

The Changing Nature of Indian Federalism in the Age of Globalization

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Abstract

Indian federal systems undergone with various challenges since the time of Independence, from persistent statehood demands to more centralization of powers (emergency period 1975-77) it has witnessed number of paradigms. Not only in the field of center-state relations, but also with regard to economic growth it has experienced many ups and down. However, to accomplishing inclusive economic reforms that India has faced in the initial stages of Independence were finally surmounted and India was able to achieve a slight acceleration of growth in 1990s. In this case Liberalization of trade and foreign investment – the ‘globalization’ aspect of India’s reforms – has helped a lot. Therefore, in this phase the non-centralized character of market driven economies opened up a space for Indian federalism. India’s New Economic Policy (NEP) of the 1990s has a great impact on the federal constitutional arrangements for that many changes have taken place. This paper seeks to explore the changing pattern of Indian federalism in the context economic reforms and globalization in India. It will study the state specific issue that emerged in the age of globalization.

Keywords: Federalism, States’ Rights, Globalization, Economic Reforms, State Sovereignty.

Introduction

Globalization is a multi-dimensional worldwide process through which events, decisions and activities in one part of the world have important effects on the other parts of the globe. It represents closer connection with the world economy which resulted increase in trade, investment finance and multi-country production network through MNCs. It led to the increased international mobility of goods, capital, labor and knowledge. (Singh & Srinivasan, 2006). Though, the term has extended beyond economic inter dependence for including time and space ambit as a result of spread of information technology. Thus, Globalization is a supra-national aspect which transforms national boundaries and developed the concepts of “global village” or the “world without borders”. (Gandhi, 2003). However, the impact of Globalization has been complex, having both positive and negative outcomes. It has been considered that “globalization has seriously affected our notions of identity, citizenship, cultural belonging, the relationship between the individual and the state, the meaning of democracy, and so on” (Bhattacharyya, 2009). Moreover, its visible impact can be seen on the downfall of the sovereignty of the nation-state. Although, it is a subject of some debate among scholars who have argued in the sense of both skeptical and transformation theory but they have agreed on the point of changing nature of the nation-state in the globalized world (Guibernau & Hutchinson, 2001). David Held analyses the impact of globalization on the nation-state with the emergence of a ‘new sovereignty regime’ that displaces the conventional ideas of “statehood as an absolute, indivisible, territorially exclusive and zero- sum form of public power” (Guibernau, 2001).

Now the nation-state with limited state sovereignty shows greater concern for diversity and greater tendency “to devolve power and provide legitimacy to regional institutions created within its territory” (Guibernau, 2001). Therefore, in the post-classical period of nation-state with minimal state sovereignty facilitated the process of federalism in terms of more powers and autonomy to the heterogeneous units or the states. This has taken acute form in the very recent years. Since the 1990s, In the case of India, the pattern of relation between the Centre and the states has changed a lot. The states today appear to enjoy more autonomy for trade and investment in their domains. Before the 1990s India’s economic

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structure was welfare oriented; the states sought to provide various social welfare services via centralized planning. But with the emergence of globalization Indian states (not all of them though) have become highly competitive in terms of growing economic freedom and started playing important role. Thus, with the growing trends of globalization, the states' rights have become the major issue in Indian politics. The demand for more state autonomy which in turn leads to the demand of separate statehood or demand of separate smaller states has become one of the most debatable and controversial issue of the contemporary Indian federation. In the current scenario, the concept of state autonomy has pervaded and vitiated the political and social fabric of the federal structure so much so that the tension is growing by leaps and bounds and the Constituent units are increasingly harboring feelings of deprivation, discrimination and alienation and are viewing all the problems from the broader national angle not from a narrow parochial outlook.

Objective of the Study

This paper is based on the following objectives which attempts:

1. To define the concept of globalization
2. To analyze the meaning and nature of federalism
3. To point out the issue of state autonomy and
4. To describe the changing nature of the Indian federalism in the context of globalization.

Review of Literature

In the post-independence India, the subject of Indian Federalism has received a number of scholarly attentions. Many studies commented on the very nature of Indian federalism, as there was no consensus on the subject.(e.g., Wheare 1963; Jennings 1953; Appleby 1953; Srinivasan 1954). Not only that, the impact of globalization on Indian federalism have been subjected to critical scrutiny by others.(e.g., Gandhi 2003; Guahan 1995; Guibernau 2001, Singh & Srinivasan, 2002; 2006.). But most of the studies have focused on the general pattern of Centre-state relations. The specific problems of many states and the changing contours of federal discourses have not drawn the attention they deserved. Writings on Indian federation post-1991 (e.g., Saez 2002; Bhattacharyya 2009; Rao and Singh 2005; Tremblay 2003) do not make any improvement on the above.

To be very specific, Tremblay (2003) pointed out that the process of globalization has the double sided effect on federal systems. She argues that, in one hand globalization has strengthen the global as well as local economic and political forces, and on the other the national state. She asserts that with the emergence of globalization in India, increasing economic and regional disparities and the requirements of equity-promoting distributive public policies have become the major causes that led Indian federalism to move towards enhancing the role of central government.

Bhattacharyya (2009) stated that the globalization in Indian case, offers both opportunities for and places constraints on structural reform.

The constraints in regard to the political obligations of the governments both at the Centre and the state. However, on the other side he focuses on advantages of globalizations that facilitated the reform process and encouraged more state rights. According to him globalization has "expanded the scope of states' rights in terms of autonomy of action in the vital sector of trade, commerce and development.

Singh & Srinivasan (2006) examined the relationships between globalization and India's Federal Systems in the context of new liberal economic reform. They stated that the Globalization has facilitated the interactions between national/subnational governments with foreign governments and corporations in a global economy. It also removed some constraints of local governments in terms of trade and investment. According to them "Globalization provides challenges as well as opportunities to federal systems such as India's".

Hypothesis

The hypothesis proposed in this research is that the state-specific issues and problems-----neglected in the existing studies-----holds the real clue to the adequate understanding of the changing nature of federalism in the era of globalization.

Federalism and Globalization

As a political principle, federalism refers to constitutional diffusion of powers among the constituting parties, in which each can enjoy their desired unity and autonomy for some purposes. Nonetheless, federalism as a political principle has advocated two tiers of government, each sovereign in its constitutionally assigned areas of competence (Bhattacharyya, 2009). K.C.Wheare, who considered the Constitution of United States as an example of universally regarded federal government, defined federal principle as "the method of dividing powers so that the general and regional governments are each, within a sphere, co-ordinate and independent" (Wheare, 1963).

Many definitions of federalism explain a common characteristic of federal system i.e. division of power between the two constitutionally established orders of government with some genuine autonomy from each other; each government has a direct electoral relationship with its people; and the governments at each level are primarily accountable to their respective electorates (Anderson, 2008). However, the principle of federalism cannot be followed in the strong centralizing nation-states where more state powers and authoritative controls may weaken the actual purpose of federalism. In that case, globalization by diminishing the sovereign powers of the nation-states has created suitable conditions for federalism. Professor Ronald Watts has pointed out a very interesting fact in this regard that, "Thanks to market-driven globalization, there has been a kind of renaissance in federalism...the desire for progress, higher standards of living and social justice, together with a growing awareness of the interdependence of the world given the revolution of communications, transportation, technology and industrial organization, has encouraged smaller, self-governing political units" (Watts, 1999). He has also emphasized on the subject

that various developments during globalization period has created congenial situation for federalism (Watts, 1999). Thus, in the globalized world federalism witnessed a paradigm shift, for example, “from statism to increasingly decentralized forms of governance in the context of ‘diminished state sovereignty’” (Bhattacharyya, 2009).

The states’ rights issue in the post-independence era

The greater autonomy and more powers to the state is the long standing demand of the various Indian states since the time of Independence. Hence, these demands became a pivotal and volatile issue in the study of Indian Federalism. Though the Constitution of India provides for a structure of federal system of government expressed in the expression of India as ‘Union of States’ (Article 1(1) of the Indian Constitution), it is evident that the Centralist bias is in-built in the very Constitutional structure itself. Unlike the classical federations such as the U.S. and Switzerland, federation building India remains a top down approach and incomplete. Since federation building in India followed a contrary method, the nature and extent of the powers of the federal units have been thought to be inadequate. Despite the fact that the three lists—Union, State and Concurrent—exhaustedly detailed the powers of the two tiers of government, the powers of the Union government are overarching and pre-dominating. The basic constitutional lacuna was repeatedly misutilized by the successive governments at the Union level in order to dismiss the duly elected state governments and for discriminating against certain state governments. Interestingly, the word ‘federation’ nowhere has been used in the Indian Constitution. It implies that Indian federation is not the result of an agreement between the independent states/units. It contains both the federal and non-federal, if, not anti-federal, features. Beyond doubt, the centre (Union government) enjoys more powers than the states (i.e. subjects under the union and concurrent lists). The states have expressed strong resentment against centralization and demanded more powers and autonomy for the states by revision of the centre state relations. It specifically led to various regional and separatist movements in some areas; many states began to demand their autonomy and more powers to them. Therefore, the relationships between the centre and the states have transformed into a relationship of conflict and competition since the time of 1960s.

Globalization and India’s Reforms

India’s economic reforms started in the year of 1980s and took shape in the early 1990s. The end of the Cold War, Collapsed of the Soviet Union in 1991 and the remarkable performance of China after its opening to the world economy and initiation of market oriented reforms in the 1980s were the very significant developments in the internal affairs that forced India to take systematic reforms in 1990s (Singh & Srinivasan, 2002). Despite of the various challenges to accomplishing inclusive economic reforms that India has faced in the initial stages of Independence were finally surmounted and India was able to achieve a slight acceleration of growth in

1990s. Therefore, the most observable and important factor of the reforms so far has been the relaxation of various internal and external controls on private economic activity; especially the “license-permit-quota raj” was abolished. In this case Liberalization of trade and foreign investment – the ‘globalization’ aspect of India’s reforms – has helped a lot (Singh & Srinivasan, 2002). Therefore, in this phase the non-centralized character of market driven economies opened up a space for Indian federalism.

India’s New Economic Policy (NEP) of the 1990s has a great impact on the federal constitutional arrangements for that many changes have taken place. The slogan “rolling back of the state” has played a crucial role in the era of globalization. In a federation constituent units are strategically important and thus, the state governments have played a very pivotal role in the process of economic reforms. But until the mid 1990s India’s centralized economic planning was solely controlled by the central government and the states’ involvement in the reform process was not satisfactory. However, with the emergence of globalization “the key sector that becomes more important were related to states’ competencies: industrial infrastructure; power development; agriculture, irrigation; roads, health education, medical services, water supply and so on” (Guhan, 1995). The established scholarships on Indian Federalism have also pointed out that, Indian federalism has been so drastically changed as a result of globalization for that an interventionist state in India has given way to a “regulatory state” (Rudolph & Rudolph, 2001). Though, Saez’s study offers a different reading of the impact of globalization on India’s federal system. He has raised the fact that, Indian federalism has undergone some major transformation i.e. the inter-governmental cooperation between the central and states increasingly shifting towards inter-jurisdictional competition among the states. In that case a regulatory state wouldn’t be able mitigate the growing competition between the Indian states (Saez, 2002). This has led to a shift of power to the state trade and industry ministries, it has some adverse impact in emphasizing regional imbalances, increasing inequalities among the states. Thus, in a way Indian federalism faces new kind of challenges, particularly in the field of representation, governance and equity and there is a need to reconceptualize Centre-state relations.

Conclusion

The pattern of relationship between the centre and states has changed a lot since the 1990s. State governments’ involvement in the reforms process gradually becomes stronger because of the market economy which demands more decentralized levels of governance. States are today offered more freedom of action in respect of adopting and implementing structural adjustment programmes, encouraging industrialization, trade and commerce and entrepreneurial governance (Bhattacharyya, 2009). Growing significance of various Inter-Governmental mechanisms such as Inter-State Council and National Development Council diminished the role of centralized planning. The

centralizing thrust of the post-Independence era has produced to some kind of a 'confederal' operation of the India's political system. Therefore, in a nut shell the impact globalization on Indian federalism was crucial in some cases, it led decentralization of powers; it has ceded a space for the states and local self governments encouraging more state rights; it attracted various foreign investments, and it has resulted in the new concepts like New Localism, People's Empowerment and so on. Though, it is very difficult to conclude that all states have equally equipped to access the opportunities offered by the globalization. In this regard the researchers have distinguished the concept of "forward states" and "backward states" in development terms. Forward states (e.g. Andhra Pradesh, Gujarat, Maharashtra, Kerala, Karnataka etc.) are doing much better in terms of development indicators. So it is safe to conclude that, globalization has opened up a wide space in terms of trade and commerce for some states, they are now more prominent in regard to claiming more autonomy of action in their own sphere. They are better governed with less corruption.

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