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HOW FEDERALISM INFLUENCES INDIA'S DOMESTIC POLITICS OF WTO ENGAGEMENT

(And Is Itself Affected in the Process)

Rob Jenkins

Abstract

India's federal system has significantly influenced the way in which domestic political forces have reacted to the "multilateralization" (via World Trade Organization agreements) of key areas of policymaking, particularly agriculture. State-level politicians tend to view World Trade Organization-related matters through regional lenses. In the process, Indian federalism itself has been subjected to certain, sometimes contradictory, changes.

I. Introduction

This paper examines one aspect of the complex relationship between globalization and federalism. The World Trade Organization (WTO) has become a potent symbol of at least one dimension of globalization: the multilateralization of national policymaking, a process by which issues that were once purely of domestic concern have become subjected to intergovernmental discipline. India's engagement with the system of multilateral trade governance negotiated and administered through the WTO is influenced by many factors, including the sectoral composition of the Indian

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economy and the prevailing international distribution of negotiating power. India's willingness to participate in official WTO processes, and its position on specific sectoral and institutional negotiations, is also affected by trends in the domestic political sphere, as it is in any country. This paper argues that one characteristic of India's political system—the federal ordering of power and representation—has a particularly strong impact on the way in which forces in domestic politics react to the policy changes wrought by WTO agreements. Thus, the institutions of federalism play a crucial mediating role between at least one aspect of globalization (the WTO) and the realm of domestic politics. The paper also contends that in the process of performing this function, federalism itself undergoes significant changes. Thus, the impact of globalization on federalism—and perhaps other domestic institutions as well—is indirect: it is animated by politics. The nature of the impact, moreover, is inherently ambiguous: while India's engagement with the WTO has unleashed political forces that have placed its federal institutions under great strain, this engagement has also contributed to a corresponding process of re-institutionalization.

The remainder of the paper is organized as follows. Section II. briefly surveys the range of potential linkages between globalization and federalism. Section III. examines the process by which the federal system influences the domestic political response to India's engagement with the WTO. Section IV. analyzes the ways in which, in the process of playing these mediating roles, federalism itself is affected. Section V. reviews the evidence and addresses briefly some potential implications of the arguments advanced.

II. Where Federalism and Globalization Intersect

The importance of federal institutions for studying the nature of democratic politics is supported by Alfred Stepan's observation that of "the total number of people who live in long-standing democracies, the majority of them live in federal systems." Moreover, he reminds us that among "relatively long-standing (if often troubled) multinational and multilingual democracies, all the polities that fall most clearly into this category are federal."¹

For this reason alone, it is important to look at the federal dimension of global processes: if we are interested in how democracies respond to these forces, then democracy's tendency toward a federal form makes this a highly relevant analytical parameter. In addition, there is a large literature on the response of subnational arenas to global economic and political forces. Much

1. Alfred Stepan, *Arguing Comparative Politics* (Oxford: Oxford University Press, 2001), chapter 15, "Toward a New Comparative Politics of Federalism, (Multi)Nationalism, and Democracy: Beyond Rikerian Federalism," p. 315, emphasis in original.

of this has to do with issues of nationalism, but a good deal is focused on political economy. The "extreme globalization theorist"² Kenichi Ohmae, for instance, has long touted the benefits of region-states, which are either relatively autonomous provinces from individual nation-states, or an agglomeration of such units from two or more neighboring nation-states.³ Ohmae argues that these geographical clusters are in many cases potential engines of huge regional economic growth. Furthermore, the emergence of these informal trans-border economic zones—found, for instance, where Singapore and parts of Malaysia meet—is a reflection of "natural" economic forces at work, straining at the unnatural constraints posed by national regulations.⁴

There are many points at which globalization and the institutions of federal democracy intersect, both theoretically, and in the case of India. One reason why is that both federalism and globalization are terms that denote constantly evolving processes—globalization more obviously so, but federalism as well, in two senses: first, in that federal institutions are under a regime of continuous reform; and second, in the sense that the political relations that underlie center-state negotiations (often of a partisan nature) produce a systemic bias toward change, rather than stasis, within intergovernmental bodies.⁵

Indeed, this is one of the reasons why federalism has never been a single, clearly definable entity, either in theory or practice. Its animating ideas and legal basis have varied from place to place, and the dominant forms of federalism have differed from one era to the next. Conceptual distinctions designed to convey key differences among various forms of federalism, from the German "cooperative" model to the American "competitive" approach—have inevitably failed to capture the many complex contingencies and historical accidents that have nurtured actually existing federalisms into their messy, contradictory selves.

Moreover, federal politics have a habit of changing over time, mutating to adapt to new circumstances. Oscillation in the United States between enhanced federal regulatory power and the reassertion of states' rights has become a regular feature of American politics, and indeed a characteristic of the country's federal system. Other countries have deviated strongly in practice from the principles set forth in their constitutions. Spanish federalism created little room for provincial autonomy under the post-Franco Constitution, but it

2. So characterized in Paul Hirst and Grahame Thompson, *Globalization in Question* (Cambridge: Polity, 1996).

3. Kenichi Ohmae, "The Rise of the Region State," *Foreign Affairs* 72:2 (Spring 1993).

4. Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies* (New York: Free Press, 1995).

5. It is worth noting that there is disagreement between Stepan and Riker on this point. See Stepan, *Arguing Comparative Politics*, chapter 15, section entitled "Federalism and the Potential for a Structurally Induced Policy Status Quo," p. 337.

has evolved to accommodate regional aspirations, and is now one of the pre-eminent examples of asymmetrical federalism in which the powers enjoyed by individual subnational units vary from province to province.⁶

Even if, bearing this fluidity in mind, one examines just a small subset of potential globalization-federalism relationships—that is, potential areas of mutual (or unidirectional) impact in which globalization affects federalism or vice versa—even in such a narrowed field, there are several subspecies that need to be distinguished.

Financial integration is one dimension of globalization that has penetrated the core of domestic federal systems. The role of the international financial institutions (IFIs)—the International Monetary Fund (IMF), the World Bank, and the smaller regional development banks like the Asian Development Bank (ADB)—looms large. In late 2001, just months before Argentina's economy and much of its formal political sphere finally went into free fall, the provincial level of the country's dysfunctional system of public finance had the attention of IMF officials. As part of a short-term IMF bailout package approved in August 2001, Argentina's government, in addition to agreeing to punish tax evaders, promised the IMF that it would pass legislation to reform provincial finances.⁷ On the one hand, this episode reflects the growing power of global financial institutions: it demonstrates their ability to penetrate beyond the central state—in fact, to bypass the national level in some cases—and their capacity to demand reforms that affect relations between tiers within domestic constitutional systems. On the other hand, the very fact that the IFIs had to resort to this level of interference reveals how vulnerable these external interventions are to the vagaries of a federal system, where power is dispersed and policies are affected by multilevel trade-offs. Federal systems, in other words, create additional incentive distortions, which make the political implications of competing policy alternatives even more difficult to predict than they are in the case of unitary political systems.

6. Soon after the advent of universal-franchise democracy in South Africa, asymmetrical federalism became of great interest to politicians of the Western Cape provincial government (ruled at the time by the National Party, which was in opposition at the national level). Having consulted academic literature on federalism, the provincial administration's officials were particularly eager to learn how Spanish-style devolutionary tendencies emerged. The National Party and the provincial government argued for changes in South Africa's form of federalism, which denied them substantial authority over key governance functions such as taxation, spending, and law and order. Interview with Constitutional Advisor to the Western Cape Provincial Legislature, Cape Town, March 3, 1997.

7. "The Austerity Diet," *Economist*, August 25, 2001, p. 47.

So the financial aspect of globalization has at least some impact on federalism, even if the nature of this impact is the subject of much debate.⁸ IFI programs can, after all, be *either* the means by which federal financial agreements favorable to provinces have their terms rebalanced in favor of central authorities,⁹ as they have in this example from Argentina (under the regime that the IMF sought to dismantle, Argentina's states were given a guaranteed minimum monthly transfer of \$1.35 billion, an entitlement the states were ultimately to lose), *or* IFIs can serve as a catalyst for enhanced provincial and local-level autonomy, as witnessed by many IFI-funded decentralization programs.¹⁰

The prologue to the breakdown of Argentina's economic system also, by implication, reveals that the direction of causality runs in reverse as well. That is, specific features of Argentina's federal institutions—in this case, the rules governing fiscal relations—were also a key factor explaining Argentina's adverse reaction to global financial integration.¹¹ Arguably, the brittleness of Argentina's federal resource settlement, and the inflexibility of the structures designed to refine it over time, increased Argentina's vulnerability to shifting trends in private and official trans-border capital flows. In short, federalism can affect a country's engagement with global processes as much as global institutions and commitments can influence the shape of federal institutions or central-provincial relations.

Nothing quite so drastic or direct has taken place in the case of Indian federalism. It is true that international organizations like the World Bank are

8. See, for example, Lawrence Saez, "Globalization and Federalism in Emerging Markets," paper prepared for the annual meeting of the American Political Science Association, San Francisco, August 29–September 2, 2001.

9. By mid-2002, Argentinean federalism appeared likely to undergo even more extreme forms of transformation. Proposals to fuse two provinces, Neuquén and Río Negro, appeared to some analysts (such as one quoted in the magazine *Parliamentarian*) to be a sign "of the possibility that certain provinces are grouping themselves together as the first step toward an eventual independence from Argentina," in the form of a proposed state of Patagonia. See "Some in Argentina See Secession as the Answer to Economic Peril," *New York Times*, August 27, 2002.

10. The tension between the decentralizing and recentralizing tendencies in programs supported by international aid is highlighted in Anne Marie Goetz and Rob Jenkins, "Creating a Framework for Reducing Poverty: Institutional and Process Issues in Uganda's National Development Policy," Report Submitted to the World Bank-chaired Strategic Partnership with Africa Working Group on Poverty and Social Policy (Paris, November 1999).

11. The global-provincial interaction, which has received far less attention than the global-local dialectic, affects functions beyond finance—though money is almost always an issue—and international bodies beyond the international financial institutions. The U.N.'s Global Fund to Fight AIDS, Tuberculosis, and Malaria ran into conflict with the government of South Africa (and with the provincial government of KwaZulu Natal [KZN]) when the fund sought to disburse allocations directly to the KZN government, bypassing both the central government's authority and its unorthodox approach to AIDS policy. See "Mbeki Minister Attacks UN Fund's AIDS Grant," *Guardian*, July 22, 2002.

increasingly orienting their programs toward the activities, policy processes, and reform programs of state-level governments, as they have in a number of other federal countries. But there is no sense in which IFIs have intervened directly in the redesign of federal structures or resource settlements.¹²

This does not mean that commentators on Indian politics and economics do not often see links between globalization and the federal system. Following the creation, in 2000, of three new states (each carved from one of three much larger existing states), some analysts argued that the new states owed their creation, in greater or lesser measure, to the (paradoxical) decentralizing tendencies of globalization. This argument has taken two forms. The first is related to Ohmae's notion of regional economies, where the creation of an economic niche requires control over resources and investment decisions. The second form of the argument maintains that globalization has had an effect—in two of the three new states, at least—on the process by which subnational regions have asserted themselves politically.¹³ Tribal groups in the two new (tribal-majority) states of Jharkhand and Chattisgarh have stated their claims for subnational recognition in global non-governmental forums, borrowing inspiration and support from struggles of indigenous people in other countries.¹⁴ Through this sort of international networking among social movements, federalism finds itself at the receiving end of many intangible incarnations of globalization.

Slightly less tenuous in nature are a number of other connections between the process of global economic integration and facets of Indian federalism. Even these links are not particularly direct. Liberalized rules on inward investment, part of a conscious strategy to increase India's exposure to (and participation in) global economic flows, have placed much de facto decision-making authority in the hands of state governments. As former Finance Secretary Montek Singh Ahluwalia has argued, "[I]beralisation has reduced the degree of control exercised by the centre in many areas, leaving much greater scope for state level initiatives. This is particularly true as far as attracting investment . . . is concerned."¹⁵ Official clearance from New Delhi is still required for many foreign direct investments, but the relative importance of

12. The effects have been indirect: fiscal adjustment has created incentives for the central government to shift a disproportionate share of the budgetary pain onto state governments.

13. An argument advanced by a number of intellectuals, it is delivered in modified form in Sukumar Muralidharan, "The Birth of Three States," *Frontline* (Chennai), August 19, 2000. An alternative perspective is furnished by Amit Prakash, *Jharkhand: Politics of Development and Identity* (New Delhi: Orient Longman, 2001).

14. India's tribal organizations have, for instance, played important roles in the development of the U.N. Declaration on the Rights of Indigenous Peoples, a draft document awaiting adoption by a quorum of member-states.

15. Montek Singh Ahluwalia, "Economic Performance and States in Post-Reforms Period," *Economic and Political Weekly* (Mumbai), May 6, 2000, p. 1637.

state governments has increased dramatically since 1991. As a result, states must now compete with one another for private investment, both Indian and foreign. This has been the subject of considerable research, including work that stresses the role of institutional legacies in explaining the differential performance of states,¹⁶ and those based on a more inductive method.¹⁷

The considerable powers assigned to the states by the Constitution also mean that state governments are often blamed by both Indian and foreign critics for many of the failures in India's economic performance during liberalization.¹⁸ One typical commentary argued that state-level incapacity would prevent the central government from realizing an ambitious plan, announced in 2002, to create a series of agricultural export zones (AEZs). The problem was that "much of the implementation on the ground, including identification of products via a cluster approach . . . and development of a comprehensive package of services, will have to be done by the state governments. . . ."¹⁹

At the same time, certain aspects of Indian federalism have helped facilitate India's integration into the global economy. Three are particularly important. Economically, competition among states to attract private-sector investment compels state governments to ease the regulatory burdens facing firms, provide them better infrastructure, and reduce the taxes they must pay. Administratively, best practice in governance reform can be diffused through demonstration effects. Politically, divisions among state-level political elites have served to lessen the impact of anti-liberalization constituencies within and outside the state, disrupting the potential for collective action from key groups, which could thwart reform.²⁰

These kinds of dynamic effects, typical of multilevel governance, remind us that, as Aseema Sinha put it, "National policies are not exhausted at the central level but are a combined product of incentives created by central and

16. Aseema Sinha, "Ideas, Interests and Institutions in Policy Change: A Comparison of West Bengal and Gujarat," in *Regional Reflections: Comparing Politics Across India's States*, ed. Rob Jenkins (Delhi: Oxford University Press, forthcoming).

17. Suresh Babu, "Competition and Competitiveness among States," *Economic and Political Weekly* (Mumbai), March 30, 2002, pp. 1281-84.

18. At other times, public sentiment blames the central government for sloughing its responsibilities onto state governments, especially on difficult political matters that national politicians would rather not deal with directly. For instance, the Securities and Exchange Board of India (SEBI) stated that it was up to state governments to track down the con men who promoted what in India are called "vanishing companies"—paper ventures in which the promoters and funds go missing. Every serious observer knew that this was equivalent to letting the promoters of these companies go free, since most of them have "political protection" at the state level. See "SEBI Passes Buck to State Governments," *Indian Express* (New Delhi), January 25, 2000.

19. "Agricultural Exports: Good Intentions, but . . ." (editorial), *Economic and Political Weekly* (Mumbai), April 27, 2002.

20. Rob Jenkins, *Democratic Politics and Economic Reform in India* (Cambridge: Cambridge University Press, 1999), chapter 6.

regional institutions."²¹ In Sinha's account, the emphasis is placed, rightly, on the contingent political calculus facing elites in these systems: "National economic policy is the combined product of central rules, sub-national variation in institutions, [and] divergent political choices arising out of varying regional incentives." The result is that the "territorial separation of political incentives created by federalism and democracy has direct impact on the nature of the national policy framework."²² These effects, as we shall see, become further complicated in the context of multilateral engagement and government attempts to observe, in as politically costless a fashion as possible, the resulting legal obligations.

The actors affected, moreover, are not just governing elites or economically defined interest groups. As D. L. Sheth has observed, both globalization and the *reaction* to globalization have, at times, assumed prominent places within state and local political arenas.

The new social movements, active at the grass roots of Indian politics for over three decades now . . . are now also locked in conflicts with the institutions and organizations representing the global economic and political power. The global structures . . . have begun to penetrate local spaces without much mediation, either by way of protection or control from the State's centralized institutions of planning and bureaucracy. . . . The result is, local politics has become a variegated scene of conflict and collaboration with global economic structures . . . epitomized recently by [multinational food products corporation Cargill] winding up its operations in the face of farmers' agitation in the south of India and Pepsi Foods acquiring a durable foothold in Punjab largely due to the cooperation it received from the farmers' lobby in that State.²³

The final line of what is otherwise a passage about local politics reveals the critical importance of the state level, or rather state-level aggregations of political influence—another theme to which we will return.

III. How Federalism Influences the Politics of India's WTO Engagement

India's engagement with the WTO consists of both (a) its agreement to multilateral rules and (b) its ongoing diplomatic activity within the institution. India's diplomatic activity comprises both the agenda the country has sought to advance through negotiating strategies, and India's role within other WTO

21. Aseema Sinha, *The Regional Roots of Developmental Politics in India: A Divided Leviathan* (Bloomington, Indiana: University of Indiana Press, forthcoming), chapter 1.

22. *Ibid.*

23. D. L. Sheth, "Globalizing Democracy versus Deepening of Democracy: The Post-Cold War Discourse," paper for the Lokayan seminar on "Globalization and South Asia," Centre for the Study of Developing Societies, Delhi, August 29-31, 2001.

processes such as trade policy reviews, the use of WTO procedures to resolve trade disputes with other member states, and participation in deliberations on how to improve the fairness of the WTO's structures and operating procedures.²⁴

Engagement results in specific legal commitments that narrow government policy options on many tariff and non-tariff issues, and that also, naturally, prompt domestic political reaction to the government's diplomatic activity. Domestic political activity in India has addressed questions such as whether India should have agreed to existing rules, and whether stated objectives on issues currently under negotiation are sincere, likely to be effective, and/or are biased toward the interests of certain social groups.

Many factors shape the way in which WTO engagement is "received" politically. The framework of ideas, interests, and institutions is useful here. The interplay of *ideas* about markets, trade, sovereignty, democracy—and a host of other relevant subjects—are important determinants of political reception.²⁵ So is the configuration of *interest* groups, however defined. A third factor, *institutions*, operates in at least two ways. First, domestic political institutions play an important role by shaping the configuration and influence of interest groups. And, second, international institutions can shape the ideological environment in which political and economic ideas can be aired, debated, reformulated, and codified.

One domestic institution that has received inadequate attention in understanding the political reaction to the WTO in India is the country's federal system: the constitutionally sanctioned division of responsibilities between the national and subnational tiers of the Indian state. There is much disagreement among specialists on how to define Indian federalism, with some constitutional experts referring to India as a quasi-federation or a unitary polity with federal features. While the comparative study of federal systems is a worthwhile enterprise, and the taxonomies thereby devised do have a bearing on the functioning of India's policy-making process, these efforts are not crucial to the arguments advanced in this paper. For the purposes of this analysis, India's federal system comprises all of the institutional forms stemming from the basic division of responsibilities, including elections at both the central and state levels, the existence of government machinery at each tier, and

24. On proposed reforms to the Dispute Settlement Mechanism, see Rob Jenkins, "The WTO and Democratic Accountability: The Case of the Dispute Settlement System," in *Governance and Democratic Legitimacy: Transnational, European and Multilevel Issues*, eds. Arthur Benz and Yannis Papadopoulos (London: ECPR/Routledge, forthcoming).

25. The role of ideas and ideologies in the politics of liberalization is addressed in Rob Jenkins, "The Ideologically Embedded Market: Political Legitimation and Economic Reform in India," in *Markets in Context*, eds. Mark Bevir and Frank Trentmann (Cambridge: Cambridge University Press, forthcoming).

institutions for regulating relations between the two levels, such as the Finance Commission, the Inter-State Council, and the National Development Council.

There are three main ways in which federalism shapes the political reception of the WTO in India. The first is the extent to which WTO agreements negotiated and agreed to by the central government in 1994 (under Prime Minister P. V. Narasimha Rao of the Congress Party) are seen to constrain the rights of state governments to make policy in areas of competence assigned to them under India's Constitution. The perceived usurpation of states' rights over agricultural policy in particular has engendered open conflict between political elites operating at the two levels of the federal system.

Some state governments have, in fact, taken the government of India to court, demanding a reinstatement of the constitutionally mandated division of powers between the central and state governments in which agriculture is categorized as a state subject.²⁶ This would, in effect, require the government of India to renounce its commitments under the WTO's Agreement on Agriculture (AoA), on the grounds that it lacked the authority to ensure their fulfillment. Legally, the states' case faces almost insurmountable hurdles, Indian jurisprudence having tended toward affirmation of the central government's treaty-making power, partly on the grounds that parliamentary ratification of treaties encompasses state-level representation, both through the territorial electoral constituencies that send delegates from states to the lower house, as well as through the direct role of the states in sending representatives to the upper chamber.

But politically speaking, the states' challenge is less easily dismissed. Though holding out little chance of success, leading politicians from state-level ruling parties continue to contest the legality of the government of India's actions at the WTO. Punjab, West Bengal, and Tamil Nadu, among others, have pressed on with their litigation.²⁷ That these legal challenges are driven by partisan electoral considerations—modified by the institutional context of a federal division of powers—can be seen in the political uses to which they have been put. In late 2001 and early 2002, Punjab's Shiromani Akali Dal (SAD) made anti-WTO rhetoric a mainstay of its reelection campaign in the run-up to state assembly elections. Senior ministers and party leaders repeatedly told public rallies of the SAD's intention to pursue further its complaint against the government of India in the Supreme Court.

26. The Indian Constitution divides areas of competence into three categories: the state list, the central list, and the concurrent (or shared) list.

27. Tamil Nadu was permitted by the court in late 2001 to update its original position. This was significant in that it made admissible information on government activities *after* the signing of the Uruguay Round Agreements (URAs). *Business Standard* (New Delhi), December 5, 2001.

The motivation behind this and other suits has less to do with state governments' reverence for constitutional norms than it does with their desire to underline, in a classically public way, through a court of law, the "powerlessness" of state governments in the face of the central government's "capitulation" to the "diktats" of the "IMF-World Bank-WTO combine."²⁸ Politicians operating within India's federal system know that the apportionment of blame for unpopular policies (or negatively perceived outcomes) is an intensely political matter.²⁹ Whether it is the central government or the state government that incurs the voters' wrath is at least partly determined by the relative success of partisan forces in shaping public opinion. It is not a given. Even when the center is, objectively speaking, mainly responsible for a policy change, it is often state governments that feel the political backlash for the policy's results, or in some cases, its enactment. Partly, this is because state government, for many interest groups, is the only remotely accessible actor. In other cases, state governments manage to blame the center, justifiably or not, for the ills that beset their regions.

An example that encapsulates the disingenuousness involved in this reciprocal blame-shifting between the central and state governments concerns loan agreements concluded between the World Bank and the Andhra Pradesh government. The central government, ruled by the Bharatiya Janata Party (BJP), complains that Andhra Pradesh is going deeper into debt as a result of fiscal profligacy, while the state government, ruled by the Telugu Desam Party (TDP), counters that the state's fiscal crisis has been caused by reductions in net financial transfers from the central government. Both claims are at least partly true. The Congress Party, which is the main opposition party in both the national parliament and the Andhra Pradesh legislature, entered the fray by stating that Andhra Pradesh's World Bank programs would destroy the state's economy. Both the increased debt burden and the liberalization policies contained within the programs are, according to the Congress, leading the state down the same "disastrous path taken by . . . Argentina."³⁰ The Congress leaders issuing this statement have neglected to mention that it was their party, when in power at the national level, which introduced both the process of economic liberalization and the fiscal policies that have caused such difficulties for India's states.

28. These are commonly used expressions in Indian political commentary, deployed from the left and right equally. On one notable occasion, all three quoted words/phrases were used by a senior BJP member of parliament and ideologue in an interview with the author, March 5, 2002, New Delhi.

29. The federal politics of blame is played out on a range of domestic policy issues—for instance, responsibility for cases of starvation in Rajasthan during 2002–03. See "Hunger Deaths in Baran," *Frontline* (Chennai), November 23, 2002.

30. See "AP Going the Argentina Way: Cong.," *The Hindu* (Chennai), February 13, 2002.

This example also underscores the fact that within those states ruled by parties different from those in power in New Delhi, and that, in some cases, are their rivals in state-level elections, there are even more powerful incentives for state-level ruling parties to blame the central government for negative impacts, and vice versa. Governing elites at both levels must defend against charges that the globalization of the economy is harming ordinary people. As K. C. Suri has observed, ". . . even in the time of market reforms . . . rival political parties have to compete against each other in projecting themselves as protectors of the interests of the poor and the disadvantaged."³¹ The federal organization of governmental authority thus adds another layer of complexity to familiar political games. It is in this sense that the domestic political reaction to India's multilateral engagement is neither a matter simply of partisan oneupmanship, nor purely an outcome of the institutional environment created by federalism, but rather a product of the way in which these two factors work in combination.

In recent years, state-level ruling parties have become more effective at shifting political blame for various negative economic trends, offloading responsibility to the main party in the central government's multiparty coalition. This is in large part a consequence of changes in India's party system. As Zoya Hasan puts it, ". . . the 1990s were characterised by the emergence of the state [level] as the effective arena of political competition."³² States were more likely to develop their own idiosyncratic state-level party systems. Regional parties have proliferated. Many are offshoots of all-India parties. Regional parties have not only become more successful at capturing power at the state level through victories in elections to state legislatures, they are also capturing many more parliamentary seats in their home states. Precisely because regional parties have cut into their countrywide seat tallies, national parties now rely on the many small clutches of MPs controlled by regional parties in order to cobble together parliamentary majorities.³³

The implication of these (by now well-established) trends is that even when a regional party supports the national coalition government (by declaring its MPs' backing, or even participating in the cabinet), regional parties do not necessarily feel constrained in the forms of political rhetoric employed

31. K. C. Suri, "Democratic Process and Electoral Politics in Andhra Pradesh" (London: Overseas Development Institute, 2001).

32. Zoya Hasan, "Introduction: Conflict, Pluralism and the Competitive Party System in India," in *Parties and Party Politics in India*, ed. Zoya Hasan (Delhi: Oxford University Press, 2002), p. 27.

33. For an analysis of this trend, see E. Sridharan, "The Fragmentation of the Indian Party System, 1952–1999," pp. 475–503, and Balveer Arora, "The Political Parties and the Party System: The Emergence of New Coalitions," pp. 504–32, both in Hasan, ed., *Parties and Party Politics in India*.

"back home" in their respective states. Unlike state-level units of centrally managed national parties, the regional parties, which now play such a large role in the fluid environment of national coalition politics, cannot be silenced as easily. Indeed, the main competing national parties (the Congress Party and the BJP) are desperate enough for the parliamentary backing of regional parties that they will countenance even fairly high levels of criticism on contentious issues (like India's engagement at the WTO) from their regional allies. The positions staked out by regional parties may involve not only policy differences with the central government on trade and multilateralized sectoral issues, like agriculture, but also outright attacks on the central government's handling of multilateral diplomacy more generally, and even opposition to continued engagement with the WTO at all.

The second way in which India's federal institutional structure influences the politics of its WTO engagement concerns outcomes rather than process. The economic impact of a given WTO rule or set of rules can vary significantly from state to state. This is primarily because the rules with the most direct effects are mainly sector-specific. Since certain sectors (and sub-sectors) are concentrated in particular states, representing either a large percentage of a state's economy or a large percentage of total national production in the sector, it is not surprising that the way states are affected by WTO agreements (or at least how politicians in these states are perceived) depends chiefly on the states' regional economic profiles.

The share of the agriculture sector in total economic output varies from state to state in India, as does the crop mix. This has implications for how the impacts of trade, even within this one sector, are experienced. Raw-silk producers in the state of Karnataka, for instance, at various times have been adversely affected by reduced barriers to import competition.³⁴ Small-scale tea growers in Tamil Nadu in recent years have faced acute price fluctuations as a result of the changing rules governing international trade.³⁵ Coconut producers, particularly important in states like Kerala, have seen their fortunes suffer, thanks to India's closer integration into the world economy.³⁶ Groundnut cultivators in Andhra Pradesh have been hit hard as competing imports from Southeast Asia and elsewhere have driven down prices. As a result, state governments, such as Karnataka's, have felt acute political pressure to take action to cushion producers of locally important crops.³⁷

34. This was a point of public debate as far back as the run-up to the completion of the Uruguay Round of trade negotiations. See, for instance, "Will Indian Silk Producers Be Outsold in a Free Trade Era?" *Economic Times* (New Delhi), October 29, 1994.

35. V. Sridhar, "Storm in Tea Country," *Frontline* (Chennai), August 19, 2000.

36. R. Krishnakumar, "The Battle of Koorachundu," *ibid.*, December 23, 2000.

37. Decisions of this sort can end up annoying other interest groups, as the government of Karnataka found when it permitted coconut farmers to tap and sell the sap of their trees. This

None of these impacts is directly and completely traceable to WTO disciplines, nor even to domestic policy changes introduced to bring India's trade rules into conformity with the provisions of multilateral agreements. Producer groups have been subjected to so many varieties of institutional and policy reform since the current wave of economic liberalization got underway in 1991 that the independent explanatory power of any single factor is all but obliterated. But in politics, perceptions are crucial. And because these sub-sectoral agricultural interests are often concentrated in certain regions (making local political reverberations proportionately louder), and because federalism affords these regions their own independently constituted tier of elected government, and because agriculture is classically a state subject, agricultural producer groups tend to make their appeals within their own states. Their main strategy, in other words, is to influence political elites whose primary aim is to capture power at the state level, but who also possess a voice in national affairs due to their potential ease of "exit" from ruling coalitions in New Delhi.

The question of motivation is relevant. Regional parties, or what John Echeverri-Gent has called single-state parties,³⁸ to distinguish them from the smaller subset of ethnically regionalist parties, such as Andhra Pradesh's TDP, are more interested in controlling their respective state governments than they are in having cabinet representation in New Delhi. Cabinet representation has, in most instances, been a fortuitous by-product of changes in the national party system. Such representation has also had the added bonus, from the TDP's perspective, of allowing the party to trade its MPs' support to the BJP-led national coalition in exchange for (a) a limited amount of influence on national coalition policy, derived from the TDP's credible exit option; and (b) the retention of the TDP's right to complain publicly about any aspect of national government policy out of political convenience.

These are bonuses in that the *primary* reason the TDP was willing to join hands with the BJP in 1998-99 was its desire to win a majority of state assembly seats, and thereby retain control over the formidable machinery, including most law-and-order matters, of state-level government. What the TDP got for its parliamentary support of the BJP in New Delhi was the BJP's willingness to take political action within Andhra Pradesh designed to thwart the state's main opposition party, Congress, from ousting the TDP from power at the state level.

provoked a violent backlash from producers of other forms of country liquor. See "Tapping Trouble," *ibid.*, November 24, 2001.

38. John Echeverri-Gent, "Politics in India's De-centred Polity," in *India Briefing 2002: Quickening the Pace of Change*, eds. Alyssa Ayres and Philip Oldenburg (Armonk, N.Y.: M. E. Sharpe, 2002), pp. 19-53.

Regionally concentrated agricultural interests do not, of course, always assert themselves through state governments. Especially in sub-sectors where commodity boards have been (or still are) in operation, even spatially dispersed producers tend to generate effective national representation. But even in these cases, there are strong incentives for interest groups to balance their lobbying efforts between trying to affect central government policy and seeking to influence state government implementation. Agricultural producers rely on state governments for many important decisions concerning land reform (or the lack thereof), electricity supplies for motorized irrigation, and so forth.

The representation of regional agricultural interests by regional parties in national trade-policy debates often takes the predictable form of grandstanding in parliament and in the national media. This is a microcosm of the way in which nationwide discontent with the WTO—as a perceived agent of rich-country domination—drives the public posturing of the Indian government, seen at WTO ministerial meetings in Seattle and Doha. The political motivation is essentially the same in both instances: to distract observers from the failure of both levels of government to wield the considerable number of policy levers they still control. Nothing in the AoA prevents India's central government from increasing domestic subsidies from their current levels (India remains well below the specified ceiling) or pursuing a slower pace of tariff reductions in regionally concentrated crops such as oilseeds; it simply chooses to spend public resources and political capital on other priorities. India's central government fulminates in multilateral discussions about the plight of small farmers, claiming as India's primary WTO negotiating objective a side agreement that will further entrench the authority of WTO member-states to intervene when vulnerable farmers are threatened, all the while intervening at home less than it could (and arguably should).

State governments are engaged in a parallel process of blame-shifting, complaining of New Delhi's usurpation of power (through its accession to WTO agreements), while simultaneously failing to use the policy tools at their own disposal to help their farmers. To take one example, during 2000–01, the ruling party in Tamil Nadu was eager to demonstrate to small-scale tea growers there, who attributed their woes to the adverse impacts of new trade rules, that the party was vigorously pursuing their case with the authorities in New Delhi. This imparted a particular shrillness to the state government's public protestations against trade policies that are widely seen as exposing small farmers to excessive international price volatility. For the Tamil Nadu government, making such costless gestures is preferable to

cracking down on the cartels of buyers and processors who allegedly manipulate local markets to the detriment of small tea growers.³⁹

But state governments can do more than opportunistically champion lost causes. They can, and have, intervened with the central government in more substantial ways, in some cases helping to provide interim relief. For Tamil Nadu's tea growers, the participation of the state-level ruling party in the national coalition government made the state government an important point of access to national agencies with the authority to arrange compensation for their economic deprivation. Such agencies include the Tea Board, the Commerce Ministry, and the Finance Ministry. Tamil Nadu politicians have been involved in mediating—with some small successes in terms of support prices and levels of tariff protection—on behalf of the tea growers with such national authorities. The Union government ultimately increased tariffs from 15% to 35% for non-SAARC⁴⁰ tea, and also agreed to a reduction from 4% to 2% in the central sales tax, and from 8% to 4% in the general sales tax. The importance of regional political considerations is underlined by the inclination of Tamil Nadu's ruling party to see the tea price issue not only in terms of how to promote a local industry but also in terms of the possibility that a further collapse in prices could aggravate local social tensions in the region where the tea is produced.⁴¹

Finally, it is worth mentioning a third way in which the existence of a federal system shapes the political reaction to India's WTO engagement. This concerns the approach taken by state governments to other aspects of economic liberalization beyond trade—in particular, foreign direct investment. As noted, before India's economic reform program got underway in 1991, the central bureaucracy largely determined the spatial distribution of industrial investment. This included both public and private investment, and in the case of the latter, investment not only by Indian firms but also what little foreign capital came into the country. This changed after 1991, as the replacement of "central planning" with greater reliance on market mechanisms reduced both the extent of planning and also the overcentralization of decision-making. States were suddenly able to court inward investment, from within India, and from abroad. This naturally generated competition among these sub-national units.⁴²

This competition has had other effects as well. The desire to court foreign investors often moderates not only the policy decisions of state governments

39. V. Sridhar, "Storm in Tea Country."

40. SAARC denotes the South Asian Association for Regional Cooperation.

41. V. Sridhar, "Gardens in Distress," *Frontline* (Chennai), August 19, 2000.

42. See Jenkins, *Democratic Politics and Economic Reform in India*, chapter 5, and Lloyd I. Rudolph and Susanne Hoerber Rudolph, "The Iconization of Chandrababu: Sharing Sovereignty in India's Federal Market Economy," *Economic and Political Weekly* (Mumbai), May 5, 2001.

on issues of direct relevance to investors—taxation, location requirements, labor policy, infrastructure provision—but also state governments' willingness to stake out extreme positions on policy questions that are beyond their own administrative competence, like international trade. As one senior civil servant in the state of Rajasthan put it:

At every review meeting where they [politicians] are present, we tell them that harping on the WTO and World Bank and IMF is not helping us get more FDI [foreign direct investment]. Yes, these guys [representatives of foreign firms] understand that it is just politics, but the MNCs [multinational corporations] must also be thinking, "If they can cave in to political pressures now, maybe they will again later and hurt our investments"; this makes them afraid to come. Some of the smarter politicians are getting the point and toning down what they say in public.⁴³

Thus, even on policy positions of no direct relevance to investors contemplating an investment in a particular state—such as WTO rules or domestic regulatory changes over which states exercise no independent authority—state governments have considerable incentive to refrain from intemperate remarks, lest they alienate the very investors they have taken such pains to lure.

IV. How India's Federal System Is Affected by Its Mediating Role

By influencing the domestic political reaction to India's WTO engagement, the existence of a federal system in India can at times indirectly affect the government of India's multilateral negotiating strategies, including its objectives, its chosen means for achieving them, and the public rationale by which they are justified. All of these, arguably, were affected in the case of the AoA. For instance, the SAD leader who, as we have seen, made political mileage out of his government's legal action against the central government by charging central usurpation of state powers, was also quick to praise the government of India's diplomatic maneuvers at the Doha WTO ministerial meeting in November 2001. The SAD leader was particularly pleased by the official language, in a provision attached to the Doha declaration, that recognized the need for future multilateral negotiations on agricultural liberalization to consider not just increased trade but also such objectives as food security, diversified rural development, and the reduction of inequalities. He

43. Interview, April 7, 2000, Jaipur. While it is important to recognize that this is a self-serving view, in effect blaming the state's poor investment performance on politicians and thereby exonerating the bureaucracy of which the speaker is a member, similar statements have come from less-biased observers in Rajasthan, as well as from officials in states where investment performance has been markedly better.

maintained, moreover, that most of the credit for obtaining these provisions "goes to the SAD."⁴⁴

That would be overstating the case significantly. But it *would* be fair to say that the SAD contributed, along with other regional parties, to the creation of a forum within which the multilateralization of policy issues could be debated more openly than they generally have been in India. This is one of two senses in which the federal system has been affected by the way in which the domestic politics of India's WTO engagement has been routed through its federal institutions.

It was the pressure exerted by regional parties representing (among other constituencies) relatively well-off farmers that was instrumental in convincing the central government to conduct a series of federally organized consultations on the WTO's AoA. In September 2000, a Commerce Ministry-coordinated conference brought together elected officials and civil servants from the central government (representing the Ministries of Agriculture and of Food and Civil Supplies) as well as their counterparts from the state governments. These high-profile meetings, which became the subject of much reportage and commentary in the English- and Indian-language press, clarified points of fact, regarding Quantitative Restrictions,⁴⁵ for instance, and demonstrated for the first time at a national level, through statewide delegations, the nature and extent of opposition to a further multilateralization of policy in this area. Significantly, the discussions produced not just opposition but also positive suggestions. The most significant were alternative sets of priorities for the ongoing AoA negotiations—in particular, the amendments related to food security, and the emphasis on "implementation issues," or what are perceived to be treaty commitments that developed countries have failed to meet fully.⁴⁶

While state governments have been only marginally influential in shaping India's approach at the WTO,⁴⁷ it is important to emphasize that federalism itself undergoes a change in the process of mediating the domestic political reaction to globalization. The center-state consultative forums are set to become a regular feature of India's pre-WTO-ministerial political ritual.⁴⁸ The

44. "WTO Meet: SAD to Move SC," *The Tribune* (Chandigarh), November 16, 2001.

45. "Quantitative restrictions" limit imports by imposing a quota on the number of units of a product allowed into the domestic market, as opposed to tariffs, which as a form of taxation merely discourage imports by making them more expensive.

46. Narendar Pani had been among the commentators pointing out the numerous ways in which India's trade negotiators could have benefited, had they heeded the views of state governments. "Do States Have a Role in the WTO?" *Economic Times* (New Delhi), June 16, 2000.

47. See Rob Jenkins, "India's States and the Making of Foreign Economic Policy: The Limits of the Constituent Diplomacy Paradigm," *Publius: The Journal of Federalism*, forthcoming.

48. Interview with a mid-ranking official in the Commerce Ministry responsible for a subset of WTO policy issues affecting India, March 5, 2002, New Delhi.

Conference of Chief Ministers and central government ministers in early 2001—a followup to the September 2000 meeting that was also devoted to achieving greater center-state consensus on India's multilateral negotiating positions—ensured this by placing this federal consultative forum on a high-level political footing.⁴⁹ The Conference of Chief Ministers received even more press attention than did the meeting of September 2000. Of course, other means for evolving a policy consensus may also emerge. But as India is likely to be governed for the foreseeable future by coalition governments composed largely of single-state parties, it is difficult to imagine future governments *not* convening such meetings, on a federal basis, as WTO negotiations reach critical junctures in the years ahead.

Despite the absence of formal decision-making authority, informal arrangements such as these, because of their representative nature, signify an incremental contribution to a larger phenomenon: the thickening of the Indian polity's federal institutional structure. If "thickening" is the process of elaborating on a social system's basic rules and assumptions, then what is happening to India's federal political system would seem to be a prime example of the process. In Michael Walzer's formulation, "... with thickness comes qualification, compromise, complexity, and disagreement."⁵⁰ All four characteristics could equally describe India's evolving federal order, which has emerged from a period—the 1970s and 1980s—of great institutional rigidity, manifested in the high rates at which state governments were dismissed by the central government under a constitutional provision known as President's Rule. The evolution is to a new phase, beginning in the early 1990s, in which a more diverse set of institutional linkages (governmental and partisan/electoral) between the central and state levels of India's political system is creating the basis for more imaginative compromises.⁵¹ That this does not always translate into recognizably greater influence for states does not make it any less significant an institutional shift.

The argument that India's federal *political* system is becoming elaborated through an accretion of quasi-formal institutions, and that these are at least

49. This was despite the fact that the Chief Ministers' meeting took place *after* India's official baseline negotiating submissions on agriculture had already been made to the WTO (in January and February 2001).

50. Michael Walzer, *Thick and Thin: Moral Argument at Home and Abroad* (Notre Dame, Indiana: University of Notre Dame Press, 1994), p. 6. Walzer uses the term thickening in something like this sense, though in the very different context of moral philosophy—in particular, the transition from minimalist to maximalist doctrines.

51. This is generally consistent with the findings of Lawrence Saez in *Federalism Without a Centre: The Impact of Political and Economic Reform on India's Federal System* (New Delhi: Sage, 2002). Chapter 4 charts the demise of the Inter-State Council, a formal institution, but other evidence presented suggests the elaboration of the centre-state relationship in other respects.

partly a result of India's encounter with the WTO, is supported by organizational changes taking place in the states themselves. Numerous state governments—Punjab, Gujarat, and others—have constituted expert committees to examine the impact of WTO agreements on key sectors in their respective regions. A few—Karnataka and Andhra Pradesh among them—have gone to the extent of creating divisions within their state bureaucracies to institutionalize this process of assessing potential impacts and making policy recommendations. The Andhra Pradesh government's interdepartmental "WTO Cell" came into being following the recommendations of an expert panel, which argued that the central government "did not do much to anticipate, analyse and act quickly to face the adverse fall out and implications of the agreement [AoA] on the farming community."⁵² Andhra Pradesh's farmers were then hit by a "crash in international price(s)," "low rates of tariff applied on imports of commodities like edible oils, sugar, etc.," and the "removal of quantitative restrictions."⁵³ The justification for setting up Andhra Pradesh's WTO Cell went beyond the need to monitor the impacts of past agreements; the intention was to establish a means of adapting state government policies to changing events and, crucially, of influencing *future* government negotiating positions:

Now a new round of negotiations has been launched, which will deal with agriculture as well as a number of other areas. As the international trade in agricultural commodities is likely to be liberalised further, a greater preparedness is required to face and prepare for competition in the international market. Andhra Pradesh, being one of the major agricultural states of the country, needs to set up a WTO cell in the state, which will access and analyse trade and price information and provide policy advice to the State government on matters related to WTO and international trade.⁵⁴

The proliferation of these state-level units does not break the hegemony of the central government over foreign commercial relations. But it does change the nature of bilateral relations between individual states and the central government by dismantling informational monopolies (or duopolies, in those cases where the knowledge of private-sector actors is relevant). Moreover, as more states have established WTO-oriented bureaucratic entities, the networking among them has grown, creating greater countervailing power

52. Government of Andhra Pradesh (GoAP), *Report of the Expert Committee on Implications of WTO Agreements*, section entitled "Recommendation for a WTO Cell in Andhra Pradesh," p. 7.

53. *Ibid.*, p. 7.

54. *Ibid.*

vis-à-vis the analogous central agencies, and shifting the boundaries of traditional balance-of-power federalism.⁵⁵

The second way in which federalism is affected as a result of its role as a channel for mediating the domestic political reaction to WTO processes concerns the fiscal dimension of federalism. Fiscal federalism is, in many ways, the heart of the center-state relationship, in India as in most other federal systems. Politicians fight over money as much as over any matters of policy or principle. The elaborate arrangements for regulating this point of interface testify to its centrality. The work undertaken by the Planning and Finance Commissions, which determine, according to complicated and ever-evolving formulae, the distribution of resources, is inherently political. Much of this is partisan politics: ruling parties in New Delhi are often accused of favoring states controlled by the same party, or one of its allies. But the *ideological* dimension of politics is important as well. The rhetorical forms through which the center-state financial relationship is conducted reveal a host of moral claims concerning "fiscal rectitude," "profligacy," "step-motherly treatment by the centre," and the needs of the poor. All of these discourses have become mainstays of center-state financial diplomacy during the 1990s.

If the terms and rhetoric of center-state financial diplomacy matter, then there is significance to the shifting discourse in the negotiations between the central and state governments over federally shared resources. In the newly emerging discourse, in which references to the WTO play an increasingly central role, states are to work as "facilitators" of "sectoral adjustment to globalization."⁵⁶ For instance, Y. S. Alagh, a leading Indian planner, has argued that in negotiating for their share of funds in the various institutions of fiscal federalism, states should demand "adjustment funds" that could be used to encourage crop diversification and to promote exports of agro-based products.⁵⁷ Alagh's proposal is that such a fund "should be utilised for preparing farmers for global competition and taking on the new challenges to be faced as a result of the World Trade Organization."⁵⁸ It may or may not make technical sense to have state governments, rather than the central government, performing this facilitating role. But the legitimacy of regional political leaders' claim on any such resources has been enhanced by the nature of

55. Interview with a senior official of the WTO Cell, Government of Andhra Pradesh, February 15, 2002, Hyderabad.

56. Interview with a senior civil servant in the government of Madhya Pradesh, February 22, 2002, Bhopal.

57. Dr. Alagh served as chairman of the committee constituted by the Punjab government to recommend strategies for the state's agriculture sector in light of the likely implications of the WTO agreements.

58. Keynote address for the seminar "Impact of WTO on Agriculture and Agro-based Industries of Punjab," organized by the Punjab State Federation of Cooperative Sugar Mills, Ltd., as reported by the United News of India (New Delhi), November 17, 2001.

political conflict between the center and the states on WTO issues. In particular, the tendency for state governments to cast themselves publicly (for instance, through the center-state consultative forums on the WTO) as defenders of India's farmers—a role that stems from both the constitutional division of power *and* the political incentives arising from the simultaneous emergence of national coalition politics and the regionalization of the party system—has increased the negotiating leverage of state governments.

V. Conclusion

The paper has argued that India's federal political system has had a significant impact on the way in which domestic political forces have reacted to the "multilateralization," via WTO agreements, of key areas of policy-making, most notably with respect to the agriculture sector. Policy parameters that previously had been a matter for domestic political negotiation among domestic interest groups, as well as between the central and state governments, have been subjected to WTO disciplines. State-level political elites face strong incentives to view WTO-related matters through regional lenses, and to cast their political responses in federal terms.

The government of India's agreement to WTO disciplines has generated grievances by state-level politicians, who regard WTO treaties on matters like agriculture as trespassing on the constitutional prerogatives of state governments.⁵⁹ Many state-level politicians object to the impact of new "WTO-compliant" domestic policies, blaming them for a variety of ills that beset

59. This paper has focused on agriculture, but there are many other policy domains in which the central government is perceived by state governments to have bargained away their sovereign powers—in effect, selling what did not belong to them. An example is the WTO requirement that no domestic tax authority discriminate between local and "foreign-made" liquor, a practice adopted by most states in collecting sales and excise tax, both of which are constitutionally assigned to the states. A related matter is the creation of a WTO/General Agreement on Tariffs and Trade (GATT) ceiling on combined state and central taxes, which is seen by states as unduly constraining them in the exercise of their rights. See Mark Clough QC and Preet Malik, "Customs and Additional Customs Duty on Imported Liquor into India," *World Trade Update* (London: Ashurst Morris Crisp, July 2001). It turns out that alcohol taxation has been an issue in other federations that are confronting the realities of new trade rules as well. As one analysis puts it, "On occasion regional governments have undertaken actions which are contrary to international commitments of their central government." The authors cite the examples of provincial governments in Canada that "gave advantage in the sale and distribution of wines to domestic products contrary to Canada's GATT commitments." See Ian Bache and James Mitchell, "Globalization and UK Regions: The Prospects for Constituent Diplomacy," paper presented at the European Consortium on Political Research (ECPR) Workshops, Mannheim, Germany, March 26–31, 1999. Another, non-alcoholic, example is the cases of Brazil's orange juice, which "faces a surcharge levied by the American state of Florida—the subject of another complaint at the WTO." See "The Geopolitics of Orange Juice," *Economist*, September 14, 2002, p. 54.

their respective states. In short, the multilateralization of policy via India's accession to WTO agreements is perceived by many states (and advocates of states' rights) as likely to have an adverse impact on the share of political burdens that will have to be shouldered by the states.

In the process of influencing the form taken by the domestic politics of India's WTO engagement, Indian federalism itself is subjected to certain sometimes-contradictory changes. On the one hand, the tendency for states to feel aggrieved by the government of India's agreement to WTO provisions increases the level of confrontation between center and states, placing federal institutions under even greater strain than they otherwise are. On the other hand, the casting of political conflicts in center-state terms also spurs the demand for (and supply of) quasi-formal consultative forums that recognize the federal division of powers. These kinds of informal institutions serve to "thicken" the federal system in ways that affect future rounds of center-state interaction, and thus the nature of federalism itself. They also provide a platform for states to give voice to certain region-specific interests and, indirectly, to influence India's multilateral negotiating strategy.

That performing its mediating role allows India's federal political structure to influence, even to a very limited degree, an important aspect of globalization, with federalism itself being affected in the process, raises questions of the relationship between democratic representation and the institutional and policy convergence taking place throughout much of the developing and developed world. Let us conclude, then, by outlining two questions deserving of further research.

First, is there a sense in which the general characteristics of the Indian case suggest the basic ingredients for any proposal serious about correcting the "democratic deficit" in international policy—that is, the need for greater substantive public input into increasingly remote multilateral decision-making machineries? The question arises due to the proliferation throughout the developing world of large-scale consultation processes designed to increase participation among less-powerful groups. These processes are often government-run—even when driven by foreign aid donors—but without a statutory or constitutional basis. This has provoked criticism of their tendency to bypass, and therefore further stunt the development of, formal institutions of democratic representation and accountability.⁶⁰

In India, the involvement in national policy deliberations of constitutionally sanctioned bodies (elected state governments), even if this involvement was conducted through ad hoc forums rather than through formal permanent

60. This concern is reflected in the United Nations Development Program, *Human Development Report 2002: Deepening Democracy in a Fragmented World* (New York: Oxford University Press, 2002).

structures, demonstrates a potentially effective hybrid form of consultation. An increase in the degree of formality of these processes may be desirable, and precedents exist that warrant further investigation. Canada has, in recent years, incorporated its provinces into deliberations on how it will proceed in its negotiation of multilateral environmental agreements. In some cases, Canada's federal government has permitted parallel delegations of provincial governments to attend official negotiating sessions. This does not, however, always produce the results sought by campaigners for equitable and sustainable development. Canadian oil and timber interests, among others, have been able to use provincial governments as channels through which to press for less-stringent international regulations.

Second, can globalization sometimes reinvigorate democracy, rather than sapping it of its substantive meaning? The reason for asking this question is that the shift in trade diplomacy toward complicated sector-by-sector agreements, combined with the resulting tendency (in India at least) for sub-national units to participate in national policy deliberations on multilateral issues, has helped to diversify the range of voices participating in these kinds of discussions. What were once fairly tight-knit elite policy circles debating the technical nuances of trade policy are now loud, open-ended public conversations. This has brought new actors—social activists, grassroots farmers' associations, women's organizations—into these critical discussions. In other words, the increased intrusiveness of multilateral governance has catalyzed a corresponding political reaction, and not just one based on oppositionalism. The reach and influence of civil society, and its capacity to use public deliberations to open up other issues of relevance, such as the intersectoral distribution of resources domestically, has been greatly enhanced. All of this makes the impact of globalization on the organization of democratic space generally—rather than just in terms of the federal variant—a more complicated issue than many had once thought.