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Globalization and Transformation

State, Ideas, and Economic Policy

in Bangladesh

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Dedicated to PhD students out there confronting
challenges yet persistently making progress.

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1 | Introduction

Globalization and Transformation in Bangladesh

1.1 Research Puzzle: Ways to Understand Bangladesh's Change and Transformation

Economic policies, serve as foundational directives, wield crucial role in transforming societies and economies (North 1990).¹ The trajectory of Bangladesh's economic journey, notably in the ascendancy of the textile sector, presents a compelling evolutionary instance. This transformation unfolds as a gradual progression, transitioning from a stringent model to one embracing globalization—an aspect often overlooked in existing narratives. Analysing this phenomenon through a political economy lens necessitates an empirical examination of the historical institutional process, delving into the dynamics of policy paradigm shift and the role of ideas within the state apparatus.

Bangladesh's policy process resulted in tipping modes of change when in July 1991, an industrial policy was promulgated, brought about unprecedented changes: The abolition of industrial licensing, modest regulatory framework, simplified investment procedures, reducing the exclusive reserve list, the divestment of equity in public enterprises, seeking foreign investment and technology, lifting trade restrictions, substantial reductions in

¹ Douglass North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990).

quantitative restrictions, lowering import duties, easing export-import procedures, and offering incentives for garments are all aimed at large-scale market competitiveness.

Policy shift moving away from high tariffs, subsidies, controls, quantitative restrictions, and public ownership and towards privatization, simplification procedures, and a competitive business environment (Industrial Policy 1991).² The economic change paved the way for a major private and export-oriented sector, namely the garment and textile industry, to achieve international competitive advantage. This, in the turn, spawned resource mobilization, impacting Bangladesh's socio-economic transformation in a staggering scale.

The conventional wisdom in the existing body of literature tend to view exogenous forces, specifically the International Monetary Fund (IMF) and the World Bank (WB), as the primary causal variable to Bangladesh's transformation (Muhammad, 2015; Quadir, 2000; Tisdell, 2003; Lewis, 2011; Nahar and Siriwardana, 2009; Tisdell and Alauddin, 2002; Sattar and Rahman, 2016; Rock, 2001; Paratian and Torres, 2001; Karim, 2011; Hossain, 2017).³ They also perceive the change as a drastic and abrupt shift, in line with

² The Industrial Policy of 1991 (Dhaka: Ministry of Industries, Bangladesh government, July 30, 1991).

³ Anu Muhammad, "Bangladesh—A Model of Neoliberalism: The Case of Microfinance and NGOs," *Monthly Review* Vol. 66, No. 10 (2015); Fahimul Quadir, "The Political Economy of Pro-Market Reforms in Bangladesh: Regime Consolidation through Economic Liberalization?" *Contemporary South Asia* Vol. 9, No. 2 (2000): pp. 197–212; Clem Tisdell, "Economic Globalization, Liberalization, and Bangladesh: poverty, labor norms, and the environment," *Journal of South Asian Studies*, Vol. 26, No. 3 (2003): 269–282; David Lewis, *Bangladesh: Politics, Economy, and Civil Society* (Cambridge University Press, 2011); Bodrun Nahar, Mahinda Siriwardana, "Impact of Trade Liberalization on Poverty in Bangladesh: A Quantitative Assessment," *South Asia Economic Journal*, Vol. 10, No. 2 (2009): 325–369.; Clem Tisdell and Mohammad Alauddin, "Market-Oriented Reforms in Bangladesh and Their Impact on Poverty?," *University of Queensland Working Paper No. 16* (Brisbane: The University of Queensland, 2002).; Zaidi Sattar and Ashikur Rahman, "Political Economy of Trade Policy: Theory and Evidence from Bangladesh," *South Asia Economic Journal*, Vol. 17, No. 1 (2016), pp. 1–26.; Marilyn Rock, "Globalization and Bangladesh: The case of export-oriented garment manufacture," *South Asia: Journal of South Asian Studies*, 24:1(2001): 201-225; Rajendra Paratian and Raymond Torres, *Studies on the Social Dimensions of Globalization: Bangladesh* (Geneva: International Labour Organization, 2001).; Lamia Karim, *Microfinance and Its Discontents: Women in Debt in Bangladesh* (University of Minnesota Press, 2011).; Naomi Hossain, *The Aid Lab: Understanding Bangladesh's Unexpected Success* (Oxford University Press, 2017).

a class analysis of the state.⁴ The account of conventional wisdom offers room to look at from two major domains. First, the ideational explanation of the change; and second, the gradualness of the policy process. To do so, we first cautiously analyse these views before setting out the conjecture that his research aims to hold. Our intention is not to rule out existing claims but offer an alternative explanation for these views.

1.1.1 Exogenous pressure argument: The conventional wisdom argues that neoliberal policy framework, has been the major policy push in Bangladesh's change. Structural Adjustment Programs (SAPs) of the IMF during the 1980s and 1990s highlight the hegemonic influence of donors over the policy direction. Indeed, studies suggests that the donors certainly seemed to meddle in the governance of domestic affairs (Faaland 1981, Hossain 2003).⁵ In a seminal work, Rehman Sobhan (2021) reveals that the World Bank attempted to coerce the newly liberated Bangladesh. However, their attempt failed, as the state machinery was even more strongly opposed to establishing any form of aid dependence on the World Bank.⁶ In a similar vein, Maniruzzaman (1975) and Islam (1991, 2003) argue that the Bangladeshi state has been able to staunchly uphold national interests, even in highly critical situations.⁷

This research's finding suggests that the Bangladeshi state holding an autonomous stance was evident in the post-independence economic planning, during 1970s, 1980s. For

⁴ Marxist views on economic change regard class interest as the triggering force of change. See, for example, Douglass North and Barry Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth Century England," *The Journal of Economic History* Vol. 49, No. 4 (1989): 803–32.

⁵ Just Faaland, *Aid and Influence: The Case of Bangladesh* (Bergen: Chr.Michelsen Institute, 1981); Naomi Hossain, "The real-life relationship between donors and recipients in Bangladesh: exploratory research into the sociology of aid relations" (GWCTD draft report, 2003).

⁶ Rehman Sobhan, *Untranquil Recollections: Nation Building in Post-Liberation Bangladesh* (New Delhi: SAGE publication, 2021); Rehman Sobhan, Rehman Sobhan, "How the World Bank tried to muscle into a newly liberated Bangladesh but failed," (Scroll, Mar 26, 2021)

⁷ Talukder Maniruzzaman, "Bangladesh in 1974: Economic Crisis and Political Polarization," *Asian Survey* Vol. 15, No. 2 (1975): 117–28; Nurul Islam, "Economic Policy Reforms and the IMF: Bangladesh Experience in the Early 1970s," in *Structural Adjustment Policies in the Third World: Design and Experience*, edited by Rehman Sobhan (Dhaka: University Press Limited, 1991); and Nurul Islam, *Making of a Nation Bangladesh: An Economist's Tale* (Dhaka: University Press, 2003).

example, Sheikh Mujib was highly indignant about the fact that donors such as the IMF, World Bank, and others seemed to exhibit hegemonic attitudes, attempting to dictate the policy direction. He boldly stated that a nation that had fought for its freedom would not permit anyone to dictate terms or hinder the preservation of national values: “We are open to receiving assistance or help from anyone, but without any conditions (Sobhan 1990).”⁸ Furthermore, James Boughton (2001), a top IMF official, clearly states that during the 1970s decade, the IMF’s interest in Bangladesh was not aimed at guiding policy direction.⁹

In December 1980, the Zia government conducted an agreement on a three-year loan project, which continued only for six months until June 1981: “After several months of unsuccessful negotiations on a new economic program, the government canceled the arrangement in June 1982 (Boughton (2001).”¹⁰ The military government, headed by General Hussain Mohammed Ershad, took power in March 1982, but continued without engaging with the IMF as it could not comply with the conditions set by IMF. The Ershad government ultimately signed a contract with the IMF for a Structural Adjustment Facility (SAF) loan in February 1987. However, the government did not comply with conditions consistently or even as agreed: “Unfortunately, the government, which came under increasing domestic political pressure, did not carry out many of the planned structural measures (Boughton 2001).”¹¹

The archival documents show that political change in 1990, from a military backed government to a democratic one, created a greater space Exogenous forces to engage in Bangladesh, however the change in 1991 has been triggered by a major technocratic puzzling and political powering (detailed discussed in chapter five).

1.1.2 Industrialists and business class: The material interest and class analysis of the state explains that policy process is largely driven by the dominant force that holds the

⁸ Rehman Sobhan, *From Aid Dependence to Self-Reliance: Development Options for Bangladesh* (Dhaka: Bangladesh Institute of Development Studies, 1990), p. 2.

⁹ James Boughton, “The IMF and the Poor: Soft Loans, Hard Adjustment,” in *Silent Revolution: The International Monetary Fund 1979–1989* (Washington, D.C.: IMF, 2001).

¹⁰ *ibid*, p.660

¹¹ *ibid*, p.662.

power base. Alavi (1974) for instance show that the material interest guides the powerbase on the Pakistani state machinery, spearheaded by landed aristocracy, powerful military officers, and elite bureaucrats. While Bardhan shows that dominant proprietary class (industrialists, professionals, and farmers) seems to compete for benefits from the India state's policy. In this realm, to support a class argument, that is the industrialists or business class holding a powerbase as a casual variable to the policy process in Bangladesh appears implausible. A couple of reasons are pertinent to this position:

First and foremost, during the Pakistan rule, business in the East Pakistan (modern day, Bangladesh) was predominantly controlled by west Pakistanis; almost 90 percent large-scale industries are owned by west Pakistani business families. The country was predominantly rural in nature (Islam 1974).¹² In the post-independence, the private sector faced challenges in development as a stringent import substitution model was implemented and all large-scale industries were nationalized. While some limited private sector activities opened up in the late 1970s and 1980s, a lack of trust and confidence made private sector investment feel insecure. Consequently, it took a considerable amount of time for the industrial class to flourish.

Secondly, in the 1970s and 1980s, the nature of the state under Mujib and the military-backed rule during Zia and Ershad, was defined as patrimonial. Power has been centered under the head of the state. The business class remained weak and divided due to factionalism. Social fragmentation, patron-clientalistic traditions, and charismatic leadership by the head of state hindered any class force from emerging (Kochanek 1993).¹³

¹² Around 1969–1970, the annual per capita income of Bangladesh was not higher than \$50 to \$60. Half of the population suffered from inadequate calorie intake, and over 80% had deficiencies in vitamins. The infant mortality rate was over 140 per thousand, compared to 20 in developed countries. The literacy rate was not more than 20%. In urban areas, more than 70% of households were temporarily constructed without sanitary facilities, 80% lacked access to water, and 97% were without electricity (Islam 1974). Nurul Islam, "The State and Prospects of the Bangladesh Economy," in *The Economic Development of Bangladesh within a Socialist Framework*, edited by E.A.G. Robinson and Keith Griffin (New York: Halsted Press, 1974).

¹³ Stanley A. Kochanek, "Interest Groups and the Political System," in *Patron-Client Politics and Business in Bangladesh* (New Delhi, London: Sage Publication, 1993).

Furthermore, political instability (military coups, assassination of head of the state), patron-client politics, limited access to capital, infrastructure challenges, trade barriers, a lack of a skilled workforce and managers, are among others hindered the entrepreneurial development (Kochanek 1993).¹⁴ But business class began to emerge as the garment industry's takeoff spurred by the globalization policy mobilized entrepreneurial transformation (Rock 2001).¹⁵ In the meantime, a transition of democratic system allowed this emerging business class enter in politics. Studies show how power and politics have been captured in Bangladesh by the moneyed class and the influence and control exerted on the political landscape and decision-making processes (Sobhan 2004, Zafarullah 2003).¹⁶ However, this propensity has been unfolding since the early 2000s. Therefore, this could not be seen as a causal factor of the globalization in 1991.

1.1.3 NGOs: Non-governmental organizations (NGOs), such as BRAC, Grameen Bank, and ASA, are the demonstration of Bangladesh, being the land of the large NGOs. However, Mohammed (2018) argues that the nature and kinds of activities they execute seem to show that they are more of a private corporate business than a civil society organization.¹⁷ BRAC, for instance, had collaborations with the US oil company Union Oil Company of California (UNOCAL) and the seed firm Monsanto. Millions of farmers took part in the hybrid seed program of BRAC through microcredit loans. In essence, BRAC and Grameen Bank transformed into corporate entities that serve as an efficient bridge connecting impoverished communities with corporate investments, providing big corporations with access to new markets as Mohammed asserts.

Another curtailment points regarding civil society, particularly NGOs, is that they, as causal variable in the policy process, seem to have been less pertinent during the study

¹⁴ Stanley Kochanek, *Patron-client politics, and business in Bangladesh* (New Delhi: Sage Publications, 1993)

¹⁵ Marilyn Rock, "Globalization and Bangladesh: The Case of Export-Oriented Garment Manufacturing," *Journal of South Asian Studies* Vol. 24, No. 1 (2001): 201-225.

¹⁶ Rehman Sobhan, "Structural Dimensions of Malgovernance in Bangladesh," *EPW*, Vol. 39, No. 36 (Sep. 2004). Habib Zafarullah, "Globalization, State, and Politics in Bangladesh: Implications for Democratic Governance," *South Asia: Journal of South Asian Studies*, Vol. 26, No. 3 (2003): 283-296.

¹⁷ Anu Muhammad, "Rise of the Corporate NGO in Bangladesh," *EPW*, Vol. 53, No. 39 (Sep 2018).

period. Literature supports this conjecture. Both Anu Mohammed and Lamia Karim argue that the rise of the NGO sector in Bangladesh is essentially evolving in the post-globalization period. The authors describe well how microcredit contributed to marketization and commodification at the community household level, which was necessary to create neoliberal citizens (Muhammad 2018, Karim 2011).¹⁸ But at the same time, the NGO sector was itself a site of resistance to neoliberalism in many respects. Therefore, it's a complex question that requires unpacking the different actors in civil society and their roles at different times (Lewis 1994).¹⁹ Zafarullah asserted that the scope for civil society organizations to influence the Bangladeshi state's policy process became visible only in the decade of 2010 and afterwards, but still in a limited way (Zafarullah, 2013).²⁰ In the 1990s, occasional dialogues with third-sector organizations have been merely a participatory façade. Whereby the Bangladeshi state plays a central role in developmental programs.

In a discerning analysis of the existing literature, there is a conspicuous gap for an alternative explanation. Consequently, the following section establishes the framework for addressing this void.

1.2 Proposing the Conjecture

Conjecture acts as the focal point of the research puzzle, guides the objectives, and frames the research questions (Cresswell 2018).²¹ In this milieu, the conjecture this research holds are defined within a historical institutionalism conceptual framework, discussed in detail in the theory chapter. But to offer a brief account, there are two domains: one, the policy process, and the second, the causal mechanism or logic.

¹⁸ Muhammad 2018, op. cit.; Lamia Karim, *Microfinance and Its Discontents: Women in Debt in Bangladesh* (Minneapolis: University of Minnesota Press, 2011).

¹⁹ David Lewis, "Catalyst for Change? NGOs, Agricultural Technology, and the State in Bangladesh," *Journal of Social Studies*, No. 65 (1994).

²⁰ Habib Zafarullah, "Bureaucratic culture and the social-political connection: The Bangladesh example," *International Journal of Public Administration*, Vol. 36, No. 13 (2013): 932–939.

²¹ John W. Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (SAGE Publications, 5th edition, 2018).

1.2.1 Policy process: To delve into the ‘how’ aspect of tracing and explaining the policy process, we cautiously implemented a layered tipping change.²² Examining the period 1972–1991 across successive governments, it becomes evident how the policy paradigm in Bangladesh shifted from the stringent import substitution model to the one embracing globalization.²³ Considering the incremental progression of social change on an evolutionary path (Pierson 2000).²⁴ This transition aligns with the theory of gradual change, positing that a layer-by-layer process accumulates to bring about significant transformation (Mahone and Thalen 2010).²⁵ In this line, tipping change analogy underscores that what may appear as a drastic change could, under scrutiny, reveal itself as a gradual shift when observed through a microscope lens, emphasizing that “an internally driven process has brought the system to the threshold of change (Mukherji 2014).”²⁶ Endogenous processes play a pivotal role in the process, as asserted by Schottli and Pohlmann (2009).²⁷ These conceptual lines, further supports the notion that Bangladesh's policy process follows a gradual layering mode, advancing step by step (refer to the graph below). Ultimately, this method culminates in a tipping point, propelled by endogenous causal mechanisms, leading the system to a transformative result.

²² For Tipping Change, see Rahul Mukherji, *Globalization and Deregulation: Ideas, Interests, and Institutional Change in India* (New Delhi: Oxford University Press, 2014). And for layering, see James Mahoney and Kathleen Thelen, “A theory of gradual institutional change,” in *Explaining Institutional Change: Ambiguity, Agency, and Power* edited by James Mahoney and Kathleen Thelen (Cambridge: Cambridge University Press, 2010).

²³ For policy paradigms, see Peter Hall, “Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain,” *Comparative Politics* Vol. 25, No. 3, (April 1993): 275–296.

²⁴ Paul Pierson, “Increasing returns, path dependence, and the study of politics,” *American Political Science Review* Vol. 94, No. 2 (2000): 251–267.

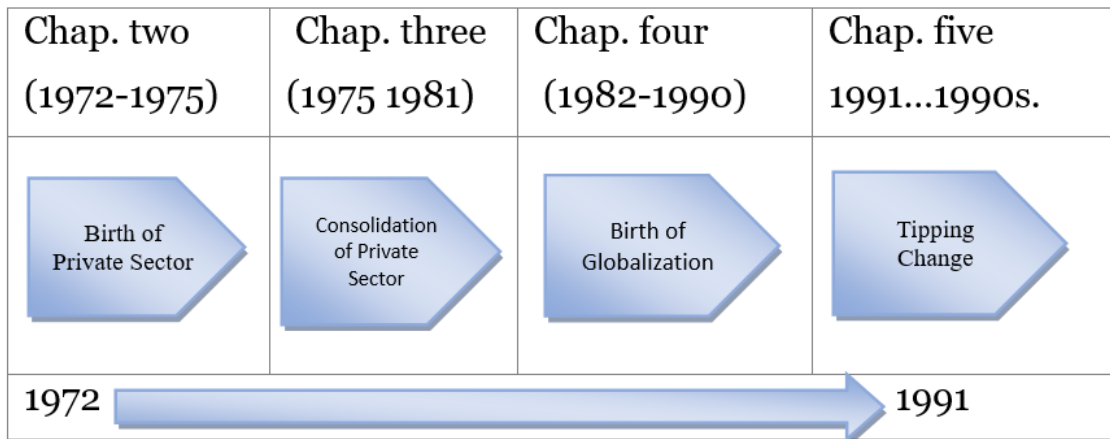
²⁵ Mahone and Thalen 2010, op. cit.

²⁶Rahul Mukherji, 2014, op. cit. P. 24

²⁷ Jivanta Schottli and Markus Pohlmann (2019), “India Inc. and Globalization: The Rise of Neo-liberalism and a Transnational Management Elite?” *India Review*, Vol. 18, No. 1 (2019): 8–31.

Figure: 1

Illustration of the policy process in a layered tipping change (by author)



This analytical framework underscores the intricate interplay of political transitions and policy evolution, highlighting the cascading effect wherein each government contributes layer by layer progression of the policy path to the pivotal globalization policy in 1991.

1.2.2 Causal logic: To explore the ‘why’ aspect, the research utilized the concept of state capacity to elucidate the causal logic of globalization in Bangladesh.²⁸ The study aims to illustrate causal mechanisms such as ‘*puzzling and powering*,’ *policy learning*, and *policy style*.²⁹ To effectively execute and elucidate these concepts, a framework called the *policy committee* is developed.³⁰ Through this framework, it is demonstrated, for instance, that during the studied period, elite bureaucrats, experts, and professionals within the Bangladeshi state generated innovative policy ideas in response to economic crises and uncertainty. This occurred as the policy committee interacted with society and exogenous forces.

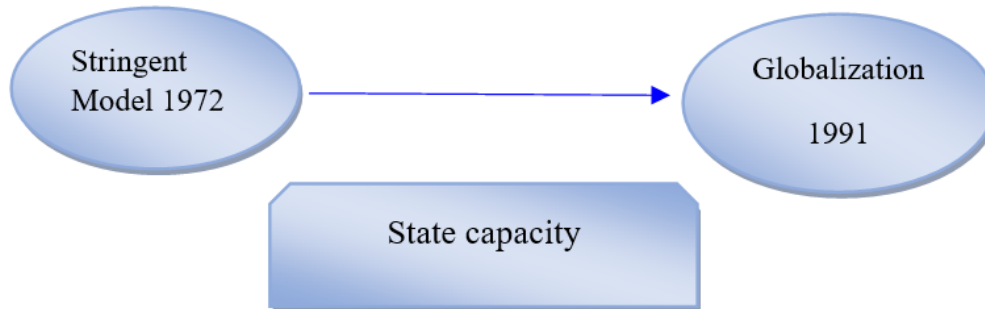
²⁸ For state capacity, see Theda Skocpol, “Bringing the State Back In: Strategies of Analysis in Current Research,” in *Bringing the State Back In*, edited by Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge: Cambridge University Press, 2010).

²⁹ For *puzzling and powering*, see Hugh Hecllo, *Modern Social Politics in Britain and Sweden* (New Haven: Yale University Press, 1974).; for *policy learning*, see Peter Hall 1993, op. cit.; for policy style, see Michael Howlett and Jale Tosun, “National policy styles in theory and practice,” in *The Routledge handbook of policy styles*, eds. Michael Howlett and Jale Tosun (London: Routledge, 2021).

³⁰ See the detailed discussion in the theory chapter.

Figure: 2

Causal logic of globalization (by author)



These mechanisms demonstrate that the state or the policy committee learns in the course of dealing with the complex social and economic problem. These causal variables are seen evident as to support the conjecture that endogenous and ideational element is profound in change and transformation in Bangladesh.

State capacity in Bangladesh with regards to economic policy confine with the nature of bureaucratic and technocratic structure, whereby these natures have been also varied over the time based the political leadership. To offer a brief account, the Bangladeshi state during the 1970s and 1980s largely characterized as patrimonial with civilian administration (Kochanak 1993).³¹ Power was concentrated in the head of the state, the government's leader, with top bureaucrats and technocrats often appointed based on personal favors and contacts. Despite this, the political apparatus remained heavily reliant on technocrats for economic planning and administration. Despite its patrimonial nature, the bureaucracy held significant influence in policy planning due to expertise know how, and their guidance during the political turmoil (Zafarullah, 2013, Ahmed 2006).³² Study also supports this claim that top bureaucrats with expertise know how, show better outcome in climate policy in Bangladesh. Similar to this, this research's findings show that most of the top technocrats in policy planning and formation were experts in this field.

³¹ Stanley A. Kochanek, op. cit. 1993

³² Zafarullah, op. cit. (2013); Emajuddin Ahmed, *Bangladesh: Bureaucracy and Development* (Dhaka: Mizan Publishers, 2006).

The transition from military-backed governance to a democratic system in 1990 marked a significant shift towards a more liberal democratic system.

State capacity in Bangladesh, particularly in the realm of economic policy, is premised with the nature of bureaucratic and technocratic structures. These characteristics have exhibited variability over time, often influenced by the prevailing political leadership. To provide a succinct overview, the Bangladeshi state during the 1970s and 1980s was predominantly characterized as patrimonial, featuring a centralized civilian administration (Kochanek 1993).³³ Power was concentrated in the head of the state, the government's leader, and the appointment of top bureaucrats and technocrats often relied on personal favors and connections. Notwithstanding this patrimonial disposition, the political apparatus heavily depended on technocrats for economic planning, puzzling, and suggestions. The elite bureaucracy wielded substantial influence in policy process due to its expertise, knowledge, and guidance, particularly during periods of political turmoil (Zafarullah, 2013, Ahmed 2006).³⁴ Study also favors this assertion that the pivotal role of top bureaucrats with expertise in achieving favorable outcomes in climate policy in Bangladesh (Rahman and Tunon 2018).³⁵ In alignment with the findings, this research underscores that the policy committee, that the top technocrats, experts, and departments, involved in policy planning, puzzling, show pertinent as casual to policy process and promulgation.

Crisis, such as political or economic crisis, create uncertainty and seeks the scope for ideas, to deal with situation. Such events may create a condition for governments compelling to accept exogenous policy prescriptions. However, expert policy planners, technocrats, and advisors, in economic realm, show more intelligence to deal with the situation with the homegrown ideas.

³³ Stanley A. Kochanek, op. cit. 1993.

³⁴ Habib Zafarullah 2013, op. cit. Emajuddin Ahmed 2006, op. cit.

³⁵ Md Saifur Rahman, Jale Tosun, "State Bureaucracy and the Management of Climate Change Adaptation in Bangladesh," *Review of Policy Research*, Vol.35, No.6 (2018).

In alignment with this proposed conjecture, the upcoming chapter will delineate the conceptual framework for the research and expound upon the tipping modes of change in a layered manner. Subsequently, this will be empirically executed across four dedicated chapters.

1.3 Why Study the Export-oriented Garment Textile Industry?

A couple of factors are crucial to Bangladesh's globalization and transformation trajectory, interlinked with its garment industry success. Firstly, the sector's contribution serves as a mechanism for economic growth and resource mobilization. It also exerts a direct impact on improvements in socioeconomic indicators. Additionally, it has brought about social change, ushering in a transformative shift by integrating women into the mainstream workforce.

Another significant aspect, widely acknowledged, is that the sector's growth has been facilitated by the availability of cheap labor and the Multi-Fiber Arrangement (MFA) quota. In the initial phase, Daewoo, a Korean multinational, played a pivotal role by providing training and technology. However, this research's findings suggest that the Bangladeshi state seeking a new sector, recognizing the decline of the traditional export sector, such as jute, facilitated entrepreneurial ideas with policy measures is deemed crucial.

We observe that the policy puzzling within the Bangladeshi state emphasized export orientation focusing on the ready-made garment (RMG) sector. This has enabled the country to establish trade relations with the European Union and the United States. What ultimately drive open up export-import regulations and foreign investment, modernize the manufacturing industry through product and export market diversification, develop infrastructure, and enhance various conditions such as human resources, physical resources, knowledge resources, and capital resources. This demonstrates a causal linkage between the state thinking and facilitating a policy shift towards globalization.

Another key aspect to reflect on is the dynamic impact of this sector on Bangladesh's industrialization. The garment industry of Bangladesh provides 4 million jobs and contributes 83.49% to the country's total export earnings, amounting to \$36.66 billion.³⁶ With a global export trade share of 5.1% in 2014, 5.9% in 2015, and 6.4% in 2016, Bangladesh's RMG sector has remained the second-largest economy in garment cloth exports in the world after China since 2014.³⁷ Data provided by the Bangladesh Export Promotion Bureau shows that garment textile occupies the largest proportion of all export income of Bangladesh in the fiscal year 2021-2022 (Bangladesh Govt, 2022).³⁸ Out of the total of 52,082.66 million USD, 42,613.15 million comes from garments, accounting for 81.82% of all export revenue (BGMEA 2022).³⁹ One sector that can be contrasted with garments is remittance. That alone has been only around half that of garment income, accounting for 22,891.41 million USD in the fiscal year 2021-2022, according to Bangladesh Bank data (BGMEA 2022).⁴⁰

³⁶ RMG exports saw 8.76% growth last fiscal year. <https://www.dhakatribune.com/business/2018/07/05/rmg-exports-saw-8-76-growth-last-fiscal-year>

³⁷ WTO report on Global Textile and Clothing Trade, 2015, 2016, 2017.

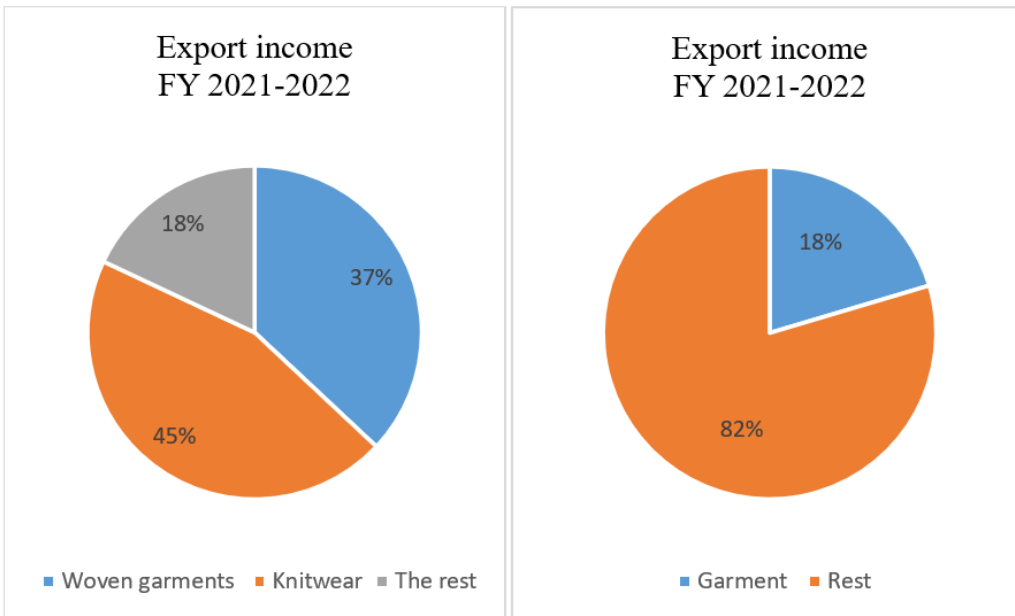
³⁸ Annual Report 2021-2022, Export Promotion Bureau (Dhaka: Bangladesh Government, September 2022).

³⁹ BGMEA Data, https://www.bgmea.com.bd/page/Export_Performance

⁴⁰ Bangladesh Data, <https://www.bb.org.bd/en/index.php/econdata/wageremittance>

Figure: 3

Comparison of exports in Bangladesh (by author)



1.3.1 The garment vs other sectors: A brief look at Bangladesh's export-based income would help understand the significance of the garment sector. Data shows that three types of garment textiles—knitwear, woven textiles, and home textiles—occupy the largest proportion of export income: Knitwear exports earned 23,214.32 million US dollars, woven exports earned 19,398.84 million US dollars, and home textiles earned 1,621.93 million US dollars.

Although Bangladesh is the second-largest jute-producing country in the world and the fourth-largest exporter of jute and jute goods, jute exports accounted for only 1,127.63 million US dollars. Meanwhile, other export sectors like frozen and live fish, including shrimp, earned US\$532.94 million, agriculture and agro-processual products earned US\$1,162.25 million. Engineering products, including bicycles, electric products, iron and steel, copper wire, machines, and stainless steel, earned US\$795.63 million. Non-leather footwear earned 1,205.33 million US dollars, while leather earned \$489 million. The

pharmaceutical sector is considered a potential sector with an income of US\$188.78 million (Bangladesh Govt. 2022).⁴¹

This analysis explains that understating the garment sector is a pivotal to understand Bangladesh's globalization. It is also arguable that the rise of the garment industry has a link in socio-economic transformation of the county, which is elaborated in the next section.

1.4 A Tale of Great Transformation

A significant socioeconomic transformation occurred in Bangladesh in the post-tipping change period, driven by business and entrepreneurial dynamism. Enhanced entrepreneurial opportunities and economic stimulus have had a profound and undeniable impact on GDP growth, social change, and tremendous infrastructural development that is hard to ignore. This section outlines a couple of focal points:

1.4.1 GDP growth: In the 1960s, East Pakistan (now Bangladesh) stood out as one of the most impoverished regions in South Asia. The annual per capita income was merely USD 50-60. About half of the population lacked sufficient calorie intake, and 90% suffered from vitamin deficiency (Islam 1974).⁴² Public health, education, sanitation, hardly existed. Many died in their 40s and 50s due to diseases, which could have been easily prevented (Jansen 2020).⁴³ The birth of Bangladesh as a new nation emerged from a long-struggling liberation war in 1971. Massive infrastructure damage due to war, extreme poverty, and constant climate-induced disasters made international observers doubt if economic growth and development were even feasible in such conditions (Faaland and Parkinson 1976).⁴⁴ Some top US lawmakers termed Bangladesh an 'international basket case' in its initial phase, depicting how the country's economy was in a seriously dire state

⁴¹ Data from the Export Promotion Bureau, Bangladesh Government (Dhaka: September 2022).

⁴² Nurul Islam 1974, op. cit.

⁴³ Eirik G. Jansen, "How Bangladesh has changed," (Dhaka: *Dhaka Tribune*, January 9, 2020).

⁴⁴ Just Faaland and J. R. Parkinson, *Bangladesh: The Test Case for Development* (Boulder: Westview Press, 1976).

(US govt. 1971).⁴⁵ Many even harbored the impression during that time that Bangladesh might not be a feasible proposition in terms of its independent existence as a political entity (Rashid 2021).⁴⁶

Astonishingly, the 1990s was the period when its economy began to grow gradually and steadily. The year 2006 could be marked as a milestone, when Bangladesh registered faster growth than Pakistan (Basu 2018).⁴⁷

As of 2021, its GDP per capita stands at \$2,227, surpassing that of India (\$1,947) and Pakistan (\$1,543) (Brewster 2021).⁴⁸ Additionally, it outperforms India and other South Asian nations in various social indicators, including health, life expectancy, education, birth rates, sanitation, and the employment of women (Mahmud et al. 2013).⁴⁹

The sustained GDP growth in Bangladesh can be attributed to several key considerations. Firstly, the emergence of the garment industry had an unprecedented impact on the country's economic growth (Basu 2018).⁵⁰ Playing a crucial role with its significant contribution to export income and employment opportunities. Investments in infrastructure development, such as the construction of roads, bridges, and energy projects, have facilitated economic activities and further propelled overall growth. This in turn impacted on improving education and healthcare, resulting in labor productivity and economic participation.

⁴⁵ “Minutes of the Washington Special Actions Group Meeting,” Foreign Relations of the United States, 1969–1976, Volume XI, *South Asia Crisis* (1971).

⁴⁶ Harun-or-Rashid, “Nature of Changes and State of Political Development in Bangladesh During 50 Years of its Independence,” in *Bangladesh: 50 Years of Transformation Since Liberation*, edited by S. M. Mahfuzur Rahman (Dhaka: Asiatic Society of Bangladesh, 2021). p.263

⁴⁷ Kaushik Basu, “Why is Bangladesh booming?” *The Brookings Institution* (Washington, DC: May 1, 2018).

⁴⁸ David Brewster, “A rising Bangladesh starts to exert its regional power,” (Sydney: *The Interpreter*, June 10, 2021).

⁴⁹ Wahiduddin Mahmud, M. Niaz Asadullah and Antonio Savoia, “Bangladesh’s Achievements in Social Development Indicators: Explaining the Puzzle,” Policy brief (London: International Growth Centre, London School of Economic and Political Science, April 2013).

⁵⁰ Kaushik Basu 2018, op. cit.

1.4.2 Infrastructure Development: Reflecting on the 1970s, Bangladesh was a war-ravaged nation, profoundly affected by the ravages of war and hindered by poor development. Most of the commutable roads and bridges were destroyed, presenting a herculean task for policy planners. The herculean task propelled not only the state's thinking for policy solution to drive growth but also to mobilize resources for infrastructure development.

Globalization policy enabled garment success generated income and growth. As a result, infrastructure development has been undertaken to a stunning level. Mega construction projects demonstrate the unprecedented development that has taken place. The construction of a 1320-megawatt coal-fired Rampal power station (\$1.5 billion), a 2.4 GWe Rooppur Nuclear Power Plant (\$12.65 billion), a deep-sea port in Matarbari (TK 359.84 billion, estimated), the inauguration of the 4.98 km long Jamuna Multipurpose Bridge (\$1.24 billion), and the inauguration of the first metro rail in Dhaka (\$4.9 billion) are but a few examples.⁵¹

Road infrastructure across the country has been expanded and upgraded. According to the World Bank, the total length of paved roads increased from 11,100 kilometres in 2001 to 21,220 kilometres in 2018. The construction of bridges has been crucial in this respect, given its numerous rivers and water bodies. For example, the Jamuna Multipurpose Bridge (Bangabandhu Bridge), was a major milestone in enhancing connectivity between northern and southern regions.

Bangladesh has also witnessed substantial growth in its power generation capacity. The total installed power generation capacity increased from 3,728 megawatts in 2000 to 22,562 megawatts in 2019.⁵² The percentage of the population with access to electricity

⁵¹ Bangladesh Government Power Development Board (<https://bpdb.gov.bd/>) Bangladesh Govt. Rooppur Nuclear Power Plant Project (<http://www.rooppurnpp.gov.bd/>); "State minister: Matarbari deep seaport will serve 3bn people of the region" (Dhaka: *The Dhaka Tribune*, March 12, 2023), <https://www.dhakatribune.com/bangladesh/2023/03/12/matarbari-deep-sea-port-will-serve-3-billion-people-of-Bangladesh>, Bangladesh Government Bridge Authority, <http://www.bba.gov.bd/>, Bangladesh Govt., Dhaka Mass Transit Company, <https://dmtcl.gov.bd/>

⁵² the Bangladesh Power Development Board.

increased from around 47% in 2000 to nearly 95% in 2019. Furthermore, the country experienced significant advancements in its telecommunications infrastructure. The number of mobile phone subscribers increased from around 0.6 million in 2001 to over 170 million in 2019.⁵³

Furthermore, from building only one economic zone in the 1980s, around 97 economic zones across the country have been established.⁵⁴ These zones aim to mobilize and accelerate export-oriented growth while diversifying economic and employment activities.

1.4.3 Improvement in Social Indicators: Economic growth, increased productivity, which in turn could invest in social programs. Statistics illustrate that the country made significant progress in various social indicators. Researchers and scholars who studied Bangladesh in the 1970s and 1980s are stunned by these improved social conditions.⁵⁵

Over the past decades, Bangladesh has witnessed a remarkable reduction in poverty rates. The poverty rate declined from 48.9% in 2000 to 24.3% in 2016.⁵⁶ The country has made considerable strides in improving its literacy rate, with the literacy rate for individuals aged 15 years and older increasing from 47% in 2000 to around 73% in 2018.⁵⁷ Impressive indicators also include access to healthcare and maternal health. Maternal mortality

⁵³ the Bangladesh Telecommunication Regulatory Commission.

⁵⁴ Bangladesh Economic Zones Authority. <https://beza.gov.bd/economic-zones-site/>

⁵⁵ From 1976 to 1980, Eirik G. Jansen, a Norwegian researcher, conducted extensive field research in villages in Bangladesh. He returned to Bangladesh in 2009 and revisited the same village, conducting a restudy between 2010 and 2016. Eirik explained that in 1980, the economic and social conditions of the villagers were dire. Families couldn't even afford to eat two meals a day. When he visited these villages in 2016, he was stunned by the noticeable development (University of Bergen 2019). "Book launch on Seeing the End of Poverty?" October 24, 2019, University of Bergen, <https://www.uib.no/en/globalchallenges/130913/seeing-end-poverty>.

In the 1980s, David Lewis undertook a fifteen-month period of fieldwork in Bangladesh for his PhD project. In 2011, he published the book *Bangladesh: Politics, Economy, and Civil Society*. For this purpose, he returned to Bangladesh and was stunned by the country's infrastructural, and technological transformation.

⁵⁶ the World Bank data.

⁵⁷ UNESCO,

decreased from 322 deaths per 100,000 live births in 2005 to 173 deaths per 100,000 live births in 2017.⁵⁸

Better access to healthcare services and nutrition programs has led to a reduction in child mortality, with the under-five mortality rate dropping from 72 deaths per 1,000 live births in 2000 to 32 deaths per 1,000 live births in 2020. Furthermore, concerted efforts have contributed to an increase in immunization coverage and the combat against infectious diseases.

A notable social change is strides in promoting gender equality and women's empowerment. Women's participation in the labour force has increased, and there have been efforts to combat child marriage and promote girls' education. During the year 1968-69, East Pakistan had a terrible infant mortality rate of over 140 per thousand, as compared to 20 in developed countries (Islam 1974).⁵⁹ With the improved public health and education, the infant mortality rate dropped to 31.7 by 2018.⁶⁰ A renowned Swedish economist defines this stunning progress as “the Bangladesh Miracle”.⁶¹

1.4.4 Toward industrial growth: The GDP share of industry in East Pakistan in 1950 was only 3.9%. In the early 1970s, around 94% of Bangladesh's population lived in rural areas, and about 85% of the manpower was engaged in agriculture (Jansen 2020).⁶² Due to the discriminatory policy of West Pakistan, industrial development could not occur in the East Pakistan. The central government adopted a discriminatory policy that favoured industrial development in West Pakistan (Habibullah 2022).⁶³

After the independence, faced with lack of industrial raw material, policy planners suggested in the first five-year plan, agriculture-based development strategy (Robinson

⁵⁸ The World Health Organization (WHO)

⁵⁹ Islam, 1974, *op. cit.*

⁶⁰ CIA World Factbook, <https://www.indexmundi.com/g/r.aspx?v=29>

⁶¹ The Bangladesh Miracle by Hans Rosling, <https://www.youtube.com/watch?v=JPTwEoqIuNA>

⁶² Eirik G. Jansen, 2020, *op. cit.*

⁶³ M. Habibullah “Industrialization,” (Dhaka: *Banglapedia*, 2022).

and Griffin 1974).⁶⁴ Around 1971 GDP share of industry accounted for only about 7.68%. In 2022, the share of industry increased to 33.92 % according to the World Bank.⁶⁵ While agriculture sector's contribution to GDP was around 11.22 %.⁶⁶

Over the years, the share of agriculture in Bangladesh's GDP has declined, while the industrial sector's contribution has grown. This is due to the development strategy that has shifted from traditional agricultural society towards emerging industrial society. The shift towards industry has also been facilitated by a diversification of Bangladesh's export base. While the garment industry remains a dominant export sector, the country has made efforts to expand into other industries such as pharmaceuticals, leather goods, and electronics.

Finally, it's noteworthy that a country which previously relied heavily on foreign aid can potentially evolve into a self-reliant aid provider (Brewster 2021).⁶⁷ Furthermore, we observe a shift also, countries that were once aid providers of Bangladesh, are now actively turning into trade and investment partners (European Union, 2023).⁶⁸ These developments carry significant geopolitical implications and, at the same time, create opportunities for cooperation, trade, and collaboration within the region (Riaz and Parvez 2021).⁶⁹

⁶⁴ E.A.G. Robinson and Keith Griffin, *The Economic Development of Bangladesh within a Socialist Framework* (Barcelona: International Economic Association, 1974).

⁶⁵ Bangladesh: GDP share of industry: <https://tradingeconomics.com/bangladesh/industry-value-added-percent-of-gdp-wb-data.html>

⁶⁶ Bangladesh: GDP share of agriculture: <https://tradingeconomics.com/bangladesh/agriculture-value-added-percent-of-gdp-wb-data.html>

⁶⁷ Bangladesh provides US\$200 million in aid to Sri Lanka. See David Brewster “A rising Bangladesh starts to exert its regional power,” (Sydney: *Lowy Institute*, Jun 10, 2021).

⁶⁸ The European Union, for example, is shifting its focus in Bangladesh towards business prospects. It's clearly stated on the EU website (see here, “Bangladesh: EU trade relations with Bangladesh. Facts, figures and latest developments,” (*The European Union*, 2023),

https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/bangladesh_en

⁶⁹ Ali Riaz and Saimum Parvez, “Bangladesh at 50: The Transformation of a Nation,” (*The Diplomat*, March 01, 2021).

To this end, the emergence of a robust economy and the execution of large-scale infrastructure projects are clear indicators of Bangladesh's transformation.

1.5 Posing Questions for This Research

The formulation of precise research questions, grounded in a sound scientific approach, is an intricate task critical to the success of any investigative endeavor. As it has been rightly stated by Hecló (1974) that “even poor methodology can be forgiven if good questions stimulate others to search out better ways of finding important answers.⁷⁰” With an emphasize on the *why* and *how* aspects of Bangladesh's change and transformation, the following questions can guide out investigation:

Why did Bangladesh adopt a stringent import substitution model?

How and why did the policy paradigm shift towards an outward-looking industrialization?

What is a tipping change, and how does the path of change tip? How is the process of economic policy tracked in Bangladesh? What is the correlation and impact of the tipping change in 1991 on the socio-economic transformation of the country?

How is social policy formulated, endorsed, and promulgated, considering its role in addressing societal challenges?

How do elite technocrats and top political executives engage in the learning process within the Capacity of the Bangladeshi state?

What is the causal mechanism behind Bangladesh's economic and policy changes?

In the context of Bangladesh, how can we view ideas as a key independent variable driving economic and policy change?

How does the state think, particularly in terms of economic planning?

What is the notion of state capacity, and how does it manifest in the policy process?

How do Bangladesh's globalization and the rise of its export-based private sector, particularly the garment textile industry, interlink?

⁷⁰ Hecló 1974, op cit. page. IX

In the events of crises and uncertainty, how does the interactions of formal and informal institutions influence the outcomes of institutional change.

By delving into these questions, we aim to unravel the intricacies of Bangladesh's economic change and policy process, exploring the nuanced interplay of ideas, socio-economic shifts, and transformation. Which may also directly or indirectly address policy paradigm, policy process, policy formation, policy learning, exogenous vs endogenous causal mechanisms, and socio-economic transformation.

1.6 Dissertation Structure and Summary of the Chapters

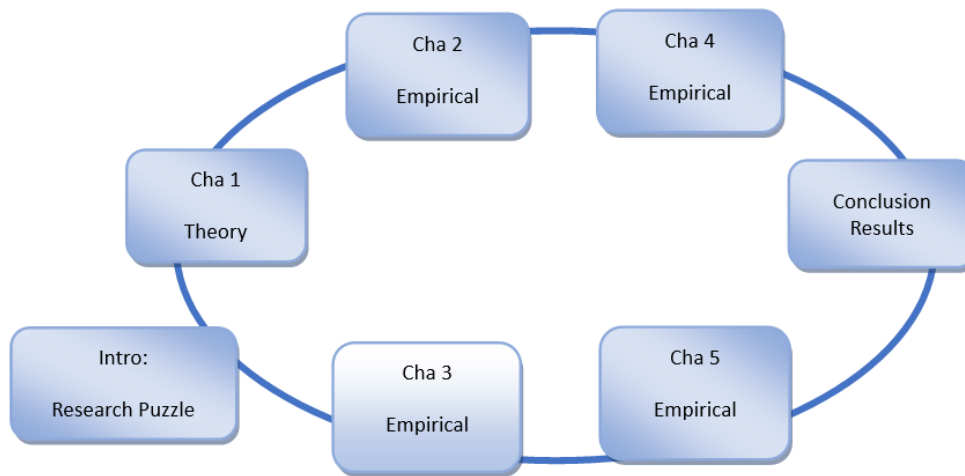


Figure 4: Chapters' overview (by author)

The dissertation comprises five chapters contributing collectively to a comprehensive analysis and conjecture in this research project.

The introduction establishes the context, research puzzle, and questions, drawing on carefully assessed existing scholarly works. It then articulates a conjecture and outlines the chapters briefly, elucidating their roles in the dissertation.

Chapter one presents the conceptual, theoretical, and methodological framework, defines independent variables, and outlines the research's contribution. This guides the dissertation by tracing the policy process, change, and transformation with a political economy explanation.

Chapter two delves into the 1975–1981 period, establishing the foundational context to demonstrate the circumstances under which the Bangladeshi state adopted a stringent import substitution system and nationalized large-scale industries overnight. New ideas emerged as top technocrats and the executive branch puzzled and learned from self-criticism. The birth of the private sector occurred through the 1974 Industrial Policy (IP).

Chapter Three explores the 1977–1988 period, demonstrating the consolidation of the private sector through the 1975 IP and the hard-core plan. Export orientations are evident as the Export Processing Zone Act was promulgated in 1980. Constitutional amendments initiated the denationalization of state-owned factories, and the first 100 percent export-oriented garment factory was established.

Chapter Four studies the pivotal 1980s decade, marking the birth of the globalization policy. The IP of 1982 and the IP of 1986 support this assertion. Privatization and export-oriented policies facilitate foreign investment, ultimately accelerating the system, leading to a threshold effect.

Chapter Five explores the industrial policy of 1991, launching a series of economic policies. Two variables triggering this threshold effect are the democratic uprising followed by a change of government and the Balance of Payments (BOP) crisis. State capacity is vigorously contested to demonstrate that tipping modes of change might result from policy puzzling in the policy committee.

Finally, the conclusion section summarizes the main findings and results, discusses their significance in explaining the proposed conjecture. Subsequently, the bibliography, appendix, and acknowledgments are included.

2 | Chapter Two

Theoretical and Conceptual Aspects: State, Ideas, and Layered Tipping Institutional Change

Historical Institutionalism (HI) serves as a valuable framework for comprehending the intricacies of causality and processes wherein timing, sequences, and path dependence play pivotal roles in shaping continuity, progression, and shifts. In this line, this chapter lays out the research's conceptual foundation in two primary pillars of inquiry: the first part of the chapter spells out the causal mechanisms, the 'why' aspect, and the second part of the chapter delves into the policy process, the 'how' aspect. These fundamental components, in tandem, empower endeavors aimed at elucidating the research puzzle and substantiating the proposed conjecture put forth in this dissertation.

2.1 Class analysis of the state vs ideas

HI portray change as emanating from two major domains. A path formation may result from class conflict.⁷¹ North and Weingast (1989), for instance, suggest that capitalist interest culminated in the Glorious Revolution, led to property rights in 17th-century

⁷¹ Scholars in the Marxist tradition would fall into this category. See also Immanuel Wallenstein's *The World System Theory* as an approach to understanding materially driven change. Immanuel Wallerstein, *The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (Massachusetts: Academic Press, 1974).

England.⁷² Scholars such as Karl Marx, Vladimir Lenin, Immanuel Wallerstein, and others have propagated a view that emphasizes the primacy of economic factors in shaping economic orders or systems. Marx (1890) argues that the driving force behind historical change is the struggle between social classes, particularly the bourgeoisie and the proletariat.⁷³ Building upon Marx's foundations, Lenin (1917) shows how the capitalist interest captures the state.⁷⁴ Wallerstein's (1974) world-system theory, evolving from these origins, analyzes a world-economic order characterized by the dominance of core nations over peripheral ones.⁷⁵ These scholars contend that economic relations and structures play a central role in shaping political, social, and cultural dynamics, thereby influencing power dynamics in social, economic, and political decision-making. Pedersen (2000), for instance, argues that the impetus behind India's economic reforms stemmed from the vested interests of the industrial class.⁷⁶ Similarly, Bardhan's (1984) 'dominant proprietary' presents how class interest, shape India's political decisions regarding economic changes.⁷⁷ While Alavi's (1972) account narrates how class interest shaped by the powerful military-bureaucratic oligarchy, captures the Pakistani state.⁷⁸

As the materialistic worldview emphasizes economic factors and class struggle, the ideational perspective underscores the role of ideas, values, norms, and culture shaping economic systems and change. Max Weber (1905), for instance, holds that ideas, and a set of certain cultural values play an influential role in shaping the development of the

⁷² Douglass North and Barry Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England," *The Journal of Economic History* 49, no. 4 (1989): 803–32.

⁷³ Karl Marx, *Das Kapital: Kritik der politischen Ökonomie* (Hamburg: Erster Band, 1890). (Karl Marx, *Capital: A Critique of Political Economy*, translated by Ben Fowkes, Penguin Classics, 1990).

⁷⁴ Vladimir Lenin, *Империализм как новейший этап капитализма*, Petrograd: Zhizn i Znaniye, 1917 (Vladimir Lenin, *Imperialism, the Highest Stage of Capitalism*, translated by A. V. Nevsky, International Publishers, 1939).

⁷⁵ Immanuel Wallerstein 1974, op. cit.

⁷⁶ Jorgen Pedersen, "Explaining Economic Liberalization in India: State and Society Perspectives," *World Development* Vol. 28, No. 2 (February 2000): 265–282.

⁷⁷ Pranab Bardhan, *The Political Economy of Development in India* (Oxford: Basil Blackwell, 1984).

⁷⁸ Hamza Alavi, "The state in post-colonial societies: Pakistan and Bangladesh," *New Left Review* Vol. 74, No. 59 (July/August 1972).

capitalist system.⁷⁹ Political economists integrated the ideational worldview in developing conceptual frameworks when studying socio-economic problems and challenges. John Maynard Keynes and Mark Blyth, for example, underscore the power of ideas which influence economic decision-making and outcomes. Keynes (1936) advocates for pragmatic and flexible ideas to drive economic policies, advocating active government intervention during economic downturns to stimulate demand and promote growth.⁸⁰ Blyth (2002), on the other hand, argues that economic ideas are powerful political tools propagated by policymakers, economists, and domestic actors significantly shape economic policies and determine change.⁸¹ Karl Polanyi's (1944) ideas have influenced many governments approach to economic policies.⁸² Schottli and Pohlmann (2019), for example, argue that socio-cultural compositions of the society have a signification influence on India's globalisation.⁸³

In the midst of events such as economic crises or episodes of uncertainty, institutions are perceived to be faltering, space is created and receptivity is fostered for new ideas (Blyth et al. 2016).⁸⁴ Hall (1993), for instance, contends that ideas within the Bank of England and the Treasury and played a role in shaping Britain's neoliberal policies.⁸⁵ Similar to this, Mukherji and Zarhani (2021) demonstrate that the policy thinking of the Indian

⁷⁹ Max Weber, *Die protestantische Ethik und der Geist des Kapitalismus*, 1905 (Max Weber, *The Protestant Ethic and the Spirit of Capitalism*, translated by Talcott Parsons, Routledge, 2001).

⁸⁰ John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (Harcourt: Brace Jovanovich, 1964) (originally published in 1936).

⁸¹ Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (New York: Cambridge University Press, 2002).

⁸² Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Beacon Press, 1944).

⁸³ Jivanta Schottli and Markus Pohlmann, "India, Inc., and Globalization: The Rise of Neoliberalism and a Transnational Management Elite?" *India Review*, Vol. 18, No. 1 (2019): 8–31.

⁸⁴ Mark Blyth, Oddny Helgadóttir, and William Kring, "Ideas and Historical Institutionalism," in *The Oxford Handbook of Historical Institutionalism*, edited by Orfeo Fioretos, Tullia G. Falletti, and Adam Sheingate (Oxford: Oxford University Press, 2016).

⁸⁵ Peter Hall 1993, op. cit.

technocracy significantly influenced the trajectory of India's shift from a closed economic model to globalization.⁸⁶

A couple of studies were carried out to empirically demonstrate how ideas could be defined as an independent variable that yields significant power and impact in influencing social, political, and economic change: Mark Blyth (2002), for instance, demonstrates the crucial role economic ideas played in making sense of institutional change and offering influential political devices for impacting social change.⁸⁷ McNamara (1998) proposed that the inception of the Euro and the establishment of the European Central Bank were significantly influenced by prevailing economic thinking.⁸⁸

Mukherji (2014) argues that when the Indian state was pressured by mounting international debt obligations, which created uncertainty, ideas put forth by the technocratic elite dealing with the situation led to market-oriented deregulation reforms and globalization in 1991.⁸⁹

Hecló (1974) assumes that politics is not only about power but also about knowledge, not only about interests but also about ideas.⁹⁰ The ideas of technocratic elites are viewed as pivotal role players in shaping policy debates and influencing political decision-making. In this sense, policy change ought to tell us that it is not just the outcome of the battle of material interests but also the outcome of ideas.

⁸⁶ Rahul Mukherji and Seyed Hossein Zarhani “Policy paradigms and path dependence: the endogenous roots of institutional displacement and drift in India,” *Global Public Policy and Governance – GPPG*, Vol. 1, No. 1, (2021): 78–97.

⁸⁷ Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (New York: Cambridge University Press, 2002).

⁸⁸ Kathleen R. McNamara, *The Currency of Ideas: Monetary Politics in the European Union* *Cornell Stud* (New York: Cornell University Press, 1998).

⁸⁹ Rahul Mukherji, 2014, op. cit.

⁹⁰ Helco, 1974, op. cit.

2.2 State Capacity variable

HI regard 'the state' as a variable capable of structuring national policy planning, approval, and promulgation. Based on the economic, political, sociological, and international relations spectrums, definition of the state is complex and disputed. Therefore, instead of defining the stat, we focus on state capacity. Contemporary theorists of the state, such as Tilly and Weber, attempting to depict state capacity, emphasize aspects such as functions, legitimacy, sovereignty, monopoly of violence, and territorial control. This involves examining how the state apparatus exercises power and authority in relation to policymaking.⁹¹ In this mechanism, the state apparatus is understood as a set of departments and bodies that ensure the planning, formulation, and implementation of policies (Kingsbury 2007).⁹² While ascribing the concept of state capacity to policy planning and formation, it encompasses the bureaucratic framework, consisting of individual actors with diverse interests and levels of expertise. These individuals assign distinct roles and preferences to the elite bureaucrats and technocrats within the policy-making community (Skocpol 2010).⁹³ Skocpol's notion of state capacity emphasizes the state's ability to autonomously implement economic and development policies.⁹⁴ Skocpol asserts that the state possesses the capacity to effectively conceive and execute economic policies in alignment with societal needs.

⁹¹ Charles Tilly, "Reflections on the History of European State-Making" in *The Formation of National States in Western Europe* edited by Charles Tilly. (Princeton: Princeton University Press, 1975).; *From Max Weber: Essays in Sociology*, edited by H.H. Gerth and C. Wright Mills (Oxford: Oxford University Press, 1958).; Charles Tilly "Reflections on the History of European State-Making" in *The Formation of National States in Western Europe* edited by Charles Tilly. (Princeton: Princeton University Press, 1975).

⁹² Damien Kingsbury, *Political Development* (Routledge, 2007)

⁹³ Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in *Bringing the State Back In*, edited by Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge: Cambridge University Press, 2010).

⁹⁴ Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia, and China* (Cambridge: Cambridge University Press, 1979).

In resonance with the concept of state capacity, Howlett and Tosun (2021) articulate the concept of *policy style*, elucidating how states address policy problems.⁹⁵ In this process, governments and other stakeholders strive to attain a consensus on decision-making within the policy realm. For instance, Deshpande et al. (2023) demonstrates the observable relevance of policy style in the promulgation of India's national action plan on climate change (NAPCC).⁹⁶

In accordance with the notion of state capacity, the empirical sections of this research intertwine mechanisms such as *policy puzzling and powering*, along with *policy learning*, into the conceptual framework. Initially, we establish clear definitions for these mechanisms and then proceed to introduce a novel concept termed the 'policy committee.' This development aims to illustrate a logical approach to policy planning and promulgation within the Bangladeshi state.

2.2.1 Policy Puzzling: Social policy involves actions, measures, and programs aimed at transforming socio-economic conditions by addressing societal issues through industries, healthcare, or education, alike (Gosta 1990).⁹⁷ Studies of social policy deal with how the state and society respond to challenges such as social, political, and economic change, and globalization.

Heclo (1974) asserts that modern social policies are the outcome of 'power and puzzlement': "Governments not only power (or whatever the verb form of that approach might be), they also puzzle. Policymaking is a form of collective puzzlement on society's behalf; it entails both deciding and knowing."⁹⁸ While the notion of powering refers to the dynamic interplay between policymakers and intricate problems, and deciding while puzzling infers knowing.

⁹⁵ Michael Howlett and Jale Tosun, "National policy styles in theory and practice," in *The Routledge handbook of policy styles*, eds. Michael Howlett and Jale Tosun (London: Routledge, 2021).

⁹⁶ Tanvi Deshpande, Rahul Mukherji, and Mekhala Sastry, "Policy styles and India's national action plan on climate change (NAPCC)," *Policy Studies* (2023)

⁹⁷ Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (New Jersey: Princeton University Press, 1990).

⁹⁸ Hugh Heclo 1974, op. cit., p.305

‘Puzzling’ in this sense is associated with technocratic and bureaucratic planning, feedback, reviews, self-criticism, and assessment of existing policies and recommendations, while powering is connected to the governmental validation of the policy. In this realm, when the ‘puzzling’ over policy reaches a shared validation within the policy planning machinery, it is then the political executive whose consent would make the policy endorsement.

Mukherji and Zarhani (2021), for example, argued that India’s change resulted from bureaucratic ‘puzzling’ over policy. The planning machinery of India, consisting of eminent economists and public servants, stressed the need for exports, which brought about foremost deregulation in information technology and telecommunications.⁹⁹

2.2.2 Policy Learning: The concept of ‘social learning’ is well defined by Heclo (1974) and further theorized by Hall (1993) can be regard as a key element in contemporary theories of policymaking.¹⁰⁰ Heclo propagates that learning occurs through shared political interfaces: “Much political interaction has constituted a process of social learning expressed through policy.”¹⁰¹ He delineates that politics cannot be understood only as power but also as a way of searching for solutions to collective social problems. “Politics finds its sources not only in power but also in uncertainty—men collectively wondering what to do (Heclo 1974).”¹⁰² Hall’s (1993) asserts that the significance of learning processes within the elite policy planners and top political executives. This occurs by interactions between the planners, experts, and executives in responses to social, political, and economic challenges.¹⁰³ Policy innovation is attributable to a great deal of learning by the top bureaucrats, administrators, and experts who are employed in specific fields of policy.

⁹⁹ Mukherji and Zarhani, 2021, op. cit.

¹⁰⁰ Peter Hall 1993, op. cit.

¹⁰¹ Hugh Heclo 1974, op. cit. P.306

¹⁰² *ibid.*, p.3

¹⁰³ Peter Hall, 1993, op. cit.

In this learning process, ideas become influential components: “In order to understand how social learning takes place, we also need a more complete account of the role that ideas play in the policy process (Hall 1993).”¹⁰⁴ More explicitly, experts consisting of top technocrats and advisors of the state and government whose task and responsibility are to seek innovative solutions to the issues or challenges they are dealing with in society: “The key agents pushing forward the learning process are the experts in a given field of policy, either working for the state or advising it from privileged positions at the interface between the bureaucracy and the intellectual enclaves of society (Hall 1993).”¹⁰⁵

2.2.3 The Policy Committee and the State Capacity in Bangladesh: Building on the notion of state capacity and mechanisms such as ‘puzzling and powering’ and policy learning, the concept of a policy committee illustrates the interplay between expert elite technocrats and top political executives as causal to the policy process in Bangladesh during the studied periods. Before elaborating on it, and how this logic or the connection played out, we need to understand the governing system of Bangladesh to comprehend state capacity. Traditionally, the governing system in Bangladesh has been highly centralized and elitist in nature (Zafarullah, 2016).¹⁰⁶ In the parliamentary system, the prime minister is the head of government, while in the presidential system, the president holds central power (Siddiquee 1999).¹⁰⁷ However, in both formats, the final approval of a policy decision centers on the head of the government. While ministers form the cabinet, the respective ministers deal with the policy issues that are associated with their respective ministries. In this realm, the secretary is the bureaucratic head of a ministry (K. Alam et al., 2013).¹⁰⁸ Furthermore, various sub-departments are attached to respective ministries

¹⁰⁴ *ibid.*, p.279

¹⁰⁵ Hall 1993, *op. cit.*, p.277

¹⁰⁶ Habid Zafarullah, “Public administration and bureaucracy,” in *Routledge handbook of contemporary Bangladesh*, edited by Ali Riaz and M. S. Rahman (New York: Routledge, 2016).

¹⁰⁷ N. A. Siddiquee, “Bureaucratic accountability in Bangladesh: Challenges and limitations,” *Asian Journal of Political Science* Vol. 7, No. 2 (1999): 88–104.

¹⁰⁸ Alam, K. et al., “exceptionalism”? Political economy of climate resilient development in Bangladesh,” in *Climate change adaptation actions in Bangladesh*, edited by R. Shaw, F. Mallick, and A. Islam (Tokyo: Springer Japan, 2015).

and cooperate and coordinate in the policy process, approval, and implantation at the national level, district level, and grassroot level (Zafarullah and Akhter 2001).¹⁰⁹

Based on this governing structure, we have illustrated the concept of a policy committee in order to demonstrate the causal mechanism of endorsement and promulgation in Bangladesh. This concept demonstrates how policies are materialized. The core bodies that are responsible for national economic policy planning, particularly industrialization, are the planning commission, the ministry of planning and finance, the ministry of industry, and some other core departments that are explicitly involved in economic policy planning and promulgation.

The policy puzzling of the policy committee may be developed through the following lines: determining the policy goals, objectives, priorities, strategies and policy measures; designing and developing a strategy identifying the realization and implementation of the policy and achieving objectives; with the role of sectors of the economy that are associated with materializing the policy objectives and goals; formulating detailed resource allocations; analysis impact of projects, programs and plans on economy and society (Mazid 2021).¹¹⁰

¹⁰⁹ Zafarullah, H., and Akhter, M. Y., “Military rule, civilianization, and electoral corruption: Pakistan and Bangladesh in perspective,” *Asian Studies Review*, Vol. 25, No. 1 (2001): 73–94.

¹¹⁰ Muhammad Abdul Mazid, “Planning Commission,” *The National Encyclopedia of Bangladesh*, (Dhaka: Asiatic Society of Bangladesh June 18, 2021).

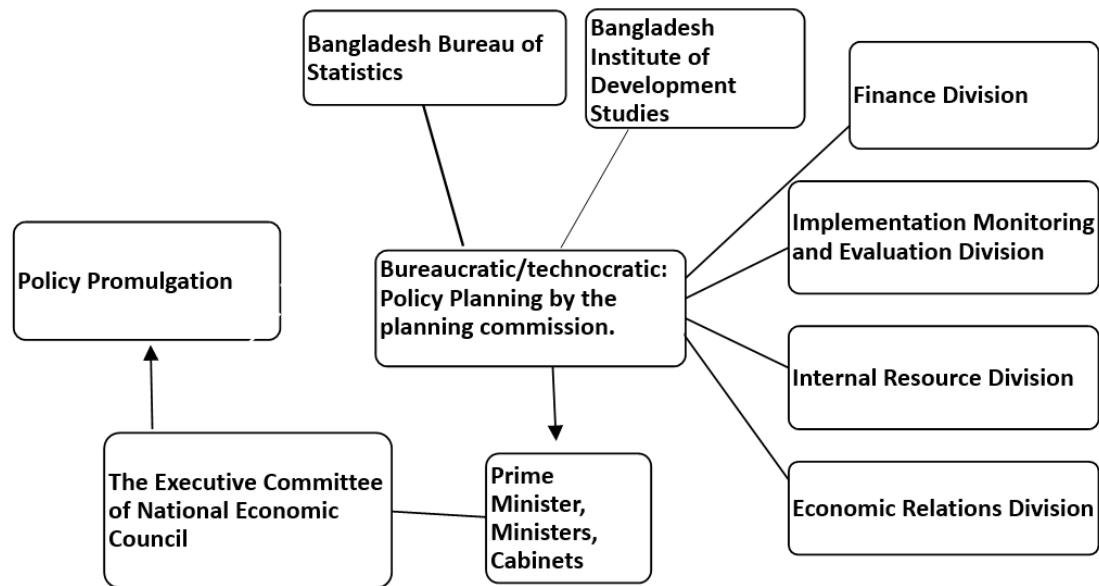


Figure 5: Illustration of Policy Committee in Bangladesh (by author)

We argue that the ideas, learning, and puzzling of the policy committee could be seen as causal to policy formation and promulgation in Bangladesh. The policy committee illustrated in two components as shown in Figure 5: the puzzling component and the powering component. The puzzling mechanism, predominantly headed by the Bangladesh Planning Commission, is a combination of important departments and agencies of the state, and each of them has specific tasks to perform, aiding the entire process of policy planning, formation, and innovation. The power consists of the prime minister and the cabinets, who ultimately promulgate the policy. In both components, policy learning could be pertinent.

The mechanism or the logic observed in the empirical chapters is seen as pertinent. The Mujib government's policy design, planning, and implementation were mobilized by a small group of top advisors (Islam 1984).¹¹¹ Jahan (1976), on the other hand, argues that it was this very group whose policy ideas were influential in the post-war economic

¹¹¹ Syed Serajul Islam, "The State in Bangladesh under Zia (1975–81)," *Asian Survey*, Vol. 24, No. 5 (May 1984): 556–573.

crisis.¹¹² Similarly, Sobhan (2021) offers a description of the structure and procedures of policy planning and policy approval during the Mujib period: “The Planning Commission, composed of a deputy chairman and three members, was expected to function as a collective entity that coordinated the work of the departments under it and directly communicated with the Cabinet. Its regular meetings were to be presided over by the deputy chairman, but the full commission was itself expected to meet regularly with the chairman, who was to be kept informed of the work of the commission and was to provide it with political guidelines as determined by the cabinet.”¹¹³ The Chairman and Cabinet were primarily from the top political executive branch, while the rest were basically elite technocrats, bureaucrats, experts, and advisors.

One of the early economic policies, such as the nationalization policy, demonstrates how policies are formed and approved in Bangladesh. The commission suggested that stringent economic model would generate growth and distribute the income evenly (First Five Year Plan 1973).¹¹⁴ In this realm, the planning commission then submitted policy suggestions to the political executive titled “Policy Options and Recommendations for the Nationalization of Industries,” which recommended the nationalization of all industries and enterprises (Kalecki 1976).¹¹⁵ The cabinet, which consists of an interministerial committee, then consent the policy. After receiving the cabinet’s green signal, Prime Minister Sheikh Mujibur Rahman enacted the nationalization policy (Islam 1985).¹¹⁶ This supplement conceptually states that ‘puzzling and powering’ evidently in Bangladesh.

¹¹² Rounaq Jahan, “Members of Parliament in Bangladesh,” *Legislative Studies Quarterly*, Vol. 3 (August 1976).

¹¹³ Rehman Sobhan was one of the top policy planners in the Planning Commission under the Sheikh Mujib Government. Also see Rehman Sobhan, *Untranquil Recollections: Nation Building in Post-Liberation Bangladesh* (California, London, Singapore: Sage, 2021). p. 59.

¹¹⁴ *The First Five-Year Plan, 1973–78, Bangladesh* (Dacca: The Planning Commission, 1973), p. 6.

¹¹⁵ Michael Kalecki, *Essays on Developing Economies* (Hassocks, UK: Harvester Press, 1976), p. 31.

¹¹⁶ Syed Serajul Islam, “The Role of the State in the Economic Development of Bangladesh during the Mujib Regime (1971–1975),” *The Journal of Developing Areas*, Vol. 19, No. 2 (January 1985): 185-208.

The Bangladesh Planning Commission, with comprehensive responsibilities, was being tasked with planning economic policy for the country (Dowlah 2016).¹¹⁷ In this realm, the planning commission also held an autonomous position in policy planning. Nurul Islam (1977), for instance, stated that the planners had to design and formulate the first five-year plan largely from the thinking of the committee on their own.¹¹⁸

Similar to the hitherto, in governance, theories on organizational learning explain bureaucratic learning processes within organizational structure that involve individual and collective interaction, shaping organizational efficacy, and achieving organizations' goals.¹¹⁹ In this study, we argue that social learning occurred within the policy committee of the Bangladeshi state.

To offer a few insights, shortly after independence, the first government promulgated a stringent import-substitution system. Then again, due to the learning and puzzling within the 'policy committee', the same government initiated a path—that is, the birth of the private sector.

The empirical chapters demonstrate that policy puzzling and policy learning has been pertinent during Mujib and Ershad period as well as in 1991. While the Zia government's promulgation of the hard-core plan shows that such a policy seems to have resulted only from political powering.

Within this frame of reference, in policy learning in the 1980s within the Bangladeshi state involved new strategies and a shift. The planning and finance minister, Muhith (A.M.A.Muhith, personal communication, September 2, 2019), for example, asserted that the planning dealt with the major economic challenges has been creating employment opportunities for a vast young population. generating growth through mobilizing

¹¹⁷ Dowlah 2016, *op. cit.* p. 140

¹¹⁸ Islam 1977, *op. cit.*

¹¹⁹ Irina Popova-Nowak and Maria Cseh, "The Meaning of Organizational Learning: A Meta-Paradigm Perspective," *Human Resource Development Review*, Vol. 14, No. 3 (2015): 299–331.

productivity. Simplest way to generate employment therefore focused garment manufacturing base in the country.¹²⁰

Policy learning also emerged from puzzling over and reflecting on the existing system. The planners reflected on agriculture-based development, which was the strategy in the early 1970s, which could provide adequate employment and growth. Shift in orientation then diverted to industry-based growth with a focus on sector activities (Rashid 1993).¹²¹ Policy planners and political executives learned from self-reflection that creating employment for a vast young generation requires massive industrial transformation. They then started to discuss the denationalization of these industries and their transfer into private hands. As a result of these interactions and learnings, the Industrial Policy of 1986 was promulgated with that goal and objective.

Social learning can bring about a greater outcome when interactions between elite technocrats and top political executives come to a shared agreement on policy (Hall 1993).¹²² This has been evident in the learning process in the policy committee. Moudud Ahmed, for instance, who played an important role in the discussions and drafts regarding the Industrial Policy of 1986, claimed that the political executives and the top bureaucrats cooperated and committed to the pursuit of industrial development (The Daily Star 2021).¹²³ In this milieu, A. K. M. Mosharraf Hossain, who has been a top technocrat

¹²⁰ Abul Mal Abdul Muhith (minister for planning and finance under the Ershad government, top policy planner under the Mujib government), in discussion with the author (Dhaka: September 2, 2019).

¹²¹ Mohammed Ali Rashid, “Bangladesh: Output and Employment Effects of Recent Macroeconomic Policy Reforms,” in *Social Dimensions of Economic Reforms in Bangladesh*. Proceedings of the National Tripartite Workshop held in Dhaka, Bangladesh, May 18–20, 1993 (New Delhi: International Labor Organization Asian Regional Ream for Employment Promotion (ARTEP), 1993): P. 112–P. 9

¹²² Hall 1993, op. cit.

¹²³ Moudud Ahmed drafted the first constitution and declaration of the BNP. In 1985, Ahmed joined Ershad’s newly formed political party, the Jatiyo Party. Ershad appointed him as the Deputy Prime Minister in the cabinet, and he held the portfolios of the Industrial Ministry and the Communications Ministry. In 1988, President Ershad appointed Ahmed as the Prime Minister (Daily Star 2021). The Daily Star, 2021-03-16, “Profile: Barrister Moudud Ahmed.” www.tritiyomatra.com.

playing significant role in planning industrial policy (Bangladesh Govt. 2022).¹²⁴ Three key individuals who were framing the industrial policy of 1986, such as Ershad himself, the Industrial Minister, and Mr. Hossain, were committed to the view that development could be achieved through the private sector (M. Ahmed, personal communication, September 14, 2019).¹²⁵

Similarly, technocratic policy puzzling and political interaction have been evident around the 1991 Industrial Policy (see detailed in Chapter 5). This supports the conjecture that state capacity is causal to Bangladesh's globalization and transformation (see figure 6).

¹²⁴ A. K. M. Mosharrif Hossain, a prominent bureaucrat, served as the Secretary of the Ministry of Industries from April 1988 to November 1990. (Bangladesh Government, 2022): <https://moind.gov.bd/site/page/fc49557b-22ff-4d12-afoe-072e74815d15/প্রাক্তন-সচিবগণ>;

¹²⁵ Moudud Ahmed (Top cabinet under Zia and Ershad government) in discussion with the author (Dhaka: September 14, 2019).

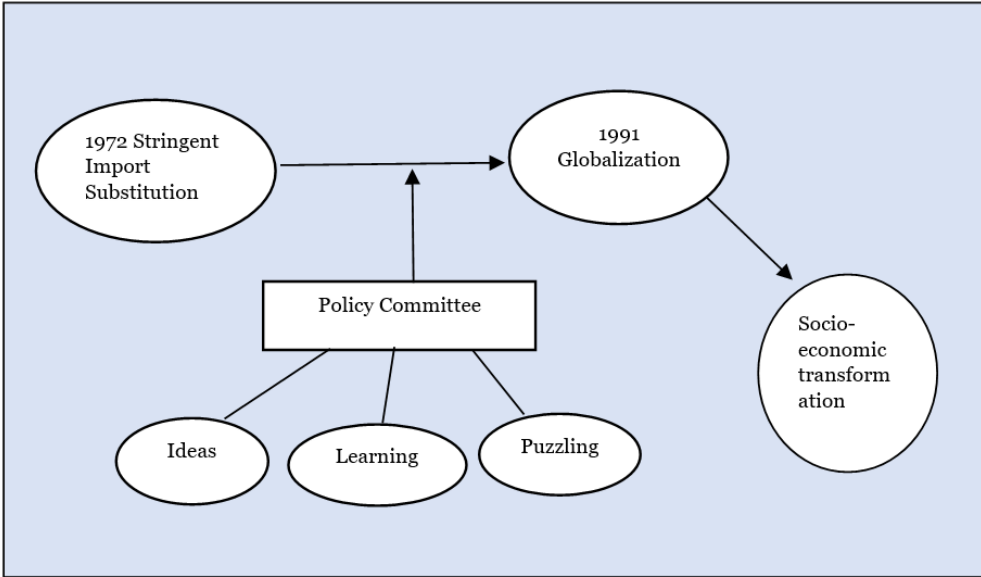


Figure 6: The causal mechanism around Bangladesh’s change (by author)

2.2.4 Technocratic/bureaucratic Capacity in Bangladeshis state: In order for illustrating state capacity as causal variable to Bangladesh’s change, it is necessary to understand the nature of the Bangladeshi state. One noticeable observation is that the characteristics of the state show variations between the studied period and the post-globalization era. However, the authority and power dynamics of the elite technocratic/bureaucratic circle seem strong, at times even influencing the political executives.

The business and industrial classes’ influence on the political sphere arguably became more pronounced only in the post-globalization period. The question of whether the influence and control over the elite technocratic/bureaucracy of this class existed before the globalization period necessitates a more meticulous, measurable comparative analysis between regimes. However, our observations suggest that such an argument appears to be less pertinent. The state autonomy in Bangladesh has mirrored the shifts in regimes, with various interests and groups vying for supremacy in the battle for state control (Zafarullah et al., 2001).¹²⁶ Yet the Bangladeshi state “has not been matched by the elevation of any

¹²⁶ Habib Zafarullah, Mohammad M. Khan, and M. Habibur Rahman, “The Civil Service System of Bangladesh,” *Civil Service Systems in Asia*, edited by John Burns and B. Bowornwathana (London: Edward Elgar, 2001).

particular social group that has accumulated sufficient power to capture the state (Sobhan 1998)".¹²⁷

We argue to demonstrate that elite technocrats and bureaucrats exhibit autonomous capacity in the policy-making process during the studied period. Such a proposition is also consistent with the literature on the bureaucracy of Bangladesh. Ahmed (2006), for instance, argues that the extent of bureaucratic authority and power has been remarkably strong within the Bangladeshi state, not necessarily because bureaucracy is developed in the Weberian sense but because of the ineffectiveness of the parliamentary bodies and the weakness of political institutions.¹²⁸ Under the circumstances, top bureaucrats had to play a crucial role in determining the policy needs of society. In a similar vein, Muhith (A.M.A.Muhith, personal communication, September 2, 2019) stated that in policy planning and formulation, the technocrats and bureaucrats not only played a greater role but also influenced the policy process over the political executives through their expertise skills: "Our ministers were highly dependent on the bureaucrats¹²⁹." There has also been a historical reason to it. During Pakistani rule, politicians and bureaucrats maintained a very good relationship, and even after independence, this norm persisted as Muhith asserts.

The Bangladesh Planning Commission, for example, has traditionally been responsible for planning and designing economic policy for the country. Its responsibilities encompass aiding government ministries in gearing up for development projects, conducting technical and economic assessments of these projects for inclusion in plans, evaluating project progress post-implementation, managing negotiations, allocating foreign aid for development initiatives, and, not to be overlooked, formulating the five-year plans (Dowlah 2016).¹³⁰ The commission holds an autonomous position in their planning and

¹²⁷ Rehman Sobhan, *Towards a Theory of Governance and Development: Learning from East Asia* (Dhaka: Centre for Policy Dialogue, 1998), p. 325.

¹²⁸ To understand Weber's ideal type of bureaucracy and the major principles of the bureaucratic form as a legitimate authority, it is crucial to examine the relationship and distinguishing features between power and authority. See Max Weber, *The Theory of Social and Economic Organization*, edited with an introduction by Talcott Parsons (New York: The Free Press, 1947); Emajuddin Ahmed, *Bangladesh: Bureaucracy and Development* (Dhaka: Mizan Publishers, 2006).

¹²⁹ Muhith, 2019, *op. cit.*

¹³⁰ Dowlah 2016, *op. cit.*, p. 140

thinking over the policy. For instance, the first five-year plan, which is considered to be one of the key guiding policy documents, is seen as the outcome of the commission's designing, formulating, and thinking independently (Islam 1977).¹³¹

We find that top technocrats and bureaucrats not only plan policy but also hold strong empathy for economic and social improvement. This is due to the historical legacy that most of these top technocrats had direct involvement in the freedom struggle and economic emancipation of East Pakistan. For example, Nurul Islam, who headed the planning and drafting of the first five-year plan and was also the premier technocrat at the planning commission, and Rehman Sobhan, who was one of the top planners in the commission, were working hand in hand with Sheik Mujib during the 1960s. Similarly, Abul Maal Abdul Muhith, who began his civil service career with the central Pakistan administration, resigned from his position for the Bangladesh cause and later became the planning and finance minister. These legacies endorse them and constitute a strong foothold in the policy-making process.

Furthermore, Muhith (A.M.A.Muhith, personal communication, September 2, 2019) argues that during political uncertainties, when politics struggle to form government, top technocrats guide policy directions.¹³² Study shows that elite technocrats and bureaucrats have greater autonomy in policy planning. This is due to their skill and competence: “Senior bureaucrats in terms of education, training, and experience, and their monopoly in technical knowledge, enable them to have considerable influence (Zafarullah and Siddiquee 2001).”¹³³ A study by Rahman and Tosun (2018), for example, highlighting policy planning in the top bureaucracy of Bangladesh dealing with climate and environmental policies, shows that when experts and professionals are appointed to head these projects, efficiency and the outcome of their implementation increase.¹³⁴ In this

¹³¹ Islam 1977, op. cit.

¹³² Muhith, 2019, op. cit.

¹³³ Habid Zafarullah and N.A. Siddiquee, “Dissecting public sector corruption in Bangladesh: Issues and problems of control,” *Public Organization Review* Vol. 1, No. 4 (2001): 465–486. p. 478

¹³⁴ Md. Saifur Rahman, Jale Tosun, “State Bureaucracy and the Management of Climate Change Adaptation in Bangladesh,” *Review of Policy Research*, Vol. 35, No. 6 (2018)

research, we find that most of the policy planners involved in economic and industrial policy planning during the studied period were professionals and experts. This demonstrates that policy planners such as elite technocrats and bureaucrats hold strong capacity and influence in the Bangladeshi state's policy planning, formation, and approval.

2.3 Tipping Change: the policy Process

To offer an analytical tool to explain Bangladesh's policy process, we employ a layered tipping change analogy which provides a device to clarify the evolutionary policy process in a step-by-step manner.

In the media and public discussions, the term 'tipping point' is often used to describe a social or political action leading to a major disruption or breakthrough. It is also widely used to describe a phenomenon that reaches its peak. For example, climate activist Greta Thunberg used the term at the U.N.'s Climate Action Summit to stress the height of environmental degradation (NPR 2019).¹³⁵ Another instance is Christian Amanpour, a CNN journalist, referring to the term to underscore a condition where news reporting was not adequate enough to cause a tipping point of public intervention in preventing historical genocides (NPR 2008).¹³⁶

Similarly, social scientists also observe that many social phenomena seem to demonstrate a tipping point characteristic. However, in the field of political science, when explaining social, political, and economic changes and understanding political movements and policy shifts, the tipping change theory provides a tool to explain an evolutionary path of a policy process.

¹³⁵ "Greta Thunberg's speech at the U.N. Climate Action Summit New York," (*npr.org*, September 23, 2019).

¹³⁶ "Christiane Amanpour: Reporting on Genocide," (*npr.org*, December 3, 2008).

Rahul Mukherji (2014) introduces the theory of Tipping Change, which challenges the perception of sudden and drastic shifts in economic policies.¹³⁷ Mukherji argues that what may seem like an abrupt change is actually the culmination of a long and incremental process. To demonstrate empirically, his research suggests that significant shifts in economic policies and regulations occur in India in the early 1990s when a critical mass of influential actors, policymakers, and technocratic elites adopt new ideas and policy thinking. These ideas gradually gain traction and influence policy debates over time until they reach a tipping point, resulting in a radical change. This highlights the underlying path dependencies, gradual shifts, and cumulative impact of ideas in shaping economic reforms rather than assuming sudden and exogenous events as the sole causal variables of change.¹³⁸

A metaphorical example of such a change can be traced in a biological process as well. For instance, consider the boiling water phenomenon, which appears to be sudden and drastic. However, upon analysis, it becomes apparent that water begins to boil when the temperature reaches a threshold, a tipping point, which is 100 degrees Celsius. This process is actually gradual over a certain period of time. When it reaches the tipping point, water starts to vaporize, transitioning from the liquid state to the gaseous state. Another example associated with this kind of change is an earthquake. For instance, the world was shocked by an earthquake that hit Turkey and Syria. This event seemed sudden and abrupt. However, an earthquake is also the result of long-drawn tectonic movements beneath the Earth's surface over time, eventually reaching a tipping point that triggers the quake. The outcome is evident—a significant change in the Earth's surface. Thus, by drawing parallels to arguments from biology, Mukherji defends the view that institutions, norms, or ideas also progress in an organic way.

Some of the subsequent studies that employed the tipping theory in analyzing social, political, and economic phenomena are pertinent here. For instance, Mukherji and

¹³⁷ Rahul Mukherji, *Globalization and Deregulation: Ideas, Interests, and Institutional Change in India* (Oxford University Press, 2014).

¹³⁸ To read on the gradual and path-dependent logic, see James Mahoney and Kathleen Thelen 2010, op. cit.; Paul Pierson, “Increasing Returns, Path Dependence, and the Study of Politics,” *American Political Science Review*, Vol. 94, No. 2 (2000): pp. 251-267.

Zarhani (2021) demonstrate that the evolution of India's rights-based welfare policy, such as the MGNREGA (the Mahatma Gandhi National Rural Employment Guarantee Act) program, occurred not due to class interest but because the state adhered to a strong will, which transformed gradually in a tipping mode.¹³⁹ Jha's (2021) research shows how the norm of secrecy in India has shifted to the norm of openness. When ideas became a part of endogenously driven politics, the system tipped around 2005, and as a result, the Right to Information was enacted.¹⁴⁰

2.3.1 Layering: How is the layering relevant to the policy process in Bangladesh and associated to tipping change? Given that tipping change is a gradual endogenous change, it thus connects with the theory of gradual change. Historical intuitionists studying 'slow moving processes' further defined as 'gradual change' in four precise modes; (1) displacement, (2) layering, (3) drift and (4) conversion (Pierson 2003; Mahoney and Thelen 2010; Streeck and Thelen 2005) .¹⁴¹ *Displacement* occurs when existing rules are abolished and new rules are introduced, *layering* refers when a new institution is added to an existing institution, *drift* refers to a shift occurring in the external settings of a rule, suggesting that the rule formally remains the same however its impact changes and *conversion* refers to a condition where redeployment of existing rules happen and implemented in new redirection, but formally stays the same (Graf 2018).¹⁴²

¹³⁹ Rahul Mukherji and Seyed Hossein Zarhani, 2021, op. cit.; Rahul Mukherji and Seyed Hossein Zarhani, "Economies and Development," in *Understanding Contemporary India*, edited by Sumit Ganguly and Neil DeVotta (Boulder, Colo: Lynne Rienner Publishers, 2021). P.120-121

¹⁴⁰ Himanshu Jha, *Capturing Institutional Change: The Case of the Right to Information Act in India* (New Delhi: Oxford University Press, 2021).

¹⁴¹ Paul Pierson "Big, Slow-Moving, and Invisible: Macrosocial Processes in the Study of Comparative Politics," in James Mahoney and Dietrich Rueschemeyer eds. *Comparative Historical Analysis in the Social Sciences* (New York: Cambridge University Press, 2003): 177–207; James Mahoney and Kathleen Thelen 2010, op. cit.; Wolfgang Streeck and Kathleen Thelen 'Institutional Changes in advanced Political Economies' in Wolfgang Streeck and Kathleen Thelen (eds), *Beyond Continuity: Institutional Change in Advanced Political Economies* (Oxford: Oxford University Press, 2005).

¹⁴² Lukas Graf, "Combined modes of gradual change: the case of academic upgrading and declining collectivism in German skill formation," *Socio-Economic Review*, Volume 16, Issue 1 (January 2018): 185–205.

Mahoney and Thelen (2010) elaborate that a layering mode is in new institutional layers are accelerated to a path dependent existing institution, but the existing institutions are not substituted.¹⁴³ Mukherji (2009) examines such a layered change that opt about the demonopolization of Telecom Industry in India.¹⁴⁴

In these logical lines, empirically grounded case studies demonstrate a clearer understanding of the nature of a layered tipping path, showing that a seemingly drastic change could have been a gradual outcome of the policy process (Mukherji 2009, 2014; Jha 2020; Mukherji and Zarhani 2021).¹⁴⁵

In some senses, the tipping analogy could be contrasted in some ways with Hall's (1993) concept of third-order change. He demonstrates the process of change in three orders: the first order is the incremental adjustments to the system of existing instruments; the second order is the adoption of new instruments; and the third phase is the alteration of goal. Third-order change causes a shift in the system or framework of policy. This brings about an unprecedented change, which Hall defines as a policy paradigm, - in not only the goals, choices, and instruments but also the settings.¹⁴⁶

Connected to this theory of the policy process, the empirical chapters demonstrate that Bangladesh's policy process exhibits the nature of a layering tipping change (see Figure 7). To outline briefly, how that occurred, a stringent import substitution policy was promulgated in 1972. However, the same government carried out incremental adjustments through IP 173 and 1974, which allowed private sector participation in a limited way. This initiation of the private sector then followed a gradual process, whose propensity increased to a greater extent through the industrial policies of 1975, 1982, and 1986. This is pushing the system towards reaching a threshold through the promulgation

¹⁴³ Mahoney and Thelen, 2010, op. cit.

¹⁴⁴ Rahul Mukherji, "Interests, Wireless Technology, and Institutional Change: From Government Monopoly to Regulated Competition in Indian Telecommunications," *Journal of Asian Studies*, Vol. 68, No. 2 (2009), pp. 491–517.

¹⁴⁵ Rahul Mukherji 2009, 2014, op. cit. Himanshu Jha 2020, op. cit.; Rahul Mukherji and Seyed Hossein Zarhani, 2021. op. cit.

¹⁴⁶ Hall, 1993, op. cit.

of IP 1991. Ultimately, the economic policy paradigm shifted from a stringent mode to one embracing globalization.

2.3.2 Endogenousness: As mentioned earlier that the layered tipping change is an endogenous process, which serves as a heuristic for comprehending the endogenous dynamics of Bangladesh globalization process. While contemporaneous occurrences of globalization in both Bangladesh and India may be observed, the simultaneity alone does not necessitate the attribution of causation to exogenous pressure. This argument contends that the synchronous nature of globalization across diverse nations does not inherently imply external coercion but rather underscores the potential for mutual learning among policymakers.

Schottli and Pohlmann (2019) assert that the globalization trajectory in India is distinguishable due to the prominence of endogenous elements, negating the proposition that neoliberal tendencies are exclusively a response to exogenous pressures.¹⁴⁷ Within this paradigm, the state assumes a proactive role, particularly in fostering the development of the private sector and competitiveness. This underscores the significance of state involvement as a key endogenous factor shaping the contours of globalization. Consequently, the outcomes manifest diversely, with India excelling in software development while Bangladesh achieves prominence in garment manufacturing.

The differentiated trajectories of globalization in India and Bangladesh underscore the nuanced interplay of endogenous factors in shaping their respective economic terrains. Policymakers, in this context, engage in a reciprocal process of learning, drawing insights not only from internal self-reflection and critique but also from the experiences of other nations. This dynamic learning process, whether informed by domestic or foreign examples, does not necessarily denote an exogenous shock but rather reflects a deliberate and informed adaptation to global trends. Therefore, the discourse on globalization in these contexts necessitates a nuanced understanding of the interplay between endogenous dynamics and cross-national learning experiences.

¹⁴⁷ Jivanta Schottli and Markus Pohlmann, 2019, op. cit.

After scrutinizing the policy trajectories of four governments during the studied periods, this study posits a nuanced perspective on Bangladesh's policy evolution, revealing a gradual, endogenous and layered tipping process. Emanating from its embryonic stages during the inaugural government, the policy discourse unfolds incrementally, layer by layer, subsequently gaining momentum. The culmination of this progressive process materializes in the form of the landmark globalization policy of 1991.

2.4 Connecting the Conceptual Framework with the Empirical Chapters

In the four empirical chapters, state capacity and tipping change are being applied in covering four governments, engaging in explaining Bangladesh's change and transformation.

Empirical chapters also observe that the initiation of slow-moving change then proceeded gradually, resulting in more changes in 1975 and also in 1977 under the Ziaur Rahman government. The pace of change accelerated in the 1980s as the Ershad government allowed greater private sector engagement. This speed, in turn, led to a tipping point in 1991, causing a series of changes in this decade. All in all, the chapters show that endogenous or homegrown ideas were pertinent to the policy puzzling and learning within the policy committee.

In conjecture with the theoretical and conceptual framework laid out in this chapter, variables such as state capacity, 'puzzling', and ideas as variables to change have been tasted and examined in the four empirical chapters. In order to examine the nature of tipping change, a gradual and incremental path has evolved during the studied period between 1972 and 1991, which is studied in four chapters and four governments.

2.5 Empirical data

Rather than relying solely on theoretical or speculative reasoning, empirical data consists of factual and observable information derived from direct observation or measurement of

real-world phenomena. This data is gathered through systematic investigation and data collection methods. Empirical data can be obtained through various research techniques, such as surveys, experiments, interviews, observations, and content analysis (Neuman 2014).¹⁴⁸ These methods serve as guides for testing hypotheses, supporting or refuting theories, building concepts, and forming new narratives or assumptions in the scientific and social sciences fields. Much of the credibility and validity of the research findings are therefore derived from empirical evidence, allowing for more robust and evidence-based contributions to the body of knowledge.

Not all of these data collection methods are applied; following some scientific frameworks, for this study, I conducted two field research trips to Bangladesh to collect data: one in August-September 2019 and the second in August 2022.

Primary data were obtained from various sources, including national archives, libraries, governmental agencies, state institutions, and ministries. This includes budget speeches, five-year plans, parliamentary debates, newspaper articles, and government reports. Furthermore, I conducted critical interviews with respective elite technocrats and bureaucrats, top political actors, and industrialists. Additionally, factual data was collected from the US State Department digital archive, the World Bank, and the government websites of Bangladesh. Secondary literature, such as books, chapters, and journal papers, was also studied to contextualize existing arguments.

Four case studies dealing with four different governments illustrate how the Bangladeshi state was capable of employing endogenous ideas to drive change. Historical documents clearly show that top bureaucrats and technocrats were instrumental through their puzzlement and ideas, which could be defined as a key variable fostering change. The impact of these changes had a profound effect on entrepreneurial development in Bangladesh, subsequently influencing socio-economic progress.

¹⁴⁸ Lawrence Neuman, *Social Research Methods: Qualitative and Quantitative Approaches* (Pearson, UK, 2014).

2.6 Research Methodology: *Process Tracing and Within-Case Method*

This section clarifies a couple of important methodological aspects of this study. The methodological framework for this research incorporates a combination of process tracing methods and a single-case-within-a-single-case study within a parsimonious model. This approach allows for a detailed examination of a specific case while also focusing on tracing the causal mechanisms and processes that enable the analysis of the cases and uncovering the intricate relationships and causal factors that contribute to the observed outcomes.

Process-tracing methods, as outlined by Beach and Pedersen, refer to a set of rigorous analytical techniques used in the social sciences to study causal mechanisms and understand how specific processes unfold. These methods involve the systematic examination of individual cases or events, aiming to identify and trace the causal processes that lead to particular outcomes.¹⁴⁹ In social science research, process tracing involves “attempts to identify the intervening causal process—the causal chain and causal mechanism—between an independent variable (or variables) and the outcome of the dependent variable (George and Bennett 2005).”¹⁵⁰

By focusing on the sequence of events, the study can unravel the complexities of social phenomena and provide valuable insights into the underlying mechanisms. Process-tracing methods emphasize the need for theoretical grounding and careful data collection, enabling the formulation of well-founded assumptions and enhancing the robustness of findings.

Causal mechanisms, according to George and Bennett, refer to the underlying processes that connect causes with specific outcomes in social phenomena (George and Bennett 2005).¹⁵¹ These mechanisms are the causal drivers that explain why and how certain

¹⁴⁹ Derek Beach and Rasmus Brun Pedersen, *Process-tracing Methods: Foundations and Guidelines* (Ann Arbor: University of Michigan Press, 2019).

¹⁵⁰ Alexander L. George and Andrew Bennett, *Case Studies, and Theory Development in the Social Sciences* (Cambridge: MIT Press, 2005), p. 206.

¹⁵¹ *Ibid.*, p. 206.

events or conditions lead to particular effects. By identifying and understanding causal mechanisms, researchers can gain valuable insights into the dynamics and intricacies of social interactions and explain why certain patterns or outcomes occur in specific contexts.

A within-case model, on the other hand, refers to the analytical framework employed to study and understand the causal mechanisms within an individual case or a single instance as George and Bennett asserts. It involves a detailed examination of the various factors, variables, and processes within the specific case to uncover the underlying causal dynamics of a specific social phenomenon, providing a basis for making broader theoretical and conceptual generalizations. By delving deeply into the intricacies of a single case, we can identify and trace the causal pathways that lead to the observed outcomes.

Considering the methodological framework, the case selection for this study involves four specific cases in four empirical chapters. Empirical Chapter One provides an explanation of the causal context and background behind the preference for a stringent import substitution economic policy model. This case also illustrates the evolving economic thinking within the state, leading to the emergence of a new governing system, defined as the birth of the private sector. Empirical chapters two and three delve into the interactions between technocratic ideas and political power, influencing both gradual and accelerated changes. Empirical chapter four demonstrates how a gradual path reached a threshold point, resulting in a transformative change in 1991. This case also elucidates the economic transformation brought about by the rise of the garment industry.

Collectively, these cases trace the processes that occurred between 1971 and 1991, encompassing change and transformation. Causal variables were identified, including ideas, state capacity, technocratic thinking, political empowerment, and endogenous circumstances.

Beach and Pedersen have categorized process-tracing in three variants of methods: 1. theory-testing process-tracing, 2. theory-building process-tracing, and 3. explaining-

outcome process-tracing. In this context, this project does not necessarily adopt a well-defined theory-building or theory-testing process-tracing method. Instead, explaining-outcome process tracing appears to be more appropriate. However, some conceptual clarity has also been addressed.

Scientific reasoning operates under the assumption that discernible causal relationships exist between dependent and independent variables. The empirical examination of the chosen cases helps isolate the independent variable(s) responsible for triggering the change, thereby affecting the dependent variables, namely, the tipping change and socio-economic transformation.

This methodology aligns with a parsimonious model. This entails achieving the desired level of explanation or prediction using the fewest possible predictor variables. Generally, parsimony is a fundamental scientific principle advocating the use of only the minimum necessary causes or forces to explain a phenomenon. Developing a parsimonious case model in research involves constructing a concise and efficient model that explains the relationships between variables while minimizing unnecessary complexity. The objective is to strike a balance between simplicity and explanatory power.

In line with this approach, the empirical chapters delve into detailed explanations of variables and their roles in the process of influencing the dependent variable.

2.7 Contribution of this research

The globalization of Bangladesh, driven predominantly by the rise of its export-based garment textile sector, represents an important phenomenon that has attracted scholarly attention, arguments positing whether it has primarily emanated from the proactive endeavours of the business class or resulted from exogenous pressures. However, this research seeks to advance the argument that the globalization of Bangladesh constitutes an endogenous tipping point. By adopting an endogenous lens, the research endeavours to provide a comprehensive understanding of how internal dynamics have played a pivotal

role in steering Bangladesh towards increased global engagement, thereby contributing to the broader discourse on the drivers of globalization within developing economies.

3 | Chapter Three

The Birth of Private Sector

3.1 Introduction

This chapter delves into industrialization policy of Sheikh Mujibur Rahman (also widely known as Bangabandhu) and determines how a set of ideas guided Bangladesh's economic policy in its early phases.¹⁵² This study confines itself to two major findings. First, it captures the circumstances surrounding the stringent import-substitution model along with the nationalization of industries. Second, it shows how nationalization created policy puzzles, investigates how deregulation initiated the launch of the private sector, and how currency devaluation occurred as a result of policy puzzles.

¹⁵² The 9-month liberation war between East and West Pakistan came to an end when the Pakistani army surrendered to the joint forces of the Indian army and Mukti Bahini (freedom fighters of East Pakistan) on December 16, 1971. A new country, Bangladesh, was born. Sheikh Mujibur Rahman, also widely known as Bangabandhu, who became the first Prime Minister of Bangladesh, ruled the country from January 12, 1972, to August 15, 1975 (Rashid 2021). Harun-or-Rashid, "Bangabandhu Sheikh Mujibur Rahman," *The National Encyclopedia of Bangladesh* (Dhaka: Asiatic Society of Bangladesh, August 3, 2021).

The emergence of the private sector under Shekh Mujibur Rahman, recognized as a tool for economic transformation, remained unrevealed due to conventional wisdom. The most notable contribution of this research is its attempt to construct a new insight and narrative—a dichotomy that might seem counterintuitive to conventional wisdom. Scholars frequently argue that General Ziaur Rahman has implemented substantial reforms and developments in Bangladesh. The aim was not to outcast this conjecture of history. However, by contributing a new interpretation of history with decisive empirical and methodological viability, and challenging longstanding conformist perceptions, this chapter reveals that Bangladesh's private sector was born under Sheik Mujib. This claim is significantly consistent with the dissertation from conjecture and method standpoints, since the thesis engages in tracing a process, and the process essentially originated in the Mujib era.

The chapter begins with an analytical overview of how the concepts of 'puzzling and powering,' as well as 'social learning,' are linked to the Sheikh Mujib government's policy process. The study will show that policymakers' learning curves will be built on their own past policy and the handling of the circumstances. In most parts, the nature and characteristics of learning portray endogenousness, yet there could have been an element of exogenous impact. For instance, Indria Ghandi, an invaluable friend at the birth of Bangladesh, might not have influenced the policy process of Sheikh Mujib, yet there could have been an indirect impact based on shared values and affinity.

The chapter deals with causal factors which were linked to Mujib government's drastic initiation of a stringent import-substitution model. Bangladesh was born out of a long liberation war in 1971, which destroyed the country's infrastructure and economy. Moreover, Pakistani industrialists and skilled managers who were left had to be reconciled. It was unclear how this reconciliation would take place and how it would lead to economic growth. This spurred the nation into uncertainty. How the policy committee dealt with this uncertainty shows that it requires ideas. A section describes the circumstances under which the policy committee adopted a stringent import substitution policy.

Although the import substitution model can be regarded as a means of dealing with uncertainty, an ideological factor and historical legacy could also have been drivers of that policy choice. A section explains the origins of socialist ideology and its linkage to nationalization policy. It argues that Sheikh Mujib was a pragmatic politician and not an ideologue. However, there was an element of path dependence driven by political ideology, namely, socialism. This section elaborates on the socialist political roots of stringent import substitution policy.

A section captures the impact of autarkic industrialization policy. The ideas within the planning commission that pushed for import substitution received political consent. However, the expected outcomes or goals of the public sector have not yet been realized. Ten corporations were created to govern a large number of industries. Sheikh Mujib chose the leadership of ten heads of corporations. However, much of this leadership was politically appointed with Sheikh Mujib's close involvement. Favouritism was frequently used to appoint incompatible individuals. Ultimately, rampant corruption and mismanagement lead to counterproductive outcomes. This ultimately created a policy puzzling and a new thinking and policy learning.

The final two sections investigate how, during this period of import substitution, the puzzling interactions between the political class and technocracy resulted in a new policy. After reflecting on the problems of import substitutions, high increases in prices, famine conditions, mismanagement of public sector enterprises, and other factors, there was a learning process. During this process, as a result of the practices of past policies, policymakers were persuaded that an overdose of regulation within import substitution was not working. The ideas of the policy committee, which were largely created within the planning commission and consisted of top technocrats, were respected by Sheikh Mujib. Although political power was concentrated under Sheikh Mujib, the policy puzzles had a greater impact on policy formation. The core concepts in such an analysis constitute ideas and state capacity as variables of change.

Finally, a section explores how currency devaluation occurred. It deals with the situation to capture the interaction within the state, as Bangladesh resisted the WB, the IMF for a while, yet eventually accepted the conditions of donors. The devaluation of taka, which is

considered an export-promoting policy, indicates signs of exogenous pressure on Bangladeshi state.

3.2 Connecting the Concept

It has been the established wisdom that the logic beneath import-substitution industrialization policy has been ideologically driven. A large body of literature argues that the socialist political ideology could have been the driver of such a change in the early phase of Bangladesh (Sobhan and Ahmad, 1980; Yusuf, 1985; Islam, 1977; Faaland and Parkinson, 1976; Quadir, 2000; Monem, 2006; Sattar and Rahman, 2016.)¹⁵³ Yet, no aforementioned study has implied the concept of ‘social learning’ or ‘puzzling and powering’ in explaining Sheikh Mujib’s industrialisation. A vigilant study of historical documents such as the first budget speech, the constitution, public speeches by Sheikh Mujib and top technocrats, the first five-year plan, and interviews conducted with some of the members of his government offer the scope of connecting to concepts.

In a very short period of time, just right after taking power, Sheik Mujib promulgated a stringent import substitution model. It might be inconsistent with the concept to scientifically argue that ‘puzzling and powering’ could have been the factor behind such a move. Yet, in later periods, the incremental change that occurred could be seen through these conceptual lenses. Policy planning and policy formation were mobilized in the Mujib

¹⁵³ Rehman Sobhan and Muzaffer Ahmad, *Public Enterprise in an Intermediate Regime: A Study in the Political Economy of Bangladesh* (Dhaka: Bangladesh Institute of Development Studies, 1980); Fazlul Hasan Yusuf, *Nationalization of industries in Bangladesh* (Dhaka: National Institute of Local Government, 1985); Nurul Islam, *Development Planning in Bangladesh: A Study in Political Economy* (London: C. Hurst and Company, 1977); Just Faaland and J.R. Parkinson, *Bangladesh: The Test Case for Development* (London: C. Hurst and Company, 1976); Fahimul Quadir 2000, op. cit.; Mobasser Monem, *The Politics of Privatization in Bangladesh: Western Solutions, Eastern Problems* (Dhaka: Osder Publications, 2006); Zaidi Sattar and Ashikur Rahman, “Political Economy of Trade Policy: Theory and Evidence from Bangladesh.” *South Asia Economic Journal*, Vol. 17, No. 1 (2016): 1–26.

government by a small group of top advisors (Islam 1984).¹⁵⁴ The advisory board of the Planning Commission has been tasked with key rules and is involved with other associate bodies for the economic planning of the country. Linked to the idea of a 'Policy Committee,' this group's 'learning' mechanism, along with 'power and puzzling,' were found evident in Mujib's initiating incremental change, that is, limited accommodation of the private sector. The policy committee could determine the policy, which, in turn, received political 'powering', that is, the consent of the political executive.

Right after taking the power, Sheikh Mujib assigned the Bangladesh Planning Commission with comprehensive responsibilities, being tasked with planning and designing economic policy for the country (Dowlah 2016).¹⁵⁵ The planning commission held an autonomous position in its policy planning. Islam (1977), for instance, stated that the planners had to design and formulate the first five-year plan largely from the thinking of the committee on their own.¹⁵⁶

Many departments and agencies in the country had specific tasks to provide input to the planning commission. These departments of the state and agencies were active members of the policy committee. The policy committee puzzles over the policy and suggests policy recommendations, which would then receive 'political powering'. Ultimately, a policy would then be approved.

Sobhan (2021), one of the core members of policy planning in the Mujib government, described later that the Commission functioned as a collective entity. It directly communicated with the cabinets and held regular meetings with Sheikh Mukib to accommodate political guidelines as determined by the cabinet.¹⁵⁷ This again brings up the theoretical argument that 'puzzling and powering' are a combined effort between the planner and political executives about 'knowing and deciding'. Policy planning is equally a political process, and it involves guidance and coordination from political executives.

¹⁵⁴ Syed Serajul Islam, 984, *op. cit.*

¹⁵⁵ Dowlah 2016, *op. cit.*, p. 140

¹⁵⁶ Islam 1977, *op. cit.*

¹⁵⁷ Rehman Sobhan, *Untranquil Recollections: Nation Building in Post-Liberation Bangladesh* (California, London, Singapore: Sage, 2021). p.59

Hecló (1974) described ‘puzzling and powering’ as inferring ‘knowing and deciding’. In this realm, when the ‘puzzling’ over policy reaches, to a shared validation within the policy planning machinery, it is then the political executive whose support would make the policy endorsement. This mechanism has been precisely evident in the Mujib government’s political executive, who had the fundamental influence in policy approval as Islam (1984), the top technocrat of the policy planning, stated: “In the national state apparatus, the main structures of decision-making were the office of the PM and his secretariat, the Council of Ministers, and the secretariat.”¹⁵⁸

The question then arises: to what extent do Mujib’s industrialisation show endogenousness? After reviewing the historical documents carefully, it becomes evident that there is a sign that the incremental change was largely the result of the puzzling of the policy committee, who were convinced by the idea that a small land with a huge population should move away from agriculture-based development and engage in trade and export activities and extend the manufacturing sector to create employment. Two factors were vital to this slow move. Firstly, the policy committee learned that the import-substitution policies were not producing the outcomes expected. Secondly, new ideas were also emerging within the state.

The data shows that social actors or pressure groups such as the business community or civil society groups, that is, NGOs, did not emerge much at this point in time to form any class influence over the state in the 1970s in Bangladesh.

The empirical part reveals that ‘social learning’ concept as well as ‘puzzling and powering’ are entangled in the policymaking of the policy committee under Sheikh Mujib. Jahan (1976), for instance, argued that, for the most part, it was this policy planners whose ideas were coined by the assertion that state control could transform the post-war economy.¹⁵⁹ Yet again, they then suggested later a few institutional changes toward opening for private sector. In this realm, policies such as the new industrial policy of 1973 and 1974 and the currency devaluation of 1975 have seen as cautious move towards accommodating private

¹⁵⁸ Islam 1984, *op. cit.*

¹⁵⁹ Rounaq Jahan, “Members of Parliament in Bangladesh,” *Legislative Studies Quarterly*, Vol. 3 (August 1976).

sector. Domestic and foreign private investment was allowed in a limited manner, by providing an upward ceiling for investment and a couple of reforms conducted in the export-import regime. These incremental changes suggest that the Mujib government's policy thinking began to emerge in the opposite direction from what it had been at the beginning.

The planning commission's policy emphasized that the public sector should control large industries while leaving small-scale and cottage industries for private activities (Jahan 1980).¹⁶⁰ This idea was driven by the assumption that such a development policy would not only generate growth but also distribute the income evenly: "to generate a rate and pattern of inward growth which will not only meet a minimum consumption standard but also expand employment opportunities and ensure a socially desirable pattern of income distribution. (First Five-Year Plan, 1973)."¹⁶¹ In this realm, the planning commission submitted policy suggestions to the political executive titled "Policy Options and Recommendations for the Nationalization of Industries," which recommended for the nationalization of all industries and enterprises with fixed assets of over Tk1.5 million (Kalecki 1976).¹⁶² The cabinet, consisting of an interministerial committee, then approved the planning commission's policy proposals. After receiving the cabinet's green signal, Prime Minister Sheikh Mujibur Rahman enacted the policy. Following that, every major industry and financial entity, including banks, insurance firms, and shipping companies possessing assets exceeding Tk. 5 million, underwent nationalization and would now be under state control (Islam 1985).¹⁶³ To govern and regulate the nationalized enterprises, a set of ten corporations were formed (Nationalization Order 1972).¹⁶⁴ The chairmen of the sector corporations were appointed by the Prime Minister. This supplements the

¹⁶⁰ Rounaq Jahan, *Bangladesh Politics: Problems and Issues* (Dacca: University Press, 1980), p. 99.

¹⁶¹ *The First Five-Year Plan, 1973–78, Bangladesh* (Dacca: The Planning Commission, 1973), p. 6.

¹⁶² Michael Kalecki, *Essays on Developing Economies* (Hassocks, UK: Harvester Press, 1976), p. 31.

¹⁶³ Syed Serajul Islam, "The Role of the State in the Economic Development of Bangladesh during the Mujib Regime (1971–1975)," *The Journal of Developing Areas*, Vol. 19, No. 2 (January 1985), pp. 185-208.

¹⁶⁴ The Ministry of Law and Parliamentary Affairs, the Bangladesh Bank (Nationalization) Order, 1972 (Dacca: Government Press, 1972).

conceptual underpinning that the idea of planning commission was instrumental in policy formation.

The question of whether the learning process was triggered by an endogenous factor or exogenous pressure is also taken into consideration. It is an inerasable part of history; India and the Soviet Union were integral parts of the Bangladesh liberation war. There is only a little doubt that without the political and military help of India, the success of the birth of Bangladesh was almost improbable.

Perhaps one could argue that there has been some external impact. impact, not in any coercive manner but in an indirect way. India and the Soviet Union were important players whose role in the success of Bangladesh's freedom movement was profoundly significant. India might not have put pressure on Bangladesh. However, ideologically, there was an affinity. Sheik Mujib might have been inspired by Indira Gandhi's economic governance framework, i.e., the state's control over trade and industry. However, this study finds that the policy learning emerged from the policy problem itself.

Whether the policy was endogenous or not, influenced by India and the Soviet Union or not, the point can be made well, whether an ideological or an interest group was involved. The chapter shows that it was an ideational argument. There is a powerful group within the state, that is, the policy committee, who wants to promote the idea of import substitution and the nationalization of industries. Then again, this very group came up with the idea that accommodation for the private sector was necessary. It is evident that there was no powerful industrial group at that time. Indeed, India will not force Mujib to initiate an import substitution policy. Evidently, India itself would arguably want grain from trade. But the fact of the matter is that the whole ideational milieu that created that was very highly Sovietized in India.

3.3 The Stringent Import-substitution and Nationalisation of Industries

Autarkic industrialization or import substitution Industrialization is a theory that characteristically adheres to the idea that the state leads development strategy through nationalization of industries and businesses, subsidization of manufacturing, increased

taxation, and highly protective trade policies. The key objective of such a policy is to protect and help grow local industries by channelling a range of tactics, including tariffs, import quotas, and subsidized government lending (Street et al., 1982).¹⁶⁵ Such policies, though, often derive from an ideological bias. Scholars have argued that state-controlled industrialization could predominantly serve the interests of political elites. And it can be self-serving rather than for the good of the nation (North 1985).¹⁶⁶ Moreover, the import substitution policy could lead to an unwarranted discouragement in agriculture and the traditional export sector. It may fail to provide adequate employment, expand labour, create surplus in the manufacturing sector, and prevent domestic industries from reaching international competitiveness in respect to cost and quality (Bruton 1970).¹⁶⁷

The Mujib government's persuasion of socialist modes of governance also postulates an ideational basis. This has a historical link to the political struggle of the nation and the economic emancipation of the people. In the 1960s, socialist ideas became a tool to mobilize the freedom movement in East Pakistan. With a careful review of Sheikh Mujib's historical seven March speech, it becomes evident that the principle of socialism was precisely obvious in his message. Even much earlier, in the Six Point Programme of 1966 and the Eleven Points Programme of the student movement, a strong sign could be found that socialist principles were guiding the path of the Bangladesh independence movement (Hossain, 2021; Sobhan, 2016; Khan, 2022; Ali, 2018; Jaffrelot, 2004).¹⁶⁸

¹⁶⁵ James Street, Dilmus James "Structuralism, and Dependency in Latin America," *Journal of Economic Issues*, Vol. 16, No. 3 (1982): 673-689.

¹⁶⁶ Douglas North, *Structure and Change in Economic History* (W.W. Norton and Co., 1985)

¹⁶⁷ Henry J. Bruton, "The Import-Substitution of Economic Development: A Survey," *The Pakistan Development Review*, Vol. X(1970). pp. i23sqq

¹⁶⁸ The six-point movement was a movement in East Pakistan that demanded autonomy for East Pakistan. To learn more see, Ashfaq Hossain, "Six-Point Programme" (Dhaka: Banglapedia, June 18, 2021); also see Rehman Sobhan, *Untranquil Recollections: The Years of Fulfillment* (1st ed.) (SAGE Publications India, 2016). The Eleven Points Programme was a charter carried out by the students' movement in East Pakistan that guided the mass uprising of 1969. It began with student unrest against the tyrannical rule of Ayub Khan, the then president of Pakistan. The movement soon engulfed the entire east of Pakistan. Peasants, workers, and artisans joined the movement, demanding greater reforms and the resignation of Ayub Khan, which soon turned into freedom in East Pakistan (Khan 2022). Muazzam Hussain Khan, "Eleven Points Programme" (Dhaka: Banglapedia, 2022). Also see Tariq Ali, *Uprising in Pakistan: How to Bring Down a Dictatorship*

At the time of Bangladesh's independence, the economic system of the central government of Pakistan was largely dominated by the private sector. In East Pakistan, the agrarian nation's agriculture sector, which contributed over 60% of GDP, was exclusively under the private sector. Right after independence, the Bangladeshi state under the Sheikh Mujib government in early 1972 pursued a development strategy by drastically initiating an autarky industrialization policy.

The task had been extremely tough for Sheikh Mujib's government to deal with an economy that was in utter tatters due to the war, as illuminated by James Manor: "It was not easy governing a country that had been badly ravaged by war. There were major problems as a result of that. And of the dislocation. Reviving the economy and restoring law and order created major problems for Sheikh Mujib as Prime Minister" (Manor 2018).¹⁶⁹

The principal designers of the policy planning were Nurul Islam, Rehman Sobhan, Anisur Rahman, and Mosharraf Hossain, whom Sheikh Mujib employed at the tiller of the Planning Commission. After dealing with the crisis, which created a traumatic situation for the state machinery to deal with, the policy committee then came up with a policy recommendation. The puzzling mechanism of the planning commission, that is, the policy committee, incorporates all agencies and institutions that are associated with the economic and development planning of the country with specific tasks. The planning commission's recommendations were reflected by all these sections of planning bodies. Given the traumatic conditions explained in the above section, the policy committee suggested that an autarchic industrialization with state control could be an ideal system that could generate employment and economic growth, reduce poverty, and eliminate exploitation (Planning Commission, 1972).¹⁷⁰

(Verso Books, 2018); Christophe Jaffrelot, *A History of Pakistan and Its Origins* (Anthem Press, 2004).

¹⁶⁹ James Manor, "Understanding Bangabandhu Sheikh Mujibur Rahman: The Hard Road to Bangladesh's Independence and the Meaning of March 7th" (London: SOAS South Asia Institute, University of London, 2018)

¹⁷⁰ *The Industrial Policy Proposals, mimeographed* (Dacca: Bangladesh Planning Commission, March 1972)

As things stood, just to provide an overview of the economic system before the new policy of the Mujib government, the economic model at the time of Bangladesh's liberation was largely dominated by private sector. The agricultural sector, making up more than 60% of the nation's GDP, operated entirely within the private domain. State control extended to less than one-third of industrial assets in East Pakistan, and apart from the railways, the transport sector remained predominantly in private hands. The '22 rich capitalist families' dominated the private sector in Pakistan and owned large industrial companies (Hussain 2007).¹⁷¹

Before the liberation of Bangladesh, West Pakistani families held 47% of the industrial fixed assets in East Pakistan, while the East Pakistan Industrial Development Corporation (EPIDC), a state entity of Pakistan, owned 34% of these assets. Local Bengalee individuals only possessed 18% of the industrial fixed assets (PIDC 2007).¹⁷² The majority of industrial companies were in the hands of West Pakistanis, with Bengalis owning only about one-third of the fixed assets in the jute industries and a little over half in the cotton and textile sectors (Islam 1977).¹⁷³ Furthermore, Bengalee entrepreneurs held approximately 20% of small and medium-sized enterprises and played a significant role in import-export trade (Humphrey 1992).¹⁷⁴ The Mujib government's socialist model of economic policy nationalized most of these enterprises under state ownership.

¹⁷¹ "On April 21, 1968, Dr. Haq (Dr. Mahbubul Haq), the then Chief Economist of the Planning Commission, identified Pakistan's 22 richest families that, according to his calculations, controlled 66 percent of the industries and owned an 87 percent share of the country's banking and insurance industries" (Hussain 2007). Dilawar Hussain, "People who own the greatest amount of wealth," (Karachi: *DAWN*, December 9, 2007).

¹⁷² The Pakistan Industrial Development Corporation (PIDC) functions as a state entity within the purview of the Ministry of Industries and Production. Formed in 1952, its primary objective is to facilitate the establishment of industries in sectors demanding substantial capital, posing challenges for private sector involvement (PIDC 2014). "Pakistan Industrial Development Corporation – PIDC" (Karachi, 18 July 2014).

¹⁷³ Islam 1977, *op. cit.*

¹⁷⁴ Clare Humphrey, *Privatization in Bangladesh: Economic Transition in a Poor Country* (Dhaka: University Press Limited, 1992).

In early 1972, the Mujib government promulgated a couple of very important policy and legal documents (Bangladesh govt. 1972).¹⁷⁵ The Bangladesh Abandoned Property Order of 1972 dealt with the control, management, and disposal of abandoned property owned by Pakistani owners; the Bangladesh Bank Order of 1972 dealt with the nationalization of banks; and the Industrial Enterprises Nationalization Order of 1972 dealt with industries and enterprises. Known as the President's Order, these documents set the economic and industrial regulations of the state. Through the effect of these orders, 725 units of industrial, commercial, and trading activity were nationalized and designated as state-owned enterprises (SOEs). The nationalization policy also resulted in the government gaining control of over 80% of international trade (Dowlah 1997).¹⁷⁶

Furthermore, a cap of 2.5 million Taka on private investment was instituted by July 1972. Foreign direct investment found allowance solely in collaborations with the government, entailing the government's ownership of 51% of shares. Involvement of foreign investors in the private sector was expressly prohibited. Stringency increased in January 1973 when 17 industrial categories were exclusively earmarked for the public sector. Consequently, virtually all industries, banks, trade, and financial institutions in the country fell under state control, closing off nearly all avenues of industrial activity for private sector investment (Dowlah 1998).¹⁷⁷

3.4 The Origins of Socialist Political Philosophy in Mujib's Economic Policy

This section captures the origins of socialist orientation and their path to autarkic industrialization. A group of scholars has lately attempted to define Sheikh Mujib as a pragmatic politician and argued that his economic policies were largely driven by

¹⁷⁵ The Bangladesh Abandoned Property (Control, Management, and Disposal) Order of 1972, issued in January 1972 (President's Order No. 16); the Industrial Enterprises Nationalization Order, issued on March 26, 1972 (President's Order No. 27); the Bangladesh Order 1972 for Taking Over of Control and Management of Industrial and Commercial Concerns (President's Order 1 of 1972); the Bangladesh Bank Nationalization Order 1972 (President's Order 26 of 1972); and the Bangladesh Industrial Enterprises Nationalization Order 1972.

¹⁷⁶ Caf Dowlah, *Privatization Experience in Bangladesh: A World Bank Study for the Period 1991–1996*, (Dhaka: World Bank, Dhaka, 1997).

¹⁷⁷ Caf Dowlah, "Benefits of Privatization: Evidence from State-owned Enterprises Privatized in Bangladesh During 1991–96." *The Asia-Pacific Development Journal* (December 1998).

pragmatism. Ahsan, for instance, claims that Sheikh Mujib was pragmatic in governing newly liberated Bangladesh and that he was not an ideologue: “Socialism, to him, was not an end in itself but an instrument to realize [that] goal. If he could find another way of improving people’s socio-economic conditions, he was quite willing to follow such a path (Ahsan 2022).”¹⁷⁸ On a similar disposition, Jahan and Sobhan assert that Mujib was not driven by ideology but was pragmatic, driven largely by his desire to elevate the conditions of the common people (Jahan and Sobhan 2021).¹⁷⁹ Certainly, we cannot deny Mujib’s virtue of political pragmatism. Conversely, though, it would seem misleading to attempt to reject ‘social democracy and socialist economic orientation’, which was predominant in his political thoughts and guided the foundation of his economic model. There is a greater sign that socialism was entrenched in the struggle for political and economic emancipation of East Bengal even long before independence, which could have directed the freedom struggle resulting in the birth of Bangladesh.

Socialism, a political philosophy, and form of governance, seeks to promote social ownership and democratic control of the means of production, eliminate exploitation of workers, and consolidate the political power of labour (Hudis 2018).¹⁸⁰

Marx (1984) posits that society comprised distinct classes, wherein those in control of the means of production wielded their power to exploit the labour class.¹⁸¹ This concept, as exemplified, served as a source of inspiration for political entities like the German Social Democratic Party and leaders such as Vladimir Lenin and Mao Zedong.

In the 1960s, the political philosophy of secularism and socialism were already incorporated into the Indian Constitution by Indira Gandhi’s government during the emergency (Tripathi 2015).¹⁸² With a view to safeguarding minorities and ensuring that the wealthy class would not control the economy. The privy purses of former princely

¹⁷⁸ Syed Badrul Ahsan, “Bangabandhu: the pragmatic leader,” (Dhaka: *The Daily Observer*, June 22, 2022).

¹⁷⁹ Rounaq Jahan, Rehman Sobhan, “Mujib’s economic policies and their relevance today,” (Dhaka: *Dhaka Tribune* August 14, 2021).

¹⁸⁰ Peter Hudis, “Marx’s Concept of Socialism,” in Hudis, Peter; Vidal, Matt; Smith, Tony; Rotta, Tomás; and Prew, Paul, eds. *The Oxford Handbook of Karl Marx* (Oxford University Press, 2018)

¹⁸¹ Karl Marx and Friedrich Engels, *The Communist Manifesto*, (1848)

¹⁸² Salil Tripathi, “Why secularism and socialism are integral to the Indian Constitution,” (Livemint.com, February 02, 2015).

states were abolished, and banks were nationalized (Constitution of India, 1971).¹⁸³ Mrs. Gandhi sought to enshrine the idea of a socialistic pattern of society and established closed ties with the Soviet Union (Tripathi 2015; Weinraub 1973).¹⁸⁴

There is hardly any disagreement among scholars about how close Sheikh Mujib was to Mrs. Gandhi and how she not only helped Bangladesh's freedom movement militarily, morally, and politically but also deployed her diplomacy and influence at its highest to save Mujib from a potential execution by the Pakistani administration while Mujib was in custody. Thus, there is an agreeable proposition that suggest that Mujib could have been influenced by Gandhi's modes of governance.

We can establish this association in two ways: firstly, how socialism had a root in the political and economic emancipation of East Pakistan, and secondly, how socialism as an ideology was applied as an instrument to mobilize the autonomy movement in East Pakistan, which turned into a freedom movement. And consequently, the principles of secularism and socialism were incorporated into the first constitution of Bangladesh, which guided the Mujib government's economic and political system the most. This was most relevant in the context of Bangladesh's struggle against the oppressive policies of the then Pakistani government and the ruling elite. So, socialism was taking shape in the 1960s very deeply through political mobilization.

3.4.1 Political mobilization and socialist base: The Awami League became the dominant political force in East Pakistan, engaged in political mobilization with the 15-point agenda and the 6-point agenda in the 1960s, and the election manifesto of 1968 was predominantly driven by socialist political and economic ideology. This party during Pakistani rule battled for economic emancipation and a larger share of resources for the progress of East Pakistan (Rashid 2021).¹⁸⁵ It demanded major participation in political

¹⁸³ A privy purse was a disbursement made to the ruling families of erstwhile princely states in India as part of the agreement. 26th Amendment, The Constitution of India, 1971, 29 December 1971.

¹⁸⁴ Salil Tripathi 2015, op. cit.; Bernard Weinraub "Indian Shift Seen in Ties to Soviet," (New Delhi: *The New York Times*, March 5, 1973).

¹⁸⁵ Harun-or-Rashid, *From 1947 Partition to Bangladesh: Bangabandhu and State Formation in Perspective* (Dhaka: UPL 2021)

and economic policymaking. By the late 1960s, the main demand of the party was seeking autonomy for East Pakistan in regard to economic activity and foreign exchange resources.

The mass mobilization for the autonomy movement in East Pakistan derived from the ideology against large-scale industries and labour exploitation. Large-scale industries were owned by West Pakistani industrialists, and the workers in these industries were predominantly from East Pakistan. Student activists at Dhaka University saw the opportunity that, in order to generate mass movement against the Pakistani capitalists, mobilization of protest in the milieu of labour exploitation would be effective (Rashid 2024).¹⁸⁶

Traders and industrialists were few in number in East Pakistan. They suffered from disadvantages compared with the more established Pakistani ones. Having the economic interest, this group provided the main support to the party. Most important supporters were the middle- or surplus-class farmers from rural areas. They were in command of the local government and had trade and business interests that linked up with the urban middle class. The Awami League gained increasingly strong support from the urban elite, intellectuals, and professionals, becoming the strongest voice demanding greater economic opportunities in East Pakistan (Islam 1977).¹⁸⁷

Large-scale industries in East Pakistan were largely owned by Pakistani entrepreneurs. The party drew support from the labour unions in these industries. A part of the nationalist struggle was to organize a labour union movement against the Pakistani owners. The Awami League, demanding higher wages and better working conditions, had been very useful in mobilizing popular support for the labour unions. Since the main motivation was freedom from the political and economic dominance of Pakistan, the party could gain considerable support from all sections of the population.

¹⁸⁶ Harun-or-Rashid, *Understanding Fifty Years of Bangladesh Politics: Struggles, Achievements, and Challenges* (forthcoming, Routledge India, March 13, 2024,)

¹⁸⁷ Nurul Islam, 1977.

One could see the interlinking logic between socialist economic orientation, autonomy demand, and mass mobilization in East Pakistan. The Awami League's socialist orientation was taking shape when the party began to gain popular support. It was its socialist economic program that was shaping the autonomy movement. Again, it was the autonomy movement that was creating mass mobilization.

Initially, the party accommodated members with more moderate right and moderate left ideologies. However, over time, workers and students with radical views started to put pressure on the party to adopt more radical and socialist programs. This was partially because in the late 1960s, students and workers became a strong force in the struggle for autonomy. This is when the nationalist movement was getting momentum. Between 1958 and 1969, the military general Ayub Khan ruled Pakistan. The Six-Point Movement led by Sheikh Mujibur Rahman and launched in 1966 encountered a brief hiatus following the widespread arrest of Awami League leaders, Mujib included. During this lull, the torch of the autonomy movement was upheld primarily by the fervour of student activists. Concurrently, this period witnessed the ascent of radical elements within the student and worker factions of the party.

In 1968, the students at Dhaka University orchestrated a cohesive movement that swiftly evolved into a mass uprising. By October of the same year, a political alliance emerged between the East Pakistan Students League and the Menon and Matia groups of the East Pakistan Students Union. The Awami Student League and the left-wing student organization (oriented toward Moscow) formed a political alliance called the Chhatra Sangram Parishad' and announced 'the eleven-point charter of demand, which was outlined as a remedy to the acute economic inequality in East Pakistan. The drive for autonomy and democracy, encapsulated in 'the eleven points' that also incorporated the six-point demands, gained momentum. During the general election of 1970, the Awami League effectively rallied widespread backing. Sheikh Mujibur Rahman secured a resounding triumph in the elections (Ali 1970).¹⁸⁸

¹⁸⁸ Tariq Ali, *Pakistan: Military Rule or People's Power* (London and New York: Cape, 1970).

The election manifesto of the Awami League in 1970 made explicit guidelines for a socialist economic policy; Establishment of a socialist economy: nationalization of banks, insurance companies, jute, cotton, textile mills, and heavy industries; Land reforms: A change in the land ownership system with a view to allocating land among the landless labourers (Manna 1970).¹⁸⁹

Kalam Hossain, who played an influential role in drafting the first constitution of Bangladesh, affirmed that socialist ideas guided the constitution (K. Hossain, personal communication, August 20, 2019).¹⁹⁰ With the view that “people shall own or control the instruments and means of production and distribution (Bangladesh Constitution 1972).”¹⁹¹ Tajuddin Ahmed, in his first budget speech, stated that in recognition of all the sacrifices the nation has made, the government adheres to “establishing an exploitation-free society (Bangladesh govt. 1972).¹⁹²”

Although a small fraction of the political executive branch favoured an economic model that could offer the coexistence of private, cooperative, and state enterprise, However, a majority sentiment believed that under socialism, there would be only state enterprises and worker co-operatives. They feared that allowing private capital could exploit the labour. And a significant role for private enterprise in the initial stage would result in strengthening the forces against socialism. This view received widespread support from the general public. In the end, the state intervention model received major support from workers, labour unions, and academic and intellectual circles as well (Yusuf 1985).¹⁹³

¹⁸⁹ A. Mannan, Manifesto of the All-Pakistan Awami League, Publicity Secretary, All Pakistan Awami League, 1970.

¹⁹⁰ Dr. Kamal Hossain (Law and foreign minister under the Mujib government), in discussion with the author, (Dhaka: August 20, 2019).

¹⁹¹ Preamble, *the Constitution of the People's Republic of Bangladesh*, (Dhaka: Ministry of Law, Justice, and Parliamentary Affairs, November 4, 1972). p.4.

¹⁹² Tajuddin Ahmed, Finance and Planning Minister, First Budget Speech of Bangladesh (Dhaka: Ministry of Finance and Planning, June 30, 1972). P. 2.

¹⁹³ Fazlul Hasan Yusuf, *Nationalization of Industries in Bangladesh* (Dhaka: National Institute of Local Government, 1985).

3.4.2 Economic exploitation and socialist orientation: The socialist economic model was viewed to remedy the economic exploitation done over the decades by the Pakistani ruling apparatus (K. Hossain, personal communication, August 20, 2019).¹⁹⁴ Sheikh Mujib defined exploitation by the then ruling Pakistan government: “23 years of Pakistani rule in Bangladesh was a history of exploitation. Particularly, 10 years of Ayub Khan Rule created a slavery-like condition (Bangladesh Betar 2022).”¹⁹⁵

Documents such as the first budget speech and the first five-year plan made it clear that the economic policies would emphasize creating an exploitation-free society (Bangladesh govt. 1972).¹⁹⁶ Kamal Hossain, a young lawyer and activist of the autonomy movement, whose motivation derived from creating an exploitation-free society, later became a cabinet minister under the Mujib government. Likewise, top advisors to Sheikh Mujib, such as Nurul Islam, Tajuddin Ahem, and Kamal Hosain, are dedicated to building an economic system that promotes social justice and exterminates discrimination (K. Hossain, personal communication, August 20, 2019).¹⁹⁷

Bangladesh, under Pakistani rule, faced economic exploitation caused by the state-driven bureaucracy and military oligarchy. The state was captured by the dominant industrialist class, and they “maintained a patronage relationship with the bureaucracy and thus controlled the economy (Alavi 1974).”¹⁹⁸ Mahbub Alam, an eminent economist, was the first to reveal that the economy of Pakistan was dominated by 22 families. Gohar Ayub, son of President General Ayub Khan, established an association with Ghandhara Industries and channelled political power into business (Kochanek 1983).¹⁹⁹ During the 1970s, these families in control of industrial enterprises held sway over 66 percent of

¹⁹⁴ Dr. Kamal Hossain (law and foreign minister under the Mujib government), in discussion with the author (Dhaka: August 20, 2019).

¹⁹⁵ Sheikh Mujibur Rahman, *The 7th of March 1970 Speech* (Dhaka: Bangladesh Betar, Bangladesh Film Archive, Liberation War Museum, 2022).

¹⁹⁶ First Budget Speech of Bangladesh (Dhaka: Ministry of Finance and Planning, June 30, 1972).

¹⁹⁷ Dr. Kamal Hossain (law and foreign minister under the Mujib government), in discussion with the author (Dhaka: August 20, 2019).

¹⁹⁸ *Ibid.*, p.69.

¹⁹⁹ Stanley A Kochanek, *Interest Groups and Development: Business and Politics in Pakistan* (Delhi: Oxford University Press, 1983).

industrial capital, dominated 70 percent of the insurance sector, and commanded 80 percent of the banking domain (Pakistan News Digest, 1970).²⁰⁰ Their influence extended to the point where they could shape government policies (Maniruzzaman 1966).²⁰¹

Development policies of East Pakistan (Bangladesh) were planned and decided by the central government in West Pakistan without the consent of the Bangladeshi representatives, and again, these policies were in the interests of power elites. As a result, Bengalis even in their own homeland had limited rights of entry; they could only engage in the middle or lower ranges of economic activities (Singh and Singh 1973).²⁰²

One of the vital aspects of discriminatory policies could be traced to how the ethnic imbalances were demonstrated in state departments and services. Despite the larger population size of East Pakistan than that of West Pakistan, Bengali participation in civil-military bureaucratic departments was disproportionately low. (See table below.)²⁰³

Table 1: ethnic imbalance in the state departments (Singh 1973)

	East Pakistan	West Pakistan
Population	54%	46%
Employees in Central Civil Services	16%	84%
Employees Foreign service	5%	95%
Army generals	9%	91%
Navy (technical)	11%	89%
Navy (non-technical)	9%	91%
Pilots in the Air Force	11%	89%

²⁰⁰ The Pakistan News Digest (Karachi: 15 June 1970).

²⁰¹ Talukder Maniruzzaman, "Group Interests in Pakistan Politics 1974–58," *Pacific Affairs*, Vol. 39, Nos. 1 and 2 (1966): 79-98.

²⁰² Daljit Singh and Katherine Singh, "The Military Elites and Problems of National Integration in India and Pakistan," *Indian Journal of Politics*, Vol.VII, No.2 (December 1973): 165–76.

²⁰³ *Sources:* *ibid.*

A body of literature explains in a number of ways how the ruling elite influenced state policy, which led to economic exploitation (Chowdhury, 1969; Griffin, 1965; Misra, 1972; Yusuf, 1985; Kochanek, 1993).²⁰⁴ Although the strategy was the conversion of agrarian surplus into capital for industry, industrial development was concentrated in West Pakistan. A bigger contribution of the economy was channelled from the jute exports of East Pakistan. Foreign income earned through the export of agricultural products from East Pakistan was used to import raw materials for industries in Pakistan. Furthermore, industrial licensing and regulations for raw material imports into East Pakistan were very discriminatory in comparison to West Pakistan. The study also shows that the trade between East and West Pakistan was unequal, imperial trade (Misra 1972).²⁰⁵

This explains that East Pakistan's autonomy movement certainly did not emerge from the elite bureaucrats and civil servants, who were few in number; rather, it emerged from the working class, who were the majority in numbers and who were oppressed by the exploitative measures of West Pakistan. Student activists articulated the labour class to mobilize the autonomy movement. Without the massive support from the labour class and the student activities, the Awami League's political goals would probably have been hard to achieve.

3.5 Post-war Policy Planning

The state under the Mujib government was tasked with a herculean task. Dealing with the post-war traumatic conditions—damage to the infrastructure and transportation system, dislocation of institutions, a massive immigration crisis, the state's financial crisis, a food crisis, and the list could be much longer—and the manner in which these issues were taken care of lays the foundation for how the policy committee puzzled over the policy regarding this crisis, which could have led to an autarkic policy. The following section provides a brief outline of these issues.

²⁰⁴ A.H.N. Nuruddin Chowdhury, "Some Reflections on Income Redistribution and Intermediation in Pakistan," *Pakistan Development Review*, Vol. 9 (1969): 95–109. Keith B. Griffin, "Financing Development Plans in Pakistan," *Pakistan Development Review*, vol. 5, (1965): 601–30; K.P. Misra, "Intra-State Imperialism: The Case of Pakistan," *Journal of Peace Research*, Vol. 9, No. 1(1972): 27–39.

²⁰⁵ K.P. Misra 1972, op. cit.

3.5.1 Migration crisis: About ten million people fled war in Bangladesh and became refugees in India. Suddenly, they started to return home as the war ended. But home for them was merely ruins. Many could not even identify their home, which remained after the war. There were also issues related to inland displacement. Most of the refugees returned to Bangladesh by mid-March 1972. Rehabilitation of returnees from India as well as internally displaced war victims numbering several million has become a herculean task for the Mujib government.

In 1972, The Sailer Report and the World Bank pegged the price tag for migration rehabilitation at a range of \$1 billion to \$2 billion. In contrast, the government's assessment tallied up to \$3 billion (Sailer 1972; World Bank 1972).²⁰⁶ Dowlah (2016) contended that while Bangladesh held high hopes for substantial international aid from the Soviet bloc, the bulk of foreign assistance actually flowed in from Western nations.²⁰⁷ Sobhan (1982) argued that even during Pakistani rule, more than 90% of the commodity aid East Pakistan received came from Western countries, while just about 5% came from the socialist bloc.²⁰⁸

3.5.2 Food crisis: The agricultural sector of the nation bore the brunt of immense damage during the liberation war. Across many regions, farmers grappled with the inability to sow or reap crops. Millions sought refuge in India, facing displacement and casualties within the country. Pakistani forces, in numerous areas, razed villages to the ground, causing widespread disruption to life and livelihoods. Countless cattle were slaughtered, and irrigation pumps numbered in the thousands were laid to waste. The critical flow of agricultural essentials like fertilizer, irrigation tools, seeds, and more faced severe disruptions due to the near-complete breakdown of the transportation and communication networks. Consequently, a sharp decline in rice production posed a grave

²⁰⁶ Erna Sailer, *Ambassador Erna Sailer's Report on the Mission of High-Level United Nations Consultants to Bangladesh* (New York: United Nations, 1972); World Bank, *Restructuring the Economy of Bangladesh, Volume I: The Main Report* (Washington, D.C.: South Asia Department, 1972).

²⁰⁷ Caf Dowlah, *The Bangladesh Liberation War, the Sheikh Mujib Regime, and Contemporary Controversies* (Boulder, New York: Lexington Books, 2016).

²⁰⁸ Reman Sobhan, *The Crisis of External Dependence: The Political Economy of Foreign Aid to Bangladesh* (Dhaka: Bangladesh University Press, 1982).

threat to national food security, pushing the country perilously close to a famine-like situation (Dowlah 2016).²⁰⁹

In the fiscal year 1971–1972, the production of the three key rice crops—Aus, Aman, and Boro—registered a 20% decrease compared to the 1969 figures. Consequently, per capita food availability dwindled to 332 lbs in 1971–72, marking a decline from the 388 lbs recorded in 1969–70 (Dowlah 2016).²¹⁰

In addition to rallying international aid, the state apparatus found itself grappling with the monumental challenge of ensuring widespread food distribution across the nation. A colossal initiative known as the Public Food-Grains Distribution System (PFDS) was set into motion. The PFDS enlisted participants from all walks of life, spanning students and educators to labourers and government officials, encompassing military personnel and state-owned enterprises. With the country's transportation and communication infrastructure nearly decimated, the distribution of goods encountered formidable obstacles in reaching remote areas. Aid from the Indian army, the United Nations, and the IDRC, facilitated through planes and helicopters, played a crucial role in alleviating these challenges.

Adding to the relentless challenges, Bangladesh faced its worst flood in 1974. The Planning Commission reported the staggering damage of over 1 million tons of food grains and the loss of jute exports amounting to 10 to 15 million dollars. Consequently, the prices of essential commodities skyrocketed, surging by approximately 700–800% by September 1974. Prime Minister Sheikh Mujib remarked on the existence of a “near famine condition” in the country. The Minister for Food and Relief, addressing Parliament on November 22, 1974, declared that roughly 27,500 people succumbed to starvation and diseases (Bangladesh Observer 1973).²¹¹

3.5.3 Transport and communication systems: The widely known Ambassador Erma Sailer's Report of 1972 describes the horror of war, which caused massive

²⁰⁹ Dowlah 2016, op. cit.

²¹⁰ Dowlah 2016, op. cit.

²¹¹ *The Bangladesh Observer* (Dhaka: November 23, 1974).

destruction in Bangladesh (Sailer 1972).²¹² An urgent and acute need has arisen to reconstruct the entire transportation and communication infrastructure of the nation, encompassing roads, railways, waterways, and airlines. The extensive disruption in the country's inland water traffic is conspicuous, with a multitude of inland and ocean vessels, as well as ferries, either destroyed or rendered inoperable.

The nation boasted two seaports, Chittagong and Chhalna, renowned for their capability to accommodate ocean-going vessels. Chittagong Port had risen to prominence as an international seaport. However, the ravages of war inflicted significant damage on the port, leading to the loss of numerous transit sheds, grab dredgers, and other essential cargo-handling equipment. Meanwhile, Chhalna port, responsible for managing the export of jute and its products from the northern districts, saw almost half of its operational capacity erode during the war.

For a riverine country, waterways play an important role in cargo transport. Ferries were the lifeline of Bangladesh's water-based communication system.

Amidst the war, approximately one-third of the nation's fleet, encompassing both passenger and cargo vessels, found themselves either crippled or submerged. On the western bank of the Jamuna River, a rail network seamlessly linked the northern and southern reaches of the country, while its eastern counterpart interconnected the eastern and south-eastern domains. The ravages of war left an indelible mark on these vital railway systems, causing extensive damage. A staggering total of 295 railway bridges, spanning crucial crossings like the Hardinge Bridge over the Padma and others over the Meghna, Brahmaputra, and Teesta rivers, succumbed to destruction. The onslaught spared no mercy for the aerial domain, as all airports and airfields faced bombing and consequent damage. In the immediate aftermath, the intricate web of international services pivoted through Calcutta, acting as the pivotal nerve centre for Bangladesh's international relief operations (Word Bank 1972).²¹³

²¹² Erna Sailer 1972, op. cit.

²¹³ World Bank 1972, op. cit.

3.5.4 The state's financial crisis: The war-torn economy received a substantial amount of relief aid, carried out by the United Nations Relief Organization in Bangladesh (UNROB) and other international organizations, which helped prevent the economy from crushing: “My government gratefully acknowledges the efforts of the United Nations and a number of friendly countries for their help, particularly in the critical fields of food supplies and their distribution. Thanks to such multilateral and bilateral assistance, particularly from our great friend and neighbour India, and the resolute efforts of our people, we have been able to avoid major economic crises. We have made progress toward the resettlement of refugees, the reconstruction of physical infrastructure, and the restoration of domestic production and exports (IMF 1972).”²¹⁴

Tajuddin Ahmad, the finance minister of the Mujib government, presented the historic first budget of Bangladesh to the nation with great enthusiasm. He defined it as the budget for development, rehabilitation, and reconstruction. In his budget speech, Ahmed stressed the lessening of the gap between lower and higher income groups of society, achieving self-sufficiency in food, increasing growth rates, and ensuring equitable distribution to enable the idea of laying the groundwork for a socialist society that would be free of exploitation.²¹⁵ The total size of the budget was TAKA 786 crores, and over 75% of the budget for the development program was funded by foreign aid (Rafi and Khan 2021).²¹⁶

Nurul Islam describes how, by the end of 1973, global finance was confronted with a severe financial crisis. A surge in global oil and food prices caused worldwide inflation. This has relentlessly impacted Bangladesh's economy, causing a large-scale budget deficit and inflation, which led to an increase in commodity prices. As a result, Bangladesh faced a balance of payment crisis as well. One of the ways the planning machinery has dealt with the situation has been, first and foremost, trying to avoid a food crisis. Increase the

²¹⁴ Tajuddin Ahmed, “Statement by the Governor of the Fund for Bangladesh,” Annual Meeting of the Board of Governors, the International Bank for Reconstruction and Development (Washington D.C.: the International Monetary Fund, September 25–29, 1972).

²¹⁵ Shamsuddoza Sajen, The First Budget of Bangladesh: Bangabandhu’s Nation-Building Challenges, The Daily Star (Dhaka: June 30, 2020).

²¹⁶ Khandaker Muhtasim Rafi and Farah Hamud Khan, “The Early Trends of Development Aid to Bangladesh,” *LightCastle Analytics Wing* (Dhaka: June 17, 2021).

stockpile of rice and wheat in public warehouses and speed up the massive supply to the people. But alas, the government lacked the finances to import food (Islam 2020).²¹⁷

Talukder Maniruzzaman posited that as UNROB operations approached their conclusion, Bangladesh's economic landscape began exhibiting escalating signs of crisis (Maniruzzaman 1975).²¹⁸ Despite this, the influx of printed currency persisted, leading to a staggering 300-400% surge in the prices of essential consumer goods. Simultaneously, there emerged a substantial deficit in the anticipated government revenue. The economic brinkmanship faced by Bangladesh was further compounded by the onslaught of the most severe flood experienced in July and August of 1974 (Bangladesh Observer 1974).²¹⁹ This natural disaster wreaked havoc, causing a drastic decline in industrial production, a plunge in export earnings, and the depletion of vital agricultural yields (Ahmad 1974).²²⁰ The industrial sector witnessed a sharp downturn, while the estimated deficit for import payments during the fiscal year from July 1974 to June 1975 surpassed Taka 9,000,000,000 (Bangladesh Observer 1974).²²¹ In a poignant declaration in June 1974, Tajuddin Ahmed asserted that the realization of the 1973-74 development plan was virtually impossible, marking a point where the country's economy stood on the precipice of collapse (Holiday 1974).²²²

Dealing with these traumatic conditions, as explained above, led to a situation where the idea of an import substitution model became influential in the economic planning in the early phase of the Mujib government.

²¹⁷ Nurul Islam, *Bangabandhu Shekh Mujibur Rahman: kache theke dekha* (Dhaka: Prothoma Prokashan, 2020).

²¹⁸ Talukder Maniruzzaman, "Bangladesh in 1974: Economic Crisis and Political Polarization," *Asian Survey*, Vol. 15, No. 2 (February 1975): 117-12.

²¹⁹ *The Bangladesh Observer* (Dhaka: November 23, 1974).

²²⁰ Q. K. Ahmad, "Aspects of the Management of Nationalized in Bangladesh," *The Bangladesh Development Studies*, Vol. II, No. 3 (July 1974): pp. 678-679

²²¹ The statement in the Parliament by Taheruddin Thakur, Minister of State, on November 19, 1974 (Dhaka: The Bangladesh Observer, November 20, 1974).

²²² *Holiday* (June 9, 1974).

3.6 New and Emerging Ideas and Policy Puzzles: Accommodation of the Private Sector

“In many ways, the Mujib period is the most fascinating in the turbulent recent history of the Bengalis [Bangladesh]. The policies, issues, and patterns that surfaced during this short period have had a profound influence on the shape of events that followed (Humphrey 1992).”²²³

This section captures how and why the ‘puzzling’ over the autarkic policy articulated a new kind of thinking within the state, resulting in a shift in a privatization-friendly direction. It highlights what factors caused the self-realization and self-criticism of the state apparatus over the import substitution policy, which could give rise to a new policy shift from the existing one.

There are two aspects that support this proposition: one is that the policymakers learned that the results were not good; secondly, there were also new ideas that were taking shape. The goal remains the same. However, the instruments or institutions seem to be changing here. The goal has been, as mentioned earlier, economic growth to lift the country out of poverty and create employment for a vast unemployed population that was devastated by war. To achieve this goal in the initial phase, the instrument was perceived as the ‘import-substitution industrialization, and now that instrument seems to be partly replaced by a new kind of instrument, which is the outward-looking industrialization model.

The import substitution industrialization model produced an outcome that was the reverse of what was predicted and desired. This model led to the extermination of the manufacturing sector from the global market and resulted in low production with nearly no competition, thus causing a shrinking of export growth and a decline in the promotion of the export sector. Owing to economic seclusion, the autarchic industrialization resulting in self-realization driven by thinking within the planning machinery soon assumed a shift in policy towards a rather outward-looking orientation. Debates emerged in the elite

²²³ Humphrey 1992, op. cit.: P.63.

technocracy and executive branch about effectiveness and creating opportunities for expanding international trade.

There were a number of ways in which the public sector promoted corruption and produced bad results. Most profoundly, the system was highly politicized, which consequently resulted in inefficiency, lower competitiveness, and sluggish growth in production. Such a situation led to a realization in the planning machinery. This highlights the emergence of ideas within the state and sheds light on issues such as providing room for privatization, garnering opportunities for export promotion, and foreign direct investment.

The Bangladeshi development policy at this point in time was drawn up within a framework that largely focused on socialist transformation. In the first budget speech, it was well reflected that the goal was not only to encounter short-term problems but also to prepare the socialist ground for long-term goals (Bangladesh govt. 1972).²²⁴ But then again, has this strategy achieved the expected development goals?

The nationalization policy had put limits on private investment. This measure radically diminished the role of the private sector in large industries and the operations of foreign private enterprises in Bangladesh (Islam 1985).²²⁵ The planning commission started to realize that there was discontent in society regarding the import-substitution policy. Muhit (2019), for instance, evoked that the domestic business and industrial community were not pleased by the policy, yet they were not in a position to criticize it but accept the course of action under the circumstances where the influence of the ruling Awami League dominated the government planning machinery in a coercive way.²²⁶ With the similar tone, a section of society even started criticizing the policy. For example, a notable

224 Tajuddin Ahmed, Finance and Planning Minister, First Budget Speech of Bangladesh (Dhaka: Finance and Planning Minister of Bangladesh, June 30, 1972): P.15

225 Syed Serajul Islam, "The Role of the State in the Economic Development of Bangladesh during the Mujib Regime (1971–1977)," *The Journal of Developing Areas*, Vol. 19, No. 2 (January 1985): pp. 208.

226 Abul Mal Abdul Muhith (Minister for planning and finance under the Ershad government, top policy planner under the Mujib government), in discussion with the author (Dhaka: September 2, 2019).

intellectual, namely, Abul Mansor Ahmed, argued that on the eve of independence, the proud independent nation had enthusiasm for engaging in business and establishing industries and factories. This euphoria among the business community on the eve of independence eroded quickly when the Bangladesh state embarked upon the autarkic industrialization policy. In his view, the issue of industrial development in Bangladesh was a 'matter of life and death'. Without industrial development, success in economic progress could not be achieved. He claimed that the state at that moment was emphasizing economic growth through agricultural development; however, Bangladesh, a country with a small geographic size with one of the world's densely populated country, should concentrate on industrial growth, not agricultural development. He argued that the possibility of agricultural development in this country was very limited due to the lack of land (Ittefaq 1973).²²⁷

The expansion of private sector has been discontinued since the promulgation of nationalization policy on March 26, 1972. The policy did not define what role the private sector should play. Several businesses weren't subjected to nationalization; instead, the government assumed control while ownership retained its place in the private sector. Lack of clarity by the state caused unfavourable circumstances for private investment and led to a situation where private individuals transferred capital abroad through clandestine means (Ittefaq 1972).²²⁸ Smuggling then became a widespread epidemic in economic life. Mujib made a statement in a public speech that smuggling had taken a ride on the nation as a curse (Ittefaq 1973).²²⁹

In its attempt to build a strong planned economy, expecting that it would generate a satisfactory growth rate in per capita income and create employment opportunities, it could not observe an acceptable outcome. The annual growth rate was very bad in the years of 1971 and 1972 (see the table below).²³⁰

227 *The daily Ittefaq* (Dhaka: January 5, 1973).

228 *The Daily Ittefaq* (Dhaka: November 2, 1972).

229 *The daily Ittefaq* (Dhaka: January 9, 1973).

230 Data, indexmundi.com.

Table 2: GDP growth (1971-1975) (indexmundi.com)

Annual GDP growth rate in Bangladesh

Year	in percent
1971	-5.48
1972	-13.97
1973	3.33
1974	9.59
1975	-4.09

The discussion about allowing markets and trade then emerged in the planning machinery of the Bangladeshi state. For example, a top technocrat addressed this issue at an international development conference in Dhaka: “What is the role of markets and prices in an economy where a large part of the economic system is publicly operated and owned? (Islam 1973)”²³¹ This indicates that the idea of private investment within the socialist framework began to take shape.

Another crucial governance issue that might have produced bad results in competitiveness and growth has been the politicization of the top management of the nationalized industries. A seemingly inevitable scenario unfolded as an administrative tug-of-war emerged between the bureaucracy and the political executive, each vying for dominance in the governance of state-owned enterprises. For example, the governance and administration of nationalized industries and financial enterprises were set up to be managed under sectoral corporations. Jute industries, for instance, would be administered by Bangladesh Jute Industries Corporations. The following list gives an idea of the scope: as of the end of 1972, 352 industries were divided into 11 corporation networks to be governed.

²³¹ This issue was discussed by Nurul Islam, the deputy planning commission of Bangladesh, at a conference in Dhaka held in 1973.

Table 3: Nationalized industries in Bangladesh (Sobhan and Ahmad 1980)

Corporations	Number of industries
Jute Industries	77
Textile Industries	72
Sugar Mills	16
Food and Allied Products	54
Fertilizer Chemical and Pharmaceutical	13
Paper and Board	9
Tanneries	30
Steel Mills	20
Engineering and Shipbuilding	34
Minerals, Oil and Gas	7
Forest Products	20
Total	352

The top positions of those corporations and enterprises were appointed by Prime Minister Sheikh Mujibur Rahman. Indeed, the idea of such an arrangement was formulated by the planning commission to give the predominant authority to individual corporations so that all industries could be regulated by themselves rather than by governmental ministries. It was the view that corporations would govern along business lines rather than bureaucratic lines. This could allow industries and businesses to act quickly and efficiently, maximizing productivity. The validity of that hypothesis was debated; many observers argued that the structure of the corporations was similar to the traditional bureaucracy and that the designers of the structure were academics and bureaucrats, not businessmen. Nonetheless, regardless of the detached structural nature of the corporations, the bureaucratic struggle continued. The ministries and the corporations were fighting over control of the governance of the national industries; the ministries interfered disproportionately in operation processes (Sobhan and Ahmad 1980).²³²

²³² Rehman Sobhan and Muzaffer Ahmad 1980, op. cit.; Qazi Kholiquzzaman Ahmed, "The Manufacturing Sector of Bangladesh – An Overview," *The Bangladesh Development Studies*, Vol. VI. No.4 (Autumn 1978).

Yusuf (1985) argued that an endeavour to provide equal economic opportunities through socialist policy could not guide the country in the right direction. The system was not serving everyone equally; the wealth was becoming increasingly concentrated in the hands of a couple of greedy leaders. These political elites consolidated their power base and engaged in corruptly disbursing the resources of the nationalized enterprises. Yusuf called it “state capitalism .”²³³

Despite massive focus being given to agriculture-based economic development by providing huge subsidies in the agriculture department, a report showed that the production in the sector was even lower in the financial years 1971–1972 and 1972–1973. Yusuf argued that despite having an overwhelming number of public subsidies, production was unproductive. Inflation as well as prices were rising, while smuggling increased. High unemployment, negative GDP growth, and low per capita income resulted in the majority of the population living below the subsistence level.

External factors and circumstances held significant sway in policy planning, with due consideration given to their importance. The year 1973 marked a period of profound instability and escalating energy prices. Bangladesh, akin to numerous agriculture-centric economies, found itself notably susceptible to these fluctuations. Sugar prices experienced a sharp decline, and on top of that, heightened competition for synthetic fibres was diminishing the demand for Bangladesh's primary export commodity, jute.

A major hope of the planned economy, the nationalization of industries was an attempt to fulfil a dream, that is to say the economic freedom of this nation. In an infrastructure shattered and devastated by war, people's euphoria over economic freedom diminished, and the country had to confront unfulfilled dreams. The big problem that the Mujib government could not sort out in their economic planning was that “entrepreneurial

²³³ Fazlul Hasan Yusuf, *Nationalization of Industries in Bangladesh* (Dhaka: National Institute of Local Government, Oct. 1985).

talent, extremely scarce after independence, was concentrated in the private sector, not in the government (Baxter 1984).”²³⁴

These factors indicated that there had to be significant policy puzzles over the import substitution model. To the planning community as well as the political executive, it became clear that the economy was not moving in the right direction. The public sector was not performing above average, not even close to expectations. Most of the umbrella corporations became losing entities. Jute, paper, and chemical sectors were heavily losing revenue (Rahim 1978).²³⁵ As the economic conditions were worsening, self-criticism against autarkic industrial policy was gaining momentum. There was a desperate search within the state for alternative policy solutions that could stimulate economic growth and generate employment (Islam 1977).²³⁶ Rehman Sobhan, Nurul Islam, Anisur Rahman, and Mosharaf Hossain were the four key advisors on the planning commission. The sentiment in the top bureaucracy was largely in favour of a mixed economy, or at least the one guided by the Provincial Industrial Development Corporation (East Pakistan) Ordinance of 1962.

Sayed Nazrul Islam, a cabinet minister, was a promoter of the private sector who had the idea that not all industries should be nationalized. Now he explained to the press that despite the state's ownership of industries, the government wanted private engagement in business and commerce, realizing that private investment would contribute country's economic growth. Thus, domestic industrialists were encouraged to engage in small and medium-sized industries in the private sector. The state intended to assist through the state-owned banks by providing credits and loans. Establishing 'the Investment Board' on that occasion was also meant to gear up the private investment (Ittefaq 1973).²³⁷ Tajuddin Ahmed, the finance minister, in the second budget speech also hinted at the state's position: the idea of expanding the private sector: “The government is conscious of the

²³⁴ Craig Baxter, *Bangladesh: A New Nation in an Old Setting* (Boulder, Colo., and London: Westview Press, 1984): p. 849.

²³⁵ A.M.A. Rahim, *Current Issues of Bangladesh Economy* (Dhaka: Bangladesh Books International Ltd. 1978).

²³⁶ Nurul Islam 1977, op. cit.

²³⁷ *The daily Ittefaq* (Dhaka: January 9, 1973).

legitimate role of the private sector in the field of trade and commerce (Bangladesh govt. 1973).”²³⁸

With that milieu, the Mujib government yet again embarked on policy measures to encourage domestic and foreign private investment in Bangladesh. This shift in the Autarkic state was thinking differently, to consciously form its economic path towards an outward-looking industrialization policy and accommodate private sector activities. As a result, the promulgation of the New Investment Policy of 1973, the revised Investment Policy of 1974, and the devaluation of the currency in 1975 were the ways in which the import substitution policy began to shift in a new direction. The upgrading of the ceiling on private investment, allowing foreign investment, and the facilitation of import and export regulations are the incremental changes that created a shift in the socialist economic setting towards the idea of private investment for export orientation.

The following section touches upon those issues in detail to capture the endogenous processes which led to policy outcomes favouring an outward-looking direction.

3.6.1 Incremental changes: In a number of ways, an argument could be built to suggest that in spite of its socialist orientation and import substitution policy, this government has yet again initiated the path to privatization. Firstly, in its initial phase, the nationalization policy excluded small-scale industries with less than Taka 1.5 million in fixed assets. In other words, although the policy put a limit on large-scale private investment and large-scale private capital, it did allow small-scale private firms.

The new investment policy of 1973, which was promulgated on January 8, marked the initiation of imposing a cap on private investment and a certain extent of foreign private business operations in Bangladesh (Investment policy 1973).²³⁹ Foreign investment was permissible within the stipulated limit only through collaboration with the state, which mandated a minimum 51 percent share in equity capital. Collaboration between foreign

²³⁸ The Budget Speech, annual budget for 1973-1974 (Dhaka: Ministry of Planning and Finance, Government of Bangladesh, 14 January 1973.)

²³⁹ The new investment policy of 1973 (Dhaka: Government of Bangladesh, Ministry of Industry, January 8, 1973).

private companies and domestic counterparts was restricted to licensing and patents, excluding any equity involvement. This policy set a limited role of the private sector in Bangladesh to small and medium-sized units with assets not surpassing Taka 25 lakhs, with potential growth to Taka 35 lakhs through reinvestment of profits.

Restrictions for foreign investors still remained rigorous. It is clearly stated in the policy that foreign investment is permitted only with limits because the state wants to keep order and balance in a socialist economic setting. Thus, foreign forces must follow this domestic economic order.

Escalating price levels in both local and global markets, coupled with the exorbitant costs of machinery, have posed formidable challenges for establishing new industries in the private sector within the confines of the investment ceiling stipulated by the recent policy. Prohibited from engaging in pivotal sectors like jute, textile, and sugar industries, and facing the prospect of 15 additional areas being added to the restricted list, the private sector finds itself constrained. In this scenario, the black market emerges as the predominant avenue for business activities, becoming the de facto major business pursuit for private enterprises (Yusuf 1985).²⁴⁰

Scholars argued that such regulations strictly restricted both domestic and foreign private investment in Bangladesh (Islam 1985).²⁴¹ Nevertheless, one may see that this incremental change was a window of opportunity for private and foreign investors after two years of stagnation since independence.

While distinguishing the roles of public and private investment, the government recognized that there were alternative ways to do it. Some members of the Cabinet proposed to reserve a small amount of selected sectors for public investment, particularly

²⁴⁰ Fazlul Hasan Yusuf, *Nationalization of Industries in Bangladesh* (Dhaka: National Institute of Local Government, October 1985).

²⁴¹ Syed Serajul Islam, "The Role of the State in the Economic Development of Bangladesh during the Mujib Regime (1972–1975)," *The Journal of Developing Areas*, Vol. 19, No. 2 (January 1985): pp. 185-208.

those that would require large scale capital, sophisticated technology, and administrative expertise, and the rest could be open for private investment. Others proposed that the way to curb the growth of large private investment would be to expand the private sector beyond a certain limit, with the condition that the government obtains a partnership, with or without major control by the government. These proposals were rejected at the end, even though there were divergent views within the Cabinet (Islam 1977).²⁴² This is due to the fact that the government sought to prevent the rise of a new capitalist class that could operate large-scale industries outside the orbit of the nationalized sectors.

The first five-year plan, which came up in November 1973 after the new investment policy, proposed that the private sector should, in most cases, supplement rather than compete with the public sector. The plan suggested that the private sector could invest in small industries such as engineering, food and allied products, service, textile goods, printing and publishing, chemicals, leather, and rubber products. Traditionally, these are sectors where profitability is high and demand is high, employment creation is significant due to the higher labour intensity of operations, and the technology involved is simple (The First Five-Year Plan, 1973).²⁴³

In early 1974, the executive branch brought up before the cabinet the issue of the ceiling on private investment for discussion. Some members thought that the ceiling on private investment was too low. The majority in the cabinet was of the view that a larger role for private investment, both domestic and foreign, had become necessary (Planning Commission, 1974).²⁴⁴ Syed Nazrul Islam, minister for industries, argued for raising the investment ceiling for a couple of reasons (Islam 1977).²⁴⁵ With reference to the industrial minister, Nurul Islam, deputy of the planning commission, later explained the economic situation of that time as follows: Economic activities in the private sector were conducted in an illicit manner, as the legitimate way of doing private business was too strictly

242 Nurul Islam 1977, op. cit.

243 *The First Five-Year Plan of 1973-1978*, Planning Commission, (Dacca: 1973).

244 Planning Commission, Minutes of the Meeting Held on March 3, 1974 (Dacca: Government Press, 1974).

245 Nurul Islam, *Development Planning in Bangladesh: A Study in Political Economy* (London: C. Hurst and Company, 1977).

controlled by the state, and yet the state could not prevent it. “High profits were earned in domestic and import trading activities, including illegal trade such as trade at the border. Since these transactions were illegal, the risk premium was high, and hence the profits, once realized, were high. In addition, many residential buildings and trading or commercial enterprises, abandoned by Pakistanis, were illegally occupied by private persons, in some cases under the cover of political protection (Islam 1977).”²⁴⁶

The industrial minister revealed that equipment prices had gone up by 200 percent. Many applications for private investment were in fact above Tk 25 lakhs but concealed the higher cost in order to acquire permission.²⁴⁷ Emphasizing the wealth of experience held by the entrepreneurs of major industries, he underscored the importance of recognizing them as seasoned entrepreneurs and considering them valuable assets for the nation. Their expertise, he argued, should be harnessed to contribute significantly to the economic development of the country: “An upward revision of the ceiling on investment in individual enterprise as well as an enlargement of the private share in total industrial investment was looked upon as a confirmation of the government’s positive attitude towards encouraging a thriving private sector in the future (Islam 1977).”²⁴⁸

The industrial minister proposed the elimination of the provision of a ceiling on private investment in general. Tajuddin Ahmed, the finance minister, however, and several other cabinet members objected to the idea of removing the ceiling provision in the private sector. After an extended debate, the cabinet reached a negotiation that day. It decided to go for the proposed suggestion, raising the ceiling on private investment.

The revised investment policy, which was promulgated on July 16, 1974, came into effect immediately. It projected an expanded role for private investment, considering the mobilization of investment funds. The terms and conditions of foreign investment in Bangladesh were also modified. In this policy change, foreign private investors were allowed to cooperate with both the state and private entrepreneurs. Foreign equity

246 Ibid., p. 244.

247 Planning Commission, Minutes of the Meeting Held on March 3, 1974 (Dacca: Government Press, 1974).

248 Nurul Islam 1977, op. cit., p. 245.

participation in the private sector was limited to industries where “technical know-how is not locally available, the technology involved is very complicated, capital outlay is high, and industries based on local raw materials or wholly export-oriented industries (Investment Policy, 1974).”²⁴⁹

In the revised investment policy, the ceiling on private investment is now raised from Taka 25 lakhs to Taka three crores. The ceiling provision on foreign investment was completely withdrawn. A seven-year tax holiday was given, and other incentives for private investors were announced. This policy also offered financial support and supplementary incentives in the case of new investments.

3.6.2 Ideas on export sector: A couple of aspects captured section indicates that policymakers were thinking with respect to the expansion of export orientation.

Nurul Islam, in the first five-year plan reflected the need to consider new ways of thinking regarding export and import regimes. This indicates how the ‘puzzling’ over export orientation was taking shape: “Export-oriented industries as well as efficiently selected import substitution industries, which contribute to diminishing strains on the balance of payments, deserve special consideration. However, indiscriminate import substitution leading to sub-optimal allocation of resources should be avoided. Initially, the possibility of diversifying exports seems limited. Hence, more emphasis has been placed on import substitution. However, attempts have been made to promote newer products (e.g., urea) for export wherever possible (The First Five-Year Plan, 1973).”²⁵⁰

Similar to the top policy planners, members of the political executives were also thinking along the same lines. For example, Ali Asraf, a cabinet member of the government, raised in the parliament the issues surrounding the export regime of Bangladesh. The export income of the country and the targeted export markets were highlighted in the discussion. Tajuddin Amhed, the finance minister, also asked about the state of the art in that respect. A report presented at that session showed that the jute export target for the year 1972 was set at 3 million bolls; however, Bangladesh could only trade 1, 98 million bolls (Bangladesh

²⁴⁹ The Revised Investment Policy of 1974 (Dhaka: Government of Bangladesh, Ministry of Industry, 16 July 1974).

²⁵⁰ *The First Five-Year Plan of 1973-1978*, Planning Commission, (Dacca: 1973).

parliament, 1973).²⁵¹ The finance minister asserted that the finance minister asserted that, in order to increase the jute export, a decision was made. Namely, the price of jute was reduced from Tk 50 to Tk 48. Sheikh Mujib too expressed his view on a foreign media that Bangladesh had the potential to boost its export regime, but the problem in the early phase was the dislocation of its trade structure. “I have very good exportable commodities, like jute, tea, hides and skins, fish, and forest goods. I can export many things; I can earn a huge amount of foreign exchange (Pilger 1973).”²⁵² In a cabinet meeting, M. R. Siddiky, the commerce minister, also stated his government’s plans and a policy to promote exports (Ittefaq 1973).²⁵³ He asserted that local private industries were encouraged to import raw materials through incentives and subsidies.

These discussions show that thinking within the state was evolving with respect to the growth of the export sector. It focused on three ways to expand its export orientation: firstly, seek out new markets for jute export; secondly, search for non-traditional export areas; and thirdly, expand trade relations through agreements.

The war-torn economy was massively suffering from the state financial crisis and could not do much to restore equilibrium between the foreign exchange needed to deal with the increased imports and the low composition of exports. The first five-year plan well stressed this concern and suggested a strategy to substantially increase the traditional export goods, principally raw jute, jute products, tea, hides and skins, and leather, and at the same time expand import substitution in the fields of cotton textile, cement, sugar, fertilizer, pharmaceuticals, and basic chemicals. The idea was to supplement foreign income and amicably create more employment (First Five-Year Plan, 1973).²⁵⁴

The table below shows that in the financial year 1973–74, Bangladesh’s export earnings decreased to 252.1 from 285.6 in FY 1972–73. A principal reason identified by the planning machinery was that Bangladesh’s export regime was heavily dependent on jute. And raw jute and jute-based products were facing a massive shortage due to several factors. It was the time when the market for jute manufacturers began to decline in many

251 Parliament session (Dhaka: Bangladesh national parliament, 23 June 1973).

252 John Richard Pilger (*ABC News*, 1973).

253 *The Daily Ittefaq* (Dhaka, 1 January 1973)

254 First Five-Year Plan, op. cit.

parts of the developed world. Firstly, jute-based packing material required heavy transports, and secondly, the use of synthetics was replacing the jute-based materials. Due to these reasons, the policy committee suggested that Bangladesh must find a way to replace its dependence on jute. A highlight was given to identify and generate non-traditional export goods.

Table 4: Export income of Bangladesh during Sheikh Mujib's period (in taka and crores) (Bangladesh Bureau of statistics).²⁵⁵

Export commodities	1972-73	1973-74	1974-75
Traditional Items: raw jute and jute manufactures; hides and skins, including leather; tea; fish, including shrimp and prawns; frogs and frog legs.	275.2	244.9	334.1
Non-traditional items: chillies, newsprint, paper and paper products, handicrafts, ready-made garments, and others	10.4	7.2	8.2
In sum (in taka crores)	285.6	252.1	342.3

Tajuddin Ahmed, the finance minister, in his first budget speech, showed two policy directions: first, Bangladesh must look for new jute markets; second, it should search for and identify the prospects of other new exportable areas. At the time, the export markets for raw jute and jute manufacturers were West European countries and the United States. A very alluring market opportunity was knocking at Bangladesh's door: that of India. A very important measure that was advocated in the first five-year plan was getting India's agreement to export jute from Bangladesh to India.

Tajuddin Ahmed explained that the government was trying to expand its trade and exports: "We have established trade relations with a number of countries and have entered into formal trade agreements with the USSR, India, Hungary, Bulgaria, and Poland in order to ensure imports of much-needed industrial raw materials, essential consumer goods, and other development requirements. In addition, specific barter trade agreements

²⁵⁵ Bangladesh Bureau of statistics (Dhaka: Government of Bangladesh).

have been signed with a number of East European countries, the USSR, India, and Burma. The total of the barter trade agreements accounts for about 10% of our export potential, which is estimated to have been over Taka 350 crores during 1972–73. The barter trade agreements have opened up possibilities for exporting our tea, newsprint, hides and skins, spices, timber, etc., for which we are now seeking new markets (First Budget Speech, 1972).”²⁵⁶

Furthermore, in the second budget speech, Tajuddin Ahmed, stated the government’s constant effort to expand the export regime: “while continuing with our efforts to promote exports to the western countries with whom we have trade relations, we are also endeavouring to enter new markets. Trade agreements with India and the countries of Eastern Europe have enabled us to dispose of our exportable surplus. The government is making every effort for the promotion of exports (Ahmed 1973).”²⁵⁷

Ultimately, a cooperation between Bangladesh and India could help Bangladesh increase its trade. The importance of this proposition had been realized. On May 17, 1974, Bangladesh and India signed an agreement to commence founding joint ventures (Faaland and Parkinson, 1976).²⁵⁸

3.6.3 Devaluation of Taka: This section delves into Shekh Mujib’s stance and struggle regarding the devaluation of the currency. The way the interaction between the technocracy and executive branch on the issue of devaluation evolved and negotiations with the IMF occurred demonstrates that, despite having resisted for a while, exogenous pressure might have played a decisive role in the Mujib government’s sliding toward the decision and finally accepting the condition of donors. The government’s point of view, while negotiating foreign aid with the international donor community, also exhibits this tendency.

In early 1973, Bangladesh’s negotiations with the World Bank went into full swing, and the first meeting was held in Dhaka in March 1973. The main issue discussed in the

256 First Budget Speech of Bangladesh (Dhaka: June 30, 1972): P.5

257 Tajuddin Ahmad, Second Budget Speech, Finance Minister (Dhaka: Government of Bangladesh, 14 June 1973). P.5

258 Just Faaland and J.R. Parkinson, 1976, op. cit.

meeting was whether Bangladesh should agree to accept the liability for foreign loans taken by the central government of Pakistan and spent in East Pakistan. Peter Cargill was indicating that unless Bangladesh agreed on this, there would be trouble in pledging aid to Bangladesh, of which Bangladesh was badly in need. However, Bangladesh was pretty firm that those loans were incurred by Pakistan, therefore they were legally liable, and Mujib was not willing to take any responsibility (Faaland and Parkinson, 1976).²⁵⁹ Muhith (A.M.A.Muhith, personal communication, September 2, 2019) recalls that despite some member countries from the donors' side, such as Germany, Sweden, and Switzerland, taking a strong position for Bangladesh, foreign aid was halted for a while. Bangladesh could not raise enough funds to import food grains.²⁶⁰ As a result, some parts of Bangladesh faced famine. This hurt the feelings of Sheikh Mujib and his government brutally.

During 1973–1975, Bangladesh had gone into a somewhat lengthy negotiation with the International Monetary Fund (IMF) and the World Bank. The donor's first and foremost precondition for Bangladesh's loan request was that the socialist government had to devalue its currency. The meetings, dialogues, and debates about devaluation that took place between Bangladesh and donors demonstrated the embedded nature of the Bangladeshi state's endogenous position. Nurul Islam, a top Bangladeshi negotiator and policymaker, asserted that the decision was autonomous even in such a critical situation.

Scholars stressed that the export and import regime stabilization was vital for the country's economic growth: "overvalued exchange rates were a major factor (Faaland and Parkinson, 1976)".²⁶¹ The policy committee was well aware of the problem and was puzzling' over it. Yet, the government thought that there were other policy preferences that needed to be taken care of before devaluation could happen. In other words, the condition was perceived as not favourable for Bangladesh at this point in time. That currency devaluation would not benefit its economy. For example, in 1973, Tajuddin Ahmed expressed his view on the adverse trade situation of Bangladesh due to the

²⁵⁹ Ibid.

²⁶⁰ Muhith, 2019, op. cit.

²⁶¹ Just Faaland and J.R. Parkinson, 1976, op. cit. p. 57

monetary issues: “Since we are dependent on imports for certain raw materials and consumer goods, the fluctuating exchange rates produced an unsettling effect on the internal price structure of the country (Second Budget Speech, 1973).”²⁶²

With a similar tune, Nurul Islam as well asserted his view favoring adjustments on exchange rates: “In view of a rise in domestic costs, wages, and prices in the last year or so, the majority of Bangladesh's exports have tended to become non-competitive in the world market (First Five-Year Plan, 1973).”²⁶³

Meanwhile, the World Bank decided to undertake a review of Bangladesh's economy. The Mujib government suggested that the study be undertaken by the Bank's Bangladesh mission, headed by Basil G. Kavalsky, in cooperation with the government and local experts (Islam 2003).²⁶⁴ However, the bank rejected this proposal, which was conducted by a team from its headquarters. The study was carried out for six weeks in September and October 1973. The report condemned the socialist policy of Bangladesh and denounced the Mujib government, saying that “new men had access to political power for the first time with little conception of how to use it for purposes other than self-aggrandizement (Planning Commission 1975).”²⁶⁵

At that time, there was no structural adjustment program set forward as a condition for loans by the Bank or the IMF, but for any loans, bilateral and multilateral, some reforms were required. In March 1973, Bangladesh had its first dialogue with the IMF, when the IMF mission visited Bangladesh with the consideration of seeking loans from the IMF. First and foremost, the delegates raised the issue that the Taka was 'overvalued' (Islam 2003).²⁶⁶ Furthermore, in order to get access to any foreign aid, Bangladesh must comply with monetary stabilization, make cuts in public subsidies, and mostly implement market-

262 Second Budget Speech, Tajuddin Ahmad, Finance Minister (Dhaka: Government of Bangladesh, 14 June 1973): p. 2

263 The First Five-Year Plan, 1973, op. cit. pp. 63–66

264 Nurul Islam, "Economic Policy Reforms and the IMF: Bangladesh Experience in the Early 1970s," in *Exploration in Development Issues* by Nurul Islam (New York: Routledge, 2003).

265 Memorandum for the Bangladesh Consortium 1974–1975 (Dhaka: Government of Bangladesh, Planning Commission): p. 26

266 Nurul Islam 2003, op. cit.

friendly policies (Hossain 2017).²⁶⁷ Mujib and his top technocrats could not accept these conditions. Mujib firmly responded against the foreign pressure: “The nation may suffer, but it would not die (Sobhan 1982).”²⁶⁸ Sheik Mujib’s view was that if the devaluation had to happen, it could only happen of its own accord and not through exogenous pressure.

In the discussions within the policy committee, the Bangladeshi state was considering a couple of issues which needed to be settled first before the currency devaluation could occur.

Abul Mal Abdul Muhith asserted that to address this issue, the first aid group meeting was convened in Dhaka in March of 1973. The World Bank delegation, headed by Peter Cargill, Vice President for the South Asia Region, included other donor-member delegates. Among the Bangladesh government representatives were Nurul Islam, M. Syeduzzaman, Dr. Kamal Hossain, and Abul Mal Abdul Muhith, with Nurul Islam presiding over the meeting (A.M.A.Muhith, personal communication, September 2, 2019).²⁶⁹

In 1974, two factors worsened the situation in Bangladesh. First, successive droughts and floods severely hindered food production. Secondly, in early 1974, Bangladesh faced a balance of payment crisis. Intensive discussions with the World Bank and IMF resulted in some momentum. Although the government acknowledged the need for devolution of currency, it disagreed with the timing and degree set by the IMF (Islam 2003).²⁷⁰

At this stage, the government was not convinced by the IMF’s proposal for several reasons (Islam 2003).²⁷¹ As long as war-damaged infrastructure, such as transport and communications, including roads, bridges, and port facilities, remained the decisive hindrance to the efficient mobility of goods, it was perceived as neither favorable nor worthwhile to change the exchange rate. Solemn difficulties with the damaged transport

267 Naomi Hossain, *The Aid Lab: Understanding Bangladesh's Unexpected Success* (Oxford University Press, 2017).

268 Reman Sobhan, *The Crisis of External Dependence: The Political Economy of Foreign Aid to Bangladesh* (Dhaka: Bangladesh University Press, 1982).

²⁶⁹ Abul Mal Abdul Muhith 2019, op. cit.

270 Nurul Islam, “Economic Policy Reforms and the IMF: Bangladesh Experience in the Early 1970s,” in *Exploration in Development Issues* by Nurul Islam (New York: Routledge, 2003).

271 Nurul Islam, *Making of a Nation in Bangladesh: An Economist’s Tale* (Dhaka: The University Press, 2003).

system reduced both internal and external trade. Most important, sunken vessels at Chittagong Port and Chalna Port needed to be completely cleared. In addition, inland water transport was disrupted. Due to this problem, timely and regular shipment of the main export goods, raw jute and jute-based products, was badly hindered.

Another pressing issue was that internal prices for food, which were already high, increased due to bad harvests. Hence, a devaluation of currency could likely further worsen the price, unless subsidies on rationed food grains were increased. This could have resulted in an increase in the fiscal deficit. Furthermore, the conditions of external payments and the internal fiscal and monetary situation deteriorated simultaneously. Supplies of vital import goods were very short, and the situation with the foreign exchange reserves was extremely tight. In addition, the flow of reimbursement of foreign aid was sluggish while the import prices were increasing.

The planners of Bangladesh took all these factors into consideration and came to the conclusion that devaluation at this point in time would further worsen the balance of payments and foreign exchange reserves: “The price incentives offered to exports through devaluation would not work effectively in the absence of their recovery (Islam 2003).”²⁷²

It was important that a suitable fiscal and monetary policy be implemented to achieve financial stability. This required measures on monetary restraint: a ceiling on credit and interest rates, improved tax collection, a reduction in subsidies, and suitable pricing. However, neither the IMF nor the World Bank were interested in discussing these issues or looking for any alternatives. Their approach was one of absolute determination at a predetermined rate of devaluation.

The negotiations on devaluation between Bangladesh and the IMF were deadlocked until early 1974. However, in the meantime, the government has taken policy measures to reduce inflation by improving budgetary and public sector performance, raising interest

²⁷² Nurul Islam, *Making of a Nation in Bangladesh: An Economist's Tale* (Dhaka: The University Press, 2003): P.267

rates, restricting credit, taxing imports, and removing subsidies on food and agricultural goods. But it was not yet ready to consider devaluation.

By the middle of 1974, the balance of payments situation in Bangladesh had further deteriorated significantly, and discussions within the government started again. There was a general agreement inside the government for the need of devaluation of currency, but many showed disagreement with the IMF conditions, regarding the timing, magnitude, and extent of supplementary measures requisites to yield the intended outcome (Islam 2003).²⁷³

In the meantime, the government of Bangladesh initiated a number of measures on its own, stimulating price stabilization in general and subsequently domestic resource mobilization: “In the event, Bangladesh did undertake measures for monetary restraint, including demonetization by 1975. Food prices stabilized as good crops were harvested in early 1975 and food aid was substantial and timely (Islam 2003).²⁷⁴”

Under these favorable circumstances, the government thought that it could now go for devaluation. Consequently, devaluation occurred in May 1975.

3.7 Conclusion

The chapter well demonstrated capturing and measuring an unmeasured event in the modern history of Bangladesh: the incrementality that occurred due to an interaction between technocracy and the executive branch to produce an outcome for such a change.

A couple of assumptions drawn from this study which may possibly offer new interpretation of history. Factors were identified as contributing to Sheikh Mujib's drastic initiation of a stringent import substitution model: ideology, the post-war crisis, and an element of indirect exogenous influence. First, socialism has been the driver of the freedom and autonomy movements in East Pakistan against West Pakistan's oppression, exploitation, and discriminatory development policies; this legacy played a role in Mujib's

²⁷³ Nurul Islam, “Economic Policy Reforms and the IMF: Bangladesh Experience in the Early 1970s,” in *Exploration in Development Issues* by Nurul Islam (New York: Routledge, 2003).

²⁷⁴ *ibid*

early industrialization policy. Second, in response to the post-war traumatic conditions, in the early days and months, policy planners confronted with herculean tasks. Lack of state financing, the food gap, migration, and damaged infrastructure created a traumatic environment—all in all, a traumatic situation—created uncertainty. And handling such uncertainty required ideas. Import substitution was eventually perceived as a viable idea to remedy this condition. The nationalization policy of large-scale industries was therefore perceived as a means to channel resources to meet the acute problem. Third, Indian influence with a Soviet link was also found as an indirect factor, since Indira Gandhi and Mujib shared a deep affinity and shared values.

Conceptually, ‘social learning’ and ‘puzzling and power’ well evident and or orchestrated in the empirical part. Soon after the promulgation of import substitution policy, planners puzzling over policy encountered emerging new ideas, leading to a new kind of thinking. This was consistent with the political executive branch constructed painstakingly from learning from past policy, which produced the adverse outcome. This, in turn, led to the initiation of the private sector along with the devaluation of currency after a long struggle.

In spite of the Mujib government’s implementation of an import substitution policy, new ideas soon evolved to favour change. Two factors might have triggered this: Firstly, autarkic policies have been producing bad outcomes due to governance inefficiency and politicization of systems, which have been leading to institutionalized corruption. Secondly, there was a realization among the top technocrats, who felt that it would be crucial to collaborate with the world and seek trade opportunities by unleashing trade barriers and easing import-export restrictions.

The new investment policy of 1973 and the revised investment policy of 1974 provided limited access to private investment. Gave a ceiling on private investments and allowed foreign direct investment in Bangladesh. After lengthy negotiations with the donors, later in May 1975, the government decided to devalue the currency to promote exports. But with respect to devaluation, it is perhaps confined to the fact that an exogenous pressure is palpable.

Export promotion measures aimed at setting an export strategy the policymakers at this stage might not have foreseen the garment boom. However, they did identify garments as a potential new non-traditional export area. The ideas of export promotion or export orientation were emerging as well.

In a situation where policymakers were confronted with herculean tasks as well as their own problems and puzzles, Bangladesh moved during this period in a direction that, in some ways, answered the question of how the state viewed the issues. Overall, it demonstrates the notion of state capacity and, therein, endogenous ideas as drivers of change. This is a period where a norm, such as the stringent import substitution policy, was introduced. Again, this state-driven autarky was deeply contested. A nascent transition was taking place to a new norm. Nevertheless, a new norm was born. Under the norm of autarky, both devaluation and private sector orientation happened under Sheikh Mujib's rule.

Finally, it is not a well-acknowledged fact that economic deregulation in Bangladesh already began under its first government. Due to the height of socialist modes of autarkic industrialization, the initiation of new policies towards privatization remained unheard of. Above all from the conceptual and methodological framework of the dissertation, this chapter then, well laid the foundation that the gradualness of a path initiated and entrenched during this era.

4 | Chapter Four

Private Sector Consolidation and Garment Onset

4.1 Introduction

This chapter examines economic change during the General Ziaur Rahman era and depicts how private sector consolidation occurred in a gradual and continuous manner. Two major policy changes occurring during the era garnered efforts for some remarkable changes: One. ‘The hard-core plan’ mobilizes denationalization of nationalized industries. Two. The industrial policy of 1975 focused on private sector development. Both of the two key policies result in private sector development. Denationalizations of publicly owned industries were initiated. The limited ceiling on probation was abolished. The shift empathized with redirecting the economic model from a stringent import substitution to a larger role for the private sector (Bangladesh Observer).²⁷⁵

One of the significant contributions of this chapter is that it illuminates how the state, through policies and incentives, has garnered a new export-based private sector. As a result, the birth of a new sector, export-based garments, emerged. An articulation of such a policy was triggered when the country’s traditional export base was losing its market and the idea to pursue a new and non-traditional export area became influential within the policy community of the state that favored export orientation. This in turn furthered trade

²⁷⁵ The Bangladesh Observer (Dhaka: April 8, 1976).

collaboration between Korean multinational Daewoo and Bangladesh's first export-oriented Dosh garments.

The previous chapter explained that despite its stringent import substitution, policy learning and policy puzzling resulted in a sliding towards private sector reopening in a limited way. Consequently, promulgation of the Investment Policy of 1974 allowed partial private sector investment engagements. Continuity persists, with a gradual consolidation of the private sector on a larger scale in this era. Notwithstanding a five-year plan, which meant guiding the economic plans, Zia introduced 'the hard-core plan'. Conceptually, this signifies that, in this period, there has been less scope for 'puzzling and powering'. Nonetheless, state thinking for a development strategy evidently exhibits the state capacity notion. Furthermore, ideas within the state as a driver of policy change ensembles consistently

The chapter begins with a decisive account of how conceptually it connects with ideas and state capacity, engaging empirically in details on the policy thinking of the state under Zia. Arguments in the existing literature usher in the conjecture that deregulation reforms under Zia have been caused by exogenous forces. Contrary to the hitherto, the data studies in the chapters reveal that policy thinking emerged in the state due to endogenous circumstances. It traces the debates and ideas within the technocracy that favored the private sector and policies towards deregulation. A shift in the policy community moved from a stringent import substitution to a mixed model with a consolidation of the private sector. It makes a pivotal connection between how state thinking resulted in two major policy changes: the hard-core plan and the industrial policy of 1975.

A section details the industrial policy of 1975 as an outcome of state thinking and state capacity that led to the development of the private sector to a much greater extent than the previous government.

How does the state's thinking about the opening of the private sector create a fairly new sector, garments, for Bangladesh, which in the next two decades will transform the economy of the country? The technocracy was not only thinking of private sector

development but also taking into consideration that the country's key traditional export sector, jute, was losing market demand due to its substitution of synthetic materials. This thinking would then divert the focus to finding a non-traditional sector, a combination of private sector development with an export orientation.

A section explains how the birth of the garment industry occurred as a result of the ideas of the state, which underscored export promotion. The policy innovation led to a situation where a new and non-traditional export area emerged. Bangladesh's main and traditional export area, jute, was losing market demand. Subsequently, the state apparatus was considering garments as a potential area to explore. This innovative thinking was evolving at a time when a multi-fiber agreement offered an alluring opportunity for LDC countries like Bangladesh. In this backdrop, Bangladesh Trading Corporations (TBC), a state business organization, started to export cloth to Europe, largely produced by some tailor shops in Dhaka. Recognizing this as an opportunity, a top civil servant turned entrepreneur came up with the idea of setting up the first export-based joint venture with a Korean company. Zia particularly favored the initiative with policy measures, which encouraged the sector to foster.

4.2 Ideas and the state capacity

An articulation of ideas within the state and the realization of those ideas postulates the concept that the state can think in its own way and is capable of making policy. The state capacity argument, conceptualized by scholars, empirically shows that such a notion could challenge an interest-driven class argument.²⁷⁶ This section deals with historical documents and depicts traces of emerging ideas within the state under Zia, which signifies the consolidation of the private sector.

Scholars argue for two major factors that could have been instrumental in Zia's hard-core development: First and foremost, there has been an observable element in Zia's ambition to become a popular leader and consolidate his power base, which would construct a new

²⁷⁶ For the state capacity argument and for ideas as variables of change, see the theory chapter.

epoch in the country and deviate from Mujib's model. Secondly, the sudden assassination of Mujib created an opportunity for the international pressure group to coerce Zia into a reform agenda.

On November 7, with a 'sepoy mutiny,' General Ziaur Rahman amalgamated power in Bangladesh and emerged as the de facto military ruler (Islam 1984).²⁷⁷ His magnetic ascent in politics was bolstered by his adeptness in rallying a coalition of varied and disenchanted factions within the Awami League. This coalition encompassed his own anti-Indian faction within the military and the bureaucracy, right-wing pro-Pakistan segments of the historical Muslim League, Islamic political parties, and substantial portions of the left-wing pro-Chinese NAP (Kochanek 1993).²⁷⁸ With a political and economic orientation differing from Mujib's, to gain a popular image, he held away from Mujib's conception of the state—a secular state with socialist modes of governance. With a modified constitutional amendment, Zia attempted to redefine the Bangladeshi state's idea of a secular-socialist state while sliding towards a more Islamic-oriented yet liberal economy.

Zia inherited a country, like Mujib, that was facing a major economic crisis. At least Mujib could discuss the crisis within his party, the Awami League. Zia, instead, was facing pressure from several fronts. The leftist bloc within the military was demanding a radical economic policy of social transformation and self-reliance. The emerging business elites, on the other hand, saw the change of government as an opportunity for policy reforms toward larger scale private sector activities. Externally, the World Bank and international

²⁷⁷ In 1975, the assassination of Sheikh Mujibur Rahman plunged the nation into political turmoil, marked by a series of coups and countercoups. Khandakar Mushtaq Ahmed assumed the presidency, imposing martial law and prohibiting all political activities. However, this period of stability was short-lived, as Brigadier General Khaled Mosharraf seized power in a subsequent coup. Within a few days, Mosharraf met a similar fate in another coup, leading to the ascension of Abu Sadat Mohammed Sayem as the president and martial law administrator. In the initial months, Zia orchestrated the governance from the shadows, serving as the Deputy Chief Martial Law Administrator. On November 30, 1976, Zia decided to step into the forefront, assuming the role of Chief Martial Law Administrator. Subsequently, on April 21, 1977, Zia further consolidated his power by taking over the presidency. Zia continued to hold dual positions as Chief Martial Law Administrator and Commander-in-Chief of the Armed Forces (Islam 1984).

²⁷⁸ Stanley A. Kochanek, *Patron-Client Politics and Business in Bangladesh* (Dhaka: University Press, 1993): p 226.

donors considered the shift in the government as a chance to engage with Bangladesh and guide it to move more decisively onto the path of economic liberalization (Lewis 2011).²⁷⁹

Marcus Franda argues that Zia saw a prudent chance out of these pressure groups to strategically develop his power base. The above-mentioned groups were not in favor of Mujib's autarkic industrialization. This created a rare conjuncture for Zia to take hold of the chance to create an anti-Awami League and anti-socialist political coalition, primarily to remain in power and to mobilize public support in favor of his military government (Franda 1982).²⁸⁰

Fahimul Quadir, Mashir Rahman and others for instance argue that the economic reforms policies of the Zia government were resulting from exogenous pressures, such as the conditionality set out in the IMF's adjustment program (Rahman 1994; Quadir 2000).²⁸¹ The assassination of Mujib in August 1975 created a new dimension whereby the IMF saw the termination of Mujib's socialist government as a chance to pursue their goals as these scholars assert.

Syed Serajul Islam and Md. Morshedul Islam argue that Zia's development planning was mostly derived from his 19-points agenda: "Zia issued a broad election manifesto, the 19-point program, which promised, in part, the promotion of the private sector (Islam 1984)."²⁸² Among other aspects, the 19-point program emphasized on giving vital incentives to the private sector and economic growth (bnpmduk.org2, 2022).²⁸³

²⁷⁹ David Lewis, *Bangladesh: Politics, Economy, and Civil Society* (Cambridge: Cambridge University Press, 2011).

²⁸⁰ Marcus Franda, *Bangladesh: The First Decade* (New Delhi: South Asian Publishers, 1982), p 223.

²⁸¹ Mashir Rahman, *Structural Adjustment, Employment, and Workers: Public Policy Issues and Choices for Bangladesh* (Dhaka: University Press, 1994), pp. 13–14; Fahimul Quadir. 2000, op. cit.

²⁸² Syed Serajul Islam, 1984, op. cit.

²⁸³ See Ziaur Rahman's 19-point program here: <https://bnpmduk.org/19-points/>.

These arguments however lack capturing emerging ideas within the state that could become influential for a change. Compelled by the condition, a couple of factors engendered home-grown ideas articulating policy favours sliding toward the private sector from stringent importation: thinking for generating employment, productivity, fixing the inherent broken economy, rebuilding damaged infrastructure, and bringing competitiveness. These factors account for the conjecture that the change in policy was driven by home-grown ideas and that the state has been capable of realizing those ideas.

Under Sheikh Mujib, 'socialism' has been sanctified as both the goal and the vehicle of economic reconstruction. Zia believed that socialism would not make the country move forward (M. Ahmed, personal communication, September 14, 2019).²⁸⁴ Through constitutional amendment, in 1977, the 'mixed economy' was introduced and perceived as a far-reaching basis for attaining growth (Rahim 1978).²⁸⁵ Primarily, Zia was of the view that economic growth should come through the private sector. He was generally aware that Asian tiger economies placed emphasis on the private sector and progressed faster than those with an autarkic industrialization did. However, his knowledge on those matters was not so deep (Humphrey 1992).²⁸⁶ Furthermore, there have been legal and bureaucratic complexities. Various ordinances and constitutional bindings made it obligatory to require two-thirds of the votes of the parliament for any change toward the privatization of nationalized industries. A primary task was to divest nationalized industries into the private sector, which would require greater support from the state machinery as well as domestic social forces.

Zia urged top bureaucrats, even those from the Pakistan period, to join his government. Moreover, he listened to their views. While they played a very important role in economic thinking and planning (M. Ahmed, personal communication, September 14, 2019).²⁸⁷ Some members of the top bureaucracy and political executives, such as Dr. M.N. Huda,

²⁸⁴ Moudud Ahmed (Top cabinet under Zia and Ershad government) in discussion with the author (Dhaka: September 14, 2019).

²⁸⁵ A. M. A. Rahim, *Current Issues of Bangladesh Economy*, (Dhaka: Bangladesh Books Ltd., 1978).

²⁸⁶ Humphrey 1992, op. cit.

²⁸⁷ Moudud Ahmed, 2019, op. cit.

S.M. Shafiul Azam, Moudud Ahmed, Shafiqur Rahman, and Mohiuddin Azad, Kazi Anwarul Haque, Dr. Shahadat Ullah, were instrumental and favored any ideas towards the mixed economy and the public-private partnership. Moudud Ahmed played a very important role in the planning and formation of the industrial policy of 1975. As a top cabinet official in the government, he influenced Zia to push his ideas: “I was very close to him (Zia). I drafted the first constitution and the Declaration of the BNP Party (M. Ahmed, personal communication, September 14, 2019).”²⁸⁸ Another influential technocrat, S.M. Shafiul Azam, according to Humphrey (1992), equally played a key role in the planning of industrial policy: “Shafiul Azam can quite properly be called the design architect of Bangladesh’s move toward privatization and private sector development. He convinced President Zia in 1975 (Humphrey 1992).”²⁸⁹

These aforementioned top planners realized that without the engagement of private investments and entrepreneurial development, industrial development could not achieve the expected growth; “at first, we thought of strengthening the private sector. We wanted to move away from this idea of relying on the state-owned industries, rather than discourage it and have it decline as far as possible (M. Ahmed, personal communication, September 14, 2019).”²⁹⁰

When it comes to reform, a few aspects were given primary importance as Zia came to power: “First there was the question of political reform and then economic reform. In addition, we placed emphasis on poverty reduction, increasing literacy rates, expanding education, and women's empowerment. The constitution was amended to bring back a

²⁸⁸ Moudud Ahmed joined the Zia government in 1977 as an advisor to Zia. Later, he was appointed as a minister of industry in the government. After the 1979 election, he became the deputy prime minister (Ahmed, personal communication, September 14, 2019).

²⁸⁹ S.M. Shafiul Azam was a prominent bureaucrat in East Pakistan. He assumed the role of cabinet secretary in the Bangladesh government on August 27, 1975, and served in that capacity until July 17, 1976. Subsequently, he took on ministerial responsibilities for jute, commerce, and industry, energy, and mineral resources in a different cabinet. Notably, he was the cabinet officer who cast a dissenting vote against the nationalization policy in 1972. He resigned from the Mujib government but returned to office when Zia assumed control in mid-1975. Azam continued to serve as a cabinet minister in the Zia government of Bangladesh (Humphrey 1992); “Shafiul Azam's anniversary of death today” (Dhaka: The Daily Star, December 4, 2007).; Cabinet Division (Dhaka: Government of Bangladesh): https://cabinet.gov.bd/site/view/cabinet_secretary

²⁹⁰ Moudud Ahmed. 2019, op. cit.

multi-party democratic system. On the economic side, the major focus was given to the de-privatization and de-centralization of industries (M. Ahmed, personal communication, September 14, 2019).”²⁹¹

Political discussions have deeply highlighted the nationalized industries. It was a tough task to transfer industries to private hands: “We initiated the process of giving the nationalized industries back to private hands again. It was a very complicated task. Because the labor class in these industries took the upper hand. All the workers in the nationalized industries were Awami League cadres. They took over the industries. They sold out the properties of industries: raw materials; machinery. These industries became almost bankrupt. Therefore, to recover these industries and privatize them, we looked for people who would buy them. Nevertheless, no one would buy them because there was nothing to buy in such a condition. A huge, lengthy initiative (M. Ahmed, personal communication, September 14, 2019).”²⁹²

Our focus sheds light on the query of to what extent Zia’s move towards private sector consolidation resulted from homegrown ideas. It is well discussed in the first chapter that the postwar economic crisis was traumatic to deal with for the Mujib government. This crisis persisted and posed a major challenge for the Zia government. Subsequently, the state under Zia necessitated hunting for a policy solution to remedy the crisis. In this realm, whether the Zia government had faced pressures from domestic social groups and exogenous actors.

According to Ahmed, due to the nationalization policy by the previous government, the domestic and international business community has been skeptical. Therefore, it was still too early to pursue foreign direct investment. It took a long-time to build the trust for investment in Bangladesh (M. Ahmed, personal communication, September 14, 2019).²⁹³

²⁹¹ *ibid*

²⁹² *ibid*

²⁹³ *ibid*

Through various contacts, Zia has been consistently trying to build a coalition with the local entrepreneurs. There has been a continuous discussion and exchange of views between the representatives of the government and the business community (Budget Speech 1977–1978).²⁹⁴

Sectors such as telecommunications, roads, and infrastructure were all almost totally inexistence. Moreover, the country had still not recovered from the ravages of the war of 1971. It was impossible to recover quickly. Therefore, Zia highlighted the reconstruction program. Without reconstruction, development could not occur (M. Ahmed, personal communication, September 14, 2019).²⁹⁵

To initiate partnership and create discussion, an investor’s forum was formed in 1979, led by the Zia government. Mr. Ahmed was initially the benefactor of the initiative. Under this theme, an international industrial forum was organized in Dhaka, inviting local and international entrepreneurs. Around 200 foreign delegates attended that forum, where private investment potentials were discussed. It was the beginning of private foreign investment in Bangladesh: “Gradually we opened the window for investment for foreign investors to come (M. Ahmed, personal communication, September 14, 2019).”²⁹⁶

Indeed, exogenous pressure on the government has been constant to place more emphasis on the private sector and introduce deregulation. According to these international institutions, a government is not meant for business, was never meant for business, and should not be involved in the business. However, the ideas were equally emerging from endogenous thinking, as reflected by a top political executive: “Certainly, the IMF and World Bank had their pressure on the government, but of course we did have our own interests as well. We wanted to generate employment, and we wanted to have more investment so that there was more production. If there is more production, there will be

²⁹⁴ Budget Speech 1977–1978, Major General Ziaur Rahman President of Bangladesh and Chief Martial Law Administrator (Dhaka: Ministry of Finance, Bangladesh Government, June 25, 1977): p. 12.

²⁹⁵ Moudud Ahmed. 2019, op. cit.

²⁹⁶ *ibid*

more demand, and if there is more demand, the people will have more purchasing power, and this is an economic cycle. If you want to increase the purchasing power of people, you have to employ them by giving them jobs; otherwise, where will they get the money? To give them a job, you will have to invest. Either in agriculture or in industries. You have to have investment to generate economic growth and establish structural entities or create jobs. Therefore, when they have jobs, they can purchase more. If they go to purchase more, then there will be demand in the market. If there is demand in the market, there will be investors who come and invest and provide those demands of the people (M. Ahmed, personal communication, September 14, 2019).”²⁹⁷

Zia’s aim was to generate employment and market, persuade him sliding to the World Bank: “To support investment through Bangladesh Shilpa Bank and Bangladesh Shilpa Loan Institution, more foreign exchange will be provided. From the World Bank and Asian Bank, USD 50 million in foreign aid is freely available. Our choice to the World Bank’s financial corporation is a good start. This inclusion will help attract foreign investment, and we have already received several proposals that are being examined. Investors will get opportunities as a result. If such cooperation is arranged for the purpose of processing the use of local resources for export, then it will be beneficial. This is expected to stimulate the private sector to play a greater role in economic activities (Budget Speech 1977–1978) (translated from Bengali) (Budget Speech 1977–1978).”²⁹⁸

The government was compelled by the situation to seek a way to generate growth. Firstly, it began to sense that the stringent import substitution was stuck in a complicity of highly complex bureaucratic deadlock. Secondly, it is highly politicized, and finally, it has a high rate of corruption, which is also associated with politicization. The government’s top priority in garnering GDP growth is therefore twofold: One, by bringing efficiency to the state-controlled industries and enterprises and making them profitable. Second, initiate industrial development through more private sector engagement. In her budget speech,

²⁹⁷ *ibid*

²⁹⁸ Budget Speech 1977–1978, *op. cit.* p.12/13.

Zia emphasized these aspects. He vowed that corporations would be under observation and should be accountable for any negligence.

In addition, improve the efficiency and the management skill both in public. He introduced a reward for the best worker in each public factory. All of this was meant to generate growth and turn the public sector into a profitable sector: “The management system of the state-owned industries needs to be fundamentally changed and developed. They must introduce their profit-loss forecasting system and regularly prepare balance sheets for evaluation by the government and the public. The Pay and Employment Commission has been directed to determine the appropriate remuneration structure in the public sector with a view to government resources. A key feature of industrial policy is to ensure good relations and cooperation between workers and management in the public and private sectors. As a measure of incentive, it has been decided to give a special award to the best workers of each factory under state-owned corporations (Budget Speech 1976–1977) (translated from Bengali).”²⁹⁹

The aim was to make the public sector commercially competent. The goal was to manage the state-owned industries efficiently and provide more opportunities for the private sector in other fields. In the fiscal year 1987–88, attention was given to strengthening the capital base of the state-owned industries: “To improve management efficiency, marketing, financial discipline, and pricing systems in public sector industries, provisions will be made. Steps have been taken to empower corporations to adopt uniform policies on procurement, project execution, marketing and pricing, and financial and administrative matters (Translated from Bengalis) (Budget Speech 1977–1978).”³⁰⁰

²⁹⁹ Budget Speech of 1976–1977, Major General Ziaur Rahman, head of the Bangladesh Army, deputy Chief Martial Law Administrator, and advisor in charge at the Ministry of Finance (Dhaka: Ministry of Finance, Bangladesh Government, 26 June 1976): p. 15–16.

³⁰⁰ Budget Speech 1977–1978, op. cit. P.15

4.3 The Hard-Core Plan, 1975-1977: *Denationalization*

In the year 1975 Bangladesh was going through a trauma from a famine and heavy flood. The economic condition consequentially led the planners and the state machineries to take some actions to deal with the situation. Zia's first budget speech projected the economic situation of Bangladesh and what the state was thinking about it.

Instead of the five-year plan, the Zia government introduced 'the Hard-Core Plan', which aimed at achieving high rates of economic growth (Budget Speech 1976–1977).³⁰¹ Designed by Dr. M.N. Nurul Huda, adviser in charge of the Ministry of Planning and his team, through the Annual Development Program 1977-1978, this Hard-Core program was initiated in 1975 and was to cover three years, 1975-1977. The goal was to close the food gap through generating employment for a vast unemployed young population. The Hard-Core Plan targeted economic growth, industrial development, and exports, and highlighted the growth of agricultural productions.

The planning ministry thought that the investment plan which had been placed in the previous five-year plan, being the first in the country and initiated by the Mujib Government, had to be reduced due to the lack of state financing. Therefore, it seemed realistic for him to adopt his three-year Hard-Core Plan instead of a five-year plan. This way his government could plan in the short term instead of long term and could mitigate shortcomings, and at the same time growth could be maintained. The aim was to have bigger growth in the short time and establish an economic base for the future. Within the Hard-Core Plan, for the first year (for 1976) the development budget was set to Taka 1,222 crore, among which Taka 384 crore were channeled through the foreign income. The sectoral budget distribution showed that the agriculture sector was given top priority, and the industrial sector next priority (see table 5). This is explained by the fact that Bangladesh at this time was still an agriculture-based society, and the Zia government intended that engaging unemployed young population in the agriculture sector would generate a GDP growth which would lead to investments in the industrial sector.

³⁰¹ Budget Speech of 1976–1977, op. cit.

Transportation development was equally important for the development of the economy. This sector was given the third priority.

Table 5: Budget distribution in the development budget for the years 1976-1977 (Budget Speech 1976–1977) (Budget Speech of 1976–1977).³⁰²

	Crore BDTaka
Agriculture	363
Industry	279
Transportation	207
Power	155
Land	73
Education	56
Population, health	67
Labor	8
Miscellaneous	14

Regarding the industrial budget, which had been Taka 117 crore for the year 1975-1976, for the year 1976-1977 it was increased to Taka 246 crore. At this point in time Bangladesh was receiving some foreign aid to develop the industrial sector, where more manpower could be employed. A project was initiated to develop a fertilizer industry in the Ashulia area. Bangladesh received Taka 41 crore as foreign aid for this project. Taka 102 crore was allocated to this project, which was the biggest budget allocation for any project in that year. The country also received aid to develop a machine tools factory in Joydebpur, and a General Electric manufacturing plant and a dry dock project in Chittagong. France, Belgium, and the United Arab Emirates agreed to help in machine tools factories. In areas such as Comilla, Kisorganj, Rajshahi, Dinajpur, Barisal, Savar, Chittagong hill tracts, cotton mills were to be established (Budget Speech 1976–1977).³⁰³

³⁰² Ibid.

³⁰³ *ibid.*: P.14-15

The Zia government also wanted to begin the process to transfer SOEs (state owned enterprises) into private hands. “The pace of withdrawal of capital from many abandoned industries is being accelerated. The jute industry and textile industry are also partially open to the private sector for the production of special products, which has created opportunities for export-oriented investment. 350 industrial units have been listed for withdrawal and 220 such units have already been handed over to private management (Budget Speech 1977–1978) (translated from Bengali).”³⁰⁴

In this context, throughout the Zia period a total of 255 SOEs were transferred to the private sector (Humphrey 1992).³⁰⁵

Table 6: Numbers and Categories of Public Corporations (Humphrey 1992)

Bangladesh Jute Mills Corporations (BJMC)	78
Bangladesh Textile Mills (BTMC)	75
Bangladesh Sugar and Food Industries Corporations (BSFIC)	58
Bangladesh Chemical Industries Corporations (BCIC)	65
Bangladesh Steel & Engineering Corporations (BSEC)	54
Petro Bangla	4
Bangladesh Petroleum Corporations	7
Bangladesh Minerals Exploration Development Corporations (BMEDC)	10
Bangladesh Forest Industries Development Corporations (BFIDC)	20
Totals	371

³⁰⁴ Budget Speech 1977–1978, Major General Ziaur Rahman, President of Bangladesh and Chief Martial Law Administrator (Dhaka: Ministry of Finance, Bangladesh Government, June 25, 1977): p. 13.

³⁰⁵ Humphrey 1992, op. cit.

Table 7: Smaller firms privatized (Humphrey 1992)

Metal working	8
Rubber Products	11
Paper and Printing	7
Vegetable oils	16
Rice and Flour mills	21
Textiles and Hosiery	10
Soap and Chemicals	4
Films	3
Jute rope	2
Ice and cold storage	3
Hotels	2
Trading	3
Engineering	5
Wood products	4
Glass and optical	3
Salt	2
Miscellaneous	11
Total	115

Table 8: Divested factories from public corporations (Humphrey 1992)

Tanneries, hides and bones	25
Metal works	17
Textiles	11
Jute Products	7
Tobacco	6
Rubber Products	5
Food products	5
Vegetable oils	5
Matches	4
Ice and cold storage	4
Engineering	3
Chemicals and Pharmaceuticals	3
Miscellaneous	10
Total	110

Did the Hard-core plan work out well? Statistics (see table 9) show that the public sector industrial output was not all that remarkable, despite all the enthusiasm that Zia showed towards this sector.³⁰⁶ As compared to the public sector, the private sector's industrial

³⁰⁶ Both the table sources are: Nuimuddin Chowdhury, Economic Management in Bangladesh, 1975–1982, *Research Report Series* No. 32 (Dhaka: Bangladesh Institute of Development Studies, 1983–1984). P.51.

output observed steady growth, although the investment was not extraordinary during the Zia period.³⁰⁷

Public sector			Private sector		
	investment	output		investment	output
1974-1975	5,102	100.0	1974-1975	5,091	89.5
1975-1976	5,056	105.4	1975-1976	6,102	103.4
1976-1977	4,935	114.0	1976-1977	5,664	112.5
1977-1978	9,049	125.2	1977-1978	7,454	122.5
1978-1979	9,808	128.6	1978-1979	9,004	145.2
1979-1980	17,786	126.9	1979-1980	11,424	151.1
1980-1981	19,784	136.9	1980-1981	13,941	164.3
1981-1982	14,959	135.7	1981-1982	15,215	166.3

Table 9: Contrast of output, public and private sector (Chowdhury 1983–1984)

4.4 The industrial policy of 1975: *private sector development*

The revised investment policy of 1975 promulgated by the Zia government aimed at private sector transformation. Policy measures and institutional incentives offered demonstrate that a consolidation of the private sector occurred to a greater extent during this era: the elimination of the ceiling limit on private investment, easing investment approval procedures, a floating exchange rate, devaluation of the currency, reserved list adjustment, initiating disinvestment and denationalization, the formation of a disinvestment Board, reviving of the stock market, establishing an Investment Promotion Centre and Development Finance Institutions (DFIs), property rights for foreign investors, are a couple to mention (Islam 1988; Ahmed 2000).³⁰⁸ This section captures the role of ideas and the technocracy in garnering these policies.

There is agreement that as army general, Zia appeared to show a hardcore image, with much of the development project initiating and implementing itself. However, this

³⁰⁷ The trust among the industrialists and investors was gained only during the 1990s. For a detailed account on this, see the conclusion of the dissertation.

³⁰⁸ Syed Serajul Islam, *Bangladesh: state and economic strategy* (Dhaka: University Press, 1988).; M.U. Ahmed, "Privatization in Bangladesh," in Gopal Joshi (Ed.) *Privatization in South Asia: Minimizing Negative Social Effects Through Restructuring* (New Delhi: South Asia Multidisciplinary Advisory Team and International Labor Organization, 2000).

research shows that there has been much interaction within the technocracy and that Zia is comprehensively relying on the policy recommendations of top technocrats. For example, Shafiul Azam once was a cabinet member under the Mujib government, who pushed for private sector, is now heading the ministry of industry and commerce under Zia. Mr Azam, Dr. Shahadat Ullah, a top bureaucrat, and like-minded technocrats could now pursue reform agenda, convincing Zia that the private sector would generate growth (Islam 1988; Ahmed 2000).³⁰⁹

In early December 1975, Shafiul Azam was briefing to the press that the government's readiness for accommodating the private sector: "the government is ready to extend all possible support to the private sector for utilizing the full potential of the private entrepreneurs in stepping up of the productive economic activities in the country."³¹⁰ This signifies that the ideas of technocrats and bureaucrats could become influential. In a similar tone, Zia expressed that his government was ready to initiate reforms to steer up economic activities and growth (Humphrey 1992).³¹¹ With that continuity, on December 7, 1975, the ministry of industry and commerce announced the revised investment policy of 1975. Despite the 'stickiness of institution' acknowledged by Shafiul Azam: "Once anything is in the clutches of the government, it is difficult to dislodge (Humphrey 1992)."³¹² Nevertheless, institutional change persisted.

Those measures and changes initiated through this industrial policy have been remarkable in their significance with respect to allowing private sector development and ultimately industrial transformation. The previous industrial policy promulgated by the Mujib government opened 18 types of industrial categories for private investment that remained unchanged, but now an additional 10 industrial categories have been added to it, opening it up to domestic or foreign private investors. Newly added categories were paper,

³⁰⁹ Ibid.

³¹⁰ The Bangladesh Observer, (Dhaka: April 8, 1976).

³¹¹ Humphrey 1992, op. cit.

³¹² Ibid. P.48.

shipping, ship building, iron and steel, minerals, heavy engineering, oil and gas, forest, cement, and chemicals (Humphrey 1992).³¹³

Private investment in a joint venture with the public sector was allowed, under the condition that the state would hold 51% of the equity. The private investment ceiling was raised to Taka 10 crore.³¹⁴ Later, with another incremental change in 1978, the regulation of a ceiling limit on private investment was completely abolished.

The policy was aimed at developing an export-led economic growth strategy and reducing budget deficits and inflation. New opportunities for foreign investors were initiated; tax holidays and a couple of other incentives were given to foreign and domestic private investors. The export orientation strategy also pushed the idea of the formation of the country's first Export Processing Zone (EPZ) near the Chittagong port, which was meant to attract foreign companies—an idea that would engender the growth of the garment industry in the following decades. The Dhaka Stock Exchange, which was closed in 1972, was revived. An Investment Promotion Center in Dhaka was established to promote private investment. A very important focus was the transfer of the nationalized enterprises, industries, and commercial and trading firms back into private hands (Economic Survey 1975–76).³¹⁵ This transfer was a very hot issue at this point in time. The industrial policy change of 1975 gave the regulatory and legal foundation to establish a disinvestment board, through which the de-nationalization process would be facilitated.

The state-owned Bangladesh Shilpa Bank (BSB) was given special provision to provide equity support for small firms and enterprises focusing export-oriented factories, and industries. The idea of the formation of the Investment Corporation of Bangladesh (ICB) was realized on the following year.

³¹³ *ibid*

³¹⁴ 100 million BDTaka; the exchange rate at that time was 1 USD/12.02 BDTaka.

³¹⁵ Ministry of Finance, *Bangladesh Economic Survey: 1975–76* (Dhaka: Government of Bangladesh Ministry of Finance, 1976), pp. vii–vii, 228–229.

In addition, the local currency, the BDTaka, was devalued by 56% - to a manageable exchange rate. ³¹⁶ Measures such as tax reforms and foreign exchange reserves management were introduced to improve fiscal stability. Some subsidies were withdrawn to reduce the budget deficit. Commenced in the late 1977, a total of 110 enterprises were given private ownership during Zia period (Chishty 1985).³¹⁷

The policy emphasized the necessity of transferring state-owned enterprises to the private sector and encouraged private investment in eight strategically important sectors. It also provided compensation to those owners who suffered financial losses due to nationalization (Quadir 2000).³¹⁸

As a result of the industrial policy of 1975, accompanied by additional incentives, domestic entrepreneurs were inspired. The competitiveness of the private sector began to take shape; a new business and entrepreneurial community began to emerge (Chowdhury 1994).³¹⁹ New sectors such as deep-sea fishing, pharmaceuticals, and shipbuilding, to mention just a few, are underway to develop. After the introduction of this new industrial policy, in the fiscal year 1976–1977 alone, 684 investment applications were approved. GDP growth increased to 5.5% in 1976, compared to minus 4% in 1975 (Humphrey 1992).³²⁰

Zia's orientation towards a market-friendly shift manifested in the document. An attempt to alter the autarkic policy and foster the private sector. ³²¹ Zia furthered reassured his commitment for the private sector: "The government has provided facilities to the private sector for industry, trade and other activities. The private sector has been provided with

³¹⁶ Lawrence B. Lesser, 1989, "Money and Banking" in James Heitzman and Robert Worden, *Bangladesh: A Country Study* (Washington, D.C.: Federal Research Division, Library of Congress, 1989): pp. 108–109

³¹⁷ Shamsul Haque Chishty, "Privatization in Developing Countries: The Experience of Bangladesh." Conference paper presented in Manila, January 31–February 1, 1985.

³¹⁸ Fahimul Quadir 2000, op. cit. P.199

³¹⁹ A. Hossain and A. Chowdhury "Fiscal Policy," in Habib Zafarullah et al. *The Zia Episode of Bangladesh Policing* (New Dheli: South Asia Publishers, 1994).

³²⁰ Ibid.

³²¹ Fahimul Quadir 2000, op. cit.

adequate investment resources, credit facilities and financial incentives and will continue to do so. Bangladesh Capital Investment Corporation has made significant progress in assisting new industrial entrepreneurs and developing capital markets. The Corporation will soon start a savings organization project to invest in the savings industry (translated from Bengali) (Budget Speech of 1976 – 1977).”³²²

Ultimately, the transfer of nationalized enterprises to the private sector began (Quadir 2000).³²³ A Disinvestment Board was established to govern and implement the privatization process and procedures. While a greater transfer occurred under the H.M. Ershad government: The industrialists and entrepreneurs then gained trust and confidence to invest in business and commerce (A.M.A.Muhith, personal communication, September 2, 2019).³²⁴

Zia’s disposition towards any change came with cautious steps. Franda explains that his interest to redirected economic institutions from a socialist mode of stringent import substitution to a mixed model emanates from a political motivation: his desire of creating own political spectrum by moving away from the Soviet milieu and forming an anti Awami League block (Franda 1982).³²⁵

One of the greatest challenges the Zia government faced was indeed reestablishing trust among the entrepreneurial and business communities and encouraging them to invest. Due to the stringent import substitution policy and nationalization of industries by the previous government, investors were still skeptical. Although the industrial policy of 1975 partially opened up some fields of industries for the private sector, these were paper, iron and steel, shipping, shipbuilding, minerals, heavy engineering, oil and gas, forest, cement, and chemical industries.

³²² Budget Speech of 1976 – 1977, op. cit. p.12.

³²³ Fahimul Quadir 2000, op. cit.

³²⁴ Abul Mal Abdul Muhith 2019, op. cit.

³²⁵ Marcus Franda, *Bangladesh: The First Decade* (New Delhi: South Asian Publishers, 1982), p 223.

Clare E. Humphrey (1992) finds that this initiation of opening the industry for private investors is ‘only a crack’.³²⁶ The Zia government attempted to reassure the trust of the industrialists and entrepreneurs and bring them back into business through the industrial policy of 1975: “In view of the misgiving that has been created in the minds of investors by the reference in the Investment Policy (of July 1974) to the moratorium on nationalization for a period of fifteen years, this provision has been deleted (Industrial Policy 1975).”³²⁷

However, the mistrust remained for a longer time, until the regulatory constrictions associated with the nationalization policy of 1972 were lifted (A.M.A.Muhith, personal communication, September 2, 2019).³²⁸

4.5 Garments as a nontraditional sector: the Multi-Fiber Agreement

Dhaka’s legacy as an export base had a greater impact on Bangladesh’s industrialization: “Our life starts with export. First, start with jute, then jute products. The jute industry evolved in Bangladesh during the Pakistani period. The industrialization of Bangladesh has started with jute. Jute and later cotton, although we did not produce cotton; we imported cotton (translated from Bengali) (A.M.A.Muhith, personal communication, September 2, 2019).”³²⁹ There is a correlation between the Zia government’s thinking in re-constructing its export base and how a completely new field, garments, was emerging from the private sector.

Dhaka’s jute exports declined in the 1960s and 1970s due to the decline in demand for jute in the global market. Furthermore, it was hard hit by inflation and the rise in oil prices. Zia expressed concern while attending the UN assembly in New York that Bangladesh was receiving lower prices from its export goods, commodities like raw jute, tea, and other raw

³²⁶ Humphrey 1992, op. cit.

³²⁷ Industrial Policy of 1975 (Dhaka: The Ministry of Industries, Government of Bangladesh, December 7, 1975). P.2.

³²⁸ Abul Mal Abdul Muhith 2019, op. cit.

³²⁹ Ibid.

materials, which was harming its export regime (United Nations 1980).³³⁰ This circumstance led Zia to think that thoughtful exploration shed light on unexplored and untouched resources that could be explored, and that the country's economy could take advantage of by exporting them. Could it be that his exploration led him to find garments as an export field?

Focusing on export orientation, Zia had carried out several new strategies through his economic endeavors, which might have led to a positive outcome for industrial development. Visiting countries and talking to the leaders of those countries helped him to develop trade cooperation and develop new ideas; “apart from this being a new country, I had decided to visit as many countries as possible. And I think these visits have really helped us a lot to project Bangladesh in other countries and discuss with their leaders how economic cooperation could be built up. As a result of these visits, assistance from abroad has increased over the last two to three years. The economy in our country is gradually picking up. A few months ago, Bangladesh proposed a forum on the basis of South Asian countries. This has been well received by various countries in the South Asian region. The objective is that through this forum, we could do many things that would benefit the region as a whole. And under that forum, trade, commerce, and other bilateral relations, regional relations, and regional matters could be discussed (United Nations).”³³¹

The other aspect that is worth noting is Zia's endeavor to expand its export regime and his shift towards Europe and the USA. He attempted to move away from dependency on the Soviet and Indian blocs to the USA and United Kingdom and to make allies with more market-friendly blocs: “The fall of Mujib brought a qualitative shift in Bangladesh's international alignment away from the Soviet and Indian axis, which had vigorously supported the national independence struggle following the Pakistani crack-down in March 1971. The new regime under Khondakar Mustaque Abmed and subsequently Ziaur

³³⁰ “World Chronicle 15: Ziaur Rahman, President of Bangladesh,” Brian Saxton interviews Ziaur Rahman, President of the People's Republic of Bangladesh, for World Chronicle program 15. (United Nations Audiovisual Library, August 26, 1980)

³³¹ Ibid.

Rahman swiveled the country's international orientation towards the American and British governments in the West (N. M. J 1978).”³³²

Originally, the idea of focusing on nontraditional export areas and diverting dependency on one export unit, jute, was already emerging in the policy thinking of the Mujib government in early 1972. The first five-year plan and the first and second budget speeches show policy suggestions guided by these ideas. Detailing in the first chapter, despite stringent import substitution, export orientation ushered in expansions of the export regime, not only seeking ways from traditional export goods to new and non-traditional export goods but also in the search of new markets and new trade allies.

This section will explain how the idea of Bangladesh’s search for nontraditional export areas, such as the export of ready-made clothes, would lead to the evolution of a new industry, garments.

Just Faaland explains that close to 80 percent of global jute production comes from Bangladesh. However, its importance as a global commodity has been in steady decline since the 1960s. From 1973 to 1974, out of total export earnings of US\$ 454 million, a total of US\$ 378 million came from a combination of raw jute and jute manufactures (Faaland and Parkinson 1976).³³³ The table below provides an overview of the traditional export areas of Bangladesh.

³³² N. M. J., “Murder in Dacca Ziaur Rahman's Second Round,” *Economic and Political Weekly*, Vol. 13, No. 12 (March 25, 1978): 551–558. P. 555

³³³ Just Faaland and J. R. Parkinson, *Bangladesh: The Test Case of Development* (London: C. Hurst and Company, 1976).

Table 10: Traditional export areas: (BDTaka in crores) (Rahim and Uddin 1978)³³⁴

	1972-1973	1973-1974	1974-1975	1975-1976	1976-1977	Percentage Total export
Jute manufactures	154.9	126.9	188.5	257.2	307.3	43.2%
Jute raw	101.3	84.6	98.9	125.2	194.5	27.3%
Hides, skins, Tanned leather	14.4	13.7	19.6	42.9	65.6	9.2%
Tea		99.8	20.4	21.3	65.5	9.2%
Fish (fresh, dried, processed, shrimps, and prawns)	4.4	9.3	6.7	17.6	32.5	4.6%

The idea to search for nontraditional export areas emerged in the economic planning of the Mujib government. This was due to the fact that the export income from raw jute and jute-produced goods was shrinking. Firstly, the developed industrial countries were replacing jute with more economical, synthetically produced materials; secondly, the market for jute required immense transportation, which was time- and cost-consuming: “Global demand for jute declined steadily as synthetic polypropylene products eroded many of its traditional product niches, and a trend towards bulk transport of goods reduced the demand for packaging materials (Lewis 2011).”³³⁵

Garments were seen as a more opportune export area for Bangladesh since the country had a huge population that could be turned into labor in the manufacturing industry (Ahmed 1978).³³⁶ Manufacture was seen as a very feasible industry for Bangladesh due to

³³⁴ Table source: A.M.A. Rahim and M. Sohrab Uddin, “Structural Characteristics of Bangladesh Export Trade” in A.M.A. Rahim *Current Issues of Bangladesh Economy* (Dhaka: Bangladesh Books International Limited, 1978).

³³⁵ David Lewis, *Bangladesh: Politics, Economy, and Civil Society* (Cambridge University Press, 2011).

P. 139.

³³⁶ Qazi Kholiquzzaman Ahmed, “The Manufacturing Sector of Bangladesh – An Overview,” *The Bangladesh Development Studies*, Vol.VI. No.4 (Autumn 1978).

that very reason: “When we liberated our country, our biggest problem was the export issue. Initially, of course, we were dependent on jute. In the early years, jute was a very strong export. But then only substitutes started to appear. Then jute became a bit weaker. As we were dependent on one export item, it was not a good thing. So, we had to look for ways to move on and what to do. Then we were thinking of garments (A.M.A.Muhith, personal communication, September 2, 2019).”³³⁷

In this milieu, garments were seen as an opportunity in Bangladesh. In the mid-1970s, some ready-made garment products from Bangladesh were exported to Western European countries.

Table 11: Garments exports (BDTaka in thousands) (Rahim and Uddin 1978)

	1975-1976	1976-1977
Readymade garment	3,05	7,22

The state then diverted its focus to supporting manufacturing-based industries. In the years 1976–1977, the Bangladesh Shilpa Bank directed 90% of its loans to the manufacturing sector, compared to only 20% in the years 1973–1974. 64.97 million BDTaka were sanctioned during the year 1976, of which the textile sector received the highest proportion, 17.47 million BDTaka. In the late 1970s, 43% of the financial support provided by the commercial banks went to the manufacturing sector (Yusuf 1985).³³⁸

In this continuity of seeking a non-traditional export field, and as garments were seen as a potential sector, the thinking in the Zia government was that garments were a potential sector: “The other thing was the question of setting up the garment industry. That was the first time we thought that there was potential in the garment sector. Bangladesh would easily be a producing and manufacturing country. To market the products ‘made in

³³⁷ Abul Mal Abdul Muhith 2019, op. cit.

³³⁸ Fazlul Hassan Yusuf, *Nationalization of Industries in Bangladesh* (Dhaka: National Institute of Local Government, 1985).

Bangladesh’, that was the beginning (M. Ahmed, personal communication, September 14, 2019).”³³⁹

Such policy thinking is reflected in industrial policy. The export-led economic growth strategy, which was put into place through the Revised Investment Policy of 1975, facilitated the idea of setting up the first Export Processing Zone (EPZ) in the port city of Chittagong (Economic Survey 1975–76).³⁴⁰ Though the implementation and realization of this plan were realized under the Ershad government, they played a prominent role in expanding the garment industry.

In this context, when Zia garments were considered a future lucrative area of export industry, a new development in the global market was unfolding, namely the Multi-Fiber Agreement (MFA) governed by GATT, which equally favored Bangladesh’s new emerging garment sector. GATT’s MFA emerged in 1974, suggesting an export ban on growing quantities of low-priced imports from developing countries; however, Bangladesh and some other LDC countries were left aside from the ban. The objective of this agreement was that the countries of the industrial world wanted to protect their clothing industries from the emerging markets in East Asian countries. Hence, it seems that industrialist countries might have taken into consideration that Bangladesh, at this point in time, would have any chance to export clothes to the developed countries and that it would take advantage of this agreement.

A body of literature argues that the multi-fiber arrangement has been a major contributory factor to the growth of the garment industry in Bangladesh. According to these scholars, Bangladesh could rise due to the quota opportunity for Bangladesh that resulted from this agreement. David Lewis, for instance, sees that the garment sector’s origins can be traced to the late 1970s, when a handful of factories started to produce clothes for Western markets in the wake of the Multi-Fiber Arrangement: “Although the MFA was primarily designed to protect European and North American producers, it also provided

³³⁹ Moudud Ahmed, 2019, op. cit.

³⁴⁰ Ministry of Finance, *Bangladesh Economic Survey: 1975–76* (Dhaka: Government of Bangladesh Ministry of Finance, 1976).

opportunities to very poor countries such as Bangladesh. Under the agreement, it became possible for established garment-producing countries to activate the unused export quotas of non-garment-producing poor countries in order to extend their production base (Lewis 2011).”³⁴¹

4.5.1 The garment onset: Measures and incentives: This section depicts how the Zia government’s industrial policies, highlighting export orientation and private sector development, helped a fairly new sector, garments. As discussed in the aforementioned section, due to the decline of jute-based export earnings, policy planners necessitated a shift in focus on a newfound export area: ready-made garments. David Lewis argued that Bangladesh’s industrialization and its export orientation have greater implications for the garment industry: “The rise of the ready-made garment sector has been central to Bangladesh’s industrialization process and its export strategy (Lewis 2011).”³⁴²

The development of the garment sector was spurred in two ways: the first was that through the policy change, a move towards a mixed economy was allowed, and domestic and foreign private investment in private activities was allowed. The second was encouraging domestic entrepreneurs with incentives to promote private economic activities. The search for a new and non-traditional export area resulted in finding a completely new domain: ready-made garments. No one probably predicted how this newfound area would shape the industrial landscape of Bangladesh in a span of two decades.

The Zia government’s effort in the private sector promotion emphasized export-oriented industrialization. Craig Baxter notes that in the early phase export based private sector developed through the chemicals and electrical equipment manufacturing (Baxter 1984).³⁴³ This was furthered due to the fact that countries like France, Belgium and the Arab Emirates, were showing interest in Bangladeshi exports of these materials. Zia then implemented measures to promote production and supply of these export goods: “A total

³⁴¹ David Lewis 2011, op. cit. P.149

³⁴² Ibid. P.149

³⁴³ Craig Baxter, *Bangladesh, A New Nation in an Old Setting* (Boulder and London: Westview Press, 1984).

of 102 crore BDTaka, including foreign exchange of 41 crore BDTaka, has been allocated. This is the highest allocation for any project in the fiscal years 1976-1977. In addition, adequate allocations have been made for the other three major aided ongoing projects, namely Joydebpur Machine Tools Factory and General Electric Manufacturing Plant, and Chittagong Dry Dock Project. It is gratifying that after long negotiations, sufficient foreign aid has now been received from France, Belgium, and the UAE for the Machine Tools Factory (Budget Speech 1976 – 1977).”³⁴⁴

These efforts signify that, as the private sector emerged through these export-based manufacturing factories, there was a search for more export-oriented enterprises, both from the state and the business community. Therefore, it is in this realm that two factors were significant: first, the policy planners were looking for a non-traditional export area, and second, the state was seeking a manufacturing-based export-oriented private sector. In this context, the next section will highlight how, with the support of the state, the first export-based garment factory was born.

4.5.2 Birth of the first 100% export-oriented Desh garments and state support: The onset of Bangladesh’s garment industry has been profoundly supported by the policy that cultivates the private sector. From a nascent beginning, the sector emerged to become a global player. The country’s pioneering first 100% export-based garments industry, named Desh Garments, nourished by support for the Zia government, also has a story about how it actually got the idea and has an association with Dhaka's tailoring shops.

Before even any garment factory was set up, early exports of garments actually began with some tailor shops in Dhaka, which exported tailor-made clothes through the Trading Corporation of Bangladesh (TCB) to Europe. Established by Sheikh Mujib’s presidential order in 1972, TCB was a state-owned organization aimed at the war-torn economy against the backdrop of a scarcity of essential commodities and industrial raw materials that were

³⁴⁴ Budget Speech of 1976 – 1977, Major General Ziaur Rahman, 1996, op. cit. P.14-15.

required for the country's industrial development. TCB played a major role in promoting Bangladesh's exports in the early days (TCB 2023).³⁴⁵

An example is the Reaz store. A small tailoring shop in Dhaka was established in 1960 and served only the domestic market (Morshed 2012).³⁴⁶ In the mid-1970s, Reaz Store exported the first shipment of garment clothes to Europe, which inspired many to do business in this sector: "Reaz Garments first exported garments to France for around 12 thousand US dollars. They started in a small shop, which was even part of their house, where they put up sewing and tailoring machines. Since then, everybody got interested (A.N.Khan, personal communication, August 25, 2019)."³⁴⁷

Following the footsteps of Reaz garments, Noorul Quader Khan, a cabinet secretary turned entrepreneur and came up with an even better idea; he had set up the first export-oriented garment factory in Bangladesh, namely Desh Garments, in 1979 (M. Ahmed, personal communication, September 14, 2019).³⁴⁸ His idea was so prolific that through Desh Garments he would start a journey which would transform the industrial development in Bangladesh:

"All the credit for the garment industry goes to Noorul Quader Khan. He understood it very quickly. He sent some people to Korea to take training, took the Korean help, and then started the set first garments. And those entrepreneurs who came in the garments industry afterwards, and those who became important and successful in this industry, all of them were mostly employees of Noorul Quader Khan. He trained them, he brought them into this business. He is the patron of our industry (A.M.A.Muhith, personal communication, September 2, 2019)."³⁴⁹

³⁴⁵ History of the Trading Corporation of Bangladesh (Dhaka: TCB, Government of Bangladesh, 2023).

³⁴⁶ Mainul Morshed, "History of Garments in Bangladesh," 2012. <https://www.slideshare.net/mainulrony/history-of-garments-in-bangladesh>

³⁴⁷ Ayub Nabi Khan (Professor and Pro Vice Chancellor, BGMEA University of Fashion and Technology) in discussion with the author (Dhaka: August 25, 2019).

³⁴⁸ Moudud Ahmed. 2019, op. cit.

³⁴⁹ Abul Mal Abdul Muhith 2019, op. cit.

Lewis is of the opinion that Desh Garment's journey was unfolding in the backlash of the MFA agreement, which created difficulties for clothing industries of the emerging markets in the East Asian countries: "In the case of Bangladesh, where there was no existing export garment industry, it was the South Korean capital, whose quotas were already filled, that acted as the catalyst for the start-up of the Bangladesh ready-made garment sector. This process of expansion was ultimately driven by the need for Western retailers to seek new countries in which they could source garments in order to get around the quotas (Lewis 2011)." ³⁵⁰

Contrary to David Lewis's view, Mushtaq Khan argues that support from the state for this industry was more vital than the MFA quota or other such kinds of exogenous factors: "The Bangladeshi entrepreneur set up Desh Garments in 1979, acquiring the land and machinery with its own capital and arranging government support for the requisite institutional changes required to support a potentially risky investment in a new area (Khan 2013)." ³⁵¹ Parallel to Khan, Moudud Ahmed also acknowledges Zia's sponsorship through the means of policy and regulations, which nourished the industry from the start: "Indeed, the private sector initiatives like Mr. Noorul Quader Khan's were the most inspiring in this story. But the government gave the policy favors and other incentives, like back-to-back LC, for instance (M. Ahmed, personal communication, September 14, 2019)." ³⁵²

Even a more landmark development has been that now a leading Korean multinational clothing company, namely Daewoo, is interested in assisting Desh Garments under a bilateral agreement.: "The South Korean multinational advanced the cost of training a critical number of supervisors and managers, but this advance was effectively a loan that was to be repaid in the form of a claim for a percentage share of future exports. Daewoo's

³⁵⁰ David Lewis 2011, op. cit.P.149

³⁵¹ Mushtaq H. Khan, "The Political Settlement, Growth, and Technical Progress in Bangladesh," (London: SOAS, University of London, 2013). P.103

³⁵² Moudud Ahmed. 2019, op. cit.

up-front investment was to host the visiting Bangladeshis at their plant in Busan and train them in modern garment manufacturing processes (Khan 2013).”³⁵³

Bangladesh’s access to the US market through MFA was an appealing and straightforward business proposition for Daewoo, offering them the opportunity to market their output. However, Daewoo might not have been willing to take the risk of participating in a collaboration with Desh Garments in Bangladesh without several factors that reduced the risk of failure. Zia’s support assured Kim Woo-Choong, the chairman of Daewoo, that unexpected problems would be dealt with or at least addressed. In fact, political support at the highest level ensured that relatively critical institutional innovations were quickly introduced. “Daewoo would probably not have been willing to take the risk of participating in a Bangladeshi collaboration without a few credible commitments from the president, Ziaur Rahman (Khan 2013).”³⁵⁴

Overall, the state thinking spurred policy and regulatory support that enabled the export-based private sector to develop, which was vital for Desh Garments to embark on its journey. As a result, the sector is on the verge of creating a legacy that would make Bangladesh’s garment exports compete in the global market and make it one of the leading.

4.6 Conclusion

The chapter provides a compelling demonstration of the significant relationship between ideas and the state capacity under Ziaur Rahman's government. It highlights how ideas and policies played a crucial role in strengthening the private sector, marking a significant shift away from the socialist stringent model.

Top bureaucrats and technocrats played a vital role in advocating for a mixed economy, emphasizing the importance of the private sector in spurring economic growth. The

³⁵³ Mushtaq H. Khan 2013, op. cit. P.103

³⁵⁴ Ibid.

government's focus was on encouraging foreign investment and prioritizing post-war reconstruction. It bestowed efforts to enhance the efficiency and profitability of state-owned industries, with a specific focus on promoting the private sector for economic development.

In this context, the 'Hard-Core Plan' emerged as a central policy aimed at achieving rapid economic growth, with a strong emphasis on employment generation, industrial development, and agricultural growth. The industrial sector received increased funding, with foreign aid supporting projects such as the fertilizer industry and machine tool factories. The government's goal was to transfer state-owned enterprises (SOEs) into private hands, listing 255 SOEs for privatization, including jute mills and textile mills.

Rebuilding trust among entrepreneurs and investors proved to be a major challenge due to past nationalization policies. Although some industries were opened to the private sector, lingering mistrust remained.

Another key policy was the Industrial Policy of 1975, which aimed to foster private sector development. It introduced several measures to encourage private sector growth, such as eliminating the ceiling limit on private investment, simplifying investment approval procedures, implementing a floating exchange rate, devaluing the currency, and initiating disinvestment and denationalization. The creation of a disinvestment board, the reopening of the stock market, the establishment of an investment promotion center, and development finance institutions (DFIs) were also significant steps. These policies ensured property rights for foreign investors.

While Zia projected a strong image, it was the technocrats and bureaucrats who played a pivotal role in shaping these policies. They effectively advocated for private sector development and convinced Zia of the advantages of such an approach.

The Industrial Policy brought about significant changes, allowing private investment in various sectors like paper, iron and steel, shipping, and more. It encouraged joint ventures with the public sector, with the state holding 51% of the equity. The policy aimed to boost

export-led economic growth, reduce budget deficits and inflation, and attract foreign investors. Tax incentives and holidays were offered to both foreign and domestic private investors. It also led to the establishment of the country's first Export Processing Zone (EPZ), contributing to the growth of the garment industry.

Efforts were made to improve fiscal stability, including the devaluation of the local currency and the implementation of tax reforms. These policy changes inspired domestic entrepreneurs, leading to the emergence of a competitive private sector and the development of new industries. GDP growth increased, reflecting the success of these policies in promoting economic growth.

The emergence of the garment industry in Bangladesh, particularly as a non-traditional export, was a result of these policies. The decline of the traditional export base, jute, led to a shift in economic thinking, with a focus on ready-made garments. The government directed its efforts towards supporting manufacturing-based industries, with the Bangladesh Shilpa Bank providing loans to the manufacturing sector. The creation of the first Export Processing Zone (EPZ) in Chittagong facilitated the growth of the garment industry.

The Multi-Fiber Agreement (MFA) under GATT favored Bangladesh's emerging garment sector by providing export opportunities to developed countries. The government's focus on export orientation and private sector development contributed to the growth of the ready-made garments industry as a significant player in the country's industrial landscape.

The state also played a pivotal role in supporting entrepreneurs. The early export of garments from Dhaka's tailor shops to Europe through the Trading Corporation of Bangladesh (TCB) showcased the government's support.

The story of Noorul Quader Khan, who established the first export-oriented garment factory, Desh Garments, in 1979, is a key landmark. Khan's vision and training of future industry leaders played a significant role in the industry's development. Government

policies, including back-to-back LCs (letters of credit), were significant factors in the industry's success.

The collaboration with Daewoo, a South Korean multinational company, facilitated by the Bangladeshi government's support, particularly from President Ziaur Rahman, was crucial. This collaboration reduced the risk for Daewoo and encouraged their investment.

Finally, the chapter underscores the essential role of state thinking, policy support, and entrepreneurial initiatives in shaping Bangladesh's garment industry. State backing in international collaborations played pivotal roles in making the industry a global competitor.

5 | Chapter Five

The Birth of Globalization

5.1 Introduction

This chapter examines the economic policies of the 1980s and attempts to define this period as the birth of globalization in Bangladesh. It highlights the interactions between technocracy and the executive branch as key players underpinning economic transformation and development of the private sector. Evidence in favour of this conjecture constitutes remarkable changes; policy measures were forged to augment the pace of deregulation to a greater degree in this phase.

In the 1970s, a far more gradual consolidation of the private sector occurred during Ziarur Rahman's rule after prudent incremental inception during the Sheikh Mujib era and building on that foundation. Gradualism persisted; a greater number of policy steps were undertaken in this decade, allowing for a greater degree of change to be entrenched in this era.

The assumption in the planning machinery was based on the idea that the hereditary economic malaise of a war-ravaged nation's quest to pursue growth could profit from a fairly new evolving sector, ready-made garments (RMG). This, in turn, could trigger the promulgation of new policies.

Outward-looking policies resulting from deregulation had profound impacts on private sector development and allured foreign investment, leading to the emergence of the garment industry. Archival data suggests that the state's desire to profit from global garment exports may have created a situation in which the autarky system could have been deregulated.

Consequently, the idea of establishing the first export-processing zone in the country, the CEPZ, came into full function. More export-import deregulation occurred. The expansion of the private sector, along with a major emphasis on denationalization, has become a major political commitment of the government. The garment industry will then become a stable sector and evolve into an emerging global market.

In theoretical terms, empirical data show that these changes were clearly consistent with the concept of 'puzzling and powering'. To analyse and explain the aforementioned conjectures empirically, this chapter is divided into three segments:

A section on puzzling policy and homegrown ideas connects conceptually with the theoretical framework of the dissertation and brings about economic ideas within the state that contributed to policy promulgation. It offers an overview of the circumstances surrounding industrial regulatory affairs. This, along with a subsection on puzzling over adverse international trade situations, also shows how ideas were endogenously driven, as well as dealing with endogenous conditions, although international conditions were impacting or forcing the system to change. The empirical section is divided into two segments: policy measures, incentives, and deregulatory frameworks that were promulgated to give birth to globalization in Bangladesh.

A section on the policy framework of globalization emphasizes the privatization process and measures. It highlights the denationalization of industries, industrial promotion and development companies, the annual GDP target, the promotion of domestic investment, the promotion of the manufacturing sector, the establishment of a manufacturing zone, infrastructure development, decentralization, and a campaign to attract foreign direct investment.

Another section covers the policies for the development of an export-oriented strategy, covering trade agreements and structural development, adjustment of the positive and negative lists, the first export-processing zone, and other incentives.

Finally, a discussion on the emergence of garments will show, as an example or impact of the policy change, how the government's policy measures led to the birth of globalization through the emergence of an industry that is on the verge of setting the course for larger industrial transformation in the country and alluring to become a competitive market player on a global stage. Ready-made garments (RMG) have been the mainstay of economic growth and industrial transformation in Bangladesh. Currently, this sector accounts for 84 percent of the country's total exports. The government's efforts to promote and expand the RMG sector have garnered much economic liberalization, deregulation, and reform. This enabled the country to engage in trade relations with the European Union and the United States, requiring governments to open up export-import regulations and foreign investment, modernize, and create an investment and business environment.

A key conceptual part of this chapter is that it establishes the empirical and theoretical foundation to validate that the extent of the change in this period is gradual and sufficiently greater to produce a threshold effect, which could then set the point of departure or the tipping point in the next phase.

5.2 Puzzling over policy and homegrown ideas

This section traces the interactions between technocracy and the political executive, demonstrates the conceptualization of the puzzling and powering concepts, and how they may have been persuasive in promulgating two important policy acts during this period. A vigilant study of data suggests that the interaction between technocracy and political executives confined homegrown ideas to playing a hegemonic role in the formation and promulgation of two acts, the 1982 New Industrial Policy and the 1986 Industrial Policy. Policy planning was largely shaped by considering both domestic and international trade situations.

The policy committee was thinking about the dismal socio-economic condition and their endeavors to turn the tides of economic malaise. More than a decade after independence, Bangladesh in the early 1980s was still regarded as the world's second poorest country, crippled by unemployment, illiteracy, and malnutrition among the mass population, not to mention extreme poverty. About 85 percent of the people now live under conditions of absolute poverty; 74 percent of them cannot read or write; and about 33 percent of the labor force has no employment. Poverty was so endemic and ubiquitous in Bangladesh that over three-fourths of the population could not afford to meet the minimum dietary requirements (Second Five-Year Plan 1983).³⁵⁵ So, elite technocrats held the idea that, in order to embark on economic growth, greater opportunity must be created for the private sector. For instance, Abul Mal Abdul Muhith, the minister for planning and finance, stressed that the government took a solemn stance towards economic stability and much-needed industrial growth and foreign investment inflows (Second Five-Year Plan 1983).³⁵⁶

In a similar vein, on May 9, 1982, Ershad stated his government's goal of economic and industrial development (Ittefaq 1982).³⁵⁷ He openly criticized his predecessor about corruption and inefficiency in public corporations: "Corruption, unplanned spending, poor management, indecision, and extravagance led to a catastrophe in the country's economic progress." (Translated from Bangla into English).³⁵⁸

S M Shafiul Azam, a top bureaucrat who was an exponent of deregulation and who served as the deputy at the Bangladesh Planning Commission, is now in charge of the Ministry for Industry and Commerce (Jalil 2008).³⁵⁹ In the spring of 1982, Azam and his two

³⁵⁵ *The Second Five-Year Plan (1980–85) of Bangladesh*, Planning Commission, Ministry of Finance and Planning (Dhaka: Government of the People's Republic of Bangladesh, May 1983), chapter 2, p. 23

³⁵⁶ *Ibid.* P.115.

³⁵⁷ "General Ershad's Address to the Nation: Aims of Economy and Industry" (translated from Bengali)

(Dhaka: The Daily Ittefaq, May 10, 1982) p.2 and p.7

³⁵⁸ *Ibid.*

³⁵⁹ Azizul Jalil, "A Fine Teacher and an Illustrious Civil Servant: Shafiul Azam," *Star Weekend Magazine*, Vol. 7, No. 35 (August 29, 2008).

deputies, Shamsul Haque Chisty and Shafiqur Rahman, met with General Ershad, presenting him with policy suggestions that are based on reviews and reflections on existing industrial regulations. Ershad's interest in achieving economic growth corroborated with the policy ideas within the technocracy. On May 27, 1982, while addressing the industrialists and businessmen of Rajshahi district, Ershad stated that a new industrial policy would be announced soon and numerous barriers to the private sector would be removed. The *Daily Ittefaq* (1982), a leading Bangla newspaper, saw this move as greater hope for the reforms.³⁶⁰

Consequentially, on June 1, 1982, Shafiul Azam announced the Industrial Policy of 1982, proclaiming that this policy had been formulated in the light of addressing endogenously driven, perceptible problems and demands without being driven by any ideology (*Ittefaq* 1982).³⁶¹ This act stressed industrial transformation by emphasizing manufacturing and export-oriented industries, a strategy that had been initiated by the previous government. Various incentives were introduced for domestic and foreign investments, concentrating on technology transfer and developments expected by foreign companies. A group of 84 industries was defined that were reopened for private and foreign investment. In some sectors, the requirement of the government's pre-permission was withdrawn for the investment from private funds. A Foreign Investment Cell was set up to facilitate applications from foreign companies. The policy changes also initiated measures to improve microeconomic imbalances. The first Export Processing Zone (EPZ), which aimed at giving greater security and a business environment for foreign investors and companies, was finally opened for operation in 1983. Foreign companies were given special regulatory privileges in the EPZ area.

Humphrey (1992) states that the Industrial Policy of 1982 was the brainchild of senior bureaucrats, whose ideas played a significant role in the process.³⁶² He argues that S. M.

³⁶⁰ "The new industrial policy will remove the obstacles of the private sector," (translated from Bengali)

(Dhaka: The *Daily Ittefaq*, 28 May 1982).

³⁶¹ The *Daily Ittefaq*, editorial (Dhaka, June 3, 1982), p. 2.

³⁶² Humphrey 1992, op. cit.

Shafiul Azam, a top bureaucrat, and his team found a pragmatic listener, Ershad, who was looking for ideas.

There has been a growing demand from domestic entrepreneurs for the return of the nationalized industries into private hands (Kochanek 1993).³⁶³ However, the implementation of the policy faced massive obstacles due to the prevailing conditions, as Moudud Ahmed described (M. Ahmed, personal communication, September 14, 2019).³⁶⁴ The Industrial Policy of 1982 touched upon the issue of denationalization of state-controlled industries. Soon after the promulgation of the Industrial Policy of 1982, trade unions strongly opposed any effort for the denationalization of nationalized industries. The Awami League and the other opposition parties were opponents of the transfer of public industries. The workers of public industries feared losing their job because of private sector competitiveness.

Thus, the Awami League and the leftist-dominated trade unions formed a strong antagonism against the privatization of nationalized industries. Demonstrations became increasingly violent, as the union leaders defined the denationalization attempts as an assault on the public sector by the Ershad government. However, some of the mill owners who were supporters of the Awami League, coming away from the party ideology, favored denationalization. Subsequently, a negotiation between the trade unions and the government was made, with the outcome that the Ershad government's emphasis on the denationalization package shifted to something somewhat less contentious, finding a middle way by introducing 'public-private partnerships' (Kochanek 1993).³⁶⁵

In the mid-1980s, top technocrats reflected on the gap between the policy, its implementation, and its desired outcomes. Highlights were given on the importance of the improvement of the business environment and on the norm shift within traditional social forces towards a market economy, through macro-economic policy reforms. Tariffs,

³⁶³ Stanley Kochanek, *Patron-Client Politics and Business in Bangladesh*. (New Delhi: Sage, 1993)

³⁶⁴ Moudud Ahmed, 2019, op. cit.

³⁶⁵ Kochanek, 1993, op. cit.

exchange rates, financial, and regulatory reforms were the key points in the debate. Moudud Ahmed, who was deputy prime minister and full minister for industry in 1986 and spokesperson of the government for economic development and industrial policy, expressed his view that his government was attempting to put much effort into transforming the industries into competent and profit-making concerns (Humphrey 1992).³⁶⁶ In a similar vein, Mohiuddin Azam, a top bureaucrat in the Finance Ministry, has expressed the greater push for industrial change: “We have wasted 35 years (1847–1982). We had to do something different and definite (Humphrey 1992).”³⁶⁷

Adhering to planners’ recommendations and keen to yield faster growth, Ershad consequently moved forward by carrying out greater industrial reform through the promulgation of the Industrial Policy of 1986, concentrating on the export sector as well as deepening the process of liberalization and deregulation of the private sector.³⁶⁸ Soon the Industrial Policy of 1986 was announced.

Again, the reform focused more on foreign and domestic investment by providing more regulatory leverage and liberal incentives. Technocrats who were favoring liberal industrial policies believed that this change could open up a bigger horizon for private and export-oriented industries. Investments in some fields, which were made without any prior approval, were seen as big successes and continued to thrive. A list of categories of industries was added to identify both priority and discouraged types of industries. Financial incentives, such as tax holidays, were further expanded. Macroeconomic stabilization measures were aimed at reducing fiscal and external deficits to a sustainable level. Subsidies for food and agriculture were removed. The ease of import restrictions was among the changes that were seen as policy tools to accelerate steady growth. The privatization process of state-owned enterprises was augmented on a larger scale.

Lewis contends that in the first half of 1980s, the public sector still continued to be too dominant, and the GDP growth was only the result of the exports of ready-made garments

³⁶⁶ Humphrey 1992, op. cit.

³⁶⁷ *ibid*

³⁶⁸ David Lewis, op. cit. 2011.

and shrimp. According to him, the impact of the Industrial Policy of 1982 had been insignificant. Bangladesh's economy was again in a downturn. A key structural problem around trade and investment policies has been that the industrial sector possesses a dual character. There was a highly inefficient public sector composed of import substitution industries, and another more efficient private sector that focused on the high-value exports of garments and shrimp (Lewis 2011).³⁶⁹

Nonetheless, within the technocracy, it was realized that an orientation toward export-based industry would depend on massive sources of raw materials, which would have to come from abroad. This meant that without liberal and free import regulations, manufacturing industries—garments, for example—could not emerge. As a result, Ershad's view with respect to import restrictions shifted from his initial standpoint and is reflected in the industrial policy of 1986.

Ershad was also speaking boldly against corruption and political interference in the industrial sector, especially in public enterprises. He also declared to bring an end to the 'Red tape' culture, referring to the protracted nature of bureaucratic regulations, governmental conventionalities, and formal rules, which were excessive, rigid, and hindering actions or decision-making. He thought of the need for proper coordination between the public and private sectors. In addition, innovation and research will have to be carried out in order to improve the quality of products in the industrial sector (Ittefaq 1982).³⁷⁰

5.2.1 Puzzling over the adverse international trade situations: In the 1980s, the impact of international adverse situations on Bangladesh was sometimes concealed and sometimes profound. The Bangladeshi state was considering these matters seriously. However, it was not regarded as the determinant of the policy. Nevertheless, the way these

³⁶⁹ David Lewis, op. cit. 2011

³⁷⁰ "General Ershad's Address to the Nation: Aims of Economy and Industry" (translated from Bengali) (Dhaka: The Daily Ittefaq, May 10, 1982) p.2 and p.7.

concerns were handled can offer an understanding that puzzling over the situation delivers a strong indication of autonomous policy thinking.

For example, Abul Maal Abdul Muhith, the then Minister for Finance and Planning, claimed that the state machinery, by and large, was run by technocrats and political executives who were very international in their outlook: “The global product process was being structured in such a manner that we had to think about it in Bangladesh as well. The reason for that was that after independence, for the first eight to ten years, we were comprehensively dependent on aid. Our budget was dependent on aid (translated from Bengali into English) (A.M.A.Muhith, personal communication, September 2, 2019).”³⁷¹ And the events of globalization elsewhere are taken seriously in the planning machinery of the Ershad government: “Yes, globalization, and globalization was indeed an important element (A.M.A.Muhith, personal communication, September 2, 2019).”³⁷²

Mohammad Saifur Rahman, the former finance minister, was reflecting on the adverse economic situation of the international economy around 1981, which might have impacted the economic situation of Bangladesh. Global capital, productive forces, supply, and purchasing power, which were concentrated in industrialized countries, had dominant effects on countries like Bangladesh. In particular, the economic situation of those countries mattered profoundly. Inflation and recession occurred simultaneously in industrialized countries in the early 1980s. The price of machinery and parts, which Bangladesh imported from those countries through government loans and grants, had increased due to inflation; that is, the number of imports had decreased due to the limited available budgets.

On the other hand, due to the recession, the pace of production and economic activity in industrialized countries had stagnated, and unemployment had increased. As a result, the demand for and price of Bangladesh’s export products to those countries have decreased. Bangladesh’s exports might have been further hampered by the austerity measures and

³⁷¹ Abul Mal Abdul Muhith 2019, op. cit.

³⁷² *ibid.*

budget control policies adopted by the policymakers of those countries in an attempt to control inflation. In many cases, the moderation policy had an adverse effect on foreign aid. In sum, inflation and recession in industrialized countries had made Bangladesh's dealings with the outside world much more difficult than before, and the flow of foreign finance needed for internal development projects had also faced new obstacles (Budget Speech 1981).³⁷³

Another well-known but significant reason for the difficulty of Bangladesh's financial dealings with the outside world had been the rise in fuel prices. The average price of crude oil rose from around 13 dollars per barrel in 1978 to 35 dollars in 1981. This led to a situation where, in that financial year, Bangladesh had to spend more than 60 percent of its export earnings on oil imports (Budget Speech 1981).³⁷⁴

Also, the economic downturn in the industrialized countries and the slowdown in the growth rate in international trade have caused the prices of the country's main exports, namely jute and jute products, to drop exponentially.

In the first nine months of the financial year, which started in July 1980, the export income from raw jute was 16 percent less than the export income of the same period in the previous year, even though the number of exports was higher. The total export earnings in the financial year 1980–1981 were close to USD 72 crores. The probability of earning the same export income for the years 1981–1982 faded. Bangladesh's international trade terms had deteriorated significantly in the financial year 1981-1982, reducing the average price per unit of exports by about 13 percent as well as increasing the price per unit of imports by more than 19 percent (Budget Speech 1981).³⁷⁵

The global economic inflation and the economic downturn were fundamental issues that Saifur Rahman thought that Bangladesh would have to deal with through various efforts.

³⁷³ Mohammad Saifur Rahman, Minister of Finance, Budget Speech, Annual Budget 1981-1982 (Dhaka: Ministry for Finance, Government of the People's Republic of Bangladesh, 6 June 1981), Episode 1, p. 1

³⁷⁴ Ibid.

³⁷⁵ Ibid.

Saifur Rahman suggested that, as the first and foremost measure, investments had to be increased in order to boost industrial development. Investments could gear up when the following approaches are introduced: the enlarged non-development expenditures need to be restrained; subsidies in various sectors have to be gradually reduced; the tax administration system has to be improved; internal resource mobilization has to be increased through appropriate tax rate adjustments; and the efficiency of the governing state-owned enterprises has to be improved, including the fixing of the sales prices of the state-owned industries on a proper commercial basis in order to make them productive and profitable.

There was an indication that the technocracy had taken on these adverse issues but dealt with domestic imperatives. A year later, Abul Maal Abdul Muhith, presenting the budgets for the fiscal year 1983-1984, reflected in a similar vein that industry and entrepreneurship required a greater policy push in order to achieve economic ends (Budget Speech 1983).³⁷⁶

5.6 Policy framework towards globalization

This section captures policy measures that might have favored globalization in the 1980s. The foundation laid during this period then led to a threshold effect in the early 1990s. A careful examination of the empirical data reveals aspects of the 1980s policy framework, ranging from privation to export-oriented strategies. An elaboration of these aspects would offer an analytical account of the conjecture that this chapter is attempting to establish. Two key acts promulgated during this era, namely the New Industrial Policy of 1982 and the Industrial Policy of 1986, were seen as contributing to outward-looking policies.

³⁷⁶ Abul Maal Abdul Muhith, Minister of Finance and Planning Budget Speech, Annual Budget 1983–1984 (Dhaka: Ministry of Finance and Planning, Government of the People's Republic of Bangladesh, Dhaka, June 30, 1983). Part I

5.6.1 Privatization

Some of the important policy aspects that could be seen as drivers for the promotion of private sector in Bangladesh were the transfer of already nationalized industries, deregulation of export import restrictions, alluring foreign investment through the idea of establishing an export processing zone, and removing the provision of a ceiling on investment.

5.6.2 Denationalization of industries: As a result of a stringent import substitution policy in the early phase, all large industrial units were nationalized under state control. These industries were put under the control of public-governed corporations.

The denationalization process in Bangladesh demonstrates multiple dimensions of complexity and impacts on industrial transformation. A significant amount of political and economic planning was driven by this topic. In its initial phase, denationalization was built on an ideology, such as socialism, and in later periods, political movements and mobilization were further driven by the idea of what steps and policies would shape around this denationalization. Firstly, there was strong resistance from the workers against any move toward transferring these industries into private hands. Workers were then favored by the political opposition. Secondly, external pressures were also enormous for deregulation. And thirdly, much of the economic growth was seen through the development of the private sector, yet a full-scale denationalization would signify that the government trusts and is willing to rely on the private sector.

The planners acknowledged that a policy for private investment was consolidated through the Industrial Policy of 1975, which signified further acceleration with regard to private investment. The Ershad government advanced on these lines: “The new industrial policy has not only extended the list of industries for private investment but also simplified approval procedures for private investment. Besides these changes, adequate fiscal and financial incentives will be provided to the private sector to encourage both saving and

investment so as to reach the investment target, which is merely an indicative figure (Second Five-Year Plan, 1983).”³⁷⁷

We have argued that conjecture that the birth of the private sector occurred in Bangladesh under Sheikh Mujib's rule. It has not only instigated incentives and measures to initiate the private sector's launch but has also begun the disinvestment of small-scale industries in private ownership. Howlader reports that, through the promulgation of Presidential Order 27, in 1973, the Mujib government initiated the disinvestment process (Mollah 2020).³⁷⁸ Starting from 1973, the upward revision of the ceiling on investment, especially collaboration with private enterprise, began. The industrial investment policy of July 1974 enabled private investment by raising the ceiling to Tk. 3.00 million. A provision of tax holidays ranging from five to seven years was also introduced. In addition, foreign direct investment is now allowed, along with a partnership with a domestic private company, with an emphasis on technological and managerial assistance.

The focus toward privatization shifted gradually but to a much greater degree during the Ziaur Rahman period. The Revised Investment Policy of December 1975 by the Zia government was seen as a crucial juncture in reorienting the economy toward more dependence on the private sector: “By late 1977, 21 units under the jurisdiction of the Corporations had already been divested and possession turned over to the new owners. Another 15 were divested but not handed over. Another 33 were in process, and 17 were under consideration for divestiture. Altogether, these 86 would represent almost 40% of the 224 originally confided to the corporations. A total of 110 of these enterprises were privatized during the Zia period (Humphery 1992).”³⁷⁹

A disinvestment board was established to accelerate the policy process set in motion by the 1975 policy. A decision was made to return several specialized textile and jute mills to

³⁷⁷ A.M.A. Muhith, Minister of Finance and Planning, the Second Five-Year Plan (1980–85) (Dhaka: Ministry of Finance and Planning, Government of the People's Republic of Bangladesh, May 1983). Forward. p.38

³⁷⁸ MD. Awal Hossain Mollah, “Privatization in Bangladesh: Challenges and Opportunities,” *Journal of Public Administration* Vol.2, No. 1 (2020): 11-23

³⁷⁹ Humphery 1992, op. cit., p.49

private owners. This was important as jute and textiles belonged to the core of major industries under the state's control.

The policy planners as well as the political leadership agreed on the belief that the best chance for lowering the increasing public debt and promoting growth would be to assign a larger role to the private sector.

The New Industrial Policy of 1982 and the Industrial Policy of 1986 paved the way for the large-scale denationalization of jute and cotton textile mills to a significant degree.

The process of private investment endeavors reached the final stage when the Industrial Policy of 1986 was announced with provisions of further liberalization and a modified attractive incentive structure, both fiscal and monetary, for the private sector (Taher 1994).³⁸⁰

For example, the return of 33 jute mills to their former owners has been a significant milestone in the overall privatization effort. This venture was both complex and sensitive, considering that jute is Bangladesh's primary economic activity, despite being a declining industry. Jute holds a pivotal role in the country, with the largest plants and payrolls centered around it. The state-run mills, unfortunately, are experiencing financial losses.

Industrial Promotion and Development Company: Earlier, in the government's effort to promote private sector industrial growth and generate foreign private investment in the private sector, an initiative called Industrial Promotion and Development Company of Bangladesh Limited (currently, IPDC Finance Limited) was launched in November 1981 by offering private industrial financing and advisory services. This was done in collaboration with four international development agencies, such as the Aga Khan Fund for Economic Development (AKFED) in Switzerland, the International Finance Corporation (IFC) in the USA, the Commonwealth Development Corporation (CDC) in the UK, and the German Investment and Development Company (DEG) in Germany (IPDC

³⁸⁰ M. Abu Taher, "Privatization in Bangladesh and Its Impact on Industrial Relations," *Indian Journal of Industrial Relations*, Vol. 30, No. 1 (July 1994): 1–18.

2023).³⁸¹ The company was authorized to raise USD 6 million in capital, with the government of Bangladesh holding 30% of the equity (Second Five-Year Plan, 1983).³⁸²

Already from the very outset, in the early 1980s, in an ideational milieu regarding private industrialization, the technocrats puzzled over the existing industrial policy and patched in their own policy design. For example, the idea of an increased national resource allocation for the private sector came up with a policy orientation regarding the private sector. Muhith proposed in the second five-year plan an increased share allocation in national development expenditure for the private sector—from 21% to 35%—and the allocation for the public sector was to be reduced.³⁸³ However, in the backdrop of the country's severe resource constraints, employing international capital flow was potentially seen as an option to channel resources for private sector development.

Annual GDP target: The policy framework that targeted 5.4 percent annual GDP growth through private industrialization would cultivate overall development.³⁸⁴ Yet, the ruins of war and the remains of catastrophic floods resulted in a long-term burden that was responsible in part for endemic poverty and enduring unemployment. This means that Bangladesh's 'policy mix' aimed at maximizing growth and minimizing unemployment and inflation through liberalizing macroeconomic issues (Hossain and Chowdhury, 1999).³⁸⁵

³⁸¹ Industrial Promotion and Development Company of Bangladesh Limited – IPDC (Dhaka 2023).

³⁸² A.M.A. Muhith, Minister of Finance and Planning, the Second Five-Year Plan (1980–85) (Dhaka: Ministry of Finance and Planning, Government of the People's Republic of Bangladesh, May 1983).

³⁸³ Of the total development expenditure of Tk. 17,200 crore, the suggested share for the private sector was Tk. 6,100 crore.

³⁸⁴ The Ersahad government targeted 5.4 percent annual GDP growth. See the Third Five-Year Plan, op. cit.

³⁸⁵ Akhtar Hossain, Anis Chowdhury "The Political Economy of Macroeconomic Management: The Case of Bangladesh," in M. Alauddin and Hasan M. (eds) *Development, Governance, and the Environment in South Asia* (London: Palgrave Macmillan, 1999)

The technocracy took macroeconomic issues seriously in the early 1980s.³⁸⁶ In the mid-1980s, Sultan Ahmed Chowdhury, the then planning minister, reflected that poverty alleviation through generating more employment could only be achieved through a market and demand approach and that this should be the main objective of his economic planning (Third Five-Year Plan, 1985).³⁸⁷

The planners expressed their view that the state was in consideration to ensure reducing direct interference, by giving the private sector more room: “The economy has already moved in this direction as a result of the continuous reduction of official control and movement towards a market economy (Third Five-Year Plan, 1985).”³⁸⁸ And thus, the influential objective was to emphasize “the process by increasing the role of the private sector, on the one hand, and increasing substitution of direct control by indirect control through macroeconomic policy reforms, on the other (Third Five-Year Plan, 1985).”³⁸⁹

Promotion of domestic investment: Abul Mal Abdul Muhith, an economist and a former top bureaucrat in the planning commission, is now the minister for finance and planning under the Ershad government. Domestically, the economic crisis, political turmoil, and adverse trade conditions created huge difficulties. A significant change in international trade and aid, followed by an increase in the price of oil, adversely affected Bangladesh. Muhith’s role was significant in dealing with these adverse situations. Muhith made clear the Ershad government’s greater inclination to give a bigger role to the private sector in order to improve the economic conditions through the industrial transformation: “with a view to giving full opportunities to private initiative (Third Five-Year Plan, 1985).”³⁹⁰ Likewise, Moudud Ahmed, the then industrial minister, stressed that it was this

³⁸⁶ The Second Five-Year Plan discussed and proposed a policy framework on macroeconomic issues.

³⁸⁷ Sultan Ahmed Chowdhury, Bar-at-Law, Minister of Planning, The Third Five-Year Plan 1985–90 (Dhaka: Planning Commission, Ministry of Planning, Government of the Peoples of Bangladesh, December 3, 1985)

³⁸⁸ Ibid. p.132

³⁸⁹ ibid. p. 132

³⁹⁰ A.M.A. Muhith, Minister of Finance and Planning, the Second Five-Year Plan (1980–85) (Dhaka: Ministry of Finance and Planning, Government of the People’s Republic of Bangladesh, May 1983). Forwarded. P.22

government's greatest interest to execute a vital catalytic role in orchestrating and amplifying the speed of achieving the intended private investment, both domestic and foreign (M. Ahmed, personal communication, September 14, 2019).³⁹¹

Bearing in mind this initiative, policy designers discerned that infrastructure development and the setting up of an export processing zone could be the primary point of departure to allure foreign private investment in Bangladesh. Most importantly, in terms of policy shift, a fundamental policy design was sought to be laid out as Muhith suggested, more specifically, liberalization of the export-import regime along with introducing new incentives: "Encouragement of foreign investment has been an important element in the policy framework for attracting private investment. To this end, the establishment of an export processing zone has been undertaken for setting up private industries, individually or jointly with foreign investors (Second Five-Year Plan, 1983)." ³⁹²

5.6.3 Promotion of the manufacturing sector: Due to the autarkic industrialization policies, the manufacturing sector suffered an exponential decline in production and growth. In addition to the war-related damages of 1971, issues associated with autarkic institutions brought about a radical change in the framework of industrial ownership, management, and regulation, which adversely affected the recovery of industrial output. Furthermore, a handful of problems in the manufacturing sector were identified: shortage of managers and skilled workers as a result of the exit of Pakistani skilled personnel and top factory managers; workers' unrest; shortage of power; shortage of spares; shortage of capital; loss of market; lack of transportation facilities; inadequate flow of import maintenance; foreign exchange scarcities; adverse industrial import policies; and cumbersome licensing procedures (Ahmad 1978).³⁹³

³⁹¹ Moudud Ahmed (Top cabinet under Zia and Ershad government) in discussion with the author (Dhaka: September 14, 2019).

³⁹² The Second Five-Year Plan (1980–85) (Dhaka: Ministry of Finance and Planning, Government of the People's Republic of Bangladesh, May 1983). p.103

³⁹³ Qazi Kholiquzzaman Ahmad, "The Manufacturing Sector of Bangladesh—An Overview," *The Bangladesh Development Studies* Vol. 6, No. 4 (1978): 385-416.

The manufacturing sector contributed 10 percent to Bangladesh's national GDP in 1973. The number of registered manufacturing factories in 1968-1969 was 3,130, of which 781 units were textiles, 576 chemicals, 406 foods, 257 metals, 207 footwear and which 781 units were textiles, 576 chemicals, 406 foods, 257 metals, 207 footwear and apparel, and 149 leather products (First Five Year Plan, 1973).³⁹⁴ In 1969-1970, manufacturing production was reported for jute goods (587 thousand tons), cotton cloth (59 million yards), sugar (95 thousand tons), cement (40 thousand tons), fertilizer (96 thousand tons), paper (57 thousand tons), and tea (58 million lbs). Due to the War of Liberation, there had been widespread dislocation in the manufacturing sector, with damages to buildings, losses of tools and equipment, vehicles, raw materials, stores, spares, and finished goods.

Licensing and foreign exchange: Keeping these issues in mind, Sultan Ahmed Chowdhury, the then Planning Minister, foresaw that Bangladesh's export base could be built on the manufacturing sector. In order for the sector to grow, he proposed administrative and regulatory innovations: "local manufacturing capacity for regular supply of spares and intermediate raw materials and the building up of a working inventory through the necessary allocation of foreign exchange and the timely issuance of import licenses by the Chief Controller of Imports and Exports (Third Five-Year Plan, 1985)".³⁹⁵

Establishing a manufacturing zone: Policy innovation under the framework of the industrial policies of 1982 and 1986 focused principally on a couple of aspects for this sector. First, establishing a manufacturing zone by providing additional legal and regulatory supports and developing a friendly environment and infrastructure; second, persuading domestic and foreign private entrepreneurs to invest in the manufacturing sector, along with an export orientation. This produced positive outcomes: Data presented by the World Bank shows that the national GDP growth in the manufacturing sector had exponentially increased in the 1980s, as compared to the 1970s (World Bank, 2021).³⁹⁶

³⁹⁴ The First Five Year Plan 1973-1978 (Dhaka: Planning Commission, November 1973).

³⁹⁵ Sultan Ahmed Chowdhury, Bar-at-Law, Minister of Planning, The Third Five-Year Plan 1985-90 (Dhaka: Planning Commission, Ministry of Planning, Government of the Peoples of Bangladesh, December 3, 1985). Forward. P.112

³⁹⁶ World Bank national accounts data, and OECD National Accounts data files. 09 October 2021

Table 12: Manufacturing, value added (% of GDP) in Bangladesh in the 1970s (World Bank, 2021)

Year	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
GDP growth	5.4	3.9	8.5	9.2	7.0	9.2	11.2	9.9	9.8	14.4

Table 13: Manufacturing, value added (% of GDP) in Bangladesh in the 1980s (World Bank, 2021)

Year	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
GDP growth	13.9	13.9	15.0	15.6	14.4	14.2	13.4	13.4	12.9	13.2

A very significant area of the private manufacturing sector that evolved and benefited from these industrial policies and policy planning was the garment industry; this sector has indeed flourished tremendously as a result of these above-mentioned industrial policies carried out by the Ershad government.

Infrastructure development: In the ideational milieu of the Ershad government, infrastructure development emerged in the policy design and was considered an inevitable aspect of improving the environment for private sector investment. Moudud Ahmed, the then minister for industrial development, strongly stated that the infrastructural facilities associated with the industrial area were far from adequate. The policymakers in the Ershad government realized that such a primitive and poor infrastructure could have been a major impediment to industrial transformation as well as private investments:

“The country has still not recovered from the ravages of the war of 1971. It was almost impossible to recover in such a short span of time. On the contrary, it took a very long period of time. In order to harness private sector development and industrial development as a whole, infrastructure facilities were badly needed. There were hardly any roads, bridges, or communication. Reconstruction programs were vital for industrial

development. Without reconstruction, industrial development could not occur. So, we had to go for rebuilding infrastructure in parallel with opening up debates for industrial liberalization (M. Ahmed, personal communication, September 14, 2019).³⁹⁷

The planners recognized that infrastructural development, such as building a transportation and communication network, was of greater importance as a prerequisite for boosting export growth, creating balance in imports, and accelerating industrial development: “the existing transport system, which reflected the subsistence needs of the economy, is inadequate for its development as the major demand for freight traffic has come to originate from the arterial movement of imports and exports. Imports have grown fast since independence in relation to aid inflows and are now about three times that of exports. Though this imbalance would mean underutilized transport capacity on the return journey and higher transport costs, it is hardly avoidable as imports will have to exceed exports in general to abroad aid, but it has tended to encourage too cautious a view of the development of the arterial system to cause its efficiency to suffer in handling long haul traffic (Third Five-Year Plan, 1985).³⁹⁸

Sultan Ahmed Chowdhury put forward policy considerations for the improvement of roads, highways, railways, waterways, and ports, which he believed were vital for stimulating private sector investments. He combined this with the idea that the state should provide infrastructural or establishment facilities, such as electricity, gas, transport, and telecommunication, to factories in the private sector: “The need for a considerable corresponding budget from the public funds to be in realization to encourage private investment, both capacity and operational efficiency of the basic infrastructural and utility services such as power, transport, and telecommunications shall have to be increased (Third Five-Year Plan, 1985).³⁹⁹ He also proposed that financial institutions could also take steps to offer these facilities to private sector entrepreneurs.

³⁹⁷ Moudud Ahmed, 2019, op. cit.

³⁹⁸ The Third Five-Year Plan 1985–90 (Dhaka: Planning Commission, Ministry of Planning, Government of the Peoples of Bangladesh, December 3, 1985). Chapter X11, p.291.

³⁹⁹ Sultan Ahmed Chowdhury, Bar-at-Law, Minister of Planning, The Third Five-Year Plan 1985–90 (Dhaka: Planning Commission, Ministry of Planning, Government of the Peoples of Bangladesh, December 3, 1985). P. 112.

There were even more difficulties in the implementation of industrial policies, as Moudud Ahmed explained. After the nationalization policy, a huge portion of the workers in the large-scale industries were hired because of their political background. With the emergence of trade unions, workers gained political ground in the factories, which led to inefficiency in production. As a result, the Ershad government's denationalization and privatization process faced massive difficulties when the ownership attempted to make rearrangements of workers or to fire them. Moreover, some of the facilities and materials in the state-owned nationalized industries were stolen and sold out in an illegal and illicit way. And thus, these factories were on the verge of desertion at the time when denationalization and transfer to private hands were under way. As a result, there was very little interest on the side of private investors and entrepreneurs to take over denationalized factories.

5.6.4 Decentralization: The Ershad government's industrial transformation objectives envisioned development through one of the key policies, decentralization. Mohabbat Khan points out that Ershad's concern with the adverse effects of centralized bureaucratic and administrative control on industrial and development planning as well as resource mobilization paved the way for decentralization (Khan 1986).⁴⁰⁰ Ahmed (M. Ahmed, personal communication, September 14, 2019), on the other hand, states that administrative decentralization was an intended outcome in order to accelerate efficiency and industrial growth. In addition, policymakers thought that decentralization would give easier access to emerging entrepreneurs and small-scale businesses in the marginalized districts.⁴⁰¹

Before independence, the Department of Commerce and Industries in Dhaka was responsible for all industrial affairs in the country. After the liberation of Bangladesh in 1972, a new ministry called the Ministry of Commerce and Industries was created

⁴⁰⁰ Mohammad Mohabbat Khan, "The Process of Decentralisation in Bangladesh," *Community Development Journal* Vol. 21, No. 2 (1986): 116-25.

⁴⁰¹ Moudud Ahmed, 2019, op. cit.

(Bangladesh Govt. 2022)⁴⁰² The Ershad government split this into 3 ministries, namely the Ministry of Commerce, the Ministry of Industries, and the Ministry of Textile and Jute: “We dissolved the industrial department, which used to be known as the department of industries. It meant that the control had to be decontrolled deregulation, you may say. So that people feel at ease about participating in business activities. It was not an easy job, though (M. Ahmed, personal communication, September 14, 2019).”⁴⁰³

Administrative decentralization did not just split the Ministry of Industry, but the Ershad government went further by creating bureaucratic and license offices, which hitherto had been located only in Dhaka, now in districts such as Chittagong, Khulna, and others. Mohabbat Khan, reflecting on decentralization, highlights the significance of such policy changes, considering them as a people-centered development (Khan 1986).⁴⁰⁴

Empirically, decentralization has had a strong positive impact on entrepreneurial development. For example, Mohammad Fazlul Azim, a new entrepreneur who, during his early phase of establishing a garment factory in Chittagong, had to spend weeks and months in Dhaka and walk from one administrative office building to another in order to go through lengthy and complex bureaucratic formalities, Decentralization made bureaucratic procedures much easier and rendered private entrepreneurial participation much more attractive (M.F. Azim, personal communication, September 10, 2019).⁴⁰⁵

5.6.5 Campaign on attracting foreign direct investment: In the early 1980s, an act called the Foreign Private Investment (Promotion and Protection) Act was enacted, which aimed at promoting foreign private investment in Bangladesh. As the nationalization policy of 1972 left a bad impact on this field, this act explicitly reassures that this must not be repeated again: “Foreign private investment shall not be

⁴⁰² Ministry of Industries, Government of the People's Republic of Bangladesh, <https://moind.gov.bd/site/page/cbba36fe-748b-43ac-b80e-7b8752ad805a/পটভূমি>

⁴⁰³ Moudud Ahmed, 2019, op. cit.

⁴⁰⁴ Mohammad Mohabbat Khan “The Process of Decentralization in Bangladesh,” *Community Development Journal* Vol.21, No.2 (1986): 116-25

⁴⁰⁵ Mohammad Fazlul Azim (Pioneering Garment Entrepreneur) in discussion with the author (Dhaka: September 10, 2019).

expropriated or nationalized or be subject to any measures having the effect of expropriation or nationalization (Foreign Private Investment Act, 1980).”⁴⁰⁶

The act provided a legal base against non-business risks. In addition, the act established the legal framework for foreign investors by guaranteeing protection and security against nationalization or expropriation and promising full indemnification, repatriation of investment, and fair treatment of all commercial claims. This implies that the state attempted to gain the trust and confidence of foreign investors. In addition, Sultan Ahmed Chowdhury, the then planning minister, pointed out that the government must create an environment for foreign investment in Bangladesh (Third Five-Year Plan, 1985).⁴⁰⁷

The government acknowledged that foreign investment could play a major role in the industrial development of Bangladesh. But the volume of foreign investment fell short of expectations, despite the aforementioned efforts. Total FDI in Bangladesh was estimated to have been as low as USD 15.7 million as of 1984, with an annual average increase of only USD 4 million.

In this context, the planning commission suggested that the government launch an outreach program. The changes in policy and the shift in orientation signified that Bangladesh was opening up for foreign private investment, and the world should come to know about these developments. Consequently, top political executives and technocrats made important trips, traveled to many countries to meet business leaders and disseminate information, and raised awareness of the opportunities in Bangladesh. Furthermore, they focused on attending international forums and visiting foreign governmental institutions (M. Ahmed, personal communication, September 14, 2019).⁴⁰⁸ As a Minister for Industries, Moudud Ahmed made a trip to the United States in 1987 and talked with business leaders about his government’s willingness to help American

⁴⁰⁶ *The Foreign Private Investment (Promotion and Protection) Act, 1980*. (Act no. XI, 1980). (Dhaka: Ministry of Law, Justice, and Parliamentary Affairs). Paragraph seven.

⁴⁰⁷ *The Third Five-Year Plan 1985–90* (Dhaka: Planning Commission, Ministry of Planning, Government of the Peoples of Bangladesh, December 3, 1985). P.115

⁴⁰⁸ Moudud Ahmed, 2019, op. cit.

investors and also to offer readjusted institutional facilities (Koenig 1988).⁴⁰⁹ In 1988, he also presented Bangladesh at the headquarters of the Federation of German Industries (BDI) in Cologne (Zingel 2021).⁴¹⁰

America was particularly targeted because of its low level of investment in Bangladesh at that time. In terms of investment in Bangladesh, based on the value of projects approved between 1981 and 1988, the United States ranked ninth only after the United Kingdom, France, Hong Kong, South Korea, Singapore, Netherlands, Canada, and Sweden. In June 1987, Ershad visited New York and met U.S. business officials, whom he briefed about his government's efforts, in the realm of environment and infrastructure, to improve the climate for foreign investment.

The Ershad government also focused on welcoming foreign business groups and providing them with appropriate meetings and high-level contacts, both in the government and industry (Koenig 1988).⁴¹¹ Moudud Ahmed recalled that in January 1987, the Ershad government co-hosted an investors' forum in Dhaka with the United Nations Industrial Development Organization (UNIDO). This forum inspired hundreds of joint-venture proposals with Bangladeshi businessmen (M. Ahmed, personal communication, September 14, 2019).⁴¹²

These efforts appeared to produce a positive outcome, and a number of countries sought out Bangladesh as a site for investment opportunities. Several trade and investment missions went to Bangladesh. For example, in December 1987, the Soviet Union concluded the 'Barter Protocol' with Bangladesh, which enabled increased trade between the two countries. In March 1986, the United States signed a bilateral investment treaty with Bangladesh. Through this treaty, Bangladesh offered a number of opportunities for

⁴⁰⁹ Valerie S. Koenig, "Made in Bangladesh' is a Label Americans May Be Seeing More Of," (Dhaka: Business America, August 15-29, 1988).

⁴¹⁰ Wolfgang-Peter Zingel, "Obituary for Barrister Moudud Ahmed" (Heidelberg: South Asia Institute of Heidelberg University 5 April 2021).

⁴¹¹ Valerie S. Koenig 1988, op.cit.

⁴¹² Moudud Ahmed, 2019, op. cit.

American investors, such as unrestricted currency transfers, reimbursement for expropriation, dispute settlement, and the refraining from double taxation.

In January 1988, the American Overseas Private Investment Corporation (OPIC) spearheaded a trade and investment mission to Bangladesh. An American plant to assemble IBM PC computer clones was set up outside Dhaka. In March 1988, the US Department of Commerce led a trade and investment mission on used equipment and machinery. This mission effectively brought together American and Bangladeshi entrepreneurs. In May 1988, an Italian trade and investment mission was organized in Bangladesh to sign an investment project worth about USD 150 million. Japan organized a trade and investment mission on electronics in June 1988. The United Kingdom and the European Community sent missions to Bangladesh. In March 1988, the EC established an EC-Bangladesh Industrial Promotion Project, under which several industrial units were set up as joint ventures with European sponsors. A number of regional trade missions had been conducted between Bangladesh and India, Pakistan, and Sri Lanka to improve regional trade and cooperation (Koenig 1988).⁴¹³

5.7 Export-oriented strategy

This section captures how this government's 'policy puzzle' was devised to develop a decisive export strategy that could help grow the export sector of the country with the emergence of the garment industry.

Trade agreements and structural development: The idea of developing an export-oriented industry faced worrying issues around the export regime. One of the ways that the policymakers sought to deal with the issues was to seek free trade and devise a policy mechanism to increase exports. In this milieu, Saifur Rahman, the finance minister, for instance, expressed that trade negotiations and improvements in infrastructure could help engender the process.

⁴¹³ Valerie S. Koenig 1988, op.cit.

One of the policies that were harming the export regime in multiple ways was the abolishment of the export bonus scheme and the devaluation of the currency (Taka) (Ahmad 1978).⁴¹⁴ The abolition of the export bonus scheme meant that export industries lost the subsidies which fostered domestic industries. Under the export bonus scheme, the exchange rate used to be around Tk. 18 against the pound sterling in the late 1990s. Whereas, without the export bonus scheme, the exchange rate stood high at Tk. 25.40 against the pound sterling in 1976. This has also increased the costs of industrial imports as well as locally produced spares. Increased in the domestic prices of raw jute (a major export area of Bangladesh).

The industrial policies dealt with export-related issues in multiple ways. Necessary steps were taken to increase the production of exportable products and control production costs, determining the exchange rate of foreign currency with taka in order to maintain the finances of the export business (Budget Speech 1981).⁴¹⁵ It is important to note that most nationalized industries, apart from the jute industry, were essentially domestically oriented.

In order to expand export revenue, efforts were made to extend international trade negotiations. In that endeavor, receiving extended support through the Generalized System of Preferences (GSP) greatly favored Bangladesh's trade. Allowing special trade and tariff facilities to industrial countries. In addition, further efforts were made to improve regional trade in countries in South Asia and South-East Asia. All these had pushed the country toward improving its well-coordinated system with regards to quality improvement, appropriate pricing, and marketing. A focus was given to investing in physical facilities such as transportation, shipping, and warehousing, and the enforcement of quality control was seen as the basics. In this context, establishing an Export Processing Zone (EPZ) at the port city of Chittagong was seen as a gateway to higher foreign investment in the export sector.

⁴¹⁴ Qazi Kholiquzzaman Ahmad 1978, op. cit.

⁴¹⁵ M. Saifur Rahman, Minister of Finance, Budget Speech, Annual Budget 1981-1982 (Dhaka: Ministry for Finance, Government of the People's Republic of Bangladesh, 6 June 1981). Episode 1, p.1

5.7.1 Adjustment of positive and negative lists: Faced with chronic deficits in the balance of payments, the Mujib government responded with an autarkic policy and severe import restrictions. Extensive quantitative restrictions and high levels of tariff. Only commodities included in a so-called 'Positive List' were eligible for import licenses. Commodities considered a luxury or non-essential were banned (Rashid 1993).⁴¹⁶ As a result, the piling import liabilities led to a huge shortage of industrial raw materials.

The control mechanism on import restrictions emerged through legislation known as the Import Policy Orders (IPOs). This legislation defined which items could be imported and which ones were prohibited or required special approval. With a few exceptions, licenses were required for all imports. The import licensing process was complex, accompanied by deficiencies in administration, lengthy and time-consuming procedures, and a rigid allocation of licenses. As the import was connected to foreign exchange as well, poor inter-agency coordination and cumbersome foreign exchange budgeting processes proved to be not sufficiently flexible to ensure smooth functioning. This made the whole import system incompatible with international trade procedures (Bhuyan and Rashid, 1993).⁴¹⁷

Despite Ziaur Rahman's emphasis on export orientation, the import restrictions remained extremely rigid and time-consuming (Hossain 2013).⁴¹⁸ Azim, who found that even in the early 1980s, one of the major barriers to industrial growth were the import restrictions. In addition, the licensing procedures were extremely cumbersome and time-consuming (M.F. Azim, personal communication, September 10, 2019).⁴¹⁹

⁴¹⁶ Mohammed Ali Rashid, "Bangladesh: Output and Employment Effects of Recent Macroeconomic Policy Reforms," in *Social Dimensions of Economic Reforms in Bangladesh, Proceedings of the National Tripartite Workshop held in Dhaka, Bangladesh, May 18–20, 1993* (New Delhi: International Labor Organization Asian Regional Team for Employment Promotion, 1993). p. 4

⁴¹⁷ Ayubur Rahman Bhuyan, Mohammed Ali Rashid *Trade Regimes and Industrial Growth: A Case Study of Bangladesh*, (Dhaka: Bureau of Economic Research, Dhaka University, 1993)

⁴¹⁸ Akhand Akhtar Hossain, "Trade Liberalization and Import Demand Behavior in Bangladesh, 1974-2008," *The Journal of Developing Areas* Vol.47, No. 2 (2013): 387–416.

⁴¹⁹ Mohammad Fazlul Azim, 2019, op. cit.

Deregulations of these restrictions were largely taking shape during the Ershad period. With three significant phases: the first phase (1982–1986) through the Industrial Policy of 1982, the second phase (1987–1991) through the Industrial Policy of 1986, and the third phase beginning with the liberalization policies in 1991.

In the first phase, import liberalization policy touched upon the lowering of tariff rates, the systematization of the tariff structure, the elimination of quantitative restrictions on imports, and the easing of bureaucratic formalities and procedures.

During the second phase, import-liberalization measures concentrated on the *IPOs*, shifting from a restrictive *positive list* of licensable import items to a *negative list* prohibiting only a limited group of items and allowing the import of all others. These policy measures had a positive impact on emerging entrepreneurs in the ready-made garment industry for the imports of their raw materials and consequently benefited their foreign clients in terms of production and supply.

In the post-1982 industrial policy period, there was a significant change in the import policy regime with the abolition of the import licensing system, allowing imports against letters of credit. Before the industrial policy of 1986, the Import Policy Orders (IPOs) featured a Positive List of importable goods. However, the Industrial Policy of 1986 replaced the IPOs with two lists: the negative list (for banned items) and the restricted list (for items importable upon fulfillment of certain prescribed conditions).

Under these changes, the importation of any items outside these lists became permissible. These shifts were viewed as notable steps towards import liberalization, as there were no restrictions imposed on imports of items not listed in the IPOs. Consequently, a cumulative element of stability and certainty in the trade policy was established, marking a departure from the previous import policy practices, as highlighted by Selim Raihan (Raihan 2008).⁴²⁰

⁴²⁰ Selim Raihan, “Trade liberalization and poverty in Bangladesh,” *Macao Regional Knowledge Hub Working Papers*, No. 15 (December 2008).

5.7.2 First Export Processing Zone: The effort to regain trust and attract foreign investment remained consistent. Another act, the Export Processing Zones Authority Act, was enacted in 1980. The idea for this act evolved in the late 1970s in an endeavor to attract foreign private investment. The following objectives were clearly set forth in this act, and they aimed at increasing foreign investments, which could result, in the long term, in an industrial transformation of the country: “(a) to foster and generate economic development of Bangladesh by encouraging and promoting foreign investments in a zone; (b) to diversify the sources of foreign exchange earnings by increasing exports of Bangladesh through a zone; (c) to encourage and foster the establishment and development of industries and commercial enterprises in a zone in order to widen and strengthen the economic base of Bangladesh; (d) to generate productive employment opportunity and to upgrade labor and management skills through the acquisition of advanced technology (Export Processing Zones Act, 1980).”⁴²¹

As the policy puzzles sought to increase the role of the private sector, the idea evolved that the private sector should be extended to foreign investors as well. Policy makers were convinced that foreign private investment, either directly or in collaboration with indigenous entrepreneurs, would enhance the transfer of modern technology and skills to Bangladesh (Third Five Year Plan, 1985).⁴²²

In combination with both the acts mentioned above, the Ershad government materialized the establishment of the first Export Processing Zone (EPZ) in Bangladesh. The Export Processing Zones Authority Act was enacted to set up duty-free EPZs and provide entitled legal safeguards to foreign investors. This act endorsed necessary procedures for the prospective foreign investors by governing the type of investment and making provisions for appropriate incentives, exchange transactions, taxation, and customs for industries and factories set up in the zones.

⁴²¹ The Bangladesh Export Processing Zones Authority Act (Dhaka: Ministry of Law, Justice and Parliamentary Affairs, 26th December 1980). Section 4a

⁴²² The Third Five Year Plan 1985-90, op. cit. P.128

The first EPZ was set up near Chittagong Harbor. In the inaugural phase, export-based industries that were offered to be set up in the Chittagong Export Processing Zone (CEPZ) belonged to the following categories: apparels and textiles, leather goods, footwear, furniture, wood products, medical and surgical instruments, engineering and electronic products, scientific equipment, toys, sports goods, glass and ceramic products, plastic products, pharmaceutical products, and a few more ((Third Five Year Plan, 1985).⁴²³

Through the EPZ Act, the state offered security against non-business risks for foreign investors and their domestic partners. In addition, foreign investments in the CEPZ were offered liberal terms and incentives. Foreign investors could set up factories and businesses in the CEPZ, enjoying five years of tax holidays and full exemption from customs duties. A very important aspect was the property rights for both domestic and foreign investors.

5.7.3 Other incentives: Apart from the previously mentioned policy measures, a couple other incentives can be seen as encouraging to this government's attempts for a forward-looking orientation: the Export Performance License, the concessional rate of interest, tax rebates, and the Duty Drawback Scheme, which also helped export growth. Furthermore, the administrative and bureaucratic processes in exports as well as imports were rendered more effective, eliminating obscure, time-consuming procedures and ensuring speedy processing of documents. In addition, solemn attention was given to setting up export houses in cooperation with the private sector.

The export-oriented strategy focused on the promotion of non-traditional export items, with a particular emphasis on ready-made garments and frozen foods. Various measures were implemented to facilitate this, including unrestricted and duty-free access to imported inputs, concessional duties on imported machinery, easy access to bank credits, subsidies for non-exports, and tax rebates on export incomes (Rahman 1994).⁴²⁴

⁴²³ Ibid.

⁴²⁴ Sultan Hafeez Rahman, "Trade and Industrialisation in Bangladesh," in G.K. Helleiner (ed), *Trade Policy and Industrialisation in Turbulent Times* (London: Routledge, 1994).

The Industrial Policy of 1986 had the primary objective of eliminating a significant portion of the quantitative restrictions (QR) on imports. Additionally, it introduced a system of concessions and special incentives specifically designed to encourage export-oriented entrepreneurial activities (Hadi et al. 2013).⁴²⁵

Technocrats realized that ignoring the import regulations could hurt and even complicate the export regime. In this realm, top bureaucrats were convinced that the overall efficiency and productivity of operations in the private sector could be increased by import reforms. Sultan Ahmed Chowdhury, the then planning minister, stressed that import policy should principally focus on building the export base of the country and that the country's exports could build on the manufacturing sector. In this realm, the government stressed efficiency, skill and capacity building, logistics, and bureaucratic smoothness (Third Five Year Plan, 1985).⁴²⁶ Respectively, the Third Five-Year Plan (1985–1990) also emphasized the importance of a flexible exchange rate for export promotion. Measures like providing concessional credit to exporters and enhancing direct incentive schemes, including the Export Performance Benefit and the duty drawback scheme, were promoted. Additionally, the policy centered on reducing tariff rates, streamlining the tariff structure, eliminating quantitative restrictions, and simplifying procedures and formalities (Hossain 2013).⁴²⁷

5.8 The emergence of garments

5.8.1 Shifting focus from jute to garments: Even in the 1980s, jute and jute goods contributed a significant portion of export revenue. Yet, however, data shows that there was a sharp decline in jute exports in the mid-1980s. However, policymakers were caught by surprise and hope, seeing that a new export area had evolved for Bangladesh: garment exports were taking off in these hard times. The garment exports started to increase beyond the assumption; “the most impressive development took place in ready-made

⁴²⁵ Abdul Razak Abdul Hadi, Qazi Shamin Sultana, Mohamed Hisham Yahya, Tahir Iqbal, “Trade Liberalization and Ready-Made Garments Industry in Bangladesh,” *Jurnal Pengurusan* Vol. 37(2013): 15 - 24. p.15

⁴²⁶ The Third Five Year Plan 1985-90, op. cit.

⁴²⁷ Akhand Akhtar Hossain 2013, op. cit.

garment exports, which increased from over half a million USD to 110 million USD (Third Five Year Plan 1985).”⁴²⁸ The chart below shows the export growth in garments, which went from 1 USD million in fiscal year 1979/1980 to 110 USD million in fiscal year 1984/1985, an exponential increase indeed. The growth rate was 196.4% higher as compared to the fiscal years 1979–1980.

Table 14: Export earnings (in USD million) (The Third Five Year Plan 1985-90)

	1979-1980	1984-1985
<i>Raw Jute</i>	143	102
<i>Jute Goods</i>	387	408
<i>Tea</i>	33	35
<i>Leather</i>	65	64
<i>Frozen Food</i>	37	137
<i>Fruits, Vegetables, Spices</i>	2	6
<i>Naphtha & Furnace Oil</i>	23	26
<i>Newsprint Paper</i>	11	8
<i>Readymade Garments</i>	1	110
<i>Handicrafts</i>	3	2
<i>Others</i>	16	19
<i>Total</i>	721	917

Apart from traditional export items such as jute, tea, leather, fish, shrimps, and frog legs, a new field of non-traditional exports, the garment sector, has seen greater potential. The policymakers thought that, against the backdrop of decreased foreign demand for raw jute, garments should be promoted to a greater extent for building an export base.

⁴²⁸ The Third Five Year Plan 1985-90, op. cit. P.18

Therefore, the emphasis was given to an expansion of trade negotiations with European countries: “the export of ready-made garments, household linens, and specialized textiles can be significantly increased by utilizing market access to the European Economic Community (EEC), middle eastern, and African countries (Second Five-year Plan, 1983).”⁴²⁹

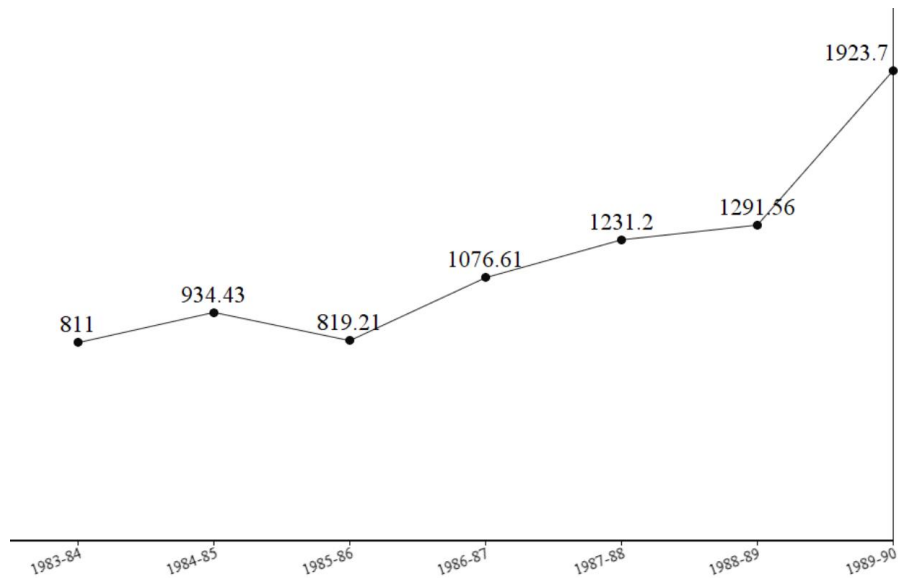
5.8.2 Transformation of the garment industry: The garment industry, understood as the driving force of Bangladesh’s industrial transformation, marked its point of departure in the mid-1980s (Auerbach 1987).⁴³⁰ Industrialist Mohammad Fazlul Azim, the founder of the pioneering Azim Garments, recalled that due to the Ershad government’s promulgation of globalization policies, entrepreneurs and investors started to gain trust and confidence in investing and doing business in Bangladesh. As a result, domestic and foreign private investors found a stable and steady path in the country, which was significantly instrumental for the industrial transformation (M.F. Azim, personal communication, September 10, 2019).⁴³¹

⁴²⁹ The Second Five-year Plan 1980-85 (Dhaka: Planning Commission, Ministry of Finance and Planning, Government of the People’s republic of Bangladesh, May 1983). p.78

⁴³⁰ Stuart Auerbach, “Export Success Triggers Talk of U.S. Quotas: Textiles Help Lift Bangladesh from Poverty,” (*Los Angeles Times*, 1987, September 13).

⁴³¹ Mohammad Fazlul Azim, 2019, op. cit.

Figure 7: Garments export earnings of Bangladesh during the Ershad government (value in million USD) (BGMEA 2024)



The garment export growth in the early 1980s displayed a new dimension and created enthusiasm amongst the entrepreneurs. However, the industry also faced trade barriers at its outset, which could have been perilous if the state had not offered support. For example, a quota restriction on Bangladeshi garments was imposed by certain importing countries, which resulted in huge concern within this growing industry. In 1985, the USA and Canada imposed import quota limits on Bangladeshi garments, disregarding international trade norms (Fukunishi and Yamagata 2014).⁴³² This policy was carried out by President Ronald Reagan's trade policy group in response to complaints of unfair trade practices against US producers. The stated reason for the US restrictions on Bangladesh was a lack of standard labor conditions in the garment factories (US House of Representatives, 1987).⁴³³

The US quota policy could have been devastating for Bangladesh's garment sector in its infancy. How the Ershad government responded to this situation was remarkable for the

⁴³² Takahiro Fukunishi, Tatsufumi Yamagata, *Garment Industry in Low-Income Countries*, (Palgrave Macmillan, 2014).

⁴³³ Comprehensive Trade Legislation: Hearings Before the Committee on Ways and Means, House of Representatives, February 1987 (Pennsylvania State University, 1987), p. 879.

garment industry's endurance. The government sent a high-level official team to the United States to negotiate the quota situation, headed by a top technocrat, Commerce Secretary A. B. M. Ghulam Mostafa (*amadernotunshomoy.com*, 2022).⁴³⁴ The team bargained with the President Reagan administration that a poor country like Bangladesh saw the emergence of an export-oriented garment industry as a major step for economic growth through which the country could accelerate industrialization process (Stuart Auerbach 1987).⁴³⁵

Domestically, the Ershad government took the US quota issue very seriously. This concern was given the highest emphasis in the planning machinery: "For achievement of the projected earnings from garments, withdrawal of quota should be vigorously negotiated with the importing countries (Third Five Year Plan 1985)."⁴³⁶ Discussions along political and policy lines stressed the necessity of improving the quality of labor standards. Ultimately, the Ershad government was able to successfully negotiate with the Reagan administration, which ultimately led to an easement of the quota restrictions (Fukunishi 2014).⁴³⁷ The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) expressed satisfactory views of the Ershad government's successful negotiations with the United States on the quota issues and for a fair policy on quota distribution and control (Ittefaq 1986).⁴³⁸

With the international trade negotiations and the globalized industrial policy, the garment industry began to take off in the early 1980s. More and more foreign enterprises began to show interest in investing in Bangladesh (Auerbach, 1987).⁴³⁹ Bangladesh emerged as the sixth-largest exporter of garments to the United States in 1987, shipping 50 million clothes to this country. Many retired army officers, university professors, and civil servants began

⁴³⁴ A. B. M. Ghulam Mostafa was a civil servant who turned politician. He held the post of secretary in six ministries in his 16-year career. In 1978, Hussein Muhammad Ershad appointed him as the minister for the Ministry of Power and Energy. (*amadernotunshomoy.com*, 2022)

⁴³⁵ Stuart Auerbach 1987, op. cit.

⁴³⁶ The Third Five Year Plan 1985-90, op. cit.

⁴³⁷ Takahiro Fukunishi 2014, op. cit.

⁴³⁸ "7 point demand to solve the crisis of garment industry," (translated from Bengali) (Dhaka: The daily Ittefaq, July 24, 1986). 1 p.2

⁴³⁹ Stuart Auerbach, 1987, op. cit.

to invest their savings in this sector. Around 600 factories were established by 1987, employing about 200,000 workers, producing more complex garments, and exporting products in 35 categories (Auerbach, 1987).⁴⁴⁰ As a result, the exports of Bangladesh’s garments increased much more (see table below) than had been projected by the planning commission, which correctly expected USD 116 million in the fiscal year 1984/85 but only USD 193 million in 1989/90 (Third Five Year Plan, 1985).⁴⁴¹

Table 15: Export earnings of Bangladesh during the Ershad government (value in million USD) (BGMEA 2024)

<i>Year</i>	Export of garments	Total export of Bangladesh	% of garments
<i>1983-84</i>	31.57	811.00	3.89
<i>1984-85</i>	116.2	934.43	12.44
<i>1985-86</i>	131.48	819.21	16.05
<i>1986-87</i>	298.67	1076.61	27.74
<i>1987-88</i>	433.92	1231.2	35.24
<i>1988-89</i>	471.09	1291.56	36.47
<i>1989-90</i>	624.16	1923.70	32.45

5.9 Conclusion

The chapter captured and emphatically demonstrated that ‘policy puzzling’ was evident and that the interaction between technocracy and the executive branch was instrumental for policy measures promulgated and implemented in the 1980s, supporting the conjecture that the birth of globalization in Bangladesh essentially occurred during this phase. This, in turn, increased the speed of change to an extent that could result in a threshold effect for the 1991 policy shift.

⁴⁴⁰ Ibid.

⁴⁴¹ The Third Five Year Plan 1985-90, op. cit.

A couple of points have become the focal points of this chapter. First, some aspects of policy that shaped the globalization process are found in some of the most profound measures in the privatization field. One of the key aspects of this has been the government's stance on the denationalization of nationalized industries and enterprises. The motif and intention of the state showing its inclination to embolden and mobilize private enterprises are shown as it has denationalized industries in much larger units. This enabled a sense of trust among investors both nationally and abroad.

Other measures and incentives introduced for industrial promotion and development encouraged domestic and international investors. The annual GDP target was set in a realistic way and maintained steadily. In the 1980s, Bangladesh experienced steady growth, and the economy was moving upward.

Measures were taken to promote the manufacturing sector and infrastructure development. Furthermore, a key aspect of this government's development agenda is its decentralization policy. It distributed many administrative, governing, and licensing tasks, and enabled efficiency and accessibility in a much easier and greater sense. This in turn enables industrial development and entrepreneurial promotion.

Another noteworthy aspect of the globalization policy framework, as well as industrial development, has been the development of export strategies. This has been accomplished through a set of policies under the Trade Agreements and Structural Development Act, the adjustment of positive and negative lists, the First Export Processing Zone, and a few other schemes. The establishment and realization of the export processing zone was a bold step, yet policies that allowed easy access to private investment and licensing were instruments that allowed many foreign companies to establish garment factories in the EPZ.

The government then took a step to implement an outreach program to campaign to attract foreign direct investment through organization business conferences in Bangladesh, inviting foreign delegates, and sending teams to foreign countries.

Finally, the scaling up of garments captured a larger intention of policy puzzling under this government. The chapter showed how policies helped and favored the industry and how trade negotiations saved the industry from shrinking during its germination phase. As a result, during this period, the industry adopted a stable shape and attracted an unprecedented number of investors and entrepreneurs.

Finally, a notable aspect of this chapter is that this period formed and constituted a steady and strong foundation that could lead to much greater institutional change in the next episode of Bangladesh's growth trajectory. The following chapter will explain how the Ershad era would augment the creation of an earthquake effect, leading to a tipping change in 1991.

6 | Chapter Six

The Tipping Change and Globalization

The characteristic of a tipping change is its status as a pivotal event, wherein certain ideas or a particular trajectory gradually converge towards a critical threshold, instigating a cascade of subsequent events or transformative shifts. In light with this analogy, this study explores globalization policies and reforms in Bangladesh which persisted throughout the 1990s and beyond. However, this study posits that the Industrial Policy of 1991, enacted in July of that year, serves as a tipping point.

This chapter is dedicated to the intricate exploration and apprehension of the concept of state capacity, as discerned through the technocratic puzzling and ideas within the policy committee of the Bangladeshi state. It sheds light on the intricate interplay between the political establishment and the state apparatus, ultimately culminating in the tipping change.

Building upon the findings of the three preceding empirical chapters, we have underscored the incremental and evolutionary nature of the economic path that shifted from a stringent model towards an outward-looking economic framework. To provide a concise overview, the first empirical chapter scrutinized the circumstances in which the Mujib government, following the country's independence, implemented a stringent import substitution system.

Yet again, these were significant instances of social learning and policy puzzling within the state apparatus, notably the policy committee, which ushered in the emergence of the

private sector. This trajectory advanced further, with the consolidation of the private sector transpiring during Ziaur Rahman's administration, as elaborated upon in the second empirical chapter. The third empirical chapter, in turn, demonstrated how the pace accelerated during the 1980s, giving rise to the formulation of globalization policies under the Ershad government. In this concluding empirical chapter, we illustrate how this gradual progression culminated in a momentous transformation, resulting in a tipping change.

As this chapter unfolds, the initial section draws a distinction between the gradual and incremental changes observed during the covered period, ultimately leading to the tipping change, transitioning from a rigid economic model to the embrace of globalization in 1991. A subsequent section briefly outlines the political and economic challenges faced by the nation during the transition from an army-backed government to a democratic one. This provides a contextual backdrop within which policy planners and policymakers operate, subject to constraints that may bear a connection to the process of policy planning. The final section then delves into the intricate web of technocratic puzzling and political powering that materialized around the tipping change, offering an empirical conceptualization of state capacity as a potential causal factor.

This chapter marks the culmination of the dissertation's five empirical chapters, presenting the ultimate argument in meticulous detail. It elucidates how a gradual trajectory ultimately reaches a critical threshold, where state perspectives on economic policy undergo a profound transformation. Consequently, the Industrial Policy of 1991 catalyzed a series of policy measures that paved the way for globalization in Bangladesh. These policies, in turn, nurtured the growth of an export-oriented private sector, exemplified by the emergence of industries like the garment and textile sector, which achieved global competitiveness.

6.1 Layered Process of Tipping Change and Globalization

Research has proposed theoretical tools showing that incremental processes, layer by layer, lead up to profound change (Mahoney and Thelen 2010). Similar to this, a gradual and endogenous journey path can lead to a threshold point (Mukherji 2014). This section shows how Bangladesh's policy path unfolded incrementally throughout the studied period. As delineated in the antecedent three empirical chapters, the policy path progressed to the point of a threshold state, which in turn could result in a tipping change in 1991. In alignment with this perspective, an overview provides a contrast to display how a gradual policy path journeys from a stringent import substitution model towards a globalization model:

6.1.1 The birth of the private sector: the Mujib Government (1972 to 1975):

The socialist economic approach of the Mujib government aimed at addressing income inequality and bringing about social justice. Recognizing that their ambition for socialist transformation requires the elimination of the capitalist system of income distribution, private ownership of the means of production, and pre-capitalist mercantile or feudal production relations, policy planners and top political executives convene. (The First Five-Year Plan, 1973).⁴⁴²

Consequently, the government embarked on a stringent import substitution system. This includes the nationalization of various industries and financial institutions, imposing limits on private investment, rigid export-import regulation, and nearly banning foreign investment.

Conspicuously, 254 major and large industrial units spanning industries like jute, textiles, sugar, iron and steel, engineering, shipbuilding, fertilizer, pharmaceuticals, chemicals, oil, gas, minerals, paper, and forest products were brought under state ownership.

⁴⁴² See The First Five-Year Plan of 1973-1978, Planning Commission, (Dacca: 1973).

Additionally, all banking and insurance companies were nationalized as well (Humphrey 1992).⁴⁴³

However, as demonstrated in chapter two, it is evident that, due to puzzling and learning within the policy committee, there have been incremental adjustments during this government's tenure. The introduction of the industrial policy in 1974 allowed for limited private sector activities, which we consider the inception of the private sector. Another significant policy step taken was the devaluation of the taka currency in April 1975. As part of these liberalization measures, numerous small-scale industries were transferred to private entrepreneurs. The government also permitted foreign investors to invest in the industrial sector (Islam 1988).⁴⁴⁴ However, it's important to note that the government retained control over large-scale production during this period (Humphrey 1992).⁴⁴⁵

6.1.2 Consolidation of the Private Sector: The Zia Government (1975 to 1982): This period covers the Zia government, during which we have demonstrated how the consolidation of the private sector occurred. Two policies were particularly significant: the industrial policy of 1975 and the Hard-Core Plan of 1977–1978. The removal of the private investment ceiling signaled a shift towards a greater emphasis on the privatization model (Ahmed 2000). The Hard-Core Plan aimed for high rates of economic growth.

The policy on privatization encompassed several key aspects: eliminating the ceiling on private investment, reducing the list of industries reserved for the public sector, and creating 'free sectors', streamlining investment approval procedures, amending the constitution to allow denationalization and disinvestment, transitioning to a floating exchange rate, and introducing various export promotion measures. The policy planning process developed an export-oriented growth strategy with a focus on creating a market-friendly economic structure.

⁴⁴³ Humphrey 1992, op. cit.

⁴⁴⁴ Syed Serajul Islam, *Bangladesh: state and economic strategy* (Dhaka: University Press, 1988).; Humphery, op.cit.

⁴⁴⁵ Humphery, op.cit.

To encourage joint ventures between the public sector and private investors, both domestic and foreign, an industrial reserve list was opened (Humphrey 1992). The Investment Promotion Center in Dhaka was established to foster private sector initiatives. Development Finance Institutions (DFIs) were set up to provide financial support to private entrepreneurs. The privatization policy was implemented with the establishment of a disinvestment board, and the transfer of state-owned enterprises (SOEs) to the private sector commenced (Quadir 2000).⁴⁴⁶ During the Zia regime, a total of 255 SOEs were privatized (Humphrey 1992).⁴⁴⁷

Finally, an act was enacted to promote foreign investment and protect the interests of foreign investors (Islam, 1988).⁴⁴⁸ In this realm, discussions on establishing an export processing zone (EPZ) began. The first export-based garment factory came into being with substantial state and Zia's support, along with innovative policy measures. This sets a new path for the garment sector.

6.1.3 The Inception of Globalization Policy: The Ershad Government (1982 to 1990): In the fourth empirical chapter, we have demonstrated that the inception of globalization occurred in Bangladesh in the 1980s. This initiation significantly accelerated the progression towards larger policy changes. This observation supports the notion that the industrial change in 1991 was, in fact, building upon a path-dependent trajectory. This section aims to provide an overview of a couple of remarkable policy measures implemented during this period that collectively worked to propel the system towards a threshold effect.

Shortly after consolidating power, the Ershad government announced the New Industrial Policy of 1982 on June 1 (Humphrey 1992).⁴⁴⁹ With a goal to expedite the privatization process and encourage private sector participation to expand the manufacturing sector by

⁴⁴⁶ Quadir 2000, op. cit.

⁴⁴⁷ Humphrey 1992, op. cit.

⁴⁴⁸ Islam 1988, op. cit.

⁴⁴⁹ Humphrey, op.cit.

increasing private sector involvement and promoting export-oriented industries, thereby reducing the public sector's role (Quadir 2000).⁴⁵⁰

Additionally, the government enacted the Foreign Private Investment (Promotion and Protection) Act to create a service and governing department aimed at attracting and facilitating foreign private investment (Humphery 1992).⁴⁵¹

Furthermore, with the promulgation of the Industrial Policy of 1986, the pace of privatization accelerated further. This policy allowed private management companies to operate public enterprises and encouraged private sector engagement in various industrial and commercial sectors, including key industries like jute and textiles (Quadir 2000).⁴⁵² Such a path progression supports the idea that gradual changes can lead to tipping points (Mukherji 2014).⁴⁵³

During this period, the denationalization process also accelerated significantly. Within a year of announcing the Industrial Policy of 1982, a total of 60 large state-owned enterprises (SOEs) transitioned into private ownership. Consequently, the proportion of SOEs in private hands surged from 32% in 1981 to 78% in 1985 (Quadir 2000).⁴⁵⁴ Such a move was seen as a landmark for private sector development in Bangladesh, as Muhith confers. Around this point in time, the business and entrepreneurial communities began to regain their lost confidence in conducting business. Since they had been apprehensive about losing ownership due to the legacy of the nationalization policy of 1972, restoring their trust was a challenging but significantly important and protracted effort that had a greater impact on bringing them back to the game (A.M.A.Muhith, personal communication, September 2, 2019).⁴⁵⁵

⁴⁵⁰ Fahmidul Quadir, 2000, op.cit.

⁴⁵¹ Humphery, op.cit.

⁴⁵² Qadir 2000, op.cit.

⁴⁵³ Mukherji 2014, op.cit.

⁴⁵⁴ Qadir 2000, op.cit.

⁴⁵⁵ Abul Mal Abdul Muhith 2019, op. cit.

Financial sector reforms were implemented in line with the denationalization policy. This included privatizing Uttara Bank and Pubali Bank, as well as granting licenses to several private commercial banks. In the mid-1980s, gradual and incremental reforms were also introduced to the monetary, banking, and credit systems (Bhattacharaya 2002).⁴⁵⁶

Private sector competitiveness and free-market policies were also introduced in the agriculture sector. Notably, despite around 80% of the population being engaged in agriculture at the time, government subsidies were significantly reduced. Subsidies on food and fertilizers, which had been at 12% and 26% during the period from 1977 to 1984, saw substantial reductions. The private sector was granted full privileges in trade and business related to fertilizers, seeds, and machinery (Kabir 2013).⁴⁵⁷

Finally, the first export processing zone of the country, Chittagong Export Processing Zone – CEPZ, was established in Chittagong. The Export Processing Zone Act was promulgated, allowing foreign companies to establish firms and factories with special privileges, including property rights and tax holidays. This strategy and mechanism lured both foreign and domestic firms, particularly in the garment industry. It not only spurred private sector and entrepreneurial development but also facilitated the transfer of skills, knowledge, and technology. This marked a pivotal moment in the growth of the garment industry.

In summary, considering the points mentioned above, it is fair to argue that this period marked the inception of globalization policies in Bangladesh, serving as a catalyst for driving the system toward a tipping point.

6.1.4 Globalization in 1991: The Tipping Change and Policy Sequences in the 1990s Decade: This study specifically focuses on the Industrial Policy of 1991 as the tipping point in Bangladesh's globalization policy, which set in motion a series of policy

⁴⁵⁶ Debapriya Bhattacharaya, “Financial Sector Reforms in Bangladesh: The Next Round,” *Report No. 49* (Dhaka: Centre for Policy Dialogue, 2002).

⁴⁵⁷ Ariful Haq Kabir, “Neoliberalism, Policy Reforms, and Higher Education in Bangladesh,” *Policy Futures in Education* Vol. 11, No. 2 (2013).

sequences aligned with the principles of the free market economic system. The promulgation of the Industrial Policy of 1991 in July was entirely premised on the idea of a market-based competitive economy as Rehman Sobhan has asserted (Sobhan 1991).⁴⁵⁸ As a result, this led to an era of comprehensive economic reforms, fundamentally shifting the economic landscape towards outward looking private sector competitiveness.

The 1991 Industrial Policy focused on two aspects of globalization: Firstly, the policy concentrated on constructing and expanding export-based industries. Secondly, it emphasized privatization and private investment from both domestic and foreign entrepreneurs.

The argument put forth here posits the emergence of globalization in Bangladesh during the 1980s, as demonstrated in the previous chapter, where numerous policies aimed at export-oriented development, particularly in the garment sector, initiated the process of opening the economic system. Subsequently, this gradual path of continuity led to the milestone of globalization in 1991.

Key highlights of globalization policies during this decade encompassed the emphasis on private sector development, the acceleration of the privatization of denationalized industries and enterprises, the implementation of deregulatory measures to streamline export-import processes, the encouragement of both domestic and foreign investments through policy measures, and a focus on financial sector reforms to facilitate a smoother transition for investments and private sector activities (Rashid 2000).⁴⁵⁹

We consider 1991 as the point of departure, signifying unprecedented opportunities for outward-oriented policies, and the ensuing decade witnessed substantial transformations. Economic reforms entered a new phase, especially with the introduction of the Industrial Policy in 1991, which catalyzed a series of policies. Notably, Ahmed argues that the

⁴⁵⁸ Rehman Sobhan (ed.), *Structural Adjustment Policies in the Third World: Design and Experience* (Dhaka: Dhaka University Press, 1991).

⁴⁵⁹ Mohammed Ali Rashid, “*Impact of trade policy reforms on industrial capacity and employment in Bangladesh,*” (Dhaka: Structural Adjustment Participatory Review Initiative - SAPRI, 2000).

privatization process took concrete shape through the Industrial Policy of 1991 (Ahmed, 2000). This policy, unveiled in July 1991, emphasized reduced subsidies in the jute industrial sector (Quadir, 2000).⁴⁶⁰

The Industrial Policy of 1991, initially promulgated in July and subsequently revised in December 1992, is widely acknowledged as the pivotal moment in Bangladesh's journey towards globalization. This policy played a significant role in initiating a series of reforms and deregulations during the 1990s, which brought about a substantial transformation in economic and industrial relations.

This section provides an overview of the changes brought about by the 1991 policy and subsequent policy measures. It also underscores the unprecedented nature of these changes compared to those of previous decades, offering essential insights for understanding the tipping point in Bangladesh's economic transformation.

Under this policy, several noteworthy developments occurred, including the removal of requirements for industry establishment permits and licenses and the relaxation of restrictions on foreign equity participation.

Policies within the industrial domain encompassed various aspects, such as privatization, export-import procedures, trade regulations, tariff structures, exchange rates, investment facilitation, skill development, knowledge and technology transfer, infrastructure development, regulatory simplification, transparent administration, bureaucratic efficiency, and financial sector reforms (Ahmed 2005).⁴⁶¹

To expedite the process, in March 1993, the Privatization Board was established with considerable autonomous authority to oversee the divestiture of state-owned enterprises

⁴⁶⁰ Quadir 2000, op. cit.

⁴⁶¹ Ahmed Sidiq, "Development Performance and Policy Reforms since Independence," In Sadiq Ahmed, *Transforming Bangladesh into a Middle-Income Economy* (Delhi: Macmillan India Ltd. for the World Bank, 2005).

(SOEs). Consequently, a total of 74 SOEs were denationalized between 1993 and 2007 and transferred to private ownership.

The 1990s witnessed governance by two democratic governments: the Khaleda Zia-led government, representing the Bangladesh Nationalist Party (BNP) during the first half of the decade, and the Sheikh Hasina-led government, representing the Awami League, from 1996 to 2001. In 1996, the Sheikh Hasina-led government further intensified the privatization process and divested a significant number of SOEs (Quadir 2000).⁴⁶² During Sheikh Hasina's tenure from 1996 to 2001, 29 SOEs were privatized. The transformation of the Privatization Board into the Privatization Commission in 2000, with enhanced authority for privatizing industrial and service oriented SOEs, aimed to streamline and expedite the investment procedures.

Efforts were also directed at simplifying and reducing the rigidity of regulatory roles to facilitate the investment process, while emphasizing the promotion and facilitation of the private sector.

Incentives were introduced to diversify export-oriented businesses, encouraging both local and foreign investors to establish export-oriented industries. This included duty-free machinery imports, long-term credit facilities from financial institutions, tax exemptions for foreign loans, royalties, and technical assistance fees. The financial sector reforms were designed to create a more market-oriented interest rate structure, enhance accountability and transparency in subsidy provisions, improve the monetary framework, and bolster the capital market (Sattar 2021).⁴⁶³

Financial sector reforms, initially formulated during the Ershad government, were further accelerated during this period. The establishment of the Financial Sector Reform Program (FSRP) aimed at rationalizing the tariff structure (Quadir, 2000). Notably, the introduction of the value-added tax (VAT) act marked a significant milestone, despite

⁴⁶² Quadir 2000, op. cit.

⁴⁶³ Zaidi Sattar, "50 Years of Evolution of Trade Policy in Bangladesh" (Dhaka: *Policy Insights*, September 14, 2021)

encountering opposition from political and business communities. This reform had the potential to be transformative for the country (Sidiq 2005).⁴⁶⁴

In this milieu, the Bank Reform Committee (BRC) operated from 1996 to 1999, overseeing and recommending the regulatory framework for nationalized commercial banks, with a primary focus on restructuring the country's banking system (Bhattacharaya 2002).⁴⁶⁵

Some of the significant changes included the introduction of floating exchange rates, substantial reductions in import duties, removal of most controls on foreign private investments, fiscal and monetary discipline adjustments, relaxation of regulations on private investment, adjustments to interest rates, and the introduction of the value-added tax, among others. Sectors that were previously reserved for the public sector were opened up for private investment, such as telecommunications, power, and energy (Rahman and Tipu).⁴⁶⁶

Trade, exports, and imports assumed paramount significance, with measures aimed at bolstering the textile manufacturing sector. Several measures played a substantial role:

In the realm of tariff reforms, there was the removal of import restrictions on items crucial for exporters, following the Industrial Policy of 1991. A major stride was taken with the elimination of negative and restricted lists for industrial imports. Certain exceptions were maintained, including items associated with religious and public safety concerns and a small number of highly sensitive items (Rashid, 2000).⁴⁶⁷ Additionally, bonded warehousing facilities were extended to all exports.

⁴⁶⁴ Ahmed Sidiq 2005, op. cit.

⁴⁶⁵ Bhattacharaya 2002, op. cit.

⁴⁶⁶ A. K. M. Atiqur Rahman, Manzur Alam Tipu, "Understanding Reform: The Case of Bangladesh" Working Paper (Dhaka: Institute of Development, Environmental, and Strategic Studies (IDESS), North South University, 2004).

⁴⁶⁷ Mohammed Ali Rashid 2000, op. cit.

The maximum tariff rate was reduced from 350 percent in the fiscal year 1991 to 37.5 percent in 2000 (Nahar, 2009).⁴⁶⁸ Regarding the trade regime, measures included flexible currency exchange, engagement of foreign investors in promising sectors, substantial reductions in import duties, and a gradual removal of restrictions on foreign private investments. Quantitative restrictions decreased from 550 in 1987 to 63 in 2003 through the Import Policy Order.

In line with the objective of promoting export-oriented industries, the trade regime witnessed a substantial transformation under the globalization framework. Quantitative restrictions were gradually phased out during the 1980s, culminating in a significant reduction in the early 1990s (Raihan and Khondker 2013).⁴⁶⁹

Focused on a set of policy measures and incentives, export orientation involves various strategies. These include duty drawbacks, lower interest rates on bank loans, tax holidays, a cash compensation scheme, an export credit guarantee scheme, export credit support, a special bonded warehouse scheme, and a back-to-back letter of credit system. Additionally, it encompasses tax rebates, insurance premium discounts, and an export development fund.

Quantitative restrictions were gradually lifted during the 1980s, with a significant decline in the early 1990s (Sattar 2021).⁴⁷⁰ This was also associated with a notable reduction in import tariffs and the liberalization of foreign exchange, opening up trade in many items that were previously restricted. Likewise, to create an environment conducive to reducing the previous bias against export-oriented investment, export promotion schemes were similarly implemented. These schemes encompassed subsidized interest rates on bank

⁴⁶⁸ Mahinda Siriwardana Nahar, "Impact of Trade Liberalization on Poverty in Bangladesh: A Quantitative Assessment," *South Asia Economic Journal*, 10:2 (2009): 325–369

⁴⁶⁹ Selim Raihan and Bazlul Haque Khondker, "A Review of the Evolution of Trade Policies in Bangladesh," in *Bangladesh Country Report: Trade and Employment* (Dhaka: International Labour Organization, 2013)

⁴⁷⁰ Zaidi Sattar, "50 Years of Evolution of Trade Policy in Bangladesh" (Dhaka: *Policy Insights*, September 14, 2021)

loans, duty-free imports of machinery and intermediate inputs, cash subsidies, and exemptions from value-added and excise taxes.

Table 16

Quantitative restrictions

Year	Total restricted items
1985-86	478
1986-87	550
1987-88	529
1988-89	433
1989-90	315
1990-91	239
1991-92	193
1992-93	93

Source: Raihan and Khondker, 2013

Subsequently, the chapter then explores the causal assumption question around the tipping change.

6.2 The BOP Crisis of 1989

This section delves into the question of whether the economic change in 1991 was precipitated by a crisis, a contention central to prevailing wisdom. The prevalent scholarly discourse tends to align with the notion that the economic crisis served as a catalyst, creating the requisite conditions for the Bangladeshi state to absorb the external pressures emanating from the IMF's structural framework. Contrarily, World Bank data reveals that Bangladesh experienced a substantial shock to its balance of payments only in 1989, and the promulgation of globalization policy ensued in July 1991. This contrasts with India's crisis-driven globalization policy, prompted by the balance of payments crisis in 1991 (Mukherji 2014).⁴⁷¹

⁴⁷¹ Rahul Mukherji, 2014, *op. cit.*

Bangladesh's engagement with the International Monetary Fund (IMF) presents a complex interplay of economic challenges and policy responses. The country's pursuit of economic stability and growth, intertwined with geopolitical and climatic exigencies, underscores the intricate nature of such engagements.

The IMF's interventions primarily addressed balance of payments deficits. The 1980 Extended Fund Facility (EFF) arrangement aimed to address external shocks in the wake of the assassination of President Ziaur Rahman. However, the Ershad government's coming to power led to the abandonment of this EFF arrangement (Boughton 2001).⁴⁷² The IMF reported that this was caused by a policy implementation failure by the army-backed government, or, in other words, a lack of cooperation with the IMF.

Subsequent engagements with the IMF involved stand-by arrangements in 1983 and 1985, responding to improved conditions but also reflecting the country's periodic vulnerability. The negotiations in 1985 were particularly challenging, with Bangladesh leveraging its perceived strong position, rooted in a robust policy history and external creditor sympathy. The resultant stand-by arrangement facilitated economic stabilization, although it underscored the ongoing reliance on external support.

The 1985–87 standby arrangement set the stage for discussions on a medium-term policy framework supported by a Structural Adjustment Facility (SAF) loan. Bangladesh initially hesitated, perceiving an asymmetry between the proposed reforms and the financial resources provided. The IMF, recognizing the imperative for structural reform, viewed the SAF as pivotal for Bangladesh's sustainable growth and debt management.

The subsequent negotiation process, spanning several months, culminated in a comprehensive policy framework addressing structural reforms. The SAF loan, approved in 1987, facilitated a modest cash inflow and debt restructuring, offering a respite from substantial repayments.

⁴⁷² James Boughton, 2001, *op. cit.*

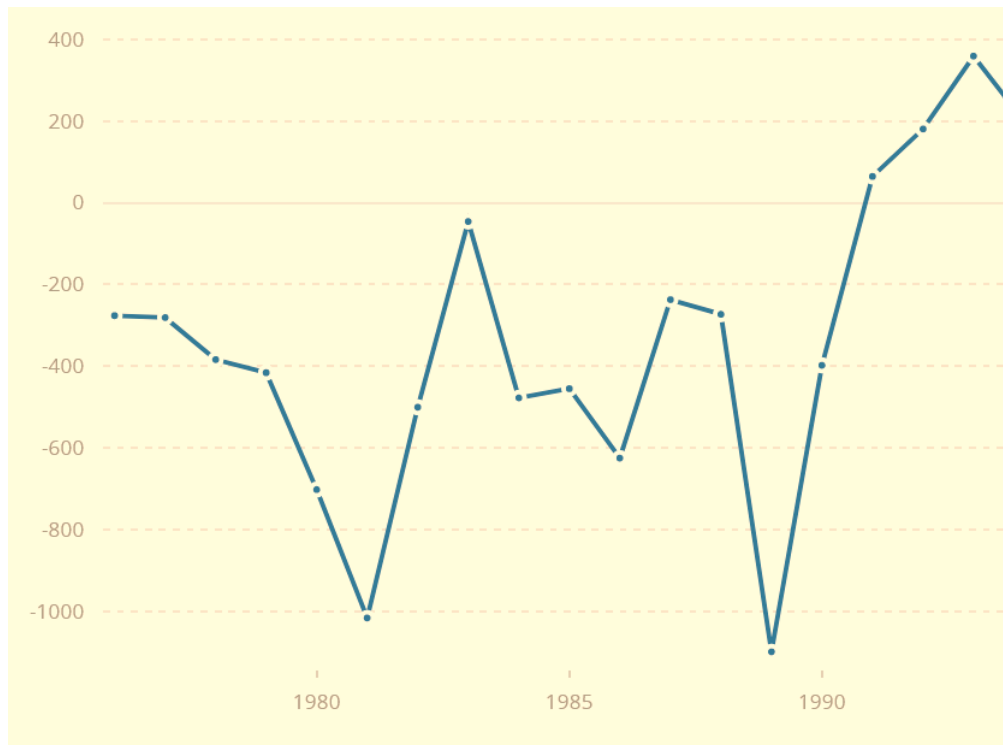
It is imperative to underscore that this study is primarily concerned with economic change rather than political one in Bangladesh. Notwithstanding, it is noteworthy to acknowledge the democratic upsurge towards the end of the 1980s, which led to the ousting of the army-backed government and the reinstatement of the democratic system. While our focus remains on economic change, it is pertinent to explore whether the democratic government could have wielded any influence on the economic change. Although not the focal point of our study, an elucidation of the potential impact of these variables on the economic tipping point in 1991 is undertaken. Thus, this analysis takes into account their relevance within the broader analytical framework.

It has been argued that a sudden shock, such as in a critical time of a balance of payments crisis, constitutes a chance window for governments in a compelling situation and is more likely to swallow the IMF cordialities and, in turn, alter the economic system (Collier and Collier 1991).⁴⁷³ In this realm, Sattar and Rahman (2016) postulate the argument that the BOP crisis was the causal factor for change in 1991.⁴⁷⁴ According to their claim, BOP prompted and warranted abrupt responsiveness, culminating in the World Bank-IMF structural adjustment facilities. However, the data from the World Bank indicates a different fact. The major BOP crisis actually occurred in 1989 but not in 1991. There could be a plausible possibility to bet on the conjecture that the BOP crisis in 1989 might have triggered regime change in Bangladesh but not economic change. The trade deficit reached one billion USD in 1989 (see figure 9). With the intensive ongoing democratic uprising, the deteriorating balance of payments situation further aggravated the Ershad government's grounds and legitimacy to remain in power. As a result, resigning from power became unavoidable.

⁴⁷³ Ruth Collier and David Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America* (Princeton: Princeton University Press, 1991).

⁴⁷⁴ Zaidi Sattar, Ashikur Rahman “Political Economy of Trade Policy: Theory and Evidence from Bangladesh,” *South Asia Economic Journal* Vol.17, No.1 (2016): 1–26

Figure 8: BOP situation in Bangladesh (1976–1995) (World Bank 2023).⁴⁷⁵



Conversely, it's worth mentioning that this economic crisis did not lead to an immediate change in the economic system of Bangladesh. The Industrial Policy of 1991 was only promulgated on July 30, 1991. This indicates that state planners and the political executive branch had adequate time to engage in extensive discussions and interactions in the economic puzzling. Instead of initiating any drastic change pressured by the exogenous pressure, this underscores the significance of endogenous elements in influencing the course of change.

Bangladesh did, however, receive an IMF loan under the Extended Credit Facility (ECF) program worth 345, 000 (in thousands of SDRs) for the period of August 10, 1990, and

⁴⁷⁵ World Bank data, June 12, 2023, <https://data.worldbank.org/indicator/BN.CAB.XOKA.CD?contextual=default&end=2000&locations=BD&start=1976&view=chart>,

September 13, 1993 (IMF 2023).⁴⁷⁶ Nevertheless, the conditionality that is linked to the FCF loan is not the same as the loan under the Structural Adjustment Program.⁴⁷⁷

Bangladesh's engagement with IFM in post globalization is perhaps more collaborative, least to suggest, however, the 1991 industrial policy was not driven by the economic crisis.

6.2.1 Democratic uprising: The democratic uprising of the late 1980s was not primarily motivated by economic change; there is no direct causal link between this uprising and economic change (Coll 1990).⁴⁷⁸ However, it is essential to recognize the potential indirect impact it could have had on instigating change.

Democratic institutions can institute checks on governmental power, thus limiting the ability of public officials to amass personal wealth and implement unpopular policies. Additionally, democratic structures provide mechanisms for upholding the rule of law, combating political corruption, and reducing the risk of contract repudiation. This, in turn, fosters a favorable investment climate and enhances appeal to international

⁴⁷⁶ “Bangladesh: History of Lending Commitments” (IMF, January 31, 2023): <https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=55&date1key=2023-01-31>.

⁴⁷⁷ The Extended Fund Facility (EFF) financial assistance is designed to tackle medium-term balance of payment issues resulting from underlying structural weaknesses. The associated conditions entail policy commitments that are expected to emphasize structural reforms, targeting institutional or economic flaws, alongside measures to uphold macroeconomic stability. In contrast, Structural Adjustment Programs (SAPs), encompassing both short-term and long-term strategies, aimed at enhancing competitiveness and rectifying the balance of payments situation. Conditions for short-term SAP loans include currency devaluation, the implementation of austerity measures to reduce budget deficits, restructuring of foreign debts, and the utilization of monetary policies. Long-term loan conditions focus on market liberalization, privatization of state-owned enterprises, the establishment of new financial institutions, addressing governance issues, supporting the rights of foreign investors, promoting direct exports, and restraining government expenditure, which involves cutting down on government employment (IMF 2024). “The Extended Fund Facility (EFF)” (IMF, January 1, 2024): <https://www.imf.org/en/About/Factsheets/Sheets/2023/Extended-Fund-Facility-EFF>; “IMF Conditionality” (IMF, January 1, 2024): <https://www.imf.org/en/About/Factsheets/Sheets/2023/IMF-Conditionality>.

⁴⁷⁸ The 1990 Mass Uprising, widely referred to in Bangladesh as the '90s Anti-dictatorship Movement, commenced on October 10th, 1990, and persisted until December 4th, culminating in the removal of General Hussain Muhammad Ershad. Steve Coll, “Ershad Quits as Leader of Bangladesh,” (New Delhi: Washington Post, December 5, 1990).

investors, ultimately fostering economic growth (Barro 1996).⁴⁷⁹ In this sense, the democratic uprising could also have been driven by the idea of combating corruption and creating an environment for investment and economic prosperity.

The economy at this juncture was also characterized as 'stagnant' and was adversely affected by the oil price surge resulting from the Iraqi invasion of Kuwait and the repatriation of numerous Bangladeshi workers from the Gulf region, leading to a loss of remittances (Baxter 1990).⁴⁸⁰

Mrs. Khaleda Zia, the widow of former President Ziaur Rahman, emerged as a prominent opposition leader, mobilizing political rallies across the country demanding Ershad's resignation. After six years in exile, Sheikh Hasina Wazed, the daughter of Sheikh Mujibur Rahman, returned to lead the Awami League (AL). Both the AL and the Bangladesh Nationalist Party (BNP) increasingly presented democratic political systems as an alternative to military rule. Consequently, there was a shift within the military as support for Ershad waned.

The parliamentary elections held on February 27, 1991, gave the BNP a small overall majority. Khaleda Zia assumed office as the Prime Minister, while Sheikh Hasina became the opposition leader. This led to the abolishment of the presidential system and the replacement of the parliamentary system, which was originally envisaged in the 1972 Constitution (Wilkinson 2000).⁴⁸¹

The fall of Ershad signified a pivotal moment in the triumph of democracy. This could be perceived as a potential turning point in the gradual transition towards a more globally oriented economic trajectory.

⁴⁷⁹ Robert J. Barro, "Democracy and Growth," *Journal of Economic Growth*, Vol. 1, No. 1 (Mar. 1996): 1–27.

⁴⁸⁰ Craig Baxter, "Bangladesh in 1990: Another New Beginning?" *Asian Survey*, vol. 31, no. 2, (1991): 146–52.

⁴⁸¹ Steven I. Wilkinson, "Democratic consolidation and failure: Lessons from Bangladesh and Pakistan, Democratization," Vol. 7, No. 3 (2000): 203-226

6.3 State Capacity

Major aid conditionality agreements in the early 1990s prescribed policy reforms, notably the three-year IMF extended structural adjustment facility in 1990, the action program for policy reforms in fiscal year 1991 (adopted in the Bangladesh aid group meeting in Paris in 1990), and agreements under the import program credit and industrial sector credit of the International Development Association (IDA). Thus, the prevailing argument posits the prominence of exogenous causal variables in instigating policy changes, as evident in the existing literature. While the primary objective of this study is not to dismiss this argument, it cautiously articulates an alternative perspective that appears to hold relevance.

In line with the theoretical and conceptual framework, we trace how ‘puzzling’ evolved around the tipping change in 1991. The argument of exogenous forces driving globalization policy could be one aspect, yet variables such as endogenous elements, such as policy planning from endogenously grounded ideas that reflect and guide the economic path, should not be overlooked.

In consonance with the theoretical and conceptual framework, this section expounds upon the causal variable underpinning the pivotal 1991 policy shift, contextualizing it within the realm of state capacity. The trajectory of ‘policy puzzling’ leading up to the 1991 shift is examined. While the influence of exogenous forces on policy evolution may constitute a facet of this narrative, it is imperative not to disregard the impact of endogenous factors and the ideas of policy planners that both inform and steer the economic trajectory.

To trace the Bangladeshi state's capacity through ‘policy puzzling,’ insights and feedback provided by top technocrats and political executives are examined. These insights are derived from a myriad of sources, including the mid-term economic review, fourth five-year plan, budget speech, economic reviews, industrial policy of 1991, Statistical Yearbook of Bangladesh 1991, import policy of 1991–1992, the taskforce report, election manifestos of political parties, public debates and speeches published in the media, debates and discussions in the parliament, and pronouncements by government officials in

international conferences and delegation meetings, to name a few. Empirical data clearly demonstrate how the 'policy puzzling' mechanism and endogenous ideas played a pivotal role in steering the Bangladeshi state towards globalization. Within this 'puzzling' framework, ideas pertaining to economic planning interacted with domestic and international forces, gradually shifting policy thinking towards a free-market economic paradigm.

Aligned with the theoretical and conceptual underpinnings of the policy process elucidated by Hecló and Hall, this perspective holds particular relevance with respect to the tipping change in 1991. To provide a concise overview, various state departments and agencies, such as the Ministry of Finance, Planning, Industry, Power and Energy, Road Transport and Bridges, Textiles and Jute, and Commerce, were integral to the policy planning process. Both the technocratic and political branches played pivotal roles within this mechanism. While each department was headed by a political executive, the critical planning activities, encompassing research, reviews, and policy feedback, were carried out by the bureaucratic department. An interactive dynamic existed between these two elements, with societal considerations also factored into the decision-making process.

Policy formulation was underpinned by the conviction within the policy committee that the industrialization policy of 1991, oriented towards a globalization framework, necessitated collaboration with other pertinent state departments. This entailed a holistic approach involving infrastructure, roads and bridges, transportation, technology and skilled labor, energy, power, water resources, training, and research. This underscores that a mere theoretical framework, without commensurate resources and personnel for implementation, would yield negligible results.

Moreover, many economic planners and policymakers in the 1990s were highly experienced professionals in their respective domains. They possessed a deep-seated commitment to their country and, in some instances, had actively participated in the struggle for the nation's independence. This underscores that their expertise and personal dedication to uplifting the nation from poverty were critical factors in contemplating endogenous solutions aligned with indigenous imperatives.

Illustratively, during the first half of the 1990s under the Khaleda Zia government (1991–1996), Saifur Rahman, an eminent economist with expertise in monetary policy and development economics, served as the finance minister. He had also held the position of Commerce Minister in the Zia government in 1975 and Finance Minister in the Abdus Sattar government in 1980. M.K. Anwar, for example, served as Minister of Commerce, bringing his vast experience as a top civil servant who held roles such as Deputy Commissioner of the Association of Jute Mill Corporation, President of the Textile Mill Corporation, and Chairman of Bangladesh Biman. Similarly, A.M. Zahiruddin Khan, who served as Planning Minister from 1991 to 1993 and Industrial Minister from 1993 to 1994, was a visionary industrialist who held the position of managing director of AK Khan and Company, Chairman of the Bangladesh Textile Mills Association (BTMA), and Founder Director of the Investment Corporation of Bangladesh (ICB).

Likewise, during the second half of the 1990s under the Sheikh Hasina government (1996–2021), seasoned policymakers were appointed. For instance, Shah Abu Muhammad Shamsul Kibria (SAMS Kibria), an economist with a successful diplomatic career, served as the finance minister. Dr. Mohiuddin Khan Alamgir, who had a distinguished three-decade-long bureaucratic career, assumed the role of planning minister. Anwar Hossain Manju, the Minister of Communications, was a businessman and the editor of a leading newspaper, Ittefaq.

These experienced civil servants and administrators, spearheading policy planning, drew upon their rich experiences and skills, demonstrated a profound understanding of societal needs, and exhibited dynamism in shaping economic planning.

The concept of a policy committee also holds relevance in the context of the tipping change, not only during the earlier phase of incremental changes but also in 1991. As expounded in the theory chapter, this concept elucidates the multifaceted involvement of various bodies and departments in policy implementation, encompassing industrialists, entrepreneurs, and associations such as the Chamber of Commerce.

6.3.1 Technocratic Puzzling: The socioeconomic and development indicators of Bangladesh around 1989–1990 have witnessed only marginal improvements, which cannot be considered significant (see Table 17) (World Development 1992).⁴⁸² Reflections and reviews conducted by policy planners highlighted on documents such as the fourth five-year plan and the economic survey stressed that during this period, the economic conditions remained unfavorable, poverty continued to be widespread, illiteracy rates persisted at unacceptable levels, and unemployment rates remained exceptionally high. Furthermore, the nation grappled with a high infant mortality rate, food insecurity, and fragile disaster management. The inadequate roads and transportation in many parts of the country certainly hindered the dynamism of industrial development, and the country's predominantly rural and agrarian character.

In light of these challenges, the prevailing recommendations in the policy-planning circles emphasized the necessity of greater engagement from the private sector. The rationale behind this approach was that industrialization could potentially serve as the preferred policy choice to drive meaningful development in Bangladesh.

Table: 17

Important Indicators (World Development 1992)

Female Education Primary 1965:44 1989:78 Secondary 1965:14 1989:47
Life expectancy at birth (years) Female 1965: 44 1990:51 Male 1965:45 1990:52
Infant mortality rate per 1000, live births 1965: 144 1990:105
Daily calorie supply (per capita) 1965: 1,970 1990: 2,021
Balance of payments and reserves
Net workers remittances (millions of dollars) 1970:0, 1990:761
Gross international reserves
Millions of dollars 1970:00, 1990:660
Growth of consumption and investment
Average annual growth rate (percent) Private consumption, etc. 1965-80: 2.0, 1980-90: 3.7

⁴⁸² World Development Report 1992, the World Bank (Oxford University Press, 1992)

Rehman Sobhan, a leading member of the planning commission during the Mujib government, assumed the role of Planning Adviser in the Interim Government of 1990–1991, responsible for overseeing the Ministry of Planning. A dedicated task force, led by Sobhan, was established to formulate guidelines and policy recommendations (CDP 2023).⁴⁸³ These recommendations deemed invaluable by the Acting President, who expressed enthusiasm that they would offer substantial guidance in shaping the nation's economic trajectory (Bangladesh Observer 1991).⁴⁸⁴ Prime Minister Khaleda Zia and top policymakers, including the finance minister and the planning minister, rendered notable significance to the policy recommendations put forth by the task force, particularly in the context of globalization (Ministry of Planning 1991).⁴⁸⁵

Shaikh Maqsood Ali, an elite technocrat, and his team at the Planning Commission were entrusted with the responsibility of evaluating the economic situation and preparing the Mid-term Review of the Third Five Year Plan (Planning Commission 1989).⁴⁸⁶ Their assessment emphasized that addressing widespread poverty, acute unemployment, and the nation's heavy reliance on foreign aid necessitated a strategic focus on industrialization through private sector initiatives and a shift toward export orientation.

The planners conducted a comprehensive review of the economic landscape, which correlates with the concept of policy ‘puzzling’. Within this framework, the midterm review of the third five-year plan, alongside insights from four consecutive five-year plans

⁴⁸³ Bio of Professor Rehman Sobhan (Dhaka: CDP, 2023).

⁴⁸⁴ “Reports of Task Forces submitted: Economic problems not beyond solution,” (Dhaka: The Bangladesh Observer, March 11, 1991).

⁴⁸⁵ “Task Force report presented to Khaleda: Cooperation of all for self-reliance sought,” (Dhaka: The Bangladesh Observer, November 21, 1991).; *Report of the Task Forces on Bangladesh Development Strategies for the 1990s: Policies for Development* (Dhaka: Ministry of Planning, Government of Bangladesh, August 6, 1991)

⁴⁸⁶ Dr. Shaikh Maqsood Ali, who studied economics at Dhaka University and was a high-ranking public servant in his profession, was also the founding rector of the Bangladesh Public Administration Training Center (BPATC). He was a member of the Economic Division of the Planning Commission (1987–1992) and an honorary convener of the National Task Force on Poverty Alleviation of the Planning Commission (1993–2003) (Govt. of Bangladesh 2023). (Dhaka: Ministry of Public Administration, Government of the People's Republic of Bangladesh, 2023); *The Mid-term Review of the Third Five-Year Plan 1985–90* (Dhaka: Planning Commission, Ministry of Planning, Govt. Bangladesh, February 1989)

and budget speeches, sheds light on the significant challenges that have shaped the economic path around tipping change.

Two substantial natural calamities profoundly impacted economic considerations. The devastating floods of 1987 ravaged nearly 40% of the country's total area, resulting in an estimated damage of 1.3 billion USD.⁴⁸⁷ This natural catastrophe had a markedly adverse effect on economic activities.

Subsequently, another devastating cyclone and flood struck on April 29, 1991, affecting the southern region of the country, and causing over 135,000 casualties and more than \$1.5 billion in damages (History.Com 2009).⁴⁸⁸ This calamity inflicted severe losses on human resources, livestock, fisheries, crops, factories, infrastructure, and economic activities, resulting in a decline in the gross domestic product to 3.6% in 1991, down from the previous year's 5.84%.

Additionally, external factors had an impact on economic planning. The Gulf War, which erupted in January 1991, led to a deteriorating trade situation, with escalating oil prices causing substantial economic disruption in Bangladesh (Fourth Five-Year Plan, 1990).⁴⁸⁹ The repercussions of the Gulf War extended to the return of approximately one hundred thousand Bangladeshi expatriates, temporarily interrupting foreign exchange earnings and economic activities.

The nation also faced a significant challenge in the form of rampant goods smuggling. A study revealed that during the fiscal years 1985–86 and 1986–87, the black economy reached over one-third of the country's GDP (Abdul et al. 1990).⁴⁹⁰ Stringent export-import regulations, quantitative restrictions, and high product demand were identified as

⁴⁸⁷ Mushtaque Chowdhury “The 1987 Flood in Bangladesh: An Estimate of Damage in Twelve Villages,” *Disaster*, Vol.2, No. 4 (December 1988): 294-300

⁴⁸⁸ “Bangladesh cyclone of 1991,” (History.Com, December 2, 2009).

⁴⁸⁹ The Fourth-Five Year Plan 1990-1995 (Dhaka: Planning Commission, Ministry of Planning, Government of the People's Republic of Bangladesh, 1990)

⁴⁹⁰ Abdul Ghafur, Muinul Islam, and Naushad Faiz “illegal International Trade in Bangladesh: Impact on the Domestic Economy,” Phase One (Dhaka: Bangladesh Institute of Development Studies, August 1990)

casualties of the black economy, resulting in substantial revenue loss and unequal competition with domestic industrial production and sales.

The state's finances struggled to mobilize resources for greater industrialization and job creation. One potential solution was to be considered in these policy reviews and recommendations, eliminating protective policies and promoting free trade with an ease on high tariffs, exchange rates, and a rigid export-import regime.

The Economic Survey of 1990–1991 offers a comprehensive analysis of the economic landscape and the challenges confronting the Bangladeshi state. It underscores the imperative need for swift measures to address external shocks, stabilize the foreign trade deficit, augment domestic savings, enhance workforce skills, and invigorate economic activities while diminishing reliance on foreign loans.

The Industrial Policy (IP) played a pivotal role in shaping Bangladesh's industrialization trajectory, transitioning from a public sector-centric and restrictive model to a more flexible, private sector-oriented, and globally integrated approach. The primary objectives were poverty alleviation, employment generation, and attaining self-sufficiency. The 1986 Industrial Policy built upon the foundation laid by the 1982 policy and aimed to reduce stringent regulations, focus on efficient, export-oriented industries, and eliminate export and import restrictions. It also underscored the pivotal role of the Export Promotion Bureau (EPB) in boosting exports and fostering backward linkages.

In 1987, the Amendment Ordinance of the 1972 Nationalization Ordinance endorsed the denationalization of nationalized financial institutions, such as banks and credit organizations, involving the sale of 49% of their shares to the private sector and the formation of holding companies. The 1987–88 fiscal year budget signaled a significant shift in the economic system, including the reduction of high tariffs, the abolition of import restrictions, and the introduction of an import basis and quantity system.

The Fourth-Five Year Plan for 1990–1995, unveiled in March 1991, presented comprehensive policy recommendations geared toward embracing globalization. An

essential focus of this plan was inclusive development, with an emphasis on the integration of women into mainstream employment and the recognition of non-governmental organizations (NGOs) as crucial partners in private sector development (The Fourth-Five Year Plan 1990).⁴⁹¹

This economic ‘puzzling’ and deliberations within the state's technocracy signify that the shift toward opening up the economy was primarily driven by endogenous mechanisms.

6.3.2 Political Powering: Confronting Exogenous Pressure: This section elaborates on two aspects. First and foremost, under the new leadership, the political executive branch has exhibited a remarkable unity and enthusiasm in the realm of economic restoration. This fervent commitment to economic resurgence and the cultivation of industrialization is evident through their active engagement with industrialists and entrepreneurs, advocacy for strategic industrial policies, and the deployment of promotional campaigns designed to foster a competitive business environment. Furthermore, this orientation is distinctly encapsulated in the election manifestos, which underscore the paramount importance of private sector development and the attraction of foreign direct investment. The notable emphasis placed by Khaleda Zia, the Prime Minister, on industrial progress and robust private sector involvement underscores the policymakers' profound yearning for advancement and competitiveness. Rehman Sobhan and Saifur Rahman, along with PM Khaleda Zia, became prominent role players in the early 1990s.

Crucially and secondly, this leadership's proactive campaign with domestic industrialists and the business community has expedited the policy formulation process. Moreover, the entwined dynamics of political leadership and the technocratic teams in their interactions with exogenous units, including meetings, conferences, and seminars with renowned international financial institutions such as the World Bank, Asian Development Bank, the International Monetary Fund, and international donors, highlights the compelling confluence of exogenous pressures and endogenous imperatives.

⁴⁹¹ The Fourth-Five Year Plan 1990-1995, op. cit.

Both the leading political parties, Awami League and BNP, are headed by Sheikh Hasina (the daughter of Sheikh Mujibur Rahman) and Khaleda Zia (the widow of Ziaur Rahman), in their election campaigns empathize with industrialization, the creation of employment, and income generation (Daily Ittefaq 1991).⁴⁹² Both parties, in their election manifestos, have profoundly highlighted the economic policies, emphasized industrialization, private sector development, and foreign direct investment.

The nonpartisan interim government in December 1990, apart from conducting a fair and unbiased election to establish a new government, this interim government also formed Task Forces to guide the decision-making and policy formulation processes. Rehman Sobhan, who assumed the Ministry of Planning, spearheaded these task forces.⁴⁹³ A contingent of 250 experts, drawn from both within and outside the government and representing diverse occupational and professional backgrounds, ensured that policymakers were exposed to a spectrum of views and opinions.

In the economic planning, Wahiduddin Mahmood, an economist from Dhaka University; Mahbubur Rahman Khan, Deputy Governor of the Bangladesh Bank; Monsieur Rahman, an Additional Secretary in the Ministry of Finance; Showkat Hossain, Executive Director of the Bangladesh Bank; Shamsul Haq, also known as A.M. Shamsul Haq, from the Planning Commission; ABM Siddiqi from the Ministry of Planning; Shahabuddin Ahmed from the Planning Commission; Sultan Hafiz Rahman; and BIDS, among others.

The task force policy suggestions emphasized policies at expanding the role of the private sector and promoting free market, with measures such as denationalization and privatization, fiscal discipline, market-oriented pricing, subsidy withdrawal, import liberalization, tariff rationalization, flexible exchange rates, export incentives. In conjunction with top technocrats and political executives, engaged in comprehensive

⁴⁹² Daily Ittefaq (Dhaka: February 13, 1991).

⁴⁹³ *Report of the Task Forces on Bangladesh Development Strategies for the 1990s: Policies for Development* (Dhaka: Ministry of Planning, Government of Bangladesh, August 6, 1991).

discussions, these policy suggestions can be viewed as a compendium of ideas forged in response to domestic conditions and constraints.

Policy thinking towards globalization, in the political realm, actually emerged already under the Ershad government. For example, Sultan Ahmed Chowdhury, the Minister of Planning, stated clearly that the Bangladeshi state's thinking has been shifting toward "greater market orientation (The Third Five-Year Plan 1985)."⁴⁹⁴ Similar to this, in the technocracy and top bureaucratic policy planning favored greater private sector engagement prevailed and persisted (mid-review, 1989).⁴⁹⁵ The Finance and Planning Minister, Saifur Rahman, stressed that in the process of globalization, Bangladesh cannot afford to lag behind, emphasized that the economy should emphasize engaging and mobilizing greater number of investors, including non-resident Bangladeshis and foreigners.

While taking the oath as Prime Minister, Khaleda Zia announced that 'economic restoration will be given priority.' The government took office on March 20, 1991, and soon began massive economic planning and interactions aimed at bringing dynamism and change to the economic system (Bangladesh Observer 1991).⁴⁹⁶

It is not a coincidental fact that during her inaugural media address as the elected Prime Minister, Khaleda Zia ardently underscored the government's unwavering commitment to prioritize industrial development through private sector engagement. The origins of such unwavering determination can be discerned by tracing a direct nexus between issues of corruption and clientelism, which have created significant impediments for private sector entrepreneurs in their pursuit of business mobilization. The politicization and mismanagement witnessed within state-owned enterprises have contributed to a distressingly low level of productivity, thereby accentuating the imperative of fostering economic growth.

⁴⁹⁴ The Third Five-Year Plan 1985-90, op. cit.

⁴⁹⁵ See, for example, *The Mid-term Review of the Third Five Year Plan 1985-90* (Dhaka: Planning Commission, Ministry of Planning, Govt. Bangladesh, February 1989).

⁴⁹⁶ "Khaleda Zia sworn in as PM" (Dhaka: The Bangladesh Observer, March 21, 1991)

In light of these compelling factors, the imperative of achieving robust economic growth becomes self-evident. Realizing this objective necessitates a strategic emphasis on industrialization through private sector channels, with a pronounced focus on the export-oriented manufacturing sector, notably the burgeoning Ready-Made Garments (RMG) industry. This overarching vision profoundly characterizes the direction and intent of the new leadership.

Saiful Rahman, a veteran economist who gained extensive experience from serving as a minister under the Ziaur Rahman government, became a very influential policymaker under the Khaleda Zia government. Khaleda Zia also showed greater trust in him with respect to economic decision-making. Saifur Rahman appeared to show strong support and willingness to offer a greater chance for the private sector and the free market, openly revealing his government's policy plan: “A state-controlled economic system is a hindrance and barrier to people's creative and innovative economic activities and emergence. Unnecessary and excessive control over the economy creates social weakness and distortion.

As a result, citizens' enthusiasm and creativity are hindered, and unskilled labor prevails in economic activities. Meanwhile, those in charge of state economic governance and those at the top of the state often seek rent opportunities and illicit income. That is why it is necessary to open the economy (Daily Ittefak 1991).”⁴⁹⁷

He started to mobilize public support for his ideas, as there has been strong resistance from trade unions, workers, and those with vested interests in state-owned industries and enterprises against any move towards globalization.

In the national parliament, while delivering the budget speech for the year 1991–92, Saifur Rahman strongly expressed his government's commitment to a dynamic market economy and the private sector. He criticized restrictive and rigid investment regulations, arguing

⁴⁹⁷ M. Saifur Rahman, finance minister, budget speech, (Dhaka: The Daily Ittefak, 13 June 1991). P.4

that such regulation and protection under state control could only benefit privileged groups (Bangladesh Observer 1991).⁴⁹⁸

Scholars regard Saiful Rahman's ideas as influential in Bangladesh's globalization, opening the economy, and promoting free-market policies (Daily Star 2012).⁴⁹⁹ One of the landmark ideas and innovative policies has been the Value Added Tax (VAT) Act, which came into force on June 2, 1991 (The Bangladesh Gazette 1991).⁵⁰⁰ Bhattacharya (2021) regards the VAT Act as skeptical of institutional formulation towards competitiveness, which initiated a significant revenue base (Bhattacharya 2021).⁵⁰¹ Although there was major opposition from the opposition party and the business community, which is why Rashid (2009) asserts that, as a mediator of the state, Rahman demonstrated tenacity in bargaining and negotiating with various stakeholders and interest groups to achieve the state's interests (Rashid 2009).⁵⁰²

Indeed, the restoration of the democratic government enabled the exogenous forces to engage in policy discussions with the government. Khaleda Zia also interacted with the World Bank Director, Country in Charge, Shinji Asa Numa, and the Chief of Mission in Bangladesh, Christopher R. R. Willoughby, along with Finance and Planning Minister Saifur Rahman, together with high-ranking officials from the Asian Development Bank and the International Monetary Fund (Bangladesh Observer, 1991).⁵⁰³ She sought cooperation from the donors. However, the donors emphasized policy reforms and

⁴⁹⁸ The Bangladesh Observer (Dhaka: June 13, 1991)

⁴⁹⁹ Serving under three distinct administrations from December 1976 to October 2006, M. Saifur Rahman held significant governmental roles. During his initial term, he served as the Minister of Trade and Commerce and, subsequently, as the Minister of Finance and Planning. Remarkably, he drafted and presented a total of 12 national budgets during his three terms in office, spanning the years 1980 to 1981, 1991 to 1996, and 2001 to 2006 (Daily Star 2012; Bdnews24 2009).; "Saifur Rahman's life sketch." (Dhaka: The Daily Star, October 7, 2012); "US condoles the death of Saifur" (Dhaka: Bdnews24, September 5th, 2009)

⁵⁰⁰ The Added Value Tax Ordinance, 1991 (Ordinance No. 26, 1991) (Dhaka: The Bangladesh Gazette Extraordinary, Government of the People's Republic of Bangladesh, July 10, 1991)

⁵⁰¹ Debapriya Bhattacharya, "Glimpses from our national budget history" (Dhaka: The Business Standard, June 2, 2021)

⁵⁰² Mamun Rashid, "Getting the Fundamentals Right" (Dhaka: The Daily Star, September 7, 2009)

⁵⁰³ "Cooperation from donor agencies sought: Economic discipline to be restored: Khaleda" (Dhaka: the Bangladesh Observer, March 30, 1991).

opening up the economy. While Khaleda Zia clearly asserted that her government would reflect on economic planning. Christopher R. Willoughby stressed the need for the restoration of financial discipline in the public sector. While emphasizing malgovernance and losses in the state's own factories, power, and electricity sectors as well as state-owned jute mills. While suggesting for competitive policy through rationalization of public sector enterprises and boards, the elimination of investment controls, the facilitation of the closure of chronically losing enterprises and other bankruptcy arrangements, and renewed policies for the privatization of public sector manufacturing enterprises (Daily Observer, 1991).⁵⁰⁴

Similarly, in a seminar top technocrats and top political executives, professionals, and experts' executives interacted with the World Bank. Planning Minister, A.M. Zahiruddin Khan, Director of BIDS, M.R. Khan, Resident Representative of the World Bank, Christopher R. Willoughby, Finance Minister, Saiful Rahman, Member of the Planning Commission, A.K.M. Kamaluddin Chowdhury, and policy experts such as M.M. Akash, Muzaffer Ahmed, Binayek Sen, Rehman Sobhan, Wahiduddin Mahmud, Zaid Bakht, Atiur Rahman, and M.Syeduzzaman Discussing issues such as tariffs, property rights, and other issues that are associated with industrialization and trade (BBS 1991).⁵⁰⁵

Industries Minister Shamsul Islam Khan was interacted with the directors and members of the Bangladesh Chamber of Industries (BCI), along with leading industrialists including Mahbubur Rahman, Manzoor Morshed Khan, Rashidul Hashan, Nurul Huda, Salauddin Quashem Khan, Razia Khan, Kazi Golum Dastagir, Nefaur Rahman, and AM Subid Ali a week before the announcement of the industrial policy of 1991. He stated that the key driver of the policy would be to make the existing sick industries of the country economically viable and profitable. It would also give utmost priority to the growth of small-scale cottage and medium-sized industries, encouraging a free-market economy and private initiative to attract foreign capital and know-how. He also held integrated

⁵⁰⁴ "World Development Report 1991: Bangladesh must develop a competitive economy" (Dhaka: The Daily Observer, July 9, 1991)

⁵⁰⁵ Statistical Yearbook of Bangladesh 1991 (Dahake: Bangladesh Bureau of Statistics, Ministry of Planning, Government of the People's Republic of Bangladesh, November 1991)

inter-ministerial cooperation for the rapid growth of industries, stressing that “there is no other alternative to industrial growth for achieving socio-economic emancipation of the people (Bangladesh Observer, 1991).”⁵⁰⁶ The industrialists demanded the establishment of another export processing zone in Dhaka.

On July 29, 1991, the Industrial Minister, Shamsul Islam Khan, announced the industrial policy, which largely emphasized on the growth of the private sector (Bangladesh Observer 1991).⁵⁰⁷ A key highlight was the simplification of procedures for establishing new industries by removing regulatory provisions from the previous policy. Additionally, incentives for export-oriented industries were introduced. Ceiling for small-scale industries increased from Taka 1.5 crore to Taka 3 crore, and the equity limit for foreign entrepreneurs increased to 100 percent, which used to be 51 percent, previously.

Moreover, the policy aims to expand small and cottage industries to generate employment opportunities for rural and suburban communities. On foreign investment, existing barriers aimed to be eliminated, allowing investors to repatriate both their invested capital and investment dividends. Foreign investors are to allow the employment of foreign workers through the issuance of work permits. Other incentives for foreign investment include permission to purchase shares through the stock exchange and access to infrastructural facilities. The implementation of the disinvestment of public sector industries was also highlighted.

This government also set a roadmap for a comprehensive export policy aiming at boost growth of the private sector's export-oriented industries, particularly the RMGs. While announcing this policy, commerce minister M. Keramat Ali highlighted the backward linkage industries to fortify the ready-made garment sector and converting wet-blue leather manufacturing into finished leather production for export. To support these efforts, an “export promotion fund” was created to cover related expenses.

⁵⁰⁶ “New industrial policy this week: sick units to be made economically viable” (Dhaka: The Bangladesh Observer, July 9, 1991)

⁵⁰⁷ “Industrial policy aims at the growth of the private sector” (Dhaka: The Bangladesh Observer, July 30, 1991).

Additionally, the interest rate on export credit was minimized to reduce production costs and enhance international competitiveness. To further incentivize exporters, income tax rebates of up to 100% based on export volume would be granted, surpassing the existing 60% rebate for items other than jute, jute goods, and tea. Export-oriented industries adhering to regular power bill payments may benefit from relaxed peak-hour power rates in specific cases. In an effort to stimulate entrepreneurship and enhance competitiveness, a 2.5% import duty on capital machinery for export-oriented industries has been waived, also extending to raw materials for these industries. Moreover, there is no import duty for goods traded under barter agreements (Bangladesh Observer 1991).⁵⁰⁸

The government was not just promulgating the industrial policy, but also further mobilized the emphasis on its implementation and also mobilizing campaigns to allure domestic and foreign investment in the private sector and actively engaging industrialists and entrepreneurs. Prime Minister Begum Khaleda Zia, for instance, urged cooperation from the private sector when meeting entrepreneurs and industrialists. She highlighted that the scope of the agriculture sector is very limited, and therefore, the shift has to focus on industrialization to create more employment and production. She also highlighted that the new industrial policy aimed at rapid industrialization through the participation of the private sector. While meeting with leading investors and entrepreneurs, like Latifur Rahman and Anisuddowala, urged support in accelerating efforts industrial growth (Bangladesh Observer 1991).⁵⁰⁹

The Prime Minister, along with the top cabinet ministers, sought the cooperation of the industrialists and businessmen in a meeting with leading industrialists following the promulgation of the industrial policy (Daily Observer 1991).⁵¹⁰ The acting chairman of the Bangladesh Chamber of Industries, Rashidul Hasan, assured cooperation for the implementation of the policy. According to him, the policy aspired to the investors and industrial community, with incentives and opening the sector: “Entrepreneurs would

⁵⁰⁸ “Export target set at Tk. 7,744 cr” (Dhaka: The Bangladesh Observer, July 29, 1991)

⁵⁰⁹ “Govt to help build industries: PM,” (Dhaka: The Bangladesh Observer, August 7, 1991)

⁵¹⁰ The Daily Observer (Dhaka: July 31, 1991).

come forward for rapid industrialization in the country, taking advantage of this liberal policy.” In addition, in May, while on a foreign tour, Khaleda Zia called on Bangladeshis to invest in Bangladesh. She expressed that the government was going to formulate an industrial policy to accelerate industrialization and encourage the active participation of all (Bangladesh Observer 1991).⁵¹¹

Similarly, Saiful Rahman, on an international policy conference, asserted his government’s policy endeavors towards globalization: “in order to reduce its (government) role in the economy, thereby allowing markets to flourish on their own.”

Finally, to bring this conversation to a conclusion, it is evident in the empirical data that both the technocratic policy ‘puzzling’ and political interactions around the tipping point of change evidently show that there has been endogenous thinking and planning wherein state capacity seems to appear pertinent.

6.4 Conclusion

To conclude, a few salient points in this chapter have proven pertinent and conducive to the central argument of the study:

First and foremost, the industrial policy of 1991 unfolded as a gradual process, characterized by incremental shifts that culminated in a decisive tipping point in that pivotal year. The evolutionary trajectory of this policy can be delineated through distinct phases. Initially, the inaugural phase witnessed a cautious foray into private sector involvement. Subsequently, the second phase marked a discernible progression toward heightened engagement with the private sector. The third phase witnessed a more pronounced embrace of globalization through increased openness to foreign investment and capital infusion. This epoch also witnessed a concerted effort to streamline regulations and alleviate constraints on the export-import landscape, heralding an era of

⁵¹¹ “Invest in the industrial sector: Khaleda” (Dhaka: The Bangladesh Observer, May 27, 1991).

economic liberalization. This trajectory, notably, propelled the nation into a threshold point, setting the stage for the 1991 Policy.

Secondly, the Balance of Payments (BOP) crisis in 1989 and political turmoil—characterized by both the democratic upswing and the subsequent downfall of an army-backed government—might have imposed constraints upon policymakers and policy planners, to take remedial action. Nonetheless, these incidents cannot be unequivocally defined as key causal variables triggering the change in 1991.

Finally, and most pivotally, fundamental variables have emerged as instrumental in shaping causal factors, specifically, the 'puzzling' dynamics in technocratic policy planning. Addressing the economic condition and proffering professional and expert recommendations have demonstrated substantially significant in shaping the policy shift.

After the fall of the army backed government, the transitional caretaker government not only worked for a free and fair election it also formed a taskforce to offer policy recommendation in economic direction. Rehman Sobhan, who is largely known as a scholar, political economist, who was a leading policy planner under Mujib government within the planning commission, was headed the task force for economic guidance and in charge of planning ministry in the interim government. He and leading economists and policy experts worked together to prepare the taskforce report to offer the policy direction. Consequently, after the election as new democratic government took the charge, a veteran economist and politician who already served many times as a finance minister, Saifur Rahman, has taken the lead for the finance and planning ministry. Aligned with the taskforce report Mr. Rahman showed greater and willingness to open the economy.

This was also consistent withing the political realm. Because it was evident that both major political parties, Awami League and BNP, showed greater interest in private sector and industrial development through opening the economy. Sheik Hanisa and Khaleda Zia, in their election manifesto clearly stated that the private sector will be given greater priority. And that foreign investment would be welcomed.

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This was also consistent with the political realm. It was evident that both major political parties, the Awami League and the BNP, showed a greater interest in the private sector and industrial development through opening the economy. Sheik Hanisa and Khaleda Zia, in their election manifesto, clearly stated that the private sector would be given greater priority, and that foreign investment would be welcomed.

Furthermore, the top political executives, interacting with business entrepreneurs, industrialists, and exogenous forces such as the International Monetary Fund (IMF), the World Bank, and international donors demonstrate the autonomous nature of change. As a result, both the 'puzzling' and 'powering' mechanism within the technocratic apparatus and the political executive branch appear to emerge an endogenous characteristic.

All this shows that there has been an endogenous process and autonomous position in the tipping change, rather than being crisis driven overnight change. By contrast it was not overnight change, the financial crisis that hit the country was in 1989, whereby the industrial policy was promulgated in July 1991. This provides the support to the argument this study holds that the policy change in Bangladesh show two character one is the gradualness, and the other is the endogenous with homegrown ideas.

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7 | Conclusion

7.1 Layered-Tipping Institutional Change in Bangladesh and Transformation

Bangladesh's institutional change in the economic realm from a stringent import substitution model to a globalization-oriented one occurred in a layered tipping mode. This paradigmatic shift subsequently exerted a transformative impact on the country's socio-economic development, particularly marked by the ascension of the export-oriented private sector garment industry. This has been the conjectural persuasion of this dissertation. The *introductory section* of this dissertation delineated the research puzzle in the conceptual and empirical realm, delving into this change and transformation, thereby postulating a conjecture that challenged conventional wisdom. The argument was laid out within an ideational causal narrative by leveraging state capacity, which could pose a contested alternative to the materialistic worldview.

Differing from the prevailing conventional wisdom that perceives this change as an abrupt, crisis-induced phenomenon stemming from a Balance of Payments (BOP) crisis and external pressures such as those from the International Monetary Fund (IMF), this dissertation proffered an alternative explanation. The proposition contended that Bangladesh's trajectory was, in fact, a gradual, incremental, layered tipping change, primarily ideationally propelled, emanating from endogenous policy processes rather than being precipitated by exogenous pressures.

This research argues that the BOP crisis hit Bangladesh around 1989, predating the promulgation of the industrial policy in July 1991. This meant that this sequential disjuncture between the onset of the crisis and the formulation of industrial policy provided policy planners and policymakers with ample time to puzzle over the impending policy decisions, avoiding the necessity of an overnight policy prescription. This narrative underscores the agency of homegrown considerations in shaping policy trajectories. Thus, the argument was put forward, asserting that the change in 1991 may not be defined as crisis-driven but rather emanated from endogenous imperatives rooted in the way the Bangladeshi state was thinking. Further to it, there has been a path dependence trajectory. Commencing with the promulgation of a stringent import substitution economic model in 1972, the trajectory has traversed, over a sequential continuum, towards this adoption of a globalized economic paradigm.

To operationalize the pursuit of this research in explaining two main key objectives, one, the policy process, and the second, the causal mechanism of it, a conceptual framework was formulated within historical institutionalism and the political economy analytical framework. Employing process-tracing and a within-case method, the study systematically investigated the period of 1972–1991 through four empirical chapters to capture the policy sequences and causal variables.

In this methodological line, *Chapter one* laid the conceptual foundation for the dissertation by carefully reviewing the historical institutional literature in a political economy analytical frame. To do so, major literary arguments in the milieu of the class analysis of the state were then contrasted with the ideational view of the state.

To explore the dynamics of change, two predominant lenses were discussed. The materialistic worldview, championed by scholars like Karl Marx, Vladimir Lenin, Immanuel Wallerstein, and others, emphasizes the pivotal role of economic factors and class struggle in shaping policy. In this view, it could be that those historical changes, such as the economic institutions in England or the economic change in India, are propelled by class conflicts and the interests of influential classes.

Contrastingly, the ideational lens posits that ideas, values, norms, and culture play a central role in influencing economic systems and driving change. Scholars like Max Weber, John Maynard Keynes, Mark Blyth, and Karl Polanyi argue that cultural values and ideas significantly shape economic policies and outcomes. This perspective contends that economic ideas are powerful tools wielded by policymakers, economists, and domestic actors, influencing decisions and policies during crises or uncertain times. Policy change is not solely a result of material interests but is also a product of ideas, with technocratic elites playing a pivotal role in shaping policy debates and decisions.

Taking a stance on the ideational path, this dissertation proposes conjectures dealing with the research puzzle and questions. It engaged with Skocpol's concept of state capacity as a causal variable and developed a policy committee concept as a causal variable for Bangladesh's policy. This was aligned with Hecló's notion of 'puzzling and powering' and Hall's 'policy learning'.

To study the policy process, a layered tipping model was then implied, building on Mukherj's Tipping point change theory and incorporating Mahone and Thelen's gradual change theory. This meant that the paradigmatic change in 1991 in Bangladesh has been gradual and incremental, which, layer by layer, progressed over the studied time, leading to a threshold point to tip the system.

Policy puzzling driven by technocratic ideas and endorsed by political powering favored the carefully pushed assumption that policy ideas originated from the technocratic elements of the state (experts, bureaucrats, etc.) and had a greater influence on the political executives shaping that change.

The research extensively conceptualizes the state capacity mechanism as the underlying causal logic orchestrating the shift from one policy framework to another. Central to this framework is the concept of the *policy committee*, which has been seen as the key agent. Rather than a mere executor, the policy committee was portrayed as a dynamic entity responsible for executing policy influenced by mechanisms such as puzzling and powering, policy learning, and a policy style.

This committee was defined as a combination of expert individuals associated with various state departments and agencies, both from the technocratic and political domains, whose roles were crucial in the policy process. While each department was led by a political executive, the planning activities were carried out by top bureaucrats and technocrats. This interactive collaboration ensured that societal considerations were incorporated into the decision-making process. Among these highly experienced professionals, some with a history of active involvement in the nation's struggle for independence, were instrumental in formulating policy solutions for a war-torn economy that required special endogenous solutions aligned with the country's unique imperatives.

Empirical data from various sources, including economic reviews, five-year plans, the task force report, parliament debates, industrial policies, newspapers, government pronouncements, discussions, budget speeches, debates, and interviews, provide clear evidence of the influence of endogenous ideas and policy puzzling on the policy process. These empirical data also favored, evidently, the conjecture that this research postulated.

To outline the findings of this research, *Chapter two* explored the Mujib government (1972–1975) and under what circumstances it carried out stringent import substitution in 1972. This implies emphasizing the socialist economic model, underpinned by a commitment to rectifying income inequality and achieving social justice. Characterized by the nationalization of large-scale industries and financial institutions, the imposition of restrictions on private investment, and meticulous regulation of export-import activities. Over time, the government exhibited incremental adjustments, exemplified by the introduction of the industrial policy in 1974, which allowed for limited private sector activities, and the devaluation of the currency in 1975. The inception of the private sector in 1974 marked a pivotal development, representing a departure from the exclusively socialist economic framework.

Driven by socialist political philosophy, coupled with the traumatic aftermath of war, policy planners grappled with formidable challenges and uncertainty. The planning machinery, led by Nurul Islam and Rehman Sobhan, the economic minister Tajul Islam,

was influenced by socialist economic philosophy. Import substitution, perceived as a remedy, coupled with the nationalization of industries, was aimed at addressing acute problems.

The manifestation of 'policy learning' and the dynamics of 'puzzling and powering' were pertinent. This aligned with the political executive branch's painstaking learning from past policies, resulting in adverse outcomes. Autarkic policies yielded unfavorable outcomes due to governance inefficiency and institutionalized corruption.

Top technocrats recognized the need for adjustments; ultimately, the new investment policies of 1973 and 1974 allowed limited private investment and foreign direct investment. While currency devaluation appeared in 1975, it was driven by exogenous pressures. Subsequently, the initiation of the private sector and currency devaluation ensued after prolonged deliberation. Despite the initial implementation of import substitution, a shift towards private sector initiation occurred.

The government, foreseeing the limitations of autarky, began to learn about export promotion. While the policymakers did not anticipate the subsequent garment boom, they did identify garments as a potential non-traditional export area, as the traditional export area of jute was losing its market demand. Amidst formidable challenges, the state's response demonstrated the concept of state capacity and the influence of endogenous ideas. The nascent transition towards a new norm was evident, with devaluation and private sector orientation occurring under Sheikh Mujib's rule.

Chapter three studied the Zia government (1975–1981) and demonstrated the policy process as a first-layer change toward the consolidation of the private sector. After an incremental initiation by the Mujib government, the private consolidation happened through the implementation of the Industrial Policy of 1975 and the subsequent formulation of the Hard-Core Plan of 1977–1978. A fundamental feature of this initiative was the recalibration towards privatization, exemplified by the removal of the private investment ceiling, a reduction in the list of industries earmarked for the public sector, and the introduction of 'free sectors' aimed at catalyzing private investment and fostering

economic expansion. Constitutional amendments were enacted to permit denationalization and disinvestment.

The relationship between deregulation ideas and state capacity during Ziaur Rahman's government marked a layered departure from the stringent socialist model. Key bureaucrats and technocrats emerged as influential actors in advocating for a mixed economy, underscoring the pivotal role of the private sector in stimulating economic growth.

The government's emphasis on encouraging foreign investment and prioritizing post-war reconstruction manifested itself through efforts to enhance the efficiency of state-owned industries while promoting private sector development. The 'Hard-Core Plan' takes center stage as a pivotal policy, aiming at rapid economic growth through employment generation, industrial development, and agricultural growth.

Rebuilding trust among entrepreneurs and investors posed a formidable challenge due to past nationalization policies. Lingering mistrust presented obstacles in the transition towards a more private-sector-oriented approach. The Industrial Policy of 1975 emerges as a critical catalyst for private sector development. The Industrial Policy instigates notable changes, encouraging private investment in diverse sectors, promoting joint ventures with the public sector, and fostering a climate for export-led economic growth. The decline of traditional exports, particularly jute, prompted a shift in economic focus toward ready-made garments. Government support, including loans from Bangladesh Shilpa Bank.

The Multi-Fiber Agreement (MFA) under GATT favored Bangladesh's garment sector, bolstered by the government's export-oriented and private sector development focus. The collaborative efforts with Daewoo, facilitated by President Ziaur Rahman, reduced risks and encouraged foreign investment. The pivotal role of Noorul Quader Khan, who established Desh Garments in 1979, was a landmark. His vision for export promotion significantly contributes to the success of the garment industry.

Concurrently, the transition to a floating exchange rate was implemented as a strategic maneuver to instill market-friendly economic structures. A set of export promotion measures was introduced, along with opening an industrial reserve list to foster joint ventures between the public sector and domestic and foreign private investors. The establishment of Development Finance Institutions (DFIs) served as a crucial mechanism to provide financial support to private entrepreneurs. Furthermore, discussions on the inception of an Export Processing Zone (EPZ) gained momentum to stimulate foreign investment and promote export-oriented growth. Notably, the government's instrumental role in establishing the first export-based garment factory, Dosh Garments, laid the foundation for the subsequent proliferation and prominence of the garment sector in Bangladesh.

Chapter four investigated the Ershad government, spanning from 1982 to 1990, and illustrated a second layering change. Policy puzzling and homegrown ideas were constructed by top bureaucrats such as S. M. Shafiul Azam, Shamsul Haque Chisty, Commerce Secretary A. B. M. Ghulam Mostafa, and top technocrats such as Moudud Ahmed, Abul Mal Abdul Muhith, and Sultan Ahmed Chowdhury. Ideas such as decentralization, construction of the Export Processing Zone, and relaxation of export and import regulations resulted from technocratic puzzling. These policies favored the growth of the garment industry.

The New Industrial Policy of 1982 was a game-changer. It aimed to speed up privatization, get more private players involved, and promote industries that were geared towards exports, all with the goal of reducing the public sector's role. A major move was the Foreign Private Investment Act, introduced to attract and assist foreign private investment. This led to the creation of a specific department for this purpose.

The 1986 Industrial Policy accelerated the pace further by allowing private management companies to run public enterprises and encouraging private sector participation in crucial industries like jute and textiles. This move quickly turned 60 large state-owned enterprises into private entities, shaking up the balance between the public and private sectors. Financial sector reforms were also in full swing. Banks like Uttara Bank and

Rupali Bank were privatized, and licenses were given out to private commercial banks, making a significant impact. In agriculture, subsidies on food and fertilizers were scaled back, giving the private sector more freedom in trade and business related to fertilizers, seeds, and machinery.

One of the changes that created the business environment and safety for foreign direct investment was the creation of the Chittagong Export Processing Zone (CEPZ), offering special advantages to foreign companies. This drew in both foreign and local firms, especially in the garment industry. Altogether, these policies acted as catalysts, pushing Bangladesh's economic system into a faster-paced phase, leaning towards a more market-driven and privatized economy, and showcasing its entry into the global scene.

The final empirical *chapter five* delved into the tipping point of change around the 1991 industrial policy. The promulgation of this industrial policy marked a paradigmatic shift towards globalization. The focus was on moving towards a market-oriented economy, stressing the need for competitiveness. A big part of this shift involved promoting export-based industries, especially in the garment sector. The policy also highlighted the importance of privatization, encouraging both local and foreign investments in various sectors.

Around the same time, the 1990s saw a strong push for private sector development. This was seen in the removal of permits and licenses for setting up industries. Deregulation played a key role; import restrictions were lifted and import duties were reduced, signaling a move towards a more open economy. The introduction of the Value-Added Tax (VAT) Act aimed to revamp the taxation system. The Bank Reform Committee (BRC) played a crucial role in restructuring the nationalized commercial banking system. Sectors that were previously dominated by the public sector, like telecommunications, power, and energy, were opened up for private investment. Flexible currency exchange and tariff reforms were introduced, and restrictions on industrial imports were eased. This created an environment conducive to trade liberalization. Export-oriented policies became prominent, offering a range of incentives such as tax rebates, duty drawbacks, preferential interest rates on bank loans, duty-free imports of machinery, and cash subsidies. The

policies of 1991 and subsequent ones during the decade reflected Bangladesh's economic trajectory towards a tipping point of economic globalization.

The conventional wisdom supports the assumption that the fall of the army backed Ershad government, which enabled the democratic government, enabled much influence of exogenous tacks, such as the IMF and the donors, in the policy debate. Yet, we have observed that the interim government, in transition to organize elections, has also set up a taskforce to offer policy direction.

Rehman Sobhan, who was one of the top policy planners under the Mujib government and pushed for the stringent import substitution economic model, was now in charge of the planning commission and head of the taskforce on economic planning. He was now favoring liberal and private sector-driven economic policy, given his experience with policy puzzling along with the other experts. And as the new government resumed the task, there were very intense interactions between the political executives, experts, and technocrats on behalf of the state engaging with the external actors. The finance minister was an experienced technocrat. And the Prime Minister backed him. This combination of 'puzzling and powering' led to the promulgation of the Industrial Policy of July 1991.

Finally, there were similar tendencies in policies around 1991 in other countries too, like India, for instance. So how could Bangladesh's policy change be seen as endogenous? One could argue that such a policy was a phenomenon around that time. The idea that India as well demonstrates a similar policy phenomenon cannot disregard the idea that the policy planners and policy makers in Bangladesh might have been aware of what's happening in India, but they might have learned partly from this. Still, the policy process of Bangladesh, or any individual country in that sense, could not negate the homegrown imperatives. Policy learning is not similar to exogenous pressure, which often comes from conditional conditions from the IMF's loan with the Washington Consensus. Hall's thesis also asserts that policy learning often occurs not only from the self-criticism or self-review of the existing system but also from others' experiences.

7.2 Discussion on the concept of Policy Committee

The previous section has already outlined the findings of the dissertation. However, it is necessary to briefly wrap up the issue of how the empirical chapters succeeded in the conceptual conjecture that this dissertation carefully persuaded. And how is it different from other concepts within the milieu of state capacity? How did the Policy Committee execute conceptually and empirically, and how is this concept distinct from other mechanisms such as policy puzzling, policy learning, and policy style?

It is important to note that this concept largely explains the mechanisms and nature of policy planning, design, and formation in the economic realm of Bangladesh. Such a mechanism might or might not be pertinent in other countries.

Policy puzzling and powering, policy learning, and policy style are largely seen as mechanisms that are defined within the state capacity notion. It could be stated that the notion of state capacity is broad, and it does not specify specific individuals or state agencies but rather conceptualizes the state as a whole. The policy committee is, however, made up of a combination of respective individuals, experts, and top executives who have official associations with state departments and agencies and are tasked with particular responsibility for policy planning and endorsement in economic relations. These individuals indeed have a designated position in the state departments and government cabinets, but they also belong to Bangladeshi society. Thus, they have deep expertise knowledge of the economic and political economy and a better understanding of societal needs as well as the policy under the broader contextual forces of politics, society, and economics. Furthermore, they hold a deep understanding of the problem, the elements of the policy, and the exogenous constraints.

When we think within the line of Hecló's notion of 'policy puzzling' to explain policy mechanisms, we need to ask ourselves: Who puzzles then?

When we think within the line of Hall, 'policy learning,' we need to ask ourselves: who leans?

When we think of state capacity, we need to ask ourselves: whose capacity is it?

These questions require a clearer explanation.

Indeed, the final step of policy endorsement (powering) within the Bangladeshi state has often been centered in the head of the government, during the Sheikh Mujibur Rahman, Ziaur Rahma, and H. M. Ershad periods, unlike the Indian state defined by Bardhan, penetrated by dominant proprietary classes. Since social classes such as industrialists and business class could not emerge to influence policy in Bangladesh during the studied period, But the bureaucratic and technocratic elements of the state remained largely influential and indispensable due to historical legacy and necessity.

Thus, a combination of top technocrats and political officials, such as Nurul Islam, Rehman Sobhan, Tajuddin Ahmed, Abul Mal Abdul Muhith, S. M. Shafiul Azam, Saiful Rahman, and S. M. Kibria, were influential players in this policy committee. These individuals during the studied period were instrumental in shaping the policy endorsements by prime ministers such as Mujibur Rahman, Ziaur Rahman, H. M. Ershad, Khaleda Zia, and Sheikh Hasina. In this explanation, the policy committee notion explains that the puzzling of these respective individuals and the learning of these individuals produced the capacity to yield the policy outcome.

In this scenario, we observed that in the early phase of Bangladesh's economic policy, the Mujib government assigned Nurul Islam to take the lead in economic planning. He and his team were involved in drafting important documents, like the first five-year plan. This document guided the utmost policy direction in the early phase. Another example is the task force report in 1991, which was carried out by Finance and Planning Advisor Rehman Sobhan and a few policy experts. This report was significant in guiding industrial policy in 1991 toward opening the economy.

We have observed that the policy committee puzzled over policy, and then powering occurred. However, their ideas aligned with homegrown imperatives in the way the policy committee's policy formation and promulgation happened. Though trendies that were

happening in the global realm, such as in India, were reflected in their policy puzzling, they also handled the pressure from exogenous forces, such as the Washington consensus.

The next section touches on the post-tipping change's transformative impact on the rise of the garment sector, competitiveness, and resource mobilization in Bangladesh. A detailed account attempting to capture the correlation between economic change, transformative impact on the private sector, and socio-economic growth was explained in the introduction of this dissertation.

7.3 Post Globalization Economic Transformation

7.3.1 Garments Boom: We observe that a pivotal component of the policy deliberations within the Bangladeshi state's policy thinking concerning globalization is predominantly influenced by its endeavors to promote and expand the export-oriented private sector, specifically focusing on the ready-made garment (RMG) sector. This has enabled the country to establish trade relations with the European Union and the United States.

What ultimately propels the policy is the aim to open up export-import regulations and foreign investment, modernize the manufacturing industry through product and export market diversification, develop infrastructure, and enhance various conditions such as human resources, physical resources, knowledge resources, and capital resources. Here, we establish a causal linkage between the cognitive capacity of the state and the potential for generating industrial reforms and facilitating a policy shift towards globalization. This, in turn, can contribute significantly to the growth of the RMG sector.

At the core of Bangladesh's globalization strategy is a concerted effort to stimulate export-driven growth, particularly exemplified by the Ready-Made Garment (RMG) sector. This focus serves as a linchpin for the country's broader policy framework, aiming to liberalize export-import regulations, attract foreign investment, modernize manufacturing, bolster infrastructure, and optimize various resources. The RMG industry, positioned as a pivotal driver of Bangladesh's industrialization, transcends its economic role by providing over 4

million jobs and exerting substantial influence across interconnected sectors, such as banking, transportation, and communication. Despite formidable challenges and global competition, the RMG sector has maintained a noteworthy share of the global export market, securing its position as the second-largest contributor to global garment cloth exports.

This dominance in export income sharply contrasts with other sectors like jute, fish, agriculture, engineering products, leather, pharmaceuticals, and non-leather footwear, underscoring the sector's unparalleled economic significance. Beyond its economic prowess, the rise of the RMG industry in Bangladesh has induced a profound socio-economic transformation, manifesting in job creation, improved living standards, and substantive contributions to poverty reduction. This sector, thus, stands as a pivotal catalyst in Bangladesh's pursuit of both economic prosperity and social advancement through strategic globalization policies.

We have detailed in the introduction section about the state of art on garment sector on Bangladesh. In the second empirical chapter we explained how the policies factored the initial phase of the garment sector and the birth of first export-oriented garment factory, Desh garments and on the third empirical chapter we have shown the emergence of garment sector. Therefore, it is perhaps, at this point, not necessary to further repeat this narrative.

In search of alternative exportable products, the government provided the provision of export subsidies which could result considerable increase in the export of tea and matches. Another new opportunity was considered, the export of ready-made garment products to Europe. Rahim's study showed that around Tk 305 thousand income were earned from the exports of ready-made garments in the financial year 1975-1976 (Rahim 1987).⁵¹²

512 A.M.A. Rahim, *Current Issues of Bangladesh Economy* (Dhaka: Bangladesh Books International Ltd. 1978).

Muhith (A.M.A.Muhith, personal communication, September 2, 2019) claimed that export was always the main driver of Bangladesh's economic activities.⁵¹³ Even at this time of inception, exports such as raw jute and jute-based goods was Bangladesh's main area through which the country earned foreign income. However there had been a clear indication that the demand of jute market was shrinking in the 1970s.

In this backdrop, the planning machinery was in search of a new export area. As garments began to take off in early 1980s, the Los Angeles Times report indicated that more and more foreign enterprises began to show interest investing in Bangladesh: "The foreign investors supplied the cloth, the thread, the buttons and the instruction, and in 1983 a total of 1.5 million flannel shirts flowed from Bangladesh factories to stores in the United States (Auerbach 1987)."⁵¹⁴

A top bureaucrat's enthusiasm generated confidence for new emerging entrepreneurs not just for garments but for backward linkages industries linked to it. The then commerce secretary A. B. M. Ghulam Mostafa had foreseen greater significance of garments industry and its potentials for industrial transformation in Bangladesh: "for very little investment we have gotten a high return in terms of employment. What is more important, this has the potential of giving birth to other industries (Auerbach 1987)."⁵¹⁵ Backward linkages sub-sector for garment industry includes cotton production, spinning, weaving, and knitting, dyeing and painting, and accessories such as making of buttons, cardboard stiffeners, thread, fasteners and fabrics (Habid 2009).⁵¹⁶

In this realm, the potential of other industries linked to garments had been discussed even in the early 1980s by a top political executive as well. For example, Abul Mal Abdul Muhith, the then Finance and Planning minister placed uppermost emphasis on this: "Increasing value added to improve net foreign exchange earnings through backward

⁵¹³ Abul Mal Abdul Muhith 2019, op. cit.

⁵¹⁴ Stuart Auerbach 1987, op. cit.

⁵¹⁵ Ibid.

⁵¹⁶ Mohammed Habib, "Backward linkages in readymade garment industry of Bangladesh: Appraisal and policy implications," Wilson Collage of Textile, Vol 6, No 2 (2009).

linkage of garments industry with the local cloth mills and handlooms (Second five-year plan, 1983).⁵¹⁷

After a promising start in the 1980s and a policy shift in 1991 favoring export-import, privatization, and foreign investment, the garment sector quickly evolved into a stable and highly lucrative industry in the 1990s. In the first two decades of the 21st century, the sector emerged as a global player, achieving a competitive advantage.

Many professionals who received training in Desh Garments began their own firm with support from the state. Furthermore, many highly educated and innovative individuals from diverse backgrounds, from high-ranking army officials to top bureaucrats, from university professors to qualified engineers, left their professions, and began to participate in this sector because of its profitability (Hossain 2017).⁵¹⁸

This, in turn, led to the creation of a new entrepreneurial class, or industrialists, in the country. And after a solid and prosperous beginning in this sector, many have transformed their businesses into other sectors. One such example of that kind is Mohammad Fazlul Azim. As a young and motivated man from Chittagong who was seeking business opportunities, he learned about the story of Desh Garments and about the profitability of the sector. He then set up the first factory in Chittagong in 1980, named Azim Garments (M.F. Azim, personal communication, September 10, 2019).⁵¹⁹ The globalization policies of the 1990s cultivated the sector into a global powerhouse (Chalmers 2013).⁵²⁰ The garment boom favored Mr. Azim to transform his business from a single factory to other sectors, making Azim garments into the Azim Group, with 13 garment units and four backward linkage factories, employing over 20,000 people (Azim Group 2023).⁵²¹

⁵¹⁷ The Second five-year plan (1980-85) of Bangladesh (Dhaka: Planning Commission, Ministry of Finance and Planning, Government of the People's Republic of Bangladesh, May 1983).

⁵¹⁸ Naomi Hossain, *The Aid Lab: Understanding Bangladesh's Unexpected Success* (Oxford University Press, 2017).

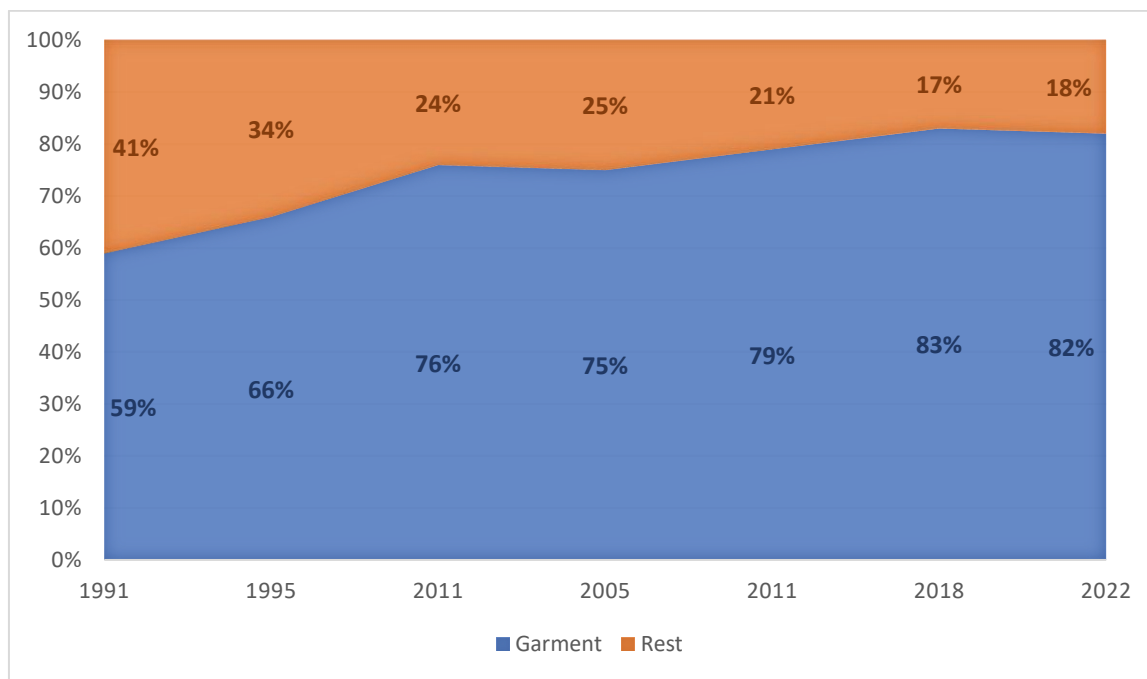
⁵¹⁹ Mohammad Fazlul Azim, 2019. op. cit.

⁵²⁰ John Chalmers, "How textile kings weave a hold on Bangladesh" (Dhaka: Reuters, May 3, 2013): <https://www.reuters.com/article/idUSBRE9411CY/>

⁵²¹ Azim Group, 2023: <https://www.azimgroup.com/about-us>

In due course, the post-tipping period observed rapid and transformative growth in the garment industry. Ever since, the export earnings of garments have remained the most important income earner for Bangladesh (BGMEA 2022).⁵²² BGMEA Data shows (Figure 10) that the income from this sector is increasingly becoming an exponential share of the total export revenue of the country, which shows its profound significance for the economy. In 1991, the share of garments was around 59%, which increased to 82% of the total export income of the country in 2022 (BGMEA 2022).⁵²³

Figure 9: Share of garment export income (1991-2022) (by Author with BGMEA Data)



7.3.2 Restoring trust and competitiveness: Rodrik emphasizes the critical role of trust between the government and the private sector as a fundamental determinant influencing private investment outcomes and, consequently, effective industrialization (Rodrik 1991).⁵²⁴ Similarly, Bardhan (2005) underscores that the state's inability to

⁵²² BGMEA data: https://www.bgmea.com.bd/page/Export_Performance

⁵²³ To see the contrast between all export income for Bangladesh and the garment export income, view the BGMEA data here: https://www.bgmea.com.bd/page/Export_Performance.

⁵²⁴ Dani Rodrik "Policy uncertainty and private investment in developing countries," *Journal of Development Economics*, Vol. 36 No. 2 (1991): 229–243.

uphold its announcements and promises may lead to uncertainty and distrust among investors, thereby detrimentally affecting investment.⁵²⁵ The autarky and state hegemony over entrepreneurship in India during the 1960s and 1970s resulted in collusion and rent-seeking behavior, creating an atmosphere of mutual distrust due to the government's anti-business stance.⁵²⁶ Conversely, in the 1980s, the Indian state signaled a clear commitment to creating a favorable environment for private investment, a trend that gained momentum in the 1990s with substantial deregulation (Mukherji 2014).⁵²⁷

This study posits that in Bangladesh, trust in the state's commitment to the private sector emerged in the late 1980s and notably strengthened in the 1990s when the policy paradigm shifted from state control to a more liberal free-market approach. The legacy of stringent import substitution and nationalization of industries in 1972 had eroded trust among private sector entrepreneurs. Consequently, trust-building became a focal point in policy planning, with priority given to fostering trust among domestic entrepreneurs and foreign investors through denationalization and safeguarding property rights via legislative measures and industrial policies (Third Five-Year Plan, 1985).⁵²⁸

As a result, the denationalization process of nationalized industries gained momentum in the 1980s and 1990s, transferring ownership to private entities and rekindling confidence and trust in both the domestic private sector and foreign investors. Muhith (A.M.A.Muhith, personal communication, September 2, 2019) asserts that denationalization played a pivotal role in cultivating trust and confidence among emerging entrepreneurs, particularly through the denationalization of jute and the textile industry.⁵²⁹ Similarly, Azam and Ahmed (2019) affirm that the denationalization policy significantly enhanced trust and confidence among domestic and foreign private

⁵²⁵ Pranab Bardhan, *Scarcity, conflicts, and cooperation: essays in the political and institutional economics of development* (Cambridge, MA: The MIT Press, 2005).

⁵²⁶ Jagdish Bhagwati, *India in Transition: Freeing the Economy* (Oxford: Clarendon Press, 1993).; Atul Kohli, "State, business, and economic growth in India," *Studies in Comparative International Development*, Vol. 42, No. 1 (2007): 87–114.

⁵²⁷ Rahul Mukherji, 2014, op. cit.

⁵²⁸ The Third Five-Year Plan 1985–90, op. cit.

⁵²⁹ Abul Mal Abdul Muhith 2019, op. cit.

entrepreneurs.⁵³⁰ This, in turn, exerted a substantial influence on the development of private sector entrepreneurship in Bangladesh.

7.3.3 Economic growth and recourse mobilization: The post-tipping change era, enhanced entrepreneurial opportunities and robust economic stimuli, has yielded profound impacts on GDP growth, ushering in a notable era of infrastructural development. Once marred by war-induced devastation and dire poverty, witnessed a significant emergence, embarked on a trajectory of gradual and steady growth, culminating in a GDP per capita of \$2,227 as of 2021—surpassing both India and Pakistan.

The sustained economic growth, attributed to the unprecedented success of the garment industry, has not only elevated Bangladesh's global standing but has also influenced social indicators positively. Infrastructural development has been a focal point, marked by monumental projects such as the Rampal power station, Rooppur Nuclear Power Plant, Matarbari deep-sea port, Jamuna Multipurpose Bridge, Karnafuli River underground tunnel and Dhaka's metro rail. This infrastructural overhaul is mirrored in the expansion of road networks, power generation capacity, and telecommunication infrastructure. The establishment of numerous economic zones further diversifies economic activities. The consequential improvement in social indicators, including poverty reduction, literacy rates, maternal health, child mortality, and gender equality, signifies greater transformation.

The shift from an agrarian to an industrial society, evident in the growing GDP share of the industrial sector. Data shows that between 1972 – 2022, there is greater decline in agricultural sector in the economy, from around 60 % in 1972 to around 11% in 2022. Whereas steady and remarkable rise in industrial growth, from around 6 % in 1972 to around 34% in 2022 in Bangladesh economy (see below line graphs) (World Bank, 2023).⁵³¹

⁵³⁰ Moudud Ahmed, 2019, Fazlul Azim, 2009, op. cit.

⁵³¹ The World Bank data, and OECD data, accessed November 13, 2023.

Figure:10

Agriculture (including forestry, and fishing), value added (% of GDP) (World Bank, 2023)

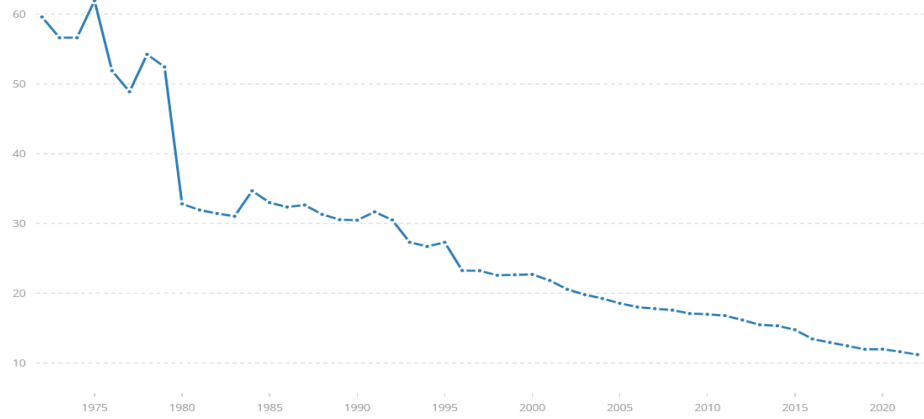
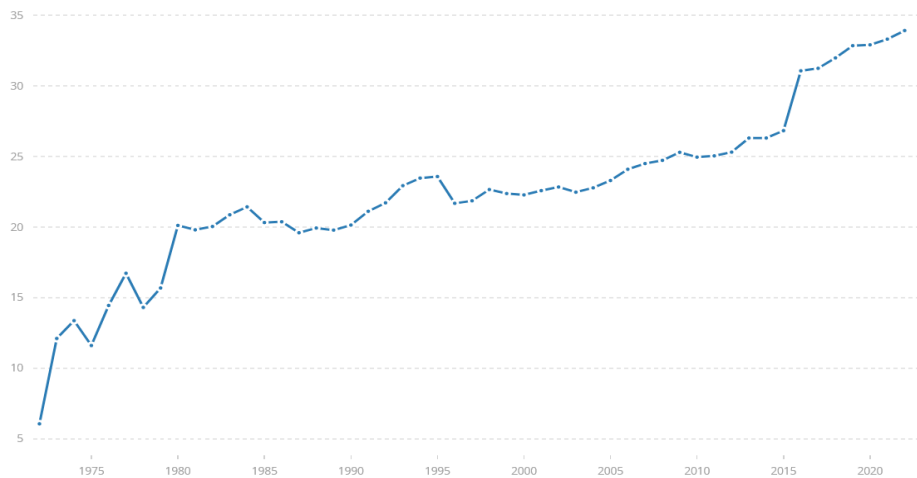


Figure: 11

Industry (including construction), value added (% of GDP) (World Bank, 2023)



Importantly, this transformation constitutes Bangladesh not only as a self-reliant but also cultivates trade and investment partnerships, presenting significant geopolitical implications. For example, EU which has been a long-term aid provide to Bangladesh sees business prospects with Bangladesh. Similarly, it has emerged to become larges trade partner of India with the region.

7.4 Final remark

The trajectory of Bangladesh's policy paradigm, characterized by state intervention, traces its origins to a political philosophy that endured over time, eventually undergoing a gradual transformation towards the adoption of a globalization model.

The economic landscape, particularly in the context of globalization, aligns itself with the tenets of neoliberal thinking, championing the virtues of free markets, private enterprise, and minimal government intervention. Notably, this ideology found resonance in the policies of the Margaret Thatcher government in the UK and the Ronald Reagan administration in the US. A noteworthy manifestation of this shift occurred in the 1980s in the UK, where numerous nationalized industries underwent privatization (ADB 2020).⁵³² A parallel transformation unfolded in India in 1991, marked by the Narasimha Rao government's significant industrial policy promulgation. This policy pivot prioritized private sector development and foreign direct investment, emphasizing competitiveness (Mukherji and Zarhani 2021).⁵³³

In stark contrast to the Indian state, where influential social groups such as industrialists, farmers, and professionals exert considerable pressure, and the Pakistani state, dominated by powerful landed class and indigenous bourgeois, the case of Bangladesh during the studied period stands out markedly. Notably, industrialists and the business class did not emerge as influential classes due to stringent state control and the nationalization of industries. It is in the post-globalization era that both the business and moneyed classes gained prominence. Similarly, the rise of non-governmental organizations (NGOs) as influential forces also occurred.

Consequently, contrary to India and Pakistan, the influence of technocrats and top bureaucrats are pertinent in Bangladesh. Political executives found themselves heavily reliant on this cohort in the realms of policy planning, formation, and governance.

⁵³² *Asia's Journey to Prosperity: Policy, Market, and Technology Over 50 Years* (Manila: Asian Development Bank, 2020)

⁵³³ Mukherji and Zarhani 2021, op. cit.

Evidently, the policy process in Bangladesh was predominantly steered by the expertise and ideas espoused by these technocrats, a cadre primarily characterized by their notable experiences, often having been educated at prestigious institutions such as Oxford, Harvard, and Cambridge. Furthermore, their competence was honed through guiding the state during periods of political turmoil. This distinctive power dynamic underscores the unique trajectory of Bangladesh's policy formulation, emphasizing the pivotal role played by technocratic expertise in shaping the country's governance and policy landscape.

In Bangladesh, the prevailing stringent import substitution model, characterized by high tariffs designed to shield domestic infant industries, poses challenges for industrial growth. The garment textile sector, a burgeoning industry, faces hurdles due to stringent import regulations. Simultaneously, the nationalization policy, indicative of state-led industrialization, has fostered mistrust among both domestic and foreign investors. The seminal industrial policy of July 1991 proved transformative for Bangladesh's economic landscape, ushering in a paradigm shift towards free markets, private sector involvement, and increased foreign investment. This shift bears profound implications for the ascent of the textile sector, showcasing a compelling correlation with industrial growth.

The subsequent outcomes, encompassing resource mobilization, infrastructural development, and advancements in socio-economic indicators, reflect a remarkable trajectory. Bangladesh, once beleaguered by war, natural calamities, poverty, and poor health conditions, has metamorphosed into an emerging economy adorned with glittering infrastructure, noteworthy successes in health, and adept disaster management. In essence, the meticulously traced policy evolution within each national context underscores the intricate interplay between political philosophy, economic ideologies, and tangible policy outcomes, paving the way for nuanced transformations and socio-economic progress.

The explanation of the policy process through a layer-tipping change underscores a nuanced understanding of the dynamics involved. Primarily, it emphasizes the necessity of considering endogenous imperatives. Socials context, the recognition of the path-dependent logic inherent in social and economic issues becomes imperative. These issues

often manifest as intricately interwoven with entrenched social habits and historical legacies.

Moreover, the analysis posits a dual perspective on the genesis of policy solutions. Firstly, it underscores the importance of acknowledging endogenous factors as foundational elements in shaping effective policies. Secondly, it highlights the role of innovative, solution-oriented ideas originating from experts engaged in addressing national challenges. This duality implies that successful policy formulations are predicated not only on a thorough understanding of local nuances but also on the assimilation of global trends. Furthermore, the confluence of endogenous transformations with a judicious amalgamation of global trends and indigenous norms emerges as a critical theme. This confluence is pivotal for substantiating the efficacy and relevance of policy changes. It suggests that effective policies must be a harmonious blend, resonating with both global imperatives and local idiosyncrasies.

Finally, the elucidation provides a three-dimensional framework for comprehending the intricacies of policy processes. It prompts the acknowledgment of endogenous imperatives, underscores the genesis of policy solutions through expert-driven innovation, and emphasizes the need for a nuanced amalgamation of global trends and indigenous norms to address the complex interplay of social, political, economic, and historical factors.

The assumption of this study manifests itself in two ways: Primarily, the change in 1991 unfolded as an incremental, gradual, and *layered* mode of change, characterized by a *tripping institutional change*. Secondly, the causal variable for this was discerned in the autonomous and homegrown ideas emanating from the policy committee. This conceptualization of a policy committee is elucidated within the framework of state capacity, incorporating mechanisms like *powering* and *puzzling*. Additionally, the relevance of other conceptual frameworks, including *policy learning* and *policy style*, is deemed pertinent to this analysis.

Appendix

Relief goods Relief goods to Bangladesh from India during the early reconstruction of Bangladesh (Source: Parliament Debate, 7 June 1973, Bangladesh National Parliament).

85

STATEMENT OF RELIEF GOODS RECEIVED FROM INDIA SINCE LIBERATION.

(A) FOOD STUFF :			
(1) Milk Powder	...	...	59161 bags. 3723 cartons.
(2) Tin food	...	...	16100 tins.
(3) Baby Food	...	...	33039 package/bags.
(4) Oat flakes	...	...	621 bags.
(5) Chatu (CSM)	...	...	137637 bags/cartons.
(B) SHELTER MATERIALS :			
(1) Tents	...	...	572 bundles. 52771 pcs.
(2) Turpauin	...	...	542 Rolls. 18419 Pes.
(3) Polythene, Plastic sheets	...	...	20031 Pcs. 7560 Rolls. 15013 bales.
(4) Tarfelt	...	...	27755 Rolls.
(C) CLOTHINGS :			
(1) Blankets	...	...	27563 bales. 1300 Packages. 551585 Pes.
(2) Woollen clothings	...	...	188 packages. 4 bales. 777 Pes. (Sweater)
(3) Cotton clothings	...	...	4283 bags/bales. 68297 Pes.
(4) Dhuti/Saree	...	...	10691 bales. 182726 pcs. 557 bags./bundles.
(5) Lungi	...	...	149 bundles. 70625 Pes.
(6) Pants	...	...	138 bales.
(7) Shirts/frocks/Ezar/Ganji Hopkin/Vest/Satranji. etc.	...	...	241933 pcs. 12598 bales. 957 packages.
(D) HOSPITAL EQUIPMENTS :			
(1) Medicine	...	...	10897 boxes/cases.
(2) Hospital equipments	1427 cases packages.

(E) SPARE PARTS :

(1) Motor spare parts	460 boxes/packages.
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(F) MISCELLANEOUS ARTICLES :

(1) Utencils	135945 Sets/cartons/bags.
(2) Bleaching powder/Phynile/soap			168 drums (Phy.) 449 drums (B. P.) 3018 ctns. soap 622 Pkgs. soap 232 drums soap 6526 Pcs. soap

(G) TRANSPORT :

(1) Truck	...	...	800 Nos.
(2) Jeep	...	...	299 Nos.
(3) Ambulance	...	...	159 Nos.

(H) HOUSE BUILDING MATERIALS :

Receiving Points

RANGPUR :

Quantities.

(a) Salballies	...	18267 Nos.
(b) Jati Bamboo	...	17989 Nos.
(c) Valuka Bamboo	...	4651 Nos.
(d) Makhta Bamboo	...	8401 Nos.
(e) Muli Bamboo	...	193800 Nos.
(f) Thatching Grass	...	83081 Bundles.

DINAJPUR :

(a) Sal poles	...	4586 Nos.
(b) Sal logs	...	1550 Tons.
(c) Sawn Timber	...	49 Tons.

COMILLA :

(a) Muli Bamboo	...	232050 Nos.
(b) Bari Bamboo	...	5000 Nos.
(c) Thatching Grass	...	3800 Bundles.

SYLHET :

(a) Sawn Timber	...	1120000 Cft.
(b) Sal Balli	...	77600 Nos.
(c) Muli Bamboo	...	973000 Nos.
(d) Sun Grass	...	8000 Bundles.

MYMENSINGH :

(a) Sal Ballies	...	69677 Nos.
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GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH
MINISTRY OF RELIEF AND REHABILITATION.

Statement of food-aid received since liberation from different
foreign countries/agencies.

(Figures in tons)

Sl. No.	Source.	Commodity	Actual receipt up to 31-5-73.
1.	India	Rice	1,00,000
		Wheat	7,00,000
2.	U. S. A.	Rice	1,49,838
		Wheat	8,33,386
3.	Canada	Wheat	3,37,107
4.	E. E. C.	Wheat	59,342
		Wheat/flour	18,410
5.	West Germany	Wheat	38,000
6.	Australia	Wheat	53,907
		Rice	4,800
7.	U. S. S. R.	Rice	32,257
8.	Netherland	Rice	25,500
		Wheat/flour	7,662
9.	Japan	Rice	14,354
10.	Lion's Japan	Rice	885
11.	Switzerland	Wheat	6,343
12.	UNROD	Rice	60,500
13.	W. F. P.	Wheat	14,250
14.	War on want	Rice	2,411
15.	Belgium	Wheat/flour	1,340
			24,60,292

Bangladesh's First Industrial Investment Policy 1973 (Source: The Daily Ittefaq January 1, 1973).

দৈনিক ইত্তেফাক
THE DAILY ITTEFAQ
শনিবার, ১ জানুয়ারি ১৯৭৩ খ্রিঃ

দৈনিক ইত্তেফাক

THE DAILY ITTEFAQ
শনিবার, ১ জানুয়ারি ১৯৭৩ খ্রিঃ

ইত্তেফাক মুদ্রণ কারখানা
শ্রীমতি
মি. এম. এ. — ৫৫৫৫৫৫
মি. এ. — ৫৫৫৫৫৫

বাংলাদেশ রাইফেলস-এন-এর প্রথম বছর

চোরাচালানের অভিশাপ চিরতরে বন্ধ করুন

চোরাচালানের প্রথম বছর... (Text continues with details of the policy and its impact on the economy and industry.)

দেশের প্রথম শিল্প বিনিয়োগ নীতি দশ বছরের পর্যায়

২৫ লক্ষ টাকার প্রতিষ্ঠান বাস্তবায়ন না করার গ্যারান্টি

২৫ লক্ষ টাকার প্রতিষ্ঠান বাস্তবায়ন না করার গ্যারান্টি... (Text details the 10-year investment policy and the 25 lakh Tk guarantee.)

প্রতিরোধ দিবস সফল করিয়া তোলা আস্থান

প্রতিরোধ দিবস সফল করিয়া তোলা আস্থান... (Text about the successful observance of the Day of Resistance.)

বঙ্গবন্ধুর আদর্শই সমাজতন্ত্র চাই

বঙ্গবন্ধুর আদর্শই সমাজতন্ত্র চাই... (Text discussing the ideals of Sheikh Mujibur Rahman and social democracy.)

স্বদেশী শাস্ত্রের জন্মদায়ক হইবে

স্বদেশী শাস্ত্রের জন্মদায়ক হইবে... (Text about the birth of a national strategy.)

বিনিয়োগ বোর্ড গঠন

বিনিয়োগ বোর্ড গঠন... (Text regarding the formation of the Investment Board.)

স্টেটাইল মিলে ডাক টি

স্টেটাইল মিলে ডাক টি... (Text about the State Steel Mill and its products.)

শিল্প শ্রমিকের ঊর্ধ্ব

শিল্প শ্রমিকের ঊর্ধ্ব... (Text about the welfare of industrial workers.)

The Industrial Policy of 1991, highlights the growth of private sector (Source: The Bangladesh Observer, July 30, 1991)



START treaty initialled Bush-Gorbachev summit today

US and Soviet leaders agreed to initial a treaty on Tuesday, July 30, 1991, which would reduce the number of nuclear warheads by 50 per cent over the next five years. The treaty would also set a limit on the number of warheads each side can possess.

George Bush and Mikhail Gorbachev agreed to initial a treaty on Tuesday, July 30, 1991, which would reduce the number of nuclear warheads by 50 per cent over the next five years. The treaty would also set a limit on the number of warheads each side can possess.

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Esteghlal Club captain holds aloft the AFC trophy after they beat Leningrad Club 2-1 in the final of the Asian Club Cup.

Esteghlal lift Asian Club Cup

Leningrad Club captain holds aloft the AFC trophy after they beat Leningrad Club 2-1 in the final of the Asian Club Cup.

Police urged to resist armed outsiders on DU campus

The Academic Environment Committee of Dhaka University (AEC) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

Call to implement PC report

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

Lull in CU as deadline for normalcy expires tomorrow

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

Discuss amending begin

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

Cabinet meet held

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

Portfolios Keramat, An reallocate

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

Industrial policy aims at growth of private sector

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

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Population now 10.79cr

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

OPEC fund support for uplift assured

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

ফুজিয়ান পেসিল

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

আকুল আবেদন

The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

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The Bangladesh Press Association (BPA) is a meeting on Monday urged that the members of law-enforcing agencies should resist the entry of armed outsiders on the campus.

Bangladesh returns to Parliamentary system in 1991 (The Bangladesh Observer, August 7, 1991).

B.I.D.S. LIBRARY
THE BANGLADESH OBSERVER
 WEDNESDAY AUGUST 7, 1991
 Srihan 22, 1398
 Maharrun 25, 1412
 32 Pages - Price Taka 1.00

Historic Constitution Amendment Bills passed

Bangladesh returns to parliamentary system

Prime Minister Begum Khaleda Zia and Leader of the Opposition Sheikh Hasina shaking hands after the passage of the 118th and 120th Constitution Amendment Bills by the Jatiya Sangsad on Tuesday night. —OBSERVER

Ballot more powerful than bullet: Hasina

Nizamuddin Ahmed

Years of struggle has begun its journey towards democracy. Though the Awami League had some reservations on the occasion of the 118th Constitution Amendment Bill, 1991 and the 120th Constitution Amendment Bill, 1991, it had voted for the passage of the Bill for switching over to parliamentary form of government and the greater interest of the nation and to fulfil its pledge of the people's hopes and aspirations of the people.

Sheikh Hasina said Bangladesh Awami League had earlier objected to the provisions for giving the Bill for referendum, inclusion of the non-Parliamentary members in the Cabinet and floor crossing. She

The nation started its journey to parliamentary system of government with the passage of the 120th Amendment Bill in the Jatiya Sangsad on Tuesday night amidst thunderous applause. All the 300 members present in the House voted in favour of the Amendment Bill.

In 1975 the country was under presidential system of government. With the passage of the 120th Amendment Bill the pledge of the three Alliance made in their joint declaration during anniversary movement is fulfilled.

Earlier, the 118th Constitution Amendment Bill passing the return of the Acting President Justice Sheikh Hasina to his previous office was also passed by 278 votes out of 300 members present in the House.

With the passage of the 118th and 120th Amendment Bills, the House witnessed a rare atmosphere of joy and cordiality. The members belonging to the Treasury and Opposition Benches while heartily greeted each other. The voters' grievances were juxtaposed in women's face.

Prime Minister Begum Khaleda Zia and the Leader of the Opposition Sheikh Hasina were in the lobby to vote for 120th Constitution Amendment Bill together. Both of them greeted each other in a warm and fraternal manner. It was another rare occasion witnessed by the House.

Both the women members of the Parliament met and hugged each other. Home Minister Sheikh Zia and Leader of the Opposition Sheikh Hasina both the women members were in the lobby to vote for the 118th Amendment Bill together. Both of them greeted each other in a warm and fraternal manner. It was another rare occasion witnessed by the House.

Govt to help build industries: P M

Prime Minister Begum Khaleda Zia on Tuesday said the government would do its utmost to assist well-to-do entrepreneurs to set up small and medium scale industries.

She said the government would do its utmost to assist well-to-do entrepreneurs to set up small and medium scale industries.

Shahabuddin not a candidate for presidential election

The President-elect Tahmina Khan on Tuesday said she would not accept any nomination for the presidential election.

She said she would not accept any nomination for the presidential election.

A new era begins: Hafiz

Law and Justice Minister Mirza Ghulam Hafiz on Tuesday night said the passage of the 118th and 120th Amendment Bills would mark the beginning of a new era in Bangladesh's history.

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50th anniversary of Tagore's death today

The 50th anniversary of the death of the great Bengali poet, writer, and philosopher Rabindranath Tagore is observed today.

The 50th anniversary of the death of the great Bengali poet, writer, and philosopher Rabindranath Tagore is observed today.

Public holiday tomorrow
 The government has declared Monday (August 6) as a public holiday in observance of the 50th anniversary of the death of the great Bengali poet, writer, and philosopher Rabindranath Tagore.

IS resumes today at 7.30 p.m.
 The International Service (IS) resumed its regular transmission today at 7.30 p.m.

Need for Jamuna bridge stressed
 The Acting President Mr. Justice Shahabuddin Ahmed on Tuesday stressed the need for the construction of a bridge over the Jamuna river to facilitate the socio-economic development of the country.

He said the construction of a bridge over the Jamuna river would be a great boon to the people of the country.

Over 176 amendments moved by the Opposition members, three amendments of Mr. Shahabuddin Ahmed, one amendment of Mr. M. M. Hossain (BSP) and one amendment of Mr. M. M. Hossain (BSP) were rejected by the House.

The 120th Constitution Amendment Bill, 1991 was passed amidst cheers and jubilation after five weeks of debate and deliberations since its introduction in the House on July 2 by the Leader of the House, Prime Minister Begum Khaleda Zia. The Deputy Speaker Sheikh Fazlul Karim also declared the Bill as amended with no vote cast against the Bill.

The Bill will be placed before the Acting President who will send it for referendum within seven days before the start of all 44 members of the Opposition Bench participating in the four-day long deliberations on the 120th Amendment Bill on Monday night.

Prime Minister Begum Khaleda Zia on Tuesday said the government would do its utmost to assist well-to-do entrepreneurs to set up small and medium scale industries.

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BIG OPPORTUNITY

APARTMENT SELLING ON 15 YEARS INSTALLMENT

Project Location: West side of Mohammodpur, Dhaka. Plot No. 115/116/117/118/119/120/121/122/123/124/125/126/127/128/129/130/131/132/133/134/135/136/137/138/139/140/141/142/143/144/145/146/147/148/149/150/151/152/153/154/155/156/157/158/159/160/161/162/163/164/165/166/167/168/169/170/171/172/173/174/175/176/177/178/179/180/181/182/183/184/185/186/187/188/189/190/191/192/193/194/195/196/197/198/199/200/201/202/203/204/205/206/207/208/209/210/211/212/213/214/215/216/217/218/219/220/221/222/223/224/225/226/227/228/229/230/231/232/233/234/235/236/237/238/239/240/241/242/243/244/245/246/247/248/249/250/251/252/253/254/255/256/257/258/259/260/261/262/263/264/265/266/267/268/269/270/271/272/273/274/275/276/277/278/279/280/281/282/283/284/285/286/287/288/289/290/291/292/293/294/295/296/297/298/299/300/301/302/303/304/305/306/307/308/309/310/311/312/313/314/315/316/317/318/319/320/321/322/323/324/325/326/327/328/329/330/331/332/333/334/335/336/337/338/339/340/341/342/343/344/345/346/347/348/349/350/351/352/353/354/355/356/357/358/359/360/361/362/363/364/365/366/367/368/369/370/371/372/373/374/375/376/377/378/379/380/381/382/383/384/385/386/387/388/389/390/391/392/393/394/395/396/397/398/399/400/401/402/403/404/405/406/407/408/409/410/411/412/413/414/415/416/417/418/419/420/421/422/423/424/425/426/427/428/429/430/431/432/433/434/435/436/437/438/439/440/441/442/443/444/445/446/447/448/449/450/451/452/453/454/455/456/457/458/459/460/461/462/463/464/465/466/467/468/469/470/471/472/473/474/475/476/477/478/479/480/481/482/483/484/485/486/487/488/489/490/491/492/493/494/495/496/497/498/499/500/501/502/503/504/505/506/507/508/509/510/511/512/513/514/515/516/517/518/519/520/521/522/523/524/525/526/527/528/529/530/531/532/533/534/535/536/537/538/539/540/541/542/543/544/545/546/547/548/549/550/551/552/553/554/555/556/557/558/559/560/561/562/563/564/565/566/567/568/569/570/571/572/573/574/575/576/577/578/579/580/581/582/583/584/585/586/587/588/589/590/591/592/593/594/595/596/597/598/599/600/601/602/603/604/605/606/607/608/609/610/611/612/613/614/615/616/617/618/619/620/621/622/623/624/625/626/627/628/629/630/631/632/633/634/635/636/637/638/639/640/641/642/643/644/645/646/647/648/649/650/651/652/653/654/655/656/657/658/659/660/661/662/663/664/665/666/667/668/669/670/671/672/673/674/675/676/677/678/679/680/681/682/683/684/685/686/687/688/689/690/691/692/693/694/695/696/697/698/699/700/701/702/703/704/705/706/707/708/709/710/711/712/713/714/715/716/717/718/719/720/721/722/723/724/725/726/727/728/729/730/731/732/733/734/735/736/737/738/739/740/741/742/743/744/745/746/747/748/749/750/751/752/753/754/755/756/757/758/759/760/761/762/763/764/765/766/767/768/769/770/771/772/773/774/775/776/777/778/779/780/781/782/783/784/785/786/787/788/789/790/791/792/793/794/795/796/797/798/799/800/801/802/803/804/805/806/807/808/809/810/811/812/813/814/815/816/817/818/819/820/821/822/823/824/825/826/827/828/829/830/831/832/833/834/835/836/837/838/839/840/841/842/843/844/845/846/847/848/849/850/851/852/853/854/855/856/857/858/859/860/861/862/863/864/865/866/867/868/869/870/871/872/873/874/875/876/877/878/879/880/881/882/883/884/885/886/887/888/889/890/891/892/893/894/895/896/897/898/899/900/901/902/903/904/905/906/907/908/909/910/911/912/913/914/915/916/917/918/919/920/921/922/923/924/925/926/927/928/929/930/931/932/933/934/935/936/937/938/939/940/941/942/943/944/945/946/947/948/949/950/951/952/953/954/955/956/957/958/959/960/961/962/963/964/965/966/967/968/969/970/971/972/973/974/975/976/977/978/979/980/981/982/983/984/985/986/987/988/989/990/991/992/993/994/995/996/997/998/999/1000/1001/1002/1003/1004/1005/1006/1007/1008/1009/1010/1011/1012/1013/1014/1015/1016/1017/1018/1019/1020/1021/1022/1023/1024/1025/1026/1027/1028/1029/1030/1031/1032/1033/1034/1035/1036/1037/1038/1039/1040/1041/1042/1043/1044/1045/1046/1047/1048/1049/1050/1051/1052/1053/1054/1055/1056/1057/1058/1059/1060/1061/1062/1063/1064/1065/1066/1067/1068/1069/1070/1071/1072/1073/1074/1075/1076/1077/1078/1079/1080/1081/1082/1083/1084/1085/1086/1087/1088/1089/1090/1091/1092/1093/1094/1095/1096/1097/1098/1099/1100/1101/1102/1103/1104/1105/1106/1107/1108/1109/1110/1111/1112/1113/1114/1115/1116/1117/1118/1119/1120/1121/1122/1123/1124/1125/1126/1127/1128/1129/1130/1131/1132/1133/1134/1135/1136/1137/1138/1139/1140/1141/1142/1143/1144/1145/1146/1147/1148/1149/1150/1151/1152/1153/1154/1155/1156/1157/1158/1159/1160/1161/1162/1163/1164/1165/1166/1167/1168/1169/1170/1171/1172/1173/1174/1175/1176/1177/1178/1179/1180/1181/1182/1183/1184/1185/1186/1187/1188/1189/1190/1191/1192/1193/1194/1195/1196/1197/1198/1199/1200/1201/1202/1203/1204/1205/1206/1207/1208/1209/1210/1211/1212/1213/1214/1215/1216/1217/1218/1219/1220/1221/1222/1223/1224/1225/1226/1227/1228/1229/1230/1231/1232/1233/1234/1235/1236/1237/1238/1239/1240/1241/1242/1243/1244/1245/1246/1247/1248/1249/1250/1251/1252/1253/1254/1255/1256/1257/1258/1259/1260/1261/1262/1263/1264/1265/1266/1267/1268/1269/1270/1271/1272/1273/1274/1275/1276/1277/1278/1279/1280/1281/1282/1283/1284/1285/1286/1287/1288/1289/1290/1291/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The Daily Ittefaq features the mass movement of December 1990, which toppled down the military-backed government and resumed democracy in Bangladesh (Dhaka, January 1, 1991).

১৯৯০ সালের ১৯ ডিসেম্বর ঢাকায় গণতান্ত্রিক সংগ্রামের মধ্যকার একটি গণসভার দৃশ্য।

১৯৯০ সালের ১৯ ডিসেম্বর ঢাকায় গণতান্ত্রিক সংগ্রামের মধ্যকার একটি গণসভার দৃশ্য।

গণঅভ্যুত্থান ॥ জনতার বিজয়কর বিজয়

১৯৯০ সালের ১৯ ডিসেম্বর ঢাকায় গণতান্ত্রিক সংগ্রামের মধ্যকার একটি গণসভার দৃশ্য।

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দিনগুলি ছিল বজ্রাত। মৃত্যু ছিল চারপাশে। এ মৃত্যু এ সাহস দীপ্ত ও দুঃ করে তুলেছিল ছাত্র-জনতাকে।

১৯৯০ সালের ১৯ ডিসেম্বর ঢাকায় গণতান্ত্রিক সংগ্রামের মধ্যকার একটি গণসভার দৃশ্য।

১৯৯০ সালের ১৯ ডিসেম্বর ঢাকায় গণতান্ত্রিক সংগ্রামের মধ্যকার একটি গণসভার দৃশ্য।

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