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EXPORT PROCESSING ZONES AND THE INFLUENCE OF THE STATE

ABOUT EXPORT PROCESSING ZONES IN BANGLADESH

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ABSTRACT

This paper analyzes the characteristics and the performance of the Export Processing Zones in Bangladesh to bring a broader understanding of the Export Processing Zones, in relation to the globalization and the state's influence.

The paper answers the question if the state's ability to exercise control has *changed, increased, declined* or been *made possible* by the Export Processing Zones and examines different views of state control related to the question.

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1. INTRODUCTION

*"No one seems to be in control. Worse still - it is not clear what 'being in control' could, under the circumstances, be like."*¹

1.1 THE CASE AND THE AIM OF THE PAPER

The words above by Zygmund Baumann from his *Globalization – the human consequences* (1998) concerns the globalization process, which he argues that no one seems to be in control of and that we do not even know what control over the globalization means. Is the control of the state in this matter to have the power to even terminate processes of globalization, to be able to safely navigate through this variety of flows of resources and money, or to have ultimate judicial power over its territory for a state? This paper concerns the influence of the state and its possibilities to exercise control domestically and maybe even control the globalization. What state action would make it sufficient to describe as the state is being in control or not being in control of the globalization process? “Being in control” can be understood in several ways, and the state can intervene on the market in different ways, as this paper will give an account for. Baumann clearly identifies an issue with the globalization that is an absence of control. Related to this issue, the case of this paper becomes interesting. One controversial phenomenon causing some debate about the power of the state is Export Processing Zones (EPZ), also known as free trade zones, or special economic zones, to name a few labels. Specifically, this paper will examine the EPZ of Bangladesh from a perspective of state control and evaluate the performance of the EPZ in relation with the objectives of the state.

The EPZ in Bangladesh are designed to promote economic growth, to reach higher rates of employment and counter the widespread poverty in the country. There are contradictive views on whether this is a proper state activity to promote growth or if it is a result of global economy mechanisms exploiting poor countries, and therefore this paper will examine and

¹Baumann, Zygmunt (1998): *Globalization – the human consequences*, Polity, London: p. 58

assess the performance of the EPZ in Bangladesh and their contribution to the relationship between the state and globalization process.

The globalization process brings a mass of challenges and possibilities for the state. The global flows of capital, goods, technology and information might both be favorable and unfavorable to a certain country. A globalized market might give an inflow of foreign investment as well as it gives the international capital the possibility to speculate and exploit labour globally without the state having the power to control this market.

The aim of this paper is to examine how the so called Export Processing Zones (EPZ) in Bangladesh can be used to understand what happens with the state's ability to lose or exercise control in the globalized world. Is the EPZ a sign of the state giving up its influence or is it a mean to gain control over flows that would otherwise escape state control? When establishing the EPZ the state creates specific zones within their territory where numerous exceptions are made from taxes and tariffs for corporations to promote foreign investment. This can be argued to be a decline of state control but it is also a strategy that the state may use for control flows in the wake of globalization. It is not a phenomenon without disagreements on whether it is useful or not for a country seeking economic growth and, hence different views on strategies for growth will be accounted for below. Here we will just give a short summary of the debate and significant standpoints in the debate.

In 1987, Papadopoulos wrote that the free economic zones can be criticized for their offer of very low labour costs, which may lead to investors moving around between countries and zones keeping the wages from ever rising.² Also Warr (1989) recognizes the problem with capital being mobile so despite that it may move to a certain country because of an EPZ it may also move away anytime³. A company will move its production to where it can get the highest benefits.⁴ The tax rebates that companies can enjoy in the EPZ are often time limited, but the company can negotiate the limit to be pushed by threatening to move to another

² Papadopoulos, Nicolas (1987): the Role of Free Zones in International Strategy. *European Management Journal*, 45:2.

³ Warr, Peter (1989): Export Processing Zones – The economics of enclave facturing. *The World Bank research observer*, 4:1, 65-88.

⁴ Warr 1989

country⁵. Papadopoulos (1987) writes that the EPZ also get critique from being just a small part of the total exports of the host country, and thus not being significantly beneficial⁶. Scholte (2000) argues that the globalization facilitates capitalism and the establishing of EPZ and similar institutions has led to an accumulation of capital to private corporations and individuals⁷. The EPZ is a relevant object of study because there are contradictive arguments on whether EPZ is a sign of the decline of the state and its influence or if it can be argued not to be part of a decline of the state control over the economy and financial flows. As a strategy used by the state, the EPZ can be controversial, as is given account for in this paper by an exposé of different views on globalization and economic development, and the phenomenon EPZ.

The EPZ are geographically specified areas within a country where other terms for industrial activities may occur than in the rest of the country, since the EPZ are designed to draw foreign investors who are producing primarily for export. The EPZ in Bangladesh is controlled by a state authority, Bangladesh Export Processing Zones Authority (BEPZA). The aim and terms of the EPZ and BEPZA are precised in the Bangladesh Export Processing Zones Authority Act from 1980. The aim of the EPZ is to build a richer and economically stable Bangladesh, which are to be done through attracting and promoting foreign direct investment in Bangladesh, increasing the exports and raise the level of employment. This is supposed to provide a transfer of technology and also lift people out of poverty⁸. Some of the incomes of the EPZ are rent of land and buildings and fees for the providing of water, electricity and gas from the producers operating in the EPZ. The BEPZA annually transfers a part of its incomes to the state of Bangladesh⁹.

In the BEPZA annual report from 2008-2009, the EPZ are described by Prime Minister Sheik Hasina as a success, contributing with luring foreign investment and thus providing Bangladesh with significant numbers of job opportunities and being an important base for the

⁵ Warr 1989

⁶ Papadopoulos 1987

⁷ Scholte, Jan Aart (2000): *Globalization – A critical introduction*, Palgrave, Basingstoke: p. 124-125

⁸ BEPZA annual report 2008-2009

⁹ BEPZA annual report 2008-2009

economic growth of Bangladesh.¹⁰ According to the BEPZA Act, among the objectives of BEPZA, is the obligation to provide infrastructure including buildings and warehouses for corporations operating in the EPZ¹¹. The BEPZA should assist the transporting of imported or exported goods, both raw material and intermediate goods and also finished goods. Goods imported or exported by the actors in the EPZ are traded duty free.¹²

Sassen (1996) argues that one thing brought with globalization is denationalization, and that this in practice has resulted in EPZ in many developing countries¹³. Wallerstein (2004) argues that centre states put pressure on the weaker, peripheral states to open their borders while the centre states use protective tariffs for certain sectors to benefit themselves¹⁴. The EPZ concept contrasts with views on economic development indicating that protection of industry is a key to economic growth - this since the EPZ is based on policies that can be argued to be neo liberal, and so being an example of abstinent state activity on the market, or even a sign of the decrease in influence of the state in the process of globalization. However, there is space for further examination of this subject, and the the EPZ might be understood differently, and not just as neo liberalism or globalization and being a sign of a decline of the state. This is one reason for the choice of topic for this paper.

1.2 QUESTIONS FOR RESEARCH

This paper is meant to make an assessment of the performance of the EPZ in Bangladesh and their invoke on the state control over the economy and the country's development process, as well as the possible effect on the state influence, since these elements are claimed to be at stake due to the globalization process.

In order to make a relevant assessment of the performance of the EPZ in Bangladesh, this study will consider the question:

¹⁰ BEPZA annual report 2008-2009 and BEPZA Act 1980

¹¹ BEPZA Act 1980

¹² BEPZA Act 1980

¹³ Sassen, Saskia (1996): *Losing Control? Sovereignty in an Age of Globalization*, Columbia University Press, New York: p. 9

¹⁴ Wallerstein, Immanuel (2004): *World Systems Analysis – An introduction*, Duke University Press, Durham: p. 55

- Has the state's ability to exercise control *changed, increased, declined* or been *made possible* by the EPZ?

This to see if EPZ can be argued to be a strategy of the state in the globalized economy. There are different views on how poor states such as Bangladesh should achieve economic growth in the globalization process, and this paper results will give account for a few of them in relation to the EPZ in Bangladesh.

Obviously, the paper will have to be narrowed to a reasonable level for this study and that is why it will, for one thing, focus on EPZ in Bangladesh specifically, and besides it will neither examine labour rights and environmental issues more than commenting these circumstances' contribution to the understanding of the EPZ and the state. Bangladesh is an interesting object of study, because the widespread poverty in the country and of course for the presence of EPZ. What strategies are available for such a country; to what extent can Bangladesh practice control over and have an impact on the flows of globalization and might the EPZ be an answer to states that wish to exercise influence over these flows?

Despite the fact that the number of poor people has decreased over around 40 years, Bangladesh is still a country with widespread poverty¹⁵. Kabeer & Mahmud (2004) write that in 2003, the Bengalese government had the ambition to achieve the UN Millenium Development Goals, halving poverty by 2015¹⁶. Being such a poor and densely populated country, with huge amounts of potential workers living in rural areas, Bangladesh has chosen an export oriented strategy to lift its people from poverty, focusing mainly on garment industry which, being labour intensive, suits the densely populated country that has lots of labour to spare¹⁷.

Concerning the disposition of this paper, it will start with a short discussion on the relevance of the subject and thereby positioning the paper in an academic discourse. Thereafter the theory chapter will give an account for an early debate on the economic development and EPZ, there have been different ideas on how a poor country can and should reach

¹⁵ Kabeer, Naila & Mahmud, Simen (2004): Globalization, gender and poverty: Bangladeshi women workers in export and local markets. *Journal of International Development*, 16:1, 93-109.

¹⁶ Kabeer & Mahmud 2004

¹⁷ Kabeer & Mahmud 2004

industrialization and economic growth. The debate concerns to what extent the state should intervene on the market and if international trade should be a feature of the development or not. The first view is inward looking strategies, promoting regulated markets and protectionism. Secondly there are outward looking strategies, used in the so called East Asian Tiger Economies, involving a state planned, export based growth. Thirdly is the neo liberal idea that the state should disturb the market as little as possible to provide the best chance of economic development. After that, theory on globalization in relation to state activities and the influence of the state and also theory on EPZ will be explained. The analysis is the examination of the actual performance of the EPZ in Bangladesh. Lastly follows some summarizing conclusions and questions for further research.

The relevance of the paper is ensured by the fact that the globalization as a process is probably affecting every state and has to be dealt with in some way. The terms for the state's influence over its own territory is interlaced with globalization. The EPZ can be argued to be a result of, or at least interlinked with, globalization. The presence of international capital the EPZ are designed to attract is increased by the globalization. The globalization process makes areas less geographically limited and enables a country like Bangladesh to participate on the global market to an even wider extent via the EPZ.

Papadopoulos & Malhotra (2007) identify a paradox in the fact that the occurrence of EPZ are increasing worldwide despite the fact that international barriers have decreased, and assume that this could point to that the barriers do not always decline on a national level, bringing a demand for EPZ¹⁸. In the case of Bangladesh, barriers such as insufficient infrastructure and facilities might be problematic for foreign investors, why the EPZ is a relevant mean of increasing the possibility of drawing foreign direct investment. As this paper will give an account for, there is not only the polarity between no state intervention on the market and rigid intervention on the market, state activity to promote growth can be different, and Bangladesh government are using what means they can to promote economic growth and navigate through, or even enrich their country by the flows of globalization. There is space to search for a deeper understanding on the EPZ phenomenon.

¹⁸ Papadopoulos, Nicolas & Malhotra, Shavin (2007): Export Processing Zones in Development and International Marketing: An Integrative Review and Research Agenda. *Journal of Macromarketing*, 27: 148.

The economic flows that are one feature of the globalization process might be beneficial for the state and at the same time change the state's ability to control the economy when it becomes globalized while it may also contribute to exploitation of people, or arguably even the exploitation of states. The state can cope with the global economy through different economic policies and tariffs, and implement different economic policies and tariffs regionally, which EPZ is an example of. EPZ are designed to utilize these economic flows and might therefore be both beneficial economically, contributing to a decline in state control and exploitative for the workers concerned by their existence.

Another aspect of importance is that the general discussion on the state's influence over the economy must be put in accordance with the possible gains of the EPZ. If the EPZ is part or a sign of a reduction in state control over the economy but contributes significantly to economic development or poverty reduction or both, then is not the state still benefitted in that case? The possible economic outcome of the EPZ must also be considered in relation to its possible negative effects such as the generally low wages and the risk of the production being environmentally unfriendly.

2. METHOD

This will be a qualitative analysis of literature and data concerning Bangladesh using a strategic sample. The question of this paper will be analyzed using a scheme pointing out certain aspects that are of importance, based on the presentation of different theories concerning globalization, EPZ and the state.

The paper will focus on globalization theory and the state's ability to control it rather than theory on what the state is in general. Also the discussion on globalization will mainly concern the globalization process in relation to the state's ability to exercise control and only give a brief account for what the globalization is, to aid the understanding of the EPZ and the state's relationship with the global economy. The globalization has many different meanings and features, as shown in the following chapter, but of special interest for this paper is the global financial flows that are a reason for the existence of EPZ.

The supply of empiric material for this paper is rather extensive. The amount of reports on Bangladesh economic performance is so large that it is impossible to cover them all. To

ensure the reliability of the statistics a variety of sources have been used to confirm as many as possible of the data and statistical numbers reported in this paper. Nongovernmental organizations, Bengalese official data and academic reports and articles are some examples of the different sources used for the empirical part. At the same time, however, there have been difficulties finding certain data on the EPZ specifically, complicating the comparison between inside and outside the EPZ and therefore also the performance of the EPZ.

Almost all material found from different Bengalese authorities, is available in English and there is also a plenty of academic literature and nongovernmental organizations reports on the subject available in English. Therefore the language has not been an issue in the search for material for this paper.

On some occasions there have been potential problems with the independence of the sources, when figures on economic performances in different articles both refer to the same original source. In such cases only one of the authors or the original source is referred to instead.

There are a few apparent weaknesses with the sources used in this paper. Possibly the BEPZA data should be handled with care since there could be a risk for them being joy calculations trying to emphasize the excellence of the EPZ. To address this possible issue the data from BEPZA will be supplemented with data from nongovernmental organizations, which may have, if not an absence of tendency, perhaps at least not the same tendency. Lots of statistics concerning the EPZ specifically are from the Bengalese government or from its public authority, the BEPZA. It must be taken in consideration that some of the reports and statistics from these sources might be hopeful calculations are not necessarily fully reliable when assessing the performance of the EPZ and the government's policies.

Some of the sources can be hard to follow since scholars, nongovernmental organizations and public authorities used for this paper have different practices in publishing data and reports, and on some occasions it is difficult to tell what kind of publication the source is, hard to find out even what year it was written and uncertainty on who the publisher is. Some possible sources have been left out of this paper due to such issues.

Another problem when trying to give an account for the EPZ specifically is that several sources do not present separate assessments of the situation inside and outside of the EPZ, but

rather Bangladesh in general. This is problematic for this paper and applies to some statistics and reports used in this paper from different international organizations, for example World Economic Forum and the World Bank. In these cases, the general sources are complemented and compared with sources on EPZ specifically in order to make it possible to analyze the inside-outside EPZ dynamics.

To position this paper in the field of International Relations, the presence of theories and analysis concerning the influence of the state is of importance. In addition, a security aspect of the EPZ phenomenon also will be explored. The security aspect is of importance for the analysis of the influence and behavior of the state in this case and there are several aspects of security that are applicable for the analysis, such as economic and human security. Therefore this paper also uses theories illuminating the nexus between the economy, security and the state's influence.

3. THEORY

This section will start with a description of the early debate on EPZ and three important views on the subject. The three are the inward looking methods for growth and industrialization, the neoliberal methods and the export oriented, state intervening method used by the so called Tiger Economies. It will be followed by a description of theories on globalization and its impact on the influence of the state and a short description of some academic writings on EPZ specifically. This chapter will serve as a background to the understanding of the incentives of the EPZ and the state and the circumstances under which they operate, the globalization process.

3.1 THE EARLY DEBATE ON EPZ AND ECONOMIC GROWTH FOR DEVELOPING COUNTRIES

The debate consists of three different views on how to achieve economic growth, in terms of openness and influence of the state which is in this case related to a view of EPZ as beneficial or not for countries looking for a road out of poverty. In this section they will be given account for in the following order; starting with dependency theory, structuralism and Wallerstein's theory on capitalism. Thereafter the neo liberal view on EPZ and the openness of the state will be described followed by the third view, the one being practiced in the so

called South East Asian Tiger Economies. The countries commonly referred to as the four Asian Tigers are Hong Kong, Singapore, South Korea and Taiwan¹⁹. The dependency theory, structuralism and Wallerstein are relevant because of the EPZ being a controversial phenomenon relative to these approaches. The neo liberal view is of interest because of the EPZ being somewhat neo liberal in practice, and because of critics "accusing" the EPZ of being neo liberal policies. The policies being practiced in the Asian Tiger Economies are of interest because of the combination of rigid state activity and export oriented growth strategies and thus the possibility of them having similarities with the EPZ in Bangladesh.

According to Wallerstein (2004), the modern capitalist world economy system is prioritizing unlimited accumulation of capital and is characterized by the division of labour. Those participating in the world economy with other objectives than the endless accumulation of capital will suffer from structures diminishing them and those acting accordingly will be enriched, if successful. In Wallerstein's analysis, the capitalist system necessitates that the political power is not too superior to the economic producers, since if it is, the goal of the unlimited capital accumulation will not be prioritized. The system needs a set of states for the capital to be able to work with those with favorable policies instead of other states with policies less favorable to their interests.

Of special interest for this paper is that Wallerstein identifies that the strength of the state is characterized by the ability to make decisions and to collect tax²⁰. It is a claim of interest for this paper, given the policies of the EPZ.

Wallerstein argues that production costs are kept low partly because the producers do not pay all the costs of the production. Among the costs not paid for by the producers is often environmental degradation and infrastructure making transports possible for the producers. This is instead most commonly paid for by the state.²¹

Strong states put pressure on other states to open their borders for the flows of production that will benefit firms of the strong states²². At the same time, for example the EU and the United

¹⁹ Page, John M. (1994): The East Asian Miracle: An introduction. World development, 22:4, 615-625.

²⁰ Wallerstein 2004: p. 53

²¹ Wallerstein 2004: p. 48

²² Wallerstein 2004: p. 55

States do not necessarily keep their own borders open in the same way, with tariffs designed to protect their agriculture and textile industries from competition²³.

Another strategy for poor countries to achieve economic growth is the so called Import Substituted Industrialization, suggesting a developing country can use an inward looking policy to industrialize. Scott (1970) writes that this is a seemingly successful method for many countries²⁴. Instead of importing manufactured goods, it should be produced within the own country²⁵. Imports should be restricted by for example tariffs and quotas to make the domestic production profitable²⁶. The reduced import of goods that can be produced domestically allows import of needed material or technique for the production²⁷. This method allows low or even no costs for the government for the given lift off for the domestic industry²⁸. The apparent weaknesses of the method are that the consumers on the domestic market might suffer from higher prices and poorer quality than what would be the case with imported commodities²⁹.

Robert Wade (2003) writes that the neo liberal belief is that income distribution between people globally has become more equal during the last twenty years³⁰. The neoliberals claim, according to Wade, that globalization in the form of free trade is the best solution for nations lagging behind economically³¹. Steger (2009) writes that the notion globalization can be linked to the liberation of economies globally³². Neo liberalism in practice should consist of features like: a small state administration, privatization of public companies, deregulated economies, liberalization of trade and industry, very low taxes, prioritizing of low inflation

²³ Wallerstein 2004: p. 55

²⁴ Scott, Maurice (1970): Import Substitution and Industrialisation. *Intereconomics*, 5:7, 222 – 225.

²⁵ Scott 1970

²⁶ Scott 1970

²⁷ Scott 1970

²⁸ Scott 1970

²⁹ Scott 1970

³⁰ Wade, Robert Hunter (2003): Is Globalization reducing poverty and inequality? *World Development*, 32:4, 567-589.

³¹ Wade 2003

³² Steger, Manfred (2009): *Globalization – a very short introduction*, Oxford University Press, Oxford: p. 41

over low rates of unemployment, strictness against organized labour, low public expenditures, especially on social arrangements, large international markets and no restriction on global financial flows³³.

Scott (1970) writes that a few Asian countries used an alternative method instead of the inward looking, namely an export oriented strategy for growth and to improve the country's balance of payments³⁴. For the so called Asian Tigers this has been a successful strategy. The Asian Tigers are Hong Kong, Singapore, South Korea and Taiwan³⁵. Stiglitz (1996) writes that what he calls the countries of the East-Asian miracle have in common that their governments took significant responsibility for the quest for economic growth³⁶. The policies were market-oriented, but still with active intervention from the state³⁷. The countries Stiglitz is referring to is Hong Kong, Indonesia, Japan, South Korea, Malaysia, Singapore, Taiwan and Thailand³⁸. Before this East-Asian miracle there was a clear distinction in the views on how to achieve economic development, were the open market view was the very opposite of the view promoting government planned economy³⁹, or practicing the import substitution method. The governments of the East-Asian miracle's role was to engage in policies ensuring macroeconomic stability, regulating markets to make them more efficient, creating new markets, making sure that resources were deployed in a way that promoted growth and stability, make the market beneficial for private investment and to guarantee political stability⁴⁰. Instead of being an opposing part to the market, the states in this case used the markets⁴¹. On specific feature of this active state strategy, that consisted of growth oriented policies, were rewards and subsidies for successful areas of the production or specific

³³ Steger 2009: p. 42

³⁴ Scott 1970

³⁵ Page 1994

³⁶ Stiglitz, Joseph, E. (1996): Some lessons from the East Asian miracle. *The World Bank research observer*, 11:2, 151-177: p. 151

³⁷ Stiglitz 1996: p. 151

³⁸ Stiglitz 1996: p. 151

³⁹ Stiglitz 1996: p. 155

⁴⁰ Stiglitz 1996: p. 156

⁴¹ Stiglitz 1996: p. 156

industries the state wished to support⁴². There were three important ways of achieving economic growth, increasing the level of technology, increasing exports and have the domestic industry increase its capacity in producing material for the exporting industry to use⁴³. In practice a number of policies were used. Also education was invested in to help the technological development, financial incentives to promote investments in for example industry over real estates and the governments offered science centers that could be used to develop the production without having the corporation to pay for the research themselves⁴⁴. Foreign investment was attracted by the stability, both politically and macro economically, well educated labour force and a well managed working market⁴⁵. The foreign investment hurried the process of financial expansion, increased capital availability, encouraged domestic production and increased know-how through the international influence⁴⁶.

These different views on how a poor country can and should achieve economic growth shows that the EPZ is bit of a controversial phenomenon and that there are several understandings on what role the state should play in the economic development.

3.2 GLOBALIZATION

According to Steger (2009) globalization should be understood as a set of processes contributing to replace a weakening nationality with a condition of globality⁴⁷. The condition of globality is characterized by dense economic, political, ideological, cultural and environmental flows that tend to make national borders irrelevant⁴⁸. This is not to be interpreted as a definite end point of history, but a condition that gives new constellations⁴⁹. As will be discussed below, this paper argues that the EPZ can be part of such a new constellation, being a tool by which the state is allowed to affect the flows of globalization

⁴² Stiglitz 1996: p. 157

⁴³ Stiglitz 1996: p.157

⁴⁴ Stiglitz 1996: p. 157

⁴⁵ Stiglitz 1996: p. 158

⁴⁶ Stiglitz 1996: p. 158

⁴⁷ Steger 2009: p. 9

⁴⁸ Steger 2009: p. 12

⁴⁹ Steger 2009: p. 8

and possibly benefit from it. Globalization also involves the creation of new, and multiplying of existing, social networks and activities that are not restrained by traditional geographical boundaries or boundaries containing politics, economy or culture⁵⁰. The globalization expands and intensifies social activities, relations and interdependences as well as economic activities globally⁵¹. The economic side of globalization consists of increased interrelations across the world and enormous flows of capital and technology that have stimulated trade and changed the conditions of production⁵². There are global markets and transnational corporations that link national economies together⁵³. Also Poku identifies a growing interdependence in economic relations as a characteristic of globalization, along with social and political activities across borders⁵⁴.

Sassen (1996) argues that the significance of the state is declining, and that globalization is in one way a denationalization⁵⁵. As given an account for above, Steger's (2009) definition of globalization portrays it in a similar way, meaning that it is a process leading to a decline in relevance of the traditional national borders. This can be understood in several ways concerning the case of this paper, the EPZ in Bangladesh, and will be discussed further in the analysis section below.

Globalization, according to Strange (1998), has led to risks for poor, developing countries, but also given new opportunities to escape poverty⁵⁶. There is an obvious risk that capital and investment move out of a country as well as the chance that the flow can be directed towards it. This paper will assess both the benefits and shortcomings of the EPZ in Bangladesh, what their influence is on the globalization in terms of what the EPZ actually generate.

⁵⁰ Steger 2009: p. 14

⁵¹ Steger 2009: p. 14

⁵² Steger 2009: p. 38

⁵³ Steger 2009: p. 38

⁵⁴ Poku in Collins, Alan (ed.) (2010): *Contemporary security studies*, Oxford University Press, Oxford: p. 257

⁵⁵ Sassen 1996: p. 9

⁵⁶ Strange, Susan (1998): *Mad Money*, Manchester University Press, Manchester: p. 11

Marquette & Beswick (2011) recognize a couple of activities that can be considered as state-building, among them infrastructure development and tax reforms⁵⁷. These activities are what the BEPZA are engaged in doing in the EPZ, but maybe not in the most conventional way since the infrastructure is aimed to aid transnational corporations and the tax reforms consist of tax rebates to the investors in the EPZ. Marquette & Beswick also argues that state building could be viewed as a pre-state of development⁵⁸. They identify a normative western idea of state-building and argue that: *“Even where there is emphasis on citizen needs and poor communities, the language is often one of incorporation into the preferred form of the state, rather than taking a bottom-up perspective and working with existing, often powerful and historically and culturally relevant institutions.”*⁵⁹ Marquette & Beswick demand a new narrative on state building emerging from the global south to respond to this paradigm⁶⁰. A narrative *“that moves the debate away from donors and the ‘political authorities’ in recipient countries towards the actual people that state building activities are supposed to support.”*⁶¹ Below, this will be analyzed in relation to the EPZ and Bangladesh.

3.3 EXPORT PROCESSING ZONES

According to Dent (in Collins, 2010), export is crucial for countries with small domestic markets and it generates prosperity for the exporting country⁶². The EPZ are meant to heed the need for exports by making certain arrangements to enhance exports.

Papadopoulos (1987) recognizes eight main types of free trade zones with various characteristics⁶³. Among them is the EPZ with the characteristics being that tenants may use production facilities to make products for export out of material imported duty free⁶⁴. This is the kind that exists in Bangladesh. Papadopoulos (1987) writes that the different kinds of free

⁵⁷ Marquette, Heather & Beswick, Danielle (2011): State Building, Security and Development: state building as a new development paradigm? *Third World Quarterly*, 32:10, 1703-1714.

⁵⁸ Marquette & Beswick 2011

⁵⁹ Marquette & Beswick 2011

⁶⁰ Marquette & Beswick 2011

⁶¹ Marquette & Beswick 2011

⁶² Dent in Collins (ed.) 2010: p. 246

⁶³ Papadopoulos 1987

⁶⁴ Papadopoulos 1987

trade zones have got critique for their low wages in combination with insufficient provision of infrastructure, since when there are no other benefits for the investor than the low labour cost, the investor tends to just move to an even cheaper country when industrialization and export brings higher wages to the country first invested in⁶⁵.

As mentioned above, Gary Teeple (1995) categorizes what he calls Free Economic Zones as a neo liberal policy⁶⁶. Given the actual policies, described above, that is the current case in Bangladesh it is hard to argue against Teeple's point. However, the EPZ can also be viewed as a possibility for the state to enclose neo liberalistic policies to a certain area, being able to take part in the global market with limited sacrifices of the state's control. In the case of the state's possibility to practice control, Papadopoulos & Malhotra (2007) illuminate the possibility for the country to participate in the global market via EPZ without having to compromise the financial or political ideology practiced in the state as whole⁶⁷. EPZ can in this case be argued to assist the state's ability to control the flows of globalization, by choosing in which areas foreign investors are welcome and under which circumstances.

Dowla (1997) argues that EPZ is a key feature in an export based growth strategy⁶⁸. The EPZ has been an answer to countries that have not had success trying an inward looking strategy for achieving economic development and higher rates of employment, and countries not yet ready to cope with the global competition⁶⁹. In the EPZ, strikes and labour unions are prohibited⁷⁰. This is against the UN declaration of human rights, article 23 which includes the statement that *"Everyone has the right to form and to join trade unions for the protection of his interests"*. Again, the EPZ gives the possibility to implement a neo liberal policy in a particular zone, bringing also that another policy may be practiced outside the zone. Since these human rights are neglected in the zone, at least in a limited geographic area and in theory there is a possibility for the individual to work outside the area were the law does not

⁶⁵ Papadopoulos 1987

⁶⁶ Teeple, Gary (1995): Globalization and the decline of social reform, Garamond Press, Toronto: p. 83

⁶⁷ Papadopoulos & Malhotra 2007

⁶⁸ Dowla, Asif (1997): Export Processing Zones in Bangladesh: The Economic Impact. Asian Survey, 37:6, 561-574

⁶⁹ Dowla 1997

⁷⁰ Dowla 1997

obstruct these activities. This is a possible interpretation of the article, but it is still clear in its phrasing, and prohibiting unions in EPZ obviously violate this article.

Globalization can contribute to unfair conditions for workers, and textile industry is a good example of this, according to Young (2007).⁷¹

Warr (1989) argues that the time limits on tax rebates can be renegotiated to the advantage of the company in the EPZ, because of its possibility to threaten with moving away from the country.⁷²

The purpose of the EPZ is to create economic development by being attractive for foreign investors to make them chose Bangladesh as the geographic location for their investment⁷³. This in practice brings for example different tax rebates or holidays for foreign investors, different kinds of beneficial possibilities to remit royalties out of the country and should guarantee the absence of labour unions and organizations⁷⁴. Dowla (1997) mentions the fact that raw material can be imported and finished products may be exported duty free as a key feature of the EPZ⁷⁵. Taxation is of great importance for the state, being an fundamental part of a state's income, which makes the EPZ such an interesting and even controversial object of study. The state activity of taxation of private business can however be argued to potentially be both direct or indirect, which is of importance for the discussion in this matter. For the state the difference between direct and indirect taxation contributes

Concerning the whole globalization of the economy and features such as the EPZ, there is a controversy which is the possibility of a so called "race to the bottom".

Wallerstein arguing point towards that events such as a "race to the bottom" in a long term are not possible. He argues that to keep wages low, the industry needs a surplus of non exploited labour in for instance rural areas. Eventually, this surplus will diminish when all labour is

⁷¹ Young, Iris Marion (2007): *Global Challenges - War, Self-Determination and Responsibility for Justice*, Polity, Cambridge: p. 164-165

⁷² Warr 1989

⁷³ Papadopoulos & Malhotra 2007. Note: this is also the obvious purpose reading the BEPZA annual report 2008-2009.

⁷⁴ BEPZA info

⁷⁵ Dowla 1997

exploited and then the possibility of moving production to significantly lower costs will also decrease.⁷⁶

Krasner (in Krieger, 2006) argues that it is rulers and not the international system that have the authority to make decisions that honor sovereignty or not and compromise their own state's autonomy voluntarily. This recognizes a significant influence of actors and the objectives, outspoken or underlying, of these actors must be taken into consideration. Krasner assumes that the rulers will want to stay in power, and to work for security and prosperity for the country. For some countries, this would mean relying on external actors for financial support while others would rely on their domestic sources.⁷⁷ When discussing the term sovereignty, Krasner writes that embedded in the term is a distinction between control and authority.⁷⁸ According to Krasner, strong authority gives control but also that a loss of control can lead to a loss of authority⁷⁹. The term sovereignty is divided into four types that is domestic, interdependence, Westphalian, and international legal sovereignty⁸⁰. Domestic sovereignty is concerning the organization and effectiveness of control within a state. The interdependence sovereignty is the control the state has over the movements across its borders. Westphalian sovereignty refers to an exclusive authority the state may have over its the own territory and the international legal sovereignty is the recognition from other states and the ability to engage in international agreements. For this paper, the domestic and interdependence sovereignty are of most interest, since control is claimed by Krasner to be an important aspect of these kinds of sovereignty.⁸¹ When discussing interdependence sovereignty, Krasner objects what he considers to be a common belief, namely that sovereignty is eroded by globalization. Krasner uses the international trade before WWI as an example of a period when markets were, in some aspects, more open than today. Further, Krasner writes that the increase of transnational flows has not weakened the state's ability to

⁷⁶ Wallerstein 2004: p. 81

⁷⁷ Krasner in Krieger, Joel (ed.) (2006): *Globalization and State Power - a reader*; Pearson Longman, New York: p. 75

⁷⁸ Krasner in Krieger (ed.) 2006: p. 77

⁷⁹ Krasner in Krieger (ed.) 2006: p. 78

⁸⁰ Krasner in Krieger (ed.) 2006: p. 77

⁸¹ Krasner in Krieger (ed.) 2006: p. 78

pursue their national agenda, government spending have increased in a number of developed countries since 1950.⁸²

3.4 SECURITY

With the EPZ being an economic policy, theory on economic security is also of interest before attempting to analyze the EPZ and their influence on the state. The economic security is likely of utter importance for the state and this also concerns the relevance of this paper in the field of international relations.

The UNDP term *human security* includes not only the absence of violence ("freedom from fear") but also a sufficient presence of material needs ("freedom from want")⁸³.

According to Buzan (in Buzan, Wæver & de Wilde, 1998), economic security "*concerns access to the resources, finance and markets necessary to sustain acceptable levels of welfare and state power*"⁸⁴.

Buzan (2007) claims that economic security is not an objective and reachable condition. It is a relative concept wherein nothing significant can be gained without compromising and sacrificing something of corresponding importance. This because the system, i. e. capitalism, includes competition. One can be relatively secure, however absolute security does not exist within this system. At all times, there are both opportunities to improve and risks of losing security relatively.⁸⁵ What actions that are legitimate for the state to use in the pursuit of economic security is related to ideology, mainly a mercantilist versus a liberal perspective, and the old differences among them⁸⁶.

⁸² Krasner in Krieger (ed.) 2006: p. 80

⁸³ Poku in Collins (ed.) 2010: p. 258

⁸⁴ Buzan, Barry, Wæver, Ole & de Wilde, Jaap (1998): *Security - a new framework for analysis*, Lynne Rienner Publishers, Inc. London: p. 8

⁸⁵ Buzan, Barry (2007): *People, states and fear - an agenda for international security studies in the post-cold war era*, ECPR press, Colchester: p. 192-193

⁸⁶ Buzan 2007: p. 198

3.5 HOW THE ANALYSIS IS MADE

With the theory chapter as background, a few aspects of importance for the EPZ and state control will now be presented. The main points will, in the next chapter, be analyzed with empiric material concerning the case of this paper, the EPZ of Bangladesh.

As shown in Figure 1, the first point is the one of state income, which can, inter alia, be from taxes, tariffs, and charges for services. Secondly, rates of foreign direct investment in the EPZ and in Bangladesh in general will be presented. The third point of analysis concerns the economic growth and development. Are there significant correlations between economic development and the EPZ? This is followed by an account for the number of jobs provided by the EPZ and in addition to this also an assessment of the poverty reduction the EPZ may and is meant to contribute to. For every feature the benefit and shortcomings of the EPZ in relation to theories and the objectives of the EPZ will be examined. This will be followed by an analysis of the possible impact the EPZ, through these features, might have on the state and the influence of the state. The scheme of analysis is presented with a summary of the results on page 35.

Figure 1.

Scheme of analysis

| Features examined | Benefits of the EPZ | Shortcomings of the EPZ | Effect on the influence of the state |
|---------------------------------|---------------------|-------------------------|--------------------------------------|
| State income | | | |
| Foreign Direct Investment | | | |
| Economic growth and development | | | |
| Jobs and poverty reduction | | | |

4. EVALUATION OF THE EPZ IN BANGLADESH

In the BEPZA annual report 2008-2009 it is stated by Prime Minister Sheikh Hasina in the introduction that foreign investment is crucial for Bangladesh development through stimulating the export and offering job opportunities. The EPZ is an effective way to draw investors to Bangladesh instead of other places.⁸⁷ Bangladesh can offer infrastructure and one important comparative advantage, namely the low cost of labour. In the EPZ, labour unions are prohibited, giving Bangladesh the possibility to keep the low labour costs and the comparative advantage that is useful when trying to attract foreign investment, together with the tax rebates and the duty free trade of goods.

Warr (1989) writes that the EPZ are closely monitored by their government⁸⁸. Studying the EPZ in Bangladesh specifically, it is clear that the whole phenomenon is under rather rigid control from the national state, which is of great interest for the questions raised in this paper. To establish themselves in the EPZ a company will have to answer detailed questions about the products they produce, and describe the manufacturing process. The applying company needs to describe the raw materials needed from local producers or import and the quantity and cost of these. Also, the appliers will have to give an account for their annual production capacity and machinery needed. Furthermore, if the company in question is manufacturing in a certain brand name, a copy of this license agreement is asked for.⁸⁹ In the BEPZA act (1980) it is also clear that the whole institution of EPZ in this way requires state control, the government gives itself the right to acquire any land needed for the EPZ and any place can be declared an EPZ⁹⁰. All together, this point towards that Bangladesh, through the governmental authority BEPZA, is indeed practicing a distinct control to attract the flows of possible foreign investment that is one feature of globalization. The establishing of EPZ itself can be viewed as an active choice made by the state and a way to use its influence on the market sharply contrasting the notion of neo liberalism falling upon the state in a natural process, giving a decline of state influence.

⁸⁷ Hasina in BEPZA annual report 2008-2009

⁸⁸ Warr 1989

⁸⁹ BEPZA: Proposal for investment in the EPZ

⁹⁰ BEPZA act 1980

The following section will analyze a number of notions that are of importance for the understanding of the state objectives and influence, and the discussion about EPZ.

4.1 STATE INCOME

As given account for in the theory chapter, the state's income coming from private production is of importance for this discussion. With it lies also a set of different ideological opinions on whether the state should tax private business and in the case it should, then to what extent.

In the case of the EPZ in Bangladesh, there is an apparent disadvantage for the state income built in the EPZ. A noticeable fact is that the state relinquish from collecting certain taxes and tariffs and in addition, the rather generous providing of infrastructure for the industrial actors operating in the EPZ. The infrastructure provided by the EPZ includes water, gas and electricity as well as facilities, apart from common communications⁹¹.

However, as noted above, the state income is also added to by the EPZ. The BEPZA, which has the government's mission to provide infrastructure for the industry in the EPZ, is a profit making organ and charges industrial actors in the EPZ for rent of land and facilities and fees for water, gas and electricity supply⁹². The BEPZA is allowed to build up financial reserves but pays part of its surplus as tax to the state⁹³.

The tax paid by the BEPZA to the state though cannot be considered to be a very large income for the state, however it is rapidly growing. In 2006 it was circa 118 million Bangladeshi Taka (around US\$ 1.5 million) and in 2009 it was 395 million BDT (almost US\$ 5 million)⁹⁴. The GDP of Bangladesh was circa US\$ 105 billion in 2010⁹⁵, making it clear that the less than \$ 5 million the EPZ generated in income for the state is not a very significant sum. Nevertheless, it must be taken in consideration that this income comes from foreign investment that might not have been in Bangladesh in the first case without the outward looking policies of the EPZ. One must also keep in mind that generating state income is not an objective of the EPZ.

⁹¹ BEPZA annual report 2008-2009

⁹² BEPZA annual report 2008-2009

⁹³ BEPZA annual report 2008-2009

⁹⁴ BEPZA annual report 2008-2009

⁹⁵ World Economic Forum (2011): The Global Competitiveness Report 2011-2012

From the theory chapter one understands that collecting tax from private business can be argued to be an essential activity of the state. It is important to note that the state collects other income from the private business of the EPZ than ordinary taxes, but the essential point is that the state refrains from some income, hoping other outcomes that will benefit the state's interests will be granted instead. The objective of the EPZ is not state income, it is primarily economic development, which also is part of the explanation to why Bangladesh chooses to use the EPZ despite the low income it generates to the state. One possible point of view is also that the low income still is higher than the potential income without the EPZ, because of the large amount of international corporations that could have located the production elsewhere in the world if not for the EPZ.

The rationality of the state is also a matter that can be problematized, and thus also the rationality of the spending of state income. The spending of the state income in this case can be questioned for its rationality. In Bangladesh there is a serious problem with corruption. If the state income is not efficiently spent it is even harder to assess if an income such as the money being transferred from the BEPZA to the government of Bangladesh is of a significant value for the state, or if this value is primarily a gain for corrupt individuals. According to Transparency International, Bangladesh ranks as number 144 out of 176 on the top list over corruption in the world, where the top country is the one with the lowest corruption index, and the least problems with corruption⁹⁶. The corruption is also identified as one of the most important problems for doing business in Bangladesh in the Global Competitiveness Report 2011-2012 by the World Economic Forum⁹⁷. This means that the corruption might harm Bangladesh also in the way that it might deter some potential investors from choosing Bangladesh as their area of investment.

When discussing state activity in Bangladesh it has to be taken into account that the motives and rationality of the government is not entirely clear and is blurred by conditions such as the above mentioned high corruption levels and also by the not completely stable democracy. As late as 2007-2008 a military backed government resided in office after coming to power soon

⁹⁶ Transparency International (2012): Corruption perceptions index 2012 brochure.

⁹⁷ World Economic Forum 2011

before the parliament elections in January 2007⁹⁸. The official objectives of growth, poverty reduction and macroeconomic stability might be undermined by such factors, which makes it difficult to assess what really are the objectives of the government actions in relation to the EPZ, despite the clarity that the EPZ are designed for long term economic growth through manufacture for export.

In theory, there seems to be a clear dichotomy between the strong state, intervening on the market and the small state, leaving the economy to regulate itself by market mechanisms. The point of view leaves little space for the understanding of a state with significant influence but also a questionable rationality. It is difficult to understand the objectives of the actions of such a state, which makes for the possibility that one cannot know for certain who will be benefitted by the EPZ.

Krasner (in Krieger, 2006) claims that transnational flows have not made the state's ability to reach their national objectives weaker, and uses the example that among developed countries, several have increased their government spending after 1950⁹⁹. This leaves the question if other states than the developed might have their ability to reach national objectives weakened by globalization. Critics of the globalization or EPZ would argue that rich countries have benefitted while countries like Bangladesh are being exploited as a result of these transnational flows. In the case of Bangladesh, the government spending since 1950 does not work as an adequate type of measurement, given that Bangladesh did not gain independency until the 1970's. However, the EPZ in Bangladesh is an activity where the government put the transnational economic flows to good use for their own objectives, primarily economic growth and development. It is an interesting type of measurement in any case, recognizing the importance of government spending rather than state income, which several other authors mentioned. The globalization and the EPZ affect the state's possibility to collect tax from transnational corporations. These are the circumstances under which Bangladesh try to pursue their national agenda and the globalization does not directly affect the government's ability to spend. Indirectly, the state will have to ensure that it has other incomes to keep the ability to spend and invest. To problematize the argument further, the EPZ policy can also be viewed as

⁹⁸ United Nations Development Programme (2011): Assessment of development results: Bangladesh – evaluation of UNDP contribution.

⁹⁹ Krasner in Krieger (ed.) 2006: p. 80

some kind of government spending "in advance", giving rebates instead of collecting and thereafter spending money. To summarize, the globalization does reduce the state's ability to collect tax, since tax is traditionally on macro level while transnational corporations are not. If the states ability to pursue its objectives is interlinked with the government spending, then the state's influence over its own situation will not decrease as long as the government find coverage for the spending. There is also a possible rationality problem with the national objectives and agenda of the state, making it difficult to assess the influence of the state in general.

4.2 FOREIGN DIRECT INVESTMENT

The World Economic Forum defines a number of comparative advantages of Bangladesh; factors for the economic activity where Bangladesh ranks high globally or is considered to have a favorable climate for business. These are the advantages that make Bangladesh attractive for an investor choosing their area of investment. Among the specific comparative advantages listed are the investor protection, the taxation and the hiring and firing policies. Generally, the macroeconomic environment of Bangladesh is labelled as good as well as the primary health and education levels.¹⁰⁰ The BEPZA identifies the competitive labour costs as a key in attracting investment¹⁰¹. The labour is described as skillful compared to its low cost¹⁰², which is confirmed by the World Economic Forum is pointing out the primary education level as good. The investor protection is guaranteed by the fact that Bangladesh is a member of or has signed a number of multilateral agreements on investor protection and by the Foreign Private Investment (Promotion and Protection) Act from 1980.

In 2011-2012 the investment in the EPZ counted to US\$ 339 million¹⁰³. For the country as a whole, the FDI in 2011 was US\$ 740 million¹⁰⁴. If the low production costs is one of the most important contributing factors in drawing foreign investment, then this factor applies to the country as a whole and not only to the EPZ.

¹⁰⁰ World Economic Forum 2011

¹⁰¹ BEPZA annual report 2008-2009

¹⁰² BEPZA annual report 2008-2009

¹⁰³ BEPZA, year wise investment.

¹⁰⁴ World Bank (2012): Bangladesh: Towards Accelerated, Inclusive and Sustainable Growth - Opportunities and Challenges. Volume II: Main report.

The most problematic factor for doing business according to a report from the World Economic Forum on global competitiveness is lack of adequate infrastructure¹⁰⁵. This might point to the sufficiency of the EPZ, since in these geographically specified enclaves allow the government to prioritize the providing of infrastructure where the business is in operation before developing the infrastructure in the whole country.

The foreign direct investment is the feature of globalization that Bangladesh has identified as the key for their development. As mentioned above, the globalization consists for instance of global flows of capital. The EPZ are designed to catch capital and draw it to Bangladesh, to reach the superior objectives, economic growth and poverty reduction.

To assess the performance of the EPZ in attracting FDI, one will have to take in consideration that it is not possible to decide what rates of investments would be the case if the EPZ had not been in Bangladesh. Production costs are low because of the surplus of labour and not only because of the policies restricting labour organization. This comparative advantage suggests that Bangladesh probably would have been an attractive area of investment for the investor seeking low production costs also without the EPZ. Since the lack of infrastructure is identified as a major problem for the business set of conditions the EPZ might play a key part with its rather generous offer of infrastructure. However the World Economic Forum reports on the absence of infrastructure implies that the labour costs are the a most important comparative advantage for Bangladesh in general.

For the assessment of the EPZ in Bangladesh one important question to take in to account is where in Bangladesh the foreign direct investment is primarily located. It cannot be argued that the EPZ is the only place where foreign investment is occurring, since the foreign investment in the EPZ makes up for less than half of the country as a whole. The low production costs are attractive for the whole of Bangladesh and not just the EPZ.

For the state, there are a few possible advantages with EPZ compared to FDI in general, being the possibility of lifting people from rural poverty to work in urban areas by choosing the geographic placement of the EPZ and thus in some way affecting the placement of the FDI. The infrastructure existing is possibly utilized with the opportunity to draw FDI to areas that are close to harbors for instance or in other way strategic advantages. However, it is likely

¹⁰⁵ World Economic Forum 2011

that international investors would prefer urban areas close to harbors also without the EPZ. The EPZ also gives the possibility of an effective bureaucracy for the investors, filling up a standard form when wishing to operate in Bangladesh. Obviously the EPZ also gives the state the possibility to limit tax rebates to certain areas and market these specific zones. This gives the opportunity to compete internationally with the lowest possible taxes, without lowering the taxes in the whole country. The fact that around half of the FDI in Bangladesh is located in the EPZ suggests a notable impact on the total FDI in Bangladesh made by the EPZ.

So what does the FDI do for the influence of the state? The obvious inflow that the EPZ can be argued to contribute to the purposes of the state. However, there is also a risk of the FDI abandoning the country, moving to other locations. The state cannot have any guarantees for the FDI not to move, which can be interpreted as a limitation of the state's influence. One can argue that the influence is really with the capital, not with the state in this case.

4.3 ECONOMIC GROWTH AND DEVELOPMENT

The third feature of this analysis is an assessment of growth and development in Bangladesh. This will include both economic growth rates and also development in terms of modernization and industrialization. These are among the main objectives of the EPZ in Bangladesh, being expressed by the BEPZA as building prosperity and an economically strong base in Bangladesh¹⁰⁶.

The growth in Bangladesh has been stable and high for several years. In a long term view, the growth has been increasing for decades. During the 1980's the average growth of the GDP was 3.7 per cent and during the '90's it increased to 4.8 per cent. Numbers differ slightly but the growth of the GDP of Bangladesh has been close to or over 6 per cent annually since 2007, except for a small reduction to below 6 per cent during the period of international financial crisis 2008-2009.¹⁰⁷ The first EPZ of Bangladesh, the Chittagong, was established in 1983 and is today the EPZ with the largest amounts of investment and exports¹⁰⁸. There is no significant raise in growth that is obviously correlated with the establishment of the EPZ, but it must be taken into consideration that the long term growth has been stable and high in

¹⁰⁶ BEPZA annual report 2008-2009

¹⁰⁷ Bangladesh Bureau of Statistics and UN Bangladesh draft country review 2010

¹⁰⁸ BEPZA annual report 2008-2009

Bangladesh and that the EPZ has been a source of jobs and foreign investment during this period. BEPZA's contribution to the national export of Bangladesh is significant, moving between roughly 15-20 per cent during 2003-2009¹⁰⁹. In this regard the EPZ of Bangladesh can be considered rather successful. It can be argued that there is a possible correlation between the EPZ and growth, if adding the economical benefits, namely the EPZ contribution with an increasing, direct income to the state, along with the least significant impact on the exports.

Another objective of the EPZ is a technology transfer, which possibly will have spill over effects on the domestic industry also outside the EPZ¹¹⁰. Papadopoulos & Malhotra (2007) state that the EPZ as a phenomenon aids the shift from low skill production towards higher working skills and the production of higher value added products¹¹¹. The possible technological spill over effects granted by the EPZ in Bangladesh in particular is hard to assess.

The BEPZA estimates that the production in the EPZ is contributing to the employment also outside the zones and there might also be a technological trickle down effect. However, as shown above, there is extensive foreign investment in Bangladesh in addition to the investment in the EPZ particularly, why it is not farfetched to believe that technological spill over might as well derive from the investment outside of the EPZ.

The global mobility of capital is of course a benefit for Bangladesh when capital moves to the country. However, the capital might as well move away, and this is also a reason why the EPZ offers such generous possibilities for international investors. This reality brings a risk for a so called "race to the bottom", where countries offer such favorable conditions for international corporations that the workers conditions probably never will rise, due to the fact that if for instance the wages rise, the corporations may move to a place with lower production costs. However, this is not a scenario that is solely a result of the existence of EPZ, though EPZ might be argued to increase the pace of such a process.

¹⁰⁹ BEPZA annual report 2008-2009

¹¹⁰ BEPZA annual report 2008-2009

¹¹¹ Papadopoulos & Malhotra 2007

The likeliness of a so called “race to the bottom” can be discussed. The EPZ in Bangladesh is using the spare labour in rural areas to offer low production costs for international corporations. Wallerstein argues that this might not be possible in a long term, since, at some point, all labour will be exploited and there will not be areas of especially low wages for the international companies to move to¹¹². Wallerstein’s analysis indicates that there will eventually be an end to this kind of exploitation. In a very long term, that is.

As mentioned above, Stiglitz (1996) argued that for the East Asian miracle economies, well educated labour force was a key in attracting foreign investment and the foreign investment also contributed with additional know-how¹¹³. There is not much that suggests that the EPZ of Bangladesh are depending on well educated labour force. In the case of Bangladesh, the EPZ use their comparative advantage, the cheap labour, and textile industry is very labour intensive. However, the composition of industry operating in the EPZ in Bangladesh is becoming more diverse in recent years. Different types of textile industry make up half of the production in the EPZ still, in addition to this, the other half includes production of electronics, paper, food and plastics to name a few¹¹⁴. Stiglitz writes that developing countries often operate on a much lower technological level than industrialized ones, and that a major part of development is the acquiring of new technology¹¹⁵. Increasing the level of technology and the workers level of skill is also among the objectives of BEPZA¹¹⁶. It is difficult to tell how Stiglitz’ reasoning can relate to the level of average skill of the worker in Bangladesh is obviously already high enough to draw foreign investment, but still the EPZ of Bangladesh are being criticized as mentioned by O’Brien & Williams (2010) for not contributing with a raise of the skill level of the workers¹¹⁷. The promising development Stiglitz gives account for regarding the East Asian miracle economies’ level of skill on the working force does not seem to apply perfectly to Bangladesh, maybe at least not to a larger extent than the diversification of the types of production taking place in the EPZ that was just mentioned.

¹¹² Wallerstein 2004: p. 81

¹¹³ Stiglitz 1996: p. 158

¹¹⁴ BEPZA annual report 2008-2009

¹¹⁵ Stiglitz 1996: p. 158

¹¹⁶ BEPZA Act, 1980

¹¹⁷ O’Brien, Robert & Williams, Marc (2010): *Global Political Economy*, Palgrave MacMillan, Basingstoke, New York: p. 200

The governments of the Tiger Economies invested in education and human capital accumulation which Page and Stiglitz identify as important state activity to assist the process of adapting new technology¹¹⁸. In the BEPZA annual report (2008-2009) training programs is given importance to lift people out of rural poverty into productive industry workers but it is also clear that the BEPZA argues that Bangladesh' mix of skilled and un-skilled labour is making their EPZ an even more attractive alternative for investment. Papadopoulos & Malhotra identifies the labour issue as a problem with the EPZ, with the generally low wages and low safety and health standards for workers within the EPZ¹¹⁹. As possibly strengthening O'Brien & Williams' statement, Papadopoulos & Malhotra also identify limited opportunities for the employees to advance in career working in the EPZ¹²⁰. But on the other hand, Papadopoulos & Malhotra states that the EPZ have a positive effect also by supporting a shift towards more and higher value added products being produced in a country and that it has an, although hard to measure in quantity, spillover effect on the rest of the country's production towards this value added products¹²¹. This could be argued to be an increase in the skill of the worker, in that case being contradictive with O'Brien & Williams statement. Increasing the skill of labour through technology received with the foreign direct investment is one objective of the BEPZA¹²². But that is not without problems, as mentioned above some scholars identify problems with worker's skill not increasing. And if it was increasing that may be difficult to combine with the low wages, which makes the low production costs and attractiveness of the EPZ in Bangladesh for foreign investors. However the wages must be considered in relation with the skill of the workers, and also skilled labour is cheap in the EPZ, according to BEPZA.

Dowla (1997) claims that the low labour costs of the EPZ is a factor in gaining foreign investment and that it will have to stay that way to prevent the investments from moving to other countries¹²³. This does not support the possibility of higher wages for the workers in the

¹¹⁸ Stiglitz 1996 and Page 1994

¹¹⁹ Papadopoulos & Malhotra 2007

¹²⁰ Papadopoulos & Malhotra 2007

¹²¹ Papadopoulos & Malhotra 2007

¹²² BEPZA Act 1980

¹²³ Dowla 1997

zone. Another fact worth to mention again is that in the EPZ in Bangladesh, the law prohibits labour unions and strikes¹²⁴. EPZ can be viewed, as Teeple (1995) argues, as a kind of freedom, but it is at the expense of the workers' rights¹²⁵. Kabeer & Mahmud (2004) argue that industries that produce clothes for export have better wages and working conditions (despite the banning of unions) than the other industry and this because the finished products are exported for consumers that may care about the working conditions.¹²⁶

Concerning the possibilities of economic growth, there is one potential problem with the fact that the EPZ are designed to make it easy to move profit out of the country to off shore banks. This is of course to address a desire of the international investors but it is a fact that must be mentioned.

According to Buzan (2007), there is a nexus between economic growth and the power of the state¹²⁷. Therefore it is a possible claim that the EPZ in Bangladesh, since providing to the economic growth and being unhindered by traditional boundaries, is indeed a source of the power of the state in the era of globalization. In this regard, one of the questions for this paper, whether the influence of the state might be made possible by the EPZ, can be answered with a yes, although with possible objections.

4.4 JOBS AND POVERTY REDUCTION

2011-2012 there were over 340.000 employed in the EPZ of Bangladesh¹²⁸. The issue here is the lack of possibility to assess if this number is a result of the EPZ only, or if there would have been similar number of job opportunities as a result of foreign investment if there were no EPZ in Bangladesh.

One issue being both a moralistic weakness of the EPZ as well as a comparative advantage in gaining investment is the low wages. Low wages is clearly used to attract foreign investors to Bangladesh by the BEPZA. On the BEPZA web site, there is a focus on the investors and

¹²⁴ Dowla 1997

¹²⁵ Teeple 1995: p. 86

¹²⁶ Kabeer & Mahmud 2004

¹²⁷ Buzan 2007: p. 198

¹²⁸ BEPZA, Year wise employment.

therefore the low wages, stability is presented as a reason why investors should chose the EPZ in Bangladesh. The average wages are described to be close to the minimum wages, and they vary from US \$ 39-109 a month depending mainly on skill level and are differing slightly depending on type of production¹²⁹.

According to ILO (2004) there is a working children population in Bangladesh that counts to 7.9 million children aged 5-17 years old. The source used is the Bangladesh Bureau of Statistics National Child Labour Survey 2002-2003. UNICEF also uses this Bangladesh Bureau of Statistics-Survey on child labour. Among these, 93.3 per cent are working in the informal sector. The number of child workers in the industrial sector counts to 1.4 million and the majority of the working child population is located in rural areas working in the agricultural sector.¹³⁰ Although ILO uses the Bangladesh Bureau of Statistics as a source rather consequently, the numbers of child workers differ significantly between different reports, depending on what definitions of child labour is used in the reports respectively. Child labour is prohibited in Bangladesh since 2006 though is considered common and widely accepted according to UNICEF¹³¹. According to the ILO the Bengalese government is taking action against child labour. Bangladesh has signed multiple multilateral agreements and conventions, including the UN Convention on the Rights of the Child and other regarding child labour to name a few. In practice, different education initiatives have been made by the government to make families prioritize children's primary education over labour.¹³² Regarding the EPZ, the fact that the most of the underage labour is taking place in rural areas and in the informal sector point toward that it is not a problem within the EPZ. Lifting people in rural areas from poverty is a major objective of the EPZ and if successful this might also have a decreasing effect on the number of underage workers in Bangladesh rural areas. However, to counter child labour, the wages are of importance and must not be too low to make child labour non-beneficial. Very low wages make a need for even the underage members of a household to contribute to the families' well-being.

¹²⁹ BEPZA Labour wages.

¹³⁰ International Labour Organization (2004): Child labour and responses: Overview note – Bangladesh.

¹³¹ UNICEF (2010): Child labour in Bangladesh.

¹³² ILO 2004

In the EPZ, there is a majority of women among the workers. According to BEPZA, the share of female workers is 64 per cent¹³³. The BEPZA consider this to be an important feature of the EPZ, since women are recognized as a vulnerable group, especially those in rural areas. In the 2008-2009 report, the BEPZA mentions the UN Millennium Development Goals and identifies that the empowerment of women through the possibility to get from poor rural areas into the productive sector is an important part of poverty reduction. Special arrangements such as the provision of housing and training in the EPZ for women from certain rural areas are one method for pulling female workers to the EPZ.¹³⁴ The share of female workers in the EPZ is significantly higher than the national average. Bhattacharya identifies that the share of female workers is bigger in fully foreign-owned companies in the EPZ. 79 percent of the male workers in the EPZ are in the so called “production workers” category, meaning they are engaged in low-skill, and low-paid, work. The share of the female workers in low-skill work in the EPZ is 98 percent.¹³⁵ Thus, there is an apparent gender inequality in the composition of workers of different skill-level in the EPZ.

The sort of state-approved exploration of workers to reach the state’s superior objectives can be argued to be a form of exercise of influence from the state. The security is also of interest for the state. In this case it is a complicated matter to discuss. Human security can be defined as “freedom from want”¹³⁶, which is of interest for this section about poverty reduction. The freedom from want can be argued to be strived for by the state when using such controversial methods to raise employment rates and lifting people out of poverty. However, according to Young (2007), the violations of human rights, such as neglecting the right to form unions, can not be compensated by profit or economic advantages. The fact that people are willing to work under unacceptable conditions is a sign of the desperation the people are in.¹³⁷ There seems to be a discrepancy in the possible interpretations of human rights and what state activity is legitimate here, since the profit or economic advantage that Young considers not to

¹³³ BEPZA annual report 2008-2009

¹³⁴ BEPZA annual report 2008-2009

¹³⁵ Bhattacharya, Debapriya (1998): Export processing zones in Bangladesh – Economic impact and social issues, International Labour Office, Geneva.

¹³⁶ Poku in Collins (ed.) 2010: p. 259

¹³⁷ Young 2007: p. 164-165

be sufficient to compensate for a violation of human rights, can be argued to be part of human rights, as human security includes the concept of freedom from want.

Buzan (2007) claims that beyond a minimum level of living standards, a further economic security for the individual is very hard to guarantee within the capitalist system, since the system includes a rate of unemployment and the alternative is intervention on the market. This might, according to Buzan's analysis, lead to an equal but low living standard for individuals. If economic security concerns a rising income for individuals, Buzan means that this is almost impossible for a government to reach, since the state can not control economic performances, and trying to do so might undermine their competitiveness.¹³⁸ This confirms the structure of the EPZ, which is instead increasing the competitiveness of Bangladesh, and is relying inter alia on low labour costs. Also Dent (in Collins 2010) recognizes exports as a key for prosperity for countries with small domestic markets¹³⁹.

4.5 FURTHER ABOUT THE STATE'S INFLUENCE AND SUMMARY OF CHAPTER 4

According to Buzan (2007) the survival and power of the state are depending on economic security, and that one of two main elements of economic security for the state is to relatively quickly adopt with the changing international system. To not adopt, or not adopt fast enough may lead to a decline in the state's power.¹⁴⁰ In the case of the EPZ in Bangladesh this can be used as an argument that the state is investing in its economic security and tries to be more competitive than its rivals. It still does not explain how one should understand the paradox of a phenomenon where the state refrains from some influence in order to ensure its economic security, which in turn is essential for the state's power. Possibly, the power of the state is too complex to be evaluated with validity using only the EPZ as a tool for analysis. On the other hand, trying to do the same evaluation, using for example the globalization as a tool for analysis, may be too extensive to grasp in a paper such as this.

What state activity that may be viewed as legitimate in the pursuit of economic security is also dependent on ideological circumstances, according to Buzan (2007)¹⁴¹. The EPZ is

¹³⁸ Buzan 2007: p. 194

¹³⁹ Dent in Collins (ed.) 2010: p. 246

¹⁴⁰ Buzan 2007: p. 196

¹⁴¹ Buzan 2007: p. 198

adapted to the capitalistic system and hence will draw criticism mostly from capitalism skeptics. It is logical for a country such as Bangladesh to try and adapt to the system, given that the system, if considered unfavorable for the country, is anyway harder to change than to adjust to. Also to bear in mind is that ideology seems to be "trendy", and today liberalism is considered as good economic policy, compared to earlier thoughts such as keynesianism or mercantilism. If liberalism is considered the best economic system, then that is what many countries will likely adapt to. In this case in their own way, as several Asian countries have been successful in combining open markets with government control. Figure 2 is the scheme of analysis presented as Figure 1 (see page 20), with a short summary of the results of Chapter 4.

Figure 2.

Scheme of analysis and results of chapter 4

| Features examined | Benefits of the EPZ | Shortcomings of the EPZ | Effect on the influence of the state |
|--------------------------------|--|---|--|
| 4.1 State income (see page 22) | Income from rent and fees via BEPZA. Relatively small, however increasing. | Loss of potential income from tax and tariffs. Expenditures for providing infrastructure. | No obvious effect. The objective of the EPZ is development, not state income. Different scholars have conflicting views, is state income or state spending the most sufficient variable to determine state influence? Tax rebates can be argued to be a form of spending in advance. |

| Features examined | Benefits of the EPZ | Shortcomings of the EPZ | Effect on the influence of the state |
|---|--|---|---|
| 4.2 Foreign Direct Investment (see page 25) | Bangladesh is considered as a good area for investment and there is significant inflow of FDI. Around one half of the FDI in Bangladesh is located to the EPZ. | FDI is not exclusive for the EPZ. | <p>FDI is identified as a key to development in Bangladesh, the superior national objective. Thus the FDI assists the pursuit of development. The state seems able to influence its situation in this regard.</p> <p>”Ultimate control”, however, lies with the investor, and not the state, since the investor can move at will.</p> |
| 4.3 Economic growth and development (see page 27) | High and increasing growth rates since the 1980’s. | Although the growth is contemporary with the EPZ, there is no sure correlation between the two. | <p>A nexus between economic growth and state power suggests that EPZ in-directly might contribute to state power.</p> <p>The EPZ seems to aid the state in pursuing its objectives.</p> |

| Features examined | Benefits of the EPZ | Shortcomings of the EPZ | Effect on the influence of the state |
|--|--|---|---|
| 4.4 Jobs and poverty reduction (see page 31) | <p>The EPZ contributes to moving people from rural poverty to urban and more modern areas.</p> <p>Poverty is decreasing, however slowly.</p> | <p>Low wages attract investment. On the other hand there is extensive exploitation of workers.</p> <p>Trade unions are prohibited.</p> <p>Poverty is still wide spread.</p> | <p>There are contradicting views among scholars on whether exploitation of workers is legitimate or not, regardless of the objectives of the state.</p> <p>The EPZ is a way to increase the competitiveness of Bangladesh. Buzan claims that a state trying to control economic performances might undermine its competitiveness.</p> |

5. CONCLUSIONS

As this paper has shown, the EPZ in Bangladesh can be argued to be a specific strategy the state uses to have its possible influence over the market affecting the flows of globalization in a way favorable with the objectives of the state. These objectives are to counter the widespread poverty in Bangladesh, to reach economic growth and to lower the rates of employment through making foreign investors chose Bangladesh as their area of investment, making their inflow capital and industry benefit Bangladesh. The globalization is a process that can affect the country in an unfavorable way, such as the risk of corporations leaving the country but that risk is at the same time a possibility, since there are investors with the world as their market that can be attracted to one's country with policies and institutions that the influence of the state can provide its country with. The globalization gives flows of capital for

instance that is circulating and Bangladesh uses the institution EPZ and its specific policies to benefit from the flows of capital circulating.

Concerning the state strength of the state as given account for above, Wallerstein (2004) defines it as the ability to have decisions carried out, this could for example be the ability to collect tax¹⁴². Relating to the problem of this paper, this definition of the strength of a state is not frictionlessly applied on Bangladesh and the EPZ. In this case, the state uses part of its strength, the ability to make decisions, to decide that Bangladesh will relinquish from collecting tax in the EPZ. This point toward the idea that the EPZ is indeed a sign of the state exercising control, but that it is doing so in a way that does not fit perfectly with the earlier view on what state control means in practice and how it should be carried out. The EPZ makes an exception from the rest of Bangladesh, where control is exercised accordingly with Wallerstein's definition of the state's strength. What also can be pointed out is that though the investors in the EPZ enjoy tax rebates and holidays, part of the income of the BEPZA, mainly from rents and fees of water, electricity and gas service, is transferred to the state annually. This means that the state of Bangladesh does not totally refrain from collecting taxes, but that it is choosing whom to tax and how, in this case to promote foreign investment. This relates to the discussion of Marquette & Beswick (2011), who argue that there is a common paradigm on acceptable state activity. The unconventional way Bangladesh chooses to tax probably does not apply to a common paradigm on state activity. But the globalization may demand new strategies for the state to be able to use its influence, and the point is that the way Bangladesh chooses cannot be argued to be less state-like; it is just different from a common view on how the state should exercise its influence. The globalization brings the possibility of investment and companies moving into Bangladesh as well as the risk of moving away. EPZ is a strategy for the possibilities but does not prevent all the risks. It is likely that Bangladesh has identified EPZ as an alternative to unemployment, even though it results in low-wage jobs for poor, vulnerable groups with few options.

McIntyre, Narula & Trevino (1996) describe EPZ as a tool that can be used by developing countries to achieve economic development¹⁴³. This description is well suited also for the case

¹⁴² Wallerstein 2004: p. 53

¹⁴³ McIntyre, John R. Narula, Rajneesh & Trevino, Len J. (1996): The role of export processing zones for host countries and multinationals: a mutually beneficial relationship? *The International Trade Journal*, 10:4, 435-466

of the EPZ in Bangladesh. Being a poor country but still with a surplus of workers, the EPZ can be argued to be a well designed strategy the state uses to benefit the country from the flows of globalization instead of globalization being something that unavoidably is being imposed on the whole world without the state being able to affect it. The claim that EPZ can be argued to be a tool for the state also relates to one of the questions for this paper, the EPZ is from this view a way to exercise influence to achieve economic growth, which is obviously also the main objective for Bangladesh adoption of EPZ.

For obvious reasons, a universal understanding cannot be made within this paper on what would have been in Bangladesh or globally without the existence EPZ. It is impossible to tell what rates of foreign direct investment, growth, employment and so forth would have been the case if the EPZ did not exist. Bangladesh chooses to use EPZ as a tool for economic growth, probably because so far it is working, serving their purpose.

Concerning some of the critique of the EPZ given account for in the introduction of this paper, Papadopoulos (1987) and Warr (1989) argued that companies can and probably will move around, always seeking the lowest production costs.¹⁴⁴ This is a possibility that the transnational corporations do have, primarily due to the globalization. The EPZ may facilitate this activity, but EPZ is not the basis of it. But the EPZ can be argued to contributing in increasing the pace of a so called “race to the bottom”, where the competition from the states to offer the most corporate friendly conditions and the possibility for the transnational corporations to move causes wages to remain low and production to be bad in terms of both working condition and environmental standards. For the influence of the state, a race to the bottom could mean a decrease, if the international competition would cause the state to retreat from more and more of the areas of the production it is currently in control of or regulating in some way.

Wallerstein claims that the method of reallocating production to keep wages low will be less feasible in the future, when it eventually will come to a point in time where the rural work force is exploited and there will be no new place to move the production with lower wages¹⁴⁵. This surely raises questions for the future and what part the EPZ will play. Is the EPZ a trend

¹⁴⁴ Papadopoulos 1987 and Warr 1989

¹⁴⁵ Wallerstein 2004: p. 81

on the way toward these higher wages, maybe only slowing the pace in which the global economy is moving there, or is the EPZ a phenomenon that will keep wages low despite Wallerstein's prediction? Wallerstein identifies the workers's demand for higher wages (inter alia via their possibility to form trade unions) and taxes as main factors raising the production costs, but both these issues are foiled in how the EPZ are designed. However, as Wallerstein predicts, there may be no more labour in rural areas to exploit in the future, which also brings the question on whether the wages will stay this low in the EPZ when the labour reserves from the rural areas of Bangladesh are exploited.

If the low labour costs is a condition for the EPZ to be attractive to foreign investors, and the EPZ is a condition for the influence of the state in the globalization, then possibly the low influence of the labour force is also a condition needed for the state to be able to exercise this control of the globalization. All in all making it clear that chances are the debate will continue also after this paper is long since finished. And also making clear that further research on the EPZ' influence on the labour force and their terms is needed.

One issue not being given much space in this paper is the fact that the EPZ also are short on policies and laws on environment and climate friendly production and this might need to be examined further in the future. Teeple (1995) is one critic of this lack of policy¹⁴⁶. Considering this it is hard to analyze how strong environment friendly policies would be if there were no EPZ. Maybe this critique should be pointed towards the countries missing these laws and policies, at least in theory they could be practiced with or without EPZ. So this serious problem that environment friendly laws are not implemented often enough does not necessarily have to be sorted as a shortcoming of the EPZ, but one of the national state and various supranational institutions. It can also be the way Wallerstein (2004) puts it, as mentioned above, that a non environmental friendly production keeps the production costs low and that the cost of the procedure will sooner or later have to be paid by the state and the tax payers¹⁴⁷. That may also be a choice made by the state of Bangladesh that just like that the international corporations are allowed to use for example the infrastructure in the EPZ without paying tax, the state may also offer to pay for the environmental damage made by the production. However, given the high rate of hazardous emissions, it is more likely that so far,

¹⁴⁶ Teeple 1995: p. 86

¹⁴⁷ Wallerstein 2004: p. 48

no one has made, or been able to make, the emissions lower. There are initiatives to counter the environmental problem, for instance the BEPZA is cooperating with the World Bank Group in a project aiming to lower the emissions of greenhouse gases from the industrial areas of the country, starting with the Chittagong EPZ¹⁴⁸

This paper's conclusions contradict with the ideas of inward looking strategies for growth. From this paper's analysis, the EPZ does not seem to be a decline of the influence of the state, but rather an example of the state changing its ways to control for instance the market. As an answer to one of the questions of this paper, the state control can actually be argued to have been made possible by the EPZ, since the EPZ gives the state a possibility to some extent exercise control on the global flows of capital. The EPZ in Bangladesh can be viewed as a different expression of the influence of the state, a way of expression that is specifically designed to use the flows of globalization to serve the purposes and desires of the state, which is to get higher rates of employment and to achieve economic growth. Bangladesh identifies foreign direct investment as a means for achieving this and therefore the EPZ are constructed to attract foreign investment, maybe on the expense of other needs. Among definitions on what activities a state should engage in are, as shown above, tax collection and deciding on policies. The EPZ is one way of doing this that Bangladesh uses, but not in the most common way traditionally practiced, since it is giving tax rebates to companies in the EPZ. Globalization gives new conditions for the state to try and operate in and therefore it is also reasonable to believe that the state will have to come up with different strategies than traditional state activities or strategies that do not fit into the paradigm on state activity that Marquette & Beswick (2011) identify.

Will the state be able to practice control without ever being pragmatic and having to prioritize between different demands? Bangladesh can be argued to be overseeing the problems of the working conditions in the EPZ and the moralistic and legal issue of prohibiting labour organizations and trade unions, and it is probably so because the gains of the EPZ in the form in which they now exist are valued very highly. The job opportunities the EPZ can provide for the country probably would be appreciated by many governments in a most pragmatic way.

¹⁴⁸ World Bank Group investment climate: WBG helps lower greenhouse gases in Bangladesh industrial zones.

This paper shows that some authors view state control as something interlinked with essential definitions of what the state is (or what the state used to be in the post Westphalian era), in terms of sovereignty and as a policy maker that can and should be in control of their domestic economy and economic flows across their borders. Other authors used in this paper are more pragmatic and look for the state's ability to pursue its objectives. If the state has this ability, it can be argued to be in control of or have influence over its own situation. Using the latter point of view on state's influence, and the case of the EPZ in Bangladesh, we can now read Baumann's words with a new understanding.

"No one seems to be in control. Worse still - it is not clear what 'being in control' could, under the circumstances, be like."

Surely, Baumann's statement that we do not really know what "being in control" means is accurate, given the different views of state control that different authors present when trying to grasp the globalization and its relation with the state's control. We can also add to the conclusions that control over the globalization process is probably beyond state power, however, the state can have an impact on some of the flows that the globalization consists of. The globalization gives the state the possibility, as well as it on the other hand maybe forces, the state to be a global actor trying to benefit from global flows of capital, just as the state might suffer from the flows of capital if unfavorable. These circumstances, and its conditions and terms for state activity, is why it is understandable that the state uses new strategies to exercise control over the flows of globalization to try and benefit itself and maintain its influence. As the results of this paper shows, the EPZ is a strategy based on state influence on the market, designed to use globalization to reach certain objectives of domestic development.

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