointed out the constitutional obligations of the *Ministry of Power, Energy and Mineral Resources* in different occasions, including in the BERC public hearing events.

<sup>127</sup> This section is mostly prepared based on my personal interviews with Prof. Nurul Islam (November 5, 2015), and his personal commentaries on his involvement on working on the National Coal Policy (Islam, Nurul. "Comments on Bangladesh Draft Coal Policy-Version 5", Unpublished Document, May 30, 2006).



---

resources of the country (discussed in the following section: ‘Criticisms against the IIFC Draft’).

### *3<sup>rd</sup>, 4<sup>th</sup>, & 5<sup>th</sup> IIFC draft*

IIFC consequently published the 3<sup>rd</sup> (March 12, 2006), 4<sup>th</sup> (April 4<sup>th</sup>, 2006) and 5<sup>th</sup> (May 30, 2006) version of the draft coal policy within a year. The later versions still contained provisions for open pit mining for coal extraction, along with provision for coal export through foreign lessee companies. As environmental activists and a part of civil society continued their criticisms against open pit mining, the Ministry prepared a 5<sup>th</sup> version of the draft (May 30<sup>th</sup> 2006) through IIFC, which was sent to the Prime Minister’s office for the approval of the prime minister herself.

### *Prof. Nurul Islam’s Review Report on the 5<sup>th</sup> version*

Considering the controversy around the method of open pit mining and the pressure arisen from the Phulbari movement, the high ranking officials of the Prime minister’s office contacted professor Nurul Islam (a renowned professor of Bangladesh Engineering Institute and Technology, BUET) on august 1, 2006, to review the 5<sup>th</sup> version of the coal policy. According to Professor Nurul Islam, he agreed to review the coal policy once the Prime Minister’s office officially approached him for reviewing the draft.

On august 9<sup>th</sup>, 2006, Islam submitted a review report for the draft coal policy with comments and suggestions to the Prime Minister’s office. Islam’s review report opposed the provision for coal export by foreign companies on the ground that with no scientific assessment for future energy demand for the country it would be unwise to make a decision of exporting the scarce mineral resources of the country. Islam’s report also opposed the provision for open pit mining considering the high population density and high environmental vulnerability of the Phulbari region. The report also emphasized on taking appropriate initiatives for national capacity building for the mineral sector, and the protection of the inhabitants of the Phulbari Region.

### *Rejection of Islam’s Review Report*

The prime minister’s office forwarded the review report to the *Ministry of Energy, Power and Mineral resources*. The report was ultimately rejected by the Ministry. Instead, a press

---

conference was held by the ministry in defense of its earlier position in favor of open pit coal extraction and export of coal.

#### *6th version*

Afterwards, the Ministry of Power, Energy, and Mineral Resources released a 6<sup>th</sup> version of the coal policy on March 2007. Following another round of criticism by the independent experts and environmental activists<sup>128</sup>, a 5-member committee was formed by the Secretary of the Ministry. The committee again pursued professor Islam to re-examine the 6<sup>th</sup> version of the draft (which failed to accommodate Islam's earlier comments and suggestions on the draft coal policy).

#### *5-member committee to publish the 7<sup>th</sup> version (Nurul Islam Committee)*

Nurul Islam committee published the 7<sup>th</sup> version of the coal policy on June 2007. This particular draft led by professor Islam, for the first time contained a calculation for the future demand of coal in Bangladesh which emphasized on the fact that the country must restrain from exporting a scarce natural resource like coal considering the large future energy demand of the local population (see Daily Star, 2007). It is also to be noted that the 7<sup>th</sup> version of the draft rejected open pit coal extraction as a mining method. However, instead of finalizing the draft, the then energy advisor Tapan Chaudhury decided to form a 10-member expert committee to review and re-examine the 7<sup>th</sup> version of the policy.

#### *10 member committee to publish the 8<sup>th</sup> version (Patowary Committee)*

The 10 member committee was led by Dr. Abdul M. Patowary (former Vice Chancellor of Bangladesh Engineering and Technology University), in which Professor Islam and other academicians were appointed as experts. However, the committee also appointed a number of officials from the Department of Energy and Mineral Resources who were largely known to be associated with the coal lobby in Bangladesh.<sup>129</sup> Islam mentioned that a group of state officials in the committee regularly submitted 'notes of dissents' to the chairperson of the committee in opposition to the decision of export restriction on coal.<sup>130</sup> According to Islam, consistent attempts were made by the state officials to influence the committee members in favor of the Asia Energy mining project in Phulbari.

---

<sup>128</sup> A series of seminars were held in the capital city to denounce the provision of open pit mining in the coal policy draft.

<sup>129</sup> Islam, Nurul. Interviewed on November 4, 2015.

<sup>130</sup> Ibid.

---

The Patowary Committee arranged around 19 seminars in 6 months (from June 2007 to 31 December 2007) and finally published the 8<sup>th</sup> version of the coal policy in January 2008 (see Khan, 2008). It is observed that the draft coal policy prepared by Patowary Committee had encouraged elements of ‘national capacity building’ in the coal sector. It had also provided specific directions over the formation of a state owned institution called ‘Coal-Bangla’ for the purpose of coal exploration and extraction(Khan, 2008). The draft also imposed a restriction over coal export considering the energy scarcity in the country. The draft policy specifically emphasized on the issue of environmental safeguards, sufficient compensation for the evicted people, and a realistic royalty rate determined by an open and transparent process (Khan, 2008). However, the Ministry of Power, Energy, and Mineral Resources decided to re-examine those particular clauses associated with national capacity building as well as environmental protection for affected communities.

### *9<sup>th</sup> version*

In 2007, M. Tamim, was appointed as the new Energy Advisor to the Ministry of Power, Energy and Mineral Resources. Afterwards, the government attempted to draft the 9<sup>th</sup> version of the coal policy led by the new energy advisor, who is widely known for his long-term association with the fuel companies in Bangladesh and his advocacy in favor of open pit coal mining.<sup>131</sup> The 9<sup>th</sup> version of the draft coal policy (led by M. Tamim) altered critical parts of the Patowary Committee Report. For instance, the clauses of the 8<sup>th</sup> version of the draft policy emphasizing on the part of national capacity building (instead of foreign ownership/partnership) was removed from the 9<sup>th</sup> version (Khan, 2008). It determined the royalty rate for coal extraction at 6% in the case of open pit mining, and 5% in the case of underground extraction, with no provision of debate and discussion over the issue. It also sidelined the issues of environmental safeguards by removing it from the major sections (Khan, 2008).

---

<sup>131</sup> M. Tamim is one of the Board of Directors of MGL Bangladesh Limited (a distributor company of Exxon Mobil in Bangladesh). He is also a Board of Director of G Gas LPG Bangladesh, which offers bulk *LPG* (Liquified Petroleum Gas) to both household and commercial units (see Official Website of G Gas LPG and MGL Bangladesh Limited).

M. Tamim also said in a roundtable discussion in June, 2007: “We have no fund, no manpower and no technology. I think open pit mining should be given a chance with due attention to following aspects: relocation, environment and revenue, which in fact are issues of negotiation for settlement and not barriers to open pit mining i.e., the existence of problems on these issues do not mean that we should go for underground mining or abandon the idea of extracting coal” (Daily Star, 2007).

---

Once the 9<sup>th</sup> version of the draft coal policy was publicized by the Ministry, Islam openly criticized it on the ground that the Ministry has consistently pushed the agenda of Asia Energy by accommodating the company's plan of open pit extraction of coal in Phulbari, along with its agenda for coal export.<sup>132</sup> Upon public criticism and opposition against open pit mining, the cabinet ultimately restrained from finalizing the 9<sup>th</sup> version of the coal policy. It is widely known that the Ministry of Power, Energy, and Mineral Resources has prepared a 10<sup>th</sup> version of the coal policy in 2010 which has not been made public yet. The current draft (2010) is claimed to be a shorter version of the 9<sup>th</sup> draft, which has remained under review till today.

#### **4.3.3 The Interaction between Policy Actors and the Interest Groups**

The case of Asia Energy and the draft coal policy showed an unique trend in comparison with the other two cases of the thesis. Firstly, in the face of ongoing discontent in the Phulbari region over the possibility of re-opening the Asia Energy Project, the *Ministry of Power, Energy, and Mineral Resources* appeared to be under pressure to form an expert committee to discuss and debate the issues associated with open pit mining and export of coal.<sup>133</sup> It is already mentioned in the earlier section that a number of committees were formed by the ministry in between 2006 to 2010 in order to gain expert knowledge and accommodate the opinions of independent specialists and engineers. It is evident from the earlier discussion that both Professor Islam and the Professor Patowary, who were invited to lead different committees or to review different versions of the draft policies as independent experts, consistently opposed different clauses of the IIFC draft based on environmental concerns and national security. Though the Ministry's repeated rejection of the expert suggestions indicated a tensed negotiation process between the government's policy actors and the independent experts; the policy actors repeatedly attempted to include the well-reputed 'independent' experts in the committee in order to ensure a widely accepted advisory committee.<sup>134</sup>

It is clear from the earlier discussion that as many as ten attempts have been made by the ministry to review different versions of the national coal policy. According to Mr. Rahmatul Muneem, the Secretary of the *Department of Energy and Mineral resources*, the ministry

---

<sup>132</sup> Islam, Nurul. Interviewed on November 4, 2015

<sup>133</sup> Muneem, Rahmatul. The Secretary of Department of Energy and Mineral Resources. Interviewed on June 2, 2018.

<sup>134</sup> Ibid.

officials made a sincere attempt to be responsive to the public criticism, and thus consistently attempted to review the draft coal policy in different times. According to Muneem and Islam (who participated in a number of cabinet meetings which discussed the national coal policy), once the draft coal policy was submitted to the cabinet for approval, the cabinet felt pressurized by internal debates, and was ultimately restrained itself from approving the draft (as many as 3 times).<sup>135</sup> Muneem observed that few members of the cabinet strongly suggested to re-consider the ‘grave’ consequences of keeping the provision of open pit mining in the draft policy.<sup>136</sup> It is perceived that significant pressure was built from both inside and outside of the policy making domain of the government which played an important role in halting the draft policy in the cabinet.<sup>137</sup>

It is understood that the national coal policy was ultimately not finalized due to rounds of failed negotiations among the pressure groups, environmentalists, government officials, and coal lobbyists. It is observed that the people of Phulbari, the concerned civil society, and the mainstream media had closely monitored the development of the coal policy. The repeated media reports and the national dialogues in the capital city had raised enormous concerns in the streets of Phulbari as well.<sup>138</sup> Additionally, the independent experts in the Expert Committees repeatedly presented the interest of the communities of Phulbari by opposing certain clauses of the draft. According to both Muneem and Islam,<sup>139</sup> all these factors played an important role in preventing the Cabinet from finalizing the coal policy, as it could have instigated another round of tension in the Phulbari region.

**Table 4: Negotiation process in drafting the National Coal Policy: State vs. Independent Experts**

Different version of Draft Coal Policy	Position of Ministry	Position of Experts
1 <sup>st</sup> and 2 <sup>nd</sup> (IIFC)	Foreign Investment in mining, Open pit mining, Coal export, Privatization of electricity, Preference for Asia Energy as a lessee company	Rejected.
3 <sup>rd</sup> , 4 <sup>th</sup> & 5 <sup>th</sup> (IIFC)	„	Rejected

<sup>135</sup> Muneem, Rahmatul. Interviewed on June 2, 2018. Islam, Shafikul. Interviewed on June 2, 2018

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

<sup>138</sup> Islam, Saiful. Convener, Phulbari Unit of National Committee. Interviewed on June 24, 2018.

<sup>139</sup> Muneem, Rahmatul. Interviewed on June 2, 2018; Islam, Shafikul. Interviewed on June 2, 2018

6 <sup>th</sup> (Ministry of Power, Energy, and Mineral Resources)	„	Reviewed and altered by Prof. Nurul Islam
7 <sup>th</sup> (Nurul Islam Committee)	Rejected by Ministry	-Export of coal not feasible considering rising local demand  -Open pit mining not feasible
8 <sup>th</sup> (Patowary Committee)	Altered by Ministry	‘National Capacity Building’ through state owned institution
9 <sup>th</sup> version (led by M.Tamim, Energy Advisor to the Ministry)	-Removed provision for ‘National Capacity Building’ from Patowary Committee Report. Open pit mining  -Export of coal	Rejected
10 <sup>th</sup> (‘under review’ by Ministry for 8 years)	Open pit mining as a test case	Under review

#### 4.3.4 The Criticisms against the IIFC Draft

The first 5 versions of the IIFC draft reflect the government’s position in favor of open pit mining, coal export, privatization of electricity production, and foreign investment in the coal sector. The later versions reflected the back and forth attempts from both parties to revise the coal policy in accordance with their preference. This section prefers to review and examine the first draft prepared by the IIFC based on the ground that the first draft (which also resembles the next 4 drafts prepared by IIFC) exclusively reflects the government’s position on issues like foreign investment, privatization of electricity production, open pit mining, and export of coal. Most of the other drafts prepared/supervised by the ‘independent’ experts (which could also be termed as ‘review’ or ‘re-examination’ of IIFC drafts) attempted to oppose and change important clauses of the IIFC draft, while trying to offer feasible alternatives. It is already mentioned that the review reports (supervised by ‘independent’ experts) have been repeatedly rejected by the Ministry.

##### 4.3.4.1 IIFC Draft: Emphasizing on Foreign Investment in Mining

One of the major criticisms against the IIFC coal policy is that it attempted to highlight the ‘inability’, ‘incapacity’, and ‘lack of experience’ of the Bangladeshi state in mineral

---

exploration and extraction activities (see IIFC Coal Policy, 2005:4). By consistently focusing on the ‘incapacity’ factor of the public sector, the draft coal policy attempted to adopt a ‘short term’ solution based on foreign private partnership (see IIFC Coal Policy, 2005; Muhammad, 2007: 70).

The first draft of IIFC coal policy repeatedly emphasized on the fact that Bangladesh lacks necessary technology, skilled human resources, and technical experience in dealing with its coal resources (IIFC Coal Policy, 2005:4). The IIFC draft also stated that the state-owned organizations are incapable of developing the necessary investment capital (IIFC Coal Policy, 2005:4). For instance, the vision statement of the IIFC draft stated, “The coal reserve can meet the country’s potential demand for many decades. But capabilities in terms of technology, skilled manpower and financing of capital intensive coal ventures are yet to grow in the country” (IIFC Coal Policy, 2005:4). The vision statement also includes, “Public sector corporations or companies would not be able to support the high investments required for the development of large opencast coal mines and also not possess the technology and experience” (IIFC Coal Policy, 2005:4).

Meanwhile, different sections of the draft policy repeatedly insisted on the importance of foreign investment in developing the coal fields of Bangladesh. Section 8.1 (Private Investment) of the draft stated, “Private investment, local and foreign, is to be encouraged for raising coal production to the desired levels....Foreign investment in association with local investors.. is to be encouraged in case of large mine, coal-fired electricity generation and development of local technology ....” (Draft Coal Policy, 2005:16).

While policymakers of Bangladesh have repeatedly claimed that the mining industry is a capital intensive sector and the government does not have sufficient funds and technology to invest,<sup>140</sup> it is also claimed that national capacity building with domestic resources is a ‘radical socialist view’, as it is expected to bring only ‘stagnation’ to the economy.<sup>141</sup> On the other hand, academicians and experts in favor of ‘national capacity building’ have long argued that the apparent ‘capital shortage’ of different state owned institutions in Bangladesh is a result of the state’s lack of vision and a part of the long-pursued target for ultimate

---

<sup>140</sup> Muneem, Rahmatul. Interviewed on June 2, 2018.

<sup>141</sup> Ibid. Islam, Nurul. Interviewed on November 4, 2015. Islam confirmed that a number of government officials in the Nurul Islam Committee repeatedly emphasized on the necessity of foreign investment in the mining sector, while attempting to portray national capacity building as a radical socialist view.



---

privatization of the mineral sector.<sup>142</sup> Numerous number of reports show that the government of Bangladesh has regularly given exploration contracts to multinational oil/gas exploration companies despite of sufficient capacity of the state-owned corporations to implement similar projects (see Daily Observer, 2015; The Independent, 2015; Dhaka Tribune, 2017d; Daily Sun, 2017; Mustafa, 2016: 48,49). According to both Khan and Imam, with the increase of GDP growth and expansion of foreign reserve, it was expected that the state-owned exploration companies would have bigger financial budget to develop its exploration and extraction capacity. However, an inverse relationship is observed between higher economic growth of the current years and the declining level of national exploration activities by the state owned companies such as Bangladesh Petroleum Exploration Company (BAPEX)<sup>143</sup> (See Muhammad, 2007: 70; Mostafa, 2016: 48; Daily Observer, 2015; Dhaka Tribune, 2017d).

It is important to note that the cost of mineral exploration for BAPEX remains comparatively much lesser than most international oil/gas exploration companies. For instance, BAPEX charges US\$9.6 million for per well drilling project, whereas a Russian company such as Gazprom charges around US\$24 million per well (Dhaka Tribune, 2017c; Daily Observer 2015). However, despite of long record of successful mineral exploration by state-owned companies, the government has repeatedly selected foreign exploration companies for drilling onshore gas-wells in the country (see Dhaka Tribune, 2017c). It is also reported that the international oil/gas exploration companies contracted by the Bangladesh Government has regularly given subcontracts to other multinational corporations such as Halliburton or Eriell, while recruiting engineers and technical persons from Bangladeshi state-owned corporations due to their comparatively lower salary requirements (see Mostafa, 2016:28; Siddique, 2018).

An editorial published in Daily Observer in 2015 stated that “Years of neglect and official apathy has virtually turned the state owned petroleum exploration and production company BAPEX into a lame duck while foreign companies are increasing their stake successfully in

---

<sup>142</sup> Khan, Tanzimuddin. Interviewed on May 30, 2017. Imam, Badrul. Energy Expert; Geologist. Interviewed on January 10, 2017. A number of experts have widely used examples of the state owned oil companies of Malaysia and India (‘Petronas’ and ‘Oil India Limited’ respectively), which have successful track records in the field of national exploration and extraction. Evidences show that both Indian and Malaysian governments had long prioritized ‘national capacity building’ of state-owned exploration companies over the choice of foreign partnership (see Mostafa, 2016:48,49).

<sup>143</sup> Khan, Tanzimuddin. Interviewed on May 30, 2017. Imam, Badrul. Interviewed on January 10, 2017. Islam confirmed that a number of government officials in the Nurul Islam Committee repeatedly emphasized on the necessity of foreign investment in the mining sector, while attempting to portray ‘national capacity building’ as a radical socialist view.

---

drilling and producing gas in the country. BAPEX has been persistently ignored in exploration of gas despite its high potential to compete with foreign explorers. For reasons not clearly known, the authorities refuse to allow the state explorer to drill more wells and increase production at existing sites (Daily Observer, 2015). An editorial on *The Independent* stated: State-owned exploration companies have long been stripped off its role, while necessary development allocations have been withheld from the organization. Even the buying of a few rigs had to be put off from ‘non-availability of funds’ (The Independent, 2015).

### **Lack of direction in d w k n f k p i " ÷ P c v k q p c n " E c r c e k v { ø**

The issue of Ministry’s consistent prioritization of foreign companies, while sidelining the state-owned corporations has been a matter of public debate for long. A number of news reports/editorials in the recent years have questioned the state’s negligence on the issue of national capacity building of the state-owned exploration companies. It is observed that the IIFC draft policy has not laid out any comprehensive plan requiring the direct and long term involvement of the state in building national capacity of the coal sector or to build competitive technical institutions (see IIFC Coal Policy, 2005). Though the IIFC draft policy repeatedly emphasized on state’s incapacity to develop the coal sector, it did not provide any information regarding the alleged shortcomings of the state-owned institutions. No comprehensive plan or specific direction is provided in the draft explaining the amount of capital needed, or the type of technology and technical skills required to develop the national capacity of the state-owned exploration corporations in long run. None of the clauses of the draft policy encouraged the state to purchase essential machineries and equipments for coal exploration and extraction activities<sup>144</sup> (see IIFC Coal Policy, 2005; Mirza, 2016:58-63).

It is already mentioned earlier that the draft policy prepared by the 10-membered Committee led by Patowary (the 8<sup>th</sup> version of the coal policy) was unique in character as it emphasized on expanding the capacity of the state in developing the mineral sector of the country. The Patowary Committee Report recommended the establishment of a state owned holding company (suggested as Coal-Bangla) for the purpose of coal exploration and extraction (see Khan, 2008). However, this particular segment has been removed from the next draft (9<sup>th</sup> version) for unspecified reasons (Khan, 2008). According to Muhammad (2015) and Islam (2015), the removal of the Patowary Committee recommendations is a clear indication to the

---

<sup>144</sup> Islam, Nurul. Interviewed on November 5, 2015.

---

fact that the government has not prioritized ‘national capacity building’ as one of its goals in preparing the draft coal policy.<sup>145</sup>

It is to be noted that Section 10.5 (Coal Fund) of the IIFC draft policy has discussed the importance of forming a ‘Coal Fund’ which would spend on various coal exploration activities including human resource development, institutional capacity building, local technology advancement, and research, along with a ‘master plan’ for the overall development of the coal sector (Draft Coal Policy, 2005:22). However, the possible sources of the coal fund were narrowed down to i) government grants, ii) foreign loans, iii) royalties, iii) levy on gas production and iv) any unspent amount from lessee committed training fund (Draft Coal Policy, 2005:22). The IIFC draft policy has no provision for a separate state budget for strengthening the state-owned exploration companies or to establish necessary technical institutions or mining engineering departments in the universities (see Draft Coal Policy, 2005). Instead, a specific reliance towards ‘foreign loans’ and ‘lessee company’s fund’ is noticeable.

#### **4.3.4.2 Pre-determined support for Asia energy**

One of the main criticisms against the draft coal policy is its supposedly ‘pre-determined’ position in favor of the lessee company despite of its lack of technical experience and its preference for open pit mining. It is important to note that Asia Energy does not have any prior experience in open pit mining. A study prepared for *Bank Information Center* noted: “It (Asia Energy) was listed on London Stock Exchange’s AIM (Alternative Investment Market) only five years ago. It possesses no pedigree, as a company, in operating mining projects of any kind, let alone on the scale of Phulbari. While two members of its board and management do have experience in coal mining, they have not faced the particular challenges of a multi-faceted Endeavour such as Phulbari” (BIC, 2008:7). Similarly, GHD Pty Ltd,<sup>146</sup> in its ‘estimation of risks’ of Asia Energy’s admission to ‘trading document’ noted that, Asia Energy was a ‘recently formed company’ with a ‘limited operating history’, while the management team of the group only had recent involvement in the activities of the Group (BIC, 2008:7).

---

<sup>145</sup> Muhammad, Anu. Interviewed on July 25, 2015. Islam, Nurul. Interviewed on November 5, 2015.

<sup>146</sup> GHD Ltd is an international network of professional and technical consultants in the global markets of water, energy and resources.

---

It would be interesting to note that while the IIFC draft coal policy repeatedly mentioned its concern over the ‘incapacity’ and ‘lack of experience’ of the state to carry out the mining operation in Phulbari, there was no mention in the IIFC draft on Asia Energy’s lack of prior experience in mining operation (Muhammad, 2007:71) <sup>147</sup> According to both Muhammad (2007:71) and Islam (2015), the IIFC draft’s attempt of ‘hiding’ the very important fact regarding the lessee company’s lack of experience indicates the policy makers’ pre-determined position and preference over the lessee company. Muneem Rahmatul (Secretary of the Ministry of Power, Energy, and Mineral Resources) confirmed that a number of government members have repeatedly warned the Minister over the risk of involving Asia Energy for the Phulbari Mining project based on the ground that Asia Energy is a comparatively new company with no technical experience in mining.<sup>147</sup> According to Muneem himself, considering the massiveness of the mining operation, as well as the possible environmental impact, the government should have reviewed and re-considered its choice for the lessee company.<sup>148</sup>

#### **4.3.4.3 Encouraging Electricity Production through Private Producers (IPP)**

A number of clauses of IIFC draft are observed to be encouraging power production and distribution through private companies in Bangladesh. Section 9.2 (Coal Fired IPP) clearly stated that “Public sector power generation agencies alone would not be able to cope up with the huge coal produce. Private sector power generation must therefore be encouraged, ....to set up coal based power plants in the vicinity of the coal mines (Draft Coal Policy, 2005:20)”.

It is observed that though the Power Development Board of Bangladesh has a long history and experience of producing and distributing electricity at an affordable cost (see Islam, 2006; Sajid, 2017), these particular sections of the draft specifically encouraged the generation of coal-based electricity by the lessee company (instead of the state-owned power companies). Prof. Nurul Islam in his review report (6<sup>th</sup> version of draft policy) stated that the technical capacity and the decade long experience of the state owned institutions have been sidelined and ignored in the draft coal policy (see Islam, 2006).Islam in his commentary on the coal policy draft firmly suggested that ‘considering the profit-based vision of the private companies; private sector, in no way, should be the leading agency in the national coal-

---

<sup>147</sup> Muneem, Rahmatul. Interviewed on June 2, 2018.

<sup>148</sup> Ibid.

---

development scheme’ (see Islam, 2006; Daily Star, 2017). Similar views are also shared by a number of prominent energy experts of the country.<sup>149</sup>

It is also to be noted that Section 10.2 (Coal Marketing) of the coal policy stated that “The Lessee is to engage distributors or dealers for the distribution of coal throughout Bangladesh. These dealers or distributors are to be responsible for the transportation of coal from the mine and store at their depot” (Draft Coal Policy, 2005:22). It is evident that this particular clause of the coal policy encourages the lessee company to take over the task of transportation and distribution of coal throughout the country. Muhammad argues that through this clause the responsibility of the state-owned institutions has been reduced to mere purchasing of ‘produced electricity’ from the foreign lessee companies, while all other activities relating to coal-based electricity production is to be outsourced to the foreign company.<sup>150</sup> While, privatization of state’s electricity production has remained a contentious issue in the public domain in Bangladesh, the government officials have repeatedly emphasized on the ‘inefficiency factor’ of the state-owned institutions in the power sector, along with the state’s ‘capital shortage’ as the major reasons for the government to aim for an overall privatization of its power production system to the private companies.<sup>151</sup>

#### **4.3.4.4 Pre-determined position on Export of Coal**

Being an energy starved country, the export of local natural resources including both coal and natural gas has been a burning issue in Bangladesh. While many argue that extracting domestic coal for power generation is vital for the country considering the ever growing energy demand (see Rahman 2014), the future viability of the export of extracted coal has become an issue of debate. According to experts, the coal reserve of Bangladesh is limited and if coal is extracted considering long-term local demand, no extra coal should remain for the purpose of export.<sup>152</sup> Even the IIFC draft admits that if multiple mining companies are contracted for coal extraction by opencast method (and without any restriction to annual production), considering the existing technology’s high capability of extraction at a very high

---

<sup>149</sup> Prof. Anu Muhammad, B.D Rahmatullah, Prof. Nurul Islam, Prof. Tanzimuddin Khan, and Prof. Shamsul Alam have repeatedly taken positions against the privatization of electricity production at different occasions.

<sup>150</sup> Muhammad, Anu. Interviewed on July 25, 2015.

<sup>151</sup> Muneem, Rahmatul. Interviewed on June 2, 2018.

Islam, Nurul. Interviewed on November 4, 2015. Islam confirmed that a number of government officials in the Nurul Islam Committee have repeatedly used the argument of ‘capital shortage’ and ‘inefficiency’ of the state owned power plants to defend the draft coal policy’s position in favor of privatization of the national power sector.

<sup>152</sup> Islam, Nurul. Interviewed on November 4, 2015.

---

output, it is theoretically possible to exhaust the discovered coal deposit in 25 to 30 years (Draft Coal Policy, 2005:4). On the contrary, advocates of coal export argued in the Expert Committee (Nurul Islam Committee) that if maximum amount of coal is extracted considering the ‘limited demand’ in the local market, export would become necessary.<sup>153</sup> Some important facts regarding coal export are listed below:

- ◁ The 5<sup>th</sup> version of the IIFC draft proposed the extraction of 629 million tons of coal within the year of 2025, while around 50 percent of it was suggested to be exported (Draft Coal Policy, 2005).
- ◁ Asia Energy itself proposed to extract around 15 million tons of coal each year, while 12 million tons of coal is suggested to be exported to other countries (Draft Coal Policy, 2005:9).
- ◁ According to Islam (2006), even if all the extracted coal is exclusively used for domestic use, and no coal is exported at all, the country might still face an energy crisis in future (Islam, 2006, Para 23).
- ◁ According to the 2008 draft policy prepared by Patowary Committee, at an 8% GDP growth rate, the demand for coal in Bangladesh would stand at 450 million tons. Based on that estimate, the already discovered coal fields would only be able to meet the demand for coal until the year of 2030 (Islam, 2006: Para 23).

Though the export of any scarce national resource is expected to be a matter of serious debate and discussion in the public domain, it is observed that different clauses of the IIFC draft coal policy assured in advance the future export of extracted coal, instead of proposing the issue as a matter of public debate. For instance, the IIFC draft claims that local market demand in Bangladesh is limited and the existing coal reserve in Bangladesh is sufficient enough to meet the energy demand of the country. The vision statement of the draft includes: “Investors need to be given permission to export coal so that their investment is paid back in a reasonable amount of time” (Draft Coal Policy, 2005:4). Section 3.3 (Coal Export) stated, “Investors are to be allowed to export coal in order to ensure that the coal sector is developed at a rapid pace.” (Draft Coal Policy, 2005:9). Section: 3.4 (Coal Sector Master Plan) stated, “The Master Plan is to recognize that due to the limited local market, especially in the Initial Development Period, sufficient coal exports is to be allowed to cover the large investments by the Investors. Coal exports may reduce once the local market builds up” (Draft Coal

---

<sup>153</sup> Ibid. Islam confirmed that government officials in the Nurul Islam Committee have repeatedly pushed for coal export by pointing out to the ‘limited’ local demand for coal.

---

Policy, 2005:9-10). The above clauses are indicative to the fact that coal export is encouraged in the draft coal policy particularly to meet the expectation of the lessee company.

The IIFC draft policy even had a separate section titled as “Development of Coal Transportation” (section 5.3) which contains guidance on infrastructure development within the country exclusively for the purpose of transportation of coal that is to be exported. Under this section it is assured that the present road, railway, and port facilities are to be developed adequately to transport and handle at least 15 million tonnes of coal annually for the export market (Draft Coal Policy, 2005:12). Section 5.3.2 (Railways) of the IIFC draft stated, “The railway infrastructure is to be developed to facilitate transportation of coal to the Mongla port for export market, as well as overland routes to India. Section 5.3.4 (Seaports) of the draft noted that a separate coal terminals with annual handling capacity of 10 million tonnes are to be constructed at Mongla port (Draft Coal Policy, 2005:12). These particular clauses of the IIFC draft are all indicative of the fact that the state committed itself to enlarge and reform port facilities to exclusively accommodate export of coal. It is to be noted that the provision for coal export in different IIFC draft has been rejected by both Nurul Islam Committee (2007) and Patowary Committee (2007).

#### **4.3.4.5 Pre-determined position over Open Pit Mining**

The open pit method for coal mining in Phulbari has been a burning national issue in Bangladesh since the entry of Asia Energy into the market. The open pit method had been heavily criticized by different groups in Bangladesh including experts and environmental activists on the ground that it would cause huge loss to the agriculture and environment of the region.

It is to be noted that coal mining projects in general are required to conduct a feasibility study calculating the cost and benefit of each coal extraction technique including both open pit and underground mining. Though the IIFC draft coal policy specifically mentioned the necessity of conducting a feasibility study in the Phulbari area (to explore whether it’s socially and environmentally feasible to extract coal in an open pit way); it is observed that certain clauses of the IIFC draft policy had ‘pre-approved’ the option of open-pit method in Phulbari, even before the completion of an independent feasibility study. For instance, the vision statement of the IIFC draft itself clearly stated that “only underground mining technology would not be enough; as coal production from underground mines is limited and cannot be quickly



---

increased (Draft coal policy, 2005:4)”. The draft also stated that the only alternative is to go for ‘large scale opencast mine with high annual outputs’ (Draft coal policy, 2005:4).

Though the vision statement of the draft policy admitted that the opencast mining method would displace a large number of people and cause substantial agricultural losses (Draft Coal Policy, 2005:4), it also mentioned that the economic value of the underground coal is high enough compared to the resettlement expenses of local population, the price of crops, and the impact to environment (Draft Coal Policy, 2005:4). This clearly indicates that the option of opencast mining has been already prioritized even before a feasibility study is conducted.

Section 6.1 (Environmental Safeguards) of the IIFC draft stated that as the coal industry is in its infant stage in Bangladesh, and since a full set of national environmental safeguard policy have not yet been developed in the country, the World Bank’s ‘Environment Guidelines’ are to be applicable on an interim basis (Draft Coal Policy, 2005:12). However in the later part of the section, it is stated that such safeguards are to be rigorously followed, “especially when Opencast Mining is adopted (Draft Coal Policy, 2005:12).” According to Khan (2017), a clear tone is set throughout the draft coal policy, repeatedly emphasizing on the possibility of an open pit option, while sidelining the vitality of conducting an independent and neutral feasibility study in deciding the method of mining.<sup>154</sup>

It is to be noted that mining through open pit method is already known for its technical capacity to allow the largest possible extraction of coal (Draft Coal Policy, 2005:4). Section 4.1 (Maximum Recovery of Coal) of the IIFC draft clearly stated that a mine is to be planned and developed ‘with a view to achieve maximum recovery at reasonable cost per ton and the minimum loss of coal in extraction’ (Draft Coal Policy, 2005:10). Considering the relatively higher profit potential of open pit method, it is predicted that the investors would prefer the open pit method over underground method, or any other techniques. Additionally, a number of experts have long claimed that the required feasibility study is most likely to end up prioritizing the ‘technical and economic elements’ over the environmental, social, and displacement issues, considering the possible intervention by the *Ministry of Power, Energy and Mineral Resources*.<sup>155</sup> It is already noted that the provision for open pit mining in

---

<sup>154</sup> Khan, Tanzimuddin. Interviewed on May 30, 2017.

<sup>155</sup> Khan, Tanzimuddin. Interviewed on May 30, 2017. Chaudhury, Abdullah H. Interviewed on September 22, 2016. Both Khan and Chaudhury pointed out that intervention by the Ministry of Power, Energy, and Mineral Resources is commonly observed in cases of ‘independent’ Feasibility Studies for different development projects.

---

different IIFC drafts has been repeatedly rejected by both Nurul Islam Committee (2007) and the Patowary Committee (2007).

#### **4.3.5 The Concluding Observations**

It is already mentioned earlier that due to major criticisms from various directions, the 9<sup>th</sup> version of the coal policy draft was not approved by the cabinet. The current coal policy draft (10<sup>th</sup> version, 2010), which is claimed to be a shorter version of the 9<sup>th</sup> draft, remains ‘under review’ by the ministry till to date (2018).

The current draft (under review) is criticized for still containing the controversial clauses of the previous drafts prepared by IIFC.<sup>156</sup> For instance, despite ongoing critiques from various directions on the issue of open pit mining method, the current draft coal policy still considers both underground and open pit mining as possible options for coal extraction. The draft also recommends that the government should examine both the advantages and disadvantages of open-pit mining method and decide on implementing open pit mining as a ‘test case’ in the northern part of the ‘Barapukuria’ underground mine (Khan, 2008). If such a venture is ‘commercially successful’, the government is suggested to review all technical aspects and take follow-up measures, such as going for open pit mining method in Phulbari on a limited scale (Khan, 2008). The current draft (similar to the IIFC draft) identifies mining method as a ‘technical issue’, which should be decided on the basis of technical viability (Khan, 2008). Meanwhile, the experts and environmental groups continue to claim that the current draft coal policy as usual has exclusively prioritized the technical and economic aspects of mining, while ignoring the environmental and social cost of it. Overall, it is fair to suggest that various clauses of the current coal policy draft still remain accommodative to the interest of the business groups, while undermining the public resistance against it (see Khan, 2008).

Overall, the case of Asia Energy presents a unique context in which the state actors are consistently observed to be ‘under pressure’. While the Labor Law 2013 and Special Power Supply Act 2010 both have been approved in the cabinet and passed in the parliament despite of visible public discontent; in the case of coal policy the state actors have restrained from passing the draft in the cabinet. It is perceived by many that the Phulbari resistance played a major role in exerting pressure on the highest level of decision making of the state in

---

<sup>156</sup> While preparing different elements of the current draft (2010), ministry officials consulted with experts like Prof. Nurul Islam and Prof. A. Patowary. Though the current draft (2010) has not been finalized yet, important segments of it are published in different newspapers/online news portals at different times (see Rahman, 2014, Energynewsbd.com 2016).

---

restraining from finalizing the draft (Chapter 8 will discuss in detail the crucial role of the Phulbari resistance movement in creating pressure on the policy level). Meanwhile, it is evident that despite of consistent opposition from the experts, the ministry felt pressurized to involve the same ‘independent experts’ in a series of advisory committees. Overall, it is fair to suggest that the Phulbari resistance movement, as well as the consistent opposition of the ‘independent’ experts, have obliged the Ministry to restrain from finalizing the National Coal Policy.

---

## Chapter 5. State Subsidy

### 5.1 State Subsidy to Business: A Theoretical Review

In general, pro-market ideals are supposed to assist the operation of a fair marketplace in which all businesses compete equally with no one particular business or industry getting special privilege from the state (Zingales 2009). It is already discussed in Chapter 2 that neoliberal states in theory attempt to guarantee the free operation of market. However, due to increased relative bargaining power of big business in neoliberal regimes, a state originally prioritizing pro-market goals may gradually lose its capability of negotiating with big business and thus ends up providing special incentives or regular financial support/subsidies to one particular business group at the cost of tax payer's money (see Zingales 2009; Crotty, Epstein, & Kelly, 1998:3). Evidences show that increased bargaining power of business in a liberalized environment make the state compelled to continue to provide financial assistance to both domestic and foreign business actors by using state resources (discussed in detail in the following sections).

However, the channels and methods through which policy actors of Bangladesh have interacted with the business actors are not necessarily always a result of the gradual decline of government's loss of bargaining power as suggested by related theories. Though in a large number of cases, the policy actors of Bangladesh are seen to be responsive to the pro-active advocacy of business due to the heavy pressure created by them, at times, the policy actors themselves are seen to be pro-actively representing business interest, either due to the policy actors' perception of structural constraint (discussed in Chapter 2) or the ruling elites direct ownership of business. This chapter specifically deals with three particular cases of business actors in Bangladesh which have received both direct and indirect subsidies from the state in various times and circumstances.

---

### 5.1.1 Subsidy: Terms and Definitions

The term ‘subsidy’ could be defined as transfer of money in the form of financial aid or support extended either to a business institution, or to the poorer section of the economy, or even to an individual, generally with the aim of promoting an activity that the government consider beneficial to the overall economy and to society at large ((*Myers and Kent, 2001:5*).

According to Webster’s “New International Dictionary of the English language” (2<sup>nd</sup> ed) (1961) subsidy is a grant of funds or property from a government as of the state or a municipal corporation, to a private person or company to assist in the establishment or support of an enterprise deemed advantageous to the public. The same dictionary defines ‘to subsidize’ as ‘to aid or promote a private enterprise, with public money..’ The purpose of such payments is to maintain a particular service at a price that the public can readily afford. Subsidies come in various forms. More direct subsidies include grants, cash incentives, or interest-free loans. In the wake of credit crisis or economic recessions it can take the form of ‘bail-out’ or financial assistance. Governments can also provide grants to cover losses made by a business firm. Indirect subsidies include tax breaks, tax allowances, tax exceptions, loan waivers, insurance, rent rebates, duty rebate, or vat waivers. It can also take the form of low-cost input subsidy (subsidizing the cost of inputs used in production) or subsidy to infrastructure development cost which would reduce the cost of capital investment projects (Myers and Kent, 2001:8). The WTO agreement of Subsidies and Countervailing Measures (GATT Secretariat, 1994) defines subsidies as any of the following acts of a government or a ‘public body’, which ‘confer a benefit’:

- a. Transferring of funds, such as, i) Grants, ii) Government loans and loan guarantees iii) Government equity investment when the investment is inconsistent with standard investment practice.
- b. Foregoing government revenue (tax exemptions or tax credits).
- c. Providing goods or services other than general infrastructure at less than market prices

It is important to note that, the WTO definition serves its own operational purpose for setting standardized rules of international trade. On the other hand, different states or organizations may have different official definitions of subsidy, depending on different objectives. For instance according to the Joint Economic Committee of the United States Congress (JEC, 1965:9): Subsidy is an act by a government unit involving either (1) a payment, (2) a

---

remission of charges, or (3) supplying commodities or services at less than cost or market price, with the intent of achieving a particular economic objective.”<sup>157</sup>

### 5.1.2 The Subsidy Debate

The issue of subsidy is a complex one. Schrank and Keithly (1999:163) pointed out that there is no general agreement on what a subsidy is, and how subsidies or the effects of subsidies can be measured. In the policy domain, the confusion over subsidy derives from the inability to evaluate the effects of subsidies on trade, industries, environment, and on its sustainability (Schrank and Keithly: 1999:163). Considering the multifaceted debate around it, the major questions around subsidy include: Who actually benefits from subsidies? Whom should governments try to assist through subsidies: the poor, the unemployed, the rural residents, or the business entrepreneurs and innovators? Are subsidies the best fiscal tools to benefit the target groups? Does subsidy affect efficiency and productivity? What is the opportunity cost of subsidy? Does subsidy create an expensive burden for the tax payers? According to Meyer and Kent, it is the ‘equity’ concern that make subsidies a ‘politically contentious’ issue (Myers and Kent, 2001:9).

There are attempts to explain subsidies from the perspective of both the producers and the consumers. A production subsidy can take the form of direct transfer to the producers and encourages suppliers to expand production, while reducing production cost compared to what could have been the market driven production cost (Myers and Kent, 2001:5). Production subsidies could become a matter of public discontent if it is provided to a particular groups of producers based on their political or financial connections with the ruling party members.

Subsidy in general could be judged on the grounds of efficiency, distributional/distributive fairness, equity and opportunity cost. A subsidy might be justified if it can intervene to improve redistributive equity, income equality, growth enhancing activity, or to deliver education and health services to the poorer section of the economy (Meyer and Kent, 2001:9). In many cases when adequate infrastructure doesn’t exist, government decides to provide subsidy to encourage producers. Subsidies can also support domestic investment and domestic production while generating or maintaining local employment (Siddique, 2015:12-14). However, in many cases it is observed that the government’s long term financial support

---

<sup>157</sup> This particular financial support is largely evident in the case of quick rental power plant owners.

---

to a particular domestic industry eventually ends up benefitting merely the owners of the industry (Siddique, 2015:12), rather than supporting the large number of workers or other citizen groups who are associated with it. For instance, the case of quick rental power plants and the readymade garments industry in Bangladesh represent a scenario in which long term financial subsidy from the state has been seen to largely benefit the owners of the industry, while widespread discontent remain among the workers and the other citizen groups. Subsidies can also become expensive in the long run as it carries an opportunity cost (JEC, 1965:5). Once subsidy is extended for a longer period, phasing it out could be a politically sensitive issue (JEC, 1965:5) (as it is seen in the case of the RMG industry in Bangladesh). High subsidy to private business entities may push up fiscal deficits of the government, as well as the level of unproductive expenditure (JEC, 1965:5) (as it is seen in the case of quick rental companies in Bangladesh). The final cost of a subsidy may usually fall on consumers or tax-payers who themselves may have derived no benefit from the subsidy (JEC, 1965:5). The next sections will discuss the subsidy experiences of Bangladesh in its liberalization era. It also discusses in detail how and to what extent policy level interactions between the state actors and the business groups has resulted in different forms of subsidies for the three business actors of this study.

### **5.1.3 State Subsidy: The Experience of Bangladesh**

As subsidies do not always reach the poorer section of the economy, the distributional aspects of subsidy remain an issue of debate in Bangladesh and elsewhere. As in the 80s the state policies began to encourage private sector based industrialization in the country, consequent governments attempted to create a highly favorable policy framework and an enabling environment for private investors by offering a range of incentives. Bangladesh Board of Investment is also observed to be providing a number of different types of incentives to foreign investors operating in crucial sectors of economy including the telecom sector, coal sector, or onshore/offshore gas fields.

Major subsidies in Bangladesh are provided in sectors of petroleum, fertilizer, agriculture, food, electricity and fuel (See Siddique, 2015). However it is claimed that the largest amount of food through a rationing system are provided to Bangladesh Army, police, and border guards at a price below the market price, whereas the poorer section of the economy have relatively less access to it (Siddique, 2015). In the case of agriculture, though the main



---

beneficiaries of agriculture subsidies are the rural farmers, it is claimed that the larger farmers get the greater chunk of subsidy compared to the smaller ones (Siddique, 2015).

Labor activists in Bangladesh have long argued that export subsidies in the RMG sector directly benefits the factory owners where as the RMG workers remain underpaid. It is evident that the RMG sector in Bangladesh not only receives a large number of different categories of subsidies including cash incentives and interest free export credits, it also receives a number of tax break schemes, compared to the other industries in Bangladesh (see Section I for complete discussion). On the contrary, BGMEA leaders claim that different types of financial assistance to the RMG sector help the industry to keep the workers at work and hence assure national employment security.

Bangladesh government has also been providing a significantly high amount of subsidy to the power sector. Both Bangladesh Petroleum Corporation and The Power Development Board, two statutory organizations of the state provide a significant amount of financial subsidy to a large number of privately owned rental/quick rental power plants in the country (See Section II). It is also to be noted that the wealthier sections of the economy consume the largest amount of subsidized electricity in Bangladesh, while the poorer section of the consumers who consume comparatively much lower units of electricity tend to pay more (Siddique, 2015). Section II of this chapter will discuss in detail the different forms and effects of subsidy provided to the rental power plants in Bangladesh and the opportunity costs associated with it. Section III of this chapter will discuss in detail the financial incentives/subsidies provided to a foreign coal mining company in the face of a major social resistance against open pit mining in Phulbari. Overall, this chapter will critically examine the various kinds of subsidies that are provided by the state to the three business entities discussed in this thesis.

## **Section 1**

### **5.2 State Subsidy: The case of BGMEA and the Readymade Garments Sector**

It is already discussed earlier that Bangladesh adopted an import substituting industrialization model in the 70s. However, with the adoption of 1982 new industrial policy, the government began to encourage private sector based export oriented industrialization.

---

Under the liberalized industrial policy, consequent governments in the 90s attempted to create a highly favorable policy framework and an enabling environment for expanding private investment by offering a range of incentives to the investors. Since then, the Board of Investment (BOI) of Bangladesh has provided a range of institutional support to intending investors, particularly to export oriented industries and export processing zones (EPZs). The board of investment of Bangladesh also allows full repatriation of invested capital, profits, and dividends for foreign investors (Official Website of DCCI). Overall, as the state continues to turn to corporate capital, multinational investment, and foreign trade during the liberalization era, the development goals of Bangladesh have been seen to become increasingly driven by a policy framework based on special incentives and relaxed regulations for big business (Islam, 2018; Abdin, 2015; Also see Official Website of DCCI).

It is already mentioned that export in Bangladesh is dominated by the Readymade Garments sector, which accounts for around 80 percent of its total export earnings. Despite of being a highly profitable sector, many claim that the readymade garments sector remains seriously under-taxed (Ruslan, Financial Express, 2015). Additionally, it continued to receive a range of financial and policy level incentives in last 3 decades. Under the Export Policy 2014, export- oriented industries (industries exporting at least 80% of their production) in Bangladesh are entitled to receive bank loans and other financial benefits (Official Website of Bangladesh Export Promotion Bureau). 100% export oriented industries are also entitled to duty free import, VAT waiver on imported capital machinery, duty drawbacks, bonded warehouse facilities, cash incentives, tax holidays, income tax exceptions, exceptions from royalties and technical knowhow fees (Official Website of Bangladesh Export Promotion Bureau). The next section will discuss in detail the different types of subsidies in the form of both financial and policy incentives that have been provided to the RMG sector in Bangladesh in the last 3 decades.

### **5.2.1 Tax at Sources**

Ever since the growth and expansion of the RMG sector in Bangladesh, it was always exempted from most taxes. It was only on 2005, a tax of 0.25 percent on export receipts was levied on the RMG exporters (termed as Tax at Source). Afterwards, 'tax at source' was raised subsequently to 0.4 percent in 2011, 0.6 percent in 2012 and 0.8 in 2013. However, due to consistent lobbying from BGMEA, in April, 2014, National Board of Revenue of

---

Bangladesh (NBR) reduced the tax at source to 0.30 percent which continued until June 30, 2015. Currently ‘tax at source’ remained at 0.30 (Ruslan, 2015).

It is alleged that the current 0.3 percent ‘tax at source’ is quite insignificant considering the continuing net profit made by the RMG industry in Bangladesh. A report published in 2007 stated that the profit margin of the RMG factory owners is well above 25 percent (Ruslan, 2015). The NBR recently made a calculation showing that the recent reduction of ‘tax at source’ on RMG export would cost the government revenue of around US\$250 million (Ruslan, 2015). The reduction of ‘Tax at Source’ from 0.8 percent to 0.3 percent is perceived to be a reflection of strong BGMEA influence in the policy making process of the state.

### **5.2.2 Corporate Tax on RMG**

In general the Corporate Income Tax is a tax which is calculated and collected based on the net income of a company. The average corporate tax rate in Bangladesh stood at 31.18 percent within the time period between 1997 to 2015 (Trading Economics, 2017, para. 1).<sup>158</sup> It is important to note that while most of the corporate institutions have been subject to high corporate tax in Bangladesh, the RMG exporters of Bangladesh received full corporate tax waiver until the year of 2005 (Ruslan, 2015).

From 2005 to 2014, a corporate tax of 10 percent was levied on the RMG sector for the first time, under a clause of ‘special consideration’. It is only in 2014-15 fiscal year, the government of Bangladesh levied a 35 percent corporate tax on the readymade garments sector which continued up to the fiscal year of 2015-16 (bdnews24.com, 2016). However, due to continued lobbying from the part of the BGMEA members, in the fiscal year of 2016-2017, the government agreed to reduce the RMG corporate tax from 35% to 20% (Dhaka Tribune, 2016a). It is in the budget speech of Fiscal Year 2016-2017, the Finance Minister announced that considering the high contribution of the RMG sector in employment generation and GDP growth in Bangladesh, the government decided to reduce the RMG corporate tax to 20%” (Dhaka Tribune, 2016a).

---

<sup>158</sup> It reached an all time high of 40 percent in 1998 and a record low of 27.50 percent in 2009 (Trading Economics, 2017, para. 1).

---

### 5.2.3 BGMEA Lobbying to Review Corporate Tax

It is to be noted that BGMEA members continued to lobby to the government to review the corporate tax rate for the RMG sector and reduce it to the earlier level of ‘special consideration’, which is a mere 10% (Hossain, 2016). In several occasions, including seminars and training sessions, BGMEA leaders continue to argue that the current 20% rate of corporate tax is still very high and would discourage new investment or re-investment into the industry (Hossain, 2016). Throughout the year of 2016, several newspaper reports revealed that both the Finance Minister and the Commerce Minister of Bangladesh have shown positive responses on RMG sector’s demand to cut corporate tax to 10 percent.

The Commerce Minister in a number of meetings with the BGMEA leaders stated that, following the Rana Plaza incident, there have been international requirements for ‘accords’ and ‘alliances’, and the RMG producers are obligated to spend highly to meet compliance. In the words of the Commerce Minister, ‘the government must stand by the businessmen during such a period’ (Asian Age, 2016).

In another meeting held in Feb 22, 2016, the Commerce Minister stated “We are planning to return to 10 percent corporate tax again after the owners of the RMG industries have demanded repeatedly” (Newsbangladesh.com, 2016).

It is claimed that the entire taxing practice of the RMG sector appears discriminatory when it is compared to the other corporate sectors of the country, as well as to the taxation rate of the competing countries. For instance, in India and Pakistan (the two main competitors of Bangladesh in RMG sector), the corporate tax rate currently stands at 30 percent and 35 percent respectively, which is uniformed for all businesses (Ruslan, 2015). According to Khan (2017), despite of its potential for generating massive revenue for the government, the taxes levied on the RMG sector are insignificant.<sup>159</sup>

### 5.2.4 Back To Back L/C Facility

Bangladesh entered the RMG export market in the late eighties, at a time when the country was facing a foreign exchange crisis (Ali, 2013). A limited amount of foreign exchange in the Central Bank made it difficult for the RMG producers to import fabrics and other accessories

---

<sup>159</sup> Khan, Tanzimuddin. Interviewed on May 30, 2017.

---

for export orders. In 1986-87, the government of Bangladesh initiated a system of 'Back to Back Letter of Credit (LC)' for the RMG sector. Through 'Back to Back LC' system, the state-owned banks take over the responsibility of importing raw materials and related accessories (including fabrics and cotton), as well as the cost of packaging at its own expense on behalf of the RMG owners. Meanwhile, the owners are only required to receive an import order (license to import) from the state. This facility allows a factory owner to start up a garment business with minimal financial investment.

Although the back to Back LC system is said to play an important role in bringing garment exports to an unprecedented level in Bangladesh, the system is also criticized largely to its irrelevance in current times. According to a former executive director of Bangladesh Bank, the system has been around for so long that very few remember why this system was introduced in the first place, and what are its costs and benefits. It is argued that since Bangladesh has vastly improved its foreign exchange reserve, this compulsion of the state to import raw materials on credit terms with all its associated costs and hassles no longer remains necessary (Ali, 2013).

### **5.2.5 Cash Incentive**

In general, the RMG sector in Bangladesh has received substantial amount of special financial incentive/cash incentive throughout the last decade. It is observed that the BGMEA leaders have regularly lobbied to the government, particularly during the time of economic meltdown of the Euro-zone and the USA in 2008. The government has reportedly received requests from different trade bodies and BGMEA for 'special cash incentives' both during the wake of the eroding value of the Euro, and during the political unrest which occurred in Bangladesh through-out the year of 2013 (Daily Star, 2014a). In 2009, the Bangladesh government introduced a special financial package to the RMG sector (Daily Star, 2014a). As the US and the European Union happen to be the major destinations of the country's garment exports, the financial package was announced in order to tackle any significant drop in garment exports following the economic turndown of 2008. The financial incentive was also targeted to encourage garment manufacturers to explore new destinations. Under the scheme, the government gave 5 percent cash incentives to garment exporters in fiscal year 2009-2010. In fiscal year 2010-2011, the RMG sector received a 4% cash incentive. In fiscal year 2011-

---

2012, it received a 2% incentive. The RMG exporters still continue to receive 2 percent cash incentive for exporting to the new destinations (Daily Star, 2014a).

The second round of financial incentive came following the political unrest of 2013. It is to be noted that the economy of Bangladesh along with the RMG sector has gone under serious pressure following frequent rounds of blockade and shutdown enforced by the main opposition parties during the first half of the year 2013. Following rounds of lobbying by BGMEA, a new round of cash incentive was introduced for major exporters in order to minimize their losses caused by the political unrest. In January 2014, the cash incentive for RMG sector was increased from 2% to 3% for expanding business to new market destinations (other than the United States, Canada and the European Union) (Financial Express, 2014). It is to be noted that the RMG industry is the only sector of the country which received such special assistance from the government during the time of both domestic and international political/financial unrest.<sup>160</sup>

#### **5.2.6 Loan Investment from State-owned Banks**

Loan investment is one of the most important elements of capital formation particularly for a developing country like Bangladesh. Eversince the growth and expansion of RMG sector in Bangladesh, the state owned banks in Bangladesh have made a significantly large loan-investments to the RMG industry. Bank loans are also one of the many officially declared investment incentives/patronage of the state to the export oriented RMG sector.

It is often admitted even by the RMG officials that it would not be possible for the readymade garments industry of Bangladesh to gradually evolve as the second largest readymadegarment industry in the world without such significantly large amount of loan assistance from the state.

A 2013 report of Bangladesh Bank(the Central Bank of Bangladesh) shows that eight state owned banks of Bangladesh have made a massive loan investment to the country's RMG sector. According to the report, the total amount lent to the RMG sector by the state owned banks has reached upto US\$1.5 billion. Bangladesh Bank also revealed that, Sonali Bank limited (the largest state owned bank in Bangladesh) has made a loan investmnet of around nearly US \$975 million to the RMG sector, which has been so far the largest invesment from the part of the state banks (Das, 2013; Bangladesh Bank, 2013).

---

<sup>160</sup> Azim, Shahidul. Interviewed on July 29, 2014.

---

### **5.2.7 Export Credit System**

One of the major facilities provided by the state owned banks to the RMG sector is the Export Cash Credit system (ECC). Under ECC, the state owned banks regularly provide loans to the RMG owners in order to pay for the wage of the labors. This facility also allows the exporter to procure and process goods. It is to be noted that ECC loans are provided at a 13 percent interest rate, while investors of sectors outside of the RMG industry are required to pay an interest rate of 17-18 percent to obtain similar loans from the state owned banks (Ahmed and Shah, 2013).

### **5.2.8 Loan waiver to RMG exporters**

Bad loans or default loans have become a serious issue in the banking sector of Bangladesh. The volume of default loans of the state owned commercial banks in Bangladesh has been increasing at an alarming rate. Excessive political interference and illegal interruption has become a common phenomenon in the banking practice of the country. The incidents of scams, financial embezzlements and loan defaults have become a serious threat for the financial security of the state owned banks in recent years. According to news reports, since 2007, loan default as a percentage of outstanding loans in state owned commercial banks stand at an average of 50% or above. On the other hand, private commercial banks and foreign commercial banks hold maximum 5% to 10% default of the total loan (Sultana, 2015: 171-182).

It is reported that, almost one-third of the total default loans are stuck in the trade-financing sector of Bangladesh, including loans for both export and import of apparel and clothing (Islam, 2014). Newspaper reports also reveal that around 40 percent of outstanding loans are held by 30 to 40 business groups in Bangladesh, while the highest portion of default loan is concentrated in the RMG sector, amounting to 16.70 percent of the total defaulted loan in 2013 (Islam, 2014).

It is to be noted that the RMG sector of Bangladesh has enjoyed an unconditional loan waiver or loan rearrangement facility from the Bangladesh Bank in different times. Since the global financial turndown in 2008, around 270 RMG factories have received loan waivers (including principal and interest) from Bangladesh Bank. Evidences also show that Bangladesh Bank



---

has resettled defaulted loans of a number of RMG factories in Bangladesh, in order to provide new fresh loans to RMG owners (Ahmed and Shah, 2013).

### **5.2.9 Tax Holiday and VAT Waiver**

In Bangladesh, tax holiday is allowed to industries based on existing laws and procedures set by the National Board of Revenue (NBR). Presently, tax holiday schemes are allowed for 5 to 12 years depending on the location of the industrial enterprise.<sup>161</sup>The period of tax holiday is calculated from the month of commencement of commercial production (Official Website of BKMEA).

The RMG sector in Bangladesh has enjoyed a provision of tax holiday since the mid 80s. Though after several renewal of the scheme, it was supposed to end on 2006 (bdnews24.com, 2006), the leaders of BGMEA had lobbied for the extension and continuation of the tax holiday facility based on argument that it is vital for creating an investment friendly environment (Daily Star, 2008).

On June 30, 2006, when the extended tax holiday provision for the RMG sector expired and was restricted to only high value garments, the BGMEA leaders continued to demand for the renewal of the tax holiday scheme for the entire garments sector, as well as a fresh five-year tax holiday for new RMG manufacturers (Bdnews24.com, 2006). In the budget sessions of June 2014, the tax holiday scheme (which was scheduled to end at June 2015) was extended up to June 2019 (Dhaka Tribune, 2014). Since the financial year of 2004-2005, the RMG sector has also been waived from paying any Value Added Tax (VAT) to the state (Official Website of DCCI).

### **5.2.10 Concluding Remarks on State Subsidy to BGMEA**

It is evident that the RMG sector in Bangladesh flourished at a time when the government of Bangladesh has began to adopt a range of policies under the policy directives of the *Washington Consensus*, which is also largely understood and classified as policies of ‘economic reform’ or ‘neoliberal reform’ in Bangladesh. As export promotion policies were considered to be one of the major features of the neoliberal era, it is fair to presume that the

---

<sup>161</sup>Industries set up in the least developed areas are entitled to a 9 years of tax holiday. Industries in ‘special economic zones’ are entitled to 12 years of tax holiday. On the other hand, industries in developed areas are entitled to 5 years of tax holiday. The eligibility of tax holiday is determined by the NBR (Official Website of BKMEA).

---

RMG industry in Bangladesh has specifically benefited from the state's neoliberal policy directives. For instance, under the consequent Export Promotion Policies of the state, the RMG industry in Bangladesh have been entitled to receive bank loans, financial benefits, duty free imports, VAT waivers, duty drawbacks, cash incentives, tax holidays, income tax exceptions, exceptions from royalties, as well as loan waivers. According to news paper reports, garment exports to non-traditional markets advanced more than four times following the government's incentive package in 2008 (Daily Star, 2014).<sup>162</sup> It is claimed that no other industry, corporate sector, or associations of industries in Bangladesh have ever received such large amount of financial assistance from the state (see Ahmed and Shah, 2013). Even the BGMEA members in different occasions have admitted that without the many fold state patronages to this sector it would be nearly impossible for the textile sector to become as big as it has become today.<sup>163</sup> On the contrary, the study finds that the trade union leaders and the RMG workers can barely use any effective channel through which their demands can be presented in the state level (Both Chapter 4 & 7 discussed how the state representatives of the special 'consultation committees' or the National Wage Board remain largely inactive in the negotiation tables in creating level playing fields between the business representatives and the Workers' representatives).

## Section II

### 5.3 State Subsidy: The Case of Quick Rental Power Plants

Neoliberal ideals perceive that markets are the most efficient way of providing goods and services to the people. While most neo-liberals admit a limited role for the state in enforcing the rule of law, they also argue in favor of a large reduction of the state provision of public services including education, health care, and basic utility services (i.e water and electricity). A Neo-liberal regime therefore attempts to reduce state spending, deepen the process of 'commodification' of crucial state services, and transfer resources from public to private (see Cahill and Beder, 2005).

However, it is argued that big business advocating for privatization of utility services has less to do with efficiency and productivity but more to do with shifting the costs of electricity

---

<sup>162</sup>In 2008, garment exports to destinations other than the US, EU and Canada stood at US \$800 million; in 2013 the figure crossed US \$3.5 billion (Daily Star, 2014).

<sup>163</sup> Azim, Shahidul. Interviewed on July 29, 2014.

---

supply onto the consumers, which further socializes the costs of profitability (Cahill and Beder, 2005, 5-22). Privatization of basic services, such as water and electricity is also perceived to be a way for the state to allow private business groups ‘to get a piece of pie’ of the public resources by opening up the ready-made state-owned monopoly firms at a significantly lower price (see Porter, 2001, Cahill and Beder, 2005, 5-22). The example of quick rental power plants in Bangladesh for instance, exhibits a similar policy framework which pushed for the ‘outsourcing’ of a large portion of its power production to private companies based on a rental arrangement. The state is also observed to be keen in sustaining the rental power production process by providing a large amount of financial subsidy to the rental power producing firms.

It is already discussed that in 2009 the government of Bangladesh had signed 3 to 5 years of contracts with around 21 oil-based quick rental companies. In 2014, the government had decided to extend the tenures of most of the rental power plants by three to five more years. At present, around 39 rental/quick rental power plants operate in the private sector. It is consistently claimed from the part of the current government that the inability of the former government to build long term gas-based power plants has compelled them to continue to depend on the short-term oil-based quick rentals plants.<sup>164</sup> On the other hand, experts claim that these oil-based plants are not only less fuel-efficient compared to the large gas-fired plants, these are also cost inefficient and expensive, which requires a continuous state subsidy to operate.

The rental/quick rental companies have received a significantly large number of state patronage/subsidy since the year of 2009. The various types of state subsidies include both infrastructural support and direct/indirect financial incentives. A list of subsidies provided by the state to the quick rental power plant owners is listed below.

### **5.3.1 State Subsidy to Quick Rental Power Plants**

#### **5.3.1.1 Land and Infrastructure for Rental Companies**

According to the quick rental deals, the rental companies themselves do not have to arrange land for the establishment of the power plants. Instead, the state has agreed to provide the

---

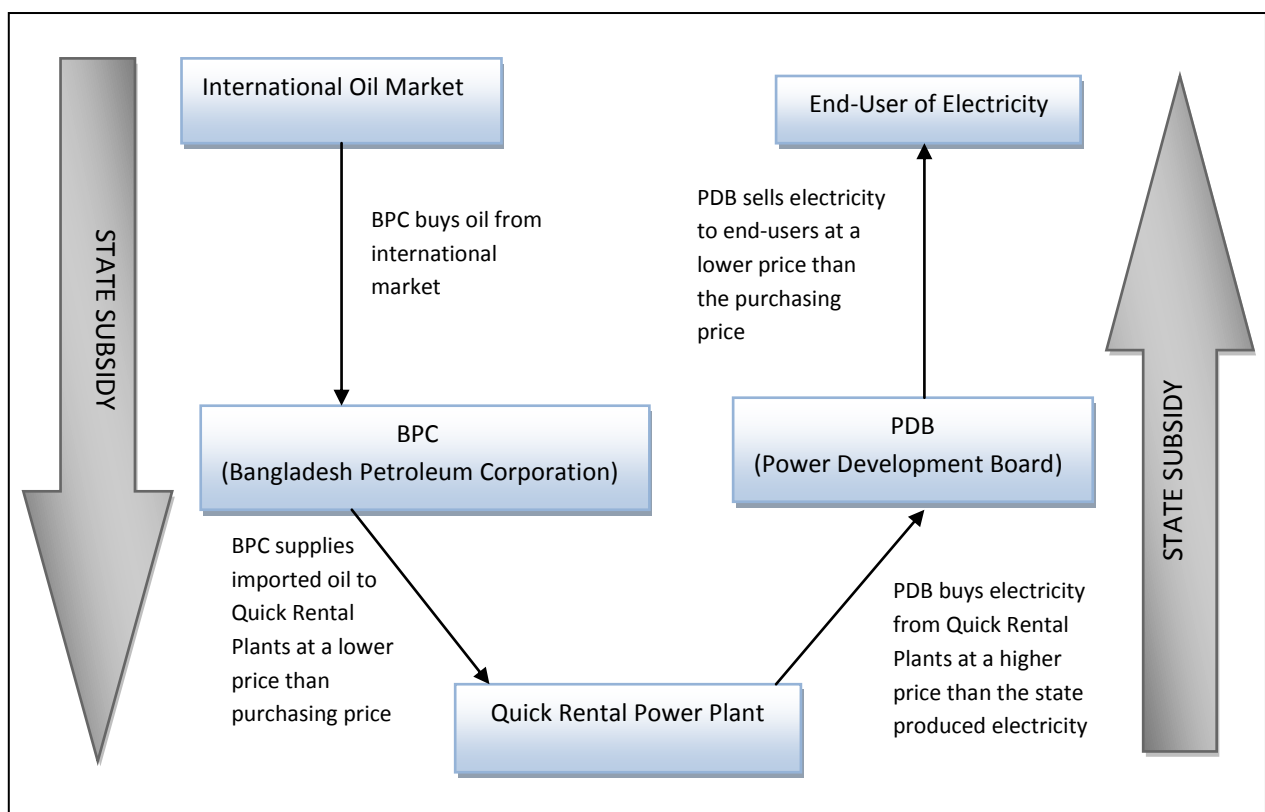
<sup>164</sup>Around 70 percent of this plants run by furnace oil and diesel, where only 20 percent run through natural gas (BPDB, Annual Report 2015-2016, 2017:51).

companies with sufficient land. Necessary infrastructure including transmission lines are also to be built and maintained by the state in order to supply the privately produced electricity to the national grid (Arifuzzaman, 2014).<sup>165</sup>

### 5.3.1.2 Direct and Indirect Financial subsidy

It is already mentioned that a significant amount of financial subsidy is being paid to the quick rental companies by the state for producing electricity. The types of state subsidies to the quick rental plants are twofold:

- a. Bangladesh Petroleum Corporation (BPC)<sup>166</sup> buys petroleum from the international market and sells it to the quick rental power plants at a subsidized price.
- b. Bangladesh Power Development Board (PDB)<sup>167</sup> buys electricity at a higher price from the quick rental power plants (in comparison with the state produced electricity).



**Figure 3: BPC + PDB subsidy to Quick Rental Power plants**

<sup>165</sup>The official agreements with the rental companies were not publicly accessible. The terms and conditions of the deals were mostly published in various news reports.

<sup>166</sup> Bangladesh Petroleum Corporation is a state owned corporation responsible for collection, importation, and processing of crude petroleum and other refined petroleum products.

<sup>167</sup> Bangladesh Power Development Board is a state owned organization responsible for major portion of generation and distribution of electricity mainly in urban areas. The Board operates under the Power Division of the Ministry of power, Energy and Mineral Resources, Government of Bangladesh.

---

### 5.3.1.2.1 State Subsidy at supplying Petroleum to Quick Rental Power Plants

Bangladesh Petroleum Corporation (BPC), a statutory organization of the Government under the Ministry of Power, Energy & Mineral Resources (MPEMR), is responsible for supervising, coordinating, and regulating activities relating to import, storage, marketing, and distribution of petroleum products in the country (Official Website of BPC). BPC purchases petroleum from the international market, while supplies it to the privately owned rental power plants at a subsidized rate. Up to the year of 2014, due to high price of oil in the international market, BPC had made a massive loss in supplying oil at a subsidized rate to the rental companies.<sup>168</sup>

It is important to note that following import of petroleum/oil from international market, BPC generally determines a fixed price (as near to the market rate) for different kinds of refined oil used in the local market.<sup>169</sup> In between financial year of 2009-2010 and 2013-2014, BPC had sold both diesel and furnace oil to the quick rental power plants at a much lesser price compared to the BPC determined price for the local market.<sup>170</sup> According to a BPC sources, BPC made a consistent loss in those five years, which forced the government to set aside a massive amount of taxpayers' money as subsidies in its budget. Based on official figures, it is estimated that BPC paid around US\$774 million of subsidy to the quick rental power plant owners in between the year of 2008-2009 to 2013-2014.<sup>171</sup> A number of energy experts along with the left oriented political parties have consistently opposed the use of state money in accommodating such highly expensive privately owned power production mechanism (see Chapter 6, Section II).

---

<sup>168</sup> In 2014, following a significant drop in the international oil price, most quick rental power plants gradually began to import fuel directly from the international market (instead of buying from BPC). Hence, BPC was spared from selling refined oil to the rental companies at a subsidized price. BPC recovered from its loss in 2015.

<sup>169</sup> This price is determined for the local market after adjusting a number of factors including transportation, local delivery, refining, and employee salary.

<sup>170</sup> In 2014-2015, BPC fixed the price of furnace oil (for local market) at 72 Taka (nearly a US dollar). In the same financial year, BPC sold furnace oil to the quick rental plants at a rate of 61 Taka per liter. This indicates that BPC paid a direct subsidy (to the quick rental plants) of 11 Taka (72-61) per liter for furnace oil. Similarly, in 2014-2015, BPC fixed the price of Diesel (for local market) at 86 Taka (more than 1 US dollar). However, BPC supplied diesel to the quick rental power plants at 68 Taka per liter. This indicates that BPC paid a direct subsidy of 18 Taka (86-68) per liter for diesel to the quick rental plants.

<sup>171</sup> A 2015 report confirmed that BPC had to pay a total of around US \$3.87 billion in between fiscal year 2008-2009 to 2013-2014 as subsidies to the local market (Dhaka Tribune, 2015). Other reports confirmed that BPC in average supplies around 20% of its oil to the rental and quick rental power plants (IEEFA, 2016:16). The estimated figure (US \$774 to rental/quick rental owners) is derived from the understanding that around 20 percent of \$3.87 billion (the total subsidy paid by BPC) is paid to the quick rental power plants.

---

### 5.3.1.2.2 Power Development Board buys Electricity at a higher price from Quick Rental power plants

Bangladesh Power Development Board (PDB) is a statutory body of the state, created under the *Power Division* of the Ministry of Power, Energy and Mineral Resources (Official Website of BPDB). The PDB is responsible for major portion of generation and distribution of electricity mainly in urban areas of Bangladesh. PDB buys produced electricity from both state owned power plants and privately owned rental power plants, while selling it to the electricity distribution companies in Bangladesh. It is important to note that, a state owned gas-based power plant in Bangladesh produces per unit of electricity at an average of only 2.10 Taka. On the other hand, PDB has to pay around 15.62 Taka (nearly US\$ 0.20) on average for each unit of furnace oil based electricity produced in the quick rental power plants (Mujeri and Chowdhury, 2013:24). This implies that in case of furnace oil based rental power plants, the extra payment (or subsidy) made by PDB is around 13.52 Taka<sup>172</sup> (15.62-2.10) for each unit.<sup>173</sup> Considering the large amount of electricity purchased from the rental/quick rental power plants (around 45 percent of the total electricity production)<sup>174</sup> the total figure of loss incurred by the state is perceived to be one of the largest amount of indirect subsidies ever made from the part of the government to a private group of industries in Bangladesh.<sup>175</sup> However, due to serious lack of transparency in the system, authentic information on the exact amount of ‘extra money’ (spent by PDB to purchase the comparatively high priced rental-based electricity) is not publicly available (see next section).

It is also naturally assumed that the competition among the private rental companies in the power sector would naturally drive down the price of electricity. However, according to energy experts of the country, as the state failed to implement any price regulation for the private sector based power production, the profit margin for the rental/quick rental plants continue to remain high compared to the state owned power plants.<sup>176</sup> Bangladesh Energy Regulatory Commission (BERC) itself is hardly observed to be imposing any control over the

---

<sup>172</sup>Nearly US\$ 0.15

<sup>173</sup> PDB makes a payment of 22 Taka (nearly 0.25 US cent ) on average to the quick rental power plants for each unit of diesel based electricity. The extra payment made by PDB is 19.50 Taka (22.00-2.50) for each unit of diesel based electricity.

<sup>174</sup> (BPDB, Annual Report 2015-2016, 2017:9)

<sup>175</sup> Rahmatullah, B.D. Interviewed on September 5, 2014. Muhammad, Anu. Interviewed on July 25, 2015.

<sup>176</sup> Ibid.

---

price mechanism of the rental power plants<sup>177</sup> (see Chapter 7, Section II). It is also alleged that the special power supply act (discussed in Chapter 4, Section II) allowed the rental companies to charge a high price, without facing any regulatory control from the state.<sup>178</sup> The large amount of subsidy is also the major contributing factor to the continuing electricity price hikes which occurred frequently since the year of 2008/2009.

### 5.3.2 V j g " j k f f g p " h k i w t g " q h " U w d u k f { < " U v c v g ø u " N Information

It is already shown that both BPC and PDB, two statutory bodies of the government, had to pay a significantly large amount of subsidy in the production process of the quick rental power plants, ranging from supplying refined oil at a subsidized price, to purchasing highly priced rental based electricity. Newspaper reports and expert studies have consistently claimed that different layers of state subsidy to the quick rental power plants have caused a massive fiscal pressure on the state coffer. However, it is important to note that the exact amount of direct and indirect subsidy paid to the quick rental plants from the part of BPC and PDB remains a subject of debate.

A number of reporters and energy experts have commonly mentioned a total subsidy figure of around US \$4 billion to US\$4.5 billion (occurred in between the year of 2008-2009 to 2015-2016). A 2016 report published by IEEFC (Institute of Energy Economics and Financial Analysis) has shown that the total loss occurred by PDB stands at US \$4.1. It is estimated that more than 83 percent of total loss of PDB is incurred due to its purchase of high priced electricity from the quick rental power plants (BPDB, 2017:9).<sup>179</sup> However, the official reports released by both BPC and PDB in annual basis failed to maintain transparency in exhibiting the actual subsidy figure to the quick rental power plants. The independent energy experts have repeatedly complained that PDB and BPC have hardly presented any clear figure showing the actual amount of subsidy provided to the rental/quick rental companies.<sup>180</sup> Rather it is observed that the figure of 'loss' incurred by both BPC and PDB presented in each annual report, fails to separately specify the actual subsidy amount paid to

---

<sup>177</sup> Alam, Shamsul. Power and Energy advisor to Consumer Association of Bangladesh (CAB). Interviewed on August 1, 2015.

<sup>178</sup> Rahmatullah, B.D. Interviewed on September 5, 2014

<sup>179</sup> Apart from the extra cost of purchasing high priced electricity from privately owned quick rental power plants, PDB loss also includes transmission, distribution, and revenue collection losses, which is estimated to be around 17% (BPDB, 2017:9).

<sup>180</sup> Rahmatullah, B.D. Interviewed on September 5, 2014.  
Alam, Shamsul. Interviewed on August 1, 2015.



the rental/quick rental plants.<sup>181</sup> According to Rahmatullah, the intensity of mismanagement related to the quick rental subsidy has compelled the PDB and BPC officials to ‘hide’ the actual amount of yearly subsidy paid to the quick rental owners.<sup>182</sup> It is perceived that due to the heavy criticism against the quick rental plants, the official reports are observed to be publishing puzzling figures with no specification of a separate category for PDB/BPC subsidy to rental/quick rental plants.

**Table 5: Year by Year PDB loss (FY2008-2015)**

<b>Financial Year</b>	<b>Total PDB subsidy in million/billion (USD)</b>
2008/2009	\$ 94.5 million
2009/2010	\$ 91.7 million
2010/2011	\$ 623 million
2011/2012	\$ 817.9 million
2012/2013	\$ 648.7 million
2013/2014	\$ 875.4 million
2014/2015	\$ 936.7 million
<b>Total</b>	<b>\$ 4.1 billion (4087.9 million)</b>

(Source: BERC, 2015:7; IEEFA, 2016:16)

### **5.3.3 Was the state structurally constrained to subsidize the rental power plants in addressing the power crisis?**

As it is already discussed that the year of 2007/2008 was a time of severe power crisis. The country was producing only 3200 MW of electricity at a time when the demand was nearly 5000 MW. As the demand of electricity outpaced the generation capacity, the state was firm in its declaration that, outsourcing electricity production to the private rental companies was a necessity of time and no other alternative was viable at that point. The above section discussed in detail how the quick rental power plants receive a substantially large amount of financial subsidy from the state in order to be able to continue to operate. A valid question could be raised: To what extent the state was structurally constrained to subsidize the private rental companies? Was there a viable alternative?

<sup>181</sup> Ibid.

<sup>182</sup> Rahmatullah, B.D. Interviewed on September 5, 2014.

---

The energy experts of the country have long advised over various viable alternatives in addressing the power crisis. Though the discussion on alternative solutions to the quick rental power plants is not within the scope of this research, a brief overview of the existing alternative solutions is necessary in order to understand the state's extent of interest in pursuing private companies for producing electricity in the presence of other comparatively low-cost solutions. The summary of a range of expert opinions are listed below<sup>183</sup>:

- a. The gas-based power plants under the public sector of Bangladesh are most profitable in terms of cost efficiency, whereas oil based quick rental plants are highly energy inefficient, highly expensive, and require substantial amount of state subsidy to operate. In short, for the purchase of every unit of oil based rental electricity, the state has to make substantial amount of losses.
- b. It was possible to generate additional amount of electricity in the very beginning of the power crisis only by converting the state owned gas-turbine based power plants to more fuel-efficient combined cycle power plants.<sup>184</sup> In this way, it would not be necessary to adopt an oil-driven rental plant based energy solution in the first place.
- c. Instead of rental/quick rental plant based solution, if the state decided to build more gas based power plants under state ownership, the comparatively lower production cost of gas based electricity<sup>185</sup> would keep the electricity cost low.<sup>186</sup>

The ex-director of Power Cell, Mr. B.D.Rahmatullah (2011) has offered a range of scientific solutions to the persistent power crisis which could have been achieved within a matter of 2 years (Table 6 shows the alternative options to quick rental power production).

---

<sup>183</sup>This section is prepared based on personal communication with a number of energy experts of the country, including Professor Nurul Islam, Professor Badrul Imam, Professor Anu Muhammad, and Professor Shamsul Alam.

<sup>184</sup> A combined cycle power plant uses both a gas and a steam turbine together to produce up to 50 percent more electricity from the same fuel than a traditional simple-cycle plant.

<sup>185</sup> The current cost of gas based production of electricity stands at 2.50 Taka whereas the cost of imported oil based electricity stands at 15-20 Taka (see BPDB Annual Report, 2015-2016).

<sup>186</sup> According to government reports, the amount of gas reserve stands at 13 TCF which is capable of meeting the country's demand for nearly 10 years. However, surveys conducted by U.S Geological Surveys confirmed the presence of significant gas reserves in both shallow and deep sea blocks located in the Bay of Bengal which is expected to be capable of supplying the required natural gas for power production for a longer time period (see Filipov, 2014).

**Table 6: Alternative methods for increasing electricity supply in the system**

Type of Work	Possible production/saving of electricity	Approximate time	Costing Approx. (In billion USD)
Transforming the normal gas turbine power plants to combined cycle power plants	2000 MW	2 years	US \$3 bn <sup>187</sup>
Installing energy conserving intelligent motor controllers (IMC), and LED lighting to increase industrial and domestic energy efficiency	1500 MW (will reduce demand/waste)	1 year	US \$250 mn
Sending back industry's unused electricity (produced by captive power) to the national grid.	700 MW	1 year	No cost Win win
Power factor improvement	250 MW	1 year	Win Win
Managing/reducing system loss (leadig to less demand)	800 MW	1 year	US \$1 bn
Total	5250 MW		US \$4.25 bn

(Source: Rahmatullah, 2011:23).

According to Rahmatullah (2011), by following the above measures, it would be possible to add an additional 5250 MW/hour of electricity in the system within 2 years which would cost around US\$4.25 billion (Rahmatullah, 2011:23). Though the government has consistently claimed that the state lacks the financial capacity to build its own power plants and (thereby there was no other option left but to go for the rental based private power plants), it is already shown that both BPC and PDB has already paid a total subsidy of around US \$4 to \$4.5 billion to the privately owned quick rental plants. If the above measures were taken in the year of 2007/2008 based on expert suggestions (as shown in Table 6), PDB would not have

<sup>187</sup> A 1000 MW capacity power plant requires 1.5 billion in USD of Capital Cost (including sourcing cost, consultancy cost, and mismanagement (Indian Power Sector, 2008:1).

---

to incur its subsidy oriented losses.<sup>188</sup> It is evident that the amount of already paid state subsidy to the quick rental plants was sufficient enough to build new gas-based power plants under the ownership of the state. Hence, clearly, the state had no structural obligation in reality to either privatize the power production process, or to subsidize the private rental companies. In this context it is understood that the various financial and political connection between the ruling elites with the rental plant owners (which is exhibited in detail in chapter 4), has played a vital role in determining the policy actors' attitude, obligations, or natural inclination towards the interest of the rental business owners.

### **5.3.4 Concluding Remarks on State Subsidy to Quick Rentals**

As economic reform and liberalization policies gained a considerable momentum in the 90s, a substantial portion of the state owned power and energy sector in Bangladesh was pressurized to be privatized and outsourced under the policy directives of World Bank and IMF. In 1996, the state owned power sector in Bangladesh was opened up for multinational investment (Muhammad, 2014:63). Throughout the 90s and the 2000s multiple attempts have been observed within the state system to privatize the power sector by engaging a group of independent power producers to produce a certain portion of the electricity demand.

In the backdrop of economic reform, the power crisis of 2006-2007 was presented in such a manner that private solutions to power production was widely perceived to be the only viable solution. The policy makers of the state ignored alternative solutions to the power crisis (suggested and recommended by the energy experts of the country) and continued to pursue a private sector based solution to the power crisis which appeared to be highly costly. Both Bangladesh Petroleum Corporation and Power Development Board had to pay a significantly large amount of subsidy to keep the quick rental power plants in operations. Despite of the costly mechanism and the heavy criticisms around the rental power plants, the tenures of most rental plant agreements were extended for 3-5 years, indicating the inclination and interest of the state to continue with the rental power production.

Though it is clear that the rental plant owners have direct access to the highest level of the policy making domain, and the rental applications are approved directly from the prime minister's office, whether or not the quick rental owners have individually or collectively

---

<sup>188</sup> Muhammad, Anu. Interviewed on July 25, 2015.  
Rahmatullah, B.D. Interviewed on September 5, 2014.

---

lobbied to the prime minister or the ministry officials for subsidizing the rental production process is not clear in terms of direct evidence. The above section also clearly mentioned that the amount of state subsidy provided to the rental power plants up to the year of 2014 would be sufficient enough for the state-owned power plants to be able to produce the much needed electricity. And thus, it is not clear that any structural obligation occurred for the policy actors to continue to support the heavily expensive rental production system. However, the fact that the ruling elites and members of the ruling party are found to be directly/ indirectly linked with the quick rental owners, the possibility of policy actors' pro-active representation of business interest could be perceived to be a possible explanation behind the massive level of subsidies provided to the rental plants.

In addressing the question- 'who benefits from subsidy?', it is fair to claim that it is the rental plant owners who directly benefitted from the consistent state subsidy, while the common consumers continue to pay for high priced electricity. The quick rental case has also shown how the long term state subsidies to the private rental sector has created a highly inefficient and costly mechanism of production through which the tax payers of the country ended up bearing the cost of continuous price hike and large fiscal deficit.

### **Section III**

#### **5.4 State Subsidy: The Case of Asia Energy**

Following the liberalization period of Bangladesh, the government of Bangladesh has consistently expressed its aspiration to come out of its least developed nation status, while elevating itself to a middle income state by 2021 (See Khan, 2016). The particular task is directly associated with the state's ability to attain a higher GDP growth, a high foreign currency reserve, along with higher per capita power and energy availability. In light of the above, the state officially has taken up a position of promoting coal based power generation as the major source of electricity (50% of all power supply) (see JICA, 2011). Throughout the 90s and the 2000s, the onshore/offshore gas fields, the coal fields, and other mineral resource sectors in Bangladesh have been 'liberalized' or opened up under the policy directives of the World Bank and the IMF. As large coal mines are discovered in the northern part of Bangladesh, the state's policy actors are seen to be initiating negotiation process and permitting licenses to foreign lessee companies (for exploration and extraction purposes). The government of Bangladesh has also shown its firm commitment in allowing foreign

---

companies like Asia Energy to explore and extract coal in Bangladesh with relaxed regulation and a range of investment incentives.

One of the major criticisms against the agreement between the Government of Bangladesh and the Asia Energy Corporation was that the then government committed itself to provide a range of patronages and incentives to the lessee company while sidelining the interest of the communities of Phulbari. Along with other financial incentives to Asia Energy (discussed in the later part of the chapter), this study considers the revision (reduction) of the already existing royalty rate on extracted coal as the most significant financial patronage provided from the part of the state to Asia Energy Corporation. This section will also discuss in detail the arguments behind considering the ‘reduction of royalty’ as an important subsidy from the part of the state. As the agreement between the Bangladesh government and Asia Energy Corporation over the royalty rate has remained as a matter of controversy, this section will re-examine both the arguments for and against the negotiated (reduced) royalty rate.

#### **5.4.1 State Patronage/Subsidy to Business in the form of Reduced Royalty**

The determination of royalty rate based on a fair share of the value of the extracted mineral has always been a politically sensitive issue as it involves the legitimate economic interests of a state. As a neoliberal regime pursues for deregulation, liberalization, and foreign investment; governments are commonly seen to offer tax cuts, financial incentives, or reduced mining royalties to foreign investors (see Official Website of BIDA<sup>189</sup>).

Royalty is the payment to the mineral bearing state for their ownership to mineral rights. Royalty is calculated on the quantity of minerals extracted or removed from the ground of the mineral bearing state. When a mineral is mined it acquires a definite market value depending on grade, quality and market conditions. The owner of the land has a right to receive a royalty from the lessee company based on the extraction/production of minerals (Indian bureau of Mines, 2011:4). The revenue from minerals in the form of royalty is considered to be an important indicator of national interest for a mineral bearing state.

It is already discussed earlier that direct state subsidies include grants, cash incentives, interest-free loans, bail-outs or financial assistance. On the other hand, indirect subsidies include tax breaks, tax allowances, tax exceptions, loan waivers, rent rebates, or VAT waiver

---

<sup>189</sup> Bangladesh Investment Development Authority

---

(Schrank, 1999, 2000; Myers and Kent, 2001:8). More precisely, according to WTO agreement of *Subsidies and Countervailing Measures* (GATT Secretariat, 1994), any *forgoing* government revenue is also eligible to be considered as a state subsidy. Based on various definitions and understanding of subsidy, it is fair to argue that as royalty is a form of tax particularly applicable to mining industries, a drastic reduction in it in favor of the private company could be perceived to be a form of indirect subsidy provided by the state. As royalty is a well practiced mechanism for tax collection in a coal producing nation, a reduction in royalty in this case is to be treated as a financial subsidy from the part of the state as it is a ‘forgoing’ state revenue, and is provided to a private company at the cost of government revenue.

It is important to note that the Bangladesh Mines and Minerals Rules 1968 set the royalty rate for extracted coal at 20%. Rules 36 and 44 of the Mining Rule clearly mentioned that the royalty rate for “coal, including peat, coal dust, and coal used on work, on the value at pit’s mouth” is determined at 20 percent (Bangladesh Mines and Mineral Rules 1968, last Amendment, November 1989). Following this rate, the Bureau of Mineral Development (BMD)<sup>190</sup> of Bangladesh government signed an agreement for Boropukuria coalmine<sup>191</sup> on August 10<sup>th</sup>, 1994. However, on September 20, 1994, only a month and ten days after having signed this agreement at a 20% royalty rate, BMD signed another agreement with the Australian mining company BHP (for coal mining in Dinajpur & Rangpur areas) at only 6% royalty rate (REC, 2006:3,4). This was evidently a clear violation of Bangladesh Mines and Mineral rules 1968. BHP eventually transferred its mining license to Asia Energy Corporation in 1999 (REC, 2006:3). Strong criticism prevailed that Bangladesh state had patronized the interest of the lessee company in an ‘extra legal’ way by agreeing to a royalty rate which is much lower than the actual rate mentioned in Bangladesh Mines and Mineral Rule 1968 (REC, 2006:6)

It is clear that as per the Mines and Mineral Rules 1968, the Bangladesh government holds no legal ground to sign an agreement with a lessee company at a royalty rate less than 20 percent. The *Expert Committee*<sup>192</sup> (formed in 2005) suggests that the 1994 contract between Bangladesh government and mining company BHP, and later the transfer of license to Asia

---

<sup>190</sup> Operates under the Ministry of Power, Energy, and Mineral Resource.

<sup>191</sup> In 1985 Geological Survey of Bangladesh (GSB) discovered high quality bituminous coal spread over an area of 6.68 Square Kilometers in Barapukuria under Parbatipur Upazilla in the district of Dinajpur. To ensure proper implementation of mining operation, Barapukuria Coal Mining Company Limited was formed and registered as a company on August 04, 1998 (BCMCL, 2017).

<sup>192</sup> See Chapter 1 (Why Asia Energy?)



---

Energy Corporation at a royalty rate of 6% not only indicates a violation of the existing Rule, but also the state's favoritism towards a foreign company at the cost of national interest (REC, 2006:6). However, in 1995, the Bureau of Mineral Development of Bangladesh Government revised the existing royalty rate of the Mines and Minerals Act and changed it from 20% to 6% for open pit mining (REC, 2006:6). This particular reduction in the royalty rate for extracted coal in the Mines and Mineral Rule as well has been criticized by the expert committee members on the ground that the decision was made in the Ministry with no consultation with the mineral experts of the country (see REC, 2006). According to Islam, as the determination of royalty rate for a country's mineral resources is a politically contentious issue, the decision of 'reduction' required a political debate or at least a cabinet discussion.<sup>193</sup> According to Muhammad (2015) and Kaiyum (2018), policy actors in Bangladesh have rarely shown their seriousness to publicly discuss the issues of foreign investment in the field of natural resources.<sup>194</sup> On the contrary, the state officials have justified the 'reduction in royalty' as a timely action to create a 'favorable business environment' for the foreign investors which is required to attain higher economic growth.<sup>195</sup>

#### **5.4.1.1 What could be an ideal Royalty rate?**

The mining companies have always emphasized on the issue of commercial viability or economic reality in the determination process of royalty rates. As a good number of factors influence the rate of royalty for a mining company, it is difficult to establish a standard or 'ideal' royalty rate for a country's mineral resources. An argument prevails that the anti-mine activists failed to suggest an 'ideal royalty rate' that would match with the international mine financing practices. However, it is to be noted that no standard 'ideal' royalty rate could be found in the international mining industries. The royalty rate of coal is also subject of variations depending on coal quality, coal fields and their locations.<sup>196</sup> For instance, while China has a royalty rate of 5%, Indonesia has a royalty rate of 13.5%. India, the 3rd largest coal producing country in the world has a royalty rate varying from state to state depending on the grade and coal fields<sup>197</sup>(PWC, 2012:3).

---

<sup>193</sup> Islam, Nurul. Interviewed on November 4, 2015.

<sup>194</sup> Muhammad, Anu. Interviewed on July 25, 201; Kaiyum, Hasnat. Interviewed on June 29, 2018.

<sup>195</sup> Chaudhuri, Paban. Chairperson, Bangladesh Economic Zone Authority (BEZA), Government of Bangladesh. Interviewed on January 10, 2016. Islam, Nurul. Interviewed on November 4, 2015.

<sup>196</sup> Coal located at a relatively shallower depth is generally subject to high royalty.

<sup>197</sup> from Rs. 65 to Rs. 250 per ton

---

A study shows that a number of governments in recent years have raised the royalty rate or at least considered ways to raise royalty revenue from the mining industry. Both the governments of Argentina and Brazil, for example, is considering an increase to its previous mining tax rate and going beyond the rates established by their existing Mining Investment Law. In 2012, the government of Ghana increased its corporate income tax rate from 25% to 35%. Indonesia, China, and Tanzania have introduced new royalty collection bases (PWC, 2012:3).

#### **5.4.2 The Argument for National Capacity Development in a Neoliberal Era**

It is important to note that in Bangladesh, the debate over the use of domestic coal and mineral resources has gone beyond the discussion associated with the determination of an ‘ideal’ royalty rate for coal and minerals. Through the ongoing campaigns of *National Committee* (a coalition of left political parties), a political consensus has been developed on the necessity of ‘capacity building’ for the state owned institutions based on the premise that valuable natural resources of the country should not to be treated as a source of subsidized profit for foreign mining companies.<sup>198</sup> In this line, not only the revision in the royalty rate (from 20% to 6%) becomes an issue of debate, but also the necessity to question the existing pattern of development policies involving exclusive foreign ownership schemes becomes a popular political issue in the public domain in Bangladesh (see Pegu, 2010:10-14).

According to Bangladesh Mines and Mineral Rule 1968, the people are the sovereign owners of the natural resources and minerals deposited in the land. It is argued that removal or lowering of royalty would not only reduce the state revenue, it will also violate the sovereign right of the tax payers of the country over their constitutional ownership of the minerals of the land.<sup>199</sup> Experts and academics of the country have long argued that instead of prioritizing foreign investment based development in the coal sector, if the government had a long term comprehensive plan to develop the national technological capacity in the areas of coal/mineral exploration and extraction, it would gradually gain leverage in the royalty determination/negotiation process. According to a number of energy experts, a national plan should have been laid out requiring the direct and long term involvement of the state in

---

<sup>198</sup>The ongoing campaigns of the *National Committee to Protect Oil, Gas and Mineral Resources* has gathered a large public support in Bangladesh in popularizing the idea of ‘national ownership’ over the country’s oil, gas, coal, and other mineral resources (see Pegu, 2010:10-14).

<sup>199</sup> According to the Bangladesh Constitution, Article 143, all mineral resources are owned by the people of Bangladesh and the government of Bangladesh on behalf of the people (REC, 2006:4).

---

building capacity for coal extraction and exploration.<sup>200</sup> A separate state budget is also suggested to be crucial in strengthening/building the technical institutions or mining departments of the country, and in purchasing essential machineries and equipments for coal mining (Islam, 2006, Para 79,80,81). According to Islam (2015), the 200 years of Indian experience of coal exploration and extraction under the public sector should also be taken as learning.<sup>201</sup>

It is already mentioned earlier that a popular national movement has been observed to be grown in Bangladesh in the recent decade demanding the prioritization of the use of public institutions in mineral exploration and extraction, and for an overall budget increase of the state owned power and energy sector. It is argued that once the national capacity is built, the state would enjoy exclusive legal entitlement over the extracted mineral and the question of royalty would become less important.<sup>202</sup> According to Muhammad (one of the leading figures of the Phulbari movement), strong emphasis on the royalty debate eventually undermines the national potential of the state owned institutions in exploration and extraction of mineral resources.<sup>203</sup>

#### **5.4.2.1 Reduced Royalty vs elements of Public Interest**

It is already discussed earlier that a widespread conception prevails in Bangladesh that the country does not have necessary technology, trained manpower, and financial capital to develop its coal/mineral sector by itself. Government officials of relevant positions continue to argue that due to large capital development cost, lack of provision for cost recovery for the lessee company, and the fact that the entire financial risk is to be taken by the investors, the state needed to offer a range of fiscal incentives including a ‘reasonable’ rate of royalty to the lessee company.<sup>204</sup> A 6% royalty is perceived to be economically pragmatic and is in line

---

<sup>200</sup> Islam, Nurul. Interviewed on November 4, 2015. Rahmatullah, B.D. Interviewed on August 11, 2015.

<sup>201</sup> Islam, Nurul. Interviewed on November 4, 2015. In the early 70s, the Government of India took over the management of all of its coal mines (937) and nationalized them. A formal holding company in the form of *Coal India Limited* was formed in November 1975 to manage seven wholly owned coal producing subsidiary companies and a mine planning and consultancy company. Coal India Limited coordinates a whole range of activities including identification of coal reserves, detailed exploration followed by design and implementation, and optimizing operations for coal extraction in its mines (Official Website of CIL).

<sup>202</sup> Rahmatullah, B.D. Interviewed on August 11, 2015.

<sup>203</sup> Muhamad, Anu. Interviewed on July 25, 2015.

<sup>204</sup> Chaudhuri, Paban. Interviewed on January 10, 2016.

---

with the international mine financing practice. The state's arguments for lowering the royalty rate from 20% to 6% are listed below<sup>205</sup> (see also Rahman, 2008).

- a. Compensation, resettlement, and rehabilitation costs of open pit mining are significantly high, as population density is relatively higher in the agreed mining area.
- b. Coal transportation to international market requires massive investment-capital to develop sufficient infrastructure including upgrading of rail network, building coal terminals in the coastal area, and deep sea cargo facilities.
- c. A large amount of overburden must be removed before even the first round of coal is extracted from the mine. This involves continuous operating cost with massive capital input.

Based on the above arguments, higher officials of the government continued to justify the revised royalty rate, while denying the claim that any special patronage was made to the lessee company through such revision of royalty rate<sup>206</sup> (see also Rahman, 2008). However, the above arguments have been countered based on the ground that a reduction of royalty to 6% has not taken into consideration the critical issues of environment and livelihood, along with the large scale infrastructure development cost for the state, as well as the large profit margin for the lessee company.

#### Compensation/Resettlement Cost vs Environmental Damage

In case of open pit mining in the Phulbari region, the loss of livelihood, agriculture, water bodies and ground water is estimated to be very high and drastic. According to a Research, in case of open pit coal extraction, the loss of agricultural production is estimated to be around US\$ 783 million in a year, which amounts to as much as 63% of the calculated royalty earning for the government (US \$1,240 million) (REC, 2006:7). The Expert Committee suggested that the compensation packages offered by the lessee company were hardly adequate in comparison with the massive human, social and environmental cost that was to be incurred by the residents of Phulbari (REC, 2006:7).

---

<sup>205</sup> Ibid.

<sup>206</sup> Ibid.

---

## Transportation Cost to be borne by the state

Secondly, the national coal policy maintained that the government of Bangladesh would be fully responsible for providing the necessary infrastructure for the development of the coal sector. The IIFC draft policy contains a separate section titled as “Development of Coal Transportation” which provides guidance on infrastructure development within the country exclusively for the purpose of transportation of coal, which is to be exported. Under this section it is specified that the road, railway, and port facilities are to be developed adequately to transport and handle at least 15 million tons of coal annually for the export market (IIFC Draft, 2005:12). This means that the lessee company itself would not have to bear any development cost related to transportation or infrastructure development.

## Asia Energy’s Revenue Earning vs State’s Royalty Earning

It is already mentioned that the state’s policy actors have consistently supported the change of royalty rate at 6%. It is argued that due to continuous operating cost and a massive capital cost for open pit mining, a 6% royalty is in line with the world’s mining practices. It is also argued that a 6% royalty rate does not mean that the state is expected to receive only 6% share while the remaining 94% earning will go to the pocket of the lessee company. As the lessee or investors are expected to pay sufficient amount of corporate tax (currently 37.5% in case of Bangladesh)<sup>207</sup>, personnel income tax, VAT, duties, and other government service charges, it is argued that royalty is only a mere fraction of the total income received by the state from the lessee company. Some also argue that nations like Greenland, Mexico, Sweden and Zimbabwe have entirely moved away from the provision of royalty and instead collect merely corporate and income tax.

However, various research findings and recommendations made by the ‘Independent’ *Expert Committee* suggests otherwise. It is claimed that the profit earnings from the selling and exporting of coal would be high enough for the lessee company to cover up the initial capital development costs at a very early phase of production. The expert committee also suggests that the overall revenue earning for the government from both royalty and corporate tax would be substantially low in comparison with the overall profit earning of the lessee

---

<sup>207</sup> See Center for Policy Dialogue, 2018.

company. The revenue of the government is also claimed to be disproportionate compared to the social and environmental cost incurred by the project.

According to official publications of Asia Energy Corporation itself, based on a 6% royalty and a 45% annual corporate tax rate, a total of \$8.00 million is estimated to be the yearly revenue gain for the Bangladesh government from Phulbari coal mine (Official Website of AEC), indicating a gross income of \$240 million over the period of 30 years. On the other hand, the annual earning for Asia Energy was estimated to be around US \$625 million<sup>208</sup>(Muhammad, 2006:22; Islam, 2006:24). Since a 30 year contract had been agreed upon, the total revenue earning for 30 years for Asia Energy was calculated to be around US\$18.75 billion, whereas the estimated capital investment cost for this entire project was declared to be around US\$2 billion by Asia Energy (Official Website of AEC). This indicates a total of \$16.75 billion of net revenue for Asia Energy.

**Table 7: Revenue Earning for Asia Energy (Over the 30 years of mine life)**

Gross Revenue for Asia Energy	\$18.75 billion
Capital Cost	- \$2 billion
Royalty + Corporate Tax (\$8.00 million x 30 years)	- \$240 million <sup>209</sup>
<b>Approx. net revenue for Asia Energy</b>	<b>\$16.75 billion</b>

(Source: Muhammad, 2006:22; Official Website of Asia Energy Corporation).

From the above discussion, it is fair to conclude that the arguments made by the state officials in favor of lowering the coal royalty rate at 6% have a number of limitations. In short:

- a. The revision of the royalty rate at 6% did not consider the massive social, environmental and human cost that was to be acquired with the implementation of the project.
- b. The revision of the royalty rate did not consider the significant number of other investment incentives (long tax holiday, duty exemptions) that was to be provided to the lessee company.

<sup>208</sup> At a price of \$50 per ton for the international market and \$25 per ton for the domestic market.

<sup>209</sup> This figure does not include the 9 years of tax waiver incentive provided by the government to the foreign lessee company.

- 
- c. By revising the royalty rate, the state has significantly lowered the potential revenue earning for the government.

#### **5.4.2.2 Other Investment Incentives for Foreign Investors**

Though the lessee company is obligated to pay a corporate tax as high as 40% to 45%, a significant amount of investor's incentive in the form of tax exception is granted to the lessee companies through the Board of Investment of Bangladesh. According to the Investment Agreement of Asia Energy, a 9 years of tax holiday benefit was to be provided to Asia Energy Corporation which was to begin from the beginning of the commercial production (REC, 2006:6). In addition, all kinds of custom duty, import duty and fees were exempted, apart from a mere 2.5% import-duty for importing machineries and consumable items (REC, 2006:4). The lessee company was also made allowed to export coal without paying any export fee to the state (REC, 2006: 4).

#### **5.4.3 Concluding Remarks on State Subsidy to Asia Energy**

It is already mentioned that as liberalization policies intensified in Bangladesh in the 90s, Bangladesh government pro-actively pursued for deregulation, free trade, and foreign investment in the crucial sector of the economy. Throughout the 90s and the 2000s, different fields of natural resources and mineral resources in Bangladesh have been 'liberalized' or opened up under the set of principles and policy guidelines of the world Bank and IMF, based on the premise that the country of origin lacks specialized knowledge, technology, and skills for necessary exploration and extraction purposes. Following the government's mining agreement with Asia Energy, the state's re-enforcement of a 'revised' 6 percent royalty rate for coal extraction (at the cost of foregoing government revenue), along with other financial incentives, could be considered as a continuation of the ongoing neoliberal reform policies of the state, largely implying exclusive foreign ownership or foreign partnership over the natural resources of the country.

'Had there been a lobbying effort from the part of Asia Energy?' is a question which remains difficult to answer. There has been no solid evidence which can confirm that the various patronages provided by the state to Asia Energy is a result of systematic lobbying by the foreign lessee company. However, the periodic meetings between the ministry officials and the Asia Energy officials were regularly reported in the media prior to the final



---

implementation of the project in Phulbari. On the other hand, the communities of Phulbari had failed to access the formal policy channels at different times in order to place their opinions and demands regarding the project. In addressing the question- ‘who benefits from subsidy’, it is fair to claim that state subsidy to Asia Energy in the form of foregoing state income would largely increase the profit margin of the company. Meanwhile, the compensation packages offered by the Asia Energy Corporation were perceived to be insufficient in comparison with the environmental and agricultural loss associated with the mining project.

---

## **Chapter 6. State Repression**

### **6.1 Neoliberal Reform, State Repression, and Democracy**

Repression is the use of government force to control or eliminate political opponents. Citizens may give up their freedom to the state out of fear of coercive retaliation, but they may also voluntarily consent to the authoritarian rule in cases where government successfully legitimizes themselves to the masses (Pion-Berlin, 1986:50). Some critical questions are already raised in Chapter 2 to examine the relation between state repression and economic liberalism/reform. For instance: ‘Does free-market economy require state repression?’ Or ‘Can the level of political repression be explained by the state’s move towards higher degree of market oriented economic policies?’ It is already discussed in Chapter 2 that Neoliberalism is perceived by some scholars to be compatible with the characteristics of the authoritarian regimes or the para-militaristic forms of states (Brown, 2003:39). Chapter 2 also covered the existing theories exploring the links between economic liberalization with the authoritarian and repressive policies of the state. This chapter describes the interconnection between economic reform/neoliberal reform with state’s repressive policies in the context of the empirical experience of Bangladesh. It describes the repressive policies and actions taken by the state in the recent decades in the RMG sector, power sector, and the coal sector of Bangladesh.

#### **6.1.1 Neoliberal Reform and State Repression in Bangladesh**

In the last decades, the development goals of the developing countries have become increasingly dominated by pro-market policies driven by economic liberalization, free trade, and foreign investment. As the state continues to turn to corporate capital and foreign trade to attain higher economic growth and macro-economic stability, it becomes important to freeze minimum wage, lift price controls, suppress union activities, or resist popular mobilization (see Pion-Berlin, 1986:53). As the liberalization process generates winners and losers, and the gap between aspirations and achievements generates social frustrations, political protest, and destabilizing impacts; it compels the state to ultimately resort to repression (Pion-Berlin, 1986:53). According to Pion-Berlin, anti-worker economic arrangements cannot be sustained without the backing of a strong authoritarian state with repressive policies (See Chapter 2).

---

As Bangladesh gradually liberalized its economy, the government has consistently expressed its aspiration to come out of its least developed nation status, while elevating itself to a middle income state by 2021 (See Khan, 2016). The particular task is directly associated with the state's ability to attain a higher GDP growth, a higher per capita income, a high foreign currency reserve, along with higher per capita power and energy availability. In light of the above, the state officially has taken up a position of promoting coal based power generation as the major source of electricity (50% of all power supply) (see JICA, 2016). Earlier, the state of Bangladesh had shown its firm position in allowing foreign companies in extracting coal from the northern part of Bangladesh, through an open pit mining method, despite of mass resistance in the area (see Chapter 4 & 5; Section III). The state has also pro-actively pursued large scale privatization/outsourcing of the power sector which required long term state-subsidy (see Chapter 4 & 5; Section II). Meanwhile, the RMG sector of Bangladesh has long been financially backed and prioritized by the state as the largest foreign currency earner of the country. Important state officials have consistently declared their commitment to back the industry considering its heavy contribution to the country's economic growth and macro-economic stability. In the face of a large number of labour protests in the last decade, it is observed that the state has consistently provided institutional support to BGMEA in tackling the labour unrest in a repressive manner (discussed in the following sections).

Several kinds of state repression have been identified in the context of Bangladesh. In all of the three cases of the study, it is observed that the following means are used by the state to deal with conflicts and protests:

- ◁ Using state institutions such as police, industrial police, or border guards to take disciplinary actions or to repress political protest.
- ◁ Using the members of ruling party or state backed organizations to assist the law enforcement agency in repressing protest movements.
- ◁ Using law or legal means to repress political protest.

The following sections will elaborate on various types of state repression in Bangladesh that occurred during the different phases of liberalization era. It is to be noted that the graveness or the extent of repression varies based on different cases. While repression in the RMG sector is more systematic in nature, repression against left oriented groups opposing quick rental deals is more sporadic and event based. On the other hand, state actions against the

---

local communities of Phulbari occurred only once (in august 2006) in the face of a mass community resistance. In the case of periodic labor protests in the RMG sector and the local resistance in Phulbari, state repression caused death and injuries. As the oppositions to the quick rental groups are comparatively weaker and fragmented in nature, state's repressive actions are observed to be more relaxed and less violent.

## **Section I**

### **6.2 State Repression in the Readymade Garments Sector in Bangladesh**

As the Bangladesh government has pursued for deregulation and liberalization policies, wage concessions are observed to be a common demand placed by big business actors. It is already discussed earlier that firms threatening to quit may ultimately force the government to relax its regulations on minimum wages, tax rates, and workplace compliances (Crotty, Epstein & Kelly, 1998:3). This already weakened bargaining position of the state in a neoliberal order makes it more difficult for the workers to negotiate over the country's wage and regulatory structures (See Chapter 2). For instance, over the last decades, the state of Bangladesh has been observed to be keen and committed to protect the interest of the RMG factory owners while attempting to restrain any workers movement with force. This chapter will discuss in detail a number of repressive elements that have been jointly practiced by both the state agencies and the BGMEA against the RMG workers. The chapter contains discussion on the role of the state and the BGMEA in obstructing the formation of trade unions, filing of false cases against workers, using of industrial police to restrain workers' protest, evicting RMG workers by force, and overlooking cases of sexual harassment in RMG workplace.

#### **6.2.1 Background of State Repression and Labor Protest in the RMG sector**

While the garments sector remains a major contributor to the 'economic development' of the country, a number of researchers have revealed that working conditions in the readymade garment sector severely violates the International Labor Organization (ILO) standards (see Chapter 4, Section I). This includes absence of trade union in the industry, informal recruitment, irregular payment, sudden termination, wage discrimination, excessive work load, absence of weekly holidays, unhygienic environment, and workplace accidents (Ahmed, 2012:3). The absence of a labor standard monitoring system, effective building codes,

---

outdated labor laws, a lack of awareness of labor rights among workers, and maintaining workplace safety continues to be serious concerns in the garments sector (Ahmed, 2012:3). Female workers constitute the majority in the RMG industry and become victims of various kinds of violence, including sexual harassments. In addition, most of the RMG workers are not even fully aware of their legal rights and entitlements (Odhikar, 2008:1).

Due to the above reasons, labor unrest has become widespread in the garment sector of Bangladesh. Since May 2006, the RMG industry of Bangladesh has been experiencing various workers unrests which turned violent in different times. Street rampage, breaking of office windows, burning tires, or blocking traffics remained common practices among the workers in a significant number of protests. The coercive role of law-enforcing agencies also agitates the workers which cause retaliation from the part of the labor (Khan, 2011:35). It is claimed that a strong sense of deprivation causes the protesting workers to adopt various aggressive measures including vandalism and destruction of public property (Odhikar, 2008:2).

One of the most identified reasons for the recent RMG workers' resentment is the rapid price hike of daily essentials and the workers' inability to cope with it (Odhikar, 2008:1). It is also observed that despite of a consistent labor campaign for a minimum wage of US \$100 (per month) in 2013 and US \$200 in 2017, BGMEA has consistently been successful in resisting the pressure<sup>210</sup> (see Chapter 7, Section I). Many argue that there exists a serious lack of political will from the part of the state in improving the status of labor rights and working condition due to the political influence wielded by the garment factory owners in Bangladesh. In most cases, the attempt of forming a trade union within factory premises faces various repressive actions including dismissal, arrest, and assault by hooligans hired by employers (Odhikar, 2008:2; Ahmed, 2012:4). Due to limited number of active trade unions in the RMG industry, no meaningful formal communication or dispute settlement mechanism exists between the workers and the owners of the RMG factories (U.S Senate Staff report 2013:4). It is noted that a high sense of deprivation and injustice works among the workers which often leads to the adoption of aggressive means in many cases (Odhikar, 2008:2).

---

<sup>210</sup>In 2013, the government of Bangladesh fixed the minimum wage at \$65.50 (as opposed to the demand of US \$100) and in 2018 the minimum wage was fixed at US \$100 (as opposed to the demand of US \$ 200) (see Chapter 7, Section I).

---

## 6.2.2 State-BGMEA led repression against Trade Unions: Evidences of False Cases and Lay offs

In Bangladesh the number and activities of trade unions indicate a complex political reality. Though the labour law of Bangladesh has clear provisions for establishment of trade unions in factories, in reality, without direct sponsorship and patronage from the state or the BGMEA, both formation and operation of trade unions remain a challenging task. Though BGMEA leaders have consistently claimed that they are welcoming of trade unions in garment factories, a serious progress is yet to be observed. Though quite a large number of trade unions exist in Bangladesh, evidences show that majority of the formally registered trade unions in Bangladesh operate with direct sponsorship and assistance of either the BGMEA or the state itself. According to Akhtar (2015), Mishu (2015), and Khan (2018), as pressure from various international labor rights organisations has gone up, BGMEA has begun to form trade unions under its direct sponsorship and monitoring, mainly in order to create an ‘impression’ of fair labor practice.<sup>211</sup> These particular trade unions are long accused of protecting the interest of BGMEA, instead of supporting the causes of the workers. Evidences show that the members of such unions, along with the local police, commonly use threat to protesting workers to withdraw from protests or strikes. They also regularly create pressure over the workers to compromise at a lesser wage or working conditions (Also discussed in Chapter 7, Section I).

It is frequently observed that filing cases against workers who are found involved in initiating strikes, lock-outs, or protests has become a common practice of the factory management.<sup>212</sup> A large number of filed cases in the recent decade are claimed to be ‘false’ by the labor right activists. A number of examples are listed below:

2006 workers movement: It is previously mentioned that the year of 2006 has observed a series of workers protest in Ashulia and Gazipur, one of the major textile belts of the country. In 2006, workers from S. Suhi Industrial Park (located in Gazipur, Dhaka) began to demand for a higher wage. Simultaneously, a large number of workers from other locations began to protest for unpaid wages, as well as for an increase in piece-rates<sup>213</sup>. As the protest went on,

---

<sup>211</sup>Akhtar, Taslima. Coordinator, Bangladesh Garments Workers Solidarity. Interviewed on January 26, 2015. Mishu, Moshrefa. Interviewed on June 20, 2015. Khan, Nazrul. Interviewed on June 2, 2018.

<sup>212</sup>Generally, in case of ‘misconduct’ from the part of the workers, two categories of cases are filed. The Labour Court takes cases related to robbery, theft and vandalism by the workers inside the factory. However, if workers are found guilty of damaging public property, cases are filed under the Civil Court.

<sup>213</sup>The amount to be paid to a worker for a single piece of garment.

---

the management began to fire workers from the factory based on charges of ‘misconduct’. The state/BGMEA backed trade unions were seen to pressurize the participating workers to withdraw from the protest. While the protests continued for weeks, the law enforcement agency took actions against the workers with the assistance of the members of the BGMEA backed trade unions (Mirza and Islam, 2015:35-36). Sohan, a garment worker, was shot dead by the police. It is to be noted that no charges were brought against the police.<sup>214</sup>

Yagi Garments: In 2012, factory management of Yagi garments, Ashulia, began to lay off workers without submitting proper notice, which led to a labour protest in the factory. The factory management responded by filing cases against the workers with allegation of vandalism. A number of workers left the factory in fear of arrest.<sup>215</sup>

Nadira Garments: In 2013, workers from Nadira Garments, Dhaka, started protesting against a sudden withdrawal of a promised lunch bill, which ultimately led the factory management to close down the factory without a notice. As the protest continued, a number of cases were filed against the workers.<sup>216</sup>

Hasin Taiba Garments: In 2014, workers from Hasin Taiba Garments in Gajipur, raised demand for better wages. Ultimately the factory management agreed to sign two agreements with the labour representatives. However, both agreements were breached by the management and 150 workers were fired. Initially, cases were filed against 33 workers which was followed by another 17 cases.<sup>217</sup>

Crystal Sweter: In 2014, a protest movement was built by the workers of Crystal Sweter as the factory management failed to pay due wages. However, the protest was immediately followed by lay offs. 33 cases were filed against the protesting workers. According to union activists, the factory management filed cases against random workers and most of the court cases were found to be based on false allegations of ‘vandalism’.<sup>218</sup>

Tuba Garments: In 2014, around 11 hundred workers of Tuba garments (located in Madhya Badda, Dhaka) began a hunger strike demanding full payment of holiday wages. As the

---

<sup>214</sup>The 2006 workers movement was aggressive in nature as the workers ended up breaking and vandalizing various public properties.

<sup>215</sup> Akhtar, Taslima, Interviewed on January 26, 2015.

<sup>216</sup> Ibid.

<sup>217</sup> Islam, Shahidul. Interviewed on March 17, 2016.

<sup>218</sup> Ibid.



---

hunger strike continued inside the factory, the BGMEA officials offered to pay off half of the holiday wages to the workers, while requested the workers to withdraw from the hunger strike. As the protesting workers refused to accept half the holiday wage, members of the BGMEA/state sponsored trade unions continued to create pressure on the workers to accept the BGMEA offer.<sup>219</sup> As the negotiation process failed, on August 7, 2014, the police used extensive tear gas inside the factory premises and pushed the protesting workers out of the factory floor with the help of the members of the trade unions supported by the BGMEA (bdnews24.com, 2014). According to witnesses, human rights activists taking positions in front of the factory floor in support of the hunger strike was also harassed and physically abused by both the police and BGMEA funded trade unionists at the same day. According to Gulrukh, a labor right activist, a clear alliance was observed between the police and the BGMEA backed trade unionists, who jointly attempted to spoil the hunger strike either by applying force or by misguiding the workers with manipulated offers.<sup>220</sup>

Fuji Garments: In 2013, protest broke out in Fuji Garments (located in Ashuila, Dhaka) demanding the payment of overdue wages for around 5 hundred workers. The workers were also protesting against a number of ‘unlawful’ lay offs. While the protest continued, the factory management decided to shut down the factory without any prior notice. As the workers decided to cointune with their protest, the BGMEA backed trade union leaders continued to create pressure over the workers to withdraw from the protest. At a point, the police, with the help of BGMEA sponsored trade unionists, attacked the workers and caused physical injuriies to a numberr of them.<sup>221</sup>

The above incidents exhibit a common pattern. In last one decade, an alliance has been observed to be growing between the law enforcement agency of the state and the members of the state/BGMEA backed trade unions. In all of the cases, the law enforcement agency and the members of the state/BGMEA backed unions were observed to be working closely, mostly cooperating with each other in carrying out offensive attacks against the protesting workers. The pattern of repression in the RMG sector is identified to be as follows:

Unpaid wageà workers protestsà false cases and layoffsà pressure created by the law enforcement agencies and the state/BGMEA funded trade unions to withdraw from the

---

<sup>219</sup> Gulrukh, Saydia. Anthropologist. Labor Rights Activist. Interviewed on May 30, 2017.

<sup>220</sup> Ibid.

<sup>221</sup> Akhtar, Taslima. Interviewed on January 26, 2015.

movementà workers rejection à protest continuesà repressive actions by the police with the help of state/BGMEA backed union workers.

Table 8has documented the number of lay offs by different factory management in Bangladesh based on accusation of ‘attempp of forming trade unions’.

Table 8: Number of laid off workers in the RMG sector

F c v g	P c o'ghv"j g " h	C t g c	P w o d g t " q h y q t m g t u
2006	S. Suhi Industrial	Gajipur	350
April-May 2006	S. Q. group	Gajipur	100+
March, 2014	Top style	gajipur	50
March, 2014	Ajim Group	Savar	25
November, 2014	Metrics	Gajipur	14
December, 2014	N. R. group	Bisic, Narayanganj	70
December,2014	Star Light	Gajipur	300
December , 2014	Hasin Taiba	Gajipur, sripur	30
November/December 2014	Pandora Garments	Gajipur	7
january, 2015	R K group	Godail, Narayanganj	100
January, 2015	Gemini	Gulshan	45
January 2015	Ridisha Garments	Noyonpur, gazipur	20
January, 2015	Rabab Fashions Limited	Borobari, Gajipur	4
March, 2015	KIM	Savar	6
March, 2014	Al Muslim	Savar	11
November 2014- March 2015	Ananta Garments limited	Nishchintopur, Ashulia	250
	Abir Fashions	Kather pul, Narayanganj	100

Source: (Mirza and Islam, 2015:34; Information collected from numerous interviews with the labor activists).

---

### 6.2.3 *V j g " U v c v g ø u " c v v g o r v " v q " h q t o " ÷ K p f w u v t k c* *C q p u r katgønæft ø "*

In October 2010, the Bangladesh government initiated the formation of a specialized unit of law enforcers, named as ‘industrial police’.<sup>222</sup> The officially expressed goal of Industrial Police was to ascertain security and maintain law and order in four major industrial zones (predominantly RMG industries) of the country<sup>223</sup> (Official website of Industrial Police). According to Newspaper reports, around 3000 personnel are deputed from the police department as ‘Industrial Police’ in order to patrol the industrial hubs of the country (Daily Star, 2010).

It is to be noted that important state officials of Bangladesh has been consistent in blaming either the ‘outsiders’ or the ‘foreign conspirators’ for the frequent workers’ unrest in the RMG industry. For instance, according to the former Home Minister Sahara Khatun, the government has formed the force to ensure that no ‘outsiders’ can incite violence or create anarchy in the industrial sector (Daily Star, 2010). The Minister for *Home* stated, “We have seen how the jute industry had died out because of frequent unrests. Now a section is plotting to destroy the garment industry” (Daily Star, 2010). Though it is not clear how and to what extent BGMEA members lobbied to the government for the formation of industrial police, The BGMEA members have regularly argued that considering the sensitiveness of the ‘lead time’ of the RMG production process, along with the necessity of ensuring regular orders from the international buyers, the state must tackle any unrest in the RMG sector (Odhikar, 2008:2). According to Shahidul Azim, the former vice president of BGMEA, “The export oriented garments industry requires consistency in production lead, timely international delivery, and a highly efficient supply chain; in the absence of which, the entire export chain might just collapse. Unrest and instability in the industry has previously caused delayed transport, excessive freight cost, and large cancellation of international orders. Workers unrest disrupts the management of international delivery, and thus the formation of industrial police had been a long time demand of the BGMEA which was well received by the government”.<sup>224</sup> According to the former President of Bangladesh Knitwear Manufactures & Exporters Association (BKMEA), as for the regular police, it takes much time to reach the

---

<sup>222</sup>There are five wings under each industrial police unit: Intelligence, operation, investigation, law and order, and administration and logistics (Official website of Bangladesh Police).

<sup>223</sup>Dhaka, Gazipur, Narayanganj and Chittagong.

<sup>224</sup> Azim, Shahidul. Interviewed on June 28, 2018.

---

spot, and often the situation spirals out of control before they arrive. Thus, tackling violence in industrial areas will be easier with the industrial police units readily available (Daily Star, 2010).

Initially it was declared by the state that the industrial police will be trained to resolve disputes between owners and workers through arbitrations, and will also gather information from the factories to identify the causes of possible unrest (The Daily Star, 2010). However, no significant attempt has been seen from the part of the industrial police to take part in any arbitration process during incidents of labor unrests.<sup>225</sup> Though there is no systematic study which could show that the deployment of industrial police in the industrial belts has increased the use of aggressive measures against the workers; it is widely visible that police actions continue to prevail in the face of consistent struggle of the RMG workers.

Though state officials and BGMEA representatives have been firm in their conviction that the formation of industrial police has been a necessity in order to ensure ‘stability’ in the RMG sector, labor rights leaders continue to claim that the underlying purpose of the formation of industrial police is to obstruct the RMG workers from participating in protest movements demanding for better wages and working conditions.<sup>226</sup> It is predicted that instead of addressing the genuine labor discontents, the actions of industrial police would only further violate the rights of labor and deteriorate the labor conditions in the industry.<sup>227</sup>

### **The argument of foreign conspiracy**

Though BGMEA members have made it clear in different times that formation of industrial police has been one of their demands to the state, the government of Bangladesh has widely used the argument of ‘foreign conspiracy’ to defend the formation of the Industrial police in the RMG sector. The official website of the industrial police declares, “*Industrial sector is playing a vital role in the national economy of Bangladesh. About eighty percent of total foreign currency of the country is earned from garments sector. But in the last couple of years, some labor unrest in this sector and violence instigated by the outsiders pull a thread to our economy. To save our economy there is a demand for a specialized police force to enforce law & order in the industrial area*” (Official Website of Bangladesh Police).

---

<sup>225</sup> Mishu. Moshrefa. Interviewed on June 20, 2015; Nasrin, Shamima. President of Shadhin Bangla Garments Kendro (Independent Bangla Garments Center). Interviewed on July 4, 2015.

<sup>226</sup> Ibid.

<sup>227</sup> Ibid.

---

It is mentioned earlier that since May 2006, the RMG industry of Bangladesh has experienced various workers unrests which turned violent in different times (Odhikar, 2008:1). Records show that almost all incidents of labor unrests have direct links with the demand for a higher minimum wage. Other important causes include: fear of job loss, cases against workers, fear of shutdown of the factories, discrimination in grades, problems of accommodation, increased house rent, high inflation, and the repressive role played by the police itself (Mridha, 2012). However, a study by ‘Odhikar’ showed that RMG workers demonstrating for wage increment, due payment, overtime payment, or weekly holidays are commonly seen to be labeled by both the BGMEA and the state officials as the ‘outcome’ of ‘foreign involvement’ (Odhikar, 2008:13). The study also stated that both BGMEA members and the state officials repetitively overlooked the reported discontent of the sector; instead, consistently blamed it on the ‘international conspirators’ for ‘provoking’ the workers (Odhikar, 2008:13). Consequently, a common perception prevails that other RMG manufacturing countries like India and China regularly ‘instigate’ the workers in Bangladesh to create public havoc which would ultimately reduce the international competitiveness of the RMG sector of the country (Odhikar, 2008:13). According to Azim (the former Vice President of BGMEA), Indian textile industry would largely benefit from any instability in the RMG sector of Bangladesh. Therefore it is very much possible that ‘Indian elements’ work behind such violent protests.<sup>228</sup> Overall, it is observed that the ‘foreign conspiracy’ argument is used repeatedly by both state officials and the BGMEA officials, while the major factors contributing to labor discontent have been largely sidelined.

#### **6.2.4 Content of Repression in the Labor Law**

It is already mentioned in Chapter 4 that *the Ministry of Labor* formed a special committee in 2010, titled as the *Labor Law Reform Committee*, in order to discuss legal issues related to workers rights, as well as to debate a number of existing clauses in Labor Law 2006. Both BGMEA members, ministry officials, and worker’s representatives participated in the committee. The labor representatives expressed their complaints and concerns over a number of clauses in Labor Law 2006 which they perceived to be ‘repressive’ in nature. The provision for ‘overtime work’ and the use of state force to evict terminated worker from residential accommodations has been suggested by the labor leaders as repressive and unfair. As the final amended version of the labor law still contained the provisions, it is alleged that

---

<sup>228</sup>Azim, Shahidul. Interviewed on July 29, 2014.

---

the suggestions made in the Labor Law Reform Committee in 2010 has not been taken into consideration by the state representatives of the committee. The next section will discuss these two particular clauses of the existing Labor Law (2013):

### **Eviction by State Forces**

Clause 32(1) of Section “Eviction from residential accommodation” of Labor Law 2006 states, “A worker occupying a residential accommodation provided by his employer, whose service has been ceased by any means, shall vacate such residential accommodation within a period of sixty days from the date of cessation of employment’ (BEF, 2009:34-35). Clause 32(2) States, “On default of a worker in vacating the residential accommodation within such time, the employer may lodge a complaint to the Labor Court. ‘Clause 32(4) states, “The Court may also pass an order directing a police officer to evict such a worker, if necessary, by force, in case he fails to quit residential accommodation within the specified time” (BEF, 2009:35).

BGMEA representative in the Labor Law Reform Committee (2008) argued that terminated workers in many cases are reported to be occupying management-provided accommodations even after their termination.<sup>229</sup> It is also argued that 60 days should be sufficient enough for a terminated worker to find an alternative place. However, Nazrul Khan, the Director of Bangladesh Institute of Labor Studies (BILS) has complained that this law has been frequently used against either the protesting workers, or workers involved in trade union activities.<sup>230</sup> This particular set of law has also been alleged for creating an opportunity for the factory owners to ‘use’ and direct both the court and the law enforcement agency in favor of the owners.<sup>231</sup> On the contrary, it is also complained in the committee that in case of ‘violation of law’ or ‘offense’ by the factory owners or management, no such comparable ‘leverage’ is available to the workers.<sup>232</sup> At the end, this particular concern raised by the labor representatives in the special committee has not been reflected in the amended law. Clause 32(1), 32(2), and 32(4) from the previous labor law remained as it is in the amended version of the Labor Law (2013).

---

<sup>229</sup> Confirmed by Nazrul Khan (2018).

<sup>230</sup> Khan, Nazrul. Interviewed on June 2, 2018. Islam, Shahidul. Interviewed on March 17, 2016.

<sup>231</sup> Ibid.

<sup>232</sup> Nazrul Khan confirmed that both Wajedul Khan (Trade Union Center) and Rajekuzzaman Ratan shared this view in one of the Reform Committee meetings in August 2010.

---

## Overtime Work

Labor representatives have long argued that the clause for ‘overtime work’ in the Labor Law is repressive in nature. Clause 100 (Daily Working Hours) in Labor Law 2006 states, “No adult worker shall ordinarily be required or allowed to work in an establishment for more than eight hours in any day: Provided that, subject to the provisions of section 108 (overtime wage rate)<sup>233</sup>, “any such worker may work in an establishment not exceeding ten hours in any day” (BEF, 2009:56). Nazrul Khan had argued in the Labor Law Reform Committee (2010) that this clause is consciously used by the factory owners to force the workers to work up to 10 hours at a regular basis.<sup>234</sup> Though, legally it should be necessary to take consent of the workers in case of overtime work, specific details are not written out in the clause. On the other hand, BGMEA representative Shahidul Azim claimed in the committee that overtime wages are regularly paid in the factories with full consent of the workers. Nevertheless, a number of news reports show that though overtime wages are paid in many factories in regular basis, it has become a common practice in the RMG industry to pressurize the workers to work more than 8-10 hours (sometimes, up to 12 to 14 hours) (New Age, 2018; CPD, 2017). Khan argued that due to fear of job loss and harassment, most workers comply with the extra working hours without complaining. Though questions were raised in the special committee over the limitation of the clause, along with its misuse in the work place, the final amended version of the labor law (2013) kept the older clause.

### 6.2.5 Repression against Women Workers: Lack of action by State and BGMEA

Though the RMG industry of Bangladesh remains one of the largest employment generators for women in Bangladesh, a large number of reports of physical, verbal and sexual abuse inside the workplaces, as well as frequent subject of harassment by police in public places are frequently observed in the RMG sector (Odhikar, 2008:39; Begum, F, Ali, R. N., Hossain, M.A., and Shahid, Sonia, 2010). It is also reported that the intensity of slang and other sexualized disciplinary activities in the factories is directly related to the pace of the production, meeting deadlines, and to meet workers’ individual production targets (Odhikar, 2008:39). A study by ‘Odhikar’ reported that highly sexualized vocabulary of male supervisors are commonly used to ‘discipline’ female workers, leading to hostile and intimidating, environments, which are reported to be largely overlooked by the BGMEA

---

<sup>233</sup> Section 108 discusses different wage rates for overtime work.

<sup>234</sup> Islam, Shahidul. Interviewed on March 17, 2015.



---

(Odhikar, 2008:39; see also Begum, F, Ali, R. N., Hossain, M.A., and Shahid, Sonia, 2010). Though incidents of sexual abuse and repression of RMG female workers is common and widely discussed in the public domain, no serious action is observed to be taken by the state administrations to address the reported incidents.<sup>235</sup> Female workers in the RMG sector hardly report any incident of sexual harassment to the police due to their lack of trust on the law enforcement agency.<sup>236</sup> The fear of retrenchment or job loss is very high, considering the ease with which workers can be dismissed (Odhikar, 2008:40). The threat of retaliation and social stigma outside the workplace by the management also constrain women's response (Odhikar, 2008:40). Though the labor law 2013 has provisions of punishment for sexual harassment, it is considered to be too insignificant compared to the frequency and graveness of the incidents.<sup>237</sup>

Meanwhile it is widely reported that the management level employees often maintain good relationship with the local police and administration.<sup>238</sup> It is common for the factory owners to make regular payments to the local police in order to ensure security for the factory premises.<sup>239</sup> Considering the close connection among the local administration, local police, and the factory management, it becomes unfeasible for the female workers to get fair treatment by reporting any incident of abuse to the local police stations.<sup>240</sup>

### **6.2.6 Concluding Remarks on State Repression to RMG workers**

The Bangladeshi state in its neoliberal reform era has heavily invested in RMG business in order to attain higher economic growth, macro-economic stability, and high foreign currency reserve. As the RMG industry has grown extensively in last two decades, with increasing bargaining capacity, BGMEA members have frequently lobbied for wage concessions and lesser regulations. With the perception of 'structural constraint' (discussed in earlier chapters) and the fear of factory shut down, job loss, or loss of export, the policy actors of the state act compelled to protect the RMG factory owners and their collective vested interest, while suppressing the workers' resistance heavy handedly. The formation of industrial police, the

---

<sup>235</sup> Nasrin, Shamima. Interviewed on July 4, 2015. Akhtar, Nazma. The official Representative of RMG workers at Wage Board Negotiation 2006. Interviewed on August 21, 2016.

<sup>236</sup> Ibid.

<sup>237</sup> Ibid.

<sup>238</sup> Ibid.

<sup>239</sup> Islam, Shahidul. Interviewed on March 17, 2016.

<sup>240</sup> Nasrin, Shamima. Interviewed on July 4, 2015; Islam, Shahidul. Interviewed on March 17, 2016; Akhtar, Nazma. Interviewed on 21 August, 2016.

---

obstructive requirements for trade unions, lack of political will to address issues of labor unrest, filing false cases against workers, eviction of workers by force, and the local police's various level connection with the factory management exhibit the state's consistent support to the RMG industry. It is also evident that a large number of repressive activities are jointly undertaken by both the state officials and the BGMEA/factory management.

Based on the above discussion it could be also presumed that the formation of industrial police and its frequent repressive actions in the industrial belts of the country is a combined result of the policy maker's internalized obligation (structural constraint) and allegiance to assure an uninterrupted supply of RMG products to international buyers, as well as BGMEA's constant plea to the state officials that industrial police is necessary to establish stability in the RMG sector.

## **Section II**

### **6.3 State Repression: The case of Quick Rental**

It is already discussed that a regime adopting neoliberal reform attempts to reduce state spending and initiate a process of privatization by transferring public resources to private actors (Cahill and Beder, 2005, 5-22). Though policies of privatization are mostly undertaken in order to address the problem of inefficiency and mismanagement of the state-owned sectors, Cahill and Beder argues that the advocacy for privatization of utility services has less to do with efficiency but more to do with shifting the costs of public services onto the consumers and the other citizen groups (see Cahill and Beder, 2005, 5-22).

It is already mentioned that the political and financial connection between the rental plant owners and the ruling party members, as well as the highly expensive nature of the rental production process has led to widespread discontent among citizens. However, the activists and the left political parties have not seen to be successful in building effective resistance against such attempt of privatization in the power sector, rather a comparatively weaker and sporadic nature of protests are being observed. The government is also observed to be relaxed in dealing with the opposition to quick rental business. This section will discuss the role of the state in dealing with the opposition activities that has occurred in response to the privatization policies in the power sector of Bangladesh.

---

### 6.3.1 U v c ~~repressive~~ actions against opposition to Quick Rental

It is already mentioned that following the quick rental deals of 2010, the *Ministry of Power, Energy, and Mineral Resources* increased the price of electricity in total of 6 times. A joint coalition of left-wing political parties namely the *Democratic Left Alliance*<sup>241</sup> called for two nationwide general strikes in different times following the ministry's decision to raise the price of electricity. The first time a general strike was called by the left coalition was in January 16, 2013 (The Daily Star, 2013). The second time the same coalition declared a general strike was on February 28<sup>th</sup>, 2017 (Dhaka Tribune, 2017). In both times the state was seen to be using police force to handle small and sporadic crowd of left activists in the streets of the capital (Dhaka Tribune, 2017). Various newspaper reports showed that during both strikes, police used tear gas, pepper spray, and hot water to disperse the activists from certain areas of Dhaka (Daily Star, 2013; Dhaka Tribune, 2017; Daily Star, 2017, Daily Prothom Alo, 2017). During both strikes more than 10 protestors were reported to be injured and arrested by the police force (Dhaka Tribune, 2017; Daily Star, 2017; Daily Prothom Alo, 2017). It is to be noted that there is no clear evidence that the state's use of repressive tactics against the left activists during the days of general strikes is a result of direct lobbying by the quick rental business groups. Rather, the state officials seemed to be pro-active in using aggressive measures against the opposition groups, while sticking to every decision of price hike of electricity.

#### 6.3.1.1 Nature of Opposition to Quick Rental and its inability to create pressure on the Policy Process

Opposition against privatization of power sector has not really recived a momentum in Bangladesh. Anti-privatization activitsm in Bangladesh are in generalmostly limited to rallies, processions, human chains, and distribution of leaflets. Protests are comomnly organized by the major left political parties of the country, namely the CPB (Communist party of Bangladesh) and Bashod (Bangladesh Socialist Party). Lately, a comparatively smaller left political party like Ganosonghoti Andolon<sup>242</sup> was observed to be playing a crucial role in opposing the attempt of privatization of power sector and the repeated price hike of

---

<sup>241</sup>*Democratic Left Alliance* is a political platform in Bangladesh, consists of around eight left-ideology oriented political parties formed in the year of 2005.

<sup>242</sup> Ganosonghoti Andolon is a comparatively newly mobilized political party in Bangladesh, formed in 2003. The party principally follows Marxist ideology.

---

electricity.<sup>243</sup> On the other hand, the main opposition party BNP (Bangladesh Nationalist Party) was hardly seen to be taking any serious stand against the privatization of power sector.<sup>244</sup> It is noted earlier that the members of former BNP government took several initiatives to privatize portions of the power sector during their multiple tenure in power.

It is important to note that in 2011, 11 quick rental deals were renewed with the respective companies. Though the media regularly covered the issue of electricity price hike, the issue of the ‘rental’ mechanisms of electricity production (which is claimed to be the single most crucial factor contributing to the price hike) is seen to be given comparatively lesser attention. The profiles of the rental companies and their political and financial connection with the ruling elites had hardly been discussed in the media.<sup>245</sup>

It is important to note that the government formed an Energy Regulatory Commission (BERC) in 2003 which was originally designed to regulate the price of electricity (see Chapter 7, Section II). The BERC arranges occasional public hearing events in order to hear from different stake holders of the power sector. Various leaders of the left parties and members of Bangladesh Consumers Associations (CAB) are regularly seen in these events to debate/counter the government’s arguments for price raise.<sup>246</sup> It is also to be noted that though a number of business groups including the power distribution and transmission companies take firm position in favor of price hike, a significant split is observed within the business community in the issue of price hike. The Dhaka Chamber of Commerce and Industry (DCCI), The Metropolitan Chamber of Commerce and Industry (MCCI), The Exporters Association of Bangladesh (EAB), the BGMEA, and the gas filling station associations, (who have all been largely affected by price hike), are observed to be consistently vocal against the price increase (The Financial Express, 2017, Dhaka Tribune, 2016b). However, the formal representation and participation of the members of different business associations, left party leaders, and members of CAB in the BERC public hearing events have eventually failed to create effective pressure on the Ministry to step back from the decision of price hike (the factors contributing to the failure to create effective pressure on the policy process is discussed in detail in Chapter 7, Section II).

---

<sup>243</sup> Saki, Zonayed. Coordinator, GanoShanghati Andolon (People’s Solidarity Movement). Interviewed on June 3, 2015.

<sup>244</sup> It is already discussed in Chapter 3 that both political parties in Bangladesh have extensively pursued pro-market policies involving large scale privatization during both the earlier and later phases of liberalization era.

<sup>245</sup> Personal observation and documentation. I have extensively followed newspaper articles/reports on electricity price hikes since the year of 2014.

<sup>246</sup> My personal observation at the BERC meetings in TCB center, Dhaka (held on August 7-14, 2016; September 25-October 4, 2017).

---

In addition, though the left parties have quite consistently organized processions and rallies following each price hike, most of these events have been observed to be fragmented with an insignificant number of participation from the common people. Though widespread discontent have been reported in the media following each price hike, the common consumers and middle class citizens are hardly seen to be participating in any of these events organized by the left political parties in opposition to the state's decision of price increase.<sup>247</sup> The two national strikes called by the left parties (following electricity price hikes) also failed to mobilize large crowds on the streets of the capital.<sup>248</sup>

Overall, the different forms of protests (including two consequent general strikes) organized by the left parties were observed to be 'not so impactful' in creating pressure over the policy actors of the government. In addition to that, the absence of critical parliamentary debate over the issue of price hike (during the times of declaration of price increase by the Ministry) has also been evident.<sup>249</sup> Jonayed Saki, a left leader (whose party has been heavily involved in the protest activities) admitted that due to lack of public participation in the protest activities, policy actors or members of the ruling party have not appeared to feel any compulsion or obligation to either negotiate or to have dialogues with the opposition groups to the quick rental system.<sup>250</sup> Two specific explanations are noted below to understand the lack of people's participation in the protest events in opposition to the quick rental deals:

- i) Public Dependence over electricity
- ii) Public Apathy over General Strikes

#### **6.3.1.1.1 Public Dependence over Electricity**

It is already mentioned that the year 2009 and 2010 was a time of serious power crisis in Bangladesh.<sup>251</sup> The government officials consistently attempted to convince the public that outsourcing electricity production to the private rental companies was a necessity of time and no other alternative was viable at that point.

---

<sup>247</sup> Saki, Jonayed. Interviewed on June 12, 2018. Also my personal observation. I personally observed two demonstrations held in front of the TCB office, Dhaka (the official venue of the public hearing events) while the week-long public hearing events were going on. I personally spoke to a number of demonstrators (mostly left activists).

<sup>248</sup> Personal observation.

<sup>249</sup> Multiple conversations with journalist Arifuzzaman Tuhin on the year of 2016/2017, who regularly covered both the Cabinet meetings and the parliamentary sessions on power and energy issues.

<sup>250</sup> Saki, Jonayed. Interviewed on June 12, 2018.

<sup>251</sup> The country was producing only 3200 MW of electricity at a time when the demand was nearly 5000 MW (Committee Briefing Book, 2011:26).

---

It is already mentioned that the quick rental power plants have increased the production of electricity by more than 3000 MW within the time period of 2009-2016 (see BPDB 2009:7, BPDB 2016:9). During the same time period, power shortage had declined significantly (see BPDB 2009:7, BPDB 2016:9). Though the left political parties continued to complain over the fiscal drainage resulted by the large amount of state subsidy provided to the rental companies in order to sustain the highly expensive rental production process, a steady generation of electricity was evident, with a fairly reliable supply to the urban hubs. According to Shamsul Alam, the power and energy advisor to the Consumer Association of Bangladesh (CAB), a widely observed perception exists that the government's temporary arrangement of private/rental electricity production has somehow solved the problem of ongoing power crisis.<sup>252</sup> Alam (2018) observed that the comparatively better supply of electricity to the urban households gradually led to citizens 'psychological dependence' over privately owned rental electricity, despite of the understanding that it is a highly expensive solution to power crisis, ultimately leading to frequent price hikes.<sup>253</sup>

#### **6.3.1.1.2 Public Apathy over General Strikes**

It is already mentioned that the different forms of protests (including two consequent general strikes) organized by left political parties were observed to be 'not so impactful' in creating pressure over the policy actors of the government. None of the strikes against the electricity price hike had any significant impact on the day to day operation of the capital city.

According to Khan (2017), the repeated history of political violence in Bangladesh during a very large number of nationwide general strikes and blockades called by both mainstream political parties in different times throughout the last decades has generated widespread anger among the common people over bipartisan political activities. Ongoing political turmoil has been observed to be causing heavy disturbance to the day to day life of general people in Bangladesh (see Rahman, 2017).<sup>254</sup> The general citizens' lack of interest over political strikes has been understood to be a result of such persistent disruption in citizens' lives caused by ongoing political blockades and violence. Though the issue of affordable electricity is crucial for citizens' welfare, and the impact of price hike is widely felt by the common consumers,

---

<sup>252</sup> Alam, Shamsul. Interviewed on May 31, 2018.

<sup>253</sup> Alam, Shamsul. Interviewed on May 31, 2018. Alam clarified that the perception does not derive from any systematic survey based on consumers' responses. Rather it derives from his years of experience on working for consumer rights to affordable electricity.

<sup>254</sup> According to the Dhaka Tribune Report, at least 1,028 people have been killed and 52,066 injured in 3,540 instances of political violence in Bangladesh since 2013 (Rahman, 2017).

---

very little participation of general people could be observed in the sporadic protests arranged by the left parties. For Saki (2015) and Khan (2017), public apathy over political strikes and public dependence over an uninterrupted supply of electricity, made it harder for the left parties to create any meaningful pressure on the policy process. Though the media covered the issue quite intensively, an absence of ‘people’s pressure’ from the street was visible.

On the other hand, Chapter 2 has already discussed the phenomenon of political disengagement of the average citizens in association with the contemporary neoliberal reform policies, which could also explain the political apathy and the lack of ability of the citizen groups to build effective resistance in the face of a hegemonic neoliberal orders. As the receptive power of the state is significantly diminished with the withdrawal of state institutions from important public services, the ability and capacity of the citizens to influence their livelihood decisions through democratic participation diminishes too (Kyroglou and Matt, 2017:4). It is important to note that though the theoretical understanding of political disengagement at a time of extensive liberalization could explain the lack of participation of the citizen groups in active political resistance, no academic study could be found in the context of Bangladesh that could systematically explain the lack of political participation of people (in cases like electricity price hike), or the overall political disengagement of the citizens in the country. The global economic and electoral trend, along with the lack of credibility and ‘non-inclusiveness’ of the left parties (Sarkar, 2015:5-7) are also other socio-economic or political factors that need to be addressed to understand the citizen’s lack of participation or engagement in socio-economic/political issues in Bangladesh, which are not within the scope of this study.

### **6.3.2 Concluding Remarks on Repression against Opposition to Quick Rentals**

It is already discussed that neoliberal reform program adopted by the state has regularly created both winners and losers. In the case of quick rental power plants, the state actors not only provided a large amount of subsidy to the private companies but also observed to be using repressive methods to contain discontent against the ‘rental-driven’ price of electricity.

It is fair to suggest that as the opposition to quick rental companies more or less failed to ensure the participation of a large number of people to challenge the rental-driven high priced electricity, the state actors were comparatively relaxed in dealing with the sporadic protest events. However, a level of state repression was still visible (use of tear gas, rubber bullets,



---

and arrests of left activists) during the two general strikes called by the left coalition parties in opposition to the power price hike.

In the case of the RMG sector (Section I) a number of evidences were found revealing the joint effort/alliance of the state apparatus and the particular business groups in using repressive forces against the opposition. However, in the case of quick rental, no direct evidence could be found indicating to the joint attempt of the state and the owners of the rental companies in dealing with the ongoing opposition. Rather, it is fair to presume that the financial and political association of the ruling party members and the rental plant owners has played an important role in determining the official position of the state actors in dealing with the ongoing opposition activities against the power price hikes.

### **Section III**

#### **6.4 State Repression in Phulbari: The Case of Asia Energy**

It is already discussed that Bangladesh government has adopted policies of deregulation, liberalization, and free trade since the 80s. It is also mentioned that in a liberalized environment, foreign corporations may use threat to shift their investment to elsewhere if the state policies or legal environment does not reflect its interest (see Chapter 2; Crouch, 2004). In this way the state feels structurally obliged to relax its regulations on wages, tax, and environmental compliances. A state originally prioritizing welfare goals of communities may eventually lose its capability to negotiate with business. This already weakened bargaining position of the state and its inability to deliver socially and environmentally just outcomes makes it more difficult for the communities to negotiate over the regulatory structure of the state, in ensuring both environmental and community compliance for foreign mining companies (Crotty, Epstein & Kelly, 1998:3). Chapter 2 already discussed in detail how policies of economic liberalization requiring ease in state's regulatory structure may ultimately leads to social frustration, political protest, and resistance (Lastrico, 2016).

In case of Bangladesh, on August 26, 2006, around 70 thousand residents of Phulbari participated in a demonstration against the Asia Energy coal mining project (U.S department of State, 2007). The police and the members of Bangladesh Border Guards (a paramilitary force) open-fired on the crowd which killed 3 persons, and injured 100 others (U.S department of State, 2007). At a point, the protestors were shot from close range and beaten

by the security forces (Luthfa, 2012:5). After several days of protest and violence, the government began negotiations with the protestors and eventually announced the cancellation of the mining project (U.S Department of State, 2007). The incident received both national and global media attention. The use of state's paramilitary force against its own citizens became a subject of discussion in the public domain. This chapter will discuss in detail the repressive nature of the state's action in the face of community protests against a multinational mining project. The discussion focuses on the following elements of state repression:

- i. The protesting community's lack of access to policy actors
- ii. The use of state's paramilitary force against non-violent community.
- iii. The policy actors' lack of interest in negotiation.
- iv. State's lack of action against the Security Forces
- v. The similar statements/remarks made by the state and Asia Energy following the incident of state violence over communities.

#### 6.4.1 V j g " e q o o w p k v { ø u " n c e m " q h " c e e g u u " v q " v j g " u v

Luthfa (2012), Muhammad (2015), and Gain (2007) raised some critical question on the policy negotiation process of Bangladesh in relation to the Phulbari mining project and the state's action against the protesting communities. For instance:

- i. The protest in Phulbari was going on for more than 7 months (starting from January 2006) (Gain, 2007:8). A number of both print and electronic media covered the news of Phulbari protest in a regular basis. Within this time period, no state officials or representatives of the local administration could be seen to arrange any meeting or dialogue with the protesting residents.
- ii. Reports show that the Energy Advisor to the *Ministry of Power, Energy, and Mineral Resources* has attended several meetings with the Asia Energy Officials within the time period of January 2006 to July 2006<sup>255</sup>(Daily Star, 2006; Gain,

---

<sup>255</sup> The Daily Star report confirmed that the Chief Executive Officer (CEO) of Asia Energy Corporation (Bangladesh) Gary Lye met the adviser of the Energy Ministry at his Secretariat office on March 30<sup>th</sup>, 2006. The report also confirmed that Steve Bywater, the CEO of the London-based parent company Asia Energy PLC, was present during the meeting. According to the report, Gary Lye said, "We had a positive meeting with the Energy Advisor. We told him that we want to work with the government to make the coal policy and the coal sector a success for Bangladesh... we look forward to implement our Phulbari Coal Project in an economically and environmentally sustainable manner" (Daily Star, 2006).

---

2007:8-11). However, no dialogues or meetings were observed to be held with the protesting communities of Phulbari within this time period.

- iii. The protesting community made repeated attempts to meet or have dialogues with state representatives or members of the ruling party. However, no meaningful responses could be observed.
- iv. Members of different political parties in Phulbari were largely seen to be taking part in the protest. Both members of the then ruling party (BNP) and the then opposition party (Awami League), along with the members of comparatively smaller left oriented parties (i.e Bangladesh Communist Party, Bangladesh Socialist Party, and United Communist League) in Phulbari actively participated in the protest movement against the decision of implementing a mining project in their community. However, the active participation of the political parties could not ensure any meaningful access to the national policy making process.

Muhammad (2007) argued that the higher echelons of the policy making process consistently overlooked the Phulbari protest. No attempts of dialogues or negotiations took place during the 7 months of protest. Meanwhile, the state officials' dialogues and communication with the Asia Energy officials were visible in the public domain (Daily Star, 2006).

#### **6.4.2 The use of paramilitary force in non-violent community protest**

The 'Border Guards Bangladesh' is a paramilitary force in Bangladesh, which is the first line of defense for the country. With the officially stated responsibility to 'defend the country's border', it acts as a reserve force under the Bangladesh Military during wartime<sup>256</sup>(Official website of Border Guards Bangladesh). Though time to time the force has been called upon to assist the state agencies for domestic law enforcement during national emergencies, the occasional use of a paramilitary force in controlling public protests is being criticized by some parts of the civil society. Particularly, the decision of the state to deploy the Border Guards in Phulbari on August, 2006 has been heavily condemned by both the local and global rights organizations due to its repressive nature against its own citizens (see World Organization Against Torture, 2007).

---

<sup>256</sup>Though the Border Guard of Bangladesh has a long military history, during peace time the force is also responsible for conducting anti-smuggling operations, investigating cross border crimes, and running relief/rehabilitation programs in remote and isolated areas following natural disasters (Official website of Border Guards Bangladesh).

---

The role played by the Border Guards in Phulbari was documented in a number of researches on Phulbari movement. According to the eye witnesses and demonstrators of the procession, the border guards were observed to be playing a crucial role in dismantling the demonstration, while deploying aggressive tactics on August 26. The following incidents were observed in the day of the blockade<sup>257</sup>:

- ◁ The Border Guards set few barricades on both sides of the bridge over the river “choto Jamuna” when the procession was heading towards the Asia Energy office (located on the west side of the Bridge) (Das, 2006).
- ◁ Though the demonstrators were at least 1 km away from the Asia Energy office, they were barred by the border guards (Das, 2006).
- ◁ A platoon of border guard forces was deployed by the local administration on the west side of the river to safeguard the Asia Energy office (Gain, 2007:2).
- ◁ It is not the police but the members of the Border Guards who open-fired on the demonstration from a short distance, killing three persons, and injuring around 100 (Country Reports on Human Rights Practices, 2006).
- ◁ While the protestors were still trying to stay at the street they were shot from close range and beaten by the members of the Border Guards (Luthfa, 2012:5).

A number of reports showed that the mass demonstration of August 26<sup>th</sup> was non-violent in nature (see Luthfa, 2012). Several incidents exhibited the intention of the protesting communities and the leaders of the movement towards non-violent measures. The official declaration of the protest also stated, “Blockade on the 26 is a non-violent program” (Luthfa, 2012:4). According to locals, once a blockade was announced by the leadership of the movement, predicting possibilities of violence, the local administration declared a curfew at the protest venue (Surapur School), located near to the Asia Energy Office. The organizers were prompt to decide to shift the venue to GM Pilot School on the night before the blockade (Luthfa, 2012:4). The organizers claimed that the shift of the protest location showed their commitment in avoiding any violence on the blockade day (Luthfa, 2012:4). As a huge turnout occurred on August 26<sup>th</sup>, eye witness’ accounts from several sources suggested that the volunteers were repeatedly warned by the organizers for being vigilant over any provocation by the ‘company agents’ (Luthfa, 2012:4). It is important to note that

---

<sup>257</sup> The blockade was called by the leaders of the Phulbari movement.

---

most national newspapers of the following day confirmed the peaceful nature of the demonstration.<sup>258</sup>

#### 6.4.3 U v c v g " q h h k e k c n u ø " n c e m " q h " k p v g t g u v " k p " p g i

It is reported that consistent effort was made on the day of the blockade from the part of the leadership of Phulbari movement to negotiate with the police. Once the protest rally reached the first barricade (put by the police), a magistrate came up and instruct the protestors to stop and disperse. Leaders were observed to be interested in negotiating, instead of taking harsh measures (Luthfa, 2012:5). Once assured by the Magistrate that the company will leave Phulbari within forty-eight hours, the leaders returned back and declared the end of the blockade. Upon announcement, the blockade was observed to be peacefully dismantling. However, according to the eye witnesses, the shots were fired by the border guards exactly at a time when the blockade was already withdrawn with assurance (Luthfa, 2012:5). Eye witnesses' account also confirmed that the security forces were seen to be indiscriminately beating up 'everyone', regardless of whether or not they were participating in the protest (Luthfa, 2012:6). This particular incident is noted by some as seriously provocative in nature.

Luthfa (2012) and Muhammad (2015) observed that the officials of the state had not considered 'negotiating' with the community protestors.<sup>259</sup> Repeated provocations by the security forces on the day of the blockade and no serious attempt of negotiation from the part of the state officials showed the policy actors' lack of interest in providing access to the community protestors in initiating any project related dialogues. Meanwhile, the reports of 'successful' meetings and dialogues between the officials of *the Ministry of Power, Energy, and Mineral Resources* with the Asia Energy officials (Daily Star, 2016) at a time when large demonstrations were taking place at the actual mining location exhibited the government's firm commitment in 'going ahead' with the project.

#### 6.4.4 Similar position of State and Asia Energy on August 26<sup>th</sup> violence

Following the shooting incident of August 26<sup>th</sup>, the comments/reactions coming from both the company representatives and the *Minister of Power, Energy, and Mineral Resources* bore

---

<sup>258</sup>Muhammad, Anu. Interviewed on July 25, 2015.

<sup>259</sup>Ibid.

---

resembles. Both the director of Asia Energy and the Advisor to the *Ministry of Power and Energy* blamed the *National Committee* for instigating violence in Phulbari and the bloodshed that resulted from it (Gain, 2007:12). While blaming the leadership, both the director of Asia Energy and the Energy Advisor specifically mentioned about their business interest associated with Phulbari Project. For instance, Gary Lye, the Director of Asia Energy Corporation reportedly declared on a national TV channel of Bangladesh, ‘I am a businessman, I am here to get coal. We will continue our operation to extract coal by any means’ (ATN Bangla, August 29:2009). On the other hand, while regretting the violence in Phulbari, the Minister of the *Ministry of Power, Energy, and Mineral Resources* stated that the incident sent a wrong message to the foreign investors, which cannot be afforded when the government is struggling hard to woo more and more investment.” He cautioned: “No matter what, we must not cancel the deal with Asia Energy, as it will raise the question of adequate compensation (to the company)” (Gain, 2007:12). It is also noted that Mahmudur Rahman, the former Advisor of the *Ministry of Power, Energy, and Mineral Resources*, consistently attempted to portray the movement as ‘unnecessary’, ‘pointless’, and been instigated by outsiders (Muhammad, 2007:102). Rahman was seen to be repeatedly blaming the leadership of the *National Committee* to exploit the ‘emotion’ of the people of Phulbari to gain popularity. In his own words, “as Bangladesh is a signatory of the World Trade Organization, the state is legally obligated to protect the dignity of any agreement signed with an international company. Considering national interest and the state’s liability to safeguard international investment agreements, there cannot be any space for emotion and irrationality in the name of the people” (Rahman, 2008:30). It is also observed that following the shooting incident, Asia Energy representatives thanked the government for providing them with full security and protection (Muhammad, 2007: 94).

Meanwhile the Advisor to the *Ministry of Power, Energy, and Mineral Resources* was heavily criticized by the civil society for not apologizing to the communities of Phulbari for the loss of lives that was caused by the border guards’ aggressive tactics (Muhammad, 2007: 94). According to Muhammad, following months of mobilization against Asia Energy, the state had to send a message to the investors that the government of Bangladesh will take full measures to protect the interest of the foreign investors in the face of any local opposition.<sup>260</sup> Overall, a number of clear messages were passed by the state actors: i) protection of

---

<sup>260</sup> Muhammad, Anu. Interviewed on July 25, 2015.

---

international investment is a priority for the state, and ii) The state will contain any opposition movement which would jeopardize the investment environment of the country.

#### **6.4.5 Use of threat by paramilitary forces against local administration**

Several witnesses claimed that the ‘magistrate on duty’ on August 6 did not want to give orders for firing on the demonstrators. Rather the members of the Border Guard forced him to do so. A newspaper report revealed that Magistrate Abdul Aziz was compelled to give permission for ‘open-fire’ at gunpoint (Das, 2006). According to the eye witnesses, the magistrate was seen to be eager to settle the matter amicably. However, in the morning of the blockade day, few members of the border guards pointed their gun at the magistrate and asked him to sign a paper they held before him (Das, 2006). Saiful Islam, the convener of the Phulbari Unit of *National Committee* observed two incidents prior to the state action on August 26<sup>th</sup>: i) The local administration of Phulbari showed willingness to solve the dispute by political means and ii) The members of the local authority seemed incapable of solving the dispute politically in the presence of the members of the border guards who pushed for repressive tactics<sup>261</sup>. The possibility of Asia Energy’s engagement with the law enforcement agency to disperse the crowd was also widely discussed among the demonstrators.<sup>262</sup> According to Luthfa, although no direct evidence could be found to further prove the involvement of Asia Energy officials in instigating the violence, the pattern of actions taken by the paramilitary forces in the blockade day indicated that they had a ‘green signal’ from the higher authority to use repressive forces to disperse the mobilization (Luthfa, 2012:5, 6).<sup>263</sup>

#### **6.4.6 State's concern that paramilitary forces' actions will give rise to violence**

On August 31, 2006, few days after the shooting incident, the government of Bangladesh ordered an investigation into the shooting. However, the report has never been made public (U.S Department of State, 2007). In December 2007, the *World Organization against Torture(OMCT)* expressed its concern that ‘police and security forces may again employ violence to deal with public opposition to the Phulbari open-pit mining project’ (OMCT,

---

<sup>261</sup> Islam, Saiful. Convener, Phulbari Unit of National Committee. Interviewed on June 24, 2018.

<sup>262</sup> Khan, Tanzimuddin. Interviewed on May 30, 2017.

<sup>263</sup> The possibility of company’s involvement in the instigation cannot be completely ruled out as several eye-witnesses observed the company officials speaking with the members of the border guards over the bridge (Luthfa, 2012:5).



---

2007:1). It is important to note that, no charges were filed against the police, the border guards, or the magistrates for the death of the protestors (Country Reports on Human Rights practices, 2008). Afterwards, both the Magistrate and the border guard officials declined to elaborate on the incident (Das, 2006). A top official of the local administration stated, "We are now under a tremendous pressure from the government high-ups. We cannot disclose certain things that took place on that day. Neither can we share those with the judicial probe committee". He added, "Please don't press us for details. If we talk to you on this, we might end up losing our jobs" (Das, 2006). This particular news report published in Daily Star on August 30, 2006 clearly reflected the lack of transparency in the government's investigation process, as well as the lack of seriousness from the part of the state to take necessary measures against those responsible for the violence.

#### **6.4.7 Concluding Remarks on State Repression to Phulbari Movement**

It is already discussed earlier that economic insecurity and loss of economic resources followed by extensive liberalization policies in the recent decades have led to serious social unrests, eventually contributing to resistance movements. The Asia Energy mining project proves to be a case in which communities predicted serious loss of personal, social, and economic assets which ultimately built up spaces for collective actions in the region. In this context, the Phulbari mining project has been considered by some as a 'typical' case of 'neoliberal' agenda in the development process of Bangladesh (see Muhammad, 2015; Pegu, 2009:10). Simultaneously, Phulbari movement challenged some vital aspects of the neoliberal patterns of developments. For instance, it challenged the popular idea of export of scarce natural resources, as well as 'foreign partnership' in local resource management. It has also raised questions over the particular mining method (open pit) considering the resulting environmental and agricultural damages to the local communities. Most importantly, it has offered an opportunity to discuss the alternative patterns of development models by emphasizing on 'national ownership' and 'national capacity building' along with the environmental integrity of development projects (see Pegu, 2009:11).<sup>264</sup> As Phulbari movement directly challenged the basic foundations of the economic reform programs, it could be fairly presumed that the state felt compelled to take repressive actions against the resisting communities. Moreover, the Energy Advisor's statement following the day of

---

<sup>264</sup> The National Committee emphasized on some specific points during the Phulbari resistance movement: '1. No to foreign company. 2. No to coal export. 3. No to open pit coal mining 4. 'Yes' to extraction of coal by state-owned institutions.

---

blockade that, “the incident has sent a wrong message to the foreign investors”- shows the perception of structural obligation that exist within the policy making domain of the state.

There is no solid evidence which can prove that the Asia Energy officials directly influenced the state authority to take repressive measures against the community protestors on the day of the blockade. However, the state officials lack of interest in negotiation, the violent nature of state’s action, the attempt of creating fear among protesting communities, the lack of transparency of the investigation process, the lack of commitment from the part of the state to take necessary measures against those responsible, and the similar remarks made by both the company officials and the high officials of the state on the incident of violence could be considered as valuable circumstantial evidences indicating that the local authority and the border guards were influenced by the consistent perception of the ministry that business interest must be protected at any cost. In addition, the reported meetings between the ministry officials and the Asia Energy officials at a time when protests were going on in Phulbari showed that the policy channels were specifically accessible to the business actors only.

---

## Chapter 7. Neoliberal Reform and the attempt of Democratizing the Policy Process

It is already discussed that the era of neoliberalism is characterized by growing number of crisis, transition, and resistance (Lastrico, 2016). As increased relative bargaining power of big business ultimately forces the government to relax its regulations on wages, taxes, and workplace or environmental compliances, it becomes more difficult for the communities, workers, or citizen groups to negotiate over the policy process of the state (Crotty, Epstein & Kelly, 1998:3). It is also discussed earlier that the neoliberal policies of 'structural reform' have generated various forces of resistance throughout the globe, mostly organized to recover the democratic spaces and reverse the elements of pro-market liberalization (see Petras and Velmeyer, 2011:80). As social and political discontent continued to grow in response to the destabilizing impact of neoliberal policies, in the face of both international pressure and local opposition, the inclusion of popular participation in the policy process becomes a widely accepted notion (see Sen 1999).

This study finds that whether it's the decision of gradual privatization of the critical state-owned sectors, opening up crucial natural resource sectors to foreign companies, or issues of labor rights, the consequent policy actors of Bangladesh have exhibited some degree of interest in taking into account the concerns or consents of the affected citizens. However, such new policy approaches of the 90s claiming to contain participatory and democratic elements have been heavily criticized for its structural limitations, donor-driven biases, and false impression of 'democratization' (see Chapter 2 for theoretical discussion).

### 7.1 The Development of National N g i k u n c v k q p u " c practices: in g o q e t c Bangladesh

It is important to note that the practice of public participation and consultation for different policies or projects in Bangladesh have been initiated mostly as a result of the advancement of international aid regimes encouraging and enforcing participatory elements of democracy in the policy making process of the aid-dependent countries. International guidelines and procedures formulated by various international development agencies and human rights/workers rights organizations have set standards of participatory ways of public consultations through which the concerns of the affected groups are taken into account and the affected communities are encouraged and enabled to actively participate in the planning

---

and implementation phases of different policies and projects.<sup>265</sup> With a growing global interest in public participation in policy making, and collective pressure from various forum of international conventions for public consultation and hearings, many developing countries in the world including Bangladesh has gradually become signatories to a number of international conventions, many of which deals with the impact of potential development projects and human rights/labor rights issues. With time, different agencies of the government have internally adopted some procedures of citizens' involvement to ensure better socio-political legitimacy of projects and policies.

It is to be noted that the 'Twelfth Amendment Act of 1991' of the constitution reintroduced a parliamentary form of government in Bangladesh (Twelfth Amendment Act, 1991: Act No. 28). Article 59 of the constitution assured the participation of elected people's representatives in local government bodies (Twelfth Amendment Act, 1991: Act No 59). In addition, Section II of the constitution includes a number of fundamental rights including freedom of thought, speech and expression. No law can be made or no action can be taken by governmental agencies in violation of these rights (AEC, 2005:16).

With the creation of Bangladesh Water Development Board, the government of Bangladesh had adopted a number of participatory approaches. Section 6 of the *Bangladesh Water Development Board Act 2000* states, "To continue with the benefits of the projects, the beneficiaries need to be organized to ensure their participation in the projects" (AEC, 2005:5). With time, the *Local Government Engineering Department (LGD)* of the government began to plan and implement different projects through community participation processes, involving the private sector, local government institutions, NGOs, beneficiary groups, or cooperative associations (AEC, 2005:5-6).

Similarly, other national development projects in Bangladesh also have adopted various participatory approaches. In case of the *Padma Bridge* and the *Jamuna Multipurpose Bridge*,

---

<sup>265</sup>The *Indigenous and Tribal Peoples Convention* recognizes "indigenous people's aspirations to exercise control over their own institutions and ways of life..." (Indigenous and Tribal Peoples Convention, 1989:No. 169). *International Council on Mining and Metals (ICMM)* emphasizes on engaging at the earliest practical stage with affected parties to discuss and respond to issues and conflicts concerning the management of social impacts (ICMM, 2001). The *OECD guidelines for multinational enterprises* stresses on the importance of engaging in timely communication and consultation with the communities directly affected by the environmental health and safety policies of the enterprise (OECD guidelines, 2011). A number of international financial institutions such as the Asian Development Bank and the World Bank have made an obligation for the governments to publish Environmental Impact Assessment (EIA) reports in order to ensure necessary environmental considerations to be integrated into each stage of the project cycle (AEC, 2005: 11). The International Labor Organization (ILO) has attempted to enforce eight conventions including freedom of association, effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labor; and the elimination of discrimination in respect of employment and occupation.

---

consultation meetings and village based focus group discussions were held, in order to identify and assess the impact of the project (AEC, 2005:6).<sup>266</sup> In addition, the government passed the *Jamuna Multipurpose Bridge Project (Land Acquisition) Act in 1995*, to address the inadequacies around compensation, mostly complying with the donor's requirements (AEC, 2005:16).

In case of Phulbari coal mine, under the section "Compensation to Occupiers", the *Ministry of Power, Energy and Mineral Resources* drafted a land acquisition and compensation payment law and undertook necessary steps for its enactment (AEC, 2005:6). Both the relevant ministry and Asia Energy claimed that the act ensured adequate public involvement in the process (AEC, 2005:6).

Though consequent governments have consistently claimed that public participation is commonly ensured in various national development projects, little evidence is found showing effective implementation of such participatory approaches. Rather, it is observed that methods of public participation and consultations are strategically accommodated in the process as a mere 'eye-wash' while implementing the already decided programs of the state (Discussed in detail in the following sections). For instance, in the case of Asia Energy, the methods of public consultation have been reported to be biased and unfair. In case of the RMG sector, the trade union activities are reported to be constrained by various manipulative practices of the factory management. In the case of electricity price hike (caused by rental production of electricity), the government-led public hearing events following each price hike are claimed to be ineffective in reflecting the real public perceptions. In some cases, an underlying alliance is observed between the state and the vested interest groups in implementing the particular projects, despite substantial public opposition.

---

<sup>266</sup>In case of Jamuna Multipurpose Bridge, study tour of resettlement sites were undertaken by locally elected officials and community leaders (AEC, 2005:6).

---

## Section I

### 7.2 State, BGMEA, Trade Unions: Attempt of democratizing the RMG sector

It is already mentioned that the neoliberal policies of ‘structural reform’ generated different forces of resistance, mostly organized to recover the democratic spaces and reverse the elements of pro-market liberalization. As the RMG industry in Bangladesh expanded in the last two decades, increasing number of protests and demonstrations have also become common in the RMG sector. In the face of both international pressure and local opposition, the consequent officials of the *Ministry of Labor* in Bangladesh have exhibited some degree of seriousness in taking into account the concerns or consents of the workers. This section will specifically discuss the role of the policy actors in attempting to democratize the RMG sector by allowing the participation of workers and trade unions in the policy process.

As the ready-made garment industry emerged as the largest export industry of the country, new forms of labor rights violations have been observed in the recent decades. The BGMEA had imposed an unofficial restriction over the trade union activities in the ready-made garment sector for long while the state remained unresponsive over the issue (See Hossain, 2017; Hossain 2018). In the last decades, with rising pressure from various international bodies and labor organizations, the *Ministry of Labor* in Bangladesh attempted to create some democratic spaces in the RMG sector by addressing a number of allegations of ‘fault lines’ to the Labor Law clauses. Chapter 4 already discussed that the Ministry of Labor formed a Labor Law Reform Committee in 2010 to discuss various issues relating to the labor law clauses, in which the participation of both trade union activists and BGMEA members had been ensured (See Chapter 4, Section I). Though additional amendments to the existing labor law were considered to be a positive step towards making the labor law ‘evenhanded’ and well-timed, soon it became evident that the implementation of some of the provisions remained largely dependent on state’s enthusiasm and practical actions. The ultimate inability of the policy actors and the BGMEA members to deliver the originally stated objectives for the workers raised some serious questions over the entire attempt of the state actors to ensure worker’s participation in the policy process.

The following section will critically examine some attempts of the state to improve the participation of workers in the RMG policy process. The section will also identify the limitations and drawbacks of the following official attempts which have been criticized for

---

misguiding the workers and creating a ‘false impression’ of democratic practices in the work place: i. The provision for Participatory Committee, ii. Membership requirement for Trade Unions, and iii. The provision for a participatory Wage Board.

### **7.2.1 R t q x k u k q p " q h " R c t v k e k r c v q t { " E q o o k v v g g < " C place**

Under the chapter “Trade Union and Industrial Relations”, the Labour Law 2006 allows the formation of a ‘Participatory Committee’ within the factory establishment, with representatives of both the employers and the workers.<sup>267</sup> Clause 205(2) states, “Such committee shall be formed with representatives of the employer and the workers”. Clause 205(6) states, “in the case of an establishment where there is no trade union, representatives of the workers on a participation committee shall be chosen in the prescribed manner from amongst the workers engaged in the establishment for which the participation committee is constituted” (BLA, 2013). In short, the workers representatives in the participation committee are to be selected by the employers of the factory and until a trade union is formed within the establishment, the workers representatives in the participation committee will work for the interest of the workers.

The BGMEA representatives have justified the formation of participatory committees by arguing that RMG workers will get a space within the workplace to express their voices and to create pressure on the management to change policies which negatively affect the workers. Participatory Committees are also expected to address issues relating to wage discontent, maternity leaves, due payments, sick leaves or lack of toilets within the establishment.

According to Shahidul Azim, the former vice president of BGMEA, in the face of both international pressure and local discontent, the organization of some democratic spaces had become necessary within the factory establishments.<sup>268</sup> According to Azim, the formation of participatory committee and the representation of workers in the committee have assisted the factory management to understand the workers’ issues in a better way. The culture of participation has also created a vibrant democratic environment through which both sides are able to present their arguments and eventually come up with a solution that is accepted by

---

<sup>267</sup>The formally stated functions of the Participation Committees are to i) promote mutual trust and cooperation; ii) Ensure application of a labor laws; iii) foster sense of discipline; and iv) maintain safe and healthy working conditions (Labor Law 2006, Section 205(1)).

<sup>268</sup> Azim, Shahidul. Interviewed on July 29, 2014.



---

both parties.<sup>269</sup> And thus, according to Azim, trade union activism is no longer necessary in the work place.

Following large scale implementation of the provision of participatory committees in different factories of the RMG sector, union activists began to complain over this particular arrangement. According to the union activists, the provision of participatory committees indirectly discourages the formation of actual trade unions. According to Taslima Akhtar, the coordinator of *Bangladesh Garments Workers Solidarity*, BGMEA attempts to give an impression that participatory committees work as effectively as trade unions and thus formation of actual trade unions is unnecessary. With the excuse that a participatory committee is already in effect, the factory management tries hard to create obstruction in the process of forming trade unions within factory establishments. This implies that factories with no trade unions are almost waived from the obligation of forming trade unions within a particular time frame.<sup>270</sup> Members of various participatory committees also complain that the formation, organization and activities of participatory committees are majorly controlled and dominated by the management and the owners, while the vocal workers of the committee are immediately dismissed or fired (Mirza and Islam, 2015:34). It is also claimed that the labor members of the participatory committees are chosen by the factory management, and in most cases, they are known to be ‘obedient’ and ‘sold-out’. The formation of participatory committees are hence observed to be structurally affiliated with the factory management and obligated to present the interest of the owners (Mirza and Islam, 2015:34). Based on the experience from the factory floors, the trade union members have long argued that the labor law’s provision of participatory committee has actually created a false impression of a ‘democratic space’ within the factory establishment.<sup>271</sup>

## 7.2.2 Trade Unions, Membership Requirements, and the fault-lines of ÷ Fogq e t c v k | c v k q p ø

Though Bangladesh labour law has clear provision for the establishment of trade unions in every factory, in reality, without direct sponsorship and patronage from the state or the BGMEA, both formation and operation of trade unions remain a challenging task. Evidences

---

<sup>269</sup> Ibid.

<sup>270</sup> Akhtar, Taslima. Interviewed on January 26, 2015.

<sup>271</sup> Trade union leaders including Taslima Akhtar, Moshrefa Mishu, Shamima Nasrin and Rajekuzzaman Ratan have all spoken against the provision of participatory committee at different times based on the ground that it has created a false impression of democratic space in the factory floors.

---

show that a large number of formally registered trade unions in Bangladesh operate with the direct sponsorship and assistance of either the BGMEA or the state itself (see Mirza and Islam, 2015:35). It is observed that as pressure from various international labor rights organisations has gone up, BGMEA began to form trade unions under its direct sponsorship and monitoring (Mirza and Islam, 2015:35).

Additionally, it is evident that the current labor law has provisions that creates unnecessary obstructions in the process of forming trade unions. For instance, section 179(2) of the labor law clearly states that “A trade union of workers shall not be entitled to registration under this chapter unless it has a minimum membership of thirty percent of the total number of workers employed in the establishment in which it is formed” (BLA, 2013). Union activists argue that the process of getting membership signatures itself is a complex and labor-unfriendly procedure. Firstly, as many factories in Bangladesh employ a very large number of workers, it becomes very difficult to obtain membership consent from 30 percent of the workforce. For instance, in the process of forming a trade union, it becomes necessary to set up an organizing committee to discuss with the workers the advantages of having an union within the establishment. However, in the process of obtaining signatures from at least 30 percent of the workforce, the organizers commonly get labelled or tagged as ‘trouble-makers’ (see Mirza and Islam, 2015:35). It is observed that as soon as the process begins, dismissal and laying off begins as well. Due to possibilities of such lay offs, not only the workers restrain themselves from participating; in many cases, even the trade union organizers restrain themselves from getting involved in many factories (see Mirza and Islam, 2015:35). In addition to that the laid off workers find it difficult to get jobs in other factories due to the ‘bad reputation’ associated with trade union activism (see Mirza and Islam, 2015:35). It has also become a general practice to file cases against workers who are found involved in initiating strikes, lock-outs or protests.<sup>272</sup>

### **7.2.2.1      U v c v g ø u " n c e m " q h " e q q r g t c v k q p**

Union activists complain that even if a labor right organization is ultimately able to obtain 30 percent membership signatures from the factory, and is able to successfully fulfill all other requirements, it still remains very difficult to obtain a formal registration from the

---

<sup>272</sup>See Chapter 6, section I, for complete discussion on the number of lay- offs in different factories due to worker’s attempt to form trade unions.

*Department of Labor* due to the lack of cooperation from the state administration or for demands of bribes. However, in case of the state-funded or BGMEA-funded trade unions, the administration is responsive and creates no obstacle in the registration process (Mirza and Islam, 2015:33-35). It is to be noted that in between September 2014 to January 2015, a total number of 36 trade unions were formally registered through the Department of Labor itself (Mirza and Islam, 2015:33-35). It is found that all 36 unions are known to be backed by either BGMEA or the state (Mirza and Islam, 2015:33-35). On the other hand, unions with no backing from the state or the BGMEA find it difficult to be registered through the department. A list of the trade unions is provided below which failed to obtain trade union licences from the Director of Labour despite of their consistent effort to obtain one (Mirza and Islam, 2015:35):<sup>273</sup>

1. Garments Workers Unity forum
2. Bangladesh Garments Workers Trade Union Center
3. Bangladesh O. S. K Garments and textile workers federation
4. Garments workers Front.
5. Bangladesh Garments Workers Mukti movement
6. Garments Majdur Union
7. Combined Garments workers Federation
8. Garments Workers Solidarity
9. Revolutionary Garments Workers Solidarity
10. National Sweater Garments Workers Federation
11. Garments Workers Shobha
12. Nationalist Garments Workers Party

### **7.2.3 Y q t m g t u ø " c e e g a c c e s s " t h r o u g h p a r t i c i p a t i o n i n W a g e B o a r d : Fault-lines of Democratization**

Though the Minimum Wage Board in Bangladesh was first established in 1959 under the *Ministry of Labor & Employment* to govern and fix minimum wages (Official Website of Minimum Wage Board), the board remains almost inactive until the year of 1994.<sup>274</sup> The functioning of the wage board is apparently designed to ensure a fair negotiation process in

<sup>273</sup> The list is obtained by personally communicating with Trade Union activists.

<sup>274</sup> It is only in 1994, the Wage Board in Bangladesh has first called its meeting for a better minimum wage in the face of widespread workers' protest (see Table 9: The gap between demanded wage and approved wage (1994-2017) on page 226).

---

which both BGMEA representatives and the representatives of workers can ‘equally’ participate in the process of bargaining, and fix a minimum wage through a ‘democratic’ process (Official Website of Minimum Wage Board). The wage board is based on a system of ‘one member one vote’, and allows the same number of representation from each entity including the owners and the workers, in which the presence of at least one ‘neutral’ member and one representative from the state is supposed to create a fair balance in the entire negotiation process.

However the very process of selecting labor representatives for the wage board itself raised some valid questions. For instance, initially the *Department of Labor* officially invites the registered trade unions to select their own representative for the wage negotiation process. Each of the registered trade unions, upon receiving official letter from the ministry, sends at least one name of a labor representative whom they have nominated. After reviewing the list of nominated names, the Department of Labor officially announces the name of the labor representative for the wage board. The very process of this selection raises questions mainly due to two reasons: Firstly, it is only the registered trade unions who are invited to nominate a representative. In between 2006 to 2015, the comparatively vocal and active trade unions (who failed to obtain formal registration from the ministry) have received no invitation letter from the ministry in the process of selecting a representative for the wage board (Mirza and Islam, 2015:36,37). Secondly, the registered trade unions who receive invitation letters from the ministry ultimately find it difficult to exert any influence over the final nomination process, as they remain unaware of exactly how the actual representative is selected by the ministry (Mirza and Islam, 2015:36,37). This implies to an overall lack of transparency in the selection process.

It is widely claimed that the labor representatives selected for the wage board (by the Department of Labor) in the year of 2006, 2010, and 2013 were actual members of BGMEA/state backed trade unions<sup>275</sup> (Mirza and Islam, 2015:37). General workers tend to complain that since 2006, the labor representatives of the wage board have failed to represent the actual interests of the RMG workers. Some even complained that the representatives have been completely ‘sold out’.<sup>276</sup> Few sympathetic ones asserted that the ineffectiveness of the

---

<sup>275</sup> Labor activists and leaders including Taslima Akhtar, Moshrefa Mishu, and Rajekuzzaman Ratan in different times have all accused the labor representatives of the Wage Board to be ‘BGMEA-backed’.

<sup>276</sup> Akhtar, Taslima. Interviewed on January 26, 2015.

---

labor representatives in the wage board has been caused by the tremendous pressure imposed on them either by the ruling party or the BGMEA member during the negotiation process.<sup>277</sup>

It is to be noted that the functioning of the wage board itself is not beyond controversy. Even the selected labor representatives of different wage boards complained in different times that their comments and concerns are not valued properly or taken seriously by the other board members. The labour representative of the 2006 wage board was once seen crying out in front of the media, complaining that she felt completely neglected as none of her remarks were taken seriously by the other members of the board.<sup>278</sup> Sirajul Huq, the labour representative of the 2013 wage board complained that it is almost impossible to win over any negotiation process in the wage board due to the high level of leverage practiced by the BGMEA representatives in the board. For instance, the BMGEA representative of the 2013 wage board left the meeting arbitrarily during the negotiation process by posing a threat of closing down the factories.<sup>279</sup> According to Huq, this is a common tactic used by the BGMEA members in all negotiation processes to compel the state to agree to a lower wage. The state representatives of the wage board have hardly been observed to be taking any strong position against such ‘blackmailing’ tactics of BGMEA representatives during the wage negotiation process.<sup>280</sup> Huq also mentioned that through out the week-long wage board negotiation process, he could not sleep for a single night due to the pressure he felt from both sides.<sup>281</sup> It is also to be noted that while the wage negotiation process goes on, workers protests continue on the streets, mainly due to the widespread ‘lack of reliance’ over the labour representatives participating in the wage board.<sup>282</sup>

On the other hand, the BGMEA representatives have consistently opposed any demand for wage increase based on the ground that the RMG industry competes in the global market, which constantly search for low cost garments products. Any increase in labor wage ultimately reduces the cost competitiveness of the industry, which might lead to order cancellations and job loss.<sup>283</sup> On the contrary, labor leaders have long complained that wage board negotiation is a highly challenging task for an ‘ill-informed’ labor representative as she needs to win over a ‘well-informed’ and ‘well-prepared’ BGMEA representative in the wage

---

<sup>277</sup> Nasrin, Shamima. Interviewed on July 4, 2015.

<sup>278</sup> Akhtar, Nazma. Representative of RMG workers, Wage Board 2006. Interviewed on August 21, 2016.

<sup>279</sup> Huq, Sirajul. Representative of RMG workers, Wage Board 2012. Interviewed on March 17, 2016.

<sup>280</sup> Akhtar, Nazma. Interviewed on August 21, 2016. Huq, Sirajul. Interviewed on March 17, 2016.

<sup>281</sup> Huq, Sirajul. Interviewed on March 17, 2016.

<sup>282</sup> Akhtar, Taslima. Interviewed on January 26, 2015. Nasrin, Shamima. Interviewed on July 4, 2015.

<sup>283</sup> Azim, Shahidul. Interviewed on June 28, 2018. Jamal, Arshad. Interviewed on May 29, 2018.

board, who has access to complex financial knowledge. In the absence of knowledge regarding production cost, break-even analysis, and profit ratios, the labor representatives feel ‘helpless’ in the face of constant confrontation.<sup>284</sup>

**Table 9: The gap between demanded wage and approved wage (1994-2017)**

[ g c t	F g o c p f g f , * o q p v j n { ,	C r r t q x g Y c i g " * o k p " W U F +
1994	\$25	\$15
2006	\$45.0	\$24.0
2010	\$65.0	\$45.0
2013	\$100	\$65.50
2017	\$200	\$100

(Source: Daily Star, 2018)

#### 7.2.4 Concluding Remarks on the c v v g o r v " q h " ÷ f g o q e t c v k | k p i ø "

As liberalization policies intensified, and the state turns into global capital, deregulation, and export promotion, based on the ‘liberal’ premises of efficiency, productivity, and macroeconomic stability; the spaces for collective labor rights have gradually started to shrink. As the state feels ‘structural constraint’ towards corporate capital investment, various issues relating to workers rights have been consistently ignored. However, as anger and discontent rises in Bangladesh, both policy actors and the BGMEA members have seen to be interested in giving some ‘spaces for participation’ to the RMG workers. The practice of participatory committees, trade unions, and wage board negotiations are observed to be such attempts from the part of the state actors in order to ensure certain degree of democratic practice in the policy process.

However, in the process of forming unions within the factory establishments, the union activists and general workers find serious obstacles at various levels. Whether it’s the factory management, the BGMEA members, or the Department of Labor itself; not only a serious lack of cooperation is evident, but also an active ‘opposition’ has been observed at different layers of the process. In conclusion, it is fair to suggest that the Bangladeshi state through the creation of a set of labor laws has attempted to create a legal framework for the workers to

<sup>284</sup>Huq, Sirajul. Telephone Conversation. March 17, 2016. Akhtar, Nazma, Interviewed on August 21, 2016

---

form trade unions and to participate in the decision making process. However, the current legal conditions for trade unions appeared to be nearly dysfunctional due to its inability to address the ground realities and the active lack of assistance from the state machinery. Overall, the joint attempt of the state and the BGMEA to ‘democratize’ the factory places has been observed to be widely unsuccessful due to the state’s consistent lack of cooperation, as well as its underlying inclination towards business interest.

## **Section II**

### **7.3 Quick Rentals, Bangladesh Energy Regulatory Commission, and Citizen Groups: An Attempt of Democratizing the Power Sector**

Earlier chapters already discussed that Bangladesh Government gradually opened up its power sector to private business groups and adopted a quick rental based power production strategy, which ultimately caused rounds of electricity price hikes in different times. As several opposition activities have become visible against the consistent price hike, an already established regulatory body of the government, named as Bangladesh Energy Regulatory Commission (BERC), began to operate regularly by arranging public hearing events in order to ensure public participation in the policy process of the power sector.

BERC is a regulatory body under the *Ministry of Power, Energy and Mineral Resources*, which is commonly known for organizing public hearing events each time the Ministry raises the price of electricity. The BERC, which has been in force since 2003, is perceived to be an effort from the part of the state to regulate the price of electricity and ensure public participation in the policy making domain of the power sector. However, currently the operation of BERC has raised serious concerns due to its ultimate inability to supersede the decision of the *Ministry* despite of consistent public discontent over high priced electricity resulted by the heavily subsidized quick rental power production. This chapter will critically analyze the following aspects of the apparent ‘democratization’ process:

- a. The structure of BERC and its attempt to democratize the policy process
- b. The citizen group’s participation in the policy process
- c. The power struggle between the Ministry and the BERC
- d. The limitations and the fault lines of the ‘democratization’ attempt



---

Overall this section will attempt to identify and analyze the limitations to BERC's public hearing activities, and how it constrains the real possibilities of citizen's democratic practices.

### 7.3.1 The BERC and its attempt to democratize the power sector policies

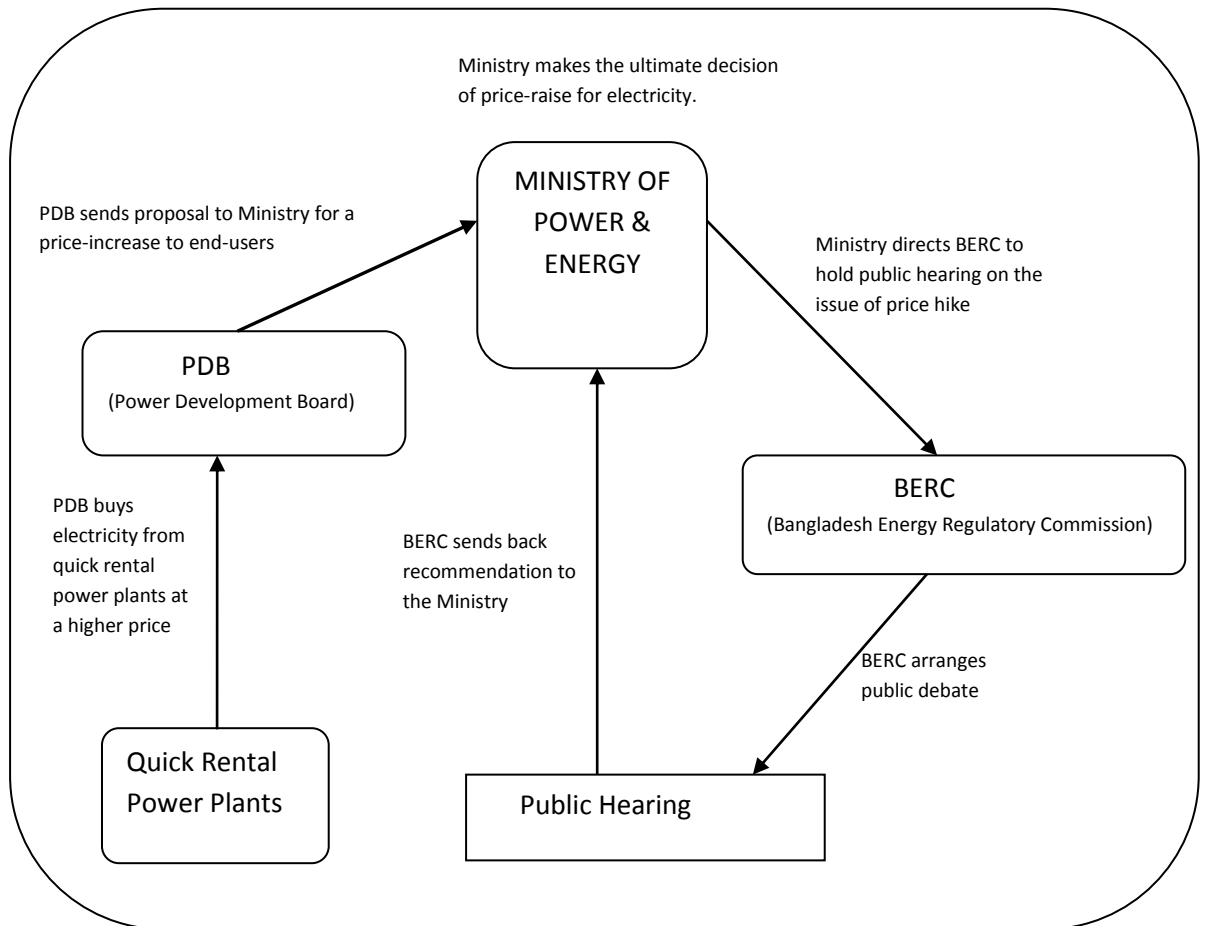
Bangladesh Energy Regulatory Commission (BERC) was established on March 13, 2003 through a legislative Act of the Government of Bangladesh (see BERC, 2003). In 2008, under the 'Power Sector Reform Program' the World Bank group provided a US \$120 million policy credit to the power sector of Bangladesh 'to promote good governance, accountability and financial stability in the sector' (see World Bank Report, 2008).<sup>285</sup>In general every time the Bangladesh Power Development Board and other associated state-owned organizations (dealing with production, generation, and distribution of electricity) send a proposal to the *Ministry of Power and Energy* to raise the electricity price both at commercial and household level, BERC is held responsible for arranging public hearing events to hear the views of different citizen groups and stakeholders of the economy. The official structure and mechanism of BERC public hearing is listed below:

- ◁ BERC board members host the hearing.
- ◁ The Bangladesh Power Development Board and other state-organizations related to production, generation, and distribution of electricity publicly present their cost analysis reports and attempt to justify their proposal for price increase.
- ◁ The BERC invites the representatives of various sectors of economy including citizen groups, business owners, industrialists, investors, and various other consumers groups to present their arguments. Representative stakeholders from different parts of the economy as well as members of different political parties present their views and arguments over the proposal for price increase.
- ◁ The discussion, arguments and counter arguments continue for nearly a week. The BERC chair takes notes from the debate. At the end, the BERC chair promises to take necessary measures based on the arguments presented in the hearing.
- ◁ The comments and recommendations of BERC chairs are sent to the *Ministry of Power and Energy* for review.

---

<sup>285</sup>Some of the major functions of BERC were enlisted as to ensure efficient use of energy, quality of power supply, and enforcement of fiscal discipline. BERC is also expected to extend co-operation to the Ministry of Power, Energy, and Mineral Resources regarding generation, transmission, marketing, distribution, and storage of electricity; to resolve disputes between parties, to ensure appropriate remedy for dishonest business practices or monopoly, and to fix tariff rate for fuel and electricity (See BERC Act, Chapter 4, 2003).

- ◁ The *Ministry of Power and Energy* of Bangladesh reviews the recommendations made by the BERC.
- ◁ The Ministry declares its final decision (whether or not to increase the electricity price).



**Figure 4: Power relation between Ministry and BERC**

### 7.3.2 **V j g " ÷ R q y g t " U v t w i i n i s t r y ' a n d B E R C g E a p l t - l i n e s j o f " O ÷ f g o q e t c v k | c v k q p ø**

Though BERC is established to ensure public participation in the policy process of the power sector, the power relation between BERC and Bangladesh *Ministry of Power and Energy* plays an important role in determining the extent of authority BERC could actually practice in the presence of strong executive influence.

---

Legally, BERC holds similar power to a civil court, in investigating, appropriating, and deciding on the price of electricity (see BERC Act, Chapter 4, 23.1). On the other hand, the Ministry holds the right to issue policy directives for the overall development and planning of the power and energy sector, in consultation with the BERC (BERC Act, Chapter 5, 24.1). In case of disputes, the ministry is expected to discuss the matter with the BERC chairs, and if it appears necessary, is entitled to resolve it (see Chapter 5, BERC Act, 26).

It is already noted that the Bangladesh Energy Regulatory Commission was formed by the state with an officially documented vision of ‘democratic representation’ in the policy making process. Though one of the officially stated vision of the World Bank driven ‘Power Sector Reform Program’ was to make provisions for the establishment of an ‘independent’ and ‘impartial’ regulatory commission for the power sector, the ‘power struggle’ between the ministry and the commission is observed to be functioning as an obstacle in the way for BERC to promote a genuine democratic space for the citizen groups in the policy process. It is observed that the ultimate authority of the Ministry to make the final decision of raising the price of electricity defeats the actual purpose of the formation of BERC and its regular arrangement of the public hearing events to ensure citizens participation. According to Rahmatullah, the ex-director of *Power Cell* in Bangladesh, “In most cases the decision of a price-increase appears to be pre-determined. Though the BERC is observed to be following all relevant rules and procedures in carrying out public hearing events, eventually the major arguments and opinions presented in the hearings by various citizen groups and stakeholders of the economy, along with experts and political parties, play a minimal role in altering the price decision.”<sup>286</sup> It is even argued that the selection of the BERC chairs itself is a controversial process. According to Khan (2017) and Rahmatullah (2016), it is the government technocrats with allegiance to the ruling party are commonly seen to be chosen as the members of BERC.<sup>287</sup>

Overall, starting from 2008, with the inauguration of the Awami League government, BERC has reviewed the proposals of price increase of electricity around six times. Despite of specific objections and concerns raised at the BERC consultation meetings in between the year of 2008 and 2016, the *Ministry of Power and Energy* approved all proposals of price increase recommended by the Power Development Board and its associate organizations (see BPDB Annual reports, 2008-2016). The BERC not only consistently failed to convince the

---

<sup>286</sup> Rahmatullah B.D. Interviewed on August 11, 2015

<sup>287</sup> Khan, Tanzimuddin. Interviewed on May 30, 2017. Rahmatullah B.D. Interviewed on August 11, 2015.

---

*Ministry of Power and Energy* to restrain from repeated price increase, it also failed to convince the state actors to withdraw its patronages from the quick rental power production process which contributed largely to the price hike. This implies that despite of the apparent democratic space created by BERC in the policy process, it eventually contributed very little in regulating the price hike.

### **7.3.3 The Citizen's Participation to the Policy Process**

In between the year of 2009 to 2017, the government of Bangladesh raised the price of electricity around 6 times. The policy actors of the state (mostly ministry officials) commonly present two arguments in favor of the price hike of electricity both at the BERC events and other official venues:<sup>288</sup>

1. As the country is running out of local gas reserves, the share of comparatively expensive imported oil in the power production process has been increased. It is the high price of imported oil which ultimately created the pressure on the price of electricity.
2. Due to state's limited generation capacity, the state is forced to purchase electricity from privately owned oil based rental/quick rental plants.

It is to be noted that though it remains a difficult task for the general citizen groups to participate or access the policy making domain of the state, particularly in the issue of price hike, the BERC public hearing events have provided an impressive platform for different citizen groups to participate in the policy process and challenge the state's policy decisions. It is observed that spontaneous and informative debates have regularly occurred at the public hearing events arranged by BERC. The following citizen groups and stakeholders of the economy were observed to be regularly participating in the public hearing events:

- i. Academic Experts
- ii. Consumer Associations of Bangladesh (CAB)
- iii. Small business owners and representative members of different business associations who happened to be affected by high price of electricity (For instance: BGMEA, BKMEA (Bangladesh Knitwear Manufactures and Exporters

---

<sup>288</sup>My personal observation at different BERC meetings in TCB center, Dhaka (held on August 7-14, 2016; September 25-October 4, 2017).

---

Associations), Metropolitan Chamber of Commerce and Industries (MCCI), Dhaka Chamber of Commerce and Industries (DCCI), CNG Filling Station and Conversation Owners association, Bangladesh Steel Mill Owners Associations, and Bangladesh Frozen Food Exporters Association (BFFEA).

- iv. Left political leaders (Bangladesh Community Party, Bangladesh Socialist party, and Ganoshanghati Andolon).

This section has presented the arguments against price hike of electricity which are regularly placed at the BERC public hearing events by different citizen groups. At the end, the section examines the implications of consequent debates on the policy process, and challenges the claim of ‘democratic practice’ in the policy domain of the power sector.

### **7.3.3.1 The counter arguments presented by different Citizen Groups**

#### **Consumer Association of Bangladesh (CAB)**

Dr. Shamsul Alam, the advisor to the Consumer Association of Bangladesh (CAB) (who also happens to be an expert of local energy issues) presented the following facts at the BERC event:<sup>289</sup>

- i. By 2016, more than 50 percent (7235 MW) of nationally produced electricity was coming from the privately owned oil-based rental power plants, whereas the rest (5919 MW) was supplied by state owned (gas-based) power plants (also see JICA, 2016:10).
- ii. Oil-based electricity is much costlier (around 6-8 times) to produce compared to gas based electricity. Due to the high purchasing price of rental electricity (oil based), it was expected that the state would gradually decrease its purchase from the privately owned rental power plants. However, with the further extension of the rental deals, it has become clear that the state has no plan to withdraw its subsidy from the oil based rental production, but instead will continue to purchase electricity from rental power plants, which would keep the electricity price high in the coming years.

---

<sup>289</sup>My personal observation and documentation at the BERC meetings in TCB center, Dhaka (held on August 7-14, 2016; September 25-October 4, 2017). I have also personally met Dr. Shamsul Alam following the events in order to collect the documents he presented at the hearings on behalf of CAB.

- 
- iii. Due to soaring oil prices in the international market, Bangladesh Petroleum Corporation (BPC) had made significant losses in between the year of 1999 and 2014 (see Chapter 5, Section II). However, in the financial year of 2014/2015, as the price of oil in the international market declined from \$110 per barrel to \$40, BPC was reported to make a huge profit exceeding around US \$2 billion (also see Byron, 2016; Khan, 2016).
  - iv. Bangladesh Petroleum Corporation (BPC) was able to recover its previous accumulated losses by the year of 2016. Hence, high price of oil in the international market no longer remains a valid argument for raising the price of electricity as argued by the state (Power development Board). Nevertheless, the previous losses made by BPC due to the high priced imported oil from the earlier times, was consistently used as an excuse by the state ministers to continue justifying the high priced electricity.

### **Business Associations**

The members of BGMEA, BKMEA, FBCCI, MCCI, BFFEA and a number of other business associations have regularly participated in the BERC public hearing events (BERC, 2017:3-4).<sup>290</sup> The major arguments presented by the business associations were that the high price of electricity has a spiral impact on the economy as it leads to higher production cost for different manufacturing units including readymade textile, knitwear, jute goods, ceramics, leather, frozen shrimps and others. Both BGMEA and BKEMA argued that a raise in electricity price will have a direct impact on their manufacturing cost, which may ultimately affect the competitiveness of Bangladeshi garments products in the international market. Members of *Bangladesh Steel Mills Association* complained that electricity price hike will increase their production cost by 15 percent. Members of *Bangladesh Cold Storage Association (BCSA)* representing the interest of around 400 cold storages around the country complained that repeated increase of electricity price has already pushed up the cost of total storage facilities and if the price of electricity keeps rising, a drastic impact might be observed in the agro communities around the country as individual farmers would have to bear the extra cost for the storage of their seasonal production. Members of *Bangladesh Frozen Food Exporters Association* presented their figures of higher storage cost, along with

---

<sup>290</sup>My personal observation at different BERC meetings in TCB center, Dhaka (held on August 7-14, 2016; September 25-October 4, 2017)

---

its impact on overall production cost, resulted by repeated price hike of electricity in the recent years. The *Small and Medium Enterprises Association* argued that high priced electricity would lead to higher office rents and higher utility bills for hundreds of struggling small and medium enterprises throughout the country (see BERC Report- 2017:3-4, for complete coverage of the debates) (see Section 7.3.4 - ‘concluding remarks’ for discussion on fragmentation of business interest).

### **Left Political Parties**

Zonaid Saki, the coordinator of *Ganashanghati Andolon*, and Ruhin Hossain, the member of the *Bangladesh Communist Party*, repeatedly raised the following questions at the BERC events:<sup>291</sup>

- a. Is there an alternative to rental power plants?
- b. Can the state take over (nationalize) the privately owned rental power plants to supply electricity at a much lower price?
- c. Can the state increase its own power production capacity?

Left leaders repeatedly argued that the nationalization of the rental power plant has become a necessity in Bangladesh. They have also argued that it is possible to expand state’s power production capacity by investing in the installation capacity of its already existing plants (see Chapter 5, Section II). The major argument was based on the ground that since an ‘excessively’ large amount of state subsidy is already provided to the rental companies in order to sustain its production process, it would be a financially rational decision to invest the same amount of money in building new power plants under state-ownership, or expanding the installation capacity of the existing state-owned (gas-based) power plants<sup>292</sup> (see Chapter 5, Section II). Both Saki and Hossain have elaborately discussed the impact of high priced electricity on the lower income segments of the economy, as well as the small business groups in Bangladesh.<sup>293</sup>

---

<sup>291</sup>My personal observation at different BERC meetings in TCB center, Dhaka (held on August 7-14, 2016; September 25-October 4, 2017)

<sup>292</sup>Rahmatullah, B.D. Interviewed on September 5, 2015; Muhammad, Anu. Interviewed on July 25, 2015.

<sup>293</sup>My personal observation at different BERC meetings in TCB center, Dhaka (held on August 7-14, 2016; September 25-October 4, 2017).



---

### 7.3.4 The Impact of BERC Hearing: The Concluding Remarks

Despite energy experts' repeated warning that rental based solution of power crisis would actually drive the state's fiscal balance into disarray, the government continued to purchase high priced electricity from the private rental plants. Moreover, the state did not pro-actively pursued the less expensive solutions, such as renovating the older state-owned gas-based power plants, or expanding the installation capacity of the state-owned oil based power plants (see Chapter 5, Section II).

It is evident that the BERC's attempt to promote democratic representation in the policy making process remain ineffective. Though in the face of public discontent and disagreements, the participation of different stakeholders of the economy (including political parties, independent experts, consumers associations, and other business associations) have been ensured in the policy domain; in none of the cases, the *Ministry of Power, Energy, and Mineral Resources* has changed its earlier decisions of price raise. The decisions are widely understood to be patronizing the functioning of the rental production of the country.

The mechanism through which BERC operates ultimately raised vital questions over the functionality of BERC. It has appeared that BERC holds no real power over the Ministry to make superseding decisions, which would reflect public preferences. Hence, the concept of public hearing, though democratic in nature, consistently failed to deliver a practical democratic outcome. Meanwhile the ultimate authority of the Ministry prevailed. Overall, it is fair to argue that the attempt of state actors to 'democratize' the policy process of the power sector (in relation to power price hike) has remained unsuccessful.

Nevertheless, the case of quick rental and the resulted price hike has indicated to a unique scenario in which a sharp fragmentation within the business community is visible. A number of business associations including the BGMEA, BKEMA, and FBCCI have consistently opposed the decision of price hike based on the argument that it will have a spiral impact on different sectors of the economy, ultimately leading to higher production cost for a large number of manufacturing units, as well as the export oriented manufacturing firms in the country. The BERC public hearing events have also presented an ideal case of 'pluralist democratic practice' in which not only that the business community appeared to be fragmented, but also the interest of consumers and citizen groups collides with the interest of a large number of business associations.

---

### Section III

#### 7.4 The State, Asia Energy, and the Community of Phulbari: Attempt of ÷ f g o q e t c v k | k p i ø " v j g " R j w n d c t k " E q c n " r t q l g e

As the government of Bangladesh pursued for policies of deregulation and liberalization, it has gradually opened up important natural resource sectors for foreign investment. In the wake of state's decision to allow Asia Energy Corporation to implement a coal mining project in Phulbari, confusion and discontent grew among the communities. As concerns were raised over the social and environmental impact of open pit mining in Phulbari, Asia Energy Corporation attempted to undertake a series of public consultation programs in the area. The stated objective of the consultation process was to ensure participation of the residents of Phulbari in the planning phase of the mining project. This section discusses in detail the process and elements of the public consultation programs during the initial phase of the mining project in Phulbari. The section will also identify the flaws and limitations to the consultation programs.

##### 7.4.1 V j g " c v v g o r v " q h " C u k c " G p g t i { " v q " ÷ f g o q e t c v l

Following the agreement between the government of Bangladesh and the Asia Energy Corporation, both entities consistently claimed that they are committed to conduct the proposed mining activities (involving compensation, relocation, and resettlement) with full compliance with the existing legal requirements and international conventions (AEC, 2005:5). Additionally, Asia Energy at different times claimed that a series of open consultation meetings were undertaken in the Phulbari area in line with national and international laws and treaties (AEC, 2005:5). It is to be noted that the Bangladesh government did not run any separate consultation process with the communities of Phulbari. Instead, the local administration of Phulbari had shown their 'confidence' on the consultation process carried out by Asia Energy officials (FGD, 2015).<sup>294</sup> According to Asia Energy website, the objective of the consultation process was to inform the stakeholders regarding each phase of the project, and provide them with ample opportunities to express their views in the planning and decision making process of the project (AEC, 2005:14). The report also

---

<sup>294</sup> The Phulbari residents confirmed that a number of officials from the local administration have repeatedly suggested the communities that Asia Energy is a well reputed organization and the residents should comply with the project planning phase for the sake of 'economic development' (FGD, 2015).

---

claimed that the consultation process was designed with a good understanding of the local-social dynamics, and the people of Phulbari had easy access to all kinds of information (AEC, 2005:18). According to the report, a series of consultation took place with local individuals, special interest groups, government stakeholders, NGOS, political representatives, locally based academia, consultants, indigenous groups, business enterprises, landowning farmers, vulnerable households, and landless farmers of Phulbari (AEC, 2005:16). Key consultation methods included: Establishment of a project information center and distribution of project information through information sheets, brochure, and documentary films (AEC, 2005:16). Throughout the process, Asia Energy representatives claimed that the consultation and participation process was being sensitive to all social categories including the most marginalized groups. Asia Energy also confirmed that the public consultation and disclosure programs fully complied with the state's environmental assessment requirements (AEC, 2005:16). However, a report released by *NGO Forum*<sup>295</sup> complained that the information provided by Asia Energy on its official website reads more like a 'public relations document' (NGO Forum on ADB, 2008). It confirmed that the website no longer contains the draft *Environment Impact Assessment* report, the *Involuntary Resettlement Plan* and the *Indigenous People's Plan* (NGO Forum on ADB, 2008).

It is already mentioned in Chapter 1 that an *Independent Expert Committee* was formed in 2005 to monitor and re-evaluate the *Environmental Impact Assessment* Report prepared and submitted by *Asia Energy Bangladesh Ltd.* During a visit on the mining area on January 27, 2006, the Expert Committee collected booklets and information sheets provided by the Asia Energy agents to the local people. Following various consultation meetings with local people, members of the expert committee noted the following inaccuracies:<sup>296</sup>

- ◁ Although specific areas for the coal reserves are identified in booklets, the actual amount of land needed for the project and for rehabilitation purposes were not specified.
- ◁ Pictures presented in the booklets were untitled and irrelevant.
- ◁ Though the report specified over Asia Energy's plans for resettlement and compensation for land, housing, and businesses, and for the establishment of a development fund for the affected land owning farmers, it failed to mention the

---

<sup>295</sup>The *NGO Forum on ADB* is an Asian-led network of civil society organizations (CSOs), based in Asia and Pacific region.

<sup>296</sup> Selected findings from the Summary Report of the Expert Committee (REC), 2006.

---

amount of compensation for the landless farmers who constituted the majority in the area.

- ◁ The information sheet published and distributed to the local people in August 2005 contains misleading information. For instance, it is claimed that the pits created after the extraction of coal will be gradually filled up by the soil that is removed during the extraction. It is also claimed that the land will be brought back to its original condition and a sweet water lake will be created for beautification, recreation, and water conservation. However, a separate Asia Energy report submitted to the government itself confirmed that the resettled land cannot be returned to its previous condition and will not remain suitable for agriculture.

The expert committee also found out that the survey forms were written in English, and the surveyors of Asia Energy wrote down information and opinions of the local people in pencil. Communities suspected that the anti-mine sentiments and opinions of people were not accurately reported by the Asia Energy surveyors (REC, 2006:10).

Moreover, although the Asia Energy report claimed that the names of the already consulted stakeholders were included in the Environment Impact Assessment Report, it is found that only the 'designations' of the officials and experts were listed in 'Appendices B' with no specific mention of individual names. The expert committee also found that a number of individuals (whose designation was listed in Appendix B) had never been consulted or contacted at any given time. The chairperson of the *Independent Expert Committee* himself is one of them (REC, 2006:10).

#### **7.4.2 Public Consultation Process**

During the planning phase of the Phulbari coal project, Asia Energy Corporation admitted in its own report that serious concerns were raised by the affected communities over the loss of agricultural land, employment opportunities, and community relations (AEC, 2005:34). However, both Asia Energy and the government officials consistently claimed that a majority of the possibly affected communities were 'supportive' of the project, who regularly participated in the consultation process with 'enthusiasm', and responded to various surveys. It is also claimed that a general sense of support had been observed in the community

---

consultation meetings for the proposed resettlement sites (AEC, 2005:34). According to a resettlement survey conducted by Asia Energy in between February and August 2005, a large majority of the respondents (79.3 percent) agreed that the coal project is necessary for the development of the country, with 18.4 percent disagreeing. The same survey reported that 74.1 percent of the residents of Phulbari would support the project as long as fair compensation is paid, with 25.3 percent disagreeing to it (AEC, 2005:34).

It is vital to note that, the same Asia Energy report confirmed that discontent over the project had become visible among the Phulbari residents. Various opposition activities were reported to be observed in the area including street demonstrations, public meetings, human chains, distribution of pamphlets, submission of memorandums to the government, and refusal by some households and business enterprises to be interviewed by the surveyors. The formation and organization of the 'Phulbari Interest Protection Committee' was also perceived to be a significant development in the area against the coal project (AEC, 2005:35). As public discontent grew in the locality, Asia Energy Corporation justified its position by the following statement: *"It is recognized that community opposition occurs in any large scale development, particularly those with large resettlement components typically being contentious. In response to the recent display of discontent, Asia energy has increased levels of consultation on all appropriate levels, and particularly with those who seem most concerned about the project, including project affected individuals, community leaders and government officials* (AEC, 2005:35).

On the contrary, local community leaders of Phulbari claimed that Asia Energy had consistently confused the communities by giving out manipulative information regarding local benefits of the coal project, along with various false images of the resettlement process. Local people of Phulbari also confirmed that they have been consistently persuaded by Asia Energy surveyors to believe that the coal project would ultimately change their ways of lives by creating a massive number of employments and new business opportunities in the area. The people of Phulbari I personally interviewed confirmed that the potential negative impacts of the project were not explained to them properly (FGD, 2015). It is also confirmed that they had never been consulted over the *Environmental Impact Assessment* report, the *draft resettlement plan*, or the *indigenous peoples development plan* (FGD, 2015).

It is already mentioned that according to a Asia Energy survey, as many as 74.1% of Phulbari residents felt that they would support the project if proper compensation is paid (AEC, 2005:

---

19-23). However, following several consultation meetings with the local people, the members of the independent expert committee assured that the impression given in the Asia Energy report is far from being accurate. The majority of the local community with whom the expert committee members exchanged their views strongly opposed the Phulbari coal project and claimed that misleading and limited information was provided to the community prior to the survey (REC, 2006:10). Local community leaders of Phulbari confirmed the expert committee members that consistent attempts have been made to pursue the Ministry officials, as well as the local administration, to have dialogues or meetings with the community leaders of Phulbari. However, both state officials and local authority remained unresponsive to the public demand (REC, 2006:10).

#### **7.4.2.1 The Role of the Local Administration**

It was observed that the local administration in Phulbari remained inactive during the time of Asia Energy's public consultation meetings in the area. No cross checking or independent consultation was undertaken in the area from the part of the government for long (FGD, 2015). The Asia Energy report claimed that the government officials generally viewed the mining project as a significant development project with substantial regional benefits (AEC, 2005:35). In addition to that a number of local officials were commonly seen to be confronting the ongoing public discontent (FGD, 2015). Meanwhile, the silent role played by the government and the local representatives during the planning phase of the project was perceived by the Phulbari community as a 'green signal' given to the company to carry out all kinds of required operation for the project (FGD, 2015).

#### **7.4.3 Concluding Remark u " q p " v j g " æñø ø g o r k |' kqph i"ø÷"fv j g " R j w Project**

It is already discussed earlier that neoliberal development policies involving liberalization of crucial natural resource sectors of the country leads to serious economic and social insecurity for local communities which eventually contributes to social unrest. As crisis or discontent rises, it is observed that both state actors and the business actors attempt to adopt certain level of participatory approaches in the policy making domains.

In the context of Phulbari mining project, although various procedures of public consultations had been tried out by Asia Energy officials, a large number of inaccuracies and unfair

---

practices had been identified at all layers of the process. While the state actors failed to play an ‘independent’ role in assessing the possible social and environmental damages of the project, Asia Energy’s consultation process was filled with misleading information. The communities of Phulbari confirmed that Asia Energy’s public consultation process repeatedly overlooked the community’s concern over the project. Meanwhile, no cross checking or independent consultation was undertaken by the state in the area during the time of discontent and protests.

Overall, the repressive measures taken by the state on August 26, 2006 showed that the ultimate decision of implementing the Phulbari mining project barely depended on the consent or approval of the Phulbari communities. Rather, it is understood that various international conventions and human right organizations’ requirement for community participation in the project-designing phase have compelled the state and the business actors to adapt to various participatory approaches. Eventually the state’s repressive action against the same community indicated to the structural limitations and biases of the participatory/consultation programs of Asia Energy Corporation. The state’s repressive actions, as well as the official statements coming from the Ministry following the incident (see Chapter 6, Section III) both indicated to the state actors’ perception of ‘structural constraint’ to protect commercial interest of business investors particularly in the background of heavy economic reform and liberalization policies.



---

## Chapter 8. A failure of the UDwlgp g u u " P g s of Asia Energy j g " E

The empirical findings of this research confirm that various forms of state-business nexus exist in all three cases of the thesis. However, in the case Phulbari, the state appeared to fail to achieve the target of implementing the Asia Energy mining project in the planned location. Hence, it becomes necessary to address the following questions (in light of theory): What factors contributed to the apparent *lack* of success of some of the resistance movements? What factors contributed to the ‘success’ of some resistance movements? What made the business interest fail in the particular case of Phulbari mining project?

Chapter 2 already discussed that labor unions and citizen groups are more likely to be involved in relatively more open political processes involving larger numbers of participants, while business interests attempt to shape the policy process quietly, by avoiding open conflicts (Dur, Bernhagen, and Marshal, 2015:3-5). Salisbury (1984) found that citizen groups tend to play more prominent roles in comparatively visible public domains, while business seem to be more active in the less visible arenas (Salisbury, 1984: 74-5). Similarly, when the public participation is visible and ‘spotlight’ is on, business interest tends to lose (see Danielian and Page, 1994:1076). This particular theoretical assumption is convincingly applicable in the context of Phulbari resistance. As the parliament system in Bangladesh does not provide any meaningful access to the public in general; the citizen groups are more likely to get involved in relatively more open processes which involve large public participation.

It is already noted that following the government’s mining agreement with Asia Energy, the communities of Phulbari repeatedly failed to reach the policy actors. No formal or informal channels of communication were practically accessible to the community leaders or even the members of the local political parties in Phulbari through which the decision for open pit mining in Phulbari could be challenged. Once the Phulbari movement gathered a large number of supporters in ‘visible’ public domains, not only that it attracted media ‘spotlight’, the state officials were also compelled to respond. It is widely perceived that the large public involvement and the continued resistance in the public domain (following the repressive actions of August 26<sup>th</sup>) made it difficult for the business actors to continue to prevail its influence on the policy actors (FGD, 2015). The resistance movement could successfully stall the mining project in 2006 with officially signing the Phulbari Agreement.<sup>297</sup> The movement

---

<sup>297</sup> The agreement was reached at a meeting in Parbatipur Upazila on August 30, 2006. Mr. Mizanur Rahman, the Mayor of Rajshahi City Corporation signed the Agreement on behalf of the government, while Prof. Anu Muhammed signed it on

---

could also effectively block any further action by the state and the Asia energy Corporation in the region.<sup>298</sup>

Though it is difficult to identify exactly what factors systematically contribute to the development of an effective resistance against business interest; by examining the different case studies of this thesis it is at least evident that in the presence of an effective social resistance movement, effective pressure could be imposed on the policy actors which in turn could block the effort of the state to implement an apparently unpopular policy. On the other hand, to systematically identify the variables leading to the ‘failure’ of a resistance movement (in influencing a policy process) or to identify the variables contributing to the inability to develop a successful resistance movement remains a complex task due to the presence of a number of diverse variables in the backdrop of dissimilar circumstances. The next sections will discuss the theories of social resistance movements, as well as attempt to identify the variables which has contributed to the success or limitations of the resistance movements in the specific sectors discussed in this study.

### **8.1 The Theory of Social Resistance Movement**

To understand the role of social resistance movements in blocking the attempts of the state and the business groups in implementing unpopular projects or policies, it is important to examine the theories of social resistance movements, the nature of resistance movements against business interest, and the possible variables affecting the success, failure, or limitations of the resistance activities. Though there is no consensus on what exactly leads to a social resistance movements, it is evident that a large number of resistance movements around the world have been able to effectively challenge either an existing government policy, or a new one, or a proposed development project.

It is widely observed that the rise of market economy and the growing power of multinational corporations have caused conflicts over resources, dislocation of communities, and erosion of ways of life, which have largely affected the livelihood of the already marginalized communities (Phongpaichit, 2002:11). It is also mentioned that the neoliberal agenda of ‘structural reform’ generated different forces of resistance, mostly organized to recover the

---

behalf of the Phulbari residents and the *National Committee*. One of the major demands of the Phulbari Agreement was to cancel the Asia Energy coal mining project.

<sup>298</sup> Though attempts were made both from the part of the state and Asia Energy to renegotiate with the Phulbari leadership, till today the Asia Energy officials are delcared ‘un-wanted’ by the community in the Phulbari area (FGD, 2015).

---

democratic spaces, and to reverse the elements of pro-market liberalization (Petras and Velmeyer, 2011:80).<sup>299</sup>In the recent decades, a large number of social resistance movements have been observed to be opposing environmentally damaging development projects, labor rights violations, privatization of public resources, and resource extraction by multinational corporations (Phongpaichit, 2002:11).

On the contrary, it is also observed that communities experiencing displacement and dispossessions due to large development projects or policies of neoliberal reform do not always resist. A large number of dams and open-pit mines have been developed throughout the world with almost no resistance (Baviskar, 2004; Doyle, 2002; Taylor, 2011; Horton, 2010; Kalafut, 2008). As increased relative bargaining power of big business ultimately forces the government to relax its regulations on wages, taxes, and workplace or environmental compliances, it becomes more difficult for the communities, workers, or citizen groups to negotiate or resist against the policy process of the state (Crotty, Epstein & Kelly, 1998:3).

A number of studies exist attempting to define and analyze the causes and the characteristics of social resistance movements. Turner and Killien (1987) defined social movements as collective acts to promote or resist a change in the society. Social movements could also be defined as efforts to block a proposed change or to uproot a change already achieved (Turner and Killien, 1987:223). The work of James Davis (1962) and Ted Gurr (1970) suggests that people are driven into movements out of a sense of deprivation or inequality, particularly either in relation to others or in relation to their expectations. This could also mean that economic insecurity, loss of economic resources, or social status gives rise to social unrest, which ultimately leads to social movements.

Some political analysts have argued that modern social movements are a delusion because these movements emphasize on civil society rather than class, networks rather than political parties, and local actions rather than the capture of the state (Cited in Phongpaichit, 2002:2; Originally in Brass 1994). It is also argued that such resistance movements are only proven to be a futile populist strategy with no hope of success against the entrenched power of the internationalized capitalist state (Brass, 1994). The others responded that class has become

---

<sup>299</sup> These new social movements were concerned with a range of issues such as the protection of human rights, protection of environment, the rights of labor, the advancement of gender, land reform, and other forms of social equality.

---

much more complex in the modern globalised world (see Veltmeyer 1997), in which states are most unlikely to be overthrown by old-style party movements. It is suggested that modern states are heavily linked with global capitalist resources, which in fact played an important role in the rise of various resistance movements. Thus it is important to adjust to the modern global phenomena, rather than adhering to an ‘idealized’ past (see Omvedt 1993; Byres 1995).

The following section has two major focuses:

- a. Analyzing the variables contributing to the apparent *lack* of success of the resistance movements (the case of workers movement in the RMG sector, and the resistance against quick rental deals and the privatization effort in the power sector).
- b. Analyzing the variables contributing to the success of social resistance movements (The case of Phulbari movement against Asia Energy).

## **8.2 The limitations of the resistance movements against business policies in Bangladesh (the case of RMG industry and Quick Rentals)**

In the recent years, though most workers movements in the RMG sector were seen to be sporadic, spontaneous, and unorganized in nature, many of those took militant forms (Khanna, 2011:14). It is also observed that most recent workers movements have been merely event based, demanding a higher wage or a better working conditions, instead of stressing upon a specific working class ideology (Khanna, 2011:14). For instance, sporadic hunger strikes (Toba movement, 2014), or occupation of particular location for months (Swan garments movement, 2015) appeared to turn out as unique ways for demanding due wages. However, decade long sporadic resistance movement of the RMG workers and the trade unions activism could not create sufficient pressure over the state’s policy actors for an equitable minimum wage. Though the minimum wage level for the industry has been increased in different times throughout the decade (as a result of both international pressure and workers struggle), it hardly matched with the actual wage level demanded by the workers’ movements. Most importantly, the current minimum wage level for the textile workers of the country has remained largely incompatible to the ILO Conventions (see Article 3, ILO minimum wage fixing convention, 1970) and remained one of the lowest in Asia (see Daily Banik Barta, 2017; Daily Star, 2018b; also see Table 9 in Chapter 7).

---

Similarly, in the recent decades, the attempt of privatizing important public services in different countries drove a number of resistance movements throughout the globe.<sup>300</sup> Though in Bangladesh, the gradual outsourcing and privatization of the power sector has drawn some opposition (following the highly expensive quick rental deals and their repeated extension with a large number of private companies); activists and left political parties could not succeed in building sufficient pressure over the state against the state's reform policies relating to privatization (see Chapter 6, Section II).

It is already discussed in chapter 6 (Section II) that opposition against the gradual privatization and outsourcing of the power sector have not yet received a momentum in Bangladesh. Anti-privatization activism are observed to be mostly limited to rallies, processions, human chains, and distribution of leaflets, organized by the major left political parties in the country, namely the CPB (Communist party of Bangladesh) and Bashod (Bangladesh Socialist Party) (See Chapter 6, Section II). On the other hand, the main opposition party (Bangladesh Nationalist Party) has hardly taken a serious stand against the privatization of the power sector mainly due to its own involvement in privatization activities during its time in power. Moreover, though the left parties organized regular processions against the decision of further renewal of quick rental deals, the common consumers and urban based citizens have hardly participated in those 'fragmented' events.<sup>301</sup>

It is already mentioned that the Bangladesh Energy Regulatory Commission arranges public hearing events at a regular basis in order to hear from different stakeholders of the power sector, including the Consumers Association of Bangladesh (CAB), representatives of export oriented industries, and various business and manufacturing associations (see Chapter 7, Section II). The leaders of left parties are regularly seen in the BERC consultation meetings debating/countering the government's proposal for price hike. Demonstrations during the public hearing events are also common. Though many believe that the state-sponsored public hearing events could be an effective platform for different stakeholders to voice their concerns over electricity price hikes; according to some critical analysts, BERC is barely an effective authority to regulate price hike, as its vision and activities are restrained by the policy actors' ultimate agenda of privatization of the power sector which has been majorly led by the neoliberal reform policies of the state (see Chapter 7, Section II for complete discussion).

---

<sup>300</sup> The Cochabamba Water War in Bolivia against the water privatization attempt of the Bolivian government in 2000 is a significant example of as such.

<sup>301</sup> Saki, Jonyaed. Interviewed on June 12, 2018. Also, my personal observation while attending various demonstrations arranged by left political parties against electricity price hike.

---

The following section attempts to explore the crucial variables which most likely to have contributed to the apparent limitations of the above mentioned resistance activities in Bangladesh in exerting effective pressure on the policy process of the state.<sup>302</sup>The possible variables are identified to be the following:

- a. The textile workers perception of ‘lack of alternative’ to RMG employment.
- b. The urban citizens’ perception of ‘lack of alternative’ to privatized supply of electricity.
- c. The absence of united platforms for the workers, consumers, or the citizen groups to resist.

### 8.2.1 V j g " r g t e g r v k q p " q h " ÷ N c e m " q h " C n v g t p c v k x g ø ' "

Chapter 2 has already discussed in reference to Brown that neoliberalism is not merely a set of economic policies involving free trade, maximization of profits, and challenging welfarism, but also involves extention and dissemination of market values to all institutions and social action. (Brown, 2003:38-40). Though there is an academic vacuum in Bangladesh attempting to connect the state’s adoption of neoliberal agenda with any significant change in people’s perception over the neoliberal development model, a number of prominent political commentators have given a strong sense of understanding that different stakeholders of the modern neoliberal economy has grown a sense of ‘lack of alternative’ in the face of a large number of employment created by a the RMG industry, mostly led by contemporary liberalization policies of the state.<sup>303</sup> Similar remarks could be applied to the case of privatization of power production (rental mechanism). The gradual privatization of utility services has been regularly justified by the policy actors based on the argument that the Bangladesh state does not have an alternative but to outsource and privatize a portion of its power production base. Though a systematic explanation for such sense of ‘dependency’ is missing in existing academia, the widespread acknowledgement of the RMG industry as the largest employment generator for the country (see CPD, 2018; Daily Star, 2017; Daily Star,

---

<sup>303</sup>No systematic research is existent which could explain the variables affecting either the ‘lack of success’ or the ‘limitations’ of the resistance movements in these particular sectors. The possible explanatory variables are drawn from a number of interviews I have conducted in the recent years, along with few literature reviews, my own personal observation of random protest events, and an unsystematic documentation of political debates on the media/television talk shows.

---

2018)<sup>304</sup> could be identified to be an important factor contributing to the textile workers' perception of 'lack of alternative'. Similarly, steady supply of electricity in the urban hubs with a gradual decline of power shortage (see BPDB 2015, 2016, 2017), could be contributing to the sense of 'public dependence' over the rental arrangement of power supply.

### 8.2.1.1 The textile workers perception on the RMG industry p c v k x g o

It is already noted earlier that the readymade garments industry in Bangladesh is the largest employer of labor force in the formal manufacturing sector. Around 4 million garment workers are employed in nearly 5000 factories, supplying apparel products to mostly international buyers (Hasan and Ullah, 2016:39). The withdrawal of state subsidy from agriculture throughout the 90s and the breakdown of the state owned jute mills in the late 90s (prescribed by the World Bank under the Structural Adjustment Programs) caused a large number of job losses in the country, which led to a surplus of workers searching for jobs in other sectors (Khanna, 2011:4). Meanwhile the emergence of the readymade RMG industry in Bangladesh under the state's liberalization policies gradually developed itself as a labor intensive industry attracting a massive influx of workers throughout the last decades. As reform policies intensified, with increased bargaining power of the owners, labor rights have been regularly violated in the industry (see Hossain, Ahmed, and Akter, 2010; Ahmed, 2012; Odhikar 2008). A large number of migrated workers were found to be readily available at a low wage, and being compliant to an inequitable working condition. This also led to the influx of unorganized and unskilled workers to the RMG factories, subject to exploitation as per market terms and conditions (Khanna, 2011:4).

It is important to note that women workers in the textile industry (coming from the rural parts of Bangladesh) are mostly young, unmarried, widowed, or divorced, belonging to landless families. In most cases, these women chose to migrate to the cities due to economic desperation (Khanna, 2011: 4). While the formal economy offers limited options to this vast majority of the population, most women perceive a job in the readymade garment factory as 'respectable', in contrary to working in the informal sector (construction, domestic work etc) which often involves harsh and humiliating physical tasks (Khanna, 2011:4). Though the minimum wage in the garment industry has remained incompatible to the ILO conventions,

---



---

the incident of widespread unemployment, along with the perception that textile job is the ‘only option’ or the ‘best option’, could be gradually contributing to the worker’s psychological dependence over the industry.<sup>305</sup> Trade union activists have also identified that a strong sense of vulnerability and lack of option discourages many RMG workers from actively participating in the wage movements or from joining trade unions.<sup>306</sup>

### 8.2.1.2 **V j g " w t d c p " e k v k | g p u " ÷ r g t e g r v k u p p l y ð f q h " ÷ n c e n electricity**

It is already discussed that neoliberal reform policies in Bangladesh intensified in the 90s with large scale implementation of privatization programs, along with the state’s withdrawal from important public services. Whether or not it has been able to bring any change in public perception towards the policies of privatization is a matter of systematic survey. However, it is crucial to note that there has been a persistent effort from the part of the state to convince the people that outsourcing of state’s power production to private rental companies was an unavoidable act in the face of serious power crisis in the year of 2009 and 2010.

It is already mentioned that when the demand for electricity was nearly 5000 MW in 2009, the country was producing only 3200 MW of electricity. The state consistently attempted to convince the public that outsourcing electricity production to the private rental companies was a necessity of time and no other alternative was viable at that point. It is also mentioned earlier that the quick rental power plants have increased the production of electricity by more than 3000 MW within the time period of 2009-2016 (see BPDB 2009, BPDB 2017). During the same time period, the frequent incidents of power cuts had declined significantly (see BPDB 2009, BPDB 2017). Though the left parties of Bangladesh continued to complain over the fiscal ‘drainage’ resulted by the large amount of state subsidy provided to the private rental companies, a steady generation of electricity was evident, with a fairly reliable supply to the urban hubs (See Chapter 6, Section II).

It is already noted that there is an absence of systematic surveys which could evidently prove that a sharp increase in electricity supply has contributed to the urban psyche that the government’s temporary arrangement of private/rental electricity production was the only

---

<sup>305</sup> Mishu, Moshrefa. Interviewed on June 20, 201. Akhtar, Taslima. Interviewed on January 26, 2015.

<sup>306</sup> Mishu, Moshrefa. Interviewed on June 20, 201. Akhtar, Taslima. Interviewed on January 26, 2015.

---

option to the power crisis of the country. The state officials and the policy actors regularly attending the BERC events have repeatedly mentioned about the steady supply of electricity since the year of 2009, and how it has kept the general public ‘content’ and ‘relieved’. However, according to B.D. Rahmatullah (former director of Power Cell), it is the government’s repeated claim that oil-based rental plants are the only solution to the country’s long existing power crisis, eventually led to citizens’ perception of ‘lack of alternatives’ to privately produced electricity, despite of the understanding that it is a highly expensive solution to power crisis, and the fact that alternative solutions have been long suggested by the experts.<sup>307</sup>

## **8.2.2 Lack of United Political Platform: Cases of Workers, Citizen Groups, and Consumers**

### **The Case of RMG Workers**

It is already discussed in Chapter 6 (Section I) that a large number of registered trade unions in Bangladesh are either backed by the state or the BGMEA itself. A number of trade unions are also affiliated with different NGOs, which are active participants of various event based short-term campaigns or advocacy (see Gillan, 2001). Another group of trade unions, mostly led by hardliner left leaning political activists, have failed to register as formal trade unions, due to lack of assistance from the administration (see Chapter 7, Section I).

Evidences show that the BGMEA-backed or state-backed trade unions in general do not actively participate in the wage struggle of the workers. Instead, a large number of them are seen to be participating in ‘unfair’ negotiation processes with the BGMEA, mostly representing the interest of the owners in exchange of various benefits. The members of the BGMEA-backed trade unions are also observed to be using threat to the protesting workers in regular basis, while pressurizing them to withdraw from the movement or compromise to the terms of the factory management. In the recent decade, a number of cases are noted in which repressive actions are taken against the ‘hardliner’ trade union activists who refused to accept the terms of either the BGMEA or the factory management (see Chapter 6, Section I for

---

<sup>307</sup> The BERC chair during a public hearing event made a comment that quick rental plants have substantially increased the power supply, which also contributed to public relief and satisfaction. Rahmahatullh opposed this particular claim by accusing the Ministry for its repeated ‘advertisements’ and ‘propaganda’ in National Television and Newspapers in favor of rental power production. Rahmatullah also alleged the government for manipulating public perception by giving false information regarding the ‘cost’ associated with rental production. I personally attended two BERC public hearing events in 2016.

---

complete discussion). Hence, it is fair to presume that BGMEA-sponsored trade unions are formed mostly to give an impression to the international community that the factory owners are sincere about protecting workers right.

It is also to be noted that workers who are vocal about their rights or actively participate in trade union activities in general experience harsh treatment from the factory management. In the year of 2014 and 2015 alone, hundreds of workers were being sacked from several textile factories due to their involvement in trade union activities (see Mirza and Islam 2015). A large number of them were dismissed or fired without citing any reason. In many cases, dismissed workers find it nearly impossible to find a job in another factory due to their ‘non-compliant’ reputation (see Mirza and Islam 2015). Due to fear of immediate job loss or income loss, a large number of RMG workers in general find it risky to participate in wage movements or trade unions. The division and fragmentation among the workers in the RMG sector indicates the following:

- a. The presence of a variety of trade unions with conflicting vested interest obstructs the formation of a common and united platform for the RMG workers in Bangladesh
- b. A large number of workers receive various benefits from both the BGMEA and the state-backed trade unions, and thereby remain disconnected from the workers’ genuine struggles.
- c. A large number of RMG workers become victims of such fragmentation and remain disillusioned over their lawful rights.

Though discontent over wages and working conditions remain common in the industry, the fragmented and un-unified trade union bodies seem to play a crucial role in weakening or disrupting the workers movement. However, it is important to note that there is an absence of a systematic academic research to evidently establish such claim.

### The Case of Consumers and Citizen Groups

It is to be noted that urban electricity consumers in Bangladesh cannot be categorized as a homogenous unit. As different income sections exist in the society, the impact of price hike is observed to be different for different societal groups. While the higher income groups of the country may not be the worst victims of price hike, the low income groups are the most affected ones (see below). However, the low income groups living in the urban hubs, who are

---

in general the worst victims of price hike, have also found to be barely participating in any of the protest activities (organized by left parties) against high price of electricity (See Chapter 6, Section II).

It is also fair to argue that while people of Phulbari and the workers of the RMG sector have directly experienced the negative pitfalls of the state policy, a large portion of the high and middle income urban electricity consumers in Bangladesh have rather experienced an immediate positive impact in terms of better supply of day to day electricity (following the quick rental deals). Though the fiscal drain of the state reached to a massive level by the year of 2014, it did not have an immediate or a disastrous inflationary impact on a large number of comparatively 'higher-income' urban citizens' consumption pattern and lifestyle.<sup>308</sup> Though high priced electricity remains an important citizen issue, and both the middle income and lower income urban groups faced various multiplier effects caused by high priced electricity (involving higher house rent), no strong protest activities or resistance could be observed among the low or middle income groups in the society. Chapter 6 has already attempted to explain the variables influencing the lack of citizen's engagement in resistance activities, including apathy over bipartisan political activism.

Chapter 2 already discussed the phenomenon of political disengagement of the average citizens in association with the contemporary neoliberal reform policies, which could also explain the inability and the lack of capacity of the citizen groups to build effective resistance in the face of neoliberal reform policies (see McAfee, 2017; Kyroglou and Matt, 2017:4). However, there has not been any systematic research yet which could verify such claim in the context of Bangladesh. To identify whether or not the lack of participation of the low income groups in the left-led protest activities against price hike is a result of 'political apathy' or lack of reliance over the left political activism would require further research.

---

<sup>308</sup> BERC reports (2017) show that for consumers using 76-300 units a month, electricity price increased nearly 6 percent on average. For consumers using 301-600 units, price increased up to 6.90 percent on average. For consumers using more than 601 units, price increased up to 7.21 percent. For consumers using more than 1000 units, the price increased up to merely 7.7 percent. This indicates that for low income consumers (using less than 300 units of electricity) the impact of price increase is substantially larger. On the other hand, for high income consumers (using more than 1000 units) the impact of price increase is insignificant (only 1.7 percent more than the low income groups). This means the high income groups of the society are comparatively less affected by the electricity price hike (BERC, 2017).

---

### 8.3 *Uweeguuh Rjwn-dwhk T gladedcommunity q " C " ÷ y k v j " p q " r g t e g r v k q p " q h " ÷ f g r g p f g p e g ø " q x g t "*

Phulbari movement is considered to be one of the very few exceptions in which local communities were able to lead a successful resistance movement against the repressive actions of the state. The resistance movement has also been able to block the joint attempt of the state and the business group in implementing the coal mining project in the region. This section attempts to explore the political-economic factors that happened to contribute to the success of the movement in Phulbari.

It is fair to argue that unlike the sporadic movements in the RMG sector, and the left-party led small event-based protests opposing the rental power plants (in which no ‘one’ prominent platform could emerge as an united voice for either the workers or the urban citizens), the *Phulbari Protection Committee* was able to gather support from the ‘masses’ under one common platform, while forming a successful alliance with the national platform (National Committee).

However, it is argued that the resistance against the Asia Energy project needs to be understood in relation to social relationships and entitlements of generations, rather than a matter of mere political strategy (see Nuremowla, 2016). For instance, unlike the RMG workers and the urban electricity consumers, the local residents of Phulbari appeared to be a comparatively self sufficient community with no significant economic obligation or dependency over the new investment made by the Asia Energy Corporation. Major livelihoods in Phulbari are found to be not dependent on commercial extraction of natural resources, organization of commercial agriculture, or corporatization of services. While the Phulbari coal mine is located above highly fertile soil, agriculture remains a key economic activity in Phulbari (ESIA, 2006: vol 1, chapter 8:33). Phulbari is the largest producers of rice in the country. The farmers of Phulbari also produce a large number of crops including rice, potato, maize, mustard, and wheat, throughout the ‘three cropping season’ a year (BIC, 2008:14). There are also three different types of agro-based livelihood in Phulbari, including (a) cultivation in own land, (b) share-cropping cultivation, and (c) day agro-laborer. Share-cropping in government-owned land is also a common economic activity (BIC, 2008:14). An ESIA<sup>309</sup> study confirms that more than 45% reported earnings of Phulbari come from the sale

---

<sup>309</sup>Environmental & Social Impact Assessment.

---

of agricultural products (ESIA, 2006:45). On the other hand, the possible loss of crop by mining operation is estimated by the *Expert Committee* to be as much as US\$783 million (REC, 2006:7). It is also important to note that the number and intensity of climatic disasters have been relatively lower in this region compared to the other parts of Bangladesh, where seasonal climatic disasters result in serious loss of agricultural production (BIC, 2008:14).

Unlike the RMG sector and the quick rental power plants, the Asia Energy Corporation had no immediate substantial economic offer to make to the agro-based communities of Phulbari. The compensation measures promised by the company was highly doubted and eventually rejected by the *Independent Expert Committee*, based on the claim that the compensation packages promising full rehabilitation, along with the restoration and recovery of agricultural land was highly flawed and unrealistic, considering the massive level of future loss to be incurred in Phulbari during the 30 years of mining operation (see REC, 2006). As noted in the ESIA report, few projects in Bangladesh involved such large scale plan of land acquisition (ESIA, 2006: vol 1, chapter 15:8).

Additionally, the claim of a large number of employment generation was not convincing enough for the local communities due to its vague nature of promises. It is to be noted that Asia Energy affirmed to create around 1,200 to 2,100 full time jobs in the mining area (SEIA, 2006, Para 275). It is also claimed that with a multiplier effect, the project would create more than 20,000 new direct and indirect jobs (SEIA, 2006, Para 275). The BIC report (2008) claimed it to be a highly over-optimistic assumption. In addition, the BIC report concluded that the promised number of employments are still unlikely to meet the demand for jobs for those 50,000 local residents who would be displaced by the project (by conservative estimates of Asia Energy itself) (BIC, 2008:15).

It could be argued that the community's high level of dependence over agriculture, the economic solvency of the agro-based communities of Phulbari, and the possibility of massive displacement and the immediate loss of livelihood (see REC, 2006) played a vital role in ensuring the large number of people's participation in the resistance movement. The claim of reliable energy supply and a coal-based development model in the region at the cost of community's own agricultural land was not perceived to be a pragmatic way of 'development' by the communities of Phulbari (FGD, 2015). It is also claimed that due to the historically developed agro-based communities in the region, the sense of commune is strong

---

in Phulbari, and the fear of displacement includes not only the fear of losing one's traditional ways of livelihood but also one's community and locality which is perceived to be sacred in the area<sup>310</sup> (see Nuremowla, 2016).

It is also important to note that the northern part of Bangladesh has a significant history of peasant's movement.<sup>311</sup> The Tebhaga Movement which stressed upon tenant farmers' fair share of the share-cropping system emerged from the Northern part of Bengal. Under the active support and leadership of leftist groups, the movement reached at its peak in the late 60s<sup>312</sup> (See Khanna, 2011:5). About the same time the urban industrial workers, influenced by the peasants movement, also organized parallel movements demanding fair wages and better working conditions in the mills mostly owned by the west Pakistani owners (See Khanna, 2011:5) According to Luthfa (2016), the legacy of such historical peasant movement appeared to have played an important role in building the resistance against the foreign investment-led development pattern of the state. In this backdrop, the local left leaders of Phulbari, who formed a common platform named as 'Phulbari Protection Committee', could play a major role in creating people's awareness against a 'development model' based on ideas highly contradicting with their traditional way of livelihood<sup>313</sup> (see Pegu, 2008:10). The Phulbari movement was also successful in integrating the local uprising with the bigger national platform (National Committee), mostly led by prominent left political leaders and activists of the country. Due to common political ideology, *Phulbari Protection Committee* and the *National Committee* together were able to challenge the coal-based development model, consistently promoted by the policy actors of the state (Pegu, 2008:10).<sup>314</sup>

#### 8.4 C " E q o r c t c v k x g " C p c n { u k u " w u k p i " v j g " ÷ O q u v " U

It is already discussed in Chapter 1 that the most similar system model compares very similar cases which only differs in the *dependent variable*, and attempt to understand why the outcome is different between the subjects. The goal is to identify those *independent*

---

<sup>310</sup> Luthfa, Samina. Professor, Department of Sociology, University of Dhaka. Interviewed on March 15, 2016.

<sup>311</sup> Phulbari is located in the north-western part of Bangladesh.

<sup>312</sup> Moulana Bhashani, a prominent socialist leader of the British colonial era, spent a significant part of his life organizing peasant movements in the same region.

<sup>313</sup> FGD, 2015.

<sup>314</sup> While the integrated platform conducted researches and organized political programs like rallies, blockades, strikes, long marches, door-to-door grassroots meetings; the local committee disseminated information among the mass people of Phulbari regarding the environmental, human and social costs of the project.<sup>314</sup>



*variables* which explain the presence/absence of the dependent variable. A ‘looser application’ is applied in this study in which three similar cases are compared while the dependent variable (the outcome of the process) differs for at least one case (the case of Asia Energy mining project in Phulbari).

**Table 10: Does state-business nexus occur in Bangladesh?**

Implications of State-Business Nexus	Case 1	Case 2	Case 3
	BGMEA	Quick Rental Power Plants	Asia Energy (Phulbari)
Law reform/Legal intervention	Yes (Labor Law 2013)	Yes (Special Provision Act 2010)	Yes (National Coal Policy)
State Subsidy	Yes	Yes	Yes
State repression	Yes	Yes	Yes
Attempt of democratizing policy making process	Yes	Yes	Yes
Social Resistance	No	No	Yes

In explaining why the outcome is different for at least one case, a dependent variable is identified which is: ‘a successful social resistance movement against the business group’. To explain the occurrence of this particular dependent variable, the following findings of this study could be considered:

- i. The workers from the RMG sector and the consumers of the power sector adhere a sense of dependence towards the relevant business investment, while the communities in Phulbari is perceived to be economically self-sufficient with no dependence towards new business investment.
- ii. The workers from the RMG sector and the consumers of the power sector appeared to have no commonly operating united platform to resist. On the contrary the communities of Phulbari were seen to be operating under one common platform.

In short, two following independent variables could be identified to explain the dependent variable of this study: i. no perception of dependence towards business investment, and ii. an united platform to resist. Though these particular independent variables could be perceived to be closely knitted with each other, the independent variable relating to Phulbari Community's perception of 'independence' from big investment (in contrary to workers'/consumers' dependence towards private business investment), remains a stronger case to prove (see section 8.2 & 8.3).<sup>315</sup>

Table 11:A comparative analysis using the Most Similar Systems Design Model

Types of Variables	Conditions	BGMEA	Quick Rental Power Plants	Asia Energy (Phulbari)
	Business Actor	Yes	Yes	Yes
Independent Variable	Received State subsidy	Yes	Yes	Yes
Independent Variable	Experienced State repression	Yes	Yes	Yes
Independent Variable	State intervened in changing sector-specific laws (in favor of business)	Yes (Labor Law)	Yes (Special Power Supply Act)	Yes (National Coal Policy)
Independent Variable	State attempted to 'democratize'	Yes	Yes	Yes
<b>Independent Variable</b>	<b>Workers' perception of dependence towards business investment</b>	<b>Yes</b>	<b>Yes</b>	<b>No</b>
Dependent variable	Successful social resistance movement	No	No	Yes

It is also important to note that this particular independent variable of the model (no perception of dependence over business investment) which differentiated the case of Asia Energy from the other two cases, is significantly disassociated with the current trends and

<sup>315</sup> Section 8.2 and 8.3 already described in detail that the power consumers and RMG workers have clear perception of dependence towards private business investment, whereas the Phulbari resistance is evident of the fact that the communities perceived themselves as 'self-sufficient', and 'independent' of any new multinational business investment in the region.

---

elements of the ‘neoliberal’ development patterns in Bangladesh. Evidences show that the people of Phulbari perceived no significant importance for the new business investment in the area which could jeopardize the traditional social, economic, and environmental resources of the region.<sup>316</sup>

### 8.5 Is resistance to Asia Energy c " t g u k u v c p e g " v q " ÷ P g q n k d g t c n "

It is already discussed earlier that economic insecurity, loss of economic resources, or social status followed by extensive liberalization policies in the recent decades have led to serious social unrests (see Davis, 1962 and Gurr, 1970). Traditional domains of civic activities are marginalized and limited by uncontrolled market forces imposed by neoliberal policies (Dahlgren, 2009: 61). The Asia Energy mining project proves to be a case in which communities predicted serious loss of personal, social, and economic assets which ultimately built up spaces for collective actions in the area.

The Phulbari coal mining project has been considered by some as a ‘typical’ case of ‘neoliberal’ agenda in the development process (see Muhammad 2015; Pegu, 2008:10). By aspiring to preserve the traditional agro-based livelihood of the communities by rejecting multinational investment opportunities in the region, the resistance movement of Phulbari appeared to have raised specific questions regarding the neoliberal development pattern of the state. It is to be noted that the *National Committee* in Bangladesh emphasized on some specific points during the Phulbari resistance. For instance: ‘1. *No* to foreign company. 2. *No* to coal export. 3. *No* to open pit coal mining and 4. *Yes* to extraction of coal by state-owned institutions. It is evident that the National Committee has not categorically demanded for a complete walk-out from the project. Rather, questions are raised on the methods of extraction, mechanism of ownership, or distribution of profit. On the other hand, Nuremawla’s (2016) research shows that communities’ position regarding the mining project in Phulbari was not necessarily consistent with that of the National Committee. The ‘anti-mining’ position of the communities referred to ‘anti-mining’ in any form, regardless of method or ownership (Nuremowla, 2016). Overall, the demands of the National committee, which emphasized on the development of national capacities with sovereign ownership, or

---

<sup>316</sup> Apart from the published researched materials and official data mentioned in this study ( Luthfa, 2016, Gain, 2015, and BIC, 2008), my understanding of the independent variable - ‘self-sufficient agrarian community with no significant perception of dependence towards business investment’ is also partially derived from an informal group discussion occurred in Phulbari in August 26, 2015 (participated by 7 members of the Phulbari Community) (see Appendix 2).

---

the aspiration of the Phulbari communities, which demanded complete cancellation of the foreign mining project are both perceived to be a direct challenge towards the neoliberal ideology of the state under which the policy actors have adhered to design development programs in the recent decades (see Pegu, 2009:11).

### **8.6 Does Social Resistance Movement strengthen Conditions of Democracy?**

The relationship between social resistance movements and democracy is a complex one. Various existing academic studies show results which reflect multidimensional scenarios from the ground. To understand the implications of social movement on democracy, it is important to address a number of questions: Does social movement create a legitimate channel to represent citizen's interest? Does social movement help improving the responsiveness of the state? Or does social movement help monitoring the policy makers' activities (White, 2008)? Porta (2015) argues that progressive social movements play an important role in developing the conceptions and practices of democracy. According to Porta, contemporary social movements including various labor movements, global justice movements, and recent anti-austerity protests, has contributed to the broadening of the understanding and practices of democracy, with particular emphasis on participatory and deliberative democracy (see Porta 2015). Social movements are also seen to be strengthening the conditions of democracy, while empowering citizens, creating opportunities for citizens to represent their interests, and holding the electoral representatives accountable to its constituencies (see White, 2005).

It is already mentioned that following the Phulbari movement, a 6-point agreement was signed between the state representative (city mayor) and the representative of the Phulbari residents. The demands include complete cancellation of the agreement between the government and Asia Energy, compensation for the victims, declaration by the state that no mining project will be undertaken in the area, and bringing law enforcement members under investigation (Gain, 2007:3). It is understood that the Phulbari agreement is a reflection of people's verdict against the joint attempt of the state and the multinational corporation in imposing a mining project with no public consent. It is also argued that Phulbari movement has raised awareness among the local people regarding their social and economic rights, while contributing to the broadening of the conceptions and practices of democracy within

---

the community.<sup>317</sup> The Phulbari agreement is also considered to be a legitimate channel which empowered the communities, created opportunities for direct access and representation in the policy process, improved responsiveness of the local administration, while holding the electoral representatives accountable to its constituencies.<sup>318</sup>

One of the principal research objectives of this study was to draw a conclusion that a failed state-business attempt indicates a more democratic policy process. Based on the current discussion, it is fair to suggest that the failed attempt of the state and Asia Energy in Phulbari is the result of a successful social resistance movement, which enabled the citizens to influence the policy domains of the state, hold electoral representatives accountable to its constituencies, and thereby strengthen the conditions of democracy. However an important question remains: Do all social resistance movement strengthen conditions of democracy?

#### **8.6.1 Do all social resistance movements strengthen conditions of democracy?**

It is important to note that despite social movement's success in creating awareness among communities and making local administrations responsive, social movements are claimed to be far from achieving the goal of attaining an inclusive and democratic form of internal policy making (see Porta 2015). According to Kaushik (2014), social movements without clarity of ideology may turn out to be counter-productive (Kaushik, 2014:132). A number of social movements have been observed to be alienating the decision-makers, which eventually weakened the existing democratic system (see White 2005).<sup>319</sup>

It is also important to note that despite Phulbari movement's success in turning the administration more responsive at the local level, its long term implication on the policy-making process remains a matter of further examination. The draft coal policy of Bangladesh still contains clauses which prioritized export of domestic coal. Open pit mining still remains a feasible option in the draft policy. Both the 'Power System Master Plan 2016' of the government and the draft Coal Policy (2010) exclusively prioritized a coal-based development model for the country which would require a large portion of the domestic coal to be extracted from local coal reserves (including the Phulbari coal field). Both policy

---

<sup>317</sup> Luthfa, Samina. Telephone Conversation on March 15, 2016.

<sup>318</sup> Ibid.

<sup>319</sup>The Bihar Movement of 1974 was criticized for lacking a defined goal and a focused ideology, while failing to provide a democratic direction to the movement (Kaushik, 2014:132).

---

documents contain clauses which directly conflict with the clauses of the 6 point ‘Phulbari Agreement. Therefore, to examine the continuing impact of Phulbari movement on the structure of national policy making process in Bangladesh, as well as on the long term democratic behavior of the state, further research is necessary. For now, it is fair to argue that social resistance movements alone cannot create sufficient conditions for a democratic system to function.

---

## **Chapter 9. The Evolution of Business Lobbying in Bangladesh**

The policy environment of Bangladesh has evolved from a highly regulatory one to a liberalized economy in the last three decades. The state's policy makers' responsiveness and attitude towards various business actors have also evolved with the development of a more private-sector led economy in which certain investors and business groups have begun to acquire 'structural leverage' over the state's policy making mechanism. It is claimed that the implementation of pro-market policies involving trade liberalization, privatization, and withdrawal of public investment led to the emergence of a pro-investment/pro-business environment, based on a patronage system, causing the formation of a highly influential business and industrial class in the country which have appeared to control a major portion of the industrial and financial assets (Nuruzzaman, 2004:33). However, the scopes of intervention in the policy making process in the current times have remained much similar to its earlier regimes. In many cases the process of influencing policy issues has consistently depended on the ability or 'structural influence' of the business actors as described by Kochanek (1993). While the policy making domains of the state (involving different Ministries, Council of Ministers, and the Parliamentary Committees) have mostly remained inaccessible to the comparatively smaller business actors; business actors with significant structural leverage are seen to be enjoying direct access to the highest level of the policy making of the state including the Prime Minister and the Ministers. Ruling elites' direct or indirect ownership of business also largely affects the policy decisions of different ministries to be inclined towards the business interest (discussed in detail in the following sections).

Kochanek has extensively researched on the interest groups behavior and the scopes of intervention in the policy making domain in Bangladesh, covering more than two decades of both pre-liberalization and post liberalization era. This chapter will draw a comparison between Kochanek's observations/accounts of the crucial elements of state-business nexus in the early phases of the liberalization era (1972 to early 90s) and the interaction between the business actors and policy actors in Bangladesh in the current times (post 90s).

### **9.1 The early phase of Liberalization era and scopes of business intervention in the policy process (80s and early 90s)**

It is already discussed in Chapter 3 that the early phases of 'liberalization era' in Bangladesh began in 1976 under the new military government, which gradually distanced itself from the



---

‘socialist’ approach of Mujib’s government (Rahman, 2005: 107). Since 1977, the World Bank and USAID introduced extensive lending programs in Bangladesh which promoted the role of private sector in various economic activities (Sobhan, 1993:926). A more coherent and systematic process of liberalization in Bangladesh began to emerge under the structural adjustment policies (SAPs) of the 80s (Rahman, 2005: 107). The new military government in 80s was more responsive to the World Bank and IMF led reform policies, which included financial deregulation, privatization, import liberalization, divestiture of public enterprises, and de-subsidization of public utility services (Sobhan, 1993:926).

It is already discussed in Chapter 3 that consequent governments in Bangladesh had gradually moved from a public sector led highly regulated and centrally controlled policy environment to a comparatively ‘liberalized’ policy environment in the 80s, and eventually adapted to a market driven economy in the 90s with strong emphasize on deregulation and export promotions. It is important to note that, a political consensus across all parties was observed in the 90s on the issue of pro-private sector industrialization and deregulation. Successive governments led by different parties continued to draft industrial policies aimed at a liberalization and privatization (DCCI, 2003:6). However, it soon became clear that an official industrial policy alone cannot facilitate a liberal policy environment. Frequent changes of policies, abrupt executive decisions, and decade long ‘anti-business mindset’ of the bureaucrats played an important role in dealing with the private sector business activities in the 80s and early 90s (DCCI, 2003:6). Both small business groups and comparatively bigger investors in the 80s and 90s experienced consistent lack of cooperation from the ‘hostile’ government actors mostly due to decade long policy orientation of state regulation (DCCI, 2003:2). For instance:<sup>320</sup>

- ◁ Cumbersome regulatory process hampered easy entry and exit for entrepreneurs.
- ◁ Different Ministries failed to operate harmoniously and lacked proper engagement with each other for the smooth implementation of industrial policies.
- ◁ Policies approved in the Cabinet Meetings did not translate into serious commitments in the field level.
- ◁ Investors or business groups had to constantly hassle with the authority to obtain basic supplies such as electric power connection, natural gas connection, or telecommunication services for their industrial units.

---

<sup>320</sup> Dhaka Chamber of Commerce (DCCI); Economic Policy Paper (2003: 2, 32).

- 
- ◁ There was a serious lack of adequate state investment towards physical infrastructures.

The work of Kochanek suggested that access to the higher layers of bureaucracy in Bangladesh took various forms throughout the early phases of the liberalization era. Firstly, the government of Bangladesh based on past British and Pakistani traditions, established a wide variety of formal advisory committees, commissions, councils, and boards on which business organizations and business persons were represented. Secondly, business itself had used its right to petition to play a direct advocacy role through various formal and informal meetings, memorandums, letters, and conferences. Thirdly, as ruling elites commonly owned business, business actors could directly secure their representation at both political and administrative levels of decision making. Fourthly, business actors personally lobbied to the state actors based on individual connections (Kochanek, 1993:233; discussed in Chapter 1 and Chapter 3). Kochanek also found that the formal pattern of access to government was open and subject to documentation during the earlier phases of liberalization, where as the system of personal contacts with government officials maintained by individual business owners was much less visible and therefore more difficult to document (Kochanek, 1993:251). However, despite the ‘business-unfriendly’ attitude of the policy makers, Kochanek observed that within certain extent, the government of Bangladesh was quite approachable. According to Kochanek, “It does listen, it does respond, and it does act. However, access and influence must be directed at both the political and bureaucratic levels of the executives” (Kochanek, 1993:235).

Kochanek’s study noted that under the government of General Ershad, initiation and alteration of policy required direct access to the president, the vice president, the prime minister, as well as the cabinet ministers (Council of Ministers), accompanied by high level of bureaucratic support (Kochanek, 1993:234). Repeated appeals had to be made at different levels of the state administration, which also required to be accompanied and followed up. It was observed that delays were endemic to the system, and success took months or even years depending upon the issue and the policy context (Kochanek, 1993:234). As ministers and secretaries often restrained from issuing appropriate orders, and the lower echelons of the bureaucracy could refuse to act, consistent pleading and lobbying with detailed follow up was necessary at all levels of the bureaucracy (Kochanek, 1993:235). At the individual level, this

---

meant working one's way up from the secretary to the minister, the prime ministers, the vice president, and the president (Kochanek, 1993:245).

### **9.1.1 Formal Consultation in the Government**

Kochanek observed that interest group pressure to initiate, alter, or block action on major policies in Bangladesh required consistent pleading at all levels and forums to succeed. Generally, in case of industrial policy, credit policy, regulatory policy, tax policy, energy policy, or policies related to readymade garments, individual connection/lobbying worked poorly due to the involvement of a large number of ministers, agencies, groups, and individuals involved. Thus, it became necessary for the business associations to make repeated appeals over an extended period of time in different advisory and consultation committees, seminars, annual chamber gatherings, dinners, receptions, and through individual and group lobbying. This constant pleading also needed to be accompanied by newspaper articles, press statements, advertisements, telegrams, and memorandums (Kochanek, 1993:245).

During the late 80s and early 90s, both government and business found the system of *consultation committees* limited but useful (Kochanek, 1993:239).<sup>321</sup> Kochanek's study shows that the government perceived the advisory bodies as useful for explaining government policies to business and for reviewing problems experienced by business groups. Business perceived the bodies as a tool for high level access and a forum in which to raise detailed questions about policy issues (Kochanek, 1993:239). However, many business leaders also felt that the role of the consultative committees in the 80s and the 90s was more symbolic than real, through which they merely created a sense of participation and consultation. In reality, orders issued by government officials were hardly followed up or implemented in the ground (Kochanek, 1993:241).

In short, Kochanek summarized: *There does exist a formal consultative process in Bangladesh, but it does not really work. Neither government nor business enters the process prepared to work, organized for effective dialogue, or willing to respond, and meetings are not held frequently enough to accomplish anything. The most important problems are*

---

*handled on an individual basis because group representation has a long way to go before it can become effective* (Kochanek, 1993:241).

### **9.1.2 Pro-active Advocacy by Business**

Business associations in Bangladesh frequently used their ‘right to petition’ to make their views and grievances known to the policy makers. The president, prime minister, ministers and secretaries regularly took part in seminars, symposiums, conventions, and formal/informal meetings, which were usually followed up by the submission of detailed memorandums. Business groups also used letters, telegrams, and newspaper advertisements for lobbying purposes (Kochanek, 1993: 243).

### **9.1.3 Personal Liaison and Lobbying**

A process of personal or individual lobbying has long existed in Bangladesh through which business actors attempt to secure individual benefits, rather than collective economic/regulatory benefits. Kochanek noted that decision making in Bangladesh involves a high degree of ‘particularism’,<sup>322</sup> indicating that policies are mostly designed to accommodate the needs of an individual business group or company. Overtime, business groups in Bangladesh have developed an elaborated process of personal liaison and lobbying at all layers of the government, in order to secure critical state resources such as credit, contracts, or license, as well as waivers from tax, vat, or custom duties (Kochanek, 1993:234).

Kochanek observed that although Bangladesh had an entire array of formal institutions and an identifiable legal, constitutional, and administrative structure, it is weak, unresponsive, and penetrated from top to bottom by a traditional pattern of patron-client relationships based on personal lobbying. Kochanek identified a number of factors which made the process of ‘personal lobbying’ a dominant factor in the policy process in Bangladesh (see Kochanek, 1993: 251). For instance:

- ◁ The weakness and ineffectiveness of the formal channels of communications reinforced the need for personal connections.

---

<sup>322</sup> The term ‘particularistic’ politics have been frequently used by Kochanek to explain ‘individualist’ lobbying (1993).

- 
- ◁ A highly controlled and regulated policy environment demanded the ease of access to the policy actors.
  - ◁ There exists a general preference in Bangladesh to secure individual benefits rather than collective policy and regulatory benefits.

Kochanek observed that as every policy in Bangladesh eventually became riddled with a large number of exceptions, there exists a significant gap between policy and implementation, which lacks transparency, certainty and stability (Kochanek, 1993:252). In short, each policy can be manipulated to suit the needs of any individual who has the appropriate contacts and can afford side payments. According to Kochanek's observation: *There was a feeling that the system was unjust and manipulative. The key to success was having the right connections and making the appropriate telephone calls. For the rest, the process involved overcoming one obstacle after another, harassed from start to finish. Every rule and every policy was manipulated, and exceptions were made based on the status of the applicant and of the applicant's patron* (Kochanek, 1993:290).

This study finds that Kochanek's observations from the 80s and the early 90s are still remained relevant in the contemporary policy making domain in Bangladesh. Both similarities and contrasts are identifiable in the attitude and dealings of the policy actors towards different business actors. For instance, Kochanek mentioned of a cumbersome regulatory system in the 80s and the early 90s in which long delays and failure to secure clearances from different ministries became a common problem for the business groups. The continuing bureaucratic hassles of the early liberalization era were described by Kochanek as follows: *"Every allocation decision and every clearance required some form of side payments or a liberal contribution to party funds. The banks were essentially instructed by the government to lend specified amounts to specified clients* (Kochanek, 276)." Kochanek also noted that each regime in the early liberalization era transformed its regulatory policies into a highly complex, multi-layered system of control and regulation (Kochanek, 1993:279). Acquiring land, utility connections, registration of the company, permission to issue capital and to import raw materials took years depending on the status and influence of the investors/business groups and their capacity to enforce actions (Kochanek, 1993:280).

This study reveals that business actors in Bangladesh more or less faced similar experiences (described by Kochanek) even in its later phases of the liberalization period. As the small and medium sized business groups in Bangladesh in general lack any proper associational base,

---

smaller business actors are not well represented in the existing business associations of Bangladesh.<sup>323</sup> Hence, the comparatively smaller business groups are mostly seen to operate in individual basis. Although different ministries happen to form special advisory committees or consultation committees quite often, the study finds that it is mostly the large business groups who appear to obtain advantages from such government-led committees (the case of BMGEA and Rental Power Plant Owners). Comparatively smaller business actors in Bangladesh still end up spending large amount of time, effort, and resources in manipulating the regulatory blocks and to ensure a personal exemption from an existing policy, rather than to bring an overall change in the policy itself.<sup>324</sup>

## **9.2 Later phases of Liberalization/Post-Liberalization era (Neoliberal Reform)**

The earlier chapters of this study already discussed how specific elements of neoliberal reform, such as liberalization, export promotion policies, privatization of state owned industries, and opening up critical sectors to foreign investment have led to the emergence of a pro-investment/pro-business environment in Bangladesh, leading to the formation of a highly influential business and industrial class in the country. This study finds that the state's policy makers' responsiveness and attitude towards various business actors have also evolved with the development of a more private-sector led economy in which certain investors and business groups have begun to acquire more and more structural leverage over the state's policy making mechanism. However, the scopes of intervention in the policy making process in the current times have remained much similar to its earlier regimes, in which the process of influencing policy issues has consistently depended on the structural influence of the business actors.

Though major economic, industrial, and trade policies in Bangladesh are the result of a complex policy process involving the use of different advisory or consultation committees; selective big business groups in current times appear to practice significant leverage over the policy makers of the state. For high profile big business groups (with large investment capacity, potential to create employment, and contribution to economic growth), a top down lobbying approach is more commonly seen to be used in directly securing approval of the prime minister, ministries, or secretaries.<sup>325</sup> Though different consultation and advisory

---

<sup>323</sup> Islam, Shafikul. Interviewed on June 2, 2018. Jamal, Arshad. Interviewed on May 29, 2018.

<sup>324</sup> Islam, Shafikul. Interviewed on June 2, 2018.

<sup>325</sup> Azim, Shahidul. Interviewed on June 28, 2018. Islam, Shafikul. Interviewed on June 2, 2018.

---

bodies still play an important role in placing demands of business groups in the policy making areas (including the demand for reducing tariff, VAT, import duty, or other regulatory hassles), structural obligations and reciprocal favors are observed to be shaping the relationship between big business and the ruling elite, in which the highest level of the policy makers have appeared to be highly responsive towards the demands of the structurally leveraged business actors. For instance, all three business actors of this study are observed to be enjoying a direct access to the highest level of policy making domain of the state. For structurally leveraged business actors (such as BGMEA or the rental plant owners), related ministries and agencies seem to operate harmoniously with each other in implementing orders (see below). The following observations are noted in state's responsiveness towards the structurally leveraged big business groups.<sup>326</sup>

- ◁ Policies declared in the Cabinet Meetings are directly reflected in the field level without going through much administrative or bureaucratic hassle.
- ◁ Cumbersome regulatory obstacles are removed comparatively promptly.
- ◁ Quick appraisal of projects and quick approval of loans are commonly seen.
- ◁ Quick and adequate investments are made towards physical infrastructures both in terms of adequacy of supply and quality of service.
- ◁ Vital services such as power connection, natural gas connection, and telecommunication services are provided with minimal hassles.

It is found that the major portion of the policy making system in Bangladesh still remains significantly manipulative.<sup>327</sup> As big business groups with structural leverage acquire more and more access and connections to the highest policy making bodies of the state, it enables them to practice substantial influence over the policy process. For the rest of the business actors, Kochanek's earlier observation remains valid that the process involves overcoming of one obstacle after another, and various forms of harassment occurs from the beginning to end.<sup>328</sup> Overall, Kochanek's observation of the 80s that, "Every rule and every policy was manipulated, and exceptions were made based on the status of the applicant and of the applicant's patron" (Kochanek, 1993:290) still remains valid in the current times.

---

<sup>326</sup>Jamal, Arshad. Director of BGMEA. Interviewed on May 29, 2018. Islam, Shafikul. Interviewed on June 2, 2018; Azim, Shahidul. Interviewed on June 28, 2018; also see Dhaka Chamber of Commerce (DCCI) Economic Policy Paper (2003).

<sup>327</sup> Ibid.

<sup>328</sup> Ibid.



---

It is already evident that there is no one single pattern or mechanism through which business actors choose to interact with the policy actors of the state. Rather, business actors are seen to be keen on exploring and utilizing all available channels of access which could help to intervene into the policy process. It is important to note that the channels and methods through which policy actors of Bangladesh interact with the business actors are not necessarily always a result of the gradual decline of the state's loss of bargaining power as suggested by the theory of structural constraint in Chapter 2. Though in a large number of cases, the policy actors of Bangladesh are seen to be responsive to business lobbying or business advocacy due to the heavy pressure created by them; at times, the policy actors themselves are seen to be pro-actively representing business interest. Also, as members of both political parties in Bangladesh have regularly owned or patronized business, business actors could conveniently secure their representation at both political and administrative levels of decision making (as Kochanek suggested in reference to 80s and early 90s) (Kochanek, 1993:233). In the case of RMG sector and the power sector, a number of important policy actors are found to be either direct owners of RMG factories or rental power plants, or having direct or indirect financial connection with the relevant companies (see Table 2 in Chapter 3). This study finds that business actors with some degree of structural leverage have regularly seen to be directly visiting the Ministers of relevant offices, or even the Prime Minister. The next section will discuss in detail the different 'scopes of intervention' or different lobbying activities undertaken by the business actors of this study in the current times (post 90s).

### **9.2.1 Current Scopes of Business Intervention: The Case of BGMEA, Quick Rental, and Asia Energy**

This study finds that big business associations (i.e BGMEA), private power producers (i.e rental plant owners) and foreign investors (i.e Asia Energy) in the current times use a combination of various channels to access and influence the policy process. In all three cases, direct access to the highest level of the policy domain is evident. Direct representation of business actors in the formal advisory channels of the government has been particularly more visible in the case of BGMEA (i.e. BGMEA representation in Labor Law Reform Committee 2008). BGMEA members also actively participate in various forms of publicly visible pro-active advocacy (i.e seminars, symposiums, or press conferences). Meanwhile, the rental plant owners and the Asia Energy Officials were understood to be interacting with the policy

---

actors at a more personal level, mostly in ‘closed door’ meetings. However, though the quick rental owners and the Asia Energy representatives have not been seen to be directly participating in government-led advisory committees, the policy actors of the state have been observed to be pro-actively representing their interest in different policy channels (discussed in detail in the later parts of this section).

### **9.2.1.1 BGMEA**

To understand the pattern of lobbying and the different dynamics of the interaction between policy actors and business actors in the contemporary times in Bangladesh, BGMEA represents the most useful case. BGMEA, as a formal association for the RMG factory owners has existed for long, and has been observed to be using all forms of policy channels in comparison with rental plant owners and the Asia Energy representatives. The study finds that apart from formally participating in different advisory and consultation bodies of the government, and conducting ‘pro-active’ advocacy in different policy spaces, another common form of BGMEA lobbying occurs ‘closed door’, at an individual level based on mere personal connections.

As the readymade garments industry has become the largest export earning sector in Bangladesh, employing around 4 million workers (among which 90% are women) (Hasan and Ullah, 2016:39, 40), a perception of structural obligation is evident in the policy circle. In the fear of factory shutdown, declining export earning, and loss of employment, the policy actors of the state have always been observed to be largely ‘accessible’ and responsive to the demands of the BGMEA members (see also Chapter 4 and 5, Section I). In addition to that, ruling party members owning RMG business has also become a common phenomenon. Currently readymade garments owners account for around 10 percent of the parliament members of Bangladesh (see Chapter 3). In recent decades, owners of RMG factories have served as ministers and parliament members with frequent access to important governmental bodies that design economic policies and make allocation decisions (see Table 2 in Chapter 3). The following section will describe the different methods/channels of policy interventions in the RMG sector through which the business actors in Bangladesh interact with the policy actors.

This study finds that BGMEA officials have long obtained direct access to the highest levels of the policy making domain of the state including the ministers, secretaries, and even the Prime Ministers of Bangladesh, while the prime ministers in general have been responsive and cooperative towards the complaints and concerns of the RMG sector.<sup>329</sup> Whether its due to the policy actors' perception of structural obligation, or the ruling party members' direct ownership of RMG business, BGMEA members have long enjoyed the leverage of either directly visiting the Prime Minister's Office and the relevant ministries, or directly inviting policy actors/ministers to their seminars or dialogues. BGMEA spokespersons have claimed in different times that BGMEA leaders can get an appointment with the Prime Minister of the country just by a phone call (mentioned in Chapter 1). It could be fairly presumed that direct access to the ministers and the prime minister has helped BGMEA leaders to obtain a significant portion of the economic and legal facilities that it has obtained within a matter of few decades.

#### **9.2.1.1.2 Pro-active advocacy by BGMEA**

BGMEA has been involved in different forms of advocacy through which it attempts to reach important government officials and ministers. In general, government officials or ministers from relevant sectors are invited to attend seminars, symposiums, or conventions organized and hosted by BGMEA, in which RMG owners present their demands and lobby publicly in front of the media. BGMEA representatives are also commonly seen to present their views and demands in TV talk shows, particularly at times of economic crisis. Arranging press conferences to place a particular demand at times of economic urgency is also another common form of advocacy by BGMEA.

It is observed that seminars and dialogues arranged by BMGEA consistently plea for financial incentives, based on the ground that to keep the factories at work, and to ensure a steady supply to the international buyers, state patronage is necessary. It is already discussed in Chapter 5 that ever since the emergence of the RMG industry in the late 80s, the state has been consistent in providing both direct and indirect financial incentives to BGMEA, including cash incentives, export credits, warehouse facilities, low-interest loans, corporate

---

<sup>329</sup> Islam, Shafikul. Interviewed on June 2, 2018; Azim, Shahidul. Interviewed on June 28, 2018. Arshad, Jamal. Interviewed on May 29, 2018.

---

tax waiver, and loan waiver schemes. In addition, the state owned banks in Bangladesh has long provided a major portion of the required capital for the RMG entrepreneurs (See Chapter 5, Section I).

#### **9.2.1.1.3 Formal representation of BGMEA in the Government**

BGMEA is one of those formally registered associations of business owners whose members have been regularly invited to participate in different advisory committees or consultation committees formed by the *Ministry of Trade and Commerce* and the *Ministry of Labor and Employment*, mostly prior to the budget sessions of the year. Different consultation committees are regularly used by the BGMEA leaders as important platforms to negotiate over corporate tax waiver, VAT waivers, easy bank loans, cash incentives, and other facilities. BGMEA leaders had also regularly taken parts in different sessions of the Labor Law Reform Committee (formed by the *Ministry of Labor*) throughout the years of 2009 to 2013 in order to discuss various elements of the Labor Law. BGMEA representatives have also regularly participated in the periodic wage boards, in order to negotiate over an acceptable minimum wage for the RMG workers through a ‘democratic’ bargaining process with the workers representatives. It is already mentioned that BGMEA officials are widely known for their domination and ‘blackmailing’ tactics in different government led committees (See Chapter 7, Section I for detail). The threat of factory shut down is also commonly used by BGMEA leaders in order to achieve their targeted goals (See Chapter 7, Section I).

#### **9.2.1.1.4 State pro-actively representing BGMEA interest**

According to the theory of structural constraint, though business does not always succeed in lobbying or influencing political process, its range of interests is seriously considered by the governments in making of policy decisions (see Chapter 2, Kurtz, 1993:268). This also implies that even if the business actors do not mobilize politically or engage in any political action, public policy would nevertheless be ‘systematically biased’ in favor of their interests (See Bernhagen, 2007:44 in Chapter 2). This study finds that a number of policy decisions in the RMG sector are not a direct result of business lobbying or business advocacy, rather, policy actors’ ‘natural’ prioritization of business interest which leads to policy choices favoring business interest. For instance, the role played by different state representatives in

---

various negotiation processes of the RMG sector has regularly shown the inclination of the state actors towards business interest.

It is important to note that the state representatives of different advisory committees as well as of the wage board have hardly been seen to take any bold position against the ‘blackmailing’ tactics of the BGMEA representatives during the wage negotiation process. The labor representatives of different wage boards also complained in different times that though the presence of at least one representative from the state is supposed to create a fair balance in the entire negotiation process, the comments and concerns of the workers are hardly valued or taken seriously by the state officials of the committee. The very process of selecting labor representatives for the wage board itself raised valid questions on the role of the state actors in the policy process. For instance, the *Ministry of Labor* is accused of inviting only the ‘registered’ trade unions to select their representatives for the wage negotiation process (see Chapter 7, Section I).<sup>330</sup> The ministry’s decision of *not* inviting the comparatively vocal and active trade unions (who failed to obtain union registration from the ministry), shows the state actors’ unwillingness to involve the relatively ‘hardliner’ trade unions in the selection process. It is already discussed that the state officials tend to choose representatives from workers who are already known to be members of the BGMEA backed trade unions. It is also alleged that the state officials either remain silent in the face of BGMEA’s ‘domination’, or restrain themselves from creating a level playing field in the wage negotiation process.<sup>331</sup> It is also commonly observed that both state officials and the BGMEA members have cooperated with each other in the times of workers protest movements by filing cases against the protesting workers and trade union leaders (see Chapter 6, Section I).

Overall, the role of the state officials and the policy actors in various policy decisions of the RMG sector involving legal changes, subsidies, minimum wages, and repressive actions exhibits their consistent inclination towards protecting the interest of BGMEA, while remaining unresponsive to the demands of the RMG workers.

---

<sup>330</sup>Each of the registered trade unions, upon receiving official letter from the Ministry, sends at least one name of a labor representative whom they have nominated. After reviewing the list of nominated names, the *Ministry of Labor* officially announces the name of the labor representative for the wage board.

<sup>331</sup>Huq, Sirajul. Representative of RMG workers, Wage Board 2012. Telephone Conversation. March 17, 2016.

---

### 9.2.1.2 Quick Rental

According to Crouch, as governments attempt to ‘contract out’ public services, the relationship between public authority and private provider becomes a continuing one, and therefore the temptations for mutual exchange become permanent (see Crouch, 2004:95 in Chapter 2). Crouch noted how securing privatization contracts, establishing its terms, and planning its eventual renewal, lead to intensive interaction among the circle of a political class, corporate lobbyists (often former ministers and civil servants), political advisers, party think tanks, and current ministers and bureaucrats (Crouch, 2004:93). Crouch’s observation largely applies in the case of quick rental companies in which securing approval for the rental projects and ensuring its eventual renewal leads to similar interaction between the highest level of policy actors in Bangladesh and the business groups interested in private power production.

As there is no formal association for the quick rental owners, it is common to see the quick rental vendors to visit the officials of the *Ministry of Power and Energy* at different times, based on their individual needs (involving bill clearance for imported oil or land processing for rental power plants).<sup>332</sup> However, apart from such individual level connections between the rental plant owners and the officials of the ministry, several other channels of interaction are noted earlier, which occurred at the highest level of the policy process, largely involving the influential actors of the state including the prime minister herself (see Chapter 4, Section II). The following section will sum up the different methods/channels through which the business actors interact with the policy actors in the rental power sector in Bangladesh.

#### 9.2.1.2.1 Ruling party members owning power plants

The direct financial connections between a number of rental plant owners and the current ruling party members have been identified in Chapter 4 (Section II). The Minister of Trade and Commerce (Awami League), the Awami League-nominated Parliament Member from Rajshahi-4, the former Minister of Communication (Awami League), and the former Mayor of Dhaka city (nominated by the Awami League government), along with a number of other business persons who are largely known to be directly associated with the current ruling party have all been awarded with rental deals for producing electricity. The political profile and

---

<sup>332</sup>Rahmatul Muneem. Interviewed on June 2, 2018. Islam, Shafikul. Interviewed on June 2, 2018.

---

background of the rental/quick rental owners are clear indications of the fact that business interest and political interest have been converged in the power sector of Bangladesh (see Chapter 4, Section II; Table 2 in Chapter 3).

#### 9.2.1.2.2 **Prime Minister: Limited power to Ministers and Parliament**

Chapter 4 already discussed how the process of approving rental plants have become exclusively ‘vendor driven’ under the special act, through which merely the powerful vendors or business groups with direct leverage or access to the Prime Minister are able to submit applications for rental power plants. It also mentioned that in the current circumstances, no business group without a strong or direct reach to the Prime Minister could possibly arrange a ‘deal’ for a rental project. This also means that only the ‘rich’ and the ‘powerful’ receives the approval, which gradually intensified the participation of ‘political businessmen’ in the power production process in Bangladesh (see Chapter 4, Section II).

It is found that despite of what is written in official procedures; different ministries, the council of ministers, or even the parliamentary committees in general, do not practice their ‘textual’ authority to challenge a particular policy decision which had been initially approved or agreed upon in the prime minister’s office. It is evident that the policy decision of initiating the rental power production process or implementing the special power supply act received no official objection from any direction. The Council of Ministers which is expected to be the highest decision making body for the state, played no major role in questioning or criticizing the motives and implications of the special power supply act during the consequent cabinet meetings (See Chapter 4, Section II).

It is also discussed earlier that parliament members of the ruling party in general are legally obliged to follow the direction of their own party leadership, indicating that taking a position against the party chief might risk their seat in the parliament (see Article 70, discussed in detail in Chapter 3). The parliamentary session in which the extension bill for the special power supply act was approved with a majority vote (held in August 2014) observed no significant objection against the act.<sup>333</sup>

---

<sup>333</sup>Multiple conversations with journalist Arifuzzaman Tuhin within the years of 2016/2017, who works as a reporter in a leading Bengali newspaper ‘Daily Kaler Kantho.’ Tuhin regularly covered both Cabinet meetings and the Parliamentary sessions on power and energy issues.



---

As the special act maintained highest level of secrecy before its submission to the cabinet meeting in 2010, and no publicly available information was available on the formation of any advisory committee or expert committee in drafting the relevant act, it could be fairly presumed that decision of the special act was formulated in the highest echelon of the policy making process, with no ‘independent’ experts being allowed in the process for drafting the act. This implies a policy environment in which the parliamentary bodies or the executive institutions like the council of ministers have no practical autonomy to challenge a particular policy. Rather, most critical policy decisions are formulated and approved at the very highest level of the policy process, directly involving the highest authority of the state, including the prime minister herself.<sup>334</sup>

Direct access to the Prime Minister’s office may also mean opportunities for direct lobbying at the highest level of the policy process. Chapter 5 (section II) shows how the *Ministry of Power and Energy* has consistently provided a large amount of financial subsidy to the rental/quick rental companies at different times. It is not clearly evident whether the Ministry’s decision to heavily subsidize the power production process is a result of direct lobbying or direct advocacy by the rental plant owners or not. However, direct access to the prime minister’s office automatically opens up the avenues for the rental power plant owners to lobby for both financial and legal assistance. It is also important to note that as the rental applications directly gets approval from the Prime Minister’s office, the lower echelons of the bureaucracy automatically follows the orders with no obligation to accommodate official procedures (see Chapter 4, Section II).

Overall, the approval process of the quick rental projects directly associated with the prime minister’s office, and the initiation of the special power supply act with extensive level of secrecy and lack of transparency, indicates a ‘closed door’ lobbying process between the quick rental vendors and the highest level of the policy actors. In addition to that, the ruling party members’ ownership of rental business and the political association of rental plant owners have played an important role for the state actors to pro-actively represent the interest of business, which eventually translated into legal changes and a substantial amount of subsidies in favor of the rental plant owners.

---

<sup>334</sup> Kaiyum, Hasnat. Interviewed on June 29, 2018; Khan, Tanzimuddin. Interviewed on May 30, 2017.

The study already finds that a number of policy decisions formulated in the *Ministry of Power and Energy* are naturally biased towards the rental plant owners. For instance, in 2010, the parliament of Bangladesh approved the Special Power Supply Act for the first time. It is already noted that the existing formal procedures of approving power plant projects have largely been altered under the special power supply act. As the special act allows the rental plant applicants to directly approach the Prime Minister (instead of going through official assessment process); special advisory committees or expert committees are no longer required to be formed by the power development board (in order to discuss the viability of rental based power plants). It is evident that the special power supply act has produced the legal framework for a ‘vendor driven’ approach which could evade the government’s existing procurement procedure. It is also argued that the process of evading country’s procurement law in selecting and examining vendors/contractors has created a favorable environment for pro-business negotiations in the power sector of Bangladesh.<sup>335</sup>

### **9.2.1.3 Asia Energy**

It is already mentioned in Chapter 4 that due to continuing protests against the Asia Energy Project in Phulbari, all the successive advisers and ministers of the *Ministry of Power, Energy and Mineral Resources* continued to commit to prepare a national coal policy, which would provide specific guidelines on exploration and extraction of the coal resources in the country. Chapter 4 (Section III) also discussed how the *Ministry of Power, Energy, and Mineral Resources*, in the process of preparing as many as ten versions of the national coal policy, consistently exhibited its inclination to protect the interest of the foreign lessee company (Asia Energy) in Bangladesh.

The case of Asia Energy is a unique one in terms of its ‘lobbying’ activities, or its interaction with the policy actors. Unlike the case of BGMEA, no evidence could be found confirming that the representatives of Asia Energy Corporation directly lobbied to the ministry officials or to the prime minister. Officials from the Asia Energy Corporation had not been invited to participate in any of the government-led advisory committees or expert committees in order to discuss the national coal policy. It is also important to note that unlike a large number of

---

<sup>335</sup> Rahmatullah, B.D. Interviewed on September 5, 2015.

---

ruling party members or parliament members who directly own RMG factories or rental power plants, no evidence of financial connection could be found between the Asia Energy officials and the ruling party members of the country.<sup>336</sup> In this context, an important question could be asked: With no evidence of direct/indirect ownership or financial stake, what made the policy actors of successive governments in Bangladesh to take consistent position in favor of a foreign company?

In this particular context, Brown's understanding of neoliberal hegemony is relevant. For Brown, in a neoliberal era, the political sphere as well as the government's policy decisions are submitted to an economic rationality; which also extends and disseminates 'market values to all institutions and social actions' (Brown, 2003:39,40). As discussed before, it is in the beginning of the 90s, Bangladesh began to open up critical sectors of its economy to foreign investors. In the early 90s, the power sector and the energy sector of Bangladesh were officially opened up for both local investors and multinational corporations.<sup>337</sup> It is also noted earlier that a political consensus across all parties was observed throughout the 90s and onwards on the issue of pro-private sector liberalization and foreign direct investment, even in the field of critical natural resources. The following set of consensus was observed to be developed within the policy circle of the state:

- ◁ Foreign investment in the natural resource sector is critical for economic growth and development of the country.
- ◁ Foreign investors bring multinational investment, technology, and employment in the region.
- ◁ Bangladesh does not have financial and technical capacity to explore and extract coal or other mineral resources, and hence, foreign multinational investment is the only feasible option to explore and extract natural resources.
- ◁ A method of open pit mining for coal extraction in Phulbari is preferable on the ground that it is commercially more feasible for the lessee company in comparison with the other options.
- ◁ Important mineral resources (such as coal or gas) should be permitted to be exported in order to earn foreign currency (See Chapter 4, Section III ).

---

<sup>336</sup> Even in a real case of financial exchange between two parties, considering the level of secrecy associated with most commission-based approval of foreign projects, it would be difficult to track down such incidents without the help of any 'insider' information.

<sup>337</sup> Both offshore and onshore natural gas fields of the country were also opened up for multinational corporations for exploration and extraction purposes.

---

In addition to such dominant consensus, the Ministry's decision to hire IIFC to draft the coal policy, the controversial appointment of the advisors (who are known to be associated with different company interest), along with the state officials' persuasion of Asia Energy's interest in the advisory committees show the government's clear position in favoring the business interest of foreign investors. The next section will discuss how the state's pro-active decisions at different times have influenced the policy process in favor of Asia Energy.

#### 9.2.1.3.1 O k p k u v t { ø u " r g t u w c u k q p " q h " v j g " k p v g t g u v "

In 2005, the *Ministry of Power, Energy and Mineral Resources* hired *Infrastructure Investment Facility Center (IIFC)* to make its first initiative to draft a coal policy (No advisory or consultative committee was formed to examine the various national, financial, and environmental aspects of the Phulbari mining project). It is already noted that the IIFC is a state owned company that facilitates infrastructure projects through the establishment of foreign private ownership/partnership in different sectors of the economy. As IIFC has no specialized knowledge or expertise in energy issues, and has no experience in development planning at the national level (particularly in the field of power and energy), the Ministry's decision to appoint IIFC in drafting the coal policy indicates the government's deliberate position in involving foreign companies in the strategically important sectors of the country including coal and natural gas (see Chapter 4, Section III, for complete discussion).

Chapter 4 already discussed how the BNP government (2001-2006) appointed Mr. Mahmudur Rahman (who was already holding the position of the Chairperson of the *Foreign Investment Board*), as the Advisor to the *Ministry of Power, Energy and Mineral Resources*. It is argued that the decision of appointing the Chairperson of the Foreign Investment Board as the Advisor to the Energy Ministry reflected the then government's preference in favor of opening up the energy sector to foreign investors. It is also discussed in Chapter 6 that Mahmudur Rahman being the Energy Advisor, repeatedly took clear positions in favor of the Asia Energy investment in Phulbari (see Chapter 6, Section III).

Similarly, in 2007 (during the 2 years tenure of the care-taker government) *The Ministry of Power, Energy and Mineral Resources* appointed M. Tamim as the new Energy Advisor to the Ministry, who was widely known for his direct association with the fuel distribution

---

companies in Bangladesh.<sup>338</sup>The 9<sup>th</sup> version of the coal policy was led by the new energy advisor who ended up altering critical sections of the earlier Patowary Committee Report (8<sup>th</sup> version), which largely emphasized on the necessity of national capacity building, instead of prioritizing foreign ownership of natural resources. The 9<sup>th</sup> version of the draft also sidelined the issues of environmental safeguards by removing the Patowary Committee recommendations from it (see Chapter 4, Section III).

#### 9.2.1.3.2 U v c v g " Q h h k e k c n u ø " r g i n t e r e s t i n E x p e r t C o m m i t t e e s u k c " G p

The Expert Committees (2007) led by Professor Nurul Islam (5<sup>th</sup> version) and Professor Abdul M. Patwoary (8<sup>th</sup> version) repeatedly emphasized on:

- ◁ Building ‘national institutional capacity’ to explore and extract domestic mineral resources
- ◁ Imposing restriction on coal export considering the energy scarcity of the country
- ◁ Ensuring environmental safeguards, sufficient compensation for the possible victims of eviction, and a realistic royalty rate determined by an open and transparent process.

It is already mentioned in Chapter 4 (Section III) that a number of bureaucrats/officials from the *Ministry of Power, Energy, and Mineral Resources* participated in the Patowary Committee to draft the 8<sup>th</sup> version of the coal policy. It is alleged that the ministry officials have regularly submitted ‘notes of dissents’ to the chairperson of the committee in opposition to the decision of ‘restriction’ on coal export. Consistent attempts were also made in the committee meetings to influence the chairperson of the committee in favor of open pit mining in Phulbari (See Chapter 4, Section III). According to Islam, the committee meetings were largely disrupted by the ministry officials who openly pursued the commercial interest of the Asia Energy Corporation.<sup>339</sup>

---

<sup>338</sup> Chapter 4 already mentioned that M. Tamim is one of the Board of Directors of MGL Bangladesh Limited and G Gas LPG Bangladesh. Tamim is also widely known for publicly advocating for gas price hike which is directly related to the financial interest of both MGL Bangladesh and G Gas LPG plant (see Official Website of G Gas LPG and MGL Bangladesh Limited).

<sup>339</sup> Islam, Nurul. Interviewed on November 4, 2015.

---

### **9.3 How pressure created by competing interest groups affect the negotiation process**

The case of Asia Energy shows a unique trend in the lobbying process of Bangladesh in comparison with the other two cases of this study. The consequent ten attempts to draft a national coal policy shows that the Ministry has consistently felt pressurized to form special advisory committees or expert committees in order to accommodate the opinions of independent experts and academicians. The ministry was seen to be responsive to the public criticism while consistently reviewing and re-examining the draft coal policy for years. The 9<sup>th</sup> version of the draft coal policy was criticized on the ground that the Ministry has consistently pushed the commercial agenda of Asia Energy by accommodating the company's plan for open pit extraction of coal, along with the plan for coal export. Due to heavy pressure from the independent experts and the possibility of another round of protest in Phulbari, the Cabinet/Council of Ministers ultimately restrained from finalizing the 9<sup>th</sup> version of the coal policy. It is widely known that the Ministry of Power, Energy, and Mineral Resources has prepared a 10<sup>th</sup> version of the coal policy in 2010 which remains under review till today. The Ministry's decision to restrain from submitting the draft coal policy to the cabinet for long 8 years exhibits the sense of pressure felt by the Ministry officials in pursuing a policy in opposition to public demand (see Chapter 4, Section III for detail).

### **9.4 Concluding Analysis**

It is already noted in Chapter 1 that Kochanek's study comprehensively covered the development and evolution of business class in the early liberalization era in Bangladesh along with the policy actors' responsiveness and relations with business actors. On the other hand, this particular study exclusively focuses on three specific business actors in Bangladesh, and the policy implications of their 'connection' with the state actors in the current times. Though both studies have a number of overlapping areas, a comprehensive overview of the business condition and policy environment in Bangladesh is not within the scope of this particular study. Though it is not possible to make a systematic comparison between the early liberalization policy channels and the post-liberalization state-business alliances due to significant differences in the scopes of the studies, it is possible to draw a partial comparative picture between the two periods, loosely focusing on i. Differences in the patterns of policy channels, ii) differences in the role of ruling elites' business ownership, and

---

iii. The impact of neoliberal economic reform on current policy makers' perception of structural constraint. A summary of the current channels of policy interaction in comparison with the earlier channels are noted below:

- a. It is fair to suggest that Kochanek's observations from the 80s and the early 90s have still remained relevant and the business actors' scopes of intervention in the current times have remained much similar to its earlier regimes. The study finds that the BGMEA members, quick rental owners, and the Asia Energy officials have used a combination of various channels to access and influence the policy process. Pro-active business advocacy and formal representation of business actors in government's advisory or expert committees, along with personal level lobbying are all used by business actors in Bangladesh as possible channels of interaction.
- b. This study also finds that BGMEA officials, quick rental owners, and Asia Energy officials have obtained direct access to the highest levels of the policy domain of the state (which includes the ministers, secretaries, state advisors, and even the Prime Minister). The policy actors in current times are found to be responsive and cooperative towards business complaints and concerns. Although this phenomenon has been similar to the findings of Kochanek's study, it is also important to recall that access and influence in the early liberalization era had to be directed at both the political and bureaucratic levels of the state administration (Kochanek, 1993:235). Repeated appeals had to be made at different levels of the bureaucracy, which also required to be accompanied and followed up. Delays were endemic to the system, and success took months depending on the issue and the policy context (Kochanek, 1993:234). Whereas this study finds that direct access to the Prime Minister's office in the current times largely ensures prompt approvals for business deals, contracts, or projects. Direct clearance from the Prime Minister's office eases up bureaucratic regulatory hassles, while policies declared in the Cabinet meetings are promptly reflected in the field level (i.e. financial incentives for BGMEA and rental plant owners, or quick approvals for rental power plants). However, delays in policy decision/implementations are still common depending on the influence of the other competing interest groups (i.e. blocking of National Coal policy draft in the face of resisting forces).
- c. While business actors' scopes of intervention in the current times have remained much similar to its earlier regimes, this study finds that different elements of



---

neoliberal reform have led to the emergence of an influential business class in the post 90s, in which certain business groups have begun to acquire more and more structural leverage over the state's policy making mechanism. For instance, as the RMG industry expanded in the 90s, the fear of factory shut down and job loss has led to a strong sense of structural constraint in the government which largely affected the activities and responsiveness of the policy actors towards big business associations like BGMEA.

- d. A strong pro-liberalization consensus was evident in the policy environment throughout the 90s. The highest level of policy domain has regularly made statements in favor of elements of neoliberal reform, including privatization of power, liberalization of the natural resource sector, and state support to the export-oriented industries. For instance, the government has pro-actively propagated the necessity of privatization as a vital part of economic reform. The rental mechanism for electricity production was also promoted as a part of the consensus built around the liberalization programs (see Chapter 5, Section II). A consensus was also developed on liberalizing the important natural resource sectors to foreign investors (see Chapter 4, Section III). The IIFC coal policy has promoted arguments in favor of foreign ownership of national resources. The RMG industry has also received substantial amount of state support based on the ground that export orientation and liberalization of the economy (as a part of economic reform) will boost economic growth. Overall, the implications of these elements of neoliberal policies have appeared to be largely positive on the policy actor's responsiveness towards business actors.
- e. Kochanek identified 'ruling elite's ownership of business as an important factor in the policy process of Bangladesh. Kochanek identified that the influence of business-owning policy actors in important government bodies and legislative circles had gradually expanded in the first two decades since the country's liberation. Afterwards, with the increasing number of business representation in the parliament and the cabinet during the post liberalization period, the interrelationships between the ruling elites and the business actors have expanded to a large extent (See Chapter 3). Within the context of high level of economic relations between the ruling elites and the business actors, the state actors appeared to have pro-actively represented business interest in different policy channels (i.e Role of state representative in the Labor Law Reform Committee 2008, role of ministry officials in National Coal Policy Draft

---

Committee, role of the Secretary of the Ministry in Prime Minister's Special Committee to Enhance Power Production in 2006)

- f. Kochanek identified that decade long 'anti-business mindset' of the government bureaucrats dominated the private sector activities in the early liberalization era (see Kochanek, 1996:714; Sobhan 1993; DCCI, 2003:6). Both the small business groups and the comparatively bigger investors experienced lack of cooperation from the 'hostile' government actors (DCCI, 2003:2). However, though the market system gradually evolved in the 90s, and big business groups with structural leverage practice substantial influence over the policy process of the state; the government officials' general attitude towards comparatively less influential business groups remains similar to the earlier regimes. The major portion of the policy making system continues to remain manipulative and involves various forms of harassment at different levels of the bureaucracy. Kochanek's observation from the early liberalization era- "exceptions were made based on the status of the applicant and of the applicant's patron" remain valid in the current times.<sup>340</sup>
- g. Personal lobbying had existed in the early liberalization era at a significant scale which included exchange of gifts, personal loans, foreign trips, entertainment, employment of relatives, or financing education of children of officials in foreign universities (Kochanek, 1996:718). As the market system gradually evolved and large business actors gained more and more access to the policy process of the state, allegations of financial exchanges remain widespread.<sup>341</sup> Excessive secrecy and lack of transparency within the policy-making domain has made the lobbying process substantially unsystematic and covert, indicating to the arbitrary nature of lobbying. However, secrecy and lack of transparency could also define lobbying activities of the earlier liberalization era (see Kochanek, 1993:252). Thereby, no significant change could be clearly identified between the patterns of personal lobbying in these two periods.

---

<sup>340</sup> Jamal, Arshad. Interviewed on May 29, 2018. Islam, Shafikul. Interviewed on June 2, 2018; Azim, Shahidul. Interviewed on June 28, 2018.

<sup>341</sup> Ibid.

**Table 12: A comparative picture of different forms of state-business interactions between the early liberalization era and post liberalization era**

<b>Channels of Policy Interactions</b>	<b>Early Liberalization Era</b> <i>* M q e j c p g m ø u " h k p</i>	<b>Post Liberalization Era</b> <b>(Findings of this thesis)</b>
Pro-active business advocacy	Business groups/associations frequently used various forms of open advocacy including seminar/conventions/press briefing etc	Business associations like BGMEA frequently uses various forms of open advocacy. In case of private rental owners or foreign investors like Asia Energy, publicly conducted advocacy is not commonly observed
Formal Government Channels (Advisory/consultation/expert committee)	Business groups found government-led advisory/consultation/expert committees partially useful, but more 'symbolic than real'. Orders issued by bureaucrats following committee meetings were hardly followed up or implemented. <sup>342</sup>	Business groups like BGMEA finds government-led formal channels useful. Though private power producers or foreign companies like Asia Energy are not frequent participants of the advisory/expert committees, state actors themselves are seen to commonly represent their interest in different committees (i.e National Coal Policy Draft Committee, Prime Ministers Special Committee to Enhance Power Production, etc).
Personal level lobbying	Personal lobbying frequently occurred between individual business persons and government officials with exchange of facilities. The lobbying process involved secrecy and lack of transparency.	Personal level lobbying prevails at all layers of bureaucracy. Success depends on status, influence, or structural leverage of the business actor. Big business groups have direct access to Prime Minister, ministers, and secretaries. Allegations of financial exchanges are common, yet the process involves excessive secrecy.
Direct access to policy process	Initiation and alteration of policy required direct access to the president, prime minister, cabinet	Big business associations like BGMEA, private power producers, and foreign

<sup>342</sup>Kochanek, 1993:241.

	ministers; accompanied by high level of bureaucratic support. <sup>343</sup> However, additional political/bureaucratic/administrative support was also needed. <sup>344</sup> Repeated appeals had to be made. Delays were endemic, and success took years. <sup>345</sup>	investors enjoy direct access to the Prime Minister. Prime Minister's approval eases up regulatory hassles (i.e cases of financial incentives for BGMEA or approval for rental power plants).
Ruling elites' ownership of business	Business representation in parliament: <sup>346</sup>  1973: 23.7 percent  1979: 26 percent  1981: 28 percent	Business representation in parliament:  1991: 54 percent <sup>347</sup>  2014: More than 50 percent <sup>348</sup>
State actors' sense of structural constraint	Decade long 'anti-business mindset' of the bureaucrats dominated private sector activities. <sup>349</sup> Both small business and comparatively bigger investors experienced lack of cooperation from 'hostile' government actors. <sup>350</sup>	Sense of structural obligation plays important role in provision of financial incentives to big business (i.e. financial incentives for BGMEA, rental plant owners, and Asia Energy). However, smaller/less influential business actors still experience 'hostility' from state actors.

<sup>343</sup>Kochanek, 1993:234.

<sup>344</sup> Kochanek, 1993:235.

<sup>345</sup> Kochanek, 1993:234.

<sup>346</sup> Kochanek, 1993:222-223.

<sup>347</sup>Kochanek, 1993:222

<sup>348</sup> Daily Prothom Alo, 2014a.

<sup>349</sup>DCCI, 2003:6.

<sup>350</sup>DCCI, 2003:2.

---

## Chapter 10. Concluding Analysis

To understand the implications of state-business nexus on the democratic process of the state the thesis addressed three fundamental questions: What kinds of state-business nexus occurs in Bangladesh? How does it affect the democratic process of the state? Under what circumstances a state-business nexus fails in implementing a particular project or policy? Under what circumstances it succeeds?

It is already discussed in the earlier parts of the thesis that the discussion and debates on democracy in Bangladesh are mostly limited to the procedural aspects of it. The periodic elections and electoral practices are frequently presented by the mainstream political discourse and the media as the principal elements of democracy in Bangladesh. It is already discussed that the policy-making process of electoral democracies bypasses citizen's active political engagement. In addressing important citizen issues, including privatization of utility services, electricity price hike, wage issues of workers, or 'development'-inducing displacement, the institutions of periodic elections have been proven to be ineffective to compel representatives to respond to the interests of citizens. It is also difficult for citizens to use mere elections to compel politicians to promote public agendas when powerful vested interest groups oppose public preferences.

It is already discussed that Bangladesh has gradually 'opened up' and 'liberalized' important parts of its economy since the beginning of the 80s. Throughout the 90s, foreign direct investment expanded in Bangladesh, while the readymade garments sector of the country emerged as one of the largest garments industries in the world. Meanwhile, consequent governments have attempted to privatize crucial parts of the economy including the power and energy sector. Yet, the trend of growing influence of business groups in manipulating public policy in favor of business interest in general had not appeared as a crucial factor in the discussion of democracy in Bangladesh in the 90s. In the recent decade, parts of the business world in Bangladesh have gained substantial leverage by developing alliance with the governing elites. This sort of 'liaison' is evident in a whole range of policy positions of the state. Chapter 4, 5, 6, and 7 investigated the existing forms of state-business nexus in Bangladesh, and analyzed how and to what extent the joint actions of the state and the business groups affect the policy elements of the power sector, the coal sector, and the RMG sector in the country. The following sections will review the original three research questions of the thesis.

---

## **10.1 Research Questions I: What kinds of state-business nexus occurs in Bangladesh?**

It is already discussed that Bangladesh has majorly opened up its economy since the 90s, and the implementation of pro-market policies involving trade liberalization, privatization, and withdrawal of public investment led to the emergence of a pro-investment/pro-business environment, resulting in the formation of a highly influential business and industrial class in the country. The state's policy makers' responsiveness and attitude towards various business actors have also evolved with the development of a more private-sector led economy in which certain investors and business groups have begun to acquire more and more structural leverage over the state's policy making mechanism. However, the scopes of intervention in the policy making process in the current times have remained much similar to its earlier regimes, in which the process of influencing policy issues has consistently depended on the structural influence of the business actors. Formal representation of business in the state's policy making domain, proactive advocacy from the part of business, and personal lobbying based on individual connections continue to remain as the most widely used mechanisms through which business actors interact with the state actors in Bangladesh (described in the next sections).

### **10.1.1 The role of Structural Constraint in the current channels of policy interactions**

It is important to recall that Kochanek in the 90s identified the following patterns of state business nexus in Bangladesh through which the policy actors and the business actors interacted in the policy domain during the first two decades of liberalization period in Bangladesh (see chapter 1):

1. Ruling elites themselves own and operate business, and thus naturally represents the business interest in the policy making domain.
2. Pro-active advocacy by business associations
3. Formal representation of business in the policy making mechanism
4. Personal lobbying based on individual connections

---

This study has identified and examined the existing patterns of state-business nexus in Bangladesh at a time when a process of extensive liberalization, deregulation, and privatization has taken place (majorly defined by the scholars as a period of ‘neoliberal reform’) (see Muhammad, 2015; Nuruzzaman, 2004). It is found that in the last two decades, policy actors and the business actors in Bangladesh have interacted and operated through similar channels which had earlier been identified by Kochanek (1993). However, it is also identified that policies of liberalization, privatization, and deregulation have exclusively facilitated big business actors to gradually gain more and more structural leverage over the state, which also helped them to gain direct access to the influential policy actors. By examining all the cases, the study finds that the policy actor’s perception of structural constraint or structural obligation plays an important role in influencing each existing channel of interaction in Bangladesh already identified by Kochanek.

#### ‘Structural Constraint’ and business actors’ access to policy making

Chapter 2 already discussed that policy makers in general tend to consider the electoral and fiscal consequences of any public policy that might affect the revenue and profit potential of business (See Chapter 2, Bernhagen, 2007:45). Chapter 2 discussed in reference to Lindblom that policy makers’ of the state delivers constant attention to the needs of the business elites in the fear that disappointed members of the business may almost immediately reduce production, lay off workers, or shut down factories in the case of non-cooperation from the part of the government (Lindblom, 2001:24). As theories suggest, once it has been perceived by the state that the services provided by these business actors are vital to the economy, business confidence is naturally prioritized over policies of redistributive reform. It is evident that a number of similar features among the business actors of this study (including large investment capacity, capacity to create employment, and significant contribution to economic growth) have led to a common perception of ‘structural constraint’ or ‘structural obligation’ for the policy makers of the country which leads them to take frequent positions in favor of ‘big business’. For instance, as different international apparel groups or large corporations like Asia Energy can move away from one country to another to take advantage of a ‘better’ regulatory or fiscal environment, policy makers become obligated to assure a favorable regulatory condition with sufficient incentives (See Crouch, 2004:29).

As strong sense of structural constraint is evident from the part of the policy actors towards the specific business actors of this study; by examining the cases, it is fair to suggest that the



---

perception of structural constraint plays an important role in determining policy actors' attitude and actions towards these particular business actors in each existing channel of interaction (identified by Kochanek), which in turn not only ensures big business's frequent and ready access to the highest level of the policy making domain, but also assures a range of legal and financial incentives for the business actors, in comparison with the other competing forces in the society.

#### **10.1.1.1 Ruling elites owning business: U v c v g-active'representation of business interest**

It is understood that state managers 'internalize' the purpose of the capital holders and exploit the state as a tool to serve their own interests (see Milliband, 1969 in Chapter 2). Re-examining the understanding of structural constraint of the state, Kurtz pointed out that though business does not always succeed in lobbying or influencing political process, its range of interests is seriously considered by the governments in making of policy decisions (see Kurtz, 1993:268 in Chapter 2). This also implies that even if the business actors do not mobilize politically or engage in any political action at all, public policy would nevertheless be 'systematically biased' in favor of their interests (See Bernhagen, 2007:44 in Chapter 2). It is apparent from this study that a large number of policy decisions of the Bangladeshi state are not a direct result of business lobbying or business advocacy; rather, policy actors' 'natural prioritization' of business interest which leads to policy choices favoring business interest. This study also finds that this particular trend is prominent once the state's policy actors or ruling party members themselves own business, or happen to have direct financial relation with the business actors.

Chapter 3 has already discussed that the factory owners and business houses in Bangladesh have become an increasingly important source of electoral fund, as well as party fund since the 80s. As various large business groups have benefited substantially from the government's import policies, loan sanctions, and tax waivers; in exchange, large amounts of surplus cash are distributed during election times. It was also observed that the political affiliation of the business owners eventually transformed into a scenario in which the business owners themselves began to participate in active politics (See Table 2 in Chapter 3).

Chapter 3 has also discussed how since liberation, business representation in Bangladesh parliament expanded quite significantly. Kochanek noted that ministers with business

---

backgrounds were much more prominent than the rest, and top business persons with close ties to business interests began to move into positions of power. Since the last two decades, business owners continued to dominate the circle of legislators in the parliament. Currently, about 50 percent of the total elected parliament members in Bangladesh are business owners, in which readymade garments owners account for around 10 percent. It is also evident that a number of ruling party members directly own rental power plants (See Chapter 4, Section II). In recent decades, owners of different business entities have not only served as ministers and parliament members, but also enjoyed access to important governmental bodies that design economic policies and make allocation decisions (see Table 2 in Chapter 3). As a significantly large number of ruling party members in Bangladesh directly own business or have direct financial connection with the RMG owners and the rental plant owners, the interrelationship and convergence between the two helps the business actors in Bangladesh to make the policy domain of the state to seriously consider its range of interests. It is fair to presume that the ruling party members' direct ownership of business and the existing perception of state actors' structural obligation towards business, combinedly played a crucial role for the policy actors to make policy decisions in favor of business interest:

#### State pro-actively ensuring pro-business legal environment

It is already mentioned that the *Ministry of Power, Energy and Mineral Resources* hired *Infrastructure Investment Facility Center* (IIFC) in 2005 to draft the national coal policy of Bangladesh.<sup>351</sup> There exists no clear evidence that the Ministry's decision to hire IIFC to draft the national coal policy was a result of Asia Energy's direct lobbying. However, the ministry's decision to appoint IIFC, the IIFC draft policy's exclusive prioritization of business interest over public interest, and the state's repeated rejection of recommendations made by independent experts prioritizing environmental safeguard and community interest, was substantially reflective of the state actors' *internalized bias* towards business interest (See Chapter 4, Section III).

Similarly, the BNP government's 2006 appointment of Mr. Mahmudur Rahman (who was already holding the position of the Chairperson of the *Foreign Investment Board*) as the Advisor to the *Ministry of Power, Energy and Mineral Resources*,<sup>352</sup> and the 2007

---

<sup>351</sup>Chapter 4 already discussed that IIFC is a state owned company that exclusively facilitates foreign private ownership or partnership in different sectors of the economy, and has no specialized expertise or experience over energy issues.

<sup>352</sup>Chapter 4 already mentioned how the decision contradicts with the ministry's constitutional obligation to the people to ensure sufficient supply of utility services at an affordable price.

---

appointment of Dr. M. Tamim (who is widely known for his association with the fuel distribution companies in Bangladesh<sup>353</sup>) as the advisor to the same ministry, is also considered as ‘pro-active actions’ from the part of the state in favor of business interest.<sup>354</sup> Though both decisions ultimately advanced the commercial interest of Asia Energy, there exists no clear evidence of any direct lobbying carried out by Asia Energy Corporation. Since no direct financial connection is found between the state’s policy actors and Asia Energy, these particular ‘pro-business’ appointments of the state reflects policy actors’ ‘internal bias’ or ‘natural prioritization’ of business interest.

### State pro-actively using Repression

The government of Bangladesh has consistently repressed community protests and workers movements with the use of police force. The state’s use of paramilitary force in Phulbari, the state’s use of police force and tear gas to contain left activists, and the state’s consistent use of industrial police to repress protesting workers in the RMG sector are all example of as such. A similar pattern for state’s repressive actions have been identified in all three cases of this study:

- ◁ Government’s use of state-institutions such as police, industrial police, or border guards to take disciplinary actions against political protest.
- ◁ Government’s use of ruling party members or state-backed organizations to assist the law enforcement agency in repressing protesting workers or communities.
- ◁ Government’s use of law or legal means to repress oppositional activities (against business interest).

However, in most cases no direct evidence could be found indicating that business actors have directly lobbied to the state officials for taking action against the protesting workers or communities. In the case of Phulbari protest on august 26<sup>th</sup>, despite of the presence of Asia Energy officials on the spot, no clear evidence exists revealing Asia Energy’s direct lobbying in pursuing the state administration to take action against the protesting community. In a similar way, for two nationwide general strikes in 2013 and 2017, the state used police force and tear gas against the left activists. However, no clear evidence is found suggesting that

---

<sup>353</sup> Chapter 4 (section III) already mentioned that M. Tamim is in the Board of Directors of both MGL Bangladesh Limited and G Gas LPG Bangladesh (see Official Website of G Gas LPG and official website of MGL Bangladesh Limited).

<sup>354</sup> Chapter 4 has already mentioned how the expert committee led by Tamim attempted to create a favorable business environment for Asia Energy by promoting open pit mining as a coal extraction method.

---

quick rental owners have lobbied to or pursued the state officials for taking repressive measures against the activists. It is only in the case of the RMG sector, there are some solid evidences that BGMEA members have pursued the state to form an ‘industrial police force’ to maintain ‘stability’ in the RMG sector (see Chapter 6, Section I). Chapter 6 already showed that the industrial police played an important role in containing a large number of workers protest in the recent decade. It is fair to suggest that the formation of industrial police and its frequent repressive actions in the industrial belts of the country is a combined result of the perception of structural constraint and the policy maker’s internalized obligation to assure an undisrupted supply of RMG products, along with BGMEA’s constant persuasion to the state officials to establish an industrial police force (see Chapter 6, Section I). For the other two cases, the state actors’ internal bias towards business interest might have played an important role in taking repressive actions against opposition forces to business.<sup>355</sup>

#### **10.1.1.2. Pro-active advocacy/lobbying by business actors**

One of the basic understandings of Crouch’s thesis is that as wealth and power concentrate towards the business sector, and business groups begin to acquire privileged access to politicians and bureaucrats; politicians respond primarily to the concerns of only few business leaders whose special interests are allowed to be translated into public policy, while politics is shaped in private by interaction between elected governments and elites that largely represent business interests (Crouch, 2004:4, 23). Though major policies in Bangladesh are the result of a complex policy process, selective big business groups in Bangladesh appears to practice significant leverage over the policy makers of the state. For high profile big business groups, a top down lobbying/advocacy approach is more commonly seen to be used in directly securing approval of the ministers, secretaries, or even the Prime Minister.<sup>356</sup> The two most visible patterns through which business lobbying/advocacy occur in Bangladesh are as follows:

- a. Business actors use their ‘right to petition’ to state officials by arranging formal and informal meetings, memorandums, letters, conferences, and seminars.
- b. Business actors directly meet high level officials including Ministers or even the Prime Minister to directly lobby or advocate for their causes

---

<sup>355</sup>It is important to note that carrying out a systematic investigation to understand ‘who’ and ‘what’ exactly instigated the state’s repressive actions in the three cases of this study would require interviewing the higher officials of the law enforcement agencies, along with acquiring state’s confidential information, which this study does not perceive to be within the scope of its research area.

<sup>356</sup> Islam, Shafikul. Interviewed on June 2, 2018.

---

It is evident that unlike the smaller commercial groups in Bangladesh or the other competing forces in the society (such as the RMG workers, the consumers of electricity, and the communities of Phulbari) the policy actors of the state have given various levels of privileged accesses to the three business actors of this study. As a result, these business groups have enjoyed a direct access to the highest level of the policy making body in Bangladesh (See Chapter 4). On the contrary, other interest groups or competing forces in the society (i.e. trade union activists, affected communities, and consumers) have largely failed to reach the policy actors due to the consistent ‘unresponsiveness’ of the state officials.

#### BGMEA lobbying/advocacy to policy actors

BGMEA officials as representatives of a collective association are more commonly seen to approach the highest level of the policy making body either by directly visiting the relevant ministers and the Prime Minister’s Office, or inviting policy actors/ministers to their seminars or dialogues. It is already mentioned that seminars and dialogues arranged by BMGEA consistently plea for various forms of financial incentives, based on the ground that to keep the factories at work, and to ensure a steady supply to the international buyers, state patronage is necessary. It is already discussed in Chapter 5 that ever since the emergence of the RMG industry, the state has been consistent in responding to the BGMEA demands by providing both direct and indirect financial incentives to BGMEA, which includes cash incentives, export credits, low-interest loans, corporate tax waiver, VAT waiver, and loan waiver schemes. The study shows that the growth and expansion of the RMG industry in Bangladesh has been possible due to the large amount of state subsidy that is provided to the RMG owners for decades (See Chapter 5, Section I).

#### Quick Rental owners’ lobbying/advocacy to policy actors

Chapter 4 already discussed how the process of approving rental plants have become exclusively ‘vendor driven’ (under special provision act) through which merely the powerful vendors or business groups with direct access to the Prime Minister are able to submit applications for rental power plants. It has also mentioned that in the current circumstances, no business group without a strong or direct reach to the Prime Minister could possibly arrange a ‘deal’ for a rental project. This also means that only the ‘rich’ and the ‘influential’ receive the approval, which gradually intensified the participation of ‘political businessmen’ in the power production process in Bangladesh (See Chapter 4, Section II). As under the

---

special power supply act the possible power producers can directly approach the Prime Minister (instead of going through official assessment process), consultation committees or expert committees are no longer required to be formed by the Power Development Board. Chapter 5 (Section II) shows that the state actors (i.e. Power Development Board and Bangladesh Petroleum Corporation) remain consistently responsive to the rental owners' demand for subsidized petroleum and high priced electricity.

#### **10.1.1.2 Formal representation of business in the executive policy domain (Advisory bodies/consultation committees/expert committees)**

It is already noted that major economic, industrial, and trade policies in Bangladesh are the result of a complex policy process involving the ministries, council of ministers, advisory committees, consultation committees, expert committees, inter-ministerial committees, and parliamentary committees. In the context of Bangladesh, as the parliamentary committees does not have any provision of participation for different special interest groups, the policy making process has been largely concentrated in the executive domain. It is already mentioned that any draft law, rule or act in Bangladesh is initiated and designed in the relevant ministries. In case of policy actor's lack of expertise, or due to pressure created by different special interest groups; Ministries attempt to form consultation committees or expert committees to accommodate the views and expertises of the academicians, experts, or civil society members. Various advisory committees led by different ministries have always been a crucial platform for the influential business actors in Bangladesh through which the law making process could be altered or influenced. Chapter 4 already discussed how in the case of law making, big business actors in Bangladesh frequently attempt to exert influence on the executive policy process of the state by ensuring strong representation and participation in these committees (i.e. BGMEA members' participation in the *Labor Law Reform Committee*). Despite active participation of the trade union leaders in the reform committee meetings with specific set of demands of reform, the amended labor law (passed in 2013) exclusively reflected the views and demands of the BGMEA members (See Chapter 4, Section I for details).

It is important to note that state officials participating in different consultation or advisory committees are also frequently seen to be representing the interest of business groups. For instance, while drafting the national coal policy, the state-appointed officials and

---

bureaucrats participating in the Nurul Islam Committee (2007) and Patowary Committee (2007) attempted to create pressure on the ‘independent’ expert members of the committee in a regular basis to permit coal export and open pit mining as an extraction method. Additionally, consequent Expert Committee Reports directly opposing open pit mining and coal-export were regularly rejected or being altered by the Ministry officials. For instance:

- ◁ Islam’s review report in 2006 opposing the provision for open pit mining and coal export (by foreign lessee companies) was rejected by the Ministry.
- ◁ The Nurul Islam Committee Report (June 2007) opposing open pit coal extraction was rejected by the Ministry.
- ◁ The Patowary Committee Report (2007) prioritizing elements of ‘national capacity building’ in the coal sector was halted for re-examination by the Ministry.
- ◁ The 9th version of the coal policy draft led by the new energy advisor M. Tamim (who is widely known for his direct association with the fossil fuel based companies in Bangladesh) largely altered critical parts of the Patowary Committee Report.

Overall, it is clear that the official process of business representation in various government-led consultation committees is used by business actors as a critical platform to systematically present their demands and views. In the case of an absence of official business representation in the expert committees, the state officials are seen to be pro-actively representing business interest, which could be a result of a combination of both state’s perception of structural constraint and the policy actor’s direct interest in the financial matters (the case of the former Energy Advisor’s formal involvement with fuel companies).

## **10.2 Research Question II: What made the State business nexus fail? The Case of Asia Energy**

The empirical findings of this research confirm that various forms of state-business nexus exist in all three cases of the thesis. However, in the case of Phulbari, the state appeared to have failed to implement the Asia Energy mining project in the planned location. Hence, Chapter 9 addressed a vital question in light of the research objective: What made the state business nexus fail in this particular case?

It is already discussed in Chapter 2 that business actors are generally less successful than citizen groups at least in the case of the policy process of the European Union (see Dür,



---

Bernhagen, and Marshal, 2015:3-5). Studies also show that the political leverage of business groups are observed to be frequently associated with their access to the executive domains of the government which in some political systems are less accessible to countervailing groups (see Richardson & Jordan, 1979). On the contrary, citizen groups are observed to be more inclined towards the parliamentary bodies and their members (Denzau and Munger, 1986). It is already mentioned in Chapter 2 that when policy debates and decision-making powers shift from the executives to the parliamentary bodies, business lobbyists tend to lose their competitive leverage compared to other interests. This implies that business actors can protect their interests best when the power of the parliamentary bodies is limited (Dür, Bernhagen, Marshal, 2015: 11). In the context of Bangladesh, as the parliamentary system does not have much space for public participation, the other competing forces in the system (other than the business actors) get to have very limited access to the policy process as a whole (discussed in Chapter 3). As Chapter 2, 3, and 8 have already provided a theoretical framework as well as an empirical understanding of the major contributing factors to the success or failure of state business nexus; understanding the limitations of parliamentary power, the executive power relations, and the level of visibility of the conflict in Bangladesh would help addressing this particular research question of the study: What made a state-business nexus fail?

### **10.2.1 Limitations and Constraints to Parliamentary Power**

A number of scholars have suggested that the institutional structure of the European Union offering frequent and multiple accesses to the labor unions or citizen groups, tends to allow them to be particularly more effective in imposing new or added regulations.<sup>357</sup> It is also noted earlier that the increasing ‘politicization’ of some layers of the European Union leads to greater public attention to the public policies, which tends to favor the demands of citizen groups (see Dür& Mateo, 2014). In the context of Bangladesh, it is already discussed that the role of the parliament in ensuring parliamentary supremacy over the executives, and the parliamentary ability to hold the executive policy actors regularly accountable to the parliamentary committees remains heavily unsatisfactory (see Chapter 3). The authority of the parliamentary committees is only limited to proposing amendments, recording minutes of dissents, or identifying any unclear or vague clause of the bill (See Mahiuddin, 2009:96 in Chapter 3).It is also noted earlier that the parliamentary committees of Bangladesh do not

---

<sup>357</sup>See Dur, Bernhagen, and Marshal 2015:3-5; Mazey & Richardson, 1993; Mazey, 1998; Geddes, 2000; and Kohler-Koch, 1997 in Chapter 2.

---

have the authority to initiate or rewrite texts or bills, or to arrange public hearings on legislative bills (Mahiuddin, 2009:97). As the parliamentary committees can only make recommendations, while the ministers and the bureaucrats remain free to defy those; the parliamentary capacity to initiate or reframe legislations are severely curtailed (see Mahiuddin, 2009:98 in Chapter 3).

Apart from the institutional limitations of the parliamentary set up, the ongoing political crisis of the country as well adds to the conditions of the parliamentary inefficiency and constraints. Though in two decades, elections are held more regularly in Bangladesh, the repeated boycott of parliamentary sessions by the opposition party heavily curtailed the already constrained capacities of the parliamentary system. As the current parliamentary sessions have been virtually running without an opposition, the overall performance of the parliament in terms of legislation-making and consensus building has declined (Jahan, 2012:1). Hence, the possibility for the countervailing forces like workers, consumers, or citizen groups to build pressure on the policy process of the state through the parliamentary channels remains unfeasible. The case of Phulbari resistance shows that despite of repeated attempts, the policy actors remain completely inaccessible to the communities of Phulbari. In such context, Chapter 8 identified the existence of a social resistance force in Phulbari as the major contributing factor enabling a countervailing force like ‘Phulbari community’ to succeed in blocking the Asia Energy project.

### **10.2.2 Executive Power Dynamics**

While the parliamentary committees struggle to reinforce parliamentary supervision over the executive branch, the executive bureaucracy in Bangladesh persistently enjoyed significant independence without much interference from the political actors (see Mahiuddin, 2009:95-97 in Chapter 2). However, the Council of Ministers which is expected to be the highest decision making body within the executive domain in Bangladesh, has hardly enjoyed the autonomy and capacity to make critical decisions. It is found that the council of ministers in Bangladesh has consistently failed to operate as a functional body of decision making due to the Prime Minister’s exclusive dominance over the policy system. Crucial policy decisions are mostly announced even before the cabinet could meet or at the cabinet meetings itself.

Although most policy decisions in Bangladesh are initiated, designed and drafted by the executive bureaucrats and approved in the cabinet; in practice, the council of ministers has

---

rarely been a center for decision making for the state (Kochanek, 1993:65). Kochanek noted: “On paper, a variety of formal decision making bodies appeared to play an important role. In practice, all major and even minor decisions were made by the President” (Kochanek, 1993:63). Even after the restoration of parliamentary democracy in the 90s, both the council of ministers and the parliamentary committees are largely seen to be merely used for receiving reports from ministers on various problems and actions. In short, Kochanek’s observation of the military regime of the 80s that ‘the cabinet meet to announce decisions and not to make them’ still remains valid in current Bangladesh (Kochanek, 1993:65).

It is suggested that business actors are able to defend their interests, as long as policies are agreed upon in a comparatively closed elite circles involving few lobbyists and executive officials (see Dür, Bernhagen, and Marshal, 2015:3-5 in Chapter 2). In all three cases of this study, the business actors are seen to be having close connections with the policy actors and the state officials. For instance, the BGMEA members and the rental plant owners have direct access to the Prime minister of the country. The Asia Energy officials were frequently reported to be associating with the energy advisor and the ministers. In all three cases, policy decisions are observed to be made in closed-door meetings with no transparent procedures attached to it. It is already noted that the other competing forces of the society, such as the workers, consumers, or the citizen groups barely get to have any access to the policy process, whether within the executive domain of the state, or within the parliamentary bodies.

### **10.2.3 Level of Visibility of the Conflict**

Studies suggests that unions and citizen groups are more likely to be involved in relatively more open processes involving larger numbers of participants, while business interests attempt to shape the policy process quietly, by avoiding open conflicts (see Dür, Bernhagen, and Marshal, 2015:3-5 in Chapter 2). As parliament system in Bangladesh does not provide any meaningful access to the trade unions or other citizen groups, these groups are more likely to get involved in a relatively more open process which involves large public participation. For instance, in the last decade the RMG industry has observed a large number of workers protests in the streets, which even turned partially militant in some cases. Street rampage, burning tires, or blocking traffics remained common practices among the workers, which attracted a level of media attention. In the case of anti-quick-rental activism, the left

---

parties consistently remained visible in street demonstrations (Two general strikes were called in 2013 and 2017 following the decision of electricity price hike by the Ministry).

Salisbury (1984) found that citizen groups tend to play more prominent roles in comparatively visible public domains, while business seem to be more active in the less visible arenas (Salisbury, 1984: 74-5). In general, the workers, consumers, or left party members in Bangladesh face consistent difficulty in finding access to any formal channel through which their demands or complaints could be placed in the policy making domains of the state. On the contrary to the RMG workers and left activists, both the BGMEA members and the rental plant owners are seen to be having more direct access to the state officials, or even to the ministers, while participating in closed-door meetings, which are tend to be almost entirely non-visible to public domains.

It is also suggested that when the public gets involved and ‘spotlight’ is on, business interest tends to lose (see Danielian and Page, 1993:1076 in Chapter 2). This particular theoretical assumption is largely convincing in the context of Phulbari resistance. It is already noted that following the government’s mining agreement with Asia Energy, the communities of Phulbari repeatedly failed to reach the policy actors. No formal or informal channels of communication were practically accessible to the community leaders or even the members of the local political parties in Phulbari. Once the Phulbari movement gathered a large number of supporters in visible public domains with consistent presence (near about a month), not only that the media ‘spotlight’ was on, the state officials were also compelled to respond. In this context, it could be assumed that the large public involvement and the continued resistance in the public domain (following the repressive actions of August 26<sup>th</sup>) influenced the business actors’ ability to continue to prevail its influence on the policy actors. One may argue that similar conditions also exist in the cases of RMG workers’ resistance or left partys’ demonstrations/general strikes, in which citizen groups/workers got involved in visible public domains with a ‘fair’ level of media attention (see Chapter 6, Section I and II). However, Chapter 8 analyzed the ‘fraction of interest’ in the RMG opposition activities and the limitations of the left activists. It also discussed the political, geographical, and economic variables that played important roles in the development of an effective social resistance movement in Phulbari

---

#### 10.2.4 Existing Conditions for Social Resistance

Chapter 8 examined the various political, geographical, and economic factors that played crucial roles in the development of an effective social movement in Phulbari which eventually halted the attempt of both the state and the lessee company to implement the mining project in the region. It is also observed that despite of the presence of strong state-business nexus both in the power sector and the readymade garments sector in Bangladesh, no effective opposition could be built against the vested interest groups functioning within these sectors. Though in the case of RMG sector, a number of spontaneous movements occurred in the last decade, it hardly managed to achieve the ultimate target for a standard living wage for the workers. In the case of the power sector, no effective resistance could be built in last one decade challenging either the special power supply act or the multiple renewals of the quick rental deals which are accused to be the principal factor contributing to the frequent power price hike in the country.

Based on a detail examination of the nature of existing oppositional activities in all three cases, Chapter 8 has concluded that it is only in the presence of a strong social resistance movement, the joint attempt of the state and the business groups could be effectively challenged and obstructed. The case of Phulbari also exhibited that a certain economic, political, and geographical pre-conditions are necessary for the democratic elements of the society to flourish and for an effective social movement to build up. Chapter 8 has identified the presence of an ‘unified self sufficient community’ with ‘no dependence over multinational investment’ as the principle condition contributing to the success of the Phulbari movement (and the failure of the state-Asia Energy nexus). A number of particular elements of the resistance movement are also considered by some scholars as an alternative to the neoliberal economic model itself (See Pegu, 2008; Muhammad, 2015 in Chapter 8). On the contrary, opposition groups against the BGMEA and the quick rental power producers are observed to be having no unified platform to resist. In addition, the workers and the consumers of these sectors have been observed to be holding strong perception of dependence over the capital investment made by the business groups. At the end, Chapter 8 concluded that social movements alone cannot create sufficient conditions for a democratic system to function.

---

### 10.3 Research Question III: What are the Implications of State-business nexus on the Democratic Process of Bangladesh?

It is important to note that in discussing the discourses of democracy, the thesis attempted to keep its focus on the privileged political position of the minimally regulated business entities, and its relation with the democratic delivery of the state. As the empirical findings in this thesis suggest that strong state-business nexus exists in all three cases, it is important to analyze the implications of such state-business nexus on the democratic process of the state in light of the *theories of state* and the *theories of democracy* discussed in Chapter 2.

Firstly, it is important to review the pluralist assumption which claims that constant competition among businesses and other groups prevents the emergence of one particular group becoming too powerful to be able to dominate the policy domains. The pluralist notion of democracy also assumes an automatic fair balance between business and labor interests in the society (Brittan, 1975:137). However, the findings of this thesis show that the pluralist claim does not hold valid in the case of Bangladesh.

To understand the shortcomings of the pluralist perception of democracy, it is important to revisit the structuralist argument here. It is already discussed that the institutions of the state feels obligated to function in a way that ensures the ongoing viability of capitalism and thereby reproduces the logic of capitalist structure in its economic, legal, and political institutions (see Poulantzas 1972). Offe argued that the state is an independent entity with its own set of interests, which operates in the interests of the capitalist class, not because it is controlled by the capitalist class, but because it depends on corporate investment for its revenue (see Offe 1974 in Chapter 2). The validity of the structuralist argument could be observed in different sectors in Bangladesh. For instance, in the case of the RMG sector, the state is seen to be consistently responsive towards the continued BGMEA lobbying. The state has also provided a large number of subsidies and financial incentives to the RMG owners including cash incentives, low-interest loans, and tax-cuts. On the other hand Chapter 6 and 7 discussed how the state has been largely unresponsive towards the workers' ongoing struggle for a better minimum wage in the face of high inflation. The functioning mechanism of the wage board in determining a minimum wage rate (see Chapter 7, Section I), the implementation of labor-unfriendly laws in the RMG sector (see Chapter 4, Section I) and the formation of 'Industrial Police' to tackle labor unrest (see Chapter 6, Section I) is also reflective of the ongoing 'structural bias' of the state in favor of the capital holders.

---

Similarly, the quick rental power plant owners have also received a significant number of state subsidies in every layer of the power production process (see Chapter 5, Section II) while the consumers of electricity continued to pay for a high price (caused by rental production of electricity). In the case of Phulbari coal field, the state substantially reduced the rate of royalty for the lessee company, while the social and environmental cost for the community was sidelined. State's repressive actions towards the communities of Phulbari (in favor of the lessee company) are also reflective of a 'bias' of the policy actors. The fact that states do not heavily depend on the performance of other competing groups (such as the workers, labor unions, service users, or citizens as a whole) (see Lindblom, 2001:248), the business elites in Bangladesh could conveniently push their demands over the demands of the other segments of the society. Overall, the notion of pluralist democracy can be challenged by identifying the reality of the established business groups' privileged access to policymakers in Bangladesh (in comparison with the lack of access of the working class or affected communities to the highest level of policy making).

It is also evident that the policymakers of the Bangladeshi state consistently consider the electoral and fiscal consequences of public policies. As according to Lindblom's claim, it is observed that the state of Bangladesh acquires a governing process which delivers 'constant attention to the needs of the business elites' in the fear that 'disappointed members' of the market may 'reduce production', 'cut workforce', or 'shut down' in case of noncooperation (see Lindblom, 2001:247). It is already noted that the RMG sector in Bangladesh is the largest foreign currency earner of the country which has employed around 4 million workers in last two decades. As suggested by the theory of structural power of business (see Schmitter and Streeck, 1999: 12 in Chapter 2), the investment capacity of BGMEA allows them to exercise considerable autonomy over the state, and enable them to put heavy restrictions on policies which favor the interest of the workers. For instance, if the state prioritizes the interests of the RMG workers by pushing for a higher minimum wage or a stricter labor law, a "capital strike" may occur from the part of the BGMEA, leading to reduced production, declined workforce, or shutting down of factories. In the case of wage board negotiations, it is already observed that the BGMEA representatives regularly used threat to shut down factories in the face of workers' demand for a higher minimum (see Chapter 7, Section D). Thus it is fair to conclude that in the presence of such structural constraints from the part of the state, the democratic demands of the RMG workers will remain unaddressed.



---

In the case of Asia Energy Corporation it was observed that the state felt structurally obligated to the future investment of the lessee company, along with the possibility of export of domestic coal, which could become a major source of foreign currency for the country. The policy actors also claimed that as the state institutions lack both financial and technical capacity to develop the coal sector of the country, long-term multinational investment became necessary (see Chapter 4, Section III). In the presence of such perception of structural dependence, the concerns and demands of the local communities were observed to be undermined and repressed by the state forces.

It is important to note that unlike the RMG sector, the vested interest groups operating in the power sector in Bangladesh are observed to be holding no significant structural leverage over the state. For instance, in case of the rental power plants, the state had various viable alternative options to the power crisis other than privatizing or outsourcing a portion of the state's power production base. It is evident that the rental/quick rental companies had no prior experience in power production mechanism, rather required a large sum of financial subsidy from the state to continue to operate (See Chapter 4, Section II). It is also evident that in the case of the rental power plants the state had no particular technical or structural dependence over private companies. There was no risk of any 'capital strike' from the part of these new set of companies, and no particular risk of 'shutting down' of factories, or laying-off of workers existed. Rather, it is observed that in this particular case, the state responded partially based on the existing intertwined relationships between the business groups and the members of ruling party, as suggested by the elite theory of Mills (1956) and Kochanek as well (1993).

It is already discussed that even if the business community does not mobilize politically, or does not hold a bargaining power over the state, public policies are 'systematically biased' anyway, in favor of their interests (see Bernhagen, 2007:44 in Chapter 2). It is also noticed that though business groups do not always succeed in lobbying or influencing political process, its range of interests is seriously considered by the state (see Kurtz, 1994:268) due to the existing elite network (combined with big business actors and policy makers) which operates within the governing circle. Chapter 4 has already discussed how the members of the parliament and the members of the ruling party in Bangladesh continued to receive licenses for rental companies based on mere political consideration. The RMG owners and the rental plant owners have also regularly received financial incentives from the state. Overall, it is apparent that Mill's theory of elite network largely applies in the case of the power sector and

---

the RMG sector in Bangladesh. Meanwhile, the theory of structural constraint fits better for both the coal sector and the RMG sector of the country.

Whether it's the perception of structural constraint or the presence of a deeply intertwined elite network in the governing system, in all three cases it is evident that the state feels seriously obligated to respond to the demands of capital holders, which led to its cautious negligence to the democratic demands of the other competing forces of the country such as the RMG workers, the electricity consumers, and the communities of Phulbari.

The empirical findings from the thesis also challenge the pluralist assumption that policymakers and business interests in a pluralist society do not always get away with 'circumventing the democratic process' (See Morton and Cameron, 1992). The heavy political connection of the quick rental power producers in Bangladesh (discussed in Chapter 4, Section II), as well as the implementation of the special power supply act in order to block the jurisdiction of the court in taking legal measures against any irregularity in the power projects heavily challenges the pluralist assumption that business groups cannot get away with bypassing democratic procedures of the state.

In critiquing the discourse of liberal democracy and its argument that the regulatory authority of the state must be restricted so that individual citizens can pursue their social or economic interest, Held (1991) asked whether the individual citizen's liberty to accumulate unlimited economic resources poses a challenge to the extent of political liberty or not. The Bangladeshi state's lack of regulatory power in ensuring a standard minimum wage and safe working condition in the RMG sector validates Held's assumption that the process of unlimited accumulation of resources could in turn violates the necessary conditions for democratic politics. For instance, Chapter 5 (Section I) shows how the long term tax waiver policy for the RMG industry in Bangladesh has largely benefited the RMG owners in accumulating large amount of wealth in the last two decades, while the workers could barely enjoy their basic entitlements to a standard minimum wage and trade union activities. Section II of Chapter 5 shows how a lack of regulatory control have allowed the rental/quick rental companies to charge an excessively high price of electricity to the state, while the apparently democratic outcome of the public consultation meetings arranged by the BERC (to debate the price hike of electricity) were continually disapproved by the Ministry. Here, individual business groups' liberty and leverage in accumulating economic resources have posed a

---

challenge to the scopes of political liberty by invalidating the apparent democratic attempts of the competing forces in Bangladesh.

Schumpeter's view on democracy focuses merely on the procedural aspects of democratic practice. Schumpeter defined democracy as a mere 'institutional arrangement' for arriving at political decisions (Schumpeter, 1942:269). However, it is argued that exclusive attention to election procedures as the principal characteristic of a democratic state may turn political debates away from the more long-term and substantive political and economic issues, while rigidly isolating the election period from the possibility of citizens' continuous political participation (see Joseph, 2007:3217 in Chapter 2). The Asia Energy's project plan and activities in Phulbari and the draft coal policy's predetermined position in favor of open pit mining in the Phulbari region shows that the process of election itself cannot guarantee a democratic policy process in a locality, nor can it ensure accountability of the elected representatives to their constituencies (see Joseph, 2007:3217). In Phulbari's case, it was only the successful development of a social resistance movement which could halt the mining project, while creating opportunities for citizens to represent their immediate concerns, and holding the local electoral representatives accountable to its constituencies in between the election times.

On the other hand, Colin Crouch argues that in a post-democracy, while elections still exist and is able to change governments, politics is shaped in private by interaction between elected governments and elites that largely represent business interests (Crouch, 2004:4). According to the post democracy theory, the rise of business interest in politics, and the influence of business lobbying in policy making have gradually hollowed out the institutions of democracy. It is also asserted that in a post-democratic era, as governments outsource and sub-contract more of its activities to business entities, politicians respond primarily to the concerns of few business leaders whose special interests are allowed to be translated into public policy (see Crouch, 2004:23 in Chapter 2).

It is evident that the existing scenarios in the RMG, power, and coal sector in Bangladesh represent an ideal *post democratic* condition in which the emerging business class (that is highly associated with political interest) enjoys privileged access to the policy actors, and are capable of influencing them to meet business demands, while the welfare demands of workers, consumers, communities, and general citizens are consciously overlooked. Overall, a 'post-democratic' condition in the context of these three particular business actors in

---

Bangladesh, simultaneously counters the general assumptions of the pluralist, liberal, and procedural notions of democracy by addressing the reality of rising business power in the political system of Bangladesh and its contradiction with the principal of liberty, plurality, equity, and democracy.

### **10.3.1 Is it a perfect condition for Post Democracy?**

“Do the existing cases of state-business nexus in Bangladesh suggest an ideal post-democratic condition in the country?” To answer this question, it is important to consider a number of other relevant factors.

In addressing important citizen issues including privatization of utility services, electricity price hike, wage issues of workers, or environmentally damaging ‘development’ projects; the institutions of periodic elections have long been proven to be ineffective to compel electoral representatives to respond to the interests of citizens. Moreover, the presence and influence of powerful vested interest groups in the executive domain of the state actively opposing public interest has ultimately produced a centralized policy process in Bangladesh leading to the conditions for a post-democratic regime. However, the current politico-economic conditions in Bangladesh require a more comprehensive understanding of the relationship between vested interest groups and democracy.

Earlier chapters of this study already mentioned that the debates on democracy in Bangladesh are mostly limited to the procedural aspects of it, and the policy-making process of the state bypasses citizen’s active political engagement. It is crucial to note that in the last decade, there has been allegations of serious manipulation of the electoral system of the state leading to a situation in which even the procedural elements of democracy are no longer functioning (see Rahman, 2018; Democracy Index 2017 (EIU); Riaz, 2014). The 2014 parliamentary election was boycotted by nearly all the opposition parties and marred by large-scale violence and killings, ultimately leading to an uncontested win for the Awami League government with a majority of 300 parliamentary seats (see Riaz, 2014; Landry, 2016). Afterwards, the government has been accused of using increasingly authoritarian measures, including the use of state’s judiciary system and law enforcement agencies for persecution of opposition, as well as constraining the voice of media. The government is also accused of changing the constitution with the help of ‘majority seats’ in the parliament (see Landry, 2016; Mahmud, 2018). The jailing of the former Prime Minister, consistent persecution and repression of

---

opposition voices, along with strong possibilities of another rounds of rigging and fraudulence in the upcoming national election, have raised fears that the next parliament will be a ‘hollowed-out’ democratic set up, without any moral legitimacy (Mahmud, 2018).It is also claimed that the current human rights situation in Bangladesh has turned out to be ‘not so suitable’ for holding an election, let alone an inclusive one (Mahmud, 2018).

Overall, the current context of Bangladesh suggests that the already existing spaces for political participation, freedom of press, and inclusive politics, though already flawed and ‘procedural’ in nature, by now has started to shrink even further (see Rahman, 2018; Human Rights Watch 2018; Democracy Index 2017 (EIU), Dhaka Tribune, 2017; The Wall Street Journal, 2015; Riaz, 2014). In addition to that, illegal intrusion of vested interest into politics, ruling party members’ capture of state resources (see Jahan, 2018:13), massive bank defaults associated with banks’ aggressive lending to politically linked business groups(see Islam, 2018; Mowla 2018), and large accumulation of wealth by politicians (Islam, 2018; Mowla 2018) have created a condition in which the financial stake for the political actors has become significantly high. According to Khan *“Illegal toll collection accounts for a much larger proportion of the country’s GDP compared to the rent-seeking incomes that were previously generated by government controls through permits and licenses. It is a distressing matter that a number of prominent politicians are identified as defaulters and that slackens government’s financial reform process”* (Khan, 2016:21).

Over time, this led to a situation in which the ruling party members are found to be accustomed with rigging periodic elections (both national and local) with the use of state violence; ultimately putting the basic elements of procedural/electoral democracy in danger (see Jahan, 2018:16; Riaz, 2014). Hence, it is fair to conclude that the current politico-economic condition of Bangladesh with the state’s use of increasing authoritarian measures, goes beyond the theoretical understanding of post-democracy. Further research would be needed to empirically establish the connection between business influence and declining democratic politics in Bangladesh, particularly in the background of extensive state corruption, state repression, and increasing failure of even the procedural elements of the current democratic institutions to function and deliver.

---

## 10.4 Concluding Statements

Based on the above analysis, this chapter draws the following concluding observations:

- a. The current policy channels or ‘scopes of intervention’ in the ‘neoliberal’ reform era in Bangladesh remain similar to the policy channels of the earlier liberalization era.
- b. State actors’ perception of structural constraint plays a prominent role in the current times in determining the nature and pattern of policy interactions between the state actors and the business actors.
- c. Four different implications of state-business nexus exist in all three cases of this thesis, which includes, law reform, state-subsidy, state repression, and attempt of democratizing the policy process.
- d. Conditions of *post-democracy* are evident in all three cases. However, further research is required to contextualize the theoretical understanding of post democracy in a more complex context of Bangladesh.
- e. It is only in the presence of a strong social resistance movement, the joint attempt of the state and the business groups could be effectively challenged and obstructed. However, a number of political, economic, and geographical pre-conditions are necessary for an effective social movement to build up.
- f. The failure of a state-business nexus strengthens the conditions of democracy by improving social awareness and making electoral representatives responsive to the people. However, further research is required to assess the long term impact of such democratic elements on the structure of national policy making, as well as on the democratic behavior of the state.

---

## Reference

Adejumobi, Said. Governance and Poverty Reduction in Africa: A Critique of the Poverty Reduction Strategy Papers (PRSPs). Paper Presented to the *Inter-Regional Conference on Social Policy and Welfare Regimes in Comparative Perspectives* organized by the College of Liberal University of Texas, Centre for Latin American Social Policy (CLAPSO), the Mexican Centre, the Brazil Centre of the Tereza Lozano Long Institute of Latin American Studies, the LBJ School of Public Affairs, and the Institute of South Asian Studies, holding at the University of Texas in Austin, U.S.A from April 20-22, 2006.

(AEC) Asia Energy Corporation. "Phulbari Coal Project: Public consultation and disclosure plan." (Bangladesh) Ltd (AEC). Prepared by SMEC Australia Pty Ltd. 2005.

(AEC)Asia Energy Corporation. "Phulbari Coal Project: Project at Glance." Retrieved from [http://www.phulbaricoal.com/?page\\_id=54](http://www.phulbaricoal.com/?page_id=54). Accessed on June 2, 2016.

(AEC) Asia Energy Corporation. "Phulbari Coal Project: Resettlement and Compensation." Retrieved from [http://www.phulbaricoal.com/?page\\_id=54](http://www.phulbaricoal.com/?page_id=54). Accessed on June 2, 2016.

(AEC)Asia Energy Corporation. "Phulbari Coal Project. Contract with the Government of Bangladesh." Retrieved from [http://www.phulbaricoal.com/?page\\_id=272](http://www.phulbaricoal.com/?page_id=272). Accessed on May 3, 2016.

Ahmed, Ferdous. "Improving Social Compliance in Bangladesh's Ready-made Garment Industry." *Labor and Management in Development* 13 (2012).

Ahmed, Mesbahuddin. "Trade Union Movement in Bangladesh: Issues, Agenda and Legislation." Unpublished document. JatiyaSramikJote (National Labor Forum). Retrieved from [jatiyosramikjote.org/tubook.pdf](http://jatiyosramikjote.org/tubook.pdf). Accessed on January 3, 2017.

Ahmed, Monjur & Shah, Jahangir. " " (All belongs to the Apparel owners)". *ProthomAlo*. May 18, 2013.

Akhtar, Nasrin. Interview with Nasrin Akhtar. Dhaka, May 10, 2017.

Akhtar, Taslima. Interview with Tasliam Akhtar. Dhaka, January 26, 2015.

Alam, Shamsul. Multiple Interviews with Shamsul Alam. Dhaka, August 1, 2015; May 31, 2018.

Alesina, Alberto & Allan Drazen. "Why are Stabilizations Delayed?" *American Economic Review* Vol. 81, No. 5 (1991): 1170-1188.

Ali, Syed Ashraf. "RMG sector and the myths of back-to-back LCs." *Financial Express*. May 19, 2013.

Alesina, Alberto. "Credibility and Policy Convergence in a Two-Party System with Rational Voters." *American Economic Review*, Vol. 78, Issue 4 (1988): 796-806.

Alfred, Stephan. "The New Professionalism of Internal Warfare and Military Role Expansion." In *Armies and politics in Latin America*, edited by Abraham F. Lowenthal. New York: Homes and Meier publishers, 1976.

Alice H. Amsden. *Asia's Next Giant: South Korea and late industrialization*. Oxford University Press, 1989.



---

Almond, A. Gabriel. "Capitalism and Democracy." *Science and Politics*, Vol. 24, No. 3 (September 1991): 467-474.

Amin, R. *Development Strategies and Socio-Demographic Impact of Non-Governmental Organizations: Evidence from Rural Bangladesh*. Dhaka, University Press Limited, 1997.

Arifuzzaman, Tuhin. " (Government pays, Business owns)." *Daily KalerKantho*. March 15, 2014.

Asian Development Bank (ADB). "Overview of NGO and civil society in Bangladesh." ADB: Civil society Briefs. ADB, August, 2008. Retrieved from <https://www.adb.org/sites/default/files/publication/28964/csb-ban.pdf>

Austen-Smith, David. "Interest Groups, Campaign Contributions, and Probabilistic Voting." *Public Choice* 54 (1987): 123-139.

Azim, Shahidul. Multiple Interviews with Shahidul Azim, Dhaka, July 29, 2014; June 2, 2018; June 28, 2018.

Bangladesh Constitution (Twelfth Amendment) Act, 1991, (Article 28). 1991. Chancery Law Chronicles-Online Database of Bangladesh Laws. Retrieved from [www.clcbd.org](http://www.clcbd.org). Accessed on February 4, 2017.

Bangladesh Export Promotion Bureau. "Export policy." Government of Bangladesh. Retrieved from <http://www.epb.gov.bd/site/files/af57e8cb-9a5c-4bea-89c7-8682b0fa0eab/Export-Policy>. Accessed on March 14, 2016.

Bangladesh Police. "Industrial Police." Official website of Bangladesh Police. Retrieved from <http://www.industrialpolice.gov.bd/#sthash.Ex2uzdIt.dpuf>. Accessed on May 4, 2017.

Bangladesh Power Development Board. "Annual Report 2014-2015." Retrieved from [www.bpdb.gov.bd/download/annual\\_report/Annual%20Report%202014-15.pdf](http://www.bpdb.gov.bd/download/annual_report/Annual%20Report%202014-15.pdf). Accessed on November 1, 2016.

Bank Information Center (BIC). "Phulbari Coal: A Parlous Project. A critique of the GCM Resources PLC.Environment and Social Impact. Assessment (ESIA) and Summary Environmental Impact Assessment (SEIA) for the Phulbari Coal Mine Project in Bangladesh." Prepared by Nostromo Research. 2008.

Baron, David P. "Service-Induced Campaign Contributions and the Electoral Equilibrium." *Quarterly Journal of Economics*, Vol. 104, Issue 1 (1989): 45-72.

(BASIS) Bangladesh Association of Software and Information Services. "Foreign Investment Incentive Policy." Retrieved from [www.basis.org.bd/resource/Incentive-Foreign-Investor.pdf](http://www.basis.org.bd/resource/Incentive-Foreign-Investor.pdf). Accessed on April 3, 2016.

Baviskar A. *In Belly of the River: Tribal Conflicts over Development in Narmada Valley*. Delhi: OUP-India, 2004.

(BCMCL) Boropukuria Coal Mining Company Limited. "A company of PetroBangla." Retrieved from <http://www.bcmcl.org.bd/> Accessed on July 3, 2015.

*Bdnews24.com*. "Former Power Secretary jailed for 10 years." January 30, 2008. Retrieved from <https://bdnews24.com/politics/2008/01/30/former-power-secretary-jailed-for-10-years>.

---

*Bdnews24.com*. “BGMEA demands extension of tax holiday, bonding period in next budget.” May 20, 2006. Retrieved from <http://bdnews24.com/business/2006/05/20/bgmea-demands-extension-of-tax-holiday-bonding-period-in-next-budget>. Accessed on May 23, 2016.

*Bdnews24.com*. “JS committee wants speedy approval of coal policy.” July 22, 2009. Retrieved from <http://bdnews24.com/bangladesh/2009/07/22/js-committee-wants-speedy-approval-of-coal-policy>. Accessed on January 3, 2016.

*Bdnews24.com*. “Police crackdown on unpaid Tuba garment workers.” August 8, 2014. Retrieved from <http://bdnews24.com/bangladesh/2014/08/08/police-crack-down-on-unpaid-tuba-garment-workers>. Accessed on August 8, 2014

*Bdnews24.com*. “Finance Minister Muhith tells entrepreneurs he will consider RMG corporate tax cut.” January 31, 2016. Retrieved from <http://bdnews24.com/business/2016/01/31/finance-minister-muhith-tells-entrepreneurs-he-will-consider-rmg-corporate-tax-cut>. Accessed on June 2, 2016.

*Bdnews24.com*. “Boycott, rigging allegations take shine off city elections.” July 30, 2018. Retrieved from <https://bdnews24.com/bangladesh/2018/07/30/boycott-rigging-allegations-take-shine-off-city-elections>.

(BEF) Bangladesh Employers Federation. *A Handbook on Bangladesh Labor Act 2006*. ILO Library, 2009.

Begum, F., R. Ali, M.A. Hossain and Sonia Shahid. “Harassment of Women Garment Workers in Bangladesh.” *Bangladesh Agricultural University Journal*, Vol. 8, Issue 2 (2010): 291–296.

(BERC) Bangladesh Energy Regulatory Commission. "উপাত্ত ( )  
" (A Verification Report on the proposal for increasing Bulk Power Tariff for Bangladesh Power Development Board)." BERC Report. November 13, 2011.

(BERC). Bangladesh Energy Regulatory Commission. "উপাত্ত ( )  
" (A Verification Report on the proposal for increasing Bulk Power Tariff for Bangladesh Power Development Board)." BERC Report. 19 January 2015.

(BERC) Bangladesh Energy Regulatory Commission. “Bangladesh Energy Regulatory Commission Act, 2003.” Official website of BERC, 2003. Retrieved from [http://berc.portal.gov.bd/sites/default/files/files/berc.portal.gov.bd/law/5a4ee42b\\_258c\\_496f\\_abc8\\_eea60bcc37/BERC%20Act%202003%20\(English\).pdf](http://berc.portal.gov.bd/sites/default/files/files/berc.portal.gov.bd/law/5a4ee42b_258c_496f_abc8_eea60bcc37/BERC%20Act%202003%20(English).pdf). Accessed on September 10, 2016.

Bernhagen, Patrick. *Political Power of Business: Structure and Information in Public Policy*. Routledge, 2007.

Bernheim, B. Douglas, and Michael D. Whinston. "Menu Auctions, Resource Allocation, and Economic Influence." *Quarterly Journal of Economics*, Vol.101, Issue 1 (1986): 1-31.

Bealey, Frank. “Democratic Elitism and the Autonomy of Elites.” *International Political Science Review*, Vol. 17, No. 3, Traditions in Pluralist Thought (Jul., 1996): 319-331

Besley, Timothy, and Stephen Coate. “Lobbying and Welfare in a Representative Democracy.” *Review of Economic Studies*, Vol. 68, Issue 1 (2001): 67-82.

(BGB) Border Guards, Bangladesh. Official Webstie of BGB. Retrieved from <http://www.bgb.gov.bd/> Accessed on May 29, 2016.

BGMEA. “PM unveiled BGMEA Web Portal.” Official Website of BGMEA, December 9, 2009. Retrieved from <http://www.bgmea.com.bd/home/pages/BATEXPO09beginstoday>

---

BGMEA. "Finance Minister AMA Muhith as three-day apparel expo takes off." Official Website of BGMEA, December 9, 2010. Retrieved from [http://www.bgmea.com.bd/home/media/Finance\\_Minister\\_AMA\\_Muhith\\_as\\_three-day\\_apparel\\_expo\\_takes\\_off](http://www.bgmea.com.bd/home/media/Finance_Minister_AMA_Muhith_as_three-day_apparel_expo_takes_off)

BGMEA. "PM to open BATEXPO today." Official website of BGMEA, December 12, 2011. Retrieved from [http://www.bgmea.com.bd/home/pages/PM\\_to\\_open\\_Batexpo\\_today](http://www.bgmea.com.bd/home/pages/PM_to_open_Batexpo_today)

BGMEA. "Budget Reactions - BGMEA, BKMEA oppose hike in tax at source." Official website of BGMEA, 2013. Retrieved from [http://www.bgmea.com.bd/home/media/budgetreactionsBGMEABKMEA\\_2012\\_2013](http://www.bgmea.com.bd/home/media/budgetreactionsBGMEABKMEA_2012_2013)

(BGMEA) Bangladesh Garments Manufacturers and Exporters Association. Retrieved from <http://www.bgmea.com.bd/home/about>. Accessed on January 22, 2016.

BGMEA. "Dhaka Apparel Summit held with optimism about sustainable apparel industry." Official website of BGMEA, February 26, 2017. Retrieved from [http://www.bgmea.com.bd/home/pages/Dhaka\\_Apparel\\_Summit\\_held\\_with\\_optimism\\_about\\_sustainable\\_apparel\\_industry](http://www.bgmea.com.bd/home/pages/Dhaka_Apparel_Summit_held_with_optimism_about_sustainable_apparel_industry)

Bhattacharyya, Rajib. "The Opportunities and Challenges of FDI in Retail in India." *IOSR Journal Of Humanities And Social Science (JHSS)*, Vol. 5, Issue 5 (Nov. Dec. 2012): 99-109.

(BIDA) Bangladesh Investment Development Authority. "BIDA Functions". Official Website of BIDA. Retrieved from <http://www.boi.gov.bd/site/page/fbe1aaaf-bfe8-4cac-9e5f-eee8f91998a7/BIDA-Functions>. Accessed on June 10, 2017.

(BIDA) Bangladesh Investment Development Authority. "Privatization." Official Website of BIDA. Retrieved from <http://bida.portal.gov.bd/site/page/b0735eb9-ab7e-4010-bad9-2a9e8b8720ab/Privatization>

Binayak, Sen. "Whither Privatization: Results of an Exploratory Survey of Disinvested Industries in Bangladesh." *Bangladesh Institute of Development Studies*. BIDS, 1997.

(BKMEA) Bangladesh Knitwear Manufacturers & Exporters Association. "Investment Sectors". Official Website of BKMEA. Retrieved from <http://www.bkmea.com/business-opportunity-in-bangladesh.html>. Accessed on January 2016.

(BLA) Bangladesh Labor (Amendment) Act, 2013 (Act No. 30) <[http://www.ilo.org/aids/legislation/WCMS\\_229274/lang--en/index.htm](http://www.ilo.org/aids/legislation/WCMS_229274/lang--en/index.htm)> (July 22, 2013). Accessed on February 3, 2017.

Blanton, Robert & Peksen, Dursun. "Economic Liberalization, Market Institutions, and Labor Rights." *European Journal of Political Research* (February, 2016). Retrieved from <https://onlinelibrary.wiley.com/doi/full/10.1111/1475-6765.12137>.

Block, F. "The Ruling Class Does Not Rule." *Socialist Revolution*, No. 33 (1977): 6-28.

Blokker, Paul. "Democracy through the Lens of 1989: Liberal Triumph or Radical Turn?" *International Journal of Politics, Society, and Culture*, Vol. 22, No. 3 (Sep., 2009): 273-290.

Brittan, Samuel. "The Economic Contradictions of Democracy." *British Journal of Political Science*, Vol. 5, No. 2 (April 1975): 129-159

(BPC) Bangladesh Petroleum Corporation. "Functions of Bangladesh Petroleum Corporation." Official Website of BPC. Retrieved from <http://www.bpc.gov.bd>. Accessed on 3 November 2016.

---

(BPDB) Bangladesh Power Development Board. "BPDB Annual Report 2008-2009." Government of Bangladesh. 2009.

(BPDB) Bangladesh Power Development Board. "BPDB Annual Report 2014-2015." Government of Bangladesh. 2015.

(BPDB) Bangladesh Power Development Board. "Annual Report 2015-2016." Government of Bangladesh. 2017.

(BPDB) Bangladesh Power Development Board. "Annual Report 2016-2017." Government of Bangladesh. 2018.

(BPDB) Bangladesh Power Development Board. "Welcome to BPDB." Official website of BPDB. Retrieved from <http://www.bpdb.gov.bd/bpdb>. Accessed on August 2, 2016.

Brass, Tom. "Post script: Populism, Peasants and Intellectuals: Or what's left of the future." *New Farmers' Movements in India* (1994). 246-286.

Brown, Wendy. "American Nightmare: Neoliberalism, Neoconservatism, and De-Democratization." *Political Theory*, Vol. 34, No. 6 (Dec., 2006): 690-714.

Bryce, J. "The Decline of Legislatures." In *Legislatures*, edited by Philip Norton. Oxford: Oxford University Press, 1990.

Buchanan, James. "Federalism as an Ideal Political Order and an Object for Constitutional Reform." *Publius: The Journal of Federalism*, Vol. 25, No. 2 (1995):1-9.

Byres, T. J. "Preface". In *New farmers' movements in India*, edited by Tom Brass. London. Frank Cass, 1995.

Byron, Rezaul. "BPC profits to treble this year." *Daily Star*. June 5. 2016.

Byron Rezaul and RahmanFazlur. "BPC returns to profit after five years." *Daily Star*. May 21, 2015

Callari, Antonio. "Some Developments in Marxian Theory since Schumpeter." In *Classical Political Economy*, edited by William O. Thweatt, Boston: Kluwer Academic Publishers, 1988.

(CPD). "The State of the Bangladesh Economy in the fiscal year of 2017-18." *Center for Policy Dialogue*. Dhaka, April 17, 2018.

Chaudhuri, Paban. Interview with Paban Chaudhuri. Dhaka, January 10, 2016.

Chaudhury, Abdullah H. Interview with Abdullah H. Chaudhury. Khulna, September 22, 2016

(CIL). "History and Formation of Coal India Limited." *Coal India*. 2017. Retrieved from <https://www.coalindia.in/en-us/company/history.aspx>. Accessed on February 2, 2016.

CPD. "An Analysis of the National Budget for FY2018-19." *Center for Policy Dialogue*. Dhaka, June 8, 2018. Retrieved from <https://cpd.org.bd/wp-content/uploads/2018/06/CPD-Presentation-on-Analysis-of-the-National-Budget-for-FY2018-19.pdf>

Coen, D. and W. Grant. "Managing Business and Government Relations." In *Business and Government: Methods and Practice*, edited by D. Coen and W. Grant, Opladen: Barbara Budrich Publishers, 2006.

Committee Briefing Book." ü " (The 9<sup>th</sup>  
parliamentary committee report on the Ministry of Power, Energy and Mineral  
Resources). Bangladesh National Parliament. August, 2011.

---

Crouch, Colin. *Post Democracy*. Cambridge: Polity Press, 2004.

Dahl, Robert. "A critique of the Ruling Elite Model." *American Political Science Review*, Vol. 52, Issue 2 (1958): 463–69.

Dahl, Robert. *After the Revolution: Authority in a Good Society*. New Haven: Yale University Press, 1990.

Dahl, Robert. *Democracy and its Critique*. Yale University Press, 1989.

Damgaard, Erik. "How Parties Control Committee Members." In *Parliaments and Majority Rule in Western Europe*, edited by Herbert Doering. New York: St. Martins Press, 1995.

*Daily BanikBarta*. " (26 Thousand crore Taka in the state Coffer, Profit 3200 crore Taka)." February 25, 2017.

*Daily BanikBarta*. " ?" (Bangladesh Garment Workers worst paid in Asia?). July 15, 2017.

*Daily Observer*. "Bapex ignored in Gas exploration." May 21, 2015. Retrieved from <http://www.observerbd.com/2015/05/21/89968.php>

*Daily Star*. "Accord with Asia Energy to be based on new Coal Policy, Says Energy Adviser." Dhaka. March 30, 2006.

*Daily Star*. "A Critical Review of the Coal Policy." August 16, 2007. Retrieved from <https://www.thedailystar.net/news-detail-203>

*Daily Star*. "Coal Policy needs Immediate Finalization." Forum. October, 2007. Retrieved from <https://archive.thedailystar.net/forum/2007/october/coal.htm>

*Daily Star*. "Ex-Power Secretary Akhtar Jailed for 10 years." January 31, 2008. Retrieved from <https://www.thedailystar.net/news-detail-21338>

*Daily Star*. "TK 100cr more for RMG sector." November 26, 2010.

*Daily Star*. "PM flies to Switzerland for World Economic Forum Meeting." January 16, 2017. Retrieved from <https://www.thedailystar.net/frontpage/pm-flies-switzerland-wef-meet-1346095>

*Daily Star*. "Stray Violence Marks Hartal (General Strike)." January 7, 2013. Retrieved from <https://www.thedailystar.net/news-detail-264163>. Accessed on July 8, 2018.

*Daily Star*. "Reviewed coal policy for govt partnership with mining firms". November 18, 2007. Retrieved from <http://www.thedailystar.net/news-detail-12094>. Accessed on August 20, 2016.

*Daily Star*. "RMG makers demand continuation of tax holiday." April 25, 2008. Retrieved from <http://www.thedailystar.net/news-detail-33682>. Accessed on April 5, 2016.

*Daily Star*. "Industrial Police Launched." October 4, 2010. Retrieved from <http://www.thedailystar.net/news-detail-157098>. Accessed May 29, 2016.

*Daily Star*. "Left parties call Hartal for Jan 16." January 13, 2013. Retrieved from <http://www.thedailystar.net/news-detail-264606>. Accessed on January 4, 2017

*Daily Star*. "Stimulus drives RMG exports to new destinations." February 3, 2014a. Retrieved from <http://www.thedailystar.net/stimulus-drives-rmg-exports-to-new-destinations-9638>. Accessed on February 4, 2014.



---

*Daily Star*. "Speedy power supply act to get 4-yr extension." August 25, 2014b. Retrieved from <http://www.thedailystar.net/speedy-power-supply-act-to-get-4-yr-extension-38638>. Accessed on August 30, 2016.

*Daily Star*. "Reviewed coal policy for govt partnership with mining firms." November 18, 2007.

*Daily, Star*. "After hartal, leftists threaten to besiege ministry." February 28, 2017.

*Daily Star*. 36 lack Jobless. May 28, 2017. Retrieved from <https://www.thedailystar.net/frontpage/26-lakh-youths-jobless-1411804>

*Daily Star*. "Three quarters of women garment workers face verbal abuse." December 22, 2017. Retrieved from <http://rmg-study.cpd.org.bd/three-quarters-women-garment-workers-face-verbal-abuse/> Accessed on July 4, 2018.

*Daily Star*. "Jobless growth in Bangladesh." July 19, 2018.

*Daily Star*. "Tk 8,000 a Month." September 14, 2018. Retrieved from <https://www.thedailystar.net/business/news/bangladesh-rmg-garment-workers-minimumsalary-8000-taka-announced-1633342>. Accessed on August 29, 2018b.

*Daily Sun*. "BGMEA wants 0.30 pc tax at source on exports." June 3, 2016.

*Daily Sun*. "Government allows Gazprom to drill 10 onshore wells." August 9, 2017.

*Daily ProthomAlo*. " (51 Lawyers in the Parliament, Business owners 175)" April 20, 2014a. Retrieved from <http://www.prothom-alo.com/bangladesh/article/197089>. Access on April 22, 2014.

*Daily ProthomAlo*. " (Threat to 'eliminate' the Anti-Corruption Commission Bureau official)" September 11, 2014b.

*Daily ProthomAlo*. "16 hurt as police attack Hartal (general strike) Supporters." February 28, 2017. Retrieved from <https://en.prothomalo.com/bangladesh/news/140733/16-hurt-as-police-fire-teargas-shells-on>. Accessed on July 8, 2018.

Das, Bishawjit. "Magistrate forced to give firing order; Say witnesses." *Daily Star*, August 30, 2006. Retrieved from <http://archive.thedailystar.net/2006/08/30/d6083001107.htm>. Accessed on September 4, 2015.

Das, Utpal. " (No Information on State Investment in the Textile Sector). *Daily Jaijaidin*. September 8, 2013.

Davis, James. "Toward a Theory of Revolution." *American Sociological Review*, Vol. 27, No 1 (1962): 5-19.

Dowla, A. "In credit we trust: Building social capital by Grameen Bank in Bangladesh." *The Journal of Socio-Economics*, Vol. 35, Issue 1 (2006): 102-122.

(DCCI). "Economic Policy Paper on Policy towards Investment and Industrialization." Dhaka Chamber of Commerce and Industry. Official website of DCCI. 2003.

(DCCI). "Investment Incentives." Dhaka Chambers of Commerce and Industry. Retrieved from [http://www.dhakachamber.com/home/investment\\_incentives](http://www.dhakachamber.com/home/investment_incentives). Accessed on June 9, 2016.

Deakin, Simon & Haldar, Antara. "How Should India Reform its Labor Laws?" Working Paper 469. March 2015. Retrieved from [http://www.cbr.cam.ac.uk/fileadmin/user\\_upload/centre-for-business-research/downloads/working-papers/wp469.pdf](http://www.cbr.cam.ac.uk/fileadmin/user_upload/centre-for-business-research/downloads/working-papers/wp469.pdf) Accessed January 30, 2016.

---

*Deutsche Welle* (Bangla)." Statement on Building Collapse). April 25, 2013.

" (Stark reaction against State Minister's

*Dhaka Tribune*. "Government in dilemma over rental power plants." August 3, 2013. Retrieved from <https://www.dhakatribune.com/uncategorized/2013/08/03/government-in-dilemma-over-rental-power-plants>. Accessed in August 22, 2016.

*Dhaka Tribune*. "Tax holiday to be continued till 2019." June 5, 2014. Retrieved from <http://archive.dhakatribune.com/bangladesh/2014/jun/05/tax-holiday-be-continued-till-2019#sthash.6Q3sQPqn.hJPcfmVr.dpuf>. Accessed on June 5, 2014.

*Dhaka Tribune*. "Quick rentals getting 70% subsidy disbursement." April 27, 2015.

*Dhaka Tribune*. "20% corporate tax for RMG." June 2, 2016a.

*Dhaka Tribune*. "RMG makers seek gas price hike exemption." December 30, 2016b. Retrieved from <http://admin.dhakatribune.com/business/2016/12/30/rmg-makers-seek-gas-price-hike-exemption/>. Accessed on May 4, 2017.

*Dhaka Tribune*. "Leftist parties call Hartal for Feb 28 protesting gas price hike." February 24, 2017a.

*Dhaka Tribune*. "Hartal in Dhaka meets tear gas, arrests." February 28, 2017. Retrieved from <http://www.dhakatribune.com/bangladesh/power-energy/2017/02/24/gas-price-hike-leftist-parties-call-shutdown-feb-28/>. Accessed on February 28, 2017b.

*Dhaka Tribune*. "Govt picks Gazprom, 2 others over BAPEX to drill onshore wells." May 28, 2017c.

*Dhaka Tribune*. "Doubts over onshore gas exploration contracts." October 17, 2017d.

*Dhaka Tribune*. "Democracy Index 2017: Why did Bangladesh's score fall to its lowest?" February 2, 2018. Retrieved from <https://www.dhakatribune.com/bangladesh/lawrights/2018/02/02/democracy-index-2017-bangladeshs-score-fall-lowest>

Diamond, Larry. "Introduction: Comparing Experiences with Democracy." In *Politics in Developing Countries: Comparing Experiences with Democracy*, edited by Larry Diamond, J. Linz, and S. M. Lipset. London: Lynne Rienner Publishers. 1990. Pp. 1-35.

Diamond, L. *Developing Democracy: Towards Consolidation*. John Hopkins University Press, Baltimore. 1999.

Domhoff, G.W. *Who Rules America? Power and Politics in the Year 2000*. Mountain View, CA: Mayfield, 1998.

Donolo C. "Notiziesulgoverno di Babilonia." In *Questionidellacittàcontemporanea*, edited by MarcelloniN. Milano: FrancoAngeli, 2004.

Downs, Antony. *An Economic Theory of Democracy*. New York: Harper and Row, 1957.

Doyle, T. Environmental Campaigns against Mining in Australia and Philippines. *Mobilization: An International Quarterly*, Vol. 7, Issue 1 (2002): 29-42

Dryzek, J.S. *Deliberative Democracy and Beyond*. Oxford: Oxford University Press, 2000.

Dür, A., & Mateo, G. "Who Lobbies the European Union? National Interest Groups in a Multilevel Polity." *Journal of European Public Policy*, Vol. 19, Issue 7 (2015): 969-987.

Dür, Andreas; Bernhagen Patrick & Marshall, David. "Interest Group Success in the European Union: When (and Why) Does Business Lose?" *SAGE Journals*, Vol. 48, Issue 8 (January 20, 2015).



---

Dutton, David. *British Politics since 1945: The Rise, Fall and Rebirth of Consensus* (2nd edition), Blackwell, 1997.

(EIU) Economic Intelligent Unit. "Democracy Index 2017: Bangladesh." Retrieved from <http://www.eiu.com/topic/democracy-index>.

Edward, Kyle & Robinson, Sarah. "*Labor and Employment Law. A Career Guide.*" Bernard Koteen Office of Public Interest Advising Harvard Law School. Cambridge, MA. 2012.

Elster, J. "Belief, Bias and Ideology." In *Rationality and Relativism*, edited by M. Hollis and S. Lukes. Oxford: Basil Blackwell, 1982.

*Energy Bangla*. "Speedy Supply of Power and Energy Act: 4 years extension." July 21, 2014. Retrieved from <http://energybangla.com/speedy-supply-power-energy-act-4-years-extension/> Accessed on June 3, 2016.

*Energynewsbd.com*. "Govt mulls finalizing draft coal policy without export provision." April 3, 2016. Retrieved from <http://energynewsbd.com/details.php?id=509>

Felli, Leonardo & Antonio Merlo. "Endogenous Lobbying." *Journal of the European Economic Association*, Vol. 4, No. 1 (March, 2006): 180-215.

Felli, Leonardo and Antonio Merlo. "If You Cannot Get Your Friends Elected, Lobby Your Enemies." *Journal of the European Economic Association*, Vol. 5, No. 2/3, Proceedings of the Twenty-First Annual Congress of the European Economic Association (April - May, 2007): 624-635.

Filipov, Allan; Dilindi, Robert; Drage, Magne. "Electro-Magnetic Sensitivity in the Bengal Basin: Implications for Exploration in Mynmar, Bangladesh and NE India." *International Petroleum Technology conference*, 10-12 December, Malaysia.

*Financial Express*. "RMG exporters to get more cash incentive." April 14, 2014. Retrieved from: <http://print.thefinancialexpress-bd.com/2014/04/14/28787>. Accessed on April 14, 2014.

*Financial Express*. "Gas Price hike raises Business Concerns." February 26, 2017. Retrieved from <http://www.thefinancialexpress-bd.com/2017/02/26/62769/Gas-price-hike-to-raise-cost-of-doing-business/print>. Accessed on February 26, 2017.

Financial Post. "How textile kings weave a hold on Bangladesh as retailers reap the rewards." May 3, 2013. Retrieved from <http://business.financialpost.com/news/retail-marketing/how-textile-kings-weave-a-hold-on-bangladesh-as-retailers-reap-the-rewards/wcm/348aa874-97e5-4c66-84b9-5d1e2580dc08>. Accessed on December 12, 2016.

Fishkin, James. *Democracy and Deliberation: New Directions for Democratic Reform*. Yale University Press, 1991.

Focused Group Discussion (FGD) with Phulbari Residents. Phulbari, Dinajpur. August 26, 2015.

Focus on the Global South. "The World Bank and the PRSP: Flawed Thinking and Failing Experiences", November 16, 2001. Retrieved from <http://www.focusweb.org/main/htm/>

Friedman, Milton. *Capitalism and Freedom*. Chicago, IL: University of Chicago Press, 1962.

Fung, Archon. "Democratizing the Policy Process". In *The Oxford Handbook of Public Policy*, edited by Moran, Rein, Goodin. OUP Oxford, 2008.

Gain, Philip. "Phulbari, Asia Energy and Grassroots Revolt." *Earth Touch*, No. 10 (April 2007). <http://www.bankinformationcenter.org/wp->

---

[content/uploads/2013/03/SEHD+Articles%252c+Phulbari%252c+Asia+Energy+and+Grassroots+Revolt+By+Philip+Gain%252c+SEHD.pdf](#) Accessed on August 5, 2015.

Galbraith, J. K. *American Capitalism: The Concept of Countervailing Power*. Boston, MA: Houghton Mifflin, 1952.

Geddas, A. "Lobbying for migrant inclusion in the European Union: New opportunities for Transnational Advocacy?" *Journal of European Public Policy*, Vol. 7, Issue 4 (2000): 632-649.

Gill, Stephen & David Law. *The Global Political Economy*. Baltimore. John Hopkins University, 1988.

Gillan, Dan. "Trade Unions and NGOs." *Transnational Associations*. Global Policy Forum. January 2001.

Glinavos, Ioannis. *Neoliberalism and the Law in Post Communist Transition: The Evolving Role of Law in Russia's Transition to Capitalism*. Abingdon, Oxford, UK. Routledge, 2010.

Grant, W. "Pressure Groups: The Changing World of Pressure Groups." *Parliamentary Affairs*, Vol. 57, Issue 2 (2004): 408-409.

Greenwald, Douglas. "The McGraw-Hill dictionary of Modern Economics; a Handbook of Terms and Organizations." New York. McGraw-Hill. 1965.

Grewal, David Singh & Purdy, Jedediah. "Law and Neoliberalism." *Law and Contemporary Problems*. Vol. 77, No 4 (2015):1-23. Retrieved from <http://scholarship.law.duke.edu/lcp/vol77/iss4/1>. Accessed on August 20, 2016.

Grossman, Gene, and Elhanan Helpman. "Electoral Competition and Special Interest Politics." *Review of Economic Studies*, Vol. 63, No. 2 (1996): 265-286.

Grossman, Gene, and Elhanan Helpman. "Protection for Sale." *American Economic Review*, Vol. 84, No. 4 (1994): 833-850.

Guardian Report. "30,000 lobbyists and counting: is Brussels under corporate sway?" May 08, 2014. Retrieved from <https://www.theguardian.com/world/2014/may/08/lobbyists-european-parliament-brussels-corporate>. Accessed on August 9, 2016.

Guj, Pietro. "Mineral royalties and other mining specific taxes." International Mining for Development Centre: Guide to Australian Practice. 2012. Retrieved from [http://im4dc.org/wp-content/uploads/2012/01/UWA\\_1698\\_Paper-01\\_Mineral-royalties-other-mining-specific-taxes1.pdf](http://im4dc.org/wp-content/uploads/2012/01/UWA_1698_Paper-01_Mineral-royalties-other-mining-specific-taxes1.pdf). Accessed on August 22, 2016.

Gulrukh, Saydia. Interview with Saydia Gulrukh. Dhaka, May 30, 2017.

Gurr, Tedd. *Why Men Rebel?* Princeton. Princeton University Press, 1970.

Haggard, Stephan & Kaufman, Robert R. *The Politics of Adjustment*. Princeton University Press, 1992.

Hall, Richard L. & Deardorff, Alan. "Lobbying as Legislative Subsidy." *The American Political Science Review*, Vol. 100, No. 1 (February, 2006):69-84.

Hamer, David. "Can Responsible Government Survive in Australia?" Canberra: The Department of the Senate, Parliament House, 2004.

---

Hashemi, S. 'NGO accountability in Bangladesh: Beneficiaries, Donors and the State.' In *Non-Governmental Organizations: Performance and Accountability: Beyond the Magic Bullet*, edited by M. Edwards and D. Hulme. Kumarian Press. West Hartford, 1996.Pp. 103-110.

Held, David. *Models of Democracy*.Stanford University Press, 2006.

Held, David. "The Possibilities of Democracy: Review of *Democracy and Its Critics* by Robert Dahl." *Theory and Society*, Vol. 20, No. 6 (December, 1991): 875-889.

Hibbs, Douglas. "Political Parties and Macroeconomic Policy." *American Political Science Review*, Vol. 71, Issue 4 (1977): 1467-1487

Horton L.R. "Defenders of Nature and Comarca: Collective identity and Frames in Panama." *Mobilization: An Intentional Quarterly*, Vol. 15, Issue 1 (2010): 63–80.

Hossain, Ibrahim. "RMG corporate tax cut, but 'still high.'" *Dhaka Tribune*. June 3, 2016. Retrieved from: <http://www.dhakatribune.com/business/2016/jun/03/rmg-corporate-tax-cut-still-high#sthash.KVX8vJnP.dpuf>. Accessed on August 9, 2016.

Hossain, Ibrahim. "Garment workers' rights still a far cry." *Dhaka Tribune*. April 23, 2017. Retrieved from <https://www.dhakatribune.com/tribune-supplements/business-tribune/2017/04/23/garment-workers-rights-still-far-cry/>. Accessed on August 29, 2018.

Hossain, Ibrahim. "ILO urges reforms in trade union laws." *Dhaka Tribune*. February 8, 2018 Retrieved from <https://www.dhakatribune.com/bangladesh/law-rights/2018/02/08/ilo-urges-reforms-trade-union-laws>. Accessed on August 29, 2018.

Hossain, Jakir; Ahmed, Mostafiz; and Akter, Afroza. "Bangladesh Labor Law: Reform Directions." BILLS Research and Advisory Team. November 2010. Retrieved from [http://ndc.gov.bd/lib\\_mgmt/webroot/earticle/2088/Bangladesh\\_labour\\_Law.pdf](http://ndc.gov.bd/lib_mgmt/webroot/earticle/2088/Bangladesh_labour_Law.pdf). Accessed on July 5, 2016.

Hossain. Motahar. "Trade Union Movement in 25 Years of Independent of Bangladesh." Unpublished Document. 2010. Retrieved from <https://www.scribd.com/doc/21250376/Trade-Union-Movement-in-25-Years-of-Independent-of-Bangladesh>

Hossain, Mansura. " (Ongoing Discrimination in Maternity Leaves). *Daily Prothom Alo*. November 3, 2015.

Hossain, Molla Amjad. "Coal Policy Drama." *Energy & Power*. April 30. 2007. <https://phulbariproject.wordpress.com/2008/06/25/coal-policy-drama>. Accessed on August 2, 2016.

Hossain. Ibrahim. "BGMEA wants 5% cash incentives on export for 2yrs." *Dhaka Tribune*. May 27, 2017. Retrieved from <https://www.dhakatribune.com/business/2017/05/27/bgmea-wants-incentives-export>.

Hossain, Ibrahim. "BGMEA: Do not increase tax rate for RMG sector." *Dhaka Tribune*. June 10, 2018. Retrieved from <https://www.dhakatribune.com/business/2018/06/10/bgmea-do-not-increase-tax-rate-for-rmg-sector>.

Hossen, Mohammad & Miasee, Hossen. "Industrial Disputes at Ready Made Garments in Bangladesh: An Analysis." *International Journal of Business and Economics Research*, Vol. 5, Issue 6 (December 2016): 210-216

Human Rights Watch. "Bangladesh: Protect Freedom of Expression." Official Website of Human Rights Watch. May 9, 2018. Retrieved from <https://www.hrw.org/news/2018/05/09/bangladesh-protect-freedom-expression>.

---

Hunter, F. *Community Power Structure: A Study of Decision Makers*. Chapel Hill: University of North Carolina Press, 1953.

Haque, Mominul. "RMG Sector Trade Unions: Number rising, but most remain ineffective." *New Age*. August 31, 2015. Retrieved from <http://archive.newagebd.net/152988/rmg-sector-trade-unions-number-rising-but-most-remain-ineffective/> Accessed on July 8, 2018.

Huq, Sirajul. Telephone Conversation with Sirajul Huq. March 17, 2016.

Hyland, J.L. *Democratic Theory: The Philosophical Foundations*. Manchester: Manchester University Press, 1995.

(ICMM). "International Council on Mining and Metals." 2001. Retrieved from [http://search.standardsmap.org/assets/media/InternationalCouncilonMiningandMetals/English/AtAGlance\\_EN.pdf](http://search.standardsmap.org/assets/media/InternationalCouncilonMiningandMetals/English/AtAGlance_EN.pdf). Accessed on January 9, 2015.

(IEEFA). "Bangladesh Electricity Transition: A Diverse, Secure and Deflationary Way Forward." Institute Of Energy Economics and Financial Analysis. IEEFA Report. 2016.

(IIFC) Infrastructure and investment Facility Center. "Bangladesh Coal Policy (Version 1)." Energy and Mineral Resources Division, Ministry of Power, Energy and Mineral Resources. Government of Bangladesh. December 1, 2005. Retrieved from <http://www.iifc.net/> Accessed on June 10, 2017.

(IIFC) Infrastructure and investment Facility Center. "Infrastructure Investment facilitation Company." Retrieved from <http://www.iifc.net/> Accessed on June 10, 2017.

(ILCs) International Labor Conventions. "Conventions and Recommendations." Official Website of ILO. Retrieved from <http://ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>. Accessed on October 4, 2016.

ILO (International Labor Organization). "Improving Working Conditions in the Ready-Made Garment Sector in Bangladesh Program." Activities and progress of the Remediation Coordination Cell. ILO, Bangladesh. May 2018.

(ILO). "ILO's Declaration on Fundamental Principles and Rights at Work (1998)." International Labor Organization, 1998. Retrieved from <http://www.ilo.org/declaration/lang--en/index.htm>. Accessed on February 3, 2015.

(ILO). "Minimum Wage Fixing Convention, 1970 (No. 131)." International Labor Organization, 1970. Retrieved from [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:312276](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312276). Accessed on June 10, 2016.

(ILO). "Improving Working Conditions in the Ready-Made Garment Sector in Bangladesh Programme." Activities and progress of the Remediation Coordination Cell. ILO, Bangladesh. May 2018.

Imam, Badrul. Interview with Badrul Imam. Dhaka, January 10, 2017.

*Indian Power Sector.Com*. "Combined Cycle Gas Turbine Plants in India." 2008. Retrieved at <http://indianpowersector.com/wp-content/uploads/2010/09/combined-cycle-gas-turbines-in-india1.pdf>. Accessed June 1, 2017.

"Indigenous and Tribal Peoples Convention, 1989 (No. 169)." Convention concerning Indigenous and Tribal Peoples in Independent Countries (Entry into force: 05 Sep 1991) Adoption: Geneva, 76th ILC session (27 Jun 1989).

---

IRS. "Direct and Grass Roots Lobbying Defined." Official website of Internal Revenue Service. <https://www.irs.gov/charities-non-profits/direct-and-grass-roots-lobbying-defined>. Accessed on May 22, 2017.

Islam, Nurul. "Comments on Bangladesh Draft Coal Policy (Version 5)." Unpublished Document. May 30, 2006.

Islam, Nurul. Interview with Nurul Islam. Dhaka, November 4, 2015.

Islam, Saiful. Interview with Saiful Islam. Dhaka, June 24, 2018.

Islam, Shafikul. Multiple Interviews with Shafikul Islam, Dhaka, December 3, 2015; June 2, 2018.

Islam, Shahidul. Interview with Shahidul Islam. Dhaka, March 17, 2016.

Islam, Shariful. "Bangladesh ready for massive foreign investment." *Dhaka Tribune*. September 5, 2018. Retrieved from <https://www.dhakatribune.com/business/2018/09/05/bangladesh-ready-for-massive-foreign-investment>

Islam Shariful. "Culture of default loans will destroy banking sector." *Dhaka Tribune*. March 5, 2018. Retrieved from <https://www.dhakatribune.com/business/2018/03/05/culture-default-loans-will-destroy-banking-sector>.

Islam, Siddique. "Banks' 1/3 default loans stuck in trade-financing." *Financial Express*. Retrieved from <http://print.thefinancialexpress-bd.com/2014/10/23/62550/print>. 23 Oct, 2014. Accessed on April 30, 2016.

Iyengar, Shanto and Donald Kinder. *News That Matters: Television and American Opinion*. The University of Chicago press, Chicago, 1987.

Jahan, Rounaq & Amundsen, Inge. "The Parliament of Bangladesh: Representation and Accountability." CPD-CMI Working Paper 2, Centre for Policy Dialogue (CPD), 2012.

Jahan, Rounaq. "Political Parties in Bangladesh." *CPD-CMI Working Paper Series 8*. Center for Policy Dialogue, 2014.

Jahan, Rounaq. *Political Parties in Bangladesh: Challenges of Democratization*. Prothoma. Dhaka, 2015.

Jahan, Rounaq. "Political Parties Movements, Elections and Democracy in Bangladesh." January 27, 2018. *Gyantapas Abdur Razzaq Distinguished Lecture*. Retrieved from <https://cpd.org.bd/wp-content/uploads/2018/01/Political-Parties-Movements-Elections-and-Democracy-in-Bangladesh-Dr-Rounaq-Jahan.pdf>.

Jamal, Arshad. Interview with Arshad Jamal. Dhaka, May 29, 2018.

Jamaluddin, Syed. "The Viability of Rental Power Plants." *Financial Express*. 07 January, 2013. Retrieved from <http://print.thefinancialexpress-bd.com/old/index.php?ref=MjBfMDFfMDdfMTNfMV85Ml8xNTU4Njg=>. Accessed on December 2, 2016.

(JEC) Joint Economic Committee. "Subsidy and Subsidy-effect Programs of the U.S Government Materials." Congress of the United States. U.S Government Printing Office. Washington, 1965.

Retrieved from [http://www.jec.senate.gov/reports/89th%20Congress/Other%20Reports/Subsidy%20and%20Subsidy-Effect%20Programs%20of%20the%20U.S.%20Government%20\(281\).pdf](http://www.jec.senate.gov/reports/89th%20Congress/Other%20Reports/Subsidy%20and%20Subsidy-Effect%20Programs%20of%20the%20U.S.%20Government%20(281).pdf). Accessed on December 20, 2016.



---

(JICA) Japan International Cooperation Agency. "The Study for Master Plan on Coal Power Development in the People Republic of Bangladesh." PSMP 2016. Tokyo Electric Power Company Inc, September 2016.

Johnson, Chalmers. *MITI and the Japanese Miracle*. Stanford, Calif.: Stanford University Press, 1982.

Joseph, Sarah. "Neoliberal Reforms and Democracy in India." *Economic and Political Weekly*, Vol. 42, No. 31 (August, 2007): 3213-3218.

Kaiyum, Hasnat. Interview with Hasnat Kaiyum. Dhaka, June 29, 2018.

Kalafut, J & Moody R. *Phulbari Coal Project: Studies on Displacement, Resettlement, Environmental and Social Impact*. Shanghati Publications, Dhaka, 2008.

*Kaler Kantho*. " (Indemnity in the Power Sector: Extension for 4 more years)." November 30, 2015.

Karim, Rejaul & Rahman, Fazlur. "Phase out quick rental plants." *Daily Star*. April 20, 2014 Retrieved from <http://www.thedailystar.net/phase-out-quick-rental-plants-20782>. Accessed on April 20, 2014.

Kaushik, Baljit. "Democracy and Social Movements: An Overview." *International Journal of Multidisciplinary Research and Development*, Vol 1, Issue 2 (2014):127-32.

Khan, Aminul Islam. "Labor Unrest in the RMG Sector of Bangladesh: A Public-Private Cooperation Perspective." Unpublished Document. Department of General and Continuing Education. North South University 2011.

Khan, Matin. "Economic Growth and Inequality in Bangladesh." Paper prepared for presentation at the 20th Biennial Conference on Economics and Ethics of the Bangladesh Economic Association to be held during 21-23 December, 2017 at Dhaka, Bangladesh. 2017.

Khan, Nazrul. Interview with Nazrul Khan. Dhaka, June 2, 2018.

Khan, Tanzimuddin. "Developmental Centralism, Rampal Power Plant, EIA, Mangrove Ecology and the Sundarbans: Legitimacy Crisis in Perspective." Unpublished Document. 2016.

Khan, Tanzimuddin. Interview with Tanzimuddin Khan, Dhaka, May 30, 2017.

Khan, Sharier. "Draft Coal Policy for Mine Bangla." *Daily Star*. August 13, 2008.

Khan, Shahrier. "Is making profit BPC's only job?" *Daily Star*. January 23, 2016.

Khanna, Pragya. "Making Labor Voices Heard in Impeding Industrial Crisis: The Garments Industry of Bangladesh." Unpublished Document. The Global Labor University. 2011. Retrieved from [http://www.global-labouruniversity.org/fileadmin/GLU\\_conference\\_2011/papers/Pragya\\_Khanna.pdf](http://www.global-labouruniversity.org/fileadmin/GLU_conference_2011/papers/Pragya_Khanna.pdf). Accessed on July 24, 2016.

King D.S. "The Decline of the Keynesian Welfare State Consensus." *The New Right Politics, Markets and Citizenship* (1987): 49-69.

Kochanek, Stanley. *Client-Patron Politics and Business in Bangladesh*. Sage Publications. New Delhi, 1993.

Kochanek, Stanley. "The Rise of Interest Politics in Bangladesh." *Asian Survey*, Vol. 36, No. 7 (July 1996): 704-722.

Kochanek A. Stanley. "Governance, Patronage Politics, and Democratic Transition in Bangladesh." *Asian Survey*, Vol. 40, No. 3 (2000): 530-550.

- 
- Kohler-Koch, B. "Organized Interest in the EC and the European Parliament." *European Integration online Papers*, Vol 1, Issue 9 (1997).
- Kumar, Ashutosh, "Dissonance between Economic Reforms and Democracy." *Economic & Political Weekly* (January 5, 2008): 54-60.
- Kurtz, Marcus. "The Dilemmas of Democracy in the Open Economy: Lessons from Latin America." *World Politics*, Vol. 56, No. 2 (January 2004): 262–302.
- Leftwich, Adrian, "Bringing politics back in: Towards a model of the developmental state." *Journal of Development Studies*, Vol. 31, Issue 3 (February 1995): 400-427.
- Lewis, D. "On the difficulty of studying 'civil society': Reflections on NGOs, state and democracy in Bangladesh." *Contributions to Indian Sociology*, Vol. 38, Issue 3 (2004): 299-322.
- Lewis, D. 'Non-governmental organizations and civil society in Bangladesh.' In *Routledge Handbook of Contemporary Bangladesh*, edited by A. Riaz and M. S. Rahman. Routledge, Oxford. 2016. Pp.119-128
- Lindblom, Charles E. *Politics and Markets: The World's Political-Economic Systems*. New York: Basic Books, 1977.
- Lindblom, Charles. *The Market System: What it is, how it works, and what to make of it*. Yale University Press, 2001.
- Lipset, S.M. and W. Schneider. *The Confidence Gap: Business, Labor and Government in the Public Mind*. Baltimore: Johns Hopkins University Press, 1987.
- Lohmann, S. "An information rationale for the power of special interests." *American Political Science Review*, Vol. 92, Issue 4 (1998): 809–27.
- Lowery, David. "Why Do Organized Interests Lobby? A Multi-Goal, Multi-Context Theory of Lobbying." *Polity*, Vol. 39, No. 1 (Jan., 2007): 29-54.
- Luigi, Zingales. "Capitalism after the Crisis." *National Affairs*, No. 1 (Fall 2009). Retrieved from <http://www.nationalaffairs.com/publications/detail/capitalism-after-the-crisis>
- Lukes, S. *Power. A Radical View*, 2nd edn, London: Macmillan, 2005.
- Luthfa, Samina. "Everything changed after the 26th: Emotion and Obligation in Mobilizing against Phulbari Coal Project in Bangladesh." Paper presented in conference of *Bangladesh Sociological Association*, TSC, Dhaka. 21-22 December, 2012.
- Luthfa, Samina. Conversation with Samina Luthfa. Dhaka, March 15, 2016.
- Luxemburg, R. *Reform or Revolution*. New York: Pathfinder Press, 1970.
- Maass, A. *Muddy Waters: The Army Engineers and the Nation's Rivers*, Cambridge: Harvard University Press, 1951.
- Mahiuddin, K.M. "The Parliamentary Committee System in Bangladesh: An Analysis of its Functioning." Ph.D. Dissertation. Department of Political Science. South Asia Institute Ruprecht-Karls-Universität Heidelberg. 2009. Retrieved from [http://archiv.ub.uniheidelberg.de/volltextserver/9565/1/Parliamentary\\_Committees\\_in\\_Bangladesh.pdf](http://archiv.ub.uniheidelberg.de/volltextserver/9565/1/Parliamentary_Committees_in_Bangladesh.pdf)
- Mahmud, Faisal. "Is Bangladesh moving towards one-party state?" *Aljazeera*. April 4, 2018



---

Mahmud, W. "Bangladesh: Structural adjustment and beyond." Paper presented at the International Conference on *Adjustment and Beyond: The Reform Experience in South Asia*, jointly organized by the Bangladesh Economic Association and the International Economic Association, Dhaka. 30 March-1 April, 1998.

Majumdar, Badiul Alam. "Role of Civil Society in Bangladesh's Democratic Transition." *The Hunger Project*. October 9, 2009.

Maloney, W.A., Jordan, G. and McLaughlin, A.M. "Interest groups and public policy: the insider/outsider model revisited." *Journal of Public Policy*, Vol. 14, Issue 1 (1994): 17-38.

Mayer, Lloyd Hitoshi. "What Is This "Lobbying" That We Are so Worried About?" *Yale Law & Policy Review*, Vol. 26, No. 2 (Spring, 2008): 485-566.

Meyers, William. *Santa Clara Blues: Corporate Personhood Versus Democracy*. III publishing, 2000. Retrieved from <http://www.iiipublishing.com/afd/SantaClara.pdf>. Accessed on January 1, 2016.

Mazey, S., & Researchson, J. "Environmental Groups and EC: Challenges and Opportunitieis." In *A Green Dimension for the European Community: Political Issue and Processes*, edited by D. Judge. London, UK: Cass, 1993.

Mazey, S. "The European Union and Women's Rights: From the Europeanization of national agendas to the nationalization of a European Agenda?" *Journal of European Public Policy*, Vol. 5, Issue 1 (1998): 131-152.

McClosky, H. and Zaller, J. *The American Ethos: Public Attitudes toward Capitalism and Democracy*. Cambridge: Harvard University Press, 1984.

McFarland, A. S. "Interest Groups and Political Time: Cycles in America." *British Journal of Political Science*, Vol. 21, Issue 3 (1991): 257-284.

Miliband, R. *Marxism and Politics*. Oxford: Oxford University Press, 1977.

Miliband, R. *The State in Capitalist Society*. New York: Basic Books, 1969.

Mills, C.W. *The Power Elite*. New York: Oxford University Press, 1956.

Minimum Wage Board. "History." Official Website of Minimum Wage Board. Retrieved from <http://mwb.portal.gov.bd/site/page/284c73eb-9dd5-4304-8e48613336b1b162/%E0%A6%87%E0%A6%A4%E0%A6%BF%E0%A6%B9%E0%A6%BE%E0%A6%B8#>

Ministry of Planning. "The Public Procurement Act 2008." Central procurement Technical Unit. Implementation, monitoring and evaluation division. Ministry of Planning. Government of Bangladesh. April, 2008.

Ministry of Power, Energy and Mineral Resources & Power Development Board. "Survey on Power System Master Plan 2016." Draft Final Report (PSMP2016). Government of Bangladesh. June 2016.

Ministry of Energy and Mineral Resources. "Bangladesh Mines and Mineral Rules 1968 (Revision, replacement, and addition of as in all amendments)." Compiled by Bureau of Mineral Development (BMD). Amendment: May 2004 (Vide No. S.R.O.-131-Law).

Mitchell, N.J. *The Conspicuous Corporation: Business, Public Policy, and Representative Democracy*. Ann Arbor: University of Michigan Press, 1997.

Mitchell, R.B. and T. Bernauer. "Empirical research on international environmental policy: designing qualitative case studies." *Journal of Environment and Development* (1998): 4-31.

- Mirza, Maha. " - ষ্টেট-ব্যবসায়িক সংযোগ (State-business nexus on the Power Sector).*Sarbojonkotha*, Vol. 1, Issue 1 (2015).
- Mirza, Maha and Islam, Shahidul. " - ষ্টেট-ব্যবসায়িক সংযোগ (State-business nexus in the Garments Sector). *Sarbojonkotha*, Vol. 1, Issue 3 (May 1, 2015).
- Mirza, Maha. " : ষ্টেট-ব্যবসায়িক সংযোগ (Coal Policy: A document of State- Business Nexus).*Sarbojonkotha*, Vol. 2, Issue 4 (August 2016).
- Mishu, Moshrefa. Interview with MoshrefaMishu. Dhaka, June 20, 2015.
- Mizruchi, M.S. *The Structure of Corporate Political Action: Inter-firm Relations and Their Consequences*. Cambridge, MA: Harvard University Press, 1992.
- Mizruchi, M.S. and König, T. "Economic Sources of Corporate Political Consensus: An Examination of inter-industry Relations."*American Sociological Review* 51 (1986): 482-91.
- Moody. K. *Workers in a Lean World*. London, Verso, 1997.
- Moore, G. "The Structure of a National Elite Network."*American Sociological Review*44 (1979): 673–92.
- Morton, R. and Cameron, C. "Elections and the Theory of Campaign Contributions: A Survey and Critical Analysis."*Economics and Politics*, Vol. 4 (1992): 79–108.
- Mostafa, Kallol. " (The way Bapex can take up the responsibility for exploration and extraction of Natural gas under the ownership of the state). *Sarbojonkotha*, Vol 3, Issue 1 (November, 2016).
- Mowla, Golam. "Default loans plague banking sector."*Dhaka Tribune*. March 22, 2018
- Mridha, Refayet Ullah. "Causes of RMG Unrest."Forum,*Daily Star*, Vol. 6, Issue 08 (August, 2012). Retrieved from <http://archive.thedailystar.net/forum/2012/August/rmg.htm>. Accessed on March 4, 2015.
- Mueller, John. "Democracy and Ralph's Pretty Good Grocery: Elections, Equality, and the Minimal Human Being," *American Journal of Political Science*36 (November 1992).
- Muhammad, Anu. *UnnayanerRajniti* (Politics of Development). Suchipatra, Dhaka. February, 2006.
- Muhammad, Anu. *Phulbari, Kansat, Garments*. Srabon Prokashoni, 2007.
- Muhammad, Anu. "Natural Resources and Energy Security: Challenging the 'Resource-Curse' Model in Bangladesh." *Economic & Political Weekly*, Vol. XLIX, No. 4 (January 25, 2014).
- Muhammad, Anu. "Bangladesh: A Model of Neoliberalism."*Monthly Review*(March 1, 2015).
- Muhammad, Anu. Interview with Anu Muhammad. Dhaka, July 25, 2015; May 28, 2018.
- Mujeri, Mustafa K. &ChowdhuryTahreen. "Quick Rental Power Plants in Bangladesh: An Economic Appraisal." *Bangladesh Institute of Development Studies*,2013.
- Myers, N. & Kent, J. *Perverse subsidies: How tax dollars can undercut the environment and the economy*. Washington, DC: Island Press, 2001.
- Nasrin, Shamima. Interview with ShamimaNasrin. Dhaka,July 4, 2015.
- Nellis, John. "Time to Rethink Privatization in Transition Economies?"World Bank and International Finance Corporation. Washington D.C. Discussion paper 38, May 1999.

---

*Newsbangladesh.com*. “Government will cut corporate tax on RMG.” February 22, 2016. Retrieved from: <http://www.newsbangladesh.com/english/details/11873>. Accessed on February 22, 2016.

*New Age*. “Speedy Supply of Power and Energy Act. Energy ministry wants 4 years extension of indemnity act.” July 24, 2014. Retrieved from <http://archive.newagebd.net/34117/energy-ministry-wants-4-years-extension-of-indemnity-act/>. Accessed on June 6, 2016.

*New Age*. “BGMEA seeks source tax exemption, additional cash incentive.” May 27, 2017. Retrieved from <http://www.newagebd.net/article/16462/article/35972>

*New Age*. “BGMEA says proposed budget not RMG sector friendly, Seeks withdrawal of source tax.” June 4, 2017.

NGO forum on ADB. “International Civil Society Letter to Asian Development Bank (ADB): Discontinue Support to Phulbari Coal Project.” Submitted to The ADB Board of Directors, Asian Development Bank. Manila, Philippines January 14, 2008.

Ngugi, Joel. “Policing Neo-Liberal Reforms: The Rule of Law Enabling and Restrictive Discourse.” *Journal of International Law*, Vol. 26, Issues 3 (2005). Retrieved from [https://www.law.upenn.edu/journals/jil/articles/volume26/issue3/Ngugi26U.Pa.J.Int'lEcon.L.513\(2005\).pdf](https://www.law.upenn.edu/journals/jil/articles/volume26/issue3/Ngugi26U.Pa.J.Int'lEcon.L.513(2005).pdf)

Norton, Philip. *Legislatures*. Oxford: Oxford University Press, 1992. p. 36.

Ntangsi, J. “An Assessment of Niger’s Poverty Reduction Strategy.” Paper Presented to the Third Meeting of the African Learning Group on the Poverty Reduction Strategy Papers. Addis Ababa, Ethiopia, December 2003.

Nuremowla, Sadid. “Land, Place and Resistance to Displacement in Phulbari.” *South Asia Multidisciplinary Academic Journal* (2016). Retrieved from <https://journals.openedition.org/samaj/4113>.

Nuruzzaman, Mohammed. “Neoliberal Economic Reforms, the Rich and the Poor in Bangladesh.” *Journal of Contemporary Asia*, Vol.34, Issue 1 (May-June 2004): 33-54.

Odhikar. “Labor Rights in the Readymade Garments Industry in Bangladesh. Perspective 2008.” Official Website of Odhikar, 2008. Retrieved from <http://odhikar.org/bangladesh-rmg-sector-labour-rights/> Accessed on August 1, 2015.

OECD. “OECD Guidelines for Multinational Enterprises.” Official Website of OECD. 2011. Retrieved from <http://mneguidelines.oecd.org/text/>. Accessed September 22, 2006.

Offe, Claus. “Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in East Central Europe.” *Social Research*, Vol. 58, No. 4 (1991): 865-892.

Olson, M. *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press, 1965.

Omvedt, Gail. *Reinventing Revolution: New Social Movements in South Asia*. An East Gate Book, New York, Routledge, 1993.

Onis, Ziya. “The Logic of the Developmental State.” *Comparative Politics*, Vol. 24, No. 1 (October, 1991): 109-26.

Patwary, Asaduzzaman. “Gas exploration status quo of Bangladesh.” *The Independent*. January 16, 2017.

---

Page, B.I., Shapiro, R.Y. and Dempsey, G. ‘What Moves Public Opinion?’ *American Political Science Review* 81 (1987): 23-43.

Pollack, M. Delegation, “Agency and Agenda Setting in the EU.” *International Organization*, Vol. 51, Issue 1 (1997): 99-134.

Parvin, Philip. “Friend or Foe? Lobbying in British Democracy: A Discussion Paper.” *Hansard Society*, London, 2007. pp. 40-43.

Persson, Torsten, and Elhanan Helpman. "Lobbying and Legislative Bargaining." Working Paper No. 6589, National Bureau of Economic Research, Cambridge, 1998.

Pateman, C. *Participation and Democratic Theory*, Cambridge: Cambridge University Press, 1970.

Pegu, Manoranjan. “The Phulbari Movement: Resisting Neo-liberalism in Bangladesh.” Paper presented in a public Symposium organized in Chulalongkorn University, Bangkok, 2008.  
[http://www.academia.edu/4557940/The\\_Phulbari\\_Movement\\_Resisting\\_Neo-liberalism\\_in\\_Bangladesh](http://www.academia.edu/4557940/The_Phulbari_Movement_Resisting_Neo-liberalism_in_Bangladesh). Accessed on September 30, 2015.

PetroBangla. “Companies. Transmission. Distribution.” Bangladesh Oil, Gas & Mineral Corporation. Retrieved from <https://petrobangla.org.bd/?params=en/distribution>. Accessed on June 2, 2017.

Pevehouse, Jon C. “Democracy from the outside-in? International organizations and democratization.” *International Organization*, Vol. 56, Issue 3 (2002): 515-549.

Phongpaichit, Pasuk. “Social Movements in Thailand.” Paper presented at *International Conference on Thai Studies*, Nakhon Phanom, January, 2002.

Pion-Berlin, David. “Theories on Political Repression in Latin America: Conventional Wisdom and an Alternative.” *American Political Science Association*, Vol. 19, No. 1 (Winter 1986): 49-56.

Polanyi, Karl. *The Great Transformation: The Political and Economic Origins of our Time*. Boston: Beacon Press, 1944.

Polsby, N.W. *Community Power and Political Theory: A Further Look at Problems of Evidence and Inference*, 2nd edition. New Haven: Yale University Press, 1980.

Porta, Donatella. “Democracy in Social Movements.” In *The Oxford Handbook of Social Movement*, edited by Donatella Porta and Mario Diani. 2015.

Post, Robert. “Democracy and Equality.” *Annals of the American Academy of Political and Social Science* 603 (Jan., 2006): 24-36.

Power Division. “Power System Master Plan 2010.” Ministry of Power, Energy and Mineral Resources. 2010. Retrieved from [http://www.bpdb.gov.bd/download/PSMP/PSMP2010\(Summary\).pdf](http://www.bpdb.gov.bd/download/PSMP/PSMP2010(Summary).pdf). Accessed on April 20, 2017.

Power Cell. “Power Division.” Ministry of Power, Energy, and Mineral Resources, Government of Bangladesh. Retrieved from [http://www.rangpurpbs1.org.bd/power\\_cell\\_wp/](http://www.rangpurpbs1.org.bd/power_cell_wp/) Accessed on January 30, 2017.

Power Generation. “Combined Cycle Power Plant: How It Works.” Ministry of Power, Energy, and Mineral Resources, Government of Bangladesh. Retrieved from <https://powergen.gepower.com/resources/knowledge-base/combined-cycle-power-plant-how-it-works.html>. Accessed on January 22, 2017.

Przeworski, A. and M. Wallerstein. “Structural Dependence of the State on Capital.” *American Political Science Review* 82 (1988): 11–29.

---

PWC. "Corporate Income Taxes, Mining Royalties and other Mining Taxes: A Summary of rates and rules in selected countries." Official Website of PWC. June, 2012. Retrieved from <https://www.pwc.com/gx/en/energy-utilities-mining/publications/pdf/pwc-gx-mining-taxes-and-royalties.pdf>. Accessed on March 11, 2017.

Quadir, F. "How civil is civil society? Authoritarian state, partisan civil society, and the struggle for democratic development in Bangladesh." *Canadian Journal of Development Studies*, Vol. 24, No. 3 (2003):425-438.

Quadir, F. "Civil society in Bangladesh: In search of democracy and development." In *Civil Society in Asia: In Search of Democracy and Development in Bangladesh*, edited by F. Quadir. and Y. Tsujinaka. Ashgate, Farnham, 2015.

Raihan, Selim. "Trade Liberalization and Poverty in Bangladesh." Macao Regional Knowledge Hub, Working Papers, No. 15, December, 2008.

Rahman, Fazlur. "Five years of Political Violence: 1,028 deaths and 52,000 injuries." *Dhaka Tribune*. November 20, 2017.

Rahman, Mahmudur. *PhulbarirRajniti* (The Politics of Phulbari). Kashban Prokashoni. Dhaka, 2008.

Rahman, Mushfiqur. "Let the Coal Policy debate come to an end." *Financial Express*. February 6, 2014. Retrieved from <http://print.thefinancialexpress-bd.com/2014/02/06/17358>. Accessed on March 9, 2017.

Rahman, Nurun N. "Policy Reforms and Trade Liberalization in Bangladesh." Unpublished Documents, 2005.

Rahman, Sairas. "Report: Violation of free speech hits record levels in Bangladesh." *Dhaka Tribune*. May 13, 2018. Retrieved from <https://www.dhakatribune.com/bangladesh/law-rights/2018/05/03/report-violation-free-speech-hits-record-levels-bangladesh>

Rahmatullah B.D. *উর্ধ্বাধিকার : (The Fuel and Power Crisis of Bangladesh: A Possible Solution?)* Shanhati Publication, 2011.

Rahmatullah, B.D. Multiple Interviews with B. D. Rahmatullah. Dhaka, September 5, 2014; August 11, 2015.

Rahmatullah, B.D. Multiple Telephone Conversation with B.D Rahmatullah, December 8, 2016; May 20, 2018.

Rancière, Jacques. *Hatred of Democracy*. Translated by Steve Corcoran. Verso, 2006.

Rashid, Mohammad Ali. "Impact of Trade Policy Reforms on Industrial Capacity and Employment in Bangladesh." Structural Adjustment Participatory Review Initiative (SAPRI). Dhaka, Bangladesh. December, 2000. Retrieved from [http://www.saprin.org/bangladesh/research/ban\\_trade.pdf](http://www.saprin.org/bangladesh/research/ban_trade.pdf).

(REC) Report of Expert Committee. "Summary Report of the Expert Committee to evaluate Feasibility Study Report and Scheme of Development of the Phulbari Coal Project." Submitted by Asia Energy Corporation. 2006. Retrieved from <http://www.bankinformationcenter.org/proxy/Document.10817.pdf>

Redford, E.S. *Democracy in the Administrative State*, New York: Oxford University Press, 1969.

Riaz, Ali. "A Crisis for Democracy in Bangladesh." *Current History* (April 2014). Retrieved from [http://www.academia.edu/14463946/A\\_Crisis\\_of\\_Democracy\\_in\\_Bangladesh](http://www.academia.edu/14463946/A_Crisis_of_Democracy_in_Bangladesh)



---

Richardson, J. J., & Jordan, A.G. "Governing under pressure: The Policy Process in a Post-Parliamentary Democracy." Oxford, UK: Robertson, 1979.

Rigby, Smith and Brewster. "The changing impact and the strength of labor movement in advanced societies." In *Trade Unions and Democracy: Strategies and Perspective*, edited by M. Harcourt and G. Wood. Manchester University Press, 2004.

Rodrik, D. "The rush to free trade in the developing world: Why so late? Why now? Will it last?" In *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment*, edited by Haggard, S., & Webb, S. Oxford Univ. Press, Oxford, 1994.

ATN Bangla. FarzanaRupa's Report on ATN Bangla, August 26, 2009.

Ruslan, Saeba. "Rationale for a hike in tax rates for RMG sector." *Financial Express*. Retrieved from <http://print.thefinancialexpress-bd.com/2015/05/19/93168>. Accessed on May 19, 2015.

Sajid, Yamin. " (PDB's Transition from producer to purchaser). *Daily BanikBarta*. May 6, 2017.

Saki, Zonayed. Multiple Interviews with Zonayed Saki, Dhaka, June 3, 2015; June 12, 2018.

Salisbury, R. H. "Interest Representation: The Dominance of Institutions." *The American Political Science Review*, Vol 78, Issue 1 (1984): 64-76.

Salisbury, R.H., Johnson, P., Heinz, J.P., Laumann, E.O. and Nelson, R.L. "Who you know versus what you know: The uses of government experience for Washington lobbyists." *American Journal of Political Science* 33 (1989): 175-95.

Samarasinghe, S.W.R. "Democracy and Democratization in Developing Countries." *Series on Democracy and Health*, Harvard School of Public Health, 1994.

(SAPRI). "Employment in Bangladesh." Structural Adjustment Participatory Review Initiative. Structural Adjustment Participatory International Network. December, 2000. Retrieved from [http://www.saprin.org/bangladesh/research/ban\\_trade.pdf](http://www.saprin.org/bangladesh/research/ban_trade.pdf). Accessed on January 3, 2017.

Sayre, W.S. and Kaufman, H. *Governing New York City: Politics in the Metropolis*, New York: Norton, 1965.

Schattschneider, E.E. *The Semisovereign People*. New York, NY: Holt, Rinehart, and Winston, 1960.

Schmitter, Philippe C. and Terry Karl. "What Democracy is and is Not." *Journal of Democracy*, Issue 2 (Summer 1991):75- 88.

Schmitter, Philippe C. and Wolfgang Streeck. "The Organization of Business Interest: Studying the associative Action of Business in Advanced Industrial Societies." MPIFG Discussion paper 99/1, March 1999.

Schneider, G., & Baltz, K. "The Power of Specialization: How interest groups influence EU legislation." *Rivista di PoliticaEconomica*, Vol. 93, Issue 1-2 (2003):253-283.

Schrank, W. E. "Introducing Fishery Subsidy." FAO fisheries Technical Papers. Food and Agricultural Organization of the United Nations. Rome, 2003.

Schrank, W.E. "Subsidies for Fisheries: A Review of Concepts." Paper presented in the Expert Consultation on Economic Incentives and Responsible Fisheries, Rome, November 28 – December 1, 2000.

Schumpeter, J.A. *Capitalism, Socialism, and Democracy*. London, 1942.

---

(SEIA) Summary of Environmental Impact Assessment. Submitted to the Asia Development Bank (ADB), Prepared by Asia Energy Corporation. August 2006.

Showkat, Asif. "97% subsidy goes to quick rentals." *Dhaka Tribune*. October 24, 2013. Retrieved from <http://archive.dhakatribune.com/development/2013/oct/24/97-subsidy-goes-quick-rentals#sthash.mZ9Ej7rM.dpuf>. Accessed on October 24, 2013.

Showkat, Asif. "Quick rentals getting 70% subsidy disbursement." *Dhaka Tribune*. April 27, 2015. Retrieved from <http://archive.dhakatribune.com/bangladesh/2015/apr/27/quick-rentals-getting-70-subsidy-disbursement>. Accessed on April 27, 2015.

Siddiqui, Kaniz. "Understanding Efficiency and Distributional Equality of Subsidy in Bangladesh." Paper presented on *A dialogue on Subsidy Management in Bangladesh: Efficiency and Equity Issues*, arranged by Center for Policy Dialogue. May 2, 2015.

Siddique, Shahed. "Gazprom deal to cost Tk115cr more." *The Independent*. January, 28, 2018. Retrieved from <http://www.theindependentbd.com/post/134749>

Schlozman, K.L., & Tierney, J. T. "Organized Interests and American Democracy." New York, NY: Harper & Row, 1986.

Smith, M. A. *American Business and Political Power: Public Opinion, Elections, and Democracy*. Chicago: University of Chicago Press, 2000.

Sobhan, Rehman. "Structural Maladjustment: Bangladesh's Experience with Market Reforms." *Economic and Political Weekly*, Vol. 28, No. 19 (May 8, 1993): 925-931.

Sobhan, Rehman. *Privatization in Bangladesh: An Agenda in Search of a Policy*. CPD working paper 16, Dhaka, 2002.

Soderbaum, Peter. "Neoclassical Economics, Institutional Theory and Democracy: CBA and Its Alternatives." *Economic and Political Weekly*, Vol. 36, Issue 21 (May 26 - Jun. 1) (2001): 1846-1854.

*South China Morning Post*. "Bangladeshis launch nationwide strike over fuel price hike." January 13, 2013. Retrieved from <http://www.scmp.com/news/asia/article/1129406/bangladeshis-launch-nationwide-strike-over-fuel-price-hike>. Accessed on January 4, 2017.

Soysa, Indra De & Vadlamannati, Krishna. "Do Market Economic Reforms Require Political Repression? An Empirical Assessment, 1981-2006." Unpublished Document. 2006. Retrieved from [file:///C:/Users/User/Downloads/Public%20Choice%20%20Do%20Market%20Economic%20Reforms%20Require%20Political%20Repression%20\(5\).pdf](file:///C:/Users/User/Downloads/Public%20Choice%20%20Do%20Market%20Economic%20Reforms%20Require%20Political%20Repression%20(5).pdf). Accessed on June 22, 2016.

Srimanti Sarkar, "The Role of the Left in Bangladesh's Democracy: Challenges and Prospects." In *Democratic Governance and Politics of the Left in South Asia*, edited by Subharanjan Dasgupta. Aakar Books, New Delhi, 2015. p. 228-244. Retrieved from <https://www.marxists.org/history/erol/bangladesh/role-left.pdf>

Sultana, Nazneen. Telephone Conversation with Nazneen Sultana. March 18, 2016.

Huq, Sirajul. Telephone Conversation with Sirajul Huq. March, 17, 2016.

Sultana, Rabeya. "Non-Performing Loan and Profitability: The Case of State Owned Commercial Banks in Bangladesh." *World Review of Business Research*, Vol. 5, No. 3 (September 2015): 171-182.



---

Suramya, T. K. "Labour Laws and the Neoliberal State in India." BODHI Commons. May 17, 2015. Retrieved from <http://beta.bodhicommons.org/article/labour-laws-and-the-neoliberal-state-in-india>. Accessed on June 21, 2015.

Swanson, Jacinda. "The Economy and Its Relation to Politics: Robert Dahl, Neoclassical Economics, and Democracy." *Polity*, Vol. 39, No 2 (Apr., 2007): 208-233.

Taher, Abu. "Politicization of Trade Unions: Issues and Challenges in Bangladesh Perspective." *Indian Journal of Industrial Relations*, Vol. 34, No. 4 (April, 1999): 403-420

Tasnim, Farhat. "Politicized Civil Society in Bangladesh: Case Study Analyses." *Cosmopolitan Civil Societies: An Interdisciplinary Journal*, Vol. 9, No. 1 (2017). Retrieved from <https://epress.lib.uts.edu.au/journals/index.php/mcs/article/view/5247/5838>

Taylor, L. "Environmentalism and Social Protest: Contemporary anti-mining Mobilization in Province of San Marcos and Condebamba, Valley, Peru." *Journal of Agrarian Change*, Vol 11, Issue 3 (2011): 420-439.

*The Independent*. "BGMEA welcomes revised labor law." July 17, 2013.

*The Independent*. "Foil conspiracies to hand over energy resources to foreign companies." June 20, 2015. Retrieved from <http://www.theindependentbd.com/arcprint/details/4297/2015-06-20>

*The Independent*. "PM reaches Netherlands." November 4, 2015b. Retrieved from <http://www.theindependentbd.com/post/21803>

*The New Nations*. "Lobbying to award contracts of gas wells to Russian company without tender." August 29, 2016. Retrieved from <http://thedailynewnation.com/news/105627/lobbying-to-award-contracts-of-gas--wells-to-russian-co-without-tender.html>

"The Companies' Profits (Workers' Participation) Act, 1995." Act 24. Published in Bangladesh Gazette. Ministry of Commerce. September 16, 1995.

*The Wall Street Journal*. "Bangladesh Local Elections Marred by Vote-Rigging Allegations." April 29 2015. Retrieved from <https://www.wsj.com/articles/bangladesh-local-elections-marred-by-vote-rigging-allegations-1430289326>

Trading Economics. "Bangladesh Corporate Tax Rate 1997-2017." Official Website of Trading Economics. Retrieved from <http://www.tradingeconomics.com/bangladesh/corporate-tax-rate>. Accessed on December 2, 2016.

Tsebelis, G, & Garrett, G. "Legislative Politics in the European Union." *European Union Politics*, Vol. I, Issue 1(2000): 9-36.

Turner, Ralph, and Killian, Lewis. *Collective Behavior*. Pearson Education Canada, 1987.

Ullah, A.K.M. and Routray, J.K. *NGOs and Development: Alleviating Rural Poverty in Bangladesh*. Book Mark International, Dhaka. 2003.

Umar, Badruddin. Interview with Badruddin Umar. Dhaka, August 16, 2015.

United States Senate Staff Report. "Workers safety and labor rights in Bangladesh's Garment sector." A majority staff report prepared for the Committee on Foreign Relations, United States Senate. One Hundred Thirteen Congress. First Session. November 22, 2013. Retrieved from <https://www.gpo.gov/fdsys/pkg/CPRT-113SPRT85633/html/CPRT-113SPRT85633.htm>. Accessed on May 1, 2016.

---

(UNRISD) United Nations Research Institutions for Social Development. "Technocratic Policy Making and Democratic Accountability." *UNRISD Research and Policy Brief 3* (Switzerland: UNRISD, 2004). Retrieved from <http://r4d.dfid.gov.uk/PDF/Outputs/UNRISD/RPB3e.pdf>. Accessed on January 2, 2014.

U.S Department of State. "Country Reports on Human Rights Practices for 2006. Volume II." Report submitted to the Committee on Foreign Relations, US Senate, and the Committee on Foreign Affairs, and US House of Representatives. U.S Government Printing Office. Washington D.C. April 2008.

U.S Department of State. "Report on Bangladesh. Role of the Police and Security Apparatus." Bureau of Democracy, Human Rights, and Labor 2006. March 6, 2007. Retrieved from <https://www.state.gov/j/drl/rls/hrrpt/2006/78869.htm>. Accessed on May 1, 2016.

U.S Energy Information Administration (EIA). "Capital Cost Estimates for Utility Scale Electricity Generating Plants." Official website of EIA. November 2016. Retrieved from [https://www.eia.gov/analysis/studies/powerplants/capitalcost/pdf/capcost\\_assumption.pdf](https://www.eia.gov/analysis/studies/powerplants/capitalcost/pdf/capcost_assumption.pdf). Accessed on February 2, 2017.

Veltmeyer, Henry. "New Social Movements in Latin America: The Dynamics of Class and Identity." *Journal of Peasant Studies*, Vol. 25, Issue 1 (October, 1997).

Vogel, D. *Fluctuating Fortunes: The Political Power of Business in America*. New York: Basic Books, 1989.

White, S. C. "NGOs, Civil Society and the State in Bangladesh: The politics of representing the poor." *Development and Change*, Vol. 30, No. 2 (1999): 307-326.

Wade, Robert. "Governing the Market: Economic Theory and the Role of government in East Asian Industrialization." Princeton: Princeton University Press, 1990.

Wallerstein, Michael. "Structural Dependence of the State on Capital." In *Selected Works of Michael Wallerstein: The Political Economy of Inequality, Union and Social Democracy*, edited by David Austen, Smith, Jeffrey A. Frieden, Miriam A. Golden, Karl Ove Moene, and Adam Przeworski. Cambridge: Cambridge University Press, 2008.

Webster, N. *Webster's New International Dictionary of the English language* (2<sup>nd</sup> ed.). G & C Merriam Company. 1961.

White, Fiona. "Strengthening Democracy? The Role of Social Movements as Agents of Civil Society in Post-Apartheid South Africa." Submitted in partial fulfillment for the degree of Doctor of Philosophy, Institute of Commonwealth Studies School of Advanced Study. University of London. January 2008.

Wilson, G.K. "Thirty years of Business and Politics." In *Business and Government: Methods and Practice*, edited by D. Coen and W. Grant. Opladen: Barbara Budrich Publishers, 2006.

Wittman, Donald. "Candidates with Policy Preferences: A Dynamic Model." *Journal of Economic Theory* 14 (1977): 180-189.

World Bank. "Bangladesh Privatization and Adjustmen." South Asia Country Operations, Industry and Finance Division. Report No. 12318-BD. March 10, 1994.

World Bank. "Bangladesh Trade Liberalization: Its Pace and Impacts." Report No: 19591BD. Washington, D.C, 1999.

World Bank Report. "World Bank supports Bangladesh's reform efforts with US\$320 million." June 17, 2008. Retrieved from <http://reliefweb.int/report/bangladesh/world-bank-supports-bangladeshs-reform-efforts-us320-million>. Accessed on July 1, 2016.

---

World Organization Against Torture (OMCT). “Bangladesh Risk of Violent Suppression of Public Opposition to the Phulbari Coal Mine Project Dinajpur District, Bangladesh.” Action File (BGD 211207. ESCR). December 21, 2007. Retrieved from [http://www.banktrack.org/download/bangladesh\\_risk\\_of\\_violent\\_suppression\\_of\\_public\\_opposition\\_to\\_phulbari\\_coal\\_mine\\_project/110126\\_bangladesh\\_risk\\_of\\_violent\\_suppression\\_of\\_public\\_opposition\\_to\\_phulbari\\_coal\\_mine\\_project.pdf](http://www.banktrack.org/download/bangladesh_risk_of_violent_suppression_of_public_opposition_to_phulbari_coal_mine_project/110126_bangladesh_risk_of_violent_suppression_of_public_opposition_to_phulbari_coal_mine_project.pdf). Accessed on May 1, 2016.

World Trade Organization. “Agreement on Subsidies and Countervailing Measures (SCM Agreement).” GATT Secretariat, 1994. Retrieved from [https://www.wto.org/english/tratop\\_e/scm\\_e/subs\\_e.htm](https://www.wto.org/english/tratop_e/scm_e/subs_e.htm). Accessed on August 4, 2015.

Wright, John R. *Interest Groups and Congress*. Allyn & Bacon, 1996.

## Appendices

### Appendix A: Interview Questions and Context

#### *Interview with Policy Actors*

	÷ E n c u u " D kateu ø " q h " v j g " U
<p><b>-Policy makers being responsive towards the business interest than the labor interest is a post democratic condition.</b></p> <p><b>-Strength of network: frequency of contact, duration and intimacy of association, provision of reciprocal services, and kinship could be indicating strength of the nexus and the overall connectedness or disconnectedness of actors.</b></p>	<p>1. How often do you get to meet the representatives of BGMEA? (Once in a year? 2-3 times in a year? More than 5 times in a year?). Is there a systematic <b>formal representation</b> of BGMEA members in the policy making domain?</p> <p>2. How often do you get to meet the labor representatives? (Once in a year? 2-3 times in a year? More than 5 times in a year?) Is there a systematic <b>formal representation</b> of labor representatives in the policy making domain?</p> <p>3. In 2013, as per the decision of the wage board, the minimum wage was raised from \$40 to \$65 per month. Can you describe the various steps of the <b>negotiation process</b> which takes place between the government and the BGMEA members? And between the government and the labor representatives? Do you feel that the government was responsive towards the demands of BGMEA?</p>
	<b>The Content, Pattern and Direction of Relationship</b>
<p><b>The content and pattern of relationships in order to determine what kind of information/resources is exchanged between two actors? How is it relevant in the policy making process?</b></p> <p>õ Y j q " i k x g u " y k p h q t o c v k q p " õ Y j q " f q g u " p q e g t v c k p " k p h q</p>	<p>4. Normally how do the BGMEA members or the labor representatives present their view on Minimum wage to the government? Does it happen in written forms or through verbal persuasion?</p> <p>5. Do the BGMEA members regularly provide you with information regarding the wage-profit scenario of the industry? What are the other kinds of information provided by them to convince the government to block any bill attempting to raise minimum wage?</p> <p>6. How often do the BGMEA members or the labor representatives make a direct petition to a member of the government/Ministry of Labor? Did the BGMEA members make such petition before the latest wage board meeting in December 2013? Did the labor representatives make such petition before the wage board meeting?</p>

<p>based on who the information is received</p> <p>h t q o A ö</p>	
	<b>Is the State Structurally Constraint?</b>
<p><b>Theory of Structural constraint/States structural dependence on business.</b></p> <p>Offe (1974) Block (1977)</p>	7. Do you feel structurally obligated or pressurized to be responsive towards the demands of BGMEA? If you do, why? If not, why not?
	<b>Cohesion/Relationships between Actors</b>
<p>--Common social origin indicates an elite network (Milliband, 1969).</p> <p>-- J q y " f q " v j g " kinship, work, or relationships affect the way in which actions are taken?</p>	8. Apart from the formal meetings, is there any other informal ways through which the policy makers meet with the BGMEA members or with the labor representatives? (i.e. Social gatherings, clubs, etc) What kind of information is exchanged in such events?

*Interview with the BGMEA Officials*

	÷ E n ckucui'ød' q h " v j g " U v c v g
<p><b>-Policy makers being responsive towards the business interest than the labor interest is a post democratic condition.</b></p> <p><b>-Strength of network: frequency of contact, duration and intimacy of association, provision of reciprocal services, and kinship could be indicating strength of the nexus and</b></p>	<p>1. How often do you get to meet someone from the government? (Once in a year? 2-3 times in a year? More than 5 times in a year?) Is there a systematic <b>formal representation</b> of BGMEA members in the policy making domain?</p> <p>2. In 2013, as per the decision of the wage board, the minimum wage was raised from \$40 to \$65 per month. Can you describe the various steps of the <b>negotiation process</b> which takes place between the government and the BGMEA members? Do you feel that the government was responsive towards the demands of BGMEA?</p> <p>3. Do you feel that the policy makers are easily <b>accessible</b>? Do you feel there is a level of sympathy towards the business's cause in the</p>

<p>the overall connectedness or disconnectedness of actors.</p>	<p>ministry? Or do you feel that the government is more responsive towards the labors' demand rather than the business demand in general?</p>
	<p><b>The Content, Pattern and Direction of Relationship</b></p>
<p>The content and pattern of relationships in order to determine what kind of information/resources is exchanged between two actor? How it is relevant in the policy making process?</p> <p>What kinds of information/resources are exchanged between two actors? How it is relevant in the policy making process? Does it differ based on who the information is received from?</p>	<p>4. Normally how do the BGMEA members present their view on Minimum wage to the government? Does it happen in written forms or through verbal persuasion?</p> <p>5. Do you provide the government with information regarding the wage-profit scenario of the industry? What are the other kinds of information provided by you to convince the government to block any bill attempting to raise minimum wage?</p> <p>6. How often the BGMEA members make a <b>direct petition</b> to a member of the government/ministry of Labor? Did BGMEA make such petition before the latest wage board meeting in December, 2013?</p>
	<p><b>Is the State Structurally Constraint?</b></p>
<p>Theory of Structural constraint/States structural dependence on business. Offe (1974) Block (1977)</p>	<p>7. Do you feel it is necessary to create pressure to convince the government on the issues of minimum wage, maternity leave, or compensation for accident victims? Or do you feel that the government is already sufficiently cooperative?</p>
	<p><b>Cohesion/Relationships between Actors</b></p>
<p>-Common social origin indicates an elite network (Milliband, 1969). How do kinship, work, or relationships affect the way in which actions are taken?</p>	<p>8. Apart from the formal meetings, is there any other informal ways through which the BGMEA members meet with the policy makers? What kind of information is exchanged in such events?</p>

*Interview with the Labor Representatives*

	÷ E n ckucuu"øD' q h " v j g " U v c v g
<p><b>-Policy makers being responsive towards the business interest than the labor interest is a post democratic condition.</b></p> <p><b>-Strength of network: frequency of contact, duration and intimacy of association, provision of reciprocal services, and kinship could be indicating strength of the nexus and the overall connectedness or disconnectedness of actors.</b></p>	<p>1. How often do you get to meet the labor representatives? (Once in a year? 2-3 times in a year? More than 5 times in a year?) Is there a systematic <b>formal representation</b> of labor representatives in the policy making domain?</p> <p>2. In 2013, as per the decision of the wage board, the minimum wage was raised from \$40 to \$65 per month. Can you describe the various steps of the <b>negotiation process</b> which takes place between the government and the labor representatives? Do you feel that the government was responsive towards the demands of BGMEA?</p> <p>3. Do you feel that the policy makers are easily <b>accessible</b>? Have you ever felt a sense of hostility towards the labor unions from the part of the government?</p>
	<b>The Content, Pattern and Direction of Relationship</b>
<p><b>The content and pattern of relationships in order to determine what kind of information/resources is exchanged between two actor? How it is relevant in the policy making process?</b></p> <p>ø Y j q " i k x g u " y k p h q t o c v k q p " ø Y j q " f q g u " p q e g t v c k p " k p h q ø J q y " f q " r q n k</p> <p><b>differ based on who the information is received</b></p> <p>h t q o A ö</p>	<p>4. Normally how do the labor unions present their views to the government on minimum wage? Does it happen in written form or through verbal persuasion?</p> <p>5. Do you provide the government with information regarding the living conditions of the labor? What are the other kinds of information normally provided by you to convince the government in initiating any bill attempting to raise minimum wage?</p> <p>6. How often do the representatives of labor unions make a direct petition to a member of the government/Ministry of Labor? Did the labor representatives make such petitions before the latest wage board meeting in December, 2013?</p>
	<b>Is the State Structurally Constraint?</b>



<p><b>Theory of Structural constraint/States structural dependence on business. Offe (1974) Block (1977)</b></p>	<p>7. Do you feel the necessity to create pressure on the policy makers on the issues of minimum wage, maternity leave, or compensation for the accident victims? Is there any evidence of cooperation from the part of the government?</p>
	<p><b>Cohesion/relationships between actors</b></p>
<p>--Common social origin indicates an elite network (Milliband, 1969). -- J q y " f q " v j g " kinship, work, or relationships affect the way in which actions are taken?</p>	<p>8. Apart from the formal meetings, is there any other informal ways through which the labor representatives meet with the members of the government? What kind of information is exchanged in such events?</p>

## APPENDIX B: Focused Group Discussion Questions

	<p><b>Location: Phulbari Dinajpur.</b></p> <p><b>Date: August 26, 2015</b></p> <p><b>Number of participants: 7</b></p>
<b>Number of Question</b>	<b>Questions asked in the Focused group discussion in an informal manner</b>
1	What sort of information was provided by Asia Energy officials regarding the impact of open pit mining in the area?
2	How does the community perceive the Asia Energy's promotion of 'regional development' through coal-based energy?
3	How does the community perceive the promise of employment creation by Asia Energy in exchange of traditional ways of livelihood?
4	What was the role of the state administration while Asia Energy officials were running campaigns and consultation programs in the community?
5	How does the community perceive the National Committee's involvement in the local people's movement?
6	To what extent the community attempts to reach the state actors?
8	What was the nature of the resistance? Was the resistance spontaneous? Was it violent/or non-violent?
9	What was the role of the border guards in the resistance?
10	Is there any evidence of instigation/provocation by Asia Energy officials during police action on the protestors?

### Participants in the Focused Group Discussion (FGD) in Phulbari Town

	<b>Name of Participants</b>	<b>Occupation</b>
<b>1</b>	Abu Hossain	Farmer -Active participant of Phulbari movement. Participant of Asia Energy Consultation program
<b>2</b>	Belayet Hossain	Farmer Active participant of Phulbari Movement
<b>3</b>	Momena Khatun	Housewife -Active participant of Phulbari movement. Participant of Asia Energy consultation programs
<b>4</b>	Archona	Shop Keeper -Active participant of Phulbari movement
<b>5</b>	Abdur Rahman	School Teacher -Active participants of Phulbari Movement. Participant of Asia Energy consultation programs
<b>6</b>	Muhammad Sultan	Small Retailer -Active participant of Phulbari Movement. Participant of Asia Energy Consultation Programs
<b>7</b>	Shahriar Sunny	Student -Active participant of Phulbari movement

## 10.5 APPENDIX C: List of Interviewees

### Experts/Academicians

	<b>Name</b>	<b>Designation/Expertise</b>
1	Dr. Shamsul Alam.	Power and Energy Advisor to the Consumer Association of Bangladesh (CAB).
2	Dr. Nurul Islam.	Chairperson of <i>Expert Committee to evaluate Feasibility Study Report and Scheme of Development of the Phulbari Coal Project</i> ; Director, Institute of Appropriate Technology, Bangladesh University of Engineering and Technology.
3	Dr. Badrul Imam.	Professor at Department of Geology, University of Dhaka. Energy Expert.
4	Hasnat Kaiyum.	Supreme Court Lawyer; Expert in Bangladesh Constitution.
5	Dr. Tanzimuddin Khan.	Professor at Department of International Relations, University of Dhaka.
6	Dr. Badruddin Umar.	Marxist Thinker, Academician, Writer. Retired Professor from University of Rajshahi.
7	Dr. Muhammad, Anu.	Power and Energy Expert, Professor at Department of Economics, Jahangir Nagar University, Dhaka.
8	Dr. Samina Luthfa.	Professor at Department of Sociology, University of Dhaka. Interviewed on March 15.
9	Dr. Saydia Gulrukh.	Anthropologist. Labor Rights Activist.
10	Dr. Abdullah H. Chadhuri.	Professor at Department of Environmental Science and Ecology. University of Khulna.

### Policy Actors/Government Officials

	<b>Name</b>	<b>Designation in Government</b>
1	Shafikul Islam	Former Joint Secretary of Cabinet Division, Government of Bangladesh
2	Paban Chaudhury	Chairperson at BEZA (Bangladesh Economic Zone Authority), Government of Bangladesh.
3	B.D. Rahmatullah	Former Director of Power Cell. Ministry of Power, Energy, and Mineral Resources. Government of Bangladesh
4	Muneem Rahmatul	Secretary of Department of Energy and Mineral Resources. Government of Bangladesh

### Labor Leaders/Trade Union Activists

	<b>Name</b>	<b>Position in Organization</b>
1	Akhtar, Nazma	The official Representative of RMG workers at Wage Board Negotiation 2006
2	Huq, Sirajul	The officially Representative of RMG workers in Wage Board Negotiation 2012
3	Islam, Shahidul	Secretary of Bangladesh Garments Workers Unity Forum
4	Mishu, Moshrefa	President of Garments Workers Unity Forum
5	Akhtar, Taslima	Coordinator of Bangladesh Garments Workers Solidarity

<b>6</b>	Shamima Nasrin	President of Shadhin Bangla Garments Kendro (Independent Bangla Garments Center)
----------	----------------	---

**Business Representatives**

	<b>NAME</b>	<b>Designation/Position in Organization</b>
<b>1</b>	Shahidul Azim	Former Vice President of BGMEA
<b>2</b>	Arshad Jamal	Director of BGMEA
<b>3</b>	Owners of Rental Power Plant	Preferred to be Anonymous
<b>4</b>	Asia Enerery official	Preferred to be Anonymous

**Political Actors/ Political activist**

	<b>NAME</b>	<b>Position in Party/Committee</b>
<b>1</b>	Zonayed Saki	Coordinator of GanoShanghati Andolon (People's Solidarity Movement).
<b>2</b>	Saiful Islam	Convener, of the Phulbari Unit of National Committee
<b>3</b>	Anu Muhammad	Member Secretary of National Committee to Protect Oil, Gas, Mineral Resources, Power, and Port. Interviewed