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When Big Business Influences the State and Foreign Policy in India

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Neoliberalism has empowered India's big capital to control the state, reversing an earlier relationship. Capital, once subordinate and nationally defined, now dominates and defines the nation, using the state to advance its global business interests. This is not without reputational risks for India.

Recently, there has been vocal criticism that private capital may be exercising a disproportionate influence on Indian politics, both domestic and international. While the focus of this discourse is primarily on Gautam Adani and Mukesh Ambani, placing these changes in a context is important. A hyper-fixation on individuals tends to obscure larger systemic issues such as the relationship between state and capital, and what it means when capital gets to define national or state interest.

Further, if the state begins to act like an agent of private business interests, what does this mean for India's reputation globally? As India stakes claim for leadership of the developing world, could the influence of private corporations damage the country's diplomatic efforts? Also, while it is important to look beyond individuals, there is a need to assess the nature of privileges enjoyed by certain capitalists (over others), on the grounds of political patronage and perhaps, shared ethnic ties.

In order to understand this deepening collusion, it is necessary to go back and re-examine history. During the colonial era, the interests of Indian industrialists dovetailed neatly with the Congress party, as Radharaman Chakrabarti argues in his book *The Political Economy of India's Foreign Policy*.[1] There were major structural reasons for this. The interests of Indian private capital were necessarily subordinated to those of the imperial metropole. Their position within the structure of the colony, thus, would be closer to what Immanuel Wallerstein would term as a "periphery" (dependent on the core economy) and perpetually kept in a state of underdevelopment.

Thus, for Indian industrialists, political independence was aligned with their goal of securing "national" protections against international capital. As early as 1942, G.L. Mehta, who was the President of the Federation of Indian Chambers of Commerce (FICCI), noted that "political economy would, in fact, be of little value and significance unless it was such as to ensure economic independence and enable full economic development", and further stated, "India's vital economic interests have been subordinated to those of Britain."

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Due to these exploitative mechanisms, at the time of independence in 1947, the country had been impoverished by centuries of colonialism, and the fear of foreign capital bringing in new forms of imperialism through the backdoor was ever present. The unsatisfactory result of negotiations on India's sterling balance with Britain at Bretton Woods also reinforced the anxieties of Indian policymakers. This meant that in the initial decades after independence, as the country experienced a shortfall of foreign exchange, it increasingly relied on two strategies. The first was import substitution and restrictions on international capital. Second, it became increasingly dependent on foreign aid.

The material gap between India's aspirations as a global player, and its precarious economic condition became a source of worry for Jawaharlal Nehru and other policymakers. There was a realisation that the country's industrial base had to be strengthened, which needed state intervention. The mixed economy model that was developed as a response thus put the state at the commanding heights of the economy. Critical sectors were in control of the state, while private capital was allowed in other areas.

The kind of revisionist history that has emerged post-liberalisation paints a narrative that the pre-1991 Indian economy was characterised by unending high-handedness and interference of the state, which was to the detriment of the country's private sector. However, it is important to note that the fledgling industrial sector was quite satisfied with this arrangement. Given their own limitations, they depended on the state's investments in heavy industry and infrastructure, without which their own production would not have been possible.

Further, domestic industry would not have been able to compete with international competitors. While this was happening, India’s close relations with the Soviet bloc and its status as a leader of the non-aligned movement meant that the “third” and “second” worlds also emerged as crucial markets for its exports. Eventually, this rough convergence of interests was reflected in foreign policy. FICCI representatives were consulted during important negotiations on the General Agreement on Tariffs and Trade (GATT), such as the Kennedy Round in Geneva from 1964 to 1967.

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What this means is that structurally these factors put Indian private capital in a very different position compared to those in other decolonised countries. Frantz Fanon had observed that the national bourgeoisie of decolonised countries were usually in a relationship of dependency with the imperial core and thus had a vested interest in maintaining a rent-based economic model, instead of one based on developing productive capacity of the former colony.

However, regarding the Indian capitalists of the period, Chakrabarti noted that “there was not much likelihood of their developing an overly comprador attitude toward international monopoly capital.” He observed that their relationship with the state was collaborative, as they depended on the state to provide infrastructure, resource inputs, and long-term finance. Thus, one could theoretically argue that domestic capital, whether it was public or privately controlled, had acquired a 'national' identity due to the specific conditions of the Indian political economy.

However, this hypothesis was variable, and continued to be tested over time. Government interventions against monopolies and regulations on trade did invoke some veiled and vocal opposition. In addition, as private industry consolidated, reservations against the now infamous license raj (deemed responsible for preventing progress) gained significant traction.

Despite this seeming enmeshment of state and capital, the dominant impulse within Indian industry was not 'neoliberal'. In 1993, a group of prominent domestic industrialists known as the Bombay Club urged caution over Manmohan Singh’s pro-market policy decisions. In due course, however, neoliberalism managed to find support, with the emergence of several proponents amongst the domestic industry (despite some industrial houses who were struggling to compete). As the incentives of liberalisation (foreign investment, lesser controls on capital, and new export markets) became more apparent to local industrialists, the fundamental relationship between state and capital also changed significantly.

In the historical cases examined above, the state was very clearly in a more dominant position. However, it gradually began to lose its hegemony, both ideational and material. From an ideational perspective, as private capital found its way into media, television channels and newspapers became cheerleaders of economic liberalisation. Newspapers no longer prioritised labour or peasant concerns, and budgets were deemed good or bad by business leaders alone. The creation of Indian dollar billionaires (based on stock market valuations) emerged as another metric of economic health and pride during the first dot-com boom of 1999-2000, a trend that continues in some ways till today.

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Another feature of this ideational turn was that the term 'reform' was only reserved for policies that were pro-market. Welfare policies were debunked as 'populist', while even commonsensical labour or environmental regulations were framed as detriments to economic growth. Even foreign policy was judged from an ahistorical, neoliberal frame. India’s non-alignment and closeness to the Soviet Union was seen as a historical mistake, and its growing closeness to the United States was uncritically accepted as a net positive.

The manufacturing of this neoliberal consent, along with the spectacular growth of private capital, led to a shift in the power dynamics between the state and capital. In other words, where the state and its authorities would evaluate private industries to ensure compliance, it was now capital that evaluated the state for compliance. A good example of this hegemonic shift can be seen in the last two years of the Manmohan Singh-led United Progressive Alliance (UPA) government.

Despite being considerably pro-market as compared with the first UPA government (2004–2009) and launching major military campaigns against Maoist insurgents, most mainstream media characterised the second Singh government (2009–2014) as one gripped by “policy paralysis” on the economic front. Investment banks and opinion makers chided the government for engaging in 'populist' measures (some of which were related to issues of basic social security). It was this discourse that enabled the rise of Narendra Modi, who promised to break the shackles of corruption, indecision, and over-regulation, and emerged as an economic messiah.

These promises were kept over the last 10 years, but only for those at the very top. In just one year (2023–24), the collective wealth of India's billionaires grew by an astonishing 40%. India's richest 100 are now worth $1.1 trillion (in a $3.5 trillion economy). In three years, between 2019 and 2022, Adani gained control of seven airports to become India's largest private airport operator. The group also controls 15 ports: seven on the west coast and eight on the east.

The policy framework within which this took place is interesting. In November 2018, the privatisation of six airports was approved and a Public Private Partnership Appraisal Committee was formed, which made two key decisions. First, it relaxed the criteria recommended by the NITI Aayog that suggested eligible bidders required experience in the aviation industry. Second, contrary to the finance ministry's suggestion, the committee decided that they would not place restrictions on the number of airports that could be bid for and won.[2] Similarly, Reliance used a photograph of Modi to promote their Jio mobile service, even as state-owned Bharat Sanchar Nigam Limited (BSNL) was suffering consistent neglect.[3]

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Capital has thus undergone two contradictory movements under the Modi government. First, while large-scale industries and groups have been consolidated and slowly gained monopolies across several sectors, several medium and small-scale enterprises have struggled. Second, another contradiction characterises this consolidation. While part of this expansion was fuelled by neoliberalism and pro-market policies, the state also appeared to intervene on behalf of certain business houses against transnational capital. For instance, the tensions between Amazon and the government are reportedly on account of Reliance Group's interest in retail, even if the ostensible rationale was to protect the Bharatiya Janata Party's traditional base of small retailers.

Second, the Indian state has become an instrument for business groups such as Adani to expand their business abroad. It can certainly be argued that the government may use private players to achieve its foreign policy objectives, such as selling electricity produced by the Adani group to Bangladesh. However, complaints against the excessive cost of Adani's power supply within Bangladesh problematise the assumption that such moves support the state's interest of maintaining friendly relations. Similarly, in the wake of Sri Lanka's financial crisis, that country's officials have said how they felt pressured into cooperating with the Adanis to secure India's help. Apart from South Asia, the Adani group has been at the receiving end of state and popular opposition in countries such as Kenya and Australia.

Thus, the association of the Adani group with the Indian state in international fora incurs reputational losses for the latter. If such is the case, the next question is why should a state go against its own interests? To answer this, we should first answer a rather academic-sounding question, namely, what is a state? A textbook definition would be a political agency that controls a certain territory, represents the people within it, and has a monopoly over violence. However, Italian Marxist Antonio Gramsci offered another perspective, arguing that the historical unity of the ruling classes is realised in the state. In other words, the state is a terrain controlled by a loose consensus of dominant groups within it.

> While the political opposition criticised these attempts to conflate Adani with India, it nevertheless pointed to a kernel of truth: (domestic) big capital was now the nation, and the interests of capital were the interests of the nation.

For the first few decades after India's independence, private capital was not developed enough to completely challenge political authority, even if it was influential in some respects. However, neoliberalism has ensured that 'big capital' has now become a (if not the) ruling class that controls the state. Thus, whereas earlier the convergence between the interests of state and capital was produced by the former imposing its will on the latter, the equation may have reversed. Earlier, while capital acquired a national identity through subordination, it has now become national through its domination over the state. In other words, capital now defines the nation, and not the other way round.

A recent example illustrates this point clearly. In the wake of the Hindenburg report and bribery allegations against the Adani group in the US, many expected a full-blown political storm. However, the reaction was much more subdued, despite the allegations being very grave. This near silence was to a large extent the result of an extensive media campaign that framed the allegations as an attack against India and the Indian economy. Social media was rife with conspiracy theories involving George Soros, communists, and other enemies of the nation that were trying to target the Adani group to tarnish India.

While the political opposition criticised these attempts to conflate Adani with India, it nevertheless pointed to a kernel of truth: (domestic) big capital was now the nation, and the interests of capital were the interests of the nation. The state has thus become a channel for these domestic players to allow them access to lucrative foreign deals, while at the same time shielding them from international criticism (and competition).

This also drives home the need to draw a distinction between capital in general, big capital, and finally, specific industrial houses that may enjoy political patronage at this particular time. While there is a general tendency in favour of large private organisations, it is also important to underscore that not all corporations have equal access to the state. Murmurs of resentment against special privileges to Gujarati business interests can be heard frequently. Thus, there may not only be considerations of scale when it comes to assessing the influence of capital, but also the preferential treatment given to capital with a co-ethnic character.

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However, where does this leave the Indian state? Is it just an appendage of capital? The short answer is always more complicated. The state is a complex terrain, with multiple stakeholders that try to influence its direction (occasionally even the people). Technically, domestic capital is just one of the “ruling classes”. At the same time, however, it is increasingly becoming the first among (un)equals, and the events of the past 10 years point to a general tendency in favour of capital, or at least individual capitalists favoured by the government.

If business houses are seen as national representatives, it could have profound implications for India’s role as an international actor, especially reputational losses in the developing (and developed) world. As Kryzystof Iwanek surmised in a recent article, “When it comes to cooperation and the power balance between the New Delhi government and large private firms, India is very gradually going the US way."[4] I am reminded of an episode of *Flop Show*, where Jaspal Bhatti plays a PhD thesis advisor who tries to coerce his student into marrying his sister-in-law in exchange for passing his thesis. For a country that aspires to be the 'world’s teacher', the Indian state should be vary of how its close relatives may be tarnishing its pedagogical reputation.

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Footnotes:

1 Chakrabarti, Radharaman (2014): The Political Economy of India’s Foreign Policy. Delhi: KW Publishers.

2 See “Adani's Winning Bid for Six Airports: Former Privatisation Panel Head Explains Key Policy Changes”, CNBC TV18, 23 Feb 2023. https://www.cnbctv18.com/aviation/adani-winning-bids-for-six-airports-former-head-of-privatisation-panel-explains-key-policy-changes-15898141.htm

3 See “Modi in Reliance Jio Ad: What if Other Companies Use the PM in Ads?”, India Today, 3 Sep 2016. https://www.indiatoday.in/fyi/story/narendra-modi-brand-icon-jio-338888-2016-09-02

4 Iwanek, Kryzystof (2004): “India’s Firm Foreign Policy or Indian Firms’ Foreign Policy?”, Diplomat, 4 March. https://thediplomat.com/2024/03/indias-firm-foreign-policy-or-indian-firms-foreign-policy/