

[Book review] "Patron-Client Politics and Business in Bangladesh by Stanley A. Kochanek"

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EDB has used market intervention to foster industries and to promote exports, but on page 25 the book comments that "overall it [the EDB] has let market forces rule." And again on page 105 the book states that growth has been "guided by the market as well as the visible hand of the EDB." It thus has straddled both sides of the debate.

Why there has been so little debate on whether Singapore's economic development has been a state-led type or market-led type is an interesting question in itself. In his study of Singapore, Rodan unreservedly depicts it as a state-led type. His views are worth noting, because he examined not only government economic and industrial policies in Singapore's industrialization process but also the political mechanism that supported labor policy and development. He then proceeded to analyze the country's development within the framework of the new international division of labor.² The EDB, the focus of the book presently under review, held great authority and was given responsibility over numerous tasks directed at Singapore's economic development; in short the EDB has been extremely important in carrying out the role of the state in economic development. This reader was left with a feeling of dissatisfaction that such a view was not more clearly presented. Had the book followed this approach, it would have furthered the theoretical research on the issue.

In the preface to the book, Goh Keng Swee, former deputy prime minister, stresses the need in future research for a comprehensive examination of Singapore's development process, and to use the results derived from that examination to theoretically explain the developmental process in developing countries. In other words, Goh is calling on Singaporean researchers to bring the full range of facts into their studies and try to examine Singapore's development in its totality. This is something which all scholars can very much agree with, and we will be awaiting the results of such an effort.

(Ikuo Iwasaki)

² Garry Rodan, *The Political Economy of Singapore's Industrialization: National State and International Capital* (London: Macmillan Press, 1989).

Patron-Client Politics and Business in Bangladesh by Stanley A. Kochanek, New Delhi, Sage Publications, 1993, 387 pp.

This book written by Professor Kochanek of Pennsylvania State University is part of his trilogy of studies on business associations as a form of interest groups. His approach, identical to the earlier ones applied to his works on India and Pakistan,¹ focuses on the way modern business associations have developed, on their characteristics, and how these groups function to achieve their objectives. The author points out that the very nature and behavior of interest groups in a certain state are shaped by four major factors: the level and process of modernization of the society, the political culture, the structures of decision-making, and public policy. By examining the interaction between

¹ Stanley A. Kochanek, *Business and Politics in India* (Berkeley, Calif.: University of California Press, 1974); idem, *Interest Group and Development: Business and Politics in Pakistan* (New Delhi: Oxford University Press, 1983).

the state and the business associations, the author illustrates the nature and the problems of interest groups as well as the political system of Bangladesh.

The book is composed of seventeen chapters organized into three parts. In Part I, Kochanek examines political, social, and economic parameters which determine interest group behavior. According to the author, the nature of Bangladesh society remains highly traditional with a low level of industrialization and low degree of development in entrepreneurship (Chapter 1). Unlike other areas of South Asia, major social institutions such as caste, community, village, and extended family ties are extremely weak in Bangladesh. Also class difference based on Islam has almost disappeared. Instead, other status factors such as landownership, wealth, education, and power have become important in determining the social system. Patron-client relationships, as quoted from Jansen's description of the Bangladesh rural social structure,² inhibit the development of corporate units. Instead, they promote a system of individual traditional patrimonial leadership based on charisma, patronage, and corruption (Chapter 2).

Since liberation, Bangladesh has experimented with a variety of political systems. However, the author finds there are a set of persistent general characteristics in the political process of Bangladesh. These are: the centralization of power in the executive; the unitary state; weak legislative branch; government manipulation of elections; state control over modern associational interests; the frequent resort to direct action and violence by groups with political demands; state control over the press and mass media; and a weak judiciary. Consequently, decision-making in Bangladesh rests in the hands of the chief executive. Those few who have ready access to the top ask for patronage, while the rest are forced to take direct action in order to get responses to their demands (Chapter 3).

Chapters 4 and 5 provide sketches of public policy which affects the level of interest group mobilization and its functions. Under the nation's three regimes, industrial policy in Bangladesh has shifted from one extreme to another, i.e., from nationalization to denationalization/privatization. Despite some improvements in the policy environment, the business community continues to be cautious and the performance of the Bangladesh economy has remained sluggish for a variety of reasons.

Part II deals with the internal dynamics of group organization and behavior. In Chapter 6 the author reviews the evolution of the Bangladeshi business elite most of whom are quite active in business associations. By 1991 the numbers of chambers of commerce and business associations reached 56 and 118 respectively. This however, did not reflect a high level of group mobilization or the development of a strong business class; rather, the author takes the view that it was a reflection of Bangladeshi individualism and particularism. Thus, most business associations in Bangladesh, except a few, are ineffective.

The author looks into the origin of business associations in Bangladesh in Chapters 7 and 8. It was not until the late 1970s that business associations in postindependence Bangladesh really started functioning in response to policy changes. Since then, the number of new associations has increased rapidly but only a few are relatively influential.

In Chapter 9 Kochanek gives detailed accounts of the MCCI (Metropolitan Chamber of Commerce and Industry) and the business elite in Bangladesh. The MCCI is the oldest, richest, best organized, and most influential business association in Bangladesh. It represents some 80 per cent of industry and most of the large trade and industry

² Eirik Jansen, *Rural Bangladesh: Competition for Scarce Resources* (Dhaka: University Press, 1987).

houses. Relying chiefly on the membership directory of the MCCI, Kochanek compiled a profile of the top fourteen industrial houses of Bangladesh. The characteristics of the Bangladeshi business elite that emerge from this profile are that (1) among the top Bangladesh industrial concerns of the Pakistan era, only a few have survived to the present, (2) some new entrepreneurs have emerged from the relatives or employees of the old business families, (3) the majority of the new concerns had their start prior to liberation, (4) several business houses are of minority origin (non-Bengali, non-Muslim, or West Bengal Muslim), (5) jute and textiles are the entry point into manufacturing for most of the houses, and (6) all of the business concerns have large trading houses.

Part III of the book centers on the activities of the business associations, their channels of access to policymakers, and their degree of influence. In Chapters 10 and 11, the author analyzes several channels of access. Besides generally recognized channels such as public opinion, the press and the media, the courts, and direct action, these associations approach key policymakers directly through participation in political institutions like political parties and the parliament. The author sees a difference among the three South Asian countries; in India businessmen function behind the scenes to protect their interests, in Pakistan businessmen become politicians, and in Bangladesh politicians are often businessmen. The behavior and attitude of businessmen is rather individualistic and particularistic. They focus their attention on the executive through a process of liaison and lobbying and not through collective action. That reflects the patron-client character of Bangladesh's political culture and the absence of well-developed group structures.

The formal relationship between the executive and business is maintained through interactions at a wide variety of formal advisory and consultative committees as described in Chapter 12. However, the scope of business intervention with government has been held in check by the character of the bureaucratic elite. The nature of Bangladesh bureaucratic culture is one of long delays, inaction, and corruption. This makes individual and particularistic approaches to the executive indispensable for the business elite. The actual process of personal lobbying (*tadbir*) is presented in Chapter 13 with several examples. *Tadbir* accompanies patronage and payoffs and as a consequence all kinds of corruption has taken deep root in Bangladesh.

In Chapter 14 Kochanek maintains that the private sector in Bangladesh has been functioning in a highly regulatory economic system inherited from British India. The system grew out of a package of controls over investment, imports, exports, and foreign exchange. Although it has been gradually liberalized over time, it remains a highly complex, multilayered system of controls and regulations and suffers from many of the same dysfunctions as in the past.

Chapters 15 and 16 present two case studies on patterns of influence. Along with the state and domestic businesses, foreign elements such as multinationals, NGOs, and donors also play an important role in the decision-making process of an aid-dependent country like Bangladesh.

The Drug (Control) Ordinance of 1982 caused a huge controversy among the interest groups concerned since it severely regulated the production and prices of drugs. Supportive groups at WHO, some foreign donors, and a large number of health conscious NGOs and smaller local companies lined up behind the ordinance. Meanwhile foreign multinational pharmaceutical companies who controlled the market, donors of countries to which those multinationals belonged, doctors, chemists, and the urban middle class constituted the major opponents. It was largely due to the timing, the

speed, and the secrecy of the action that made promulgation of the ordinance possible. Ershad, who seized power through a coup, needed to legitimize his authority. He saw the drug scheme as a populist measure that would provide this legitimacy, and without thorough understanding of its consequences, he pushed the ordinance through. The author presents the above case study to illustrate the highly centralized decision-making process in Bangladesh. Interest groups are weak and divided, and are in a difficult position when confronted by the full power of the state.

The second case study involves the privatization of fertilizer distribution. It was initiated by the Ziaur Rahman government as a means to boost food production. The government approached USAID (United States Agency for International Development) for assistance. In 1978 the first phase of the project started with the privatization of retail and local wholesale trade. Resistance was initially raised by the Bangladesh Agricultural Development Corporation (BADC), a public-sector corporation which began to feel a diminishing of its control. From 1984 onward resistance and opposition mounted further, hindering implementation of the second phase of the project which extended privatization over the regional and national wholesale trade in fertilizers. Ultimately USAID began to have second thoughts about the project and decided to terminate it if the conditions of the agreement were not met by the deadline. The author says local politics would have terminated the project earlier if the United States government had not been involved. American involvement and the possible cut in American aid more than offset the political costs of privatization.

The author's concluding remarks are presented in Chapter 17. The nature and characteristics of the business associations in Bangladesh are summarized as follows: particularism, internal conflict and factionalism, a personalized and charismatic style of leadership, a low level of group mobilization and membership participation, a lack of permanent office facilities and professional staff, and a highly politicized nature. In closing the author attempts a comparison and conceptualization of the political systems of India, Pakistan, and Bangladesh. He concludes that the weakness of the political systems in South Asia lies in the absence of effectively organized groups since it is the unorganized demand groups that create the real threat to order and stability.

Kochanek is one of a few scholars who has focused on the role of business associations in Third World politics. His works on India, Pakistan, and Bangladesh are all pioneering not only for the respective countries but also in this field of academics. Thus, Kochanek has made a significant contribution by providing a comparative base for understanding the relationship between business and the state in developing countries. As emphasized in *The East Asian Miracle*,³ the role of the state in economic development needs to be reconsidered. In this respect, too, Kochanek's work is quite timely providing ample empirical analysis into the nature of the political system and its consequences for economic development in Bangladesh.

It was not until the late 1980s that the business elite in Bangladesh formed a distinct social group. Prior to Kochanek's work, there were few studies that looked into their activities, and these were mainly by leftist-oriented scholars who viewed this elite as rent-seekers plundering public wealth. Empirical studies on individual business were absent mainly due to the lack of information. The closed nature of Bangladeshi business houses prevented any rational analysis.

One study by Iftikhar Mostafa⁴ using data from the Registrar of Joint Stock Com-

³ World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York, 1993).

panies also failed to grasp the total economic power of the individual houses, a point criticized by Kochanek. For this reason Kochanek started from the membership directory of the business associations, and through numerous interviews he compiled a list of the large business houses in present-day Bangladesh. In this way he successfully extracted the economic and social characteristics of the business elite.

I agree with the author that direct contact with the business houses, while not the best way, is at present the most possible methodology for looking into the business groups of Bangladesh. However, the objectivity of this method can be criticized. Kochanek drew up a ranking of the large business houses but without any definite criteria. Admittedly he had to make estimations, but these were often based solely on the data he obtained from personal interviews which were easily susceptible to both over- and underestimation. For example, the economic power of the Anwar group, which was listed among the top five on Kochanek's list, seems to be overestimated if based on annual turnover which is the single quantitative valuation the author gives besides the number of subsidiaries. Such a conclusion is possible since the group's activities are largely concentrated in the textile industry which has been suffering from a lack of competitiveness due to structural and environmental factors inherent in the Bangladesh textile industry as a whole.

A second question concerns Kochanek's conceptualization of the Bangladesh polity. As in much of the political literature, his book maintains the dualism of pluralism and corporatism in describing the political system of Bangladesh when compared with those of India and Pakistan. He distinguishes the three states by categorizing India as state-dominated pluralism, Pakistan as state corporatism, and Bangladesh as a patrimonial state. Nevertheless he finds many similarities in the political systems of the three states, which makes such categorizing of the three states ambiguous; and the distinction is blurred even further when he speaks of the Bangladesh polity as a hybrid system of pluralism and corporatism. What distinguishes the three? Is it a matter of the degree of the development of indigenous capital; the composition of ethnic, social, and religious groups; or the way independence was achieved in each state? Kochanek should have presented the dissimilarities, along with the similarities, that have determined the political systems the three states have developed. This would make more persuasive his assertion that the Bangladesh government is simply not capable of applying a Korean model of authoritarian rule. Such a total analysis of South Asian political systems would also provide a study allowing a comparison with Thailand or Indonesian on an equal footing.⁵

One final comment. When Kochanek conducted his research, the Ershad regime was in power, and the business elite was just in the process of formation. Naturally their influence in state decision-making was quite limited. Almost all business associations were simply fora used by many business leaders to promote their public exposure. However, things have begun to change since the change of government in 1991. The present Khaleda Zia government is more vulnerable to public pressure and more inclined toward private sector development. There are more business leaders included in the decision-making committees, in international delegations, and in the parliament. The business elite has sensed the change in the political environment and has begun

⁴ Iftikhar Mostafa, "A Study of the Internal Organization of Business Groups with a Focus on Bangladesh" (Ph.D. diss., Cornell University, 1988).

⁵ See, for example, Andrew MacIntyre, *Business and Politics in Indonesia* (Sydney: Allen and Unwin, 1991); Anek Laothamatas, *Business Associations and the New Political Economy of Thailand* (Singapore: Westview Press, 1992).

to realize the value of collective action through the business associations. However, it remains to be seen whether Bangladesh is moving away from being a patrimonial state.

Despite the few problems I have raised, they do not at all detract from the value of the book. Besides the many contributions already pointed out, Kochanek provides empirical as well as academic explanations for the factors hindering industrialization in Bangladesh. His insightful analysis into the Bangladeshi decision-making process, with its particularism and individualism that permits a large number of exceptions and exemptions, gives an excellent review of the causes for the failure of industrial policies in Bangladesh. In sum this book is one of the best pieces of literature on Bangladesh political economy today.

(Mayumi Murayama)