

# Publius

THE JOURNAL OF FEDERALISM

Volume 33, Number 4  
Fall 2003

## Emerging Federal Processes in India

*Edited by*  
*Francine R. Frankel and Douglas V. Verney*

We wish to thank the Konrad Adenauer Foundation, New Delhi, and the Forum of Federations, Ottawa, for co-sponsoring with the Center for the Advanced Study of India, University of Pennsylvania, the conference on "Transforming a Federation: India's Experience" held at India International Centre in New Delhi, 16-19 February 2003, at which the original papers were presented.

*Publius: The Journal of Federalism* (ISSN 0048-5950) is published quarterly by the Robert B. and Helen S. Meyner Center for the Study of State and Local Government and by the Center for the Study of Federalism in cooperation with the Department of Government and Law at Lafayette College. Address: *Publius*, Meyner Center for the Study of State and Local Government, 002 Kirby Hall of Civil Rights, Lafayette College, Easton, PA 18042-1785. Publication is assisted by subventions from Lafayette College.

**Manuscripts** (five copies): Send to Dr. John Kincaid, Meyner Center for the Study of State and Local Government, 002 Kirby Hall of Civil Rights, Lafayette College, Easton, PA 18042-1785 (610-330-5598). *Publius* prefers articles of 20-25 double-spaced, typewritten pages and research notes of up to ten pages. Longer manuscripts will be published only when their excellence justifies it. If return is expected, the manuscript should be accompanied by a stamped, self-addressed envelope. Publisher assumes no liability for safekeeping or return of unsolicited art, photographs, manuscripts, or other material.

**Books for Review:** Send to Dr. Joseph R. Marbach, Department of Political Science, Seton Hall University, 400 South Orange Avenue, South Orange, NJ 07079-2687; (973) 761-9683 (O); (973) 275-2366 (F).

**Subscriptions:** Send to CSF: *Publius*, Meyner Center for the Study of State and Local Government, 002 Kirby Hall of Civil Rights, Lafayette College, Easton, PA 18042-1785. 2001 annual rates: Inside the USA: Individuals \$30 (one year), \$55 (two years); Library and Institutions \$40 (one year), \$75 (two years). Outside the USA: Individuals \$42 (one year), \$79 (two years); Libraries/Institutions \$52 (one year), \$99 (two years). Nine percent agency discount on subscription rates (excluding postage and two-year discounted rate). Single Issues: \$12. Complete set of *Publius* back issues beginning 1971 with Volume 1, No. 1 through current year \$1,300; add \$35.00 postage within United States; \$65.00 postage outside the United States. United States currency check payable to CSF: *Publius*. Master Card and Visa accepted.

**Claims:** Claims for undelivered copies must be received within three months of publication.

**Advertising Rates & Information:** John Stabinger, Meyner Center for the Study of State and Local Government, 002 Kirby Hall of Civil Rights, Lafayette College, Easton, PA 18042-1785 (610-330-5808). No agency discounts for advertising.

**Home Page:** <http://www.lafayette.edu/publius>

**E-mail Address:** [publius@lafayette.edu](mailto:publius@lafayette.edu). E-mail communications with attachments should be sent in binhex code only; not MIME format.

**Academic Permissions Policy:** Before photocopying items for educational classroom use or any other use, contact the Copyright Clearance Center, Customer Service, 222 Rosewood Drive, Danvers, MA 01923 (978) 750-8400 (O); (978) 750-4470 (F).

**Indexing:** Articles and notes appearing in *Publius* beginning with Volume 3, Number 1 are indexed or abstracted in *ABC POL SCI*, *Historical Abstracts*, *America: History and Life*, *Social Sciences Index*, *Social Sciences Citation Index*, *Current*, *International Political Science Abstracts*, *PAIS Bulletin*, *Sage Public Administration Abstracts*, *Sage Urban Studies Abstracts*, *Sociological Abstracts*, *United States Political Science Documents*, *International Bibliography of the Social Sciences*, *Recent Publications on Governmental Problems*, *Political Science Abstracts*, *DOE Energy Science & Technology Database*, and various databases with Information Access Company. The full text of *Publius* is also available in the electronic version of *Social Sciences Index*.

Periodicals postage paid at Easton, PA and additional office.

**POSTMASTER:** Send address changes and undeliverable complete copies to *Publius: The Journal of Federalism*; Meyner Center for the Study of State and Local Government; 002 Kirby Hall of Civil Rights; Lafayette College; Easton, PA 18042-1785.

Copyright © 2004, CSF Associates, Easton, PA



Volume 33, Number 4  
Fall 2003

THE JOURNAL OF FEDERALISM

CONTENTS

Articles

Challenges to India's Centralized Parliamentary Federalism ..... 1  
*Mahendra P. Singh and Douglas V. Verney*

Rethinking Federalism: ..... 21  
Changing Power Relations Between the Center and the States  
*Amaresh Bagchi*

Incentivizing Fiscal Transfers in the Indian Federation ..... 43  
*M. Govinda Rao*

India's States and the Making of Foreign Economic Policy: ..... 63  
The Limits of the Constituent Diplomacy Paradigm  
*Rob Jenkins*

The Changing Politics of States' Reorganization ..... 83  
*Akhtar Majeed*

The Struggle for Local Government: ..... 99  
Indian Democracy's New Phase  
*Peter Ronald deSouza*

The Indian Police: ..... 119  
Problems and Prospects  
*R.K. Raghavan*

Coalitions and Party Strategies in India's Parliamentary Federation .... 135  
*Eswaran Sridharan*

From Quasi-Federation to Quasi-Confederacy? ..... 153  
The Transformation of India's Party System  
*Douglas V. Verney*

**Contributors ..... 173**

To stimulate research, break new ground, or highlight developments, *Publius* publishes topical issues in addition to general issues. *Publius* devotes one issue a year to analyses of significant developments in American federalism and other federal systems in the previous year.

*Publius: The Journal of Federalism*

Special Topical Issues Order Form and ..... 175

Subscription Application

## Contributors

**Amaresh Bagchi** is Professor Emeritus and former Director, National Institute of Public Finance and Policy, New Delhi. He has written extensively on issues in public finance, including, "Rethinking Federalism: An Overview of the Current Debates with Some Reflections in the Indian Context," *Development, Poverty and Fiscal Policy*, ed. M. Govinda Rao (New Delhi: Oxford University Press, 2002). He is currently editing a volume of readings in public finance on behalf of the Indian Economic Association.

**Peter Ronald deSouza** is Professor and Visiting Senior Fellow at the Centre for the Study of Developing Societies, Delhi. He is co-director of the Lokniti program on comparative democracy. In recent years he has been working on issues of decentralized democracy in India and has published several articles in edited collections on *panchayati raj*. He has just completed a study for the World Bank on "Dalits, Discrimination and the Struggle for Equal Citizenship," July 2003. He is currently co-directing a large study on "State of Democracy in South Asia." He has edited *Contemporary India: Transitions* (New Delhi, Thousand Oaks, CA: Sage Publications, 2000).

**Rob Jenkins** is Professor of Political Science at Birkbeck College, University of London. He is the author of *Democratic Politics and Economic Reform in India* (Cambridge University Press, 1999) and editor of *Regional Reflections: Comparing Politics Across India's States* (Oxford University Press, 2004). He is co-author (with Anne Marie Goetz) of *Reinventing Accountability: Making Democracy Work for the Poor* (Houndmills, Basingstoke, Hampshire: Palgrave, forthcoming). His research has focused on Indian politics (federalism, electoral politics, Hindu nationalism) and on political economy (the politics of liberalization, anticorruption, and multilateral engagement).

**Akhtar Majeed** is Director of the Center for Federal Studies at the Hamdard University, New Delhi and is Editor of the bi-annual *Indian Journal of Federal Studies*.

**R.K. Raghavan** is a former Director of the Central Bureau of Investigation, New Delhi, where he handled many sensitive intelligence and criminal investigations in the southern state of Tamil Nadu and in the central government in New Delhi. An Indian Police Service officer of the 1963 batch, he is a graduate in criminal justice from Temple University, Philadelphia, and holds a PhD from Karnatak University, Dharwar, India. He is a former Visiting Fellow of Harvard Law School's Human Rights

Program and the author of *Policing a Democracy* (New Delhi: Manohar Publications, 1991).

**M. Govinda Rao** is the Director, National Institute of Public Finance and Policy, New Delhi, India. Prior to this, he was the Director, Institute for Social and Economic Change, Bangalore and Fellow, Research School of Pacific and Asian Studies, the Australian National University, Canberra. He has worked extensively on fiscal decentralization and intergovernmental fiscal issues in India, China, and Vietnam. He has also published extensively on Indian fiscal policy and reform issues.

**Mahendra P. Singh** is Professor of Indian politics at the University of Delhi. His publications include *India at the Polls: Parliamentary Elections in the Federal Phase*, co-authored with Rekha Saxena, (New Delhi: Orient Longman, 2003). His work on *South Asian Politics: Democracy, Development, and Security* (co-edited with Veena Kukreja) is forthcoming from Sage Publications.

**Eswaran Sridharan** is Academic Director of the University of Pennsylvania Institute for the Advanced Study of India (UPIASI), based in New Delhi. His current research interests and projects include Indian and comparative party systems and coalition politics, political economy of development, and cooperation-building in South Asia. He is the author of *The Political Economy of Industrial Promotion: Indian, Brazilian, and Korean Electronics in Comparative Perspective, 1969-1994* (Westport, CT: Praeger, 1996).

**Douglas Verney** is Professor of Political Science Emeritus, York University, Toronto and Fellow of the Center for the Advanced Study of India at the University of Pennsylvania.

# India's States and the Making of Foreign Economic Policy: The Limits of the Constituent Diplomacy Paradigm

Rob Jenkins

*Birkbeck College, University of London*

*This article assesses the extent to which shifts in India's economic policy stance, and in the nature of economic sovereignty in the contemporary world, are combining to enhance the role of state governments in the making of India's foreign economic policy. Because of states' high-profile investment-promotion activities, it is tempting to classify India as a case of what has been called "constituent diplomacy," the increasingly direct engagement of subnational units in international affairs. But this would be to understate the central government's continued role in managing such important policy matters as external borrowing (from private and multilateral sources) and the regulation of core infrastructure sectors, including electricity, where despite states' key roles, the central government maintains control over certain critical decisions.*

Of all the specialty niches in the study of federalism, that dealing with transnational issues has been one of the fastest growing over the past decade. The ubiquity of the term "globalization," and its frequent dialectical pairing with the idea of localization, has proven irresistible to students of federalism. Recent years have witnessed many high-profile examples of subnational authorities participating in international arenas, spurring additional research on one of the most contentious questions of our era: whether globalization is draining away the political lifeblood of the nation-state, its sovereignty.

Each of the opposing schools of thought has managed to cite the increasing role of subnational actors on the global stage as evidence in support of its position. So-called "hyperglobalists"<sup>1</sup> view the essential elements that constitute globalization (i.e., trade and financial liberalization, policy harmonization, technological interconnectedness, security interdependence, mass migration, and other world-shrinking trends) as inexorable forces, signifying a new political era in which the state will cease (for some, already has ceased) being the linchpin of the global system. For hyperglobalists, the ability of subnational units to poach on the nation-state's natural monopoly over external affairs represents additional evidence of the state's demise, another stage in its descent into impotence.<sup>2</sup>

<sup>1</sup>This term was coined by Anthony Giddens in his BBC Reith Lectures for 1999. These were subsequently published as *Runaway World: How Globalization is Reshaping our Lives* (London: Profile Books, 1999).

<sup>2</sup>Paul Hirst and Grahame Thompson refer to proponents of this view as "extreme globalization theorists." See *Globalization in Question*, 2<sup>nd</sup> ed. (Cambridge: Polity, 1999). Hirst and Thompson identify the work of Kenichi Ohmae as a paradigmatic example of this school of thought. See Kenichi Ohmae, *The Borderless World: Power and Strategy in the Interlinked Economy* (London: Fontana, 1990); and Kenichi Ohmae, *The End of the Nation State: The Rise of Regional Economies* (New York: Harper Collins, 1995).

For the other side in the globalization debate, the so-called “skeptics,”<sup>3</sup> the state remains the critical actor in the regulation of border-spanning affairs, even if this increasingly takes the form of multilateral action among states, rather than individual states acting alone. For skeptics—that is, those who doubt that what goes by the name of globalization has so completely rewritten the political order—the cross-border activities of subnational units, far from being symptoms of declining state capacity, are indications of the state’s inherent strength, a testament to its flexibility and endurance. Permitting a greater degree of participation by subnational units in activities that bring them into contact with external actors (governmental and non-governmental) is just one aspect of the state reconfiguring itself to respond to new exigencies.<sup>4</sup> For those skeptical of the hyperglobalists’ claims, even a “disaggregated state,” in which subnational authorities (or individual national agencies) pursue agendas with entities beyond the nation-state’s borders, is still premised on the idea of a *territorial* state—a central authority that provides a reasonably detailed policy framework to guide these actors, that continues to be able to adjudicate among and discipline them, and that performs the other functions that citizens demand and only the state can adequately undertake, such as the organization of national defense.

It is in the context of these debates that John Kincaid has probed the connection between subnational units and globalization. Kincaid has introduced the term “constituent diplomacy” to denote activities undertaken by subnational political units (e.g., states, provinces, and cantons) that cross international borders.<sup>5</sup> This comprises many types of activity, including provinces’ investment-promotion offices located abroad as well as what Kincaid calls the “co-formulation” of foreign policy between national governments and regional authorities.

Among the many interesting and provocative ideas Kincaid puts forward in elaborating this concept is that constituent diplomacy is distinct from subnational diplomacy. The advantage of Kincaid’s concept of “constituent diplomacy,” he argues, is that it “captures the idea that states, provinces, cantons, *Lander*, and the like are constituent units of federal polities,” often in fact, “co-sovereign constitutional polities with the federal government, not sub-national governments.” The term constituent diplomacy is preferred

<sup>3</sup>Giddens places Hirst and Tompson, *Globalization in Question*, in this camp, but it would also include Linda Weiss, *The Myth of the Powerless State* (Cambridge: Polity, 1998) and more recent books, such as Alan Shipman, *The Globalization Myth* (Cambridge: Icon Books, 2002).

<sup>4</sup>Theorists such as Anne-Marie Slaughter have argued, based on cases of central regulatory agencies conducting negotiations with their counterparts from other nation-states, that “the State is not disappearing; it is disaggregating into its component institutions.” Anne-Marie Slaughter, “Governing the Global Economy through Government Networks,” *The Role of Law in International Politics*, ed. Michael Byers (Oxford: Oxford University Press, 1999), p. 178.

<sup>5</sup>John Kincaid, “Constituent Diplomacy in Federal Politics and the Nation-State: Conflict and Cooperation,” *Federalism and International Relations: The Role of Subnational Units*, eds. Hans Michelmann and Panayotis Soldatos (Oxford: Clarendon Press, 1990), pp. 55-76; see also John Kincaid, “Constituent Diplomacy: U.S. State Roles in Foreign Affairs,” *Constitutional Design and Power-Sharing in the Post-Modern Epoch*, ed. Daniel J. Elazar (Lanham, MD: Jerusalem Center for Public Affairs and University Press of America, 1991), pp. 107-142.



to subnational diplomacy because "subnational implies that states [etc.] . . . are below or inferior to national governments and, thus, also inferior in the field of international relations."<sup>6</sup> Kincaid distinguishes constituent diplomacy from "paradiplomacy" on the same grounds, since the term "para," meaning "to one side of" or "aside from," implies a "secondary" status.

Kincaid goes on to argue that constituent diplomacy is on the increase around the world. By this he means not just the intensity or range of activities undertaken by constituent authorities, but also the proportion of countries worldwide characterized by constituent diplomacy. Kincaid discusses evidence from several cases where subnational units have obtained substantial autonomy from national authorities in their dealings with foreign entities, including governments, international organizations, and representatives of private capital.

This article makes use of selective features of the Indian case to take issue with this latter proposition, concerning the extent of the phenomenon of constituent diplomacy. The purpose is to assist in refining the constituent diplomacy framework so that it can go on informing the study of the provincial-global interaction. It is impossible to generalize from just one case, though India is no more exceptional than any other federal system. It is, on the other hand, possible to deploy evidence from a single case to expose shortcomings in existing theories. It is this latter, more limited objective that is the focus of this article.

In using the Indian case to address the worldwide spread of constituent diplomacy, the article draws mainly on research into the relationship between India's states and two of the key international economic institutions of which India is a member, the World Trade Organization (WTO) and the World Bank. It considers this evidence in light of the existing literature on India's federal system and its responses to the changing international economic environment. Interaction with international actors is of course just one among many dimensions along which Kincaid has conceived the idea of constituent diplomacy, but it is a very important aspect.

Kincaid's assertion that there is a meaningful distinction between constituent diplomacy and subnational diplomacy is based on a solid analysis of important differences among the various cases in which regional authorities insert themselves into matters once considered solely the preserve of national governments. Not all of these cases involve equally substantial roles in "diplomacy," for the reason that each country's external circumstances, and the dynamics of its central-regional relationship, are unique. So it makes sense for the constituent/subnational distinction to operate on the basis of the relative autonomy that the constituent units of federal systems are able to enjoy in their interactions with external actors. For this reason, the proposition is valid, and the analytical distinction itself of practical use in thinking about the actual cases.

<sup>6</sup>John Kincaid, "Roles of Constituent Governments," (paper for the Forum of Federations seminar on "Foreign Relations of Constituent Units," Winnipeg, Canada, 11-12 May 2001).

Indeed, Kincaid's work nicely renders several cases that illustrate what he means by constituent diplomacy, and some of the complexities of how such systems work in practice. The existence of constituent diplomacy is well described and supported.

But the question is how extensive the phenomenon is, and what the direction of the trend is. Kincaid contends that behavior that could be defined as constituent diplomacy has been proliferating rapidly over the past 10-15 years, and that it has become an accepted part of the transnational landscape. Furthermore, the trend is irreversible, so much so that Kincaid feels it "safe to predict, therefore, that constituent diplomacy will become a characteristic of nearly all nation-states during the twenty-first century."<sup>7</sup>

These conclusions may be unwarranted. Some of the cases on which the assertion of a trend toward constituent diplomacy must be based may well pursue practices that more closely resemble Kincaid's "subnational diplomacy" category. In other words, while there is such a thing as constituent diplomacy, and Kincaid delineates its features clearly, supporting each contention with empirical evidence, the extent of its spread may be far less than Kincaid implies. It is the less substantial form, subnational diplomacy, that could well be proliferating most quickly—providing the illusion of massive change—while constituent diplomacy may be confined to a much smaller set of high-profile cases such as Switzerland, Belgium, and the Russian Federation. This makes the trend more ambiguous than Kincaid's theorizing would have us believe, making any predictions of future trends even more suspect.

India has not been singled out by Kincaid as an exemplary case of a country whose federal components are engaged in a particularly paradigmatic case of constituent diplomacy. Nevertheless, India has been described in comparable terms by scholars working on the region. The next section of the article (following a couple of necessary disclaimers) seeks to contest that characterization.

This article is not arguing that, because India's states turn out to be less autonomous in the arena of foreign economic policy than is commonly thought, therefore so are all of the other cases that Kincaid discusses. Rather, the argument is that the Indian case raises the possibility that some of the other countries discussed in this literature have also had their autonomy overstated. This would swell the ranks of the world's subnational diplomats, and shrink the pool of genuine cases of constituent diplomacy, calling into question the extent of this phenomenon and, therefore, the nature of the past trend and predictability of the future trend.

To argue that India's states fail to meet a reasonable standard for qualifying as practitioners of constituent diplomacy is not to discount completely the idea that the federal system plays a role—at times a critical role—in India's

<sup>7</sup>Ibid., 3.

foreign economic policy. My own work on the politics of economic reform in India has emphasized the impact of state political machinations in furthering the liberalization of the Indian economy.<sup>8</sup> Statistical studies have also indicated quite clearly the extent of variation between states in their responses to economic reforms, in terms of both policy actions<sup>9</sup> and results.<sup>10</sup> Moreover, the existence of India's federal system influences how political elites perceive and respond to issues that have fallen within the purview of the WTO.<sup>11</sup>

This is different, however, from claiming that state governments have gained additional autonomy of action in conducting something akin to a "foreign policy." Mine is a middle position, much closer to the one reflected in Aseema Sinha's theory of "polycentric hierarchy," in which it is possible to "reorganize the analysis of a supposed national phenomenon (e.g. economic policy) as a two-level interaction." Such a position can "correct not only for the tendency to treat lower level units as completely autonomous units but also for the reverse tendency to view state policy as beginning and ending at the national level."<sup>12</sup> So states do play a role, but it is about policy adaptation and subversion—a form of policymaking, to be sure, but one with serious limitations.

### **INDIA, "FOREIGN ECONOMIC POLICY" AND "SHARED SOVEREIGNTY"**

It is common for Indian newspapers and magazines to report on the regionalization of politics and the growing clout of state government leaders on the international stage. Visits by Indian chief ministers to places like the World Economic Forum in Davos, Switzerland, are much commented upon. Where they have hosted global business and political figures like Bill Clinton and Bill Gates, chief ministers have attracted headlines beyond India, and have sought to project themselves as visionary leaders, comparable in stature to other heads of state, including India's.<sup>13</sup>

Kripa Sridharan argues that these and other trends place India in the mainstream of cases supportive of the general trend toward constituent diplomacy, alongside Russia, China, and the United States. At times, in fact, Sridharan positions India toward the radical-autonomy end of the spectrum. Yet, despite the many claims made on behalf of India's states in

<sup>8</sup>Rob Jenkins, *Democratic Politics and Economic Reform in India* (Cambridge: Cambridge University Press, 1999).

<sup>9</sup>Aseema Sinha, "Ideas, Interests and Institution in Policy Change: A Comparison of West Bengal and Gujarat," *Regional Reflections: Comparing Politics Across India's States*, ed. Rob Jenkins (Delhi: Oxford University Press, 2004).

<sup>10</sup>Montek Singh Ahluwalia, "Economic Performance and States in Post-Reforms Period," *Economic and Political Weekly* 35, 6 May 2000, pp. 1637-1648.

<sup>11</sup>Rob Jenkins, "How Federalism Influences India's Domestic Politics of WTO Engagement (And is Itself Affected in the Process)," *Asian Survey* 43 (July/August 2003): 598-621.

<sup>12</sup>Aseema Sinha, *Divided Leviathan: The Regional Roots of Developmental Politics in India* (typescript, forthcoming from Indiana University Press), p. 36.

<sup>13</sup>N. Chandrababu Naidu (with Scvanti Ninan), *Plain Speaking* (New Delhi: Viking, 2000).

this connection, it is difficult to make a case that the states have increased—in net terms—their autonomy over economic decision-making, as this relates to the world beyond India, in any significant sense.

Sridharan's basic argument is that while "the formal provisions of a country's constitution" may give its central government "sole authority to manage the foreign relations of a country, of late, the exclusive grip of the Center has in this area [been] slowly . . . loosened by the activities of the units/members of a federal union."<sup>14</sup>

Grounded explicitly in the theoretical literature on the external activities of subnational units—including Kincaid, but also Ivo Duchacek,<sup>15</sup> Brian Hocking<sup>16</sup> and others—Sridharan argues that:

Developments since the 1970s in advanced federal systems attest to the decline in central governments' exclusive hold on external interactions and increasing involvement of sub-national entities in this area. . . . There has been a steady increase in visit diplomacy, agreements with foreign governments and multilateral institutions, external borrowings, direct external representation as well as hosting foreign missions, particularly trade-related outfits in regional capitals. Sovereign states have had to share the space with their sub-national units in constructing and conducting foreign relations.<sup>17</sup>

Most importantly, Sridharan argues that "a similar process is in evidence in newer federal systems like India."<sup>18</sup>

The main flaw in Sridharan's analysis is that in analyzing the Indian case, she lowers the original (quite high) standard for "foreign economic policymaking" from "autonomy" of a rather substantial sort to merely "the involvement of sub-national actors in external issues" that can be pursued without "challenging the jurisdiction of central governments."<sup>19</sup> In other words, the case and the theoretical construct do not correspond. Sridharan is at times even given to exaggerated claims about the theoretical significance of the Indian case—for instance, the assertion, in a somewhat tautological formulation, that the "enhanced role of the states has transformed the power equation between the Center and the states with the latter becoming more assertive."<sup>20</sup>

<sup>14</sup>Kripa Sridharan, "Federalism and Foreign Relations: The Emerging Role of the Indian States" (revised version, December 2002, of a paper presented at the 43<sup>rd</sup> Annual International Studies Association Convention, New Orleans, 24-27 March 2002).

<sup>15</sup>For his use of the term "perforated sovereignty," see Ivo D. Duchacek, "Perforated Sovereignities: Towards a Typology of New Actors in International Relations," *Federalism and International Relations: The Role of Subnational Units*, eds. Hans Michelmann and Panayotis Soldatos (Oxford: Clarendon Press, 1990), pp. 1-33.

<sup>16</sup>For his use of the term "multilayered diplomacy," see Brian Hocking, *Localising Foreign Policy* (London: Macmillan, 1993), and "Patrolling the Frontier: Globalization, Localization and the Actorness of Non-Central Governments," *Paradiplomacy in Action*, eds. Francisco Aldecoa and Michael Keating (London: Frank Cass, 1993), pp. 17-39.

<sup>17</sup>Sridharan, "Federalism and Foreign Relations," pp. 8-9.

<sup>18</sup>Ibid., 3.

<sup>19</sup>Ibid., 5.

<sup>20</sup>Ibid., 16.

Sridharan represents a strong current of opinion in India, that “the reconfiguration that is taking place in the conduct of national foreign policies,” with subnational units playing an integral role, is a reflection of the “expanded foreign policy agenda which has reduced the gap between foreign and domestic issues as it has between high and low politics.”<sup>21</sup> This is a misreading of the agenda’s expansion. If ever there was an area where foreign policy had extended its remit to domestic affairs, it is foreign trade, most notably through the creation of the World Trade Organization. The WTO’s disciplines have indeed multilateralized once purely domestic issues, such as agricultural subsidies or intellectual property rights regimes. But the effect, as we will see in the discussion of the Indian case, has not always been to bring states closer to foreign policy, or at least not to substantial policy influence, but rather to take domestic policy to an arena—the intergovernmental negotiations within the WTO—where India’s subnational authorities have difficulty gaining access.

A more qualified approach is taken by Lloyd and Susanne Rudolph in their account of India’s emergence as a “federal market economy.”<sup>22</sup> Their elaboration of this concept has three main advantages. First, when delineating the role of India’s states in addressing the challenges of a globalizing economy, the Rudolphs employ a more nuanced, limited notion of sovereignty, one closer in type to Stephen Krasner’s notion of “domestic sovereignty,” one of the four dimensions of sovereignty outlined in his typology.<sup>23</sup> Domestic sovereignty concerns the role of authority structures within states and the extent to which they can regulate behavior among social, economic and political actors. This is akin to what may be called the “governance” dimension of sovereignty.<sup>24</sup> It is in this sense that the Rudolphs appear to be employing the term when they refer to “shared sovereignty” between state and central governments in making economic policy. In other words, their conception of sovereignty emphasizes the capacity of a state government actually to penetrate society, to make its writ run. Sridharan, however, makes claims that refer instead to what Krasner’s scheme would term Westphalian/Vattelien sovereignty, or the ability to exclude intervention by outside powers over the internal workings of either society or the state. This would include the assignment of powers between the central and state governments.<sup>25</sup>

Second, and partly as a consequence of this conceptual shift, the Rudolphs’ position reflects a recognition that while states’ encounters with external actors are significant, they do not constitute “foreign economic

<sup>21</sup>Ibid., 10.

<sup>22</sup>Lloyd I. Rudolph and Susanne Hoeber Rudolph, “Iconization of Chandrababu: Sharing Sovereignty in India’s Federal Market Economy,” *Economic and Political Weekly* 36, 5 May 2001, pp. 1541-1552.

<sup>23</sup>Stephen Krasner, “Abiding Sovereignty,” *International Political Science Review* 22 (July 2001): 229-251.

<sup>24</sup>Rob Jenkins, “The Emergence of the Governance Agenda: Sovereignty, Neo-Liberal Bias and the Politics of International Development,” *The Companion to Development Studies*, ed. Vandana Desai (New York: Oxford University Press, 2001).

<sup>25</sup>I am grateful to Varya Shaw, of Birkbeck College, University of London, for this reading of Krasner.

policy" (Sridharan's preferred term) so much as domestic policies with implications for the possibility of transacting business with multinational capital and international financial institutions.

Third, the Rudolphs highlight the extent to which an assessment of any case requires attention to both sides of the autonomy balance sheet. They do this by pointing out that whatever new roles states may be assuming, these do not necessarily represent a net gain in autonomy from the Center. Gains in one area are offset by losses in others. For example, while states have obtained increased *de facto* latitude in negotiating with foreign investors, in some cases their ability to regulate (or deregulate) the activities of firms within their jurisdictions has been usurped by central agencies. Environmental activist Vandana Shiva has argued that in 1998 state governments were illegally bypassed when the central government's Review Committee on Genetic Manipulation approved genetic field trials in Karnataka and Andhra Pradesh.<sup>26</sup>

The Rudolphs emphasize the shifting pattern of central restraint, not its outright reduction. Yes, the Rudolph's argue, fiscal contraction at the Center has "forced the states to become more self-reliant"—meaning, in practice, that they turn to private capital and international development assistance.

But there is a paradox. Even as the Centre becomes less able to intervene through its control of public investment and industrial licences, it assumes a new role as a regulator concerned with market imperfections and state fiscal discipline. As the Centre's role as an interventionist state has faded, its role as a regulatory state has grown.<sup>27</sup>

In supporting their notion of "the regulatory state as constraint on autonomy,"<sup>28</sup> the Rudolphs survey several ways in which the government of India can intrude on the states' autonomy in the making of (what Sridharan would call) foreign economic policy. Electricity policy has been cited (by Sridharan, among others) as a domain in which states have become particularly assertive in charting their own course.<sup>29</sup> States have secured funding from international financial institutions like the World Bank to finance the costs of restructuring both public-sector providers and regulatory systems, and they have negotiated agreements directly with large multinationals. The "power purchase agreement" signed by the government of Maharashtra and the Enron Corporation in 1993 is often cited as a watershed in this connection.

Yet, this is a sector in which the government of India has played a crucial role. Central agencies—most notably the Ministry of Finance, but also the Central Electricity Authority—have been extremely reluctant, both before

<sup>26</sup>See *The Hindu*, 27 December 1998.

<sup>27</sup>Rudolph and Rudolph, "Iconization of Chandrababu," p. 1546.

<sup>28</sup>*Ibid.*, 1544.

<sup>29</sup>Another policy domain in which the Government of India has reasserted its regulatory supremacy, having previously delegated authority to the states, concerns the granting of certain mining leases. See "Mining Rights to States in Aravali Withdrawn," *Hindustan Times*, 6 March 2003.

and after the Enron project (and then Enron itself) finally ran into serious problems during 2001-2002, to offer the counter-guarantees required by private-sector energy firms. The Center has not only maintained control in this respect, it has also legislated fairly authoritatively in the electricity sector. As the Rudolphs point out, "the Electricity Act 2000, a Centre initiated piece of legislation, places the central electricity authority and newly established central and state electricity regulatory authorities in the dominant position with respect to state electricity planning and management."<sup>30</sup>

With this more qualified framework in mind, let us now turn to the role of state governments with respect to two external actors that are increasingly important to India's economic diplomacy—the World Bank and the WTO.

### INDIA'S STATES AND THE WORLD BANK

During the 1990s (and into the new millennium), several of India's state governments conducted negotiations and concluded agreements with international economic institutions such as the Asian Development Bank and the International Labor Organization. Some bilateral aid agencies, like the United Kingdom's Department for International Development, have begun to focus much of their efforts directly on state governments as well.<sup>31</sup>

The actor that has most caught the eye of commentators alert to issues of subnational diplomacy is the World Bank. Negotiations and agreements between state governments and the World Bank do, of course, represent a form of "diplomacy," and the extent of such external linkages has been on the increase in recent years. The funds raised through these sources provide opportunities for state governments to pursue a wide range of activities, such as restructuring their electricity regulatory systems, building community-based organizations, and improving health services. These activities represent the modified form of shared sovereignty to which the Rudolphs refer, one in which states increase their capacity to influence their own developmental performance.

There are several reasons to consider the external activities of India's states as lacking the autonomy that is at the core of constituent diplomacy. The first is the legal nature of the agreements with international financial institutions. The World Bank has become the most important source of external debt-financing for India's states. However, World Bank lending instruments specify the government of India as the official borrower, and not just the guarantor for the loan. This places the central government in a position of great leverage. This is not just a legal fig leaf. The government of India retains great discretion in deciding what provisions will be allowable. It has exercised this discretion on a number of occasions.

<sup>30</sup>Rudolph and Rudolph, "Iconization of Chandrababu," p. 1547.

<sup>31</sup>The United Kingdom's Department for International Development (DFID) stated in July 1999, for instance, that it saw "good prospects for DFID to form effective partnerships with progressive state governments." DFID, *India: Country Strategy Paper* (London, DFID: July 1999), p. 1.

One example is the series of agreements between the government of Andhra Pradesh and the World Bank. These take different forms. They include major components covering broad institutional and fiscal reforms and others covering poverty and rural-development programs. Andhra Pradesh's experience is a useful perspective from which to assess the applicability of the constituent diplomacy paradigm, because this state should represent one of the cases in which central government intervention would be more difficult. From 1998-2004, the Telugu Desam Party (TDP), under the leadership of Andhra Pradesh's chief minister N. Chandrababu Naidu, provided vital parliamentary support to the coalition government in New Delhi. This gave Naidu leverage with the Bharatiya Janata Party (BJP), which headed the national coalition. When Government of India officials objected to a provision of a World Bank loan for Andhra Pradesh, Naidu was known to exert decisive pressure on their political bosses to have them reined in. But it did not always happen this way.

Aware of Naidu's clout, and his willingness to use it, Government of India officials did their intervening through more indirect methods. Officials exercised a degree of discretionary control not through outright prohibitions on state governments, which might have courted conflict, but by influencing the other half of the negotiating duo, the World Bank itself. World Bank officials, based both in Delhi and Washington, DC, responsible for the India portfolio have invested an enormous amount of energy into developing a presence at the heart of India's policymaking process, and they are very concerned to maintain good relations with senior bureaucrats and politicians in the Government of India, especially in the ministries of finance, power, and rural development. Without the support of key officials in these ministries, the World Bank would find it difficult to operate on the scale dictated by its ambition.

World Bank officials are not blind to the reality that it is possible for some state governments, especially states whose ruling parties participate in the national coalition government, to neutralize the objections of senior civil servants in New Delhi by appealing over their heads to the prime minister's office. But Bank officials are also keenly aware that senior bureaucrats and ministers in the Government of India have an intense, visceral dislike of being overruled, especially with the connivance of a foreign agency like the World Bank. They are, after all, protective of the Center's authority over certain policy areas, including both those over which its control is based on historical usurpation rather than constitutional entitlement (most notably, agriculture) and those to which it has a more substantial claim (like foreign relations). Central government officials have been known to accuse the World Bank of going over their heads to have them overruled. Senior public servants complained that Bank officials colluded with state ruling parties that participated in the national coalition



government to overrule central government bureaucrats who expressed misgivings about Bank projects in these states. Displeasure has been expressed, and on at least one occasion, Bank projects have been stalled by senior officials in New Delhi.<sup>32</sup>

Thus, the Center curtails the diplomatic autonomy of state governments not only directly, through its formal power to withhold assent to any agreement, but also indirectly, by exerting leverage on the external actors, like the World Bank, with whom states are negotiating for assistance. This leads the World Bank to engage in prior consultations with the Center on its plans for individual states, discussing not just macro-financial considerations, but also the substance of the programs to be funded. World Bank officials also maintain communications with key Government of India officials throughout the course of their negotiations with states, while taking every possible precaution to keep these contacts discreet, lest the state governments involved take offense. World Bank officials negotiating with the Government of Rajasthan in the mid-1990s fabricated reasons why certain proposals by the state government were unacceptable to Bank management in order to conceal the fact that the real source of their reticence was misgivings expressed by Government-of-India bureaucrats. This involved protestations from visiting Bank missions that their superiors in Washington "wouldn't wear" provisions suggested by Rajasthan officials. Through the considerable leverage it possesses with foreign agencies, the Government of India is able to influence the shape of states' multilaterally funded assistance packages even before the draft programs are brought to state governments themselves.

The provisions of a lending instrument most likely to be affected by the outlook of the central government are the level of debt being incurred, the terms of its repayment, and stipulations in the agreements concerning public interest obligations.<sup>33</sup> The ability to maintain, as far as possible, its grip on macroeconomic variables inclines the central government (the Union Finance Ministry in particular) to want to limit the borrowings of state governments, which it does by both regulation and discretionary decision-making.

Any assessment of whether or not to see India's states as significant actors in the area of economic diplomacy—operating in tandem with, rather than under the direction of, the Government of India—must take note of the fact

<sup>32</sup>Interview with two senior Indian Administrative Service officers, one formerly on assignment in New Delhi, Hyderabad, Andhra Pradesh, 13 February 2002.

<sup>33</sup>But substantive issues have become matters of concern as well. For instance, provisions in the World Bank-funded Velugu program in Andhra Pradesh were of interest to officials in the Union Ministry of Rural Development. These concerned the norms to be followed in implementing participatory development schemes as well as the criteria to be used in selecting projects, triggering disbursements, and auditing programs. These are all subject to various central guidelines, and officials in New Delhi discussed these in detail with World Bank representatives *prior* to the negotiations with the Government of Andhra Pradesh. Interviews with a senior Indian Administrative Service officer and a mid-ranking officer of the Andhra Pradesh Administrative Service, both knowledgeable about high-level discussions on rural development policies, Hyderabad, Andhra Pradesh, 13 and 14 February 2002.

that the agreements reached between state governments and the World Bank commit many of these states to fiscal and expenditure management programs that conform to what the central government had wanted to impose anyway, but had proven unable to get implemented. Where the Eleventh Finance Commission met fierce opposition from state governments (spearheaded by the Andhra Pradesh chief minister) for demanding improved performance in public expenditure management,<sup>34</sup> the World Bank had state governments lining up to borrow in some cases hundreds of millions of dollars, despite the Bank's insistence (with the Government of India's prior knowledge and consent) on rigorous controls. Both Andhra Pradesh and Karnataka have agreed to introduce budgetary and financial management systems to ensure discipline in the expenditure planning process. These are very intrusive reforms, certainly representing a charge on sovereignty, regardless of whether the reforms themselves are either a good idea in theory or effective in practice. In the end, the central government sees its will prevail, and need not fund the necessary programs from its share of revenues. This is not a net autonomy gain for India's states.

Central government officials react with great sensitivity to the notion that state governments are concluding foreign deals without their consent, or that the World Bank is implicated in the political machinations by which state governments get senior central government officials overruled. Government of India civil servants are always at pains to clarify who holds ultimate authority in matters of both external debt and economic policy. The World Bank, careful not to tread on these sensitivities, always emphasizes in discussions of its state operations that it is working with the Government of India, furthering Government-of-India policies, and so forth. This was particularly evident in statements made by the World Bank's country director for India in early 2002, at the time Andhra Pradesh and Karnataka entered into new, painstakingly negotiated, World Bank economic reform loan agreements—Andhra Pradesh's for \$250 million, and Karnataka's for \$100 million.<sup>35</sup>

The discussion above has advanced a fairly modest claim about the nature of constituent diplomacy that the evolving relationship between state governments and the World Bank, though certainly an important development, may be more dependent on the Center than is sometimes thought.<sup>36</sup> But the case against placing India in the constituent diplomacy

<sup>34</sup>For a considered analysis, see Arun Ghosh, "Bureaucratic Centralization: The Eleventh Finance Commission Adds a Nail to the Coffin of Federal Finance," *Frontline* 18, 3-16 February 2001; <http://www.frontlineonnet.com/fl1803/18031040.htm>.

<sup>35</sup>See World Bank News Release No: 2002/238/SAR, [http://lnweb18.worldbank.org/news/press\\_release.nsf/673fa6c5a2d50a67852565e200692a79/3a68a0a566257e1385256b7c007240f9?OpenDocument](http://lnweb18.worldbank.org/news/press_release.nsf/673fa6c5a2d50a67852565e200692a79/3a68a0a566257e1385256b7c007240f9?OpenDocument). Accessed on 15 November 2002.

<sup>36</sup>This dependence has been observed by civil society groups, such as the Federation of Farmers' Associations of Andhra Pradesh, whose president emphasized the central government's usurpation of power in the area of agriculture in a press release entitled, "Appeal to Political Parties: Don't Create Misapprehension about Biotechnology" (Hyderabad, February 2002).

category becomes even more compelling when we consider the states' relationship with the WTO.

### INDIA'S STATES AND THE WORLD TRADE ORGANIZATION

There are several ways in which the WTO as an external actor reduces, rather than expands, the autonomy of India's state governments, in the process casting further doubt on the notion that states continue to expand their role in economic diplomacy. Autonomy is examined along two dimensions: (1) the range of policy options available and (2) states' ability to fulfill their policy objectives amidst the volatility created by increased exposure to trade. The discussion below discusses some of the ways India's states could have been involved, had they been participants in genuinely constituent diplomacy, in co-formulating India's WTO and WTO-related policies. The section concludes by briefly explaining why states have not been more successful at engaging in these varieties of co-formulation.

There has undoubtedly been a foreclosing of certain policy options available to state governments—or, for that matter, to the central government, on which states often rely for assistance—as a result of WTO treaty commitments. Some state governments, in fact, have complained that the WTO Agreement on Agriculture, negotiated and agreed to by the Congress government of Prime Minister P.V. Narasimha Rao in 1993-1994, violates the right of state governments to determine policy in an area of competence assigned to them under India's constitution.<sup>37</sup> Areas of particular concern include ceilings imposed by the WTO on domestic and export subsidies and issues of market access.

On subsidies, the central government has in effect tied the hands of state governments (and its own). Because for the moment this has not proven problematic—India remains well within the stipulated WTO subsidy ceiling—less attention has been paid to this issue. However, it is a significant constraint on possible future action by state governments.

On market access, the issue is much closer to the second dimension where states find their autonomy constrained—trade-impact vulnerability. 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 Karnataka, for instance, have at various times been adversely affected by reduced barriers to import competition.<sup>38</sup> Small-scale tea growers in Tamil Nadu have in recent years faced acute price fluctuations as a result of the

<sup>37</sup>Some states—West Bengal, Punjab, and Tamil Nadu, among them—have taken the Government of India to court, demanding that the legally mandated federal division of powers be reinstated. This would, in effect, require the Government of India to renounce its commitments under the Agreement on Agriculture, on the ground that it lacks the authority to ensure their fulfillment.

<sup>38</sup>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*, 29 October 1994.

changing rules governing international trade.<sup>39</sup> Coconut producers are particularly important in states like Kerala, and have seen their fortunes suffer thanks to India's closer integration into the world economy.<sup>40</sup> 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. This costs governments scarce funds, further reducing their freedom of action to pursue other crucially important policy priorities, necessary to support claims of enhanced "domestic sovereignty." Arguably, then, the capacity of states to fulfill their policy objectives is reduced due to the volatility created by their regional economies' increased exposure to trade, a consequence of central government policy.

We now turn to some of the ways India's states, had they been participants in true constituent diplomacy, could have helped to co-formulate India's WTO and WTO-related positions and policies. It is true that state politicians perceive both the WTO and the issues over which it exercises influence through regional lenses, not least because of the trespasses on their prerogatives outlined above. Indeed, some of the resultant procedural demands of state governments—for federal-style consultation on India's negotiating position for the Doha Round of trade talks, for instance—have met with a positive response from the Center. But on substantive issues, state governments have been no more successful in swaying the Government of India's negotiating position than have other critics of the WTO within India.<sup>41</sup>

Indeed, one of the characteristics of India's negotiating process has been the relative autonomy of India's trade negotiators from even their putative political masters in Delhi, let alone state authorities that might wish to see their individual or collective agendas advanced. Julius Sen's analysis of India's WTO diplomacy argues that it has been marked by "the virtually complete autonomy that Indian ambassadors enjoyed."<sup>42</sup>

One of the ironies of the WTO as an organizational form is that its popular image as the ultimate sovereignty-devouring institution, imposing worldwide rules that cut deeply into the state's domestic regulatory domain, helps to mask the extent to which the WTO is also a symbol of the state's continued hegemony over other organizational forms in the management of global

<sup>39</sup>V. Sridhar, "Storm in Tea Country," *Frontline* 17, 19 August-1 September 2000; <http://www.frontlineonnet.com/fl1717/17170460.htm>.

<sup>40</sup>R. Krishnakumar, "The Battle of Koorachundu," *Frontline* 17, 23 December 2000-5 January 2001; <http://www.frontlineonnet.com/fl1726/17260980.htm>.

<sup>41</sup>Indeed, one student of Indian politics has observed that even this form of "executive federalism," to say nothing of "legislative federalism," has "neither been consolidated nor institutionalised," arguing that "the conference of Chief Ministers continues to be an ad hoc arrangement that is convened according to the Prime Minister's convenience on specific issues." See the comments by Balveer Arora in *Roundtable on Mechanism of Intergovernmental Relations* (New Delhi: Institute of Social Sciences, 2002), p. 14.

<sup>42</sup>Julius Sen, "Lessons Not Learned: India's Trade Policymaking Process from Uruguay to Doha," *The Domestic Politics of The WTO: Democratic Institutions and National Trade Policymaking*, ed. Rob Jenkins, forthcoming.

economic affairs.<sup>43</sup> WTO rules do, of course, substantially curtail the decision-making autonomy of national governments—arguably, even more than do the lending instruments used by the World Bank. Yet, at the same time, the WTO represents perhaps one of the more extreme cases of states jealously guarding their sovereignty—that is, of the world's states collectively reaffirming their monopoly (vis-a-vis other forces within their territorially grounded societies) over participation in the process of cross-border rule-making. They have upheld the principle that the international community is above all represented by the club of states, with non-state actors being little more than garnish. That is, the WTO is an arena in which the participation dimension of sovereignty, to draw on the third version of sovereignty found in Krasner's four-fold typology,<sup>44</sup> has remained under the exclusive control of member-states.

The WTO provides no formal mechanisms for subnational units to influence its deliberations. Yet there are ways in which states might be expected to influence issues over which WTO agreements have jurisdiction. The first would be for states to collaborate in determining India's actions within the WTO. The second would be, during the implementation process, for state governments to trigger the use of safeguard provisions the Government of India bargained to have included in the WTO agreements. On both counts, states have fared poorly. Moreover, to play a co-equal role in determining India's actions within the WTO, states would have to demonstrate influence not only over official Indian negotiating positions, but also the decision-making behind India's procedural moves within other WTO functions, particularly those relating to compliance-monitoring and dispute-settlement. Taking account of these additional activities further complicates the process of determining the net impact of India's international economic engagement on state autonomy.

State governments have exerted little influence over India's negotiating position in multilateral talks on agricultural trade. State ruling parties, appealing to farming constituencies, have tended to portray as an achievement the protection of India's right to continue existing agricultural subsidy programs, as if this were somehow endangered. The fact is that a positive agenda for the Agreement on Agriculture talks has yet to emerge from state governments acting in concert.<sup>45</sup> This is in spite of the fact that Centre-state consultations at the agriculture secretary level, and even at the chief ministerial level, were devised specifically for this purpose.

<sup>43</sup>It is worth noting the structural similarity between this ambiguity (concerning the WTO's significance for the sovereignty debate) and the ambiguity inherent in the idea of constituent diplomacy, as evidenced by the contradictory uses to which the idea was put by hyperglobalists and skeptics in their disagreement over state sovereignty.

<sup>44</sup>Krasner, "Abiding Sovereignty."

<sup>45</sup>Narendar Pani, among others, has noted the numerous ways in which India's trade negotiators would have benefited had they viewed things from the perspective of state governments. This does not imply that states have collectively evolved a coherent position beyond subsidy-preservation demands of the sort embodied in the objectives for a "Development Box." See N. Pani, "Do States Have a Role in the WTO?" *Economic Times*, 16 June 2000.

Where state governments have influenced policy is on domestic policy matters currently unconstrained by WTO commitments. Agricultural interests, operating at least in part through the political agency of state governments, have spurred a marked redistribution of India's existing food subsidy. India's farmers have proven effective at using state governments as a means of pressuring New Delhi to direct a large portion of this domestic support away from poorer consumers, who must as a result pay higher prices at the ration shops that comprise India's Public Distribution System, to better-off cultivators, who obtain higher payments from government procurement agencies.<sup>46</sup> This was a trend already underway during the Narasimha Rao government, but picked up markedly once coalition governments composed largely of regional parties became the norm.<sup>47</sup> The result of states' focus on this domestic redistributionist reform is that the external dimension of agricultural policy—the all-important details of the Agreement on Agriculture review, part of the “built-in agenda” for the Doha Round—has been left to the discretion of a relatively tight circle within the Government of India.

Moreover, this is merely the negotiation portion of the WTO's functional remit. State governments are no more influential in the WTO's other main functions, compliance-monitoring and dispute-settlement, even when in theory they could be playing a larger role. Many state governments have established interdepartmental WTO “cells” or offices, but these have made only minimal contributions, even to the thinking of state bureaucrats, to say nothing of influencing Government-of-India officials responsible for coordinating India's engagement with multilateral institutions. State governments do not, for instance, produce reliable statistical data on the impact of trade (and WTO-mandated regulatory changes) on industries concentrated within their borders. This is the kind of evidence necessary to build a case that specific economic subsectors have been sufficiently adversely affected by the practices of India's trading partners to warrant countervailing duties or other forms of (temporary) relief.

WTO rules on anti-dumping, for instance, require that information of this sort be collected in a prescribed format. In cases where industries themselves are too disorganized to take on this task, governments are expected to play a facilitating role. India's states have not done so. Similarly, to justify the imposition of WTO-compatible safeguard measures, or even to bring a case to the WTO's Dispute Settlement Mechanism, the contribution of state governments would be of enormous importance. This is because adverse impact may be relatively unimportant (or even negligible) aggregated at the national level, and yet be felt acutely in one or more

<sup>46</sup>The further political implications of this dynamic, in the context of civil society activism on Public Distribution System issues in Maharashtra, is discussed in Rob Jenkins and Anne Marie Goetz, “Civil Society Engagement and India's Public Distribution System: Lesson's from the Rationing Kruti Samiti in Mumbai” (paper presented at the World Bank *World Development Report 2004* Workshop, Eynsham Hall, Oxfordshire, 4-5 November 2002).

<sup>47</sup>See [www.righttofood.com](http://www.righttofood.com). Accessed on 10 January 2003.

regions. Against the backdrop of all these possibilities, the inability of India's states to influence the central government's priorities within WTO monitoring and dispute procedures is particularly striking.

Indeed, even on the soft end of the compliance spectrum—for instance, the WTO's sanction-less Trade Policy Review Mechanism (TPRM)—the Government of India's record does not reflect priorities that correspond with those of state governments. India's role in the TPRM, through which the compliance of member states with their treaty obligations is periodically reviewed, has been lacking in two respects. First, India has not involved state governments, in any substantial way, in the process through which WTO-appointed teams review its own trade policies. Indeed, in these proceedings, Government-of-India officials sometimes cast state governments, or federal obligations more generally, as obstacles to India's full compliance with treaty obligations. Second, the Government of India has not used, for the benefit of state governments, its prerogative of questioning the trade practices of other member-states undergoing WTO-mandated trade policy reviews. India's performance in the TPRM might well have looked different had it been a particularly vigorous practitioner of constituent diplomacy.

The last variety of national policy over which state governments might be expected to exert political influence would be decisions on whether to increase tariffs—within WTO-compatible bands (that is, without resort to special safeguards)—to provide relief for geographically concentrated producers adversely affected by import pressure. The general trend is the ability of central government officials responsible for the implementation of trade policy to remain substantially impervious to the entreaties of state governments representing key trade-affected constituencies. The crash in edible oil prices during 1999-2000 is a good example. It affected farmers in certain states, including Andhra Pradesh and Madhya Pradesh, where the effects were still being felt two and even three years later. Yet, at the height of the crisis, despite pressure from state governments, as well as from members of Parliament within the ruling party, the government of India did not raise tariffs, even though it could have done so while remaining true to its WTO commitments.

There are several competing explanations for this turn of events, but one is particularly worthy of note because of its wider applicability. This argument contends that barriers to collective action among states prevent the emergence of more substantial subnational autonomy in external affairs. India's current coalitional template (of substantial regional-party involvement in broad-based national ruling alliances) may have empowered a small minority of regional parties, according to a logic of political convenience, to obtain central consent for specific actions that go beyond the limited forms of economic diplomacy in which India's states generally

engage, but this has not been accompanied by greater powers, for *all* states, over external activities such as the co-formulation of foreign economic policy.

The ability of states to pursue systemic issues concerning federal relations more generally is undermined by the tendency for each state to be preoccupied with the highly specific concessions it is seeking from central government authorities, whether these concern foreign investment approvals, regulatory amendments, or counter-guarantees for World Bank loans. In fact, the range of issues on which state ruling parties can be accommodated by central government authorities far exceeds the narrow bounds of the liberalization agenda—from favorable treatment on interstate water and boundary disputes to intervention in criminal proceedings against state party leaders (as was the case, for a time, during Tamil Nadu Chief Minister Jayalalithaa's legal troubles).

### CONCLUSION

Sovereign states have been the basic unit of international relations in the modern era. The perception in recent years is that states have experienced an erosion of their sovereignty. Challenges are seen to have come from above—for instance, from the increasing power of international organizations—as well as from below, through demands for autonomy by subnational groups. Both forms of pressure are reflected in what Kincaid has called “constituent diplomacy,” in which subnational units play an important role in the conduct of international affairs.

To judge by India's experience, the extent of constituent diplomacy may have been exaggerated. While India's federal system may represent a case in which, to borrow the phrase employed by the Rudolphs, sovereignty is “shared” between the Center and the states, this should not lead us to overestimate the degree to which India's states exercise autonomy in their dealings with external actors—whether these are other nation-states, international organizations, or foreign firms. A single case (even one as significant as India) cannot disprove the assertion that constituent diplomacy is providing a challenge to the traditional hegemony of the nation-state. Instead, this article has focused on the possibility of there being other country cases that, like India, appear to be practicing constituent diplomacy but in reality represent something much closer to what the literature has called subnational diplomacy or paradiplomacy. In the process, it has emphasized that judgments about net impacts, accounting for losses as well as gains in subnational autonomy, must be integral to analyses of this sort.

The article has not attempted to estimate the *degree* to which constituent diplomacy's spread has been exaggerated. More detailed research into other country cases is needed to evaluate, with more subtlety than the existing literature has brought to bear, the range of factors affecting the potential of constituent diplomacy to take root in a given context. For instance,



constituent diplomacy in Russia's asymmetrical federation under Boris Yeltsin appears to have received a setback as a result of the centralizing policy of Vladimir Putin.<sup>48</sup> India's experience, and perhaps Russia's, calls into question the assumed proliferation of constituent diplomacy, and indeed draws attention to the need for additional research to address federal-subnational relations from a broader perspective. We might begin by focusing on the constellation of factors that accounts for the variations in such relationships, constituent diplomacy being but one form. It is in this direction that the most fruitful research questions are to be found.

<sup>48</sup>One analysis that has charted the demise of Russia's version of constituent diplomacy is Pran Chopra, "A Tale of Two Federations" (paper presented at the Roundtable on Mechanisms of Intergovernmental Relations in India, 22 April 2002, New Delhi). Chopra argues that one of Putin's first acts was to reverse the process, begun by Yeltsin, in which the former president had, in his 1996 re-election campaign, "promised to give the federating units 'as much sovereignty as they could eat' in exchange for their votes" (p. 3). Putin's approach undid much of the decentralization that had taken place under Yeltsin, but by no means all of it. The government has faced difficulties on issues such as the assignment of powers over conferment of land ownership; see W.J. Tompson, "Russian Federation: Government Moves on Long-Awaited Land Reform," *Eastern European Newsletter*, February 2001, pp 18-20.