The Rise of Interest Politics in Bangladesh
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tion, the intervention of a 39-day arbitration mission from the Commonwealth of Nations, new elections, and the direct intervention of the Bangladesh business community all failed to produce a settlement. The stalemate brought political uncertainty and economic crisis, and lasted until the March 1996 resignation of the BNP government. The unprecedented intervention of the business community, moreover, touched off a major controversy and led to charges that business was attempting to become the kingmaker of Bangladesh politics. The business community had clearly come a long way from the days of the Awami League's socialist efforts to destroy the Bangladeshi bourgeoisie as a political force.

Development of a Bangladeshi Business Class

Historically, Bengali Muslims played an almost insignificant role in trade and commerce in British India. The limited trade and industry that existed in the eastern districts of Bengal were controlled by Bengali Hindu, Marwari, and British traders. "At partition," noted one observer, "there was not a single large scale industrial enterprise in East Bengal controlled by a Bengali Muslim nor were they present in the jute trade, tea or inland water transport."[5]

The Private Sector in East Pakistan

Despite the creation of Pakistan in 1947, the pattern of ownership in trade, commerce, and industry did not change in any significant way for Bengali Muslims. Lack of capital, a preference for investment in land, and the absence of a business vacuum comparable to the one that developed in West Pakistan resulted in both apathy toward trade and industry and a lack of opportunity for Bengali Muslims. The partition of Bengal into East Pakistan and the Indian state of West Bengal did not produce the same mass exodus of refugee traders and industrialists as occurred in West Pakistan. Hindu capital in East Pakistan remained in place and was only gradually run down over time. Whatever gap existed, moreover, was quickly filled by West Pakistani-based entrepreneurs and non-Bengali Muslims. Development of industry in East Pakistan was further hindered by inadequate infrastructure, lack of management know-how, a shortage of skilled labor, lack of capital and credit, and the rigidities of the regulatory system created by the new government of Pakistan.

As a result of these combined factors, the industrial development of East Pakistan proceeded very slowly and remained largely in non-indigenous hands. At liberation and establishment of Bangladesh in 1971, the industrial

5. Rehman Sobhan, "Growth and Contradictions Within the Bangladesh Bourgeoisie," *Journal of Social Studies*, no. 9 (July 1980), p. 3.

base was still quite small and the industrial sector contributed only 7.8% of the country's GDP. Of this, less than half (3.7%) was in large-scale industry. The large-scale sector was made up of 3,130 registered factories, and industry was dominated largely by consumer goods producers, including 791 jute and cotton textile mills, 574 chemical units, and 406 food companies. Many of these factories had come into production as late as the end of the 1960s as part of Ayub Khan's effort to redress regional imbalances.

Not only was the industrial base small but most of the assets were in non-indigenous hands. Although Bengali Muslim capital owned 2,253 factories (74% per cent of the total), these represented only 18% of total industry assets. Indigenously owned factories, therefore, were extremely small compared to the 53 public sector units, which accounted for 34% of the assets, and the non-Bengali (Pakistani) companies, which controlled 47%. Foreign private capital was very limited and controlled only one per cent of the assets.[6] Given the small size of their factories, only a handful of Bengali Muslim business houses could be classified as relatively large. As seen in Table 1, a study by Baranov listed 16 Bengali Muslim houses in 1969–70 with assets of Rs 25 million or more, and Sobhan estimated that 55% of these assets were concentrated in jute and textiles. Many of the groups had close connections with the large Pakistani houses, and only one, the A. K. Khan group, was large enough to be ranked among the top 30 all-Pakistan groups with Rs 75 million in assets.[7]

Prior to 1971, the size of Bengali Muslim houses came nowhere near the size of the top 20 Pakistan-based houses, most of whom had some assets in East Pakistan. The most active East Pakistan-based houses were Adamjee, Ispahani, Amin, Bawany, and Dawood. The Adamjees, Dawoods, and Bawanys were Memons, a Gujarati-speaking Muslim trading community. The Amins were Chiniotis (Punjabi Sheikhs), a Punjabi Muslim trading community. The Ispahanis originally came to India from Iran and became one of the few Muslim industrial houses in Calcutta along with the Adamjees. After partition they shifted their base to East Pakistan but, unlike the Adamjees, the bulk of their investment also was in the East. Dawood, Adamjee, and Amin were among the top four houses in Pakistan with manufacturing assets in 1968 of Rs 557.8 million for Dawood, Rs 473.2 million for Adamjee, and Rs 418.8 million for Amin. Bawany ranked eighth in Pakistan with Rs 237.4 million, and Ispahani ranked twelfth with Rs 154 million.[8]

6. Clare E. Humphrey, *Privatization in Bangladesh*, a study submitted to the Center for Privatization for the U.S. Agency for International Development, Washington, D.C., 1987, p. 41.

7. Sergei Stepanovich Baranov, *East Bengal: Characteristics of Economic Development*, 1947-1971, trans. from Russian (Dhaka: Jatiya Sahitya Prakashani, 1986), pp. 84–89.

8. Stanley A. Kochanek, *Interest Groups and Development: Business and Politics in Pakistan* (Delhi: Oxford University Press, 1983,), pp. 92–98.

TABLE 1 *The Leading Bangladeshi Business Houses in 1969–1970*

No.	*Business Group*	*Number of Companies*	*Estimated Assets (Rs Million)*
1.	A. K. Khan	12	75
2.	Gul Baksh Bhuiya	5	65
3.	Zahurul Islam	14	60
4.	Md. Fakir Chand	10	60
5.	Maqbulur Rahman and Zahurul Qayyum	9	50
6.	Al-Haj Muslimuddin	6	50
7.	Al-Haj Shamsuzzoha	5	50
8.	Khan Bahadur Mujibur Rahman	4	45
9.	Afil	7	40
10.	Sattar	5	30
11.	Ashraf	4	30
12.	Bhandari	6	30
13.	Safdar Ali	7	30
14.	Ibrahim Mia	7	30
15.	Serajul Islam Chowdhury	4	25
16.	Mohammad Abdus Samad (Delta Group)	5	25
	Total	110	695

SOURCE: Sergei Stepanovich Baranov, *East Bengal: Characteristics of Economic Development*, 1947–1971 (Dhaka: Jatiya Sahitya Prakashani, 1986), transl. from Russian), p. 13.

Development of Bengali Muslim Capital After 1971

Following the 1971 war, the new Awami League government of Sheikh Mujibur Rahman nationalized not only the 47% of the abandoned industrial assets controlled by non-Bengalis (Pakistanis) but also Bengali Muslim assets in jute, cotton textiles, sugar, banking, and insurance. Overnight, the size of the public sector increased from 34% to 92% of total industrial assets in Bangladesh, as well as 27% of the commercial establishments, 12 banks with 1,175 branches, and both the life and general insurance business.[9] Bangladesh embarked upon its great socialist experiment, and the newly emerging Bengali Muslim entrepreneurs were forced to retreat into trade, real estate speculation, and construction.

9. 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), pp. 135–42.

The assassination of Sheikh Mujib in August 1975 and the collapse of the Awami League government brought a gradual retreat from AL socialism. Massive and persistent losses, low productivity, and poor management of the public sector forced a rethinking of Bangladeshi industrial policy, and resulted in an effort to revive the private sector and a gradual shrinking of the size of the public sector. The changes came in two stages. The first set of major changes came in 1975–81 under General Ziaur Rahman, whose industrial policy was designed to revive the private sector by encouraging new investment and by divesting the state of many of the smaller public sector units. The result was a temporary burst of private sector investment and the gradual emergence of a new class of entrepreneurs. An even more dramatic shift in industrial policy came following the assassination of General Zia and the military coup of March 1982 led by General Ershad. In an effort to improve the investment climate, accelerate the industrialization process, and create more employment opportunities, Ershad denationalized the Bengali-owned jute and cotton mills, announced a new industrial policy to foster private sector growth, began to privatize the public sector, and embarked upon a major effort to liberalize the regulatory system. Thus, within 10 years of liberation, Bangladesh's great socialist experiment came to an end, and public sector control of industrial assets declined from 92% in 1972 to 40% in 1988.[10]

Development of the Industrial Elite

The government's post-1975 industrial policy led to the rapid growth of a new family-based industrial elite. By the late 1980s, informed estimates placed the size of this new elite at about 100–200 business groups of whom some 15–25 were quite large and the remainder relatively small but growing. Table 2 attempts to construct a list of the top 14 business houses in Bangladesh and their relative ranking. Because of the large data gaps, no effort is made to develop an exact order. Instead the houses are grouped into three categories—the top 5, the top 10, and the top 14.

It is interesting to note that only three of the top Bangladeshi houses of 1969–70 listed in Table 1 survived to be among the top houses of the 1980s. This old elite include the A. K. Khan group, the Zahurul Islam group, and W. Rahman Jute (Khan Bahadur Mujibur Rahman). The Zahurul Islam group has prospered and emerged as the largest industrial group in Bangladesh. The A. K. Khan group has slipped but has spawned two new groups—Pacific Industries founded by Morshed Khan, nephew of A. K. Khan, and the Sidko group formed by M. R. Siddiqui, son-in-law of A. K. Khan. Similarly, for-

10. See Stanley A. Kochanek, *Patron-Client Politics and Business in Bangladesh* (New Delhi: Sage Publications, 1993), chs. 4 and 5.

TABLE 2 *The Top 14 Industrial Houses of Bangladesh*

Name of Group	*Number of Companies*	*Year Established*	*Annual Turnover**	*Founder Chairman*
Top 5				
Zahurul Islam	24	1963	628.6[a]	Zahurul Islam
Ispahani	23	Pre-1947	—[b]	M. M. (Sadri) Ispahani
BEXIMCO	17	1966	524.3[c]	A. S. F. Rahman
Anwar	18	1971	—[d]	Muhammad Anwar Hossain
A. K. Khan	15	1945	400.0[e]	A. M. Zahiruddin Khan
Top 10				
Muhammad Bhai (Panther)	9	1956	705.5	Muhammad Bhai
W. Rahman Jute	10	1885	2,510.0[f]	Latifur Rahman
Apex	4	1972	650.0	Syed Manzur Elahi
Pacific	5	1974	542.5	M. Morshed Khan
Square	5	1958	503.1[g]	Samson Chowdhury
Top 14				
Elite	5	1954	473.9	Ramzul Seraj
ERBA (Alpha Tobacco)	4	1969	385.9	Agha Ahmed Yusuf
Karnaphuli	14	1954	350.0[h]	Hedayet Hossain Chowdhury
Kumudini	3	1933	340.0	Mrs. Joya Pati

SOURCE: Based on an analysis of the Metropolitan Chamber of Commerce and Industry, Members Directory 1988.

* Annual turnover of MCCI members' companies in Tk millions.

[a] Zahurul Islam is universally recognized in Bangladesh as the largest industrial group in the country. This group made a fortune on government contracts during the Mujib period. Total assets of the group in 1974 were Tk 500 million. No data of total assets are available for 1988.

[b] Unlike other large Pakistani houses, a major branch of the Ispahani family lived in East Pakistan and stayed behind after the 1971 war. The vast majority of Ispahani assets were located in the East. Informed estimates place the 1972 value of Ispahani assets at one-half the Rs 154 million assets of 1968. Their payroll has dropped from 20,000 employees to 12,000 in Bangladesh today, which still makes them one of the largest private-sector employers. They maintain a very low profile but enjoy considerable influence.

[c] In 1988 BEXIMCO sales and assets topped Tk 1 billion and they employed 6,500 workers. In 1990 the annual turnover reached Tk 3 billion.

[d] Estimates place the total turnover of the Anwar Group at Tk 1 billion.

[e] In 1980 the group employed 5,750 people. Since then, they have regained control of a variety of their nationalized assets.

[f] The W. Rahman Jute Group has really become a large trading house, only 30% of their turnover is a result of industrial activity.

[g] Square Pharmaceuticals is really the core of the group. The other units are relatively small.

[h] The Karnaphuli Group is estimated to have 14 companies. Turnover data are available for only one of these companies.

mer Zahurul Islam employees such as Habibullah Khan and Ziaul Haq have broken away to form their own independent units. The same can be said of Latifur Rahman of W. Rahman Jute and Maqbulur Rahman, who both are part of an old tea plantation family.

The Ispahani group is the only former Pakistani house to survive in Bangladesh. At the time of partition in 1947, the Ispahanis, one of the largest Muslim industrial families in British India, moved their base from Calcutta to East Pakistan. Although the family was very close to the Muslim League and invested in both wings of Pakistan, the vast majority of Ispahani assets were located in the East. Unlike the Pakistani-based houses, the Ispahanis stayed behind in Bangladesh after the civil war. Although a large portion of their assets were nationalized, the group continued in trade and real estate, and with denationalization in 1982, the Ispahanis regained many of their former assets. They control 23 companies and remain one of the largest industrial groups in Bangladesh. The group maintains a very low profile and is quietly beginning to expand.

Except for the Anwar, Apex, and Pacific groups, all of the top groups had their start prior to liberation. The oldest houses are W. Rahman Jute (1885), Kumudini (1933), A. K. Khan (1945), and Ispahani (pre-1947). Four groups are products of the 1950s: Md. Bhai, Square, Elite, and Karnaphuli. Zahurul Islam, Beximco, and Alpha Tobacco are products of the 1960s. It is also interesting to note that several groups are either non-Bengali, non-Muslim, or were founded by West Bengal Muslims. Those non-indigenous groups include: Ispahani, (Muslims, Iran-Calcutta), Md. Bhai (Ismaili Muslims), Samson Chowdhury of Square (Bengali Christian), and Mrs. Joya Pati of Kumudini (Bengali Hindu). Others are Bengali Muslims who migrated to East Pakistan after partition—Syed Manzur Elahi of Apex (Calcutta), Latifur Rahman of W. Rahman Jute (Assam), and the Elite group (Calcutta). Most of the major elite groups started in jute and textiles and then diversified. All are family-based and most founders were quite well educated. Except for the established elite like Ispahani and A. K. Khan, most of the new entrepreneurs grew very fast and were highly dependent upon government patronage in the form of contracts, loans, and credit.

Beyond the top 14 business groups, Bangladesh has developed 100 to 200 smaller groups, most of which have also been heavily dependent on government financing through development institutions. A study of 462 borrowers conducted by the Bangladesh Institute of Development Studies (BIDS) provides a useful indicator of the sources of entrepreneurship in Bangladesh. Almost 70% of Bangladeshi entrepreneurs were drawn from industry and trade; the remainder came from the military, the bureaucracy, transport, services, and the professions.[11] As elsewhere on the Subcontinent, therefore, Bangladesh has developed family-based business groups and a certain degree of concentration of economic power. But a study of Bangladesh business groups in 1984-85 concluded that wealth was much less concentrated in Bangladesh than in India or Pakistan. The top four groups controlled only 9.2% of the assets in Bangladesh, whereas in India they controlled 17.2% and in Pakistan 16.4%.[12]

The larger groups listed in Table 2 constitute the core of the new indigenous Bangladeshi industrial elite. While many of the new elite are drawn from the old, established business families, a large number are new groups that have benefited from the patronage of successive regimes. Most top groups are politically well connected and interconnected by family, marriage, and business relationships. The leaders of the new industrial elite are active in politics and business associations, and although the size and character of the elite are still highly fluid and depend heavily on an individual's political connections with the regime of the day, it is clear that the most successful are those who have been able to maintain significant connections despite changes in regime. This pattern of indigenous entrepreneurial development has had a major impact on the pattern of industrialization, the development of associational life in Bangladesh, and the emergence of the business community as a force in the political process.

Business Associations

Bangladesh inherited the mixed traditions of British pluralism and Pakistani corporatism. Business associations in Bangladesh continue to function within the legal framework, structures, and traditions of the Pakistani period. Associations are organized under the Trade Organizations Ordinance of 1961, which remained in force under the Laws (Continuance and Enforcement) Order of 1971 designed to provide legal continuity for the new state. The Trade Organizations Ordinance gives government the power to control and regulate the creation, internal organization, and activities of business associations in the country. Despite the ordinance, however, the number of associations in Bangladesh has proliferated and unrecognized organizations abound.

The immediate post-liberation environment in Bangladesh was hostile toward business and its associations. Most trade and industry came under the control of the public sector, and a shattered private sector was reduced to

11. See Rahman Sobhan and Binayak Sen, *The Social Background of Entrepreneurship in Bangladesh: An Occupational Profile of Borrowers from DFI's*, Research Report no. 71, Bangladesh Institute of Development Studies, January 1988.

12. Iftikhar Mostafa, "A Study of the Internal Organization of Business Groups with a Focus on Bangladesh," unpublished dissertation, Cornell University, 1988, p. 107.