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## Opinion | India's trade policy should lend an ear to a wider range of voices



India lacks any formal legal framework that would formalize the practice of state-business interactions, be it over trade policy or any other. (Photo: Mint)

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Amrita Saha, Ujjwal Krishna

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Formal mechanisms that ensure inclusive state-business interactions over key trade decisions would serve us well

Amid the ongoing global trade war, the political economy of trade policy has been undoubtedly receiving attention both globally and in India. The political economy

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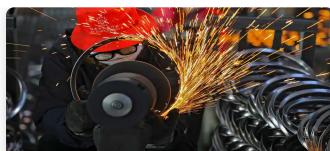
concomitant political rewards domestically, providing ample fodder for lobbyists in Washington and Delhi to engage in frantic activity to influence trade policy. In the midst of all the din, is the process of formulating policy actually accountable to stakeholders directly affected by inputs given and decisions made? What is increasingly clear is that state-business interactions remain a crucial, even if opaque, instrument for the private sector to transmit information signals to the state.

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The notion of "lobbying", however, evokes a sense of murkiness, dubious back-room dealings, corruption, and a subversion of free and fair competition. Instances of corporate fraud and egregious abuses of insider influence have manifested themselves in the form of numerous scandals. Inevitably, the whiff of a scandal generates nationwide attention and the media thrives on the interest it evokes in the public domain. However, a key aspect of what such scams illuminate almost always gets glossed over in the hubris and cacophony of prime-time debates: The failure to effectively institutionalize state-business relations to foster accountability in the state's interactions with the private sector. Hence, the need to turn attention to how to analyse and understand the changing configuration of interactions between businesses and the state.

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To make state-business relations, underlined by an ever-changing power dynamic, more inclusive, we [must understand where and how to engage](#). For trade policy in particular, it is clear that there is a need for more accountable policy formulation. Empirical studies have produced a large body of evidence to support the idea that effective state-business relations are both key determinants of, and contributors to, [economic growth and structural transformation](#). Effectiveness can be defined as close and collaborative relationships, where the government transmits strategic information about its intentions and political commitments, while the private sector simultaneously conveys the feasibility of undertaking the state's industrial goals. Recent evidence on Africa and India suggests that being a member of a business association improves firm performance in the form of productivity, specifically for small and medium-sized firms. Industry groups can therefore augment the state's knowledge of information for policy formulation, with corresponding economic benefits.

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State-business interactions to influence trade policy in India have undergone distinguishable phase shifts over time. The pre-1991 central- planning-led period of the Indian economy, which was characterized by import substitution and a heavy bias towards the public sector, saw a smaller clutch of big businesses gain direct access to the

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state. The formation of the Bombay Club, consisting of a set of prominent industrialists who advocated greater trade protection in the face of intense international competition, marked the shift from individual to collective action. Since then, a duality has emerged in [business access to the state](#), especially when the use of such channels is aimed at influencing company or product-specific outcomes of trade policy.

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Recent empirical work on state-business [interactions over trade policy](#) and [specific evidence on India](#) signal mechanisms that could potentially bring greater accountability to these interactions. Given that certain sectors signal the possession of information which can be relevant to the state while devising trade policy, the effectiveness of state-business relations can be gauged by capturing the different weights assigned by the government to different sectors. The resulting accountability can be strengthened with an accompanying legal framework for state-business relations.

Such evidence can also help inform legislative changes to recognize state-business interactions as a regulated activity in India. Whether disclosure laws make a difference remains contentious, but examples exist: such as the US's 1995 Lobbying Disclosure Act that requires lobbyist disclosures to the US Senate. India persists with ambivalence towards the practice. This ambivalence could be engendering opacity and duplicity in

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India lacks any formal legal framework that would formalize the practice of state-business interactions, be it over trade policy or any other. In such a scenario, corporate espionage has the potential to continue to hold some aspects of the policy-making process to ransom, especially in the current storm in trade politics. While the regulation and disclosure of activities may not guarantee the [desired level of accountability](#), [OPEN APP](#) we not enable mechanisms that allow us to move in that direction? India's large industry associations, while effective, can only go so far in influencing trade policy in an accountable manner and serving the function of information dissemination by sponsoring and participating in policy debates. What is needed is an approach towards understanding and analysing the changing configurations of power underlying state-business relations with the aim of turning these processes more inclusive. But to begin, it's important to know where and how to engage.

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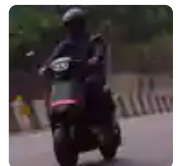
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