Theorising State-Market Axis in a Globalising India

Dr. Jayati Srivastava
Centre for International Politics, Organisation and Disarmament
School of International Studies
Jawaharlal Nehru University
New Delhi, India
Email 1: jayatis@jnu.ac.in
Email 2: jayatis@gmail.com

Abstract
The paper locates the state-market relationship in India in a historical framework to contextualise the contemporary trends in the state-market dynamics in a globalising India, as both foreign economic and domestic policy is increasingly being influenced by the dynamics of market forces. It argues that while Indian state’s control over land, resources and contracts gives it an overwhelming privilege over the market, it concurrently provides strategic avenues for ‘state capture’ by certain business houses, which at various historical junctures have gained immensely through extension of such privileges and ‘patronage,’ a trend that continues unabated, perhaps even more blatantly in a liberalising India. Yet, such ‘state capture’ remains partial and tenuous as the quest for social-economic justice continues to weigh heavily on the market forces. Simultaneously, the democratic and federal polity lends Indian state a fair degree of authority over the market forces. More pertinently, in the imagination of the nation, the state was given and continues to enjoy a privileged and exalted status in general and more particularly vis-à-vis the market forces even when it cedes to and is compromised by the latter in numerous ways. The Indian case thus offers a vital lens to revisit some of the extant theoretical pivots of state-market relationship.
Theorising State-Market Axis in a Globalising India

− Jayati Srivastava

Introduction

Theorising state-market axis in India offers an important analytical lens to understand the trajectory of an emerging economy at the cusp of great power shifts. In the case of globalising India, this meant not only a shift in state-market matrix, but also a restructuring of its adversarial position with the global economy; something that cohered as a part of the national imagination during the freedom movement itself. From condemning the global economy as a site of exploitation, to actively engaging with it as an avenue of opportunity for India, marked a fundamental ideological shift, which had a significant bearing on state-market relations. This became more imperative since late 1980s, when India embarked on a path towards liberalisation. The process of economic liberalisation and opening up of India’s economy established closer linkages between the global and local processes wherein new synergies developed between the state and the market and the rise of the private sector was seen to be linked to the rise of India as a ‘breakout’ nation. The market (read private sector) gradually entered into various kinds of partnership with the state while the latter on its part facilitated the overseas acquisitions by Indian private companies, apart from becoming a facilitator of the global companies’ forays into India, in addition to its role as a facilitator, competitor, regulator, and provider.

The paper would attempt theorisation of state-market relations in India through the following three sub-sections: Global Economy, National Imagination and State-Market Conundrum; Evolutionary Shifts in State-Market Relations; Globalising India and State-Market Relations; and, Conclusions.

I

Global Economy, National Imagination and State-Market Conundrum

The paper locates itself in the framework in which national economy is seen as integral to the national imagination of a country (Deshpande, 1993; Crane, 1999; Wyatt, 2005; Cameron & Palan, 2004), thus providing a foundational ground for structuring state-market relationship. Arguably, economy cannot be completely devoid of the social and cultural conundrum and is in fact rooted in them and is thus an integral part of the
national imagination. This goes against the conventional understanding of economy being devoid of social and cultural context (Blaney and Inayatullah, 2010). Since, the type of economic structure and the corresponding state-market relationship is rooted in the socio-cultural conundrum, ‘culture – understood as a structured ensemble of symbolic mediations – always relates to a social imaginary that works to constitute both social and economic relations…[However], it is economy that displays in the most striking way…the domination of the imaginary at all levels’ (Ouellet, 2010:179).

Such an imaginary creates worldviews about the wealth and power and has a corresponding influence on structuring the state-market relationship and setting the direction of economic policy, which also indicates that the economy cannot be completely, de-embedded from the society and is rooted, informed and structured by it. Since the links between national imagination and economy are canonical, the decisions about national economy are open to a variety of political symbolism, political expediency and are open to renegotiation, re interpretations and contestations. Thus, transition to neo-liberalism in the 1980s from the post war embedded liberalism was based on ‘new economic imaginary’ that produced a different kind of economic individual (Ouellet, 2010: 177-178). Such imagery though may not necessarily be shared by all of society who may seek different articulations of economic policies.

National economy is thus an important component of the project of nationhood and is even more pertinent for post-colonial states, like India wherein as an important part of the cognitive cosmos, economy provides an important fodder to construct the idea of a nation. The cultural and economic aspects are thus seen as intertwined in the national cognition and imaginations.

The national economy is often used as a sacred space to be safeguarded, protected and reared in order to fulfil the march of a nation towards its destiny. ‘There are, in fact, at least three ways in which national narratives are rendered in economic terms: economic-historical experiences of suffering that are made into powerful signs of collective identity; economic accomplishments that can serve as emblems of shared glory; and assertions of an organic societal unity rooted in a common economic life.’ (Crane, 1999: 215). The link between material and ideational becomes even more pertinent when external situation/forces are seen to be inflicting damaging or restraining the economic life of a nation or its growth trajectory. When narrative of victimhood or historical wrongs gets
pronounced in the national imaginations, protectionism, economic nationalism and self-sufficiency are marshalled as tools to protect themselves from the onslaught of the ‘other’ and/or external forces (Wyatt, 2005a: 163).

This also sets the cast for state-market relationship which means that late industrialisers tend to lean towards more state control (Gourevitch, 1978; Gerschenkron, 1962). Methodologically thus, the impact of world economy – markets and trading patterns – affects not only state behaviour and nature of regime but also the entire range of political process. The process of globalisation attendant to neo-liberal globalisation further penetrates the porous boundaries between local-domestic and the global-international, as it underlines the impact of international structure on domestic politics, especially that of the global economy and the constant interplay between the two, especially when it comes to questions about external economic forces determining the fate of countries. The national and the global thus blur to the extent of becoming irrelevant as global co-habits with the national space in the realm of imaginations, given the co-constitutive logic of the national and the global which significantly overlap (Sassen, 2000: 215).

In the case of India, as the statist dispensation marched on with the neo-liberal reforms after 1990 attendant to globalisation, it meant not only re-writing some of the cardinal principles of national imaginations erected during the process of independence, but also a fundamental transformation of the state-market relationship. Such transformation though gradually approved by all major ruling political dispensations with the exception of the leftist political formations, as spelt out in their election manifestos1 is not without challenges and contestations, symbolising that multiple imaginations exist in relative positioning of the state and market and the place of global economy therein.

Historical Narratives of National Economy in India

In India, national imagination about the economy and the corresponding state-market relations developed around the context provided by the British rule in India. Deshpande argues, “an important aspect of the specificity of Indian nationalism …is the crucial role played by discursively constructed notions of a national economy” (Deshpande, 1997: 7).

The economic plight under the imperial rule also provided cardinal rationale for the

---

1 This paper has primarily looked at the election manifestoes of the BJP – led NDA and the Congress party which led the UPA, both of which were the dominant ruling parties that led India through the process of economic reforms for the period under discussion.
demand of freedom. Constant references to the plunder of India dominate nationalist narratives from the drain of wealth theories advanced by Dadabhai Naoroji to expositions by Jawaharlal Nehru who underlined the predicament of the great nation plundered at the hands of the foreign rule. According to Nehru:

“...nearly all out problems today have grown up during British rule and as a direct result of British policy... the lack of industry, neglect of agriculture, and above all the tragic poverty of its people... imperialism must function [in an exploitative] way, else it ceases to be imperialism... we seemed to be in grip of some all-powerful monster... the peasantry were servile and fear ridden; the industrial workers were no better ...and this process had eaten its way deep into the body and soul of India, poisoning every aspect of our corporate lives” (Nehru, 1946: 306).

Victimhood narratives harked back on the past glory of India to note that ancient India ‘exhibited her vitality and genius in a variety of ways... We see her bubbling over with energy and spreading out far and wide, carrying not only her thought but her other ideals, her art, her trade, her language, and literature, and her methods of government’ (Nehru, 1946: 207).’ The phrase golden bird was used to refer to India to underline the plentiful and abound richness which was systematically impoverished by the colonial rule; that plucked bare the bird of gold and denied its rightful place in the comity of nation.

Correspondingly, economic realm also provided ready symbolisms built around shared economic experiences and common sufferings inflicted upon by the foreign rule. With reference to the ‘Imagined Community’ of Benedict Anderson (1983) Deshpande argues ‘it is not only the print-commodities but other commodities too which provide the means to imagine the nation, such as hand-woven cloth or common salt ...’(Deshpande, 1997: 10).

Mahatma Gandhi used these economic symbols (swadeshi, khadi, etc) to not only awaken the nation but to take on the might of the British Empire and achieve independence by constructing an autonomous economic realm.

The independent Indian state thus not only became the symbol of fulfilment of a ‘new’ nation, it also became the epitome of a wide array of expectations leading to an exalted state in letter and spirit. The aim was ambitious – to get rid of poverty, disease, inequality and ensure adequate standard of living and to “wipe every tear from every eye.” (Nehru, 1947). Thus “reclaiming the economic destiny of the nation after independence was consistent with earlier nationalist protests against colonial exploitation” (Wyatt, 2005 a: 165).

During these early years of independence, there was a widespread consensus on the ideological premises of the centrality of state-led social and economic developmental
model, which was cemented by the ‘Congress System’ (Kothari, 1964)\(^2\) denoting the near dominance of the Congress Party. This meant that in the domain of national economy, the role of the market was seen as subservient to the state.

II

**Evolutionary Shifts in State-Market Relations**

*The Colonial Period*

The contemporary state-market relations in India developed around the context provided by the British rule in India. During the colonial period, the relationship between the Indian capitalists and the freedom movement is fiercely debated among historians. Some scholars calling the Indian capitalists, at least its upper stratum, a close ally of the British imperial project, document the early collaboration between the East India Company and the Indian bourgeoisie. This view argues that there existed an organic link between the upper stratum of the capitalist and the British capital before and after 1914; and that this section was from its very birth colluded with and was an ally of the British rule in India.\(^3\)

Others like Bipan Chandra taking a different approach argue that “the Indian capitalist class had developed a long-term contradiction with imperialism while retaining a relationship of short-term dependence on it and accommodation with it” and this class did not have, any organic link with British capital and “did not become an ally of the British rule in India” at least not after 1914. (as cited in Ghosh, 1988: 2445).

As the Independence Movement progressed, the struggle for economic self-reliance, industrialisation and level playing field became an important sub-set of the struggle for India’s independence. As Purshottamdas, the then President of Federation of Indian Chambers of Commerce and Industry (FICCI), declared: “we can no more separate our politics from our economics ... Indian commerce and industry are intimately associated

---

\(^2\) Unlike, single party system, the Indian system has been described as of one party domination, which consists of “a party of consensus and parties of pressure. The latter function on the margin and, indeed, the concept of margin of pressure is of great importance in this system...The sensitivity of the entire system depends on the sensitivity of the margins of pressure, its flexibility and general responsiveness being a function of the elbow room it provides to factions, dissident groups and opposition parties in the making of critical choices and decisions. The Congress, which is the party of consensus, functions through an elaborate network of factions which provides the chief competitive mechanism of the Indian system.” (Kothari, 1956: 1162-1163).

\(^3\) For a full discussion, see DN (1989).
with and are, indeed, an integral part of the national movement-growing with its growth and strengthening with its strength.” (as cited in Mukherjee and Mukherjee, 1988: 534).

The Indian commercial, industrial and financial interests were articulated through various chambers of commerce, and trade and industry associations set up to communicate with the colonial state. Parallel to such engagements with the British, the confrontation with the colonial state is also observed during the same period. For instance, to capitalise on the growing nationalist sentiment, many indigenous/ swadeshi industries were set up across the country, chief among them being the Swadeshi Mills established by J. N. Tata in 1886, and Bengal Chemical and Pharmaceutical Works established in 1892, Calcutta Chemicals set up in 1916. Such industries also received generous public support. For instance, when the first indigenous steel mill was set up by J R D Tata in 1907, “from early morning till late at night the Tata offices in Bombay were besieged by an eager crowd of native investors. Old and young, rich and poor, men and women, they came, offering their mites; and at the end of three weeks, the entire capital required for construction requirements (sic) £1,630,000 was secured, every penny contributed by some 8,000 native Indians.” The swadeshi businesses took another leap after World War-I by which time the nationalist business houses had the resources to expand and compete with the British firms. (Jones, 2007: 80). When the policy of Swadeshi and boycott of British products was adopted at the Nagpur session of the Congress Party, it found ready support of the indigenous business community. (Jones, 2007).

The freedom movement thus saw a closer involvement of the Indian business community with the national movement. For instance, Jamanlal Bajaj was the treasurer of the Indian National Congress since 1920 till 1942. Another leading businessman, Ghanshyam Das Birla was regarded by Gandhi as a counsellor and because of his closeness to Gandhi as well as his ability to engage with the British, was considered as an unofficial emissary and honest interpreter between Gandhi and the British. (Piramal and Herdeck, 1986: 71-72).

The closer involvement between leaders of modern India and leading Indian business houses is well documented in the speech delivered by Mahatma Gandhi at Jamshedpur on 8 August, 1925 where he mentioned that “in South Africa when I was struggling along with the Indians in the attempt to retain our self-respect and to vindicate our status it was

---

4 Some scholars do not regard big business houses such as Tata, Birlas, Goenkas, Wadia, Dalmia as part of the national bourgeoisie but document their close association and collusion with the British capital. See Ghosh (1988).
Sir Ratan Tata who first came forward with assistance.” (Collected Works of Mahatma Gandhi, 1925: 271).

Such extension of financial support gained momentum as the freedom movement progressed. In fact, the financial donations to the Congress Party by the Indian business community had the British worried and in 1942, the then Viceroy of India, Lord Linlithgow wrote a secret memo to all provincial governors to probe the role played by the big business and wealthy capitalists by the central Intelligence “in recent disturbances.” (Piramal and Herdeck, 1986: 71).

As the independence of India looked closer, some attention was given by the industrialists to the economic trajectory that India was to follow which in many ways was in sync with the Nehruvian model, albeit with greater role for the private sector. Accordingly, the Bombay Plan advanced in 1944 by seven prominent businesspersons of the period, including G D Birla, J R D Tata and Kasturibai Lalbhai, laid stress on planning and public investment in building social and economic infrastructure, development of heavy industry, agrarian reform and agricultural research, and the need to set up educational institutions and a closer alliance with the American capital instead of British capital. (Ramkrishnan, 2006). However, in the impending Nehruvian socialist model of state-led economic planning and growth, the Bombay plan in particular and the market/private sector as a whole, did not find much favour in the policy space dominated by the Congress Party.

The Phase of Regulated Economy: Making of a Patronage State

As a part of foundational premise of the national movement, the ‘new’ Indian state zealously guarded its autonomy and asserted self-sufficiency against the external forces. The policy of economic self-reliance and swadeshi, which was imperative during the national movement, became a part and parcel of the post-colonial Indian state psyche and influenced the model of development that independent India adopted. This was also contingent on the fact that as a ‘late industrialiser’ India needed more centralised state structures to not only protect the domestic industry but also to embark on massive state-led developmental project. The result was Nehruvian socialism, planned economy and a mixed model of growth, which was to herald the march of nation to its destiny. In such imaginations, no conflict was seen between the nation and economic goals. “… The service of India means the service of the millions who suffer. It means the ending of poverty and
ignorance and disease and inequality of opportunity.” (Nehru, 1947).

In a period immediately after independence, the protectionist lobbies led by the Bombay Club supported the regulation and protection of domestic industry. Also, because of the hegemonic nature of the Congress Party and the status that Nehru commanded, no business house was ready to question it. It was perhaps in deference to the Nehruvian model of socialism that:

“the Indian capitalists too saw the necessity of the public sector and partial nationalisation and were among the first to argue for it . . . Also, the state was to be the preferred channel for bringing in the necessary foreign credits, loans, aid, etc, as it would be in a better position than private capitalists to deal with foreign capital without being swamped by it. The choice as the capitalists saw it was between the public sector playing a key role in developing basic industries, defence industries, public utilities, mobilising financial resources, etc, and dependent growth under foreign domination. They opted for the former” (Mukherjee & Mukherjee, 1988: 541).

As a corollary, open dissent with the party in power, i.e. the Congress was an anathema to the business community in India lest they alienate the Congress party and its leader, Nehru. Hence, any dissenting voices on economic model did not find much favour even amongst the business community. For example, the Swatantra Party established in 1959, advocated free enterprise but it did not find much support amongst the business community because they were afraid, it will bring more restrictions on free enterprise. G D Birla is thus reported to have told a business gathering that “Swatantra politics is not good businessmen’s politics” as such activities would alienate even our good friends. (Arora, 1981: M5).

Thus, during the period of Nehruvian socialism and its attendant planned and mixed economic model of growth, autonomous role of the business community/private sector/market was stifled by a strict regulatory regime of licences and permit raj. The private sector existed alongside the public sector, although at the margins and the mercy of the state. The constant threat of nationalisation in the post-independence India also shrunk the political space for the business community/market, prompting them to express support for the socialist goals as done by Tulsidas Kilachand, the spokesperson of the Indian business community two years before the death of Nehru: “The business community is in complete agreement with the socialistic objectives of the government and there are no two opinions on that score. There is no fundamental or ideological difference between the business community and the government.” (as cited in Das, 2001: 19.)

It must be underlined that, while the autonomous role of the market/business was stifled during the first three decades of independence, the state regulated business community
nevertheless contributed substantially to the election funding of political parties with the Tatas and the Birlas accounting for nearly 34% of the total contributions between 1962-68 of which the Congress and the Swatantra Party were the noted beneficiary (Venkatesan, 1999).

Over a period of time, different avenues of state-market interface evolved, leaving a question mark over the relative autonomy of either the state or the market. This was primarily being navigated through the avenue provided by the democratic political process, amidst crisis of institutions that began to plague Indian polity, soon after the end of Nehruvian era. This also signalled the cracks in the hegemonic consensus in Indian polity and unravelled largely by the end of the decade of sixties culminating in the breakdown of the Congress System.5

**Big Money, Briefcase Politics and Erosion of State Legitimacy**

With Indira Gandhi at the helm of Indian polity under the then formidable Indian National Congress (I), the period saw the beginning of institutional decay in the Indian polity, in addition to the cult of personality and undermining of democratic political process. The landmark decisions by Indira Gandhi to nationalise banks and to ban on company donations to political parties was at least partly aimed at controlling the flow of money to the opposition parties. This in turn, opened the floodgates of corruption, massive use of black money and invention of convoluted routes of money transfer to the political parties, especially to the Congress Party. According to Sridharan, until the 1990s the Congress raised and spent more money than all other parties put together. (Sridharan, 1999: 238).

This has been dubbed as the briefcase phase of Indian politics, on account of the rampant use of black money in the elections, supplied in briefcases to the party in power. This trend was also facilitated by the rise of new tsars on the corporate radar of India such Reliance which many claim by manipulation of the licence and permit raj6 through massive

---

5 The Congress Party lost in many states in the Fourth general elections in 1967 (Sato, 2002: 59), which finally led to the split in the Congress party into two factions led by K Kamraj and Indira Gandhi in the year 1969. This period also saw foreign exchange and food crisis, and the limited success of government policies, engendering Naxalism, social unrest and a variety of social movements.

6 In 1966 the first Reliance textile mill was set up at Naroda using polyester fibre sold within the brand name Vimal.
donations to leading political party. An endemic cycle of corruption rooted in the licence and permit raj followed which changed the face of Indian polity.

The licence and permit system required permissions for every business activity, ranging from setting up factories to raising production capacity and quota for import and tax exemptions, etc. This gave the state a notional upper hand, riding on incredible discretionary power assigned to the ministers, political functionaries and the bureaucracy. What followed was a system of patronage wherein certain business houses and families acquired disproportionate favours. This included the Birla group and Reliance Industries in the early years and later joined by many others as party system fragmented and more and more new players entered the market, demanding a share in the state largesse. Almost a symbiotic relationship developed between the corporate and leading political party, which not only transformed the relations between the Indian state and the market, but also undermined the legitimacy of the state in a fundamental manner.

**Fragmentation of Party System: More Channels of Market Influence**

The fragmentation of the party system since the 1980s, has brought a significant number of corporate houses attached to the smaller political parties and regional parties. The Uflex Ltd and Sahara group are considered closer to the Samajwadi Party, apart from large corporate players such as the Tatas, Birlas, Bajaj and Reliance which until recently were regarded as being close to the Congress party. However, in recent years, given the realities of coalition politics, they try to balance the two big political affiliations – the BJP and the Congress, one of which has to be an important constituent in the government formation along with a combination of regional and smaller political groupings.

In a political climate of flux, however, loyalties are shifty and very often compromised for mutual benefits. The corporate influence is more pronounced in case of regional parties with uncertain electoral base and limited influence in the national elections because the smaller regional parties need the monetary support more than the bigger national parties to whom almost all corporates contribute in equal degrees in order to split resources amongst diverse political affiliations.

The corporate houses extend support to smaller parties because of the disproportionate share of influence the smaller parties exercise in holding the governments to ransom by the threat of withholding or withdrawing support, thus giving them power to influence
the outcome of government policies. Such avenue into the policy domain was not available to smaller corporate players earlier.

This also meant corporates acquiring influence within government circles by distributing money, favours and all kinds of goodies, thus compromising the state’s policy in a big way. Businesses thus emerged as active lobbying groups, using the purse strings as leverage with scant regard for institutions and processes and thus engendering a permanent structural harm to the Indian political system.\(^7\) In political terms it translated into a massive erosion of state’s legitimacy and authority, which is compounded by obfuscation of conflict of interests and patronage given to the market by the state.

**Corporate as Legislators: Overlapping Priorities and Conflict of Interests**

The contemporary Indian political process has witnessed a growing role of the business community in various aspects and levels of policymaking, including the legislature, more and more as members of Rajya Sabha. Instances of corporate members getting elected to the Lok Sabha or Rajya Sabha were not uncommon in independent India. Prominent early examples include Murli Deora, and T A. Pai who became member the Lok Sabha and Rajya Sabha, respectively and also ministers in Congress led government.\(^8\) In recent years, the most noted case is that of Navin Jindal, Executive Vice Chairman and Managing Director of Jindal Steel & Power in the current Lok Sabha who won from Kurukshetra on a

---

\(^7\) However, in the phase of economic liberalisation, the corporate funding to elections is showing a trend of decline. This also has to do with the corporates’ reluctance to fund frequent elections. According to the then CII president Rahul Bajaj, for the 2004 elections, “industry’s contribution will be half of that doled out in the 1998 elections” adding that frequent elections and economic slowdown have led to industry’s reluctance in contributions to political parties (Embassy of India, Washington, 1999). Some ad hoc attempts were made by business houses to protect their interests as also instil transparency in the system of electoral funding. A committee set up by the Confederation of Indian Industry (CII) in 1993 suggested state funding of elections and distribution of money amongst political parties through a state managed election fund to be raised by either a cess on excise duty or by contributions from the industry along with demand for tax concessions to party contributions, once ratified by the shareholders. According to a survey conducted by the Indian Chamber of Commerce (ICC), Kolkata on Indian Elections 2004, an overwhelming majority (about 86 %) of Indian Inc was in favour of disclosures of election funding in annual reports of companies although it was tempered with an apprehension of discrimination after the party not funded is voted to power. (The Hindu Businessline, 10 April, 2004). Some of the corporate houses took similar initiatives. The Tata group floated an Electoral Trust while the Aditya Birla Group led Grasim Industries has set up a General Electoral Trust albeit with limited success because of the reluctance of the other corporate houses to contribute to these funds and also reluctance on the part of the political parties (Venkatesan, 1999). Moreover, such funds offer only piecemeal and halting steps towards transparency and are more driven by the logic of creating a neutral fund to respond to the fragmentation of the party system and the realities of coalition politics to ensure that no matter which combination of parties come to power, business interests would not be harmed or victimised.

\(^8\) T. A. Pai also had the distinction of becoming the first chairman of the nationalised Life Insurance Corporation.
Congress ticket. Some of them have made a smooth transition from business and politics such as Praful Patel, a leader of the NCP who was the Union Minister of State with independent charge of Civil Aviation. He has a 500 crore empire, with diverse interests like bidi, tobacco, and other business interests. He was nominated to Rajya Sabha under Nationalist Congress Party (NCP) after he lost the Lok Sabha election from Maharashtra.

In recent years, the smaller and regional parties have been instrumental in getting a number of corporates elected to the Rajya Sabha. Rahul Bajaj (Bajaj Industries) has become a member of the Rajya Sabha with the support of BJP-Shiv Sena and Nationalist Congress Party (NCP) in Maharashtra. Likewise, Rajeev Chandrashekhar (BPL group and Jupiter Capital) was backed by the Janata Dal (Secular)-Bharatiya Janata Party (BJP) in Karnataka in 2006 while from Uttar Pradesh Anil Ambani (formerly Reliance ADAG, now Reliance Group) got elected with the support of the Samajwadi Party and Rajkumar Dhoot (Videocon Industries) is affiliated with Shiv Sena. In 2004, Chennai-based industrialist M.A.M. Ramaswamy (Chettinad Group of Companies) was elected to the Rajya Sabha from the state of Karnataka with the support of Janta Dal (S).

Very often, the line of division between the party and corporate gets blurred as in the case of Vijay Mallya of Kingfisher Airlines who became the working president of the Subramaniam Swamy-led Janata Party in 2003 after quitting Janta Dal (U). In 2000, he made an unsuccessful bid for Rajya Sabha where he was supported by the JD-U. He was finally elected from Karnataka in 2002 as an independent candidate but with the backing of the Deve Gowda-led Janata Dal (S), also made possible by the cross voting by the BJP members.

A change in electoral fortunes of the parties in states quickly changes the political affiliations of the corporate big wigs as in the case of Vijay Mallaya who tried to get re-elected to the Rajya Sabha in 2008 (after his term ended in April) with the support of Shiv Sena in Maharashtra and even flirted with the NCP. He later decided to contest from Karnataka but failed to get re-elected.

As Members of Parliament (MPs), these business personalities are members of the parliamentary committees and exercise significant influence in the decision-making which can be termed as conflict of interests or influencing decisions in a manner that favour their interests. Vijay Mallya, the Chairman of the United Breweries Group and Kingfisher

---

9 He resigned from Rajya Sabha in July 2004 after a controversy over office of profit.
Airlines was a member of the Standing Committee on Industries and a permanent invitee to the Consultative Committee on Civil Aviation. Vijay Darda, the Chairman and Managing Director of the Lokmat Group of Newspaper was on the Standing Committee of the Communications, Information Technology and Information and Broadcasting Ministry, while Rajkumar Dhoot whose Videocon Industries has stakes in oil and gas exploration business was a member of the Consultative Committee of the Finance Ministry as well as the Ministry of Petroleum and Natural Gas (Ramkrishnan, 2006). Similarly, Naveen Jindal, as a Minister of State for Coal was instrumental in the allocation of Amarkonda Murgadangal coal block in Birbhum, Jharkhand in 2008 to his companies (Jindal Steel and Power, apart from other companies), known as coalgate scam and is currently under investigation by the CBI.

Such trends demonstrate collusion between the state and the market, especially big business houses and also establishes close synergies between the government polices of liberalisation and privatisation.

III

Globalising India and State-Market Relations

National Re-Imaginations of the Economy

During the 1990s, the structural transformation in Indian economy was inaugurated by the Congress government led by Narshimha Rao. This meant drastic reframing and recasting of some of the earlier imaginations. The shift was catalysed by the crisis in Indian economy but it required an ideological justification. The metaphor of Hindu rate of growth and the inevitability of neoliberalism was advanced, to justify roll back of state – a paradigm shift as India moved from the Nehruvian state-led planned economic model to a market-oriented economy. Thus, in the 1990s, “the high modernist view of planned state-led development was usurped as a matter of political choice” replaced by accelerated period of reforms and liberalisation in India (Wyatt, 2005 b: 466).

10 As an example of conflict of interest is writ large is a statement by Vjay Mallaya during the debate on disinvestment in the Rajya Sabha. “I am an industrialist and I fully support the privatisation and encourage the Government to use the proceeds of privatisation for tangible social benefits such as education and health care and there is really no need for the Government to be in the business of running industry” (Rajya Sabha Debates, 2002).

11 In 1991, New Economic Policy (NEP) was announced thus beginning the process of economic reforms.

12 Used by Professor Rajkrishna, in 1978 to denote the slow GDP growth averaging at 3.5 % in the first three decade, ostensibly due to socialistic economic policies.
Since questions about national economy are political decisions, the interface with the global forces is not only logical but also implicit even though the priorities change over a period of time. In the initial years, independent India very much like other post-colonial countries and/or late economies underlined the logic of economic nationalism. In the 1990s however, the imaginations leaned towards championing the cause of reforms and opening of economy to the global market forces. Thus, “… whereas the national economy was understood in the nineteenth century as the material base for the spiritual pursuit of the nation…the same ‘national economy’ in the twenty-first century implies something different: the primacy of a national form of regulation in support of capitalist accumulation.” (Cameron and Palan, 2004: 14-15). The result in the Indian case was the rise of the market friendly state even as it retreated from some of its core obligations or reoriented some of these functions in a globalising economy.

The exalted state, which failed to deliver during the previous decades under the planned economy, carried on the burden of expectations even in the age of economic reforms, even though under the impetus of neo-liberal market orthodoxy, it no longer claimed its goal to wipe every tear from every eye but was instead geared towards creating a favourable business environment. The stage was set for the market to occupy pride of place as state retreated from the economic domain. Contrary to commanding the market, the state became the central anchor to welcome the market and began to act as a catalyst and facilitator for global investments.

In the initial years, economic liberalisation and reforms initiated and led by the Congress party were called ‘phony liberalisation’ by the BJP even though it stated its express opposition to Nehruvian command economy. Its manifesto stated:

“...India must move carefully and gradually towards integration with the global economy and even as it does, it must act in a manner that suits its national interest. . .In 1991, the BJP cautioned the Government to embark upon internal liberalization first and defer globalization. We advocated the reinstatement of the Swadeshi idea...Swadeshi simply means “India First”. ... The broad agenda of the BJP will be guided by Swadeshi or economic nationalism... the greater the liberalization, the more demanding is the involvement of the Government to protect national industry and employment.” (BJP Election Manifesto 1998).

As the reform process was set in motion, the tone and the tenor shifted to pro-reform agenda even though the Swadeshi retained its moral edge. The 1999 NDA election manifesto declared:
“...we will continue with the reform process, give it a strong Swadeshi thrust to ensure that the national economy grows on the principle that India shall be ‘built by Indians’; reappraise and revitalise reforms through giving primacy to removal of unemployment, and to an accelerated development of infrastructure, particularly energy and power production... We will carefully analyse the effects of globalization, calibrate its process by devising a timetable to suit our national conditions and requirements so as not to undermine but strengthen the national economy, the indigenous industrial base and the financial and services sectors.” (NDA Election Manifesto 1999).

By 2004, global economy seen as a site of opportunity drove the reform process across major political parties. The NDA election manifesto of which the BJP was an important part, declared that:

“...the NDA Government will prepare India to take advantage of the big shift that is currently taking place in the global economy. This shift favours a low-cost economy like India’s, which has developed sufficient competitive strengths...Our Government will enlarge these strengths by further reforming our economy, modernising our infrastructure, enriching India’s human resources, and augmenting our capabilities in science and technology.” (NDA Agenda for Development, Good Governance and Peace: Lok Sabha 2004).

In BJP’s posturing:

“...integration with the global economy was claimed to be a way of enabling India to do what it does best and give the nation a larger arena in which to demonstrate its national achievements. The BJP is of the view that a big shift is taking place in the global economy, and India should be prepared to take advantage of it... The BJP is committed to accelerating this process by further reforming our economy, modernizing our infrastructure, enriching India's human resources, and augmenting our capabilities in science and technology... This is the Swadeshi approach to turning globalisation into an opportunity for India in the 21st century... The BJP believes that India must greatly enhance her economic strength, in order to enhance her national strength and become a Great Power.” (BJP Vision Document 2004, emphasis added).

The manifesto of the Congress Party for the 2004 general election reiterated these re-imaginations, also because it was at the helm when reforms were initiated in the first place. It reads:

“...the Congress will broaden and deepen economic reforms. The over-riding objective will be to attain and sustain year after year 8-10 per cent rate of economic growth and to spread this growth over all sectors, particularly agriculture and industry.” (Manifesto of the Congress Party, 2004).

The forces that it unleashed have a fundamental bearing on both the state-market relations as well as the nature of the political process and its attendant political discourse. It implied that the master-client relationship between state and the market was poised for a shift but given the centrality that the Indian state occupies, it meant only a limited shift. It was limited to some big industrialist houses and did not translate into markets being an independent and autonomous counterweight to the state. In that sense Indian state continued with some of the legacies of the past. The patronage state continued to fester in
some forms, despite liberalisation albeit with transformative changes in the kinds of functions that the state performed. The liberalisation of economy thus meant a re-structuring of state in a significant way, with corresponding ramifications on the market.

**State Avatars: Towards Theorisation of State-Market Axis**

Policies of liberalisation notwithstanding, the Indian state continued to perform a variety of important economic roles not only on account of its exalted status in the national imagination but also due to the compulsions of the democratic political process, which makes state as the final arbiter and counterweight to the tyranny and vagaries of the market forces. This translates into re-orientation of the four overlapping and often, contradictory functions of the state vis-à-vis the market: state as facilitator; state as competitor; state as regulator, and, state as provider. While some of these functions can be regarded as the core and traditional functions of the state, liberalisation brought significant transformation in these roles, thus changing the dynamics of state-market relations.

**State as Facilitator**

Liberalisation of economy meant numerous opportunities provided by the global economy to Indian companies albeit in an increasingly competitive international business environment. Simultaneously, it involved developing infrastructure and setting up requisite institutional regulatory and procedural requirements for attracting investments into India. The state has likewise stepped up its role as facilitator for investment at home and abroad thus reorienting its functions in relation to the global economy as a whole and also the market, as site of opportunity to be harnessed and nurtured for India’s resurgence.

*Branding India and Foraying Overseas*

Since liberation, various ministries have been actively involved in promoting trade and investments at home and abroad. This involved setting up new institutional bodies as also reformulating the role of many of the government departments. The Department of Industrial Policy & Promotion (DIPP) set up in 1995 for developing industrial polices and strategies, after its reconstitution in 2000, “from regulation and administration of the
industrial sector... transformed into facilitating investment and technology flows and monitoring industrial development in the liberalised environment” (DIPP, 2013).

In partnership with DIPP, an initiative Invest India¹³ was set up as an official agency for promoting investment. “It provides granulated, sector-specific and state-specific information to a foreign investor, assists in expediting regulatory approvals, and offers hand-holding services. Its mandate also includes assisting Indian investors make informed choices about investment opportunities overseas.” (Invest India, 2013). Besides, Ministry of External Affairs (MEA) has been actively involved in branding India as an investment destinations organising numerous business meetings as also ‘Made in India’ events through its missions abroad aimed at cultivating potential investors but also establishing the credibility of brand India.

Numerous institutional initiatives have been taken by the MEA to achieve the twin goals of promoting India as an investment destination as also assisting Indian investments abroad. It also promotes ‘Advantage India’, as a part of building brand India, hinging it on the following factors: “world’s largest democracy; independent judiciary; abundant natural resources and diverse climatic conditions; healthy macro economic conditions; sophisticated financial sector; cost competitiveness: low labour costs; huge untapped market potential; high demographic dividends; investor friendly policies and incentive based schemes; progressive simplification and rationalisation of direct and indirect tax structures; full current account convertibility; and compliance with World Trade Organisation (WTO) norms.” (MEA, 2011: 5). Each of these individually and collectively pooled together translated into making India the second most preferred destination for investments, a trend that now seems to be reversing as economic slowdown is hitting the Indian shores with full force.

MEA has also strengthened its institutional architecture as also outreach activities to facilitate trade and export promotion through numerous initiatives. Institutionally, International Trade Promotion Division of the MEA has been set up with the aim of strengthening economic diplomacy aimed at accelerating the pace and volume of investments in India, promotion and facilitation of trade and technology transfer. It provides information about India’s regulatory regime, regulation, taxation, and entry

---

¹³ It is a joint venture between FICCI, Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, and State Governments of India.
options to foreign institutional investors, administrative and legal procedures in tandem with its Indian missions abroad.

Towards promoting exports, MEA has undertaken sector and region specific initiatives (Focus- Latin America, Focus-Africa and Focus-CIS programmes) for export promotion through organisation of trade fairs and buyer-seller meetings to help Indian companies. Since February 2013, it has started regular meeting with the Export Promotion Councils (EPCs) and business chambers such as FICCI, CII, ASSOCHAM and PHD Chamber of Commerce to identify focus areas of trade and investment, and to develop strategies in special areas through its mission aboard. An important area identified for Indian missions has been to assist in “providing market intelligence” and executing business partnerships (MEA, 2013).

For Indian companies’ forays abroad in general, the government of India has been extending requisite assistance including spirited economic diplomacy. Prominent examples include India extending diplomatic support and loans to Indian companies’ entry into Senegal, Mali, and other African countries and other regions. (Kripalani and Rocks, 2008). During the takeover bid of the Arcelor in France, PM Manmohan Singh reportedly discussed Mittal’s bid with the visiting French President Chirac in February 2006 and hoped for a fair decision. India was also reported to have expressed its displeasure over Luxemburg’s move to pass a law to thwart Mittal’s takeover bid. By then Mittal had shifted base in India and was categorical in asking for Indian government’s help in clinching the Arcelor takeover deal which he wrapped up in June 2006.

As a part of its strategy on energy security, a new Energy Security Division in the MEA has been set up in 2007 as a nodal point to support Indian companies in acquiring energy assets overseas, and building strategic partnerships with foreign companies and governments (MEA, 2007).

The rise of corporate India and growth of Indian industry abroad was seen to be in synch with the rising India and associated power shifts. “From less than a billion dollars of FDI in 2000-01, Indian corporations invested as much as $18.5 billion at the peak in 2008-09. The cumulative overseas footprint of Indian companies from 2000-01 to 2011-12 was well over $100 billion.” (Godrej, 2013) Huge private investments by Indian companies have

---

14 For details see Bouquet, Tim and Byron Ousey (2008).
been made in Africa in the telecommunications, IT, energy and automobiles sectors led by Reliance, Tata group, Bharti Mittal Vendanta, etc. Reliance has acquired 10 plots in Nairobi, Kenya valued at 2.9 billion Shilling ($35 million) for commercial and residential development and also invested in Tanzania’s air transport and hospitality industries. Similarly, Tata group proposes to invest $1.7 billion greenfield investment in automobile and hospitality businesses in the continent, while Vedanta Resources, invested $4 billion US dollars over the past nine years in Africa’s mining sector. (Krishnan, 2013)

As India emerged a significant economic player, leaders of the expanding Indian business such as Anil Ambani, Sunil Mittal, Narayan Murthy, Aziz Premji and Ratan Tata, Lakshmi Mittal (even though an expatriate Indian) to name a few, were seen to be new role models (at least for an aspiring middle class Indians), not only as a symbol of the aspirations of a nation but also fulfilling India’s destiny. As more and more Indian companies went in for mergers and acquisitions overseas, India’s march towards its destiny seemed to be on a roll. In what captured the mood of India at the time and since then is best reflected in the headline ‘India Rejoices Over Mittal’s Takeover of Arcelor.’ As Ministers feted Mittal, media went into frenzy over what was “hailed in India as a sign of the rise of Indian business leaders on the global stage,” Mittal became the global face of Indian enterprise. Since then a hoard of India companies have followed suit in various part of the world, a reflection of what the then Trade and Industry Minister Kamal Nath had called a “new economic architecture [where] countries that have had a different mindset will now have [to] accept that India is going to be a major player in the new global architecture.” (Indian Express, 27 June, 2006).

The stage was thus set for the restoration of legitimate role of the Indian business in the Indian polity, similar to what was witnessed during the national movement wherein business houses were considered as partners in the nation-building project, this time for a resurgent India.

Role of Chambers of Commerce and Industry Associations

The influence of corporates in recent times is also manifest in the growing importance of the apex chambers of commerce such as Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), Associated Chambers of Commerce & Industry of India (ASSOCHAM), PHD Chamber of Commerce and
Industry\textsuperscript{15} who are consulted by the Finance Ministry officials, Ministry of External Affairs, Ministry of Trade and Commerce regarding their concerns. During the Hong Kong Ministerial meeting of the WTO in 2005, representatives from the CII, FICCI, ASSOCHAM and the Federation of Indian Export Organisation (FIEO)\textsuperscript{16} were part of the official delegation. Together, these apex chambers of commerce and industry associations exercise great influence in setting out the tone of India’s negotiating strategy at the WTO and India’s trade strategy in general. FICCI has been one of the principal agencies consulted during the making of Indians National Foreign Trade Policy 2004-2009 and many of its recommendations were incorporated in the NFTP (FICCI, n.d.).

These associations also serve as important forums by leaders cutting across party lines and relevant economic ministers to articulate their viewpoints and deliberate on policies on liberalisation. On their part, the industry associations organise meting to develop partnership between foreign and domestic business and have actively worked towards improving bilateral relation, especially with many African countries as also being involved in consultation with the governments on many bilateral FTA and regional preferential agreements. The collaboration between the relevant ministries and industry associations is a mark of new development in state-market relations.

**State as Competitor**

As a part of historical legacy, the Indian state continues to occupy a central place in the Indian economy, liberalisation notwithstanding, with a number of public sector companies operating in major sectors of economy such as railways, steel, oil, gas, banking, insurance, telecom, aircraft, radio, etc. During the first five-year plan 1951-56, there were only five central public sector enterprise (CPSE), a number that continues to grow, making it to 220 in the year 2011, also covering range of economic activities. The CPSEs play a dominant role across various sectors: coal (80.7 %); crude oil (74 %); natural gas (48.7 %); refineries (58.5%); power (thermal – 41.2%, hydro – 40.2% and nuclear – 100 %); banking (73.7%); telecommunication (14.9%); Insurance (non life – 60.8%, life – 58.7%). (KPMG, 2011)

\textsuperscript{15} All these have their genesis in pre-independence India.

\textsuperscript{16} It was set up in October 1965 as an apex body of all Indian export promotion organisations. It also works as a partner of the Government of the India to promote Indian exports. Its members’ account for approximately 73.6 per cent of the total exports from India.
The centrality of state in the core sectors of Indian economy cannot be undermined. At the same time, liberalisation is driving these companies to become competitive and adopt global strategies, apart from focusing on corporate governance and organisational efficiency, diversification and profitability. Many such state run companies are involved in overseas acquisitions and investments in line with India’s strategic interests actively encouraged by the government in securing its national interests.

One prominent example is that of the ONGC Videsh Ltd. (OVL) with the aim of securing India’s energy security, something that is perceived as one of its core national interest. By 2013, it had its footprints in 32 projects spread across 16 countries including Russia, Caspian Sea, Colombia, Azerbaijan, Sudan, Vietnam and Myanmar, both directly and through its wholly owned subsidiaries/joint venture companies. These included acquisitions of oil explorations sites also. (OVL, 2013). It is joined by other state owned Gas Authority of India Ltd (GAIL), which has set up its subsidiaries in Singapore & USA, an office in Cairo, for pursuing business opportunities in oil and gas in Africa and Middle East. Prominent examples of overseas projects and ventures from other sectors include Steel Authority of India Limited and RITES, the latter having its experience spread over 55 countries in Africa, South East Asia, Middle East and Latin America.

On the domestic front, this requires a constant adjustment in policy, the most recent instance of which relates to the recent decision to allow FDI in multi-brand retailing and dilution of certain safeguards. Domestically, in a democratic federal polity, it created a new have-not – those states which did not receive adequate Foreign Direct Investment (FDI). It further fragmented the national imagination as different states in the Union became competitors for not only seeking largesse of the Indian state but also as competitors for FDI as they vied with each other to provide an attractive business environment, making FDI as one of the most divisive and politicised issues in Indian politics in recent years on account of its potential adverse impact on small and medium

---

17 Some scholars talk about the emergence of competition state, from welfare state, due to the pressures of globalisation and attendant liberalisation policies. See Cerny, 1997. On the other hand, the competition state model by other scholars conceptualises it as the strategic or developmental state drawing from examples of France and Japan. See Zysman (1983) and Johnson (1982). This paper argues that the Indian case requires a nuanced understanding, some aspects of which have been discussed in this paper.

18 It is a wholly owned subsidiary of Oil and Natural Gas Corporation Ltd. (ONGC), renamed so in June 1989 from the earlier Hydrocarbons India Pvt. Ltd which was set up in the year 1965.

19 This included decision taken in August 2013, allowing 49 % FDI in multi-brand retail and diluting local procurement requirement to 30 % from the earlier 50 %.
enterprises as also local farmers. The competitive environment in which states of the Union find themselves in however makes this opposition a difficult proposition given that states are constantly ranked on the basis of their attractiveness to FDI. According to a surveys conducted by FICCI, Gujarat has been rated as the most attractive investment destination, followed by Karnataka, Maharashtra, Tamil Nadu and Haryana. (FICCI, 2010: 19)

Lest they are left behind from sharing the fruits of liberalisation by being market unfriendly, the opposition to FDI/market remains more of a political posturing than substantive For example, in August 2007 Mayawati’s government announced the closure of all big retail outlets in the state of UP, citing the problem of deterioration in the law and order due to the protest of small traders and businessmen against Reliance Retail outlets. She also scrapped the agriculture policy announced on 3 August 2007 facilitating contract farming by citing intelligence report gathered from 70 districts which indicated that 60 per cent farmers were against it (Hasan, 2007).

Within a matter of six months however, in a major turnaround, Mayawati declared that: “I welcome private investment in all sectors of the economy. It will not be stopped.” Asking retail corporates to provide jobs to people, who would otherwise be adversely impacted by their ventures, she said, “if planned well, there is retail space for everybody.” (Financial Express, 25 December 2007).

At the domestic front liberalisation also meant a growing trend of Indian state, ceding some of its pivotal position in certain sectors and leaning towards the public-private partnership (PPPs) to augment infrastructure, health, education and human development. During, 2009-2100, private investment in infrastructure was INR 37.6 thousand crores spread across more than 160 projects on power, road, bridges, telecom, railways, ports, airports, storage and gas. (KPMG, 2011:20).

A series of measures are being taken to promote PPPs in infrastructure development as Indian state sees it as “as a means for harnessing private sector investment and operational efficiencies in the provision of public assets and services.” (National PPP Policy 2011 - Draft for Consultation) A Public Private Partnership Approval Committee has been set up in 2005 to grant approvals to such projects. In December 2010, National PPP Capacity Building Programme was launched by the Finance Minister, which aims to train nearly 10,000 senior and middle level bureaucrats in assisting and managing PPP project. Besides,
a draft national PPP policy 2011 is currently being debated. On a regulatory front, suitable contractual obligations are being put in place contractual obligations including risks and liability clauses and an adequate dispute settlement mechanism to solve disputes. This brings us to another important role of state as regulator.

State as Regulator

From controlling all aspects of economic activities to also appropriating some of the market-oriented roles under policies of liberalisation, the Indian state has been gradually relegating some of the regulatory functions to autonomous and independent agencies, albeit reluctantly and in a limited manner. This also became imperative on account of the dual role of state both as regulator as also competitor or service provider. The growth in public-private partnership and entry of multiple actors, both domestic and international, also demanded new regulatory framework. Notable fact is that the majority of regulatory functions continued to be performed by the state (see table 1) and here Indian state is close to its traditional role. The Indian state controls bulk of land, resources and contracts, which give it immense power of distribution, provider and final arbiter in these matters. This also leaves state with numerous discretionary powers, making adequate room for patronage and discretion. Right from granting licenses to business, registration of companies, land acquisitions to all kinds of clearances require the permission of the state. The institutional architecture being weak and compromised, offers a perfect recipe of a patronage state, even under a liberalising economy. The problem becomes compounded due to the presence of multiple regulatory and clearance agencies with overlapping jurisdiction and authority and institutional and procedural diversity, each involved in turf battles but also each having to their own disposals grace and favours, thus open to corrupt practices.

<table>
<thead>
<tr>
<th>Act</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities Contracts (Regulation) Act, 1956</td>
<td>To prevent undesirable transactions in securities by regulating the business</td>
</tr>
<tr>
<td>The Foreign Exchange Management Act (FEMA), 1999</td>
<td>To facilitate external trade and payments and to promote the orderly development and maintenance of the foreign exchange market.</td>
</tr>
<tr>
<td>The Foreign Trade (Development and Regulation) Act, 1992</td>
<td>To provide for development and regulation of foreign trade by facilitating imports into and augmenting exports from India and for matters connected herewith.</td>
</tr>
<tr>
<td>The Industries Act,</td>
<td>To empower the Government to take necessary steps for the development of</td>
</tr>
</tbody>
</table>
1951 industries; to regulate the pattern and direction of industrial development; and to control the activities, performance and results of industrial undertakings in the public interest.

The Indian Contract Act, 1872 Governing legislation for contracts, which lays down the general principles relating to formation, performance and enforceability of contracts and the rules relating to certain special types of contracts like Indemnity and Guarantee; Bailment and Pledge; as well as Agency.

The Sale of Goods Act, 1930 To protect the interest of buyers and sellers.

Indian Patents Act, 2005 To grant significant economic exclusiveness to manufacturers of patented products with some in-built mechanisms to check extreme causes of competition restriction.

The Company Act, 1956 To regulate setting up and operation of companies in India: it regulates the formation, financing, functioning and winding up of companies.

Competition Act, 2002 To ensure a healthy and fair competition in the market economy and to protect the interests of consumers: aims to prohibit the anti-competitive business practices, abuse of dominance by an enterprise as well as regulate various business combinations such as mergers and acquisitions.

The Trade Marks Act, 1999 To amend and consolidate the law relating to trade marks, to provide for registration and better protection of trade marks for goods and services and for the prevention of the use of fraudulent marks.

The Information Technology Act, 2000 To provide legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as "electronic commerce", which involve the use of alternatives to paper-based methods of communication and storage of information; to facilitate electronic filing of documents with Government agencies.

The Consumer Protection Act, 1986 (amended 1993, 2002) COPRA To protect consumer rights and providing a simple quasi-judicial dispute resolution system for resolving complaints with respect to unfair trade practices.

The Industrial Disputes Act, 1947 To facilitate investigation and settlement of all industrial disputes related to industrial employees and employers.

The Factories Act, 1948 Umbrella legislation to regulate the working conditions in factories.

The Indian Trade Unions Act, 1926 To facilitate the registration of trade unions, their rights, liabilities and responsibilities as well as ensure that their funds are utilised properly: it gives legal and corporate status to registered trade unions and also seeks to protect them from civil or criminal prosecution so that these could carry on their legitimate activities for the benefit of the working class.

The Bureau of Indian Standards Act, 1986 To set standards (quality, safety etc) for various kinds of products to protect consumer safety.


For these very reasons, it is claimed that one of the most celebrated reform oriented policy on FDI is marred by ambiguities and procedurals delays. To overcome this problem, a consolidated FDI policy document contacting notifications, procedures, etc. by various
agencies has been brought out by Ministry of Commerce and Industry. However, the awareness of this document is low amongst concerned sectors, in addition to the problems of procedural delays, infrastructural bottlenecks, labour reforms, tax laws, etc., all acting as major impediment to investments in India (FICCI, 2010: 5).

The overall regulatory framework is weak, with many sectors completely outside the purview of independent regulator such as water supply and sanitation, higher education, energy, road, ports and social sector. These are the sectors where government acts both as operator and as regulator (see table 2). This includes, railways, airports and coal. Hence in areas in which government continues to be central are characterised by an absence of an interdependent regulatory mechanisms.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Status of regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>Electricity Regulatory Commissions (ERC’s) exist in almost all states and at the centre.</td>
</tr>
<tr>
<td>Energy</td>
<td>There is no energy sector regulator.</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>The Petroleum &amp; Natural Gas Regulatory Board (PNGRB) regulates refining, processing, storage, transportation, distribution and marketing of petroleum products.</td>
</tr>
<tr>
<td>Coal</td>
<td>The government owns the operators, the coal companies, and regulates.</td>
</tr>
<tr>
<td>Telecom</td>
<td>Telecom Regulatory Authority of India (TRAI). Facilitates competition through regulation and introducing pro-consumer elements relating to quality and access.</td>
</tr>
<tr>
<td>Ports</td>
<td>Tariff authority for Major Ports (TAMP), having limited authority in determining tariffs for major ports. There is no recourse, or performance standards, or consumer protection or competition.</td>
</tr>
<tr>
<td>Airports</td>
<td>The Airport Authority of India (AAI) is an operator and regulator of airports; and the Director General of Civil Aviation (DGCA) along with the Bureau of Civil Aviation Security is responsible for safety and technical aspects.</td>
</tr>
<tr>
<td>Roads</td>
<td>There is no regulatory authority as such and the National Highways Authority of India (NHAI) acts as one</td>
</tr>
<tr>
<td>Railways</td>
<td>The government owned Indian Railways is both operator and regulator</td>
</tr>
<tr>
<td>Water supply and sanitation</td>
<td>There is no regulatory authority. Central Ground Water Authority exists for control of ground water, pollution control and protect environment.</td>
</tr>
<tr>
<td>Social sector</td>
<td>The social sector is lacking in any independent and transparent regulation. Higher education is regulated by the autonomous bodies like UGC, AICTE and self-regulatory bodies. Independent Regulatory Authority for Higher Education (IRAHE) is under consideration.</td>
</tr>
</tbody>
</table>


For other sectors, an independent regulator such as the one in telecom and power sector, the experience has been less than satisfactory raising questions over their functional
autonomy. According to planning commission thus, “the present legislative and institutional framework governing regulation and competition authorities in India is minimalist and leaves far too much to the maturity of institutional actors” (Planning Commission, 2006: 29). Suggestions have thus been thus made to adopt “multi-sectoral regulators such as for (a) communications; (b) electricity, fuels and gas, and (c) transport,” apart from various measures to strengthen regulatory environment (Planning Commission, 2006).

Pending these reforms, state’s role as regulator retains its pivotal position and leaves open wide-ranging possibilities of discretion and patronage.

State as Provider

The Indian state continues to weigh strongly in the national imagination of the country as the provider of equity and justice. The liberalising India likewise, contrary to the conventional understanding, has launched some of the most ambitious social welfare initiatives on employment guarantee and food security. This role brings the Indian state in maximum confrontation with the market forces, as it is here the democratic political forces operate to the maximum.

At the same time, as Indian state repositions itself in relation to the market and relegates more and more functions to the realm of market - opposition to these policies comes from the grassroots movements which marks the shrinking of political space for the poor and the marginalised and widening income gap between the rich and the poor. As ‘efficient’ market replaced state as the mechanism of redistribution, power dynamics mediated in a significant way. Thus it was:

“...astounding that colonial-type exploitation of primary producers (the vast populations of tribals, artisans, small and marginal farmers and landless labour) by a small urban-industrial elite, and their cognate group so of upper caste rural elite persists, even thrives, in the so called open economy of the market. In brief, in India the market-economy, instead of making a dent on the iniquitous social structure is being absorbed by it.” (Sheth, 2004: 48).

The political outcome was a vigorous contesting of the national imagination, which was being constructed around homogenous global frames and economic policies through the agency of social movement contesting the re-imagination of national economy and attendant state-market shifts.
As a result the ‘jai ho’ (be victorious) orientation towards liberalisation/globalisation got tempered over a period of time. This was also on account of the global financial crisis. The election manifesto of BJP, 2009 likewise, pledged to renew the national economy and listed a series of proposals to move ‘from recession to job generating growth.’ The prescription was towards a middle path between excessive liberalisation and excessive state control. It also brought back Swadeshi with greater vigour and sought to reduce unbridled consumerism. The mantra was ‘Make India proud of Indian products, and make Indian brands globally competitive and ensure a decent level of consumption for all without encouraging consumerism’ (BJP Election Manifesto 2009).

The 2009 Election Manifesto of the INC, reiterated the middle path – the ‘Congress way’ wherein a pronouncement is made for:

“a balance between the public sector and the private sector . . . between building a modern economy and imparting a new thrust to traditional industries. . . a balance between taking advantage of globalization and ensuring that these benefits flow to local communities. . . . between regulation by the government and unleashing the creative spirits of our entrepreneurs and professionals. . . . cherishes and practices this balance in all spheres of our national life including in the conduct of economic and foreign policy.” (Election Manifesto of the INC, 2009).

More recently, the Swadeshi has made a big comeback in the BJP vision document for the UP Assembly election 2012, which stated that:

“the BJP will radically alter the present West-influenced development paradigm in India (and in UP) by evolving a New Swadeshi paradigm of development which takes into account the new realities and opportunities that have emerged both nationally and globally. This paradigm respects Mother Nature, is eco-friendly and hence is conducive to sustainable development. It rejects mindless consumerism, while ensuring the satisfaction of the basic needs of all human beings (food, clothing, shelter, work and leisure for cultural pursuits)”. (BJP Vision document for Uttar Pradesh State Assembly elections, 2012).

The imagination of nation again through the domain of economy was being re-worked in a subtle but strident manner, a trend that is likely to grow as the economy slags in years to come, further reinforcing the need to protect the nation from the onslaught of global economic forces that would again require a rethink of state-market pendulum.

IV

Conclusions

A globalising Indian state has clearly re-imagined its national imagination emphasising a much greater degree of engagement with the global economy and market. This required some degree of state transformation, institutional innovations and policy shifts in some of
the core functions of the state with a corresponding impact on the market. Each of these functions shows a remarkable degree of continuities and change and brings different implications for the market as also the state.

Arguably thus, the institutional dynamics and democratic political process made this transition into a tapestry of contradictions as this is done within the broad rubric of a patronage state, which is both the product and the cause of institutional decay and crisis of legitimacy, continues to weigh heavily in structuring state-market interactions. This is because, evolving synergies between state and the market in India are seen to be associated with large corporations and business houses, leaving out not only small and medium businesses, but also large sections of the Indian people. Hence the political battles continue to be about contested national imaginations of economy.

Simultaneously however the place of state continues to be seen as formidable in economy despite liberalisation. It continues to enjoy a commanding position both on account of it being an important player in the economy but also because of its immense power of discretion vis-à-vis market players. This can be classified as ‘patronage state’ providing grace and favour to the market forces, in the absence of any well developed autonomous and institutional state-market interactions.

This also aggravated by the fact that majority of Indian companies do not have adequate corporate governance structure in place and are family run business enterprises. According to one study, in India, 67% of all listed companies are family businesses\(^{20}\), making it the largest in Asia, showing higher concentration in technology-related family businesses. Out of 983 listed companies, 663 were the family business. Market capitalisation as a share of nominal GDP of the family business was 46 % in 2010. This was a significant jump from 9 % in 2001 (Credit Suisse, 2011: 31). Also notable is the fact that the private sector business in India continues to be dominated by members of a particular community – the Marwaris. In 1990s, they constituted three-fifths of the Indian private sector business, who otherwise constitute only 1.2 % of India’s population. (Jones, 2007: 807).

Hence, given the peculiar trajectory of the growth of the state market relations in India, the corporate influence in the political process in years to come would also largely depend on

---

\(^{20}\) Family business defined as the one where a family or an individual held at least 20 % of cash flows rights in companies’ shares.
their ability to incorporate larger issues of development, growth and equity and justice, the foundations of which were laid during the struggle for independence and in which the state continues to retain a pivotal locus and the national imagination around economy continues to be renegotiated and reimagined.

References


Invest India (2013), *Welcome to Invest India*, http://www.investindia.gov.in/?q=welcome-to-invest-india


M Hasan (2007), 'Mayawati Orders Closure of Big Retail Stores in UP', *Hindustan Times*, 23 August.


Piramal, Gita and Margaret Laniak Herdeck (1986), *The India’s Industrialist*, Boulder: Lynne Rienner.


Rajya Sabha Debates (2002), *Supplement to the Synopsis of Debates: Proceedings other than Questions and Answers on Disinvestment of Public Sector Undertakings*, Wednesday, 4 December.


