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30 Business and Politics

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We know from James Scott's work (1985) a fair amount about the 'Weapons of the Weak' adopted by peasants. But, how does business—a 'strong' section of society—respond to and live under interventionist states? For much of India's existence, and for that matter many dirigiste societies, the Leviathan has ruled. India initiated deregulation policies in 1985, yet the state's regulations continue to affect private business activity in India. What are the 'weapons of the strong' in such state-centric conditions? Do these responses contribute to development-enhancing policies, or to particularistic collusion between business and state actors? The relationship between business and the state in India warrants far more scholarly attention than has been undertaken to date.

In February 2000, a photograph of the then Prime Minister (PM), Atal Behari Vajpayee and then Finance Minister, Yashwant Sinha, flanked by many pre-eminent CEOs appeared in the national dailies.[1] As part of the pre-budget consultations, Vajpayee had addressed FICCI, a national business association. Currently, business delegations travel with the Finance Minister and the PM on international trips frequently. Such public camaraderie would have been impossible even a decade or two back, when PMs refused to address business associations. Rajiv Gandhi was the first PM to address a business association meeting in 1985. How has the nature of the relationship between the business sector and the government changed after liberalization (1985/1991)? How did distrust and distance give way to regular consultation and interaction? For observers of India, this transformation in the business–politics relationship is quite surprising. For years the Indian state over-regulated, imposing entry, exit, and everyday restrictions on the private sector. The relationship between business associations and the government was distant, and any regular interactions between collective organizations representing business and the state were few and far between. Pranab Bardhan describes the pre-existing relationship well:

> But the public-private ties are quite different in India from tightly integrated working relationship of the East Asian government with private business, none of the well-

> developed networks of MITI in Japan or IDB in Taiwan, which allow industry experts within the state apparatus continuously involved in information dissemination and consensus building, coaxing, arm twisting, with representatives of private capital. Not merely is the cultural distance between the gentlemen administrator and the private capitalist rather large in India (although narrowing in recent years with a diversification in the social background of the recruits in civil service), what is more important is that in the Indian context of contending heterogeneous classes, such a close liaison and harmonizing of interests of the state with private business would have raised an outcry of foul play and strong political resentment among the interest groups, the electoral repercussions of which Indian politicians can afford to ignore much less than say the LDP politicians in Japan. (Bardhan 1993)

This chapter maps the ongoing changes in the business–politics relationship in India in an attempt to capture the nature of historical patterns and changing trends and transformations. This question has two distinct dimensions: changes within the private sector and from the perspective of the government. First, how does the private sector, a powerful social actor in its own right, respond to a strong state in post-reform India? Second, what contributes to the increased policy responsiveness to business on the part of the government? Initially, I discuss some of the theoretical expectations and puzzles that emerge from a comparative study of business in India. I go on to map the business–politics relationship during the era of the developmental state. The second section highlights the major transformation in the economic basis of capitalism in India, which provides the preconditions for the changes witnessed more recently. The third section focuses on certain key aspects of the business–politics relationship in post-reform India, such as the changing role of business associations, the global activities of Indian business, and the entry of business into the national Parliament.

THEORETICAL DEBATES AND EMPIRICAL PUZZLES

Two dominant approaches to business–government relationships can be found in the literature. One approach, focusing on the nature of state intervention in economic life, is insufficiently attuned to how state regulations impact business and capital, and what capital needs from the state. The second approach attends more closely to specific market processes (sectoral or business-wide), yet oversimplifies its subject matter by assuming that business actors respond to the state in homogenous ways.

Theories of State

The theory of the developmental state suggests that the state 'guided markets' (Wade 1990) and ensured long-term and collaborative interactions with business actors (Evans 1995). Most of these studies suffer from a statist bias, and fail to incorporate a sufficient understanding of how business actors and associations affect the design and policies of the developmental state.[2] A complete theory of the developmental state requires an analysis of what capital needs from the state; this becomes even more crucial after liberalization, when the boundaries of state action are being redrawn. Other theories of the state posit that state regulation invites rent-seeking or collusion (Krueger 1974; Srinivasan 1985) but these a priori expectations have never been confronted with direct empirical evidence about business behaviour. Similarly, most analysts of structural adjustment reforms assume that business actors welcome economic reforms. However, that is a gross simplification. The diversity of business responses within India—between the import versus export industry-based industrialists, between large and small firms, and between the national versus regional business groups[3]—shows that liberalization policies do not affect business groups in a uniform manner. Thus, we need an ethnographic analysis of how deregulation affects business, and their responses to deregulation.

Studies of Business Influence[4]

Studies focusing on specific business influences on the government are of two types. One model suggests that business may impose a structural constraint on macroeconomic policy by its threat of exit (Lindblom 1984; Winters 1996). However, this approach views business as a collective entity, assuming that all investors have a common set of interests vis-à-vis the state. Similarly, most analysts assume that business actors welcome economic reforms. The conflict between the Bombay Club[5] and the export-oriented capitalists in India, to name one such division within the Indian business classes, suggests that business groups have divergent interests on many issues related to economic reforms. India's experience foregrounds the diversity and competition between and among business groups, and even within business houses. These differences may arise from the regional location, sectoral presence, or pre-existing ties with the government. A study of competition between and among business is as important as the posited unity of class action. A rich body of research has analysed the sectoral origins of business power over government (Gourevtich 1986; Rogowski 1989) while analyses of the regional organization of business are rarer. Yet, sectoral studies of business influence fail to highlight the precise mechanisms through which sectoral interests are translated into policy outcomes. Thus, we need an analysis of the institutions and organizations through which business interests are communicated to the government, and the manner in which they shape public policy. Thus, both sectoral and structural (business-as-capital) approaches fail to pay attention to how institutions (pre-budget meetings between the government and business leaders), networks (ethnic links of entrepreneurs with regional states and parties), and organizations (business associations) mediate business–state relations.

India-specific Studies

Studies on Indian business are relatively few, and a large proportion of them deal with the colonial and nationalist periods (Ray 1979, 1994; Tripathi 1984, 1981, 1991; Berna 1960; Tomlinson 1981). One recent study by Vivek Chibber, argues that the business classes defeated Nehruvian plans for a strong developmental state in the 1940s and the 1950s (Chibber 2003). George Rosen's early study (1966) is an explicit treatment of post-Independence political and economic interactions, but focuses on policies and classes and not on institutional mediations between economic groups and the state. Stanley Kochanek's study of business and politics in India stands out as particularly useful as he analysed the business associations explicitly (Kochanek 1974). He documented a major insight, which has stood the test of time: the licence-quota-permit raj [or rule] engendered particularistic one-to-one relationships between Indian business and the state, despite the overall aura of hostility (Kochanek 1987; Herring 1999; Kohli 1989; Rudolph and Rudolph 1987). Yet, it is clear that the relationship between business and politics has undergone a substantial change in the 1980s and the 1990s. Kochanek's brief analysis of the Confederation of Indian Industry (CII) is the only partial study of the recent business–politics relationship (Kochanek 1995–6). Yet, we do not know if corrupt and firm-level dealings been replaced by class-wide and positive-sum relationships between business and state actors.

ECONOMIC CHANGE, BUSINESS, AND THE DEVELOPMENTAL STATE

Economic changes in different sectors of the Indian economy, technological changes, the import-substitution strategy, all have transformed the economic potential, role, and activities of business in India. Statist developmentalism played an indispensable role in that transformation from the 1950s to the 1980s. During the 1970s and 1980s, crucial structural changes had begun in the economic basis; these were to leverage India's business strengths in the 1990s. The economic power of India's entrepreneurial classes has grown manifold, both at the national and regional levels, and had diversified as well.

Despite the conventional view that states harmed private activity, the reality is that the state-led developmental state in India (1947–90) facilitated the rise of nascent and new businesses, provided credit and budgetary support in the form of concession finance to both the private and public sectors, and defended the interests of national business against outside capital. More indirectly, public-sector effort provided the background for private capital to thrive and develop by laying the massive infrastructure of a modern industrialized economy. Even more interestingly, and counter-intuitively, restrictive regulations on prices and the poor quality of infrastructure forced Indian companies to evolve cost-saving techniques and innovate. This is most true in the case of the pharmaceuticals sector in India, where punitive price and cost regulations ensured that Indian companies learnt how to produce medicines at cheap rates.[6] No less than Ratan Tata, one of India's leading business leaders, recently admitted that it was the ability to innovate around obstacles of red tape, bumpy roads, and poor infrastructure that give Indian companies an edge. Ratan Tata said: 'Being in this market, contrary to what everyone believes you always need to be more competitive than what you have to be outside, because the buying power in this country is so low. So, you are always thinking of how to address that segment of the market.'[7]

India grew slowly from 1945 to the 1980s. Behind this slow growth lay an expansion and diversification of investment and economic activities. In the 1980s, India's economy grew more rapidly than ever before—at times approaching 6 per cent a year—and in new patterns. At the state level, growth rates had accelerated in the late 1970s, with some states growing much more rapidly than others; this also underlay the rising growth rates after 1980 (Sinha 2005a). Despite the fact that India's growth has been in the service and manufacturing sector, one of the most striking structural changes in the past 60 years has been in agriculture. Food production rose even as the share of the annual gross domestic product (GDP) for which agriculture accounted dropped from 42 per cent in 1980 to 24 per cent in 2004. Over the same period, the net agricultural production doubled, going from 96 million metric tonnes in the 1980s to 180 million metric tonnes in 2000 (GoI 2007). Figures such as these bespeak the success of the Green Revolution. The key was a more intensive application of capital and technology to farming. Yet, this application did not proceed evenly throughout the country. Some parts of the country began growing enough not only to feed themselves, but also to sell, thereby funding investments beyond farming. In some states—Punjab, parts of Uttar Pradesh, and Tamil Nadu—technical improvements in agriculture affected other sectors of the economy as prospering farms required more inputs, more processing infrastructure, and more construction. Rising incomes stimulated a demand for goods and services, fuelling industrialization in Gujarat, Tamil Nadu, Andhra Pradesh, Punjab, Haryana, and parts of West Bengal. Farmers invested in real estate, small-scale industry, and transport. Growth among these smaller cities broadened the base of economic transformation in India by creating more scope for the burgeoning agricultural sector to promote industry.

In the industrial and urban sectors of the economy, while growth was slow and stagnant from the 1940s and in the 1980s, diversification and depth became possible. India was able to produce everything, from nuclear reactors to bread, generating and unleashing different types of entrepreneurial energies across diverse areas and regions. After 1992/1993, subsequent to the economic reforms of 1991, a sharp rise in the rate of economic growth was reported. The growth rate of the GDP is estimated at between 7.5 and 8.5 per cent in 2003–4, 2004–5, and 2005–6. Industrial growth has been moderate but stable, at around 6 per cent per annum (GoI 2007). The nature of India's growth pattern underwent significant structural changes: the service sector grew much faster and fuelled a large proportion of India's rising growth rate. Thus, the most striking aspect of India's growth acceleration has been its composition. The services sector grew by 43.7 per cent (in current rupees) and 34.4 per cent (in current dollars) in the last two decades, and constitutes more than 50 per cent of the economy (GDP)(Kapur 2002: 92). Thus, many of the new business groups in India were in the service sector in the form of technocratic capitalists, those who were educated in the public sector,[8] and then branched out to form their own companies in Information Technology (IT), pharmaceuticals, hotels, and other commercial ventures in the new economy. Baru notes that 'nearly a quarter of the top one hundred private companies in India today are owned by first generation businessmen' (Baru 2000: 214). Significant churning and change within the business class, with old business houses becoming less important and new ones joining the field, is one of the striking features of the evolving business-politics landscape. Such new groups include Reliance, Ruias (Essar), Mallya (UB group), Abhay Oswal, Mithals, Nagarjuna, as well as the new pharmaceutical companies, Ranbaxy, Sun Pharma, Dr Reddy's Laboratories, and in other sectors TVS

Sundaram, Hero Honda, Onida, Videocon, among others (Baru 2000:5). Agrarian capitalists and their linkage with regional industry is another area where transformation in the nature of capitalism in India is most evident, and deserves more analysis.

REGIONALIZATION, REGIONAL CAPITALISM, AND BUSINESS

The formation of business and commercial classes in many states and a regional bourgeoisie, apart from national capitalist classes, were the impetus for industrialization at the regional or sub-national level, in interaction with the sub-national state (Sinha 2005a; Baru 1997, 2000; Upadhya 1988,1997). Sinha argues that regional states in India exploited the structure of the licence-raj [rule] to satisfy regional investment hunger and pursued regional developmental strategies. In many cases, regional states acted entrepreneurially, circumventing Central constraints in an attempt to maximize regional capitalism and development (Sinha 2005a: 91, passim). Baru, in a similar vein, notes:

> The process of agrarian change in many parts of the country has laid the foundations for capitalist development in the non-farm sector. This process has allowed a new generation of agrarian capitalists or other middle class professionals to make the transition to capitalist entrepreneurs ... the latter seek political and material support from state governments and regional political parties. It is not surprising that regional parties... have been most active in states where regional business groups have been more dynamic and assertive. (Baru 2000: 226)

The prominent regional parties with linkages to business groups are in Maharashtra (Shiv Sena), Punjab (Akali Dal), Andhra Pradesh (TDP), and even in West Bengal CPI(M),[9] and Tamil Nadu (DMK). These classes, in active collaboration with regional parties and states, fuelled the creation of sub-national developmental states (Sinha 2005a), as well as creating a demand for the reform of the national regulatory regime, and challenging the power and authority of many national business groups (Baru 2000: 224–5). Thus, the business class in India became regionalized as well as embedded within regional states and parties. The expansion of economic activity, India's size, India's federal political institutions, and diversity of capitalist development dating back to colonial times has created a large, diversified, and complex class. 'Business' is, thus, not a homogenous category in India.

BUSINESS: A HOMOGENOUS CATEGORY?

At the national level, business is arrayed along different dimensions: organized versus unorganized sector (a legal category); foreign versus domestic business groups (ownership); large versus small-scale sector (size); and import versus export (markets) business firms (Tyabji 1981). In the pre-reform period (1947–85), national-level associations represented the foreign versus domestic business classes. The Federation of Indian Chambers of Commerce and Industry (hereafter FICCI) was home to domestic business groups, while the Associated Chambers of Commerce and Industry (hereafter ASSOCHAM) represented the foreign and multinational groups.[10] Sectoral differences within the business community may be as salient. A rich body of research analyses the sectoral—such as automobiles, IT, pharmaceuticals, steel, and the like—origins of business power over government (Gourevitch 1986; Rogowski 1989). Sectoral studies on India, such as that of Sridharan on electronics (1996), Heeks on software (1996), and Pingle on the automobile, steel, and computer industries (1999), highlight the differences across sectors. This diversification seems to challenge the idea that business could constitute a single capitalist class in India; fragmentation, competition, and conflict mark the actions of the business class even after globalization and an increased role of business in policymaking. This is most evident in the competition between the national business associations—FICCI, CII, and ASSOCHAM.

INTER-BUSINESS COMPETITION IN INDIA[11]

In the late 1980s and early 1990s, the business system entered a competitive and transitional phase accompanied by internal churning within the existing and predominant business association (FICCI), and the revitalization of another business association (ASSOCHAM). This provided the initial window of opportunity for a new organization to enter the associational marketplace by providing many developmental services to both the government and the industry (CII). The Mumbai business houses—some of which are prominent members of the industrial elite in India—had left FICCI after an internal fight over bogus membership and the control of decision-making within FICCI. They joined ASSOCHAM, in the process revitalizing it with resources, talent, and new ideas. At this time, ASSOCHAM was privy to a significant influx of money and talent into the organization.[12] Thus, when the Confederation of Engineering Industry (CEI) thought of catering to the needs of the wider industry, it first thought of a merger with ASSOCHAM.[13] This would have made the unified body a very powerful organization. ASSOCHAM's President at that time expressed the desire and need to unite business voices in India. This, he felt, would increase the power of the business sector over the government. He pointed out:

> Countries which have made the most progress in the postwar era like Japan, Germany and France, have fundamentally one chamber, which is very powerful and is consulted in policymaking. The Japanese PM sometimes even comes to meet the head of Keidanren, the apex body of the captains of industry. The German and Paris chambers of commerce are almost a part of the respective governments and the status of the British Confederation of Industry is well known. (Roy 1991)

Simultaneously, the competition between the two main national organizations had heated up. Federation of Indian Chambers of Commerce and Industry's sponsorship of the joint business councils, involving cooperation and networking with business actors from other countries as well as government officials, was a source of envy for members of other associations. Members of the CEI felt that their exclusion from these councils, and their monopolization by FICCI, was unfair.[14] Competition was also evident through the movement of members from one organization to another. After 1987, ASSOCHAM saw the entry of many new members, other chambers, and big corporate houses. From 1987 to 1991, the direct membership doubled to 500, and the indirect membership increased eightfold to 52,000. In 1991, nine more big companies became 'patron members' of the association.[15] These included a wide array of industrial companies, which added to the prestige and reputation of the organization. After this induction, ASSOCHAM enjoyed the patronage of such companies as Tata Sons, Bajaj Auto, Mahindra and Mahindra, Chowgule and Co., Hindustan Unilever, India Tobacco Company (ITC), Phillips Carbon Black (RPG), Shaw Wallace and Company, Premier Automobiles, The Mafatlal Spinning and Company, The MRF, Modi Xerox, DLF Universal, Indian Aluminum, and the Amalgamation Ltd (Simpson group). Many of these companies had left the FICCI and joined ASSOCHAM, thus levying competitive pressure on FICCI.[16] It could be argued that through this transformation, CEI wanted to replace FICCI as the single most powerful industry association in the country (Raman 1991; Ghosh 1992; Roy 1992).

In response to the business model presented by CII, FICCI sought to organize itself and deal with the rise of CII, a powerful competitor (Sharif 1994; Guha 1994).[17] Many of the reforms initiated by FICCI—the campaign to expand membership and subscription, organizational changes, and changing purposes to deal with international competition—were in direct response to CII's perceived strengths.[18] The FICCI decided to go into the business of trade shows and exhibitions, a domain in which CII had already carved a name for itself, and also began publishing a journal called *Quality Trends*, following in the footsteps of CII's quality movement.[19] In an effort to strengthen its secretariat, a five-member core team was set up to oversee a radical restructuring of the administrative structures and procedures. FICCI decided to appoint an economic expert as CEO, who would also function as secretary-general. It was at this time that Amit Mitra was chosen to be the Secretary-general.[20] Clearly, public relations and handling public events was prioritized, given the positive publicity being received by CII. A new division titled 'Protocol' was set up to handle visits of foreign delegations, besides looking after the other major functions of the chamber. 'We want to give better hospitality and have proper management of important events', said A.K. Rungta, senior Vice-President, FICCI.[21] In 1998, a corporatist drive was launched to make FICCI a more efficient organization. The leadership of FICCI also began to track news stories on the two organizations, and undertake a comparative evaluation of the media coverage of the two associations.[22] As with the CII, which seeks to make each of its divisions self-earning and profit-oriented, it was decided that FICCI would run on a profit basis.[23] In the mid to late 1990s, FICCI launched a new membership initiative with a view to shake off its 'old economy image'. In 2000, around 220 members from the so-called technology, media, and telecom (TMT) sectors joined the association, including such companies as Infosys, S. Kumars, Aptec, Sony Entertainment, Hughes Network systems, and Silverline Tech. Faced with competition, FICCI realized that 'unless we have a good membership base we will lose our voice as an apex industry chamber and also lack financial muscle'.[24] Reciprocally, a resurgent FICCI has begun to put competitive pressure on CII: Tarun Das recently said, 'Yes we are very different from FICCI but their presence has kept us on our toes, we have to constantly innovate'.[25] Thus, competition within the business system shaped the transformation of existing organizations (in this case FICCI and ASSOCHAM) into developmental associations.

Yet, this competition prevented united collective action on the part of all three associations, or any moves towards merger or unity. India, despite globalization and the transformation into developmental associations, continues to be a 'state dominated pluralist system', in which numerous groups vie for the state's attention and business is fragmented. Despite many attempts to unite business action, merger moves between CII, FICCI, and ASSOCHAM, or even joint efforts or campaigns between the associations could not succeed.[26]

The first such merger was mooted in June–July 1990, but came to naught.[27] In July 1992, an apex committee constituted by the Presidents of the three chambers—FICCI, CII, and ASSOCHAM—was proposed. It was considered necessary to coordinate among the three chambers given the economic liberalization, which had changed the role of the chambers from 'representation' to that of 'partners of economic growth'. The main task of the committee was to have joint meetings with the PM, government leaders, and foreign dignitaries.[28] This body failed to take shape at that time as leading industrialists in FICCI felt that such a body would affect its functioning.[29] Again, in 1995, another joint body was mooted to coordinate strategy vis-à-vis external actors. The initiative for a unified front was first mooted by L.M. Thapar and S.K. Birla in early 1995 (members of FICCI). CII President Rajive Kaul also favoured the idea of working together with both FICCI and ASSOCHAM on issues relating to external relations. This effort followed a realization by top industrialists that 'they are wasting their time, energy and money in separately hosting visiting foreign businessmen under the aegis of ASSOCHAM, CII or FICCI when the issues for discussion are common. So why not constitute a coordinated body which gives equal representation to the three apex chambers (Dobhal 1995)? However, this body was never instituted, and the three chambers today continue to invite foreign dignitaries separately.[30] In 1993, attempts to form an India International Business Council (IIBC) by R.P Goenka, with the support of the foreign ministry of the Government of India and the inclusion of all three chambers came to naught, as it increased in-fighting rather than any collective or cooperative action.[31] Again in 2000 there was some effort to present a joint set of recommendations on the annual budget, but the three chambers could not agree to do so. The FICCI proposed the joint proposal idea, but CII and ASSOCHAM preferred to go it alone and give their separate suggestions to the Finance Minister.[32] Thus, competitive politics between the three chambers has continued to be a pervasive feature of the interest representation map in India. On one hand, the lack of business unity affects the nature of business coherence and the strength with which the business community can negotiate with the government. On the other hand, this competition stimulates the adoption of developmental features by both the CII and FICCI.

ECONOMIC AND POLICY CHANGES IN THE 1990s

Beginning in 1985 and more systematically in 1991, India liberalized its economy. Important domestic regulatory changes were accompanied and followed by a change in India's global strategy. Trade, technology, and foreign direct investment (FDI) were all encouraged. This policy change had a clear impact on India's economy. Net FDI inflows as a percentage of gross capital formation increased from 0.23 per cent in 1980 to 2.6 per cent in 2002, while the total trade in goods and services as a percentage of GDP increased from around 16 per cent to around 31 per cent. After 1992/1993, subsequent to the economic reforms of 1991, a sharp rise in the rate of economic growth was reported. The growth rate of the GDP was estimated at between 7.5 and 8.5 per cent in 2003–4, 2004–5, and 2005–6 (GoI 2007). Liberalization of the economic policy also affected the nature of India's growth pattern and facilitated a structural change in the economy: the service sector grew much faster and fuelled a large proportion of India's rising growth rate. How are these economic and policy changes reflected in the institutional relations between the class actors—capitalist class—and the state, the carriers of these transformations?

TRENDS AND DEVELOPMENTS IN THE 1990s

A number of developments in the business and politics relationship need to be taken note of. First, and most significantly, business and the state came closer, and evolved a mutually beneficial relationship at both formal and informal levels.[33] The earlier hands-off relationship stands radically transformed. Interestingly, globalization and global competition catalysed this coming together of business and state in diverse ways. Second, business associations became much more developmental and functional and revived themselves. At the centre of this development lay the rise and transformation of the CII, but the other major associations—FICCI and ASSOCHAM—also changed and transformed themselves. However, this was accompanied by an increase, and not a decrease, in the number of associations and their activities. Increased competition and fragmentation in business collective action coexists with an increase in their power and functional role in a liberalizing economy. Interestingly, this period also saw intense competition and conflict amongst the big business houses, represented by the Tatas, Reliance, and the like. Big business did not seek to exercise power as a collectivity, despite the establishment of many forums where they came together to address and shape public policy. Third, many businessmen and houses began to participate in direct politics and seek representation in the mainstream of the political system. Thus, many businessmen stood for elections, made their relationship with parties public (like Anil Ambani, for instance), and joined the Rajya Sabha in greater numbers. Let me elaborate on each in turn.

Globalization Brings the National State and Indian Business Closer[34]

Globalization in the 1990s and beyond has bound the state and business in a curious relationship of mutual dependence in India. Counter-intuitively to our expectations, this relationship of mutual dependence was activated in the 1990s in and around negotiations concerning the multilateral regime in trade. As Indian companies and business actors began confronting and engaging with global forces, they realized the functional need for a strong state to defend them, and ensure that the terms on which they competed globally would favour them. Reciprocally, the state found itself out of its depth in global negotiations, in terms of the complex information and implementation costs, which led it to seek a closer interaction with business partners. Also, state actors sought to legitimize their international negotiations through increased interactions with industry leaders. These challenges and impetus transformed the institutional basis of state–business interactions—both formal and informal—as well as the texture of the relationship in significant ways. Globalization also made foreign capital and Indian capital in foreign markets more central to policy debate and the policy formulation process. Thus, globalization provided the stimulus and the site for changing state–business relations in India.

The Beginning of Business's Role in Policymaking, 1999–2007

One of the most radical changes in the trade policy process in India after 1999–2000 has been in the manner in which the government seeks policy inputs from industry firms and industry associations, both during the formulation and implementation stages of policymaking. In fact, the incorporation of business in trade policymaking is one of the only instances of the serious integration of business opinion and input in policy formulation in India; in other policy domains business input is sought, but rarely as intensively as on issues of international trade. This significant change was a product of compliance pressures and dilemmas created as a result of changes in the international trade regime under the aegis of the World Trade Organization (WTO).

As late as 27 May 1997, the former Commerce Secretary and India's chief negotiator at the Uruguay Round, A.V. Ganesan, said that apart from some sections of the Indian bureaucracy and politicians, there seemed to be very little awareness of the 'dramatic changes' brought about by the WTO rounds.[35] He failed to note that one of the reasons (though not the only one) for this state of affairs was that the Government of India neither consulted nor shared any information about General Agreement on Tariffs and Trade (GATT)or the WTO with any industry business group during the Uruguay round; the policymaking process regarding international negotiations was closed and insular with no interaction with any outside actor. S. Venkitaramanan, a senior government official, similarly noted in 1997:

> GOI should engage the trade and business community in an intensive dialogue in order to arrive at agreed methods for handling the impending confrontations with WTO. On and off consultations will not do. We should not face WTO without a proper defense strategy. Such a strategy cannot be devised in isolation at New Delhi or Geneva. It has to involve and talk to those who are affected. (Venkitaramanan 1997)

Another senior government official said:

> the Government should be more open with industry and make public details of all trade-related agreements it entered into with the rest of the world .... The agreements are not supposed to be a secret. If 135 other nations know about it, why [should] not the domestic industry should be told about it.[36]

The insularity of the state apparatus was mirrored in the attitude of business persons and business associations, who did not know or care about the ongoing WTO negotiations till as late as 1999–2000. Indian industry had come to maturity under a closed economy environment concerned more with lobbying for changes and exceptions in the domestic policy environment than with international trade regimes. Its interest in multilateral trade negotiations was non-existent.[37] During the Uruguay round (1986–94), the Indian industry was more concerned with domestic liberalization than with the losses and gains India sustained at the multilateral level. Businessmen, and even business associations, did not care to educate themselves about how the WTO would affect them. They hardly carried out any research or careful study of the WTO and GATT. As an illustration, the CII, the so-called professional association, thought that the WTO was not at all important in the mid and late 1990s.[38] In the early 1990s the three all-industry associations issued 'statements' in favour of a globally consistent IPR regime without any analysis, but because the government asked them to issue statements in support of the government's policy at that time.[39] As noted by G.V. Ramakrishna, 'The fault also lies with industry. There has been a complete lack of initiative on its part. It has never bothered to find out what was happening at the [WTO-related] meetings abroad.'[40] A CII report acknowledged that Indian industry (during the Uruguay round) was 'not so much concerned with what was happening in the Uruguay round. It was not even fully aware of the items of agenda that were being negotiated.'[41] Rahul Bajaj, a businessman of national repute, said in 2001:

> India was a party to the Uruguay negotiations from the beginning and it was given an opportunity to participate in these rounds ... it is unfortunate that neither the Indian government nor the Indian business took these

> discussions very seriously. We did not adequately prepare for these negotiations and we faltered at every point. (Bajaj 2001)

In 1999, CII thought about setting up an office in Geneva at the site of the WTO, but nothing came of that proposal till 2004 when Arun Shourie urged CII to set up an office. This time, a small office was indeed set up, but again closed by 2006 for financial reasons (Rao 1999).[42] Around 1997–8, at a seminar organized by the government to discuss the impending ministerial meeting in Singapore, N. Shankar, a prominent business person, appealed to the government: 'Please educate us about how we may prepare for the WTO'. The government official replied: 'You are too late; The WTO is a done deal now; the negotiations on IPR, on MFA and some other aspects are over; its over and done with and it may be too late to learn about how to cope with it!'[43] Even in globally oriented industries like software, awareness about General Agreement on Trade in Services (GATS), the services negotiation, was minimal. The National Association of Software and Services Companies (NASSCOM) began to be active on (GATS)-related issues in as late as 2002. A senior member of NASSCOM admitted, 'Industry's time horizon is shorter run and can't understand all these rules and offers; the software majors were quite unaware of what was going on in the services negotiations.'[44]

In 1998–9, the government made the first overtures to involve business groups in the process of trade policymaking; till then, business associations were requested to comment on WTO agreements, but not involve themselves in the formulation of policy or discussions associated with negotiations.[45] In April 1999 the government began organizing workshops on WTO-related issues, where

> the government called for comprehensive industry involvement in the process of preparation for India's mandate in the World Trade Organization ministerial meet in November. Special secretary, ministry of commerce, N.N. Khanna, asked for detailed, specific but WTO-compatible demands from the industry that could be included as part of India's mandate for the WTO negotiations.[46]

The government delegation to Seattle's ministerial meeting, for the first time, included two members each from CII, FICCI, and ASSOCHAM.[47] Three members of CII—Omkar Goswami (Economic Advisor to CII), Gopal Krishnan (Tata Group), and T.R. Bhowmick (Economists, Research Group)—were in Seattle, two of them part of the official government delegation.[48] Seattle, although a failure, brought home to the Indian government the need for much wider consultations, as well as the need to involve industry as a 'stakeholder'. After Seattle's debacle, the government constituted an expert and business group under the recently reconstituted 'Prime Minister's Council on Trade and Industry' to come up with a 'strategy paper' on WTO: 'The Group was asked to consider and recommend a strategy for a Reconvened WTO Ministerial Conference' (Srinivasan and Bajaj 2000). This group was led by two industry stalwarts, one from CII (Rahul Bajaj) and the other from FICCI (N. Srinivasan), and invited a number of experts, government officials, WTO negotiators, and sector-specific representatives to discuss and debate the ongoing WTO negotiations and evolve India's negotiating position.[49] For about three months in 2000, the group met one to two days a week at FICCI's office to discuss both general and sectoral issues, and came up with a report and set of recommendations.[50] One of the recommendations was:

> [T]the urgent need to strengthen the domestic machinery both at the policymaking level and at the level of regulation and infrastructural support, particularly with respect to the multilateral trade regime. While there has been a considerable increase in the quality and frequency of interaction between government, business and other stakeholders in society in shaping our economic policy in general and trade policy in particular, this interaction must deepen and widen and be sustained on an on-going basis. (Srinivasan and Bajaj 2000: 41)

Thus, by the late 1990s, there had been a sea change in the nature and extent of consultations conducted with private business. By 2003, the government was consulting regularly with business groups, and the three national associations—FICCI, CII, and ASSOCHAM—had become part of official advisory bodies on trade, and were involved both formally and informally in the trade-making process. Since 1998, business actors and associations have been part of the official delegates to ministerial meets. Thus, the policy process associated with global trade has been radically transformed, and involves business inputs at the policymaking stage.

Global Role and Activities of Indian Business

The collective action of business in a closed economy like India (India remained quite closed till 1991) is unlikely to be affected by international factors. Yet, the closed nature of the Indian political economy from the 1950s to the early 1990s led a sectoral business association like CEI (so named at that time) to specialize in parallel international activities, starting in the mid-1980s. At that time, FICCI dominated official international activities through its control and monopoly of the Joint Business Councils. Joint Business Councils consisted of businessmen from India and different nations, as well as government officials of the relevant countries. In 1990, around thirty to forty joint business councils with different countries were sponsored by FICCI. Rivalry over the Joint Business Councils has always marked the conflict between FICCI and ASSOCHAM in the 1980s and 1990s.[51] The CEI found itself completely excluded from these business councils, leading it to initiate independent and parallel links with international business actors.

The CEI (then known as AIEI) also began specializing in organizing trade fairs and exhibitions in the mid to late 1970s; in 1976 it organized its first trade fair. The fairs provided an important service to its membership base: marketing and exporting skills. These skills, while not completely necessary in a closed economy like India, allowed companies to become more competitive, and establish global technological and marketing connections. Second, this allowed CEI to open a parallel line to international firms and other international actors such as the World Economic Forum (WEF), and business associations such as the Confederation of British Industry or United States Chamber of Commerce. The engineering fair, titled Indian Engineering Trade Fair, and the Auto Export Fair became a staple of CII's activities. Initially, the engineering and auto fairs were held every four years, but they became so popular that they began to be held every two years.[52]

Further, CII established international offices in collaboration with the national or sectoral business association of the relevant country. The first international office was in Saudi Arabia. Since CEI modelled itself after the Confederation of British industries, the United Kingdom has continued to be an important office. In 1988, CEI had four international offices. As globalization and competition with FICCI accelerated, CII continued to set up international offices in many countries.[53] The period between 1994 and 1996 saw a massive spurt as six new offices were set up. By 2001, CII had eleven offices with an annual expenditure of Rs 28.52 million. In 2004 it had fourteen offices, and a new office had been set up in Geneva to monitor the activities of the WTO, an interesting development (see Figure 30.1).

Moreover, the linkage of CII with the WEF established in the mid-1980s was to pay rich dividends after globalization when the state, business, and provincial-level actors all sought the network opportunities that such a forum provided. It

Table 30.1: Expansion of International Activities of CII

	Number of International Offices	Total Expenditure on International Offices (in Rs million)
1990	3	3.33
1991	3	4.19
1992	3	2.36
1993	2	2.91
1994	3	4.20
1996	10	22.18
1997	12	27.86
1998	13	36.19
1999	12	32.30
2000	8	29.90
2001	11	28.52
2004	15	Not Available

Source: *Annual Report* of CII (Various Years).
Note: Data for 1995 was not found as the relevant Annual Report was not available.

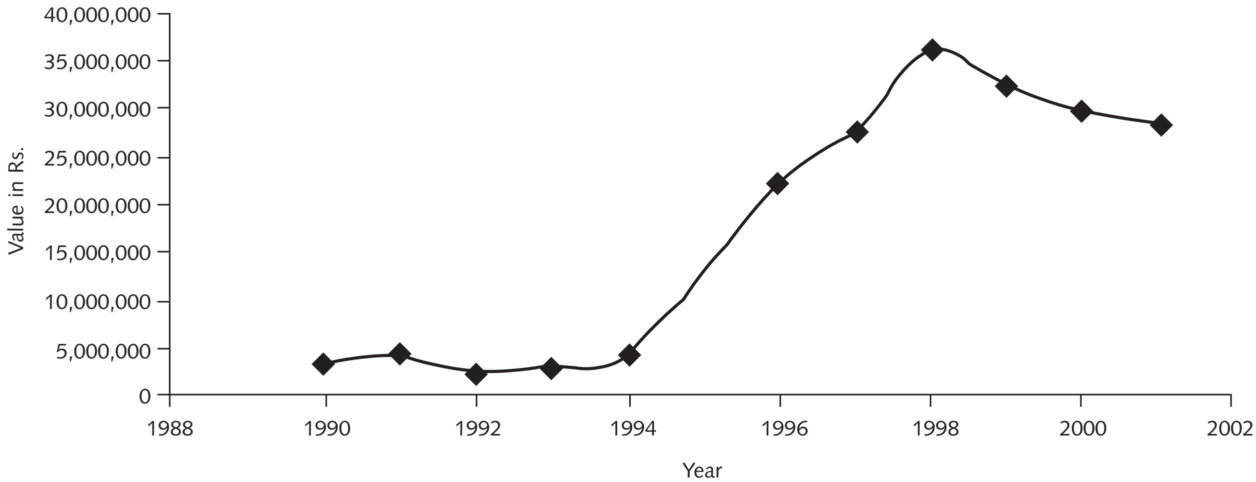

Figure 30.1: CII's Expenditure on International Offices

Source: *Annual Report* of CII (Various Years)

was PM Rajiv Gandhi and industrialist Rahul Bajaj[54] who facilitated the initial links between CEI and WEF.[55] In 1982 Rajiv Gandhi visited Switzerland and suggested that WEF hold a summit in India, where he would ensure that his mother, Mrs Indira Gandhi, the PM, would address the summit. WEF needed a business association linkage in India; this was facilitated by Rahul Bajaj, who took Rajiv Gandhi's idea to Tarun Das.[56] The CEI/AIEI was cash-rich and excluded from the domestic political and business process. They saw in this linkage a crucial opportunity. In 1984 WEF held its first summit in India. As it happened, Rajiv Gandhi inaugurated it, after his mother's assassination in 1984. Since then, WEF and CII's linkage has become a crucial high profile event (Vidyasagar 2004). Thus, openings in the domestic political environment and alliance with a reformist PM coincided with the international activities of the CII.

In the 2000s, Indian business became quite active in international fora. Mergers, acquisitions, court cases, and capturing markets in the Western world became important strategies. In February 2005, the TATA group set up an office in Washington, DC to deal with the complex regulatory environment in the United States as Ratan Tata unveiled a more aggressive global strategy of acquisitions. Ranbaxy has had an office in the US since the 1990s, and has also acquired companies.

Table 30.2: Global Acquisitions and Mergers of Prominent Indian Business

NAME OF BUSINESS	DATE OF MERGER/ ACQUISITION	COMPANY ACQUIRED/ MERGED WITH
TATA	Feb. 2000	Tetley Group
	Sep. 2002	Regent Hotel (renamed Taj Lands End)
	Jul. 2003	Gemplex
	Nov. 2004	Tyco Global Network
	Feb. 2005	Hispano Carrocera
	Mar. 2005	Indo Maroc Phosphore S.A. (IMACID)
	Jul. 2005	The Pierre
	Jul. 2005	Indigene Pharmaceuticals Inc
	Jul. 2005	Teleglobe International
	Aug. 2005	INCAT International
	Sep. 2005	Wündsch Weidinger
	Oct. 2005	Pearl Group
	Oct. 2005	Financial Network Services
	Oct. 2005	Good Earth Corporation and FMali Herb Inc
	Nov. 2005	Comicrom
	Dec. 2005	Starwood Group (W Hotel)
	Dec. 2005	Brunner Mond
	Jan. 2006	Tertia Edusoft
	Jan. 2006	GmbhTertia Edusoft AG
	May-2006	JEMCA
	Jun. 2006	Eight 'O Clock Coffee Company
	Oct. 2006	Energy Brands Inc
	Dec. 2006	Corus
Total		23

NAME OF BUSINESS	DATE OF MERGER/ ACQUISITION	COMPANY ACQUIRED/ MERGED WITH
Reliance	Oct. 2003	FLAG Telecom
	Jun. 2004	Trevira
Total		2
Mittal		
	1989	The Iron & Steel Company of Trinidad & Tobago
	1992	Sibalsa
	1994	Sidbec-Dosco
	1995	Hamburger Stahlwerke
	1998	Inland Steel Company
	1999	Unimetal Group
	2001	Alfasid
	2001	Sidex
	2003	Nova Hut
	2004	Polskie Huty Stali
	2004	Skopje
	2004	BH Steel
	Oct. 2004	International Steel Group
	Jun. 2006	Kryvorizhstal
	Jun. 2006	Arcelor
	Dec. 2006	Sicartsa from Grupo Villacero
Total		16
Ranbaxy		
	1995	Ohm Lab
	2000	Bayer's genetic business
	2005	genetic product portfolio from EFARMES
	Mar. 2006	Terapia
	Mar. 2006	generic business of Allen SpA, a division of GlaxoSmithKline (GSK)
	Mar. 2006	Ethimed NV
Total		6

Source: Author's database collected from the websites of companies and newspapers

The Emergence and Transformation of Collective Business Action in India

In India, in 1992, an engineering association called the Confederation of Engineering Industry transformed itself into an all-industry association, and changed its name to the Confederation of Indian Industry (CII).[57] At that time, FICCI and ASSOCHAM, two national associations, dominated India's business scene. While many regional and sectoral business associations represented the diversity of business in India, delayed international opening and democratic continuity cemented a well-connected, protectionist elite—the FICCI was especially powerful, with strong connections to the ruling Congress party and the bureaucratic apparatus (Kochanek 1974, 1996, 1987, 1995–6). Nevertheless, another association rose to challenge its dominance in the early 1990s. Within a decade, the CII rose to become a nationally recognized association, representing diverse sectors of Indian industry. In response, FICCI, until then the dominant business association, revived itself, and became increasingly developmental in nature.[58] Thus, currently India has two dominant developmentally oriented associations—the CII and FICCI—which compete with each other, but also pursue many developmental activities at both the Central and provincial levels.[59] This transformation in business collective action in the early 1990s coincided with a comprehensive liberalization programme, wherein the role for collective action seemed accentuated. What governance role could a business association perform in the face of the apparent withdrawal of the state from regulatory activity? Liberalization seemed to reduce the role of political lobbying, yet an organization that developed new tools of political access and influence rose to prominence.

Political Representation and Business[60]

In 2004, Anil Ambani, then co-owner of the powerful Reliance empire, filed nomination papers for the Rajya Sabha in Uttar Pradesh with the tacit support of the Samajwadi Party.[61] Simultaneously, he committed a massive Rs 10,000 crore investment in Uttar Pradesh to build a 3500 MW power plant that would feed most of north India and generate at least 50,000 jobs. He also became an honorary member of the Uttar Pradesh Development Council (UPDC) headed by Amar Singh. Such explicit partisan linkage seemed to go against the dictum that most businessmen financed and supported all parties in an attempt to maximize their returns and minimize their political risks. Yet, it highlighted a new phenomenon, the entry of business actors into direct politics, and their open and public courtship of political parties, and national and sub-national institutions of power after a long hiatus.[62] While this led to a more careful scrutiny of the political role and power of business, it also created new challenges and dilemmas of the conflict of interest and the role of money power in politics and elections. Businessmen entered the national legislative institutions in large numbers, both in the Rajya Sabha and the Lok Sabha.[63] In the current Rajya Sabha, thirty-eight members out of 239 define their occupations as either 'industrialist', or 'trader', which is 15 per cent of the Upper House. One hundred and nineteen out of 529 Lok Sabha members are businessmen, industrialists, or traders, that is, 22.3 per cent of its total membership.[64] As evident from Table 30.3, the proportion of business representation has seen a significant increase in the Rajya Sabha, while remaining stable, albeit pretty high, in the Lok Sabha. Interestingly, despite the greater public debate about the entry of prominent businessmen to the Rajya Sabha, what may be more striking is how the occupational base of the typical Lok Sabha has changed over the past few years.[65] In contrast to earlier Lok Sabhas, where agriculturalists, Trade Union members, and lawyers dominated, businessmen and traders now occupy quite a significant presence in the lower house. Interestingly, many members categorize themselves as both agriculturalists (farmers) and industrialists or businessmen, highlighting how agrarian surplus is moving into industry, a point noted above.

Table 30.3: Business Representation in Parliament, 1991–2007

PARLIAMENT TERM	NO. OF BUSINESS MEMBERS (IN %)	NO. OF NON-BUSINESS MEMBERS (IN %)	NO. OF NON AVAILABLE (IN %)	TOTAL
LOK SABHA				
14th LS, 2004–9	119 22.33	393 73.73	21 3.94	533 100.00
LS 13th 10.10.1999–6.2.2004	99 17.43	449 79.05	20 3.52	568 100.00
LS 12th 10.3.1998–26.4.1999	78 14.80	441 83.68	8 1.52	527 100.00
LS 11th 15.5.1996–4.12.1997	109 20.19	421 77.96	10 1.85	540 100.00
LS 10th 20.6.1991–10.5.1996	82 15.07	440 80.88	22 4.04	544 100.00
RAJYA SABHA				
TERM	NO. OF BUSINESS (IN %)	NO. OF OTHER (IN %)	NO. OF NA (IN %)	TOTAL
Current	38 15.90	192 80.33	9 3.77	239 100.00
RS1998	31 12.60	211 85.77	3 1.22	246 99.59
RS1994	8 9.88	69 85.19	4 4.94	81 100.00

Source: Author's calculations from the Parliament website.

CONCLUSION

A systematic study of the changing business and politics relationship in India is overdue; the last full-length study was completed in 1974. This chapter could only hint briefly at the patterns and transformations currently underway in the business and politics relationship in India. A more thorough examination is still awaited. Such an ethnographic and institutional study of Indian business will be very valuable in understanding the changing nature of capitalism in India, and its impact on the dominant institutions of a representative democracy and the changing economic configurations of power.

Here, I briefly note a trend. Massive changes in India's agricultural sector in the near future will transform the nature of agrarian capitalism once again in the next ten years. Many Indian and multinational companies are moving into agriculture, retail, and the food processing industry. Companies such as ITC, Pepsi India, Monsanto, Tata Rallis, Bharti, Reliance, Mahindra Shubh Labh, and Hindustan Unilever among others, as well as biotech companies, are moving into new areas and into areas at the junction of industry and agriculture. Sunil Mittal, Chairman of Bharti Enterprises, sums up the private sector's optimism: 'the greatest area of development is going to be in the area of agriculture, which like telecom is a business which can transform India, and more importantly, transform rural India'.[66] This movement is likely to have a significant impact on 30 per cent of India's population, which continues to live in rural areas. Its exact contours need more analysis and assessment for undertanding the nature of capitalism in India.

NOTES

1. These included: G.P. Goenka (FICCI chief), Sudhir Jalan (former FCCI President) and FICCI's vice President, A.C. Muthia.

2. These problems with the developmental state literature are exemplified by its classics: Johnson (1982) and Woo-Cumings (1999).

3. Regional business groups are those whose core business interests are confined to his/her state of origin.

4. Two very good edited collections on Asia and developing countries exist; neither has a chapter on India. See Maxfield and Schneider (1997) and Macintyre (1984).

5. A group of CEOs organized themselves in 1996–8 protesting against the lowering of tariffs and import quotas and seeking protection against international openness. Rahul Bajaj (Bajaj Scooters) and A.P. Godrej (Godrej group) form part of this informal group that existed for a few years and then dissipated.

6. I elaborate this argument in an ongoing journal article, 'When Controls and External Pressure lead to Innovation: Contrasts between Pharmaceutical and Software Growth Patterns in India'.

7. 'Unleashed: Why Indian Companies are Setting their Sights on Western Rivals', *The Financial Times*, 7 February 2007, p. 9.

8. There are many examples of this career path among the new industry houses; one of the most prominent is Anji Reddy, who was a scientist in the Indian Drugs and Pharmaceutical Ltd., a public-sector company, which he quit to set up his own company (Dr Reddy's Laboratories or DRL).

9. Most entrepreneurs support the CPI(M) in West Bengal.

10. The distinction—tie-wallahs and dhoti-walls—outlined by Kochanek is relevant here.

11. This section is drawn from Sinha (2005b).

12. See 'Significant Increase in ASSOCHAM Membership', *The Patriot*, 9 July 1990; 'Big Rise in ASSOCHAM Membership', *Hindustan Times*, 9 July 1990; 'Sharp Rise in Assocham Membership', *Business Standard*, 9 July 1990. The annual revenue of ASSOCHAM increased from 25 lakh to 1 crore as a result of the increase in membership. Also see 'Assocham to Enlarge Membership', *The Telegraph*, 26 November 1990; 'Assocham Membership Doubles', *The Financial Express*, 27 November 1990; 'Assocham to Have Enlarged Panel', *Business and Political Observer*, 27 November 1990; 'Membership of ASSOCHAM Crosses 50,000', *The Times of India*, 16 May 1991.

13. 'CEI May Merge with Assocham, Change Name', *The Economic Times*, 15 May 1991; Roy (1991); 'Merger of Assocham and CEI Welcomed', *The Independent*, 18 May 1991; 'CEI Changing Name to take on FICCI, Assocham', *Business and Political Observer*, 7 November 1991.

14. Interview with CII official, New Delhi, 23 August 2003.

15. 'Nine more Companies Join ASSOCHAM', *The Statesman*, 18 February 1991; '9 Big Companies Join Assocham', *Hindustan Times*, 18 February 1991.

16. See 'More Companies Join ASSOCHAM', *Times of India*, 18 February 1991; 'New Assocham Patron Members', *The Independent*, 18 February 1991; 'ASSOCHAM Gains 9 More Members', *Indian Express,* 18 February 1991.

17. In 1994, the newly appointed Secretary-General of FICCI, Dr Amit Mitra, said, 'I am glad that Tarun Das has worked wonders with the Confederation of Indian Industry. It has helped wake FICCI up.'

18. 'FICCI Wakes up to New Challenges', *Business Standard*, 5 January 1992.

19. 'Chambers Vie with Each Other for Supremacy', *Indian Express*, 28 May 1992.

20. Interviews; also see 'FICCI Posed for a Major Restructuring Exercise', *Indian Express*, 12 May 1994; 'FICCI Confirms Mitra as Secretary-General', *The Economic Times,* 11 June 1994; 'Interview with A.K. Rungta: FICCI to Stress Promotional Work', *The Hindu*, 12 June 1994.

21. Ibid. Also see 'FICCI Stops Buckling under New Initiative in US', *The Economic Times*, 18 May 1994; 'Showdown in FICCI, Secretary-General May be Replaced', *The Economic Times,* 11 May 1994.

22. I thank John Echeverri-Gent for providing me with some information on this issue.

23. 'FICCI Acquires New Economy Flavor', *The Times of India*, 16 January 2001.

24. Alok Mittal, advisor, FICCI. See 'FICCI Acquires New Economy Flavor', *The Times of India*, 16 January 2001.

25. Interview with author, 2–3 June 2005, Stanford University.

26. One exception was during the visit of the then Prime Minister, P.V. Narasimha Rao, to the US in May 1994, when all three chambers decided to present a 'united front'. See 'Chambers to Put up United Front in US', *Business Standard*, 14 May 1994.

27. 'FICCI Chief against Trade Bodies Merger', *The Financial Express*, 2 July 1990.

28. 'FICCI, ASSOCHAM, CII Plan Joint Panel', *Indian Express,* 27 July 1992.

29. 'Apex Body of Chambers Hanging Fire', *The Telegraph*, 28 September 1992; 'FICCI Stymies Apex Panel of Chambers', *Business Standard*, 28 September 1992.

30. See 'Divided Chambers', *The Business and Political Observer*, 20 January 1997.

31. 'New Body Leaves Chambers Unhappy', *Times of India*, 10 October 1993.

32. 'Apex Chambers Divided on Growth Rate Proposals to FM: FICCI for Joint statement, CII and ASSOCHAM Want to Go Separately', *Business Standard*, 10 October 2000.

Also see 'Unholy Chamber Wars over JBC: Assocham versus FICCI', *M.P Chronicle* (Bhopal), 4 August 2000.

33. Some important works that look at the role of business and liberalization include: Kochanek (1996), Nayar (2001), Pedersen (2000), and Kohli (1989).

34. This section is drawn from Sinha (forthcoming).

35. 'Call for Awareness Programme on WTO', *The Hindu* (Madras edition), 28 May 1997.

36. 'Declare all Trade pacts: Ramakrishna', [The Chairman of the Disinvestment Commission], *The Observer*, 24 July 1997.

37. An interview with a member of a business association, who had long-standing interactions with many business leaders, confirmed this (January 2002, New Delhi).

38. Confidential interview with a CII official, New Delhi, 17 January 2003.

39. One exception to this lack of knowledge was some companies in the pharmaceutical sector, most notably Parvinder Singh from Ranbaxy, who were the few members of the Indian business class to perceive the 'writing on the wall' regarding the upcoming patent regime.

40. 'Declare all Trade Pacts: Ramakrihsna', *The Observer*, 24 July 1997.

41. 'WTO: the Reality of the New Trading Order: Proceedings and WTO 2000 Series of Workshops: 30th March–12 July 1999', Research Department, CII.

42. Rao (1999), notes that the CII thought of setting up a WTO-related office in 1999.

43. Confidential Interview, New Delhi, January 2002. The person was at this seminar and heard the exchange first-hand.

44. Interview with a high-level official of NASSCOM, 8 April, Washington DC.

45. In the early 1990s, the CII and FICCI issued statements supporting the Dunkel draft. These statements were requested by the government. Confidential interviews revealed that at that time, a careful analysis of the Dunkel draft on Indian industry had not been done.

46. 'Government calls for industry involvement in WTO talks', 29 April 1999, at http://www.rediff.com/business/1999/apr/29cii.htm.

47. The CII's then President, Shekhar Datta, was in Singapore in April 1996 for the World Trade Congress meetings; this two-day meeting was a forerunner to the ministerial meetings in December 1996. India was represented by its Commerce Secretary, Tejender Khanna, and Shekhar Datta; 'India Should Push for Global Trade pact to avoid Bias', *The Observer*, New Delhi, 25 April 1996.

48. Interview with CII official, 1 January 2002.

49. A notable feature of the deliberations was the joint collaboration between the CII and FICCI, two competitor business associations, which have a running feud and have on most occasions failed to undertake joint programmes.

50. Interviews with a participant of the group.

51. 'Assocham to strengthen Overseas Links', *Business Standard*, 2 July 2000; 'Apex Chambers Agree to Restructure JBC's Secretariat', *The Observer*, New Delhi, 15 July 1995; 'Unholy Chamber Wars over JBC', *M.P Chronicle*, Bhopal, 4 August 2000.

52. The Engineering Trade Fair was held in 1993, 1997, 1999, and 2001. The Auto Expo was held in 1993, 1996, 1998, and 2000.

53. One of its most active international offices is in Singapore. Shomikho Raha explores this aspect in his ongoing doctoral thesis, 'Changing Reason of State in India: Domestic Structural influence in selected cases of the Ganga water-sharing dispute, nuclear policy and industry partnership with Singapore', Trinity College, Cambridge University.

54. Rahul Bajaj is CEO of Bajaj Auto, India's premier scooter company.

55. World Economic Forum officials confirm this. Collette Mathur, the director of WEF, outlined the emergence of WEF-CII connections in a recent speech. See Skaria (2004).

56. Interview with a CII official, New Delhi, 11 March 2004.

57. The CII's historical antecedents lie in the engineering industry. In 1974, the Association of Indian Engineering Industry (AIEI) was formed as a result of a merger of two engineering associations. In 1986 AIEI was re-christened as the Confederation of Engineering Industry (CEI) as it began to invite other associations to join it. In 1992, it expanded its scope to become an all-industry association, and renamed itself the Confederation of Indian Industry (CII).

58. Following Doner and Schneider (2000), I define developmental associations as associations that improve the functioning of markets and states. For example, a developmental association may work towards the provision of better infrastructure by the state, or help firms to improve their quality performance or secure export markets through trade fairs, market surveys, etc.

59. While ASSOCHAM, a smaller organization, is less powerful and visible, it also performs many developmental activities.

60. Ideally, this section should analyse the role of campaign finance or that of money in elections. I am unable to analyse that, given constraints of space and the problematic nature of the data on that issue.

61. See the story, http://www.the-week.com/24jul25/currentevents_article10.htm. Last Accessed on 28 March 2008. Interestingly, in March 2006, Anil Ambani resigned from the Rajya Sabha after the split with his brother, Mukesh Ambani. The fight between Anil and Mukesh broke out at the end of 2004. It is believed that his close association with the

Samajwadi party affected the way the Congress government and party reacted to his conflict with his brother. Mukesh is supposed to be close to the Congress party.

62. During India's national movement, similar involvement of businessmen with the Indian National Congress was widespread.

63. Other prominent members from the business community to have joined the Parliament include Vijay Mallya of the UB Group (Janata Party), Naveen Jindal of Jindal Steel (Congress), Rajkumar Dhoot of Videocon (linkage with Shiv Sena), Hotelier Late Lalit Suri, a trader-cum-industrialist, and B.J. Panda (Biju Janata Dal).

64. Drawn from the author's constructed database of 'Occupational Background of the Indian Parliament'.

65. I am in the process of constructing a more systematic database concerning the occupational background of Rajya Sabha and Lok Sabha members over time.

66. Cited in Center for the Advanced Study of India (CASI), 2006.

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