

The Role of States in the Formation of India's Foreign Trade Policy After Cold War

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The aim of this article is to analyse the role of states in the formulation of India's trade policy from evolutionary and present perspectives as well as the contemporary issues that call for a modified institutional arrangement from a more state-inclusive point of view. Over the course of the last twenty years, however, trade policy making has become a tedious task, which made it extremely hard for any trade ministry to perform his/her duties swiftly. The ever increasing 'range' (and also importance) of 'tradables' in goods and services, capital, labour, as well as newborn issues in the international trading system and multiplicity of trade agreements, have made it imperative for trade ministries to have effective and deeper 'communication' with public entities and private interests within their sovereign states. In order to achieve this, a trade ministry must have an 'institutional' architecture that takes cognizance and acts upon the various demands emanating from various parts of the country. India's trade policy is formulated and implemented mainly by the Ministry of Commerce and Industry. While the constitutional provisions regarding India's trade policy decision making have remained unchanged since gaining independence, the evolution of how states have become increasingly important in India's trade policy making, is of importance.

Hence, it is imperative to understand as to why states are becoming important in India's trade policy formation and how institutions facilitate the same? Hypothesising that, states are playing increasingly indispensable role in India's foreign trade policy formation, this paper shall attempt to answer the abovementioned.

Keywords: democracy, institutions, state, centre, trade policy, evolution, inequality, state cells, coalition, communication.

Introduction

From 1947 till 1964, when India had J.N. Nehru as the prime minister and Indian National Congress (hereinafter: "the Congress") as the ruling party, Indian states had zilch say in matters related to India's foreign and trade policy. Two major reasons

for the little involvement of the states were Nehru's personality and the fact that the Congress had huge majority both at the central and the states' level of governance in India until then.¹ Seemingly, it was almost impossible for any state to voice its opinion against the Nehru policy consensus. During the Uruguay Round of negotiations at the General Agreement on Tariffs and Trade (GATT), states of India were nearly absent in India's trade policy formation and trade negotiations despite the fact that many of the issues that India was negotiating upon fell within the state list.² In the past, last minute letters were sent out to state governments by the centre, seeking information and opinions on specific points in question but since the states governments were not a part of the 'process' of trade policy formation *ab initio*, they could not contribute much.³ This began to change when India's stand at the Doha Rounds was not only consulted with Indian states but also accepted by them.⁴ Over the last few years, by way of various institutions,⁵ the involvement of Indian states in their role in trade policy formation has been on a rise.

India is a constitutional democracy, comprising of twenty-nine states and seven Union Territories. While all the states have elected legislatures headed by a chief minister, the union territories Delhi and Pondicherry are special in the sense that they have the same institutions. The centre has exclusive competence in appointing the governing body of the remaining five union territories. India is a 'Union of States' as said in the Constitution, pointing to its federal nature. India's federal structure is characterised by an elected two-house (parliamentary style) government scheme at both central and the states' level. Although federalism is not defined in the Constitution, the Constitution of India has provided for a division of powers between Central and states' governments. ***Under the Seventh Schedule, there are three lists – the Union, State and Concurrent.***⁶

¹ H. Jacob, 'Putting the Periphery at the Centre: Indian States's Role in Foreign Policy', Carnegie India, 2016, <https://carnegieindia.org/2016/10/10/putting-periphery-at-center-indian-states-role-in-foreign-policy-pub-64724> (accessed on 29.05.2019); A. Mattoo, H. Jacob, 'Republic of India', in H. Michelmann (ed.), *Foreign Relations in Federal Countries*, Montreal–Kingston: McGill–Queen's University Press and Forum of Federations, 2009.

² J. Sen, 'Trade Policy Making in India-The Reality Below the Water Line', CUTS Centre for Trade, Economics and Environment, 2004, p. 9.

³ Ibidem.

⁴ S. Narayan, 'Trade Policy Making in India', *ISAS Insights*, May 2005, p. 8, <https://www.files.ethz.ch/isn/23824/3.pdf> (accessed on 3 June 2019).

⁵ In the series of papers: D. North, 'Economic Performance Through Time', *American Economic Review*, 1994, Vol. 84, No. 3; P. Keefer, S. Knack, 'Social Capital, Social Norms and New Institutional Economics', 1997, <http://siteresources.worldbank.org/INTINVTCLI/Resources/socialcapitalsocialnorms.pdf> (accessed on 2nd June 2019); R. Hall, C. Jones, 'Why Do Some Countries Produce So Much More Output Per Worker Than Others?', *The Quarterly Journal of Economics*, 1999, Vol. 114, No. 1, pp. 83–116; D. Rodrik, A. Subramanian, F. Trebbi, 'Institutions Rule: The Primacy of Institutions Over Geography and Integration in Economic Development', *Journal of Economic Growth*, 2004, 9: 131; D. Kaufman, A. Kraay, M. Mastruzzi, 'Governance Matters IV: Governance Indicators for 1996–2004', World Bank Policy Research Paper No. 3106, World Bank – have discussed the role of institutions in supporting and enhancing economic growth.

⁶ <https://www.mea.gov.in/Images/pdf1/S7.pdf> (accessed on 2 June 2019).

- The **Union List** includes a range of subject areas within which the Parliament may pass laws. This includes trade and commerce with foreign countries, import and export across customs frontiers, inter-state trade and commerce.⁷
- The **State List** includes a range of subject areas within which the state legislatures may pass laws. This includes trade and commerce within the state subject to the provisions of entry 33 of the list III, agriculture, etc.⁸
- The **Concurrent List** includes subject areas within which powers are given to both the Centre and states' governments. This include for example trade unions. However, given that there may occur conflict when it comes to **laws passed by the Parliament and state legislatures on the same subject, the Constitution provides for the central law to override the state law.**⁹

There have been a number of articles written on Indian domestic policy and its trade policy, yet, we can see that some issues related to changing institutional apparatus have not been addressed since Modi Government came to power.¹⁰

The main assumption of this article is that the role of states in trade policy formation is indispensable but with a balance shifted to the central government. If not involved, the states have the capacity to hinder the process of trade policy formation. This article looks at the trajectory of such an involvement of the states, starting from the lack of

⁷ Ibidem, p. 317.

⁸ Ibidem, p. 323; "entry 33 of the list III is as follows: Trade and commerce in, and the production, supply and distribution of: (a) the products of any industry where the control of such industry by the Union is declared by Parliament by law to be expedient in the public interest, and imported goods of the same kind as such products; (b) food stuffs, including edible oilseeds and oils; (c) cattle fodder, including oilcakes and other concentrates; (d) raw cotton, whether ginned or unginned, and cotton seed; and (e) raw jute".

⁹ P.M. Bakshi, 'Concurrent Powers of the Legislation under List III of the Constitution', <http://legalaffairs.gov.in/sites/default/files/Concurrent%20Power%20of%20Legislation%20under%20List%20III%20of%20the%20Indian%20Constitution.pdf> (accessed on 2 June 2019).

¹⁰ V. Yadav, 'Business lobbies and policymaking in developing countries: The contrasting cases of India and China', *Journal of Public Affairs*, 2008, no. 8(1-2); P. Topalova, 'Trade liberalization, poverty and inequality: Evidence from Indian districts', in A.E. Harrison (ed.), *Globalization and Poverty*, Chicago: University of Chicago Press, 2007; A. Sinha, 'Global linkages and domestic politics trade reform and institution building in India in comparative perspective', *Comparative Political Studies*, 2007, no. 40(10), pp. 1183-1210; S. Berger, R. Dore, *National Diversity and Global Capitalism*, New York: Cornell University Press, 1996; 'India readies for farm talks: Commerce and agriculture ministers hold talks to finalize India's strategy', *Business Standard*, 2008; A. Sinha, 'When David meets Goliath: How global trade rules shape domestic politics in India', Washington, DC, Woodrow Wilson Centre Press; R. Jenkins, 'How Federalism Influences India's Domestic Politics of WTO Engagement (And Is Itself Affected in the Process)', University of California Press, 2003; A. Prakash, *Jharkhand: Politics of Development and Identity*, Hyderabad: Orient Longman, 2001; M. Ahluwalia, 'Economic Performance of States in Post Reforms Period', *Economic and Political Weekly*, 2000, Vol. 35, No. 19; A. Sinha, 'Ideas, Interests and Institutions in Policy Change in India: A Comparison of West Bengal and Gujarat', in *Regional Reflections: Case Studies of Democracy in Practice*, (ed.) R. Jenkins, Oxford: Oxford University Press, 2004; S. Babu, 'Competition and Competitiveness Among States', *Economic and Political Weekly*, Vol. 37, No. 13, 2002; R. Jenkins, *Democratic Politics and Economic Reform in India*, Cambridge: Cambridge University Press, 1999; A. Sinha, *The Regional Roots of Developmental Politics in India: A Divided Leviathan*, Bloomington, Indiana: University of Indiana Press, 2005.

involvement in trade policy formation, to increasing it, having a close look at the recent institutional apparatus.

The role of states in India's Trade Policy till 2000s – factors, effects, implications

Starting from the 1970s, India has seen a rise of regional parties and a decline in the Congress influence within India. This led to the issues regarding states coming into light and a rise of the needs for meeting their demands. Yet, not much was done, as a result of which National Front Coalition was formed at the end of the general elections of 1989. This government was formed by a coalition of 27 parties, only leading to a coalition of 43 parties in 1991.¹¹ As stated in the introduction, opinions of various state governments within India were not sought at all until the Uruguay Round at the GATT. When the negotiations were about to end, the progress and *status quo* of the rounds were merely conveyed to the states' governments. The fact that most Indian states were uninvolved despite them being bigger in size when compared to numerous countries within the WTO system, and having the exclusive legal competence over subjects such as agriculture, is bothersome. Thus, opinions were sought on issues that the central government deemed important instead of issues material for states' governments.¹²

The trade policy making apparatus of India was not conducive to simultaneously take into cognizance the international treaty making and issues that the states within India deemed important. As a result, a hybrid apparatus was functioning between the centre and the state which lacked communication on real issues relating to trade policy between the two.

Moreover, cabinet committees that were set up to deal with India's engagement at the international level were playing solo. There is some evidence that these committees overrode the ministries such as agriculture ministry that should have been involved in the decision-making process.¹³ On top of this, India's trade policy making capacity in terms of expertise used to be substantially low, except in the top of hierarchy, where only broad policy issues were considered.¹⁴ Thus, until the mid 2000s, India's foreign trade policy at the WTO was one where shots (with serious domestic implications) were called only by a small group of senior officials with minimum involvement of India's states.

¹¹ F. Malik, B. Malik, 'Politics of coalition in India', *Journal of Power, Politics and Governance*, March 2014; B. Arora, 'The political parties and the party system: The emergence of new coalitions', in J. Gent, *Politics in India's De-centred Polity*, in India Briefing 2002, 'Government of Andhra Pradesh (GoAP), Expert Committee Report on Implications of WTO Agreements', unit 'Recommendation for a WTO Cell in Andhra Pradesh'.

¹² *Supra* at 7, pp. 10 and 24.

¹³ *Ibidem*, p. 23.

¹⁴ *Ibidem*, p. 24.

If this is how strange the situation was, it is only logical to think that there was minimal coordination between India's trade policy at the multilateral level and the domestic level. This hints that there was less discussion, less involvement and engagement with the sub-national governments within India in the process of policy formulation. This meant that the two cogs (domestic trade and international trade) of the wheel called "trade policy formulation" were not aligned to fit into one another.

This balance and interactions between the centre and the states as cogs of the wheel to formulate trade policy is essential in the contemporary globalisation era. When one talks of globalisation and the consequent interconnectedness between the people of various regions of the world, the state governments do get concerned if the people of the states are adversely affected by the impact of globalisation.¹⁵ For instance, in the early 1990s, many state governments were opposed to the central government signing the General Agreement in Tariffs and Trade 1994 (GATT 1994) and other agreements within the WTO for this would have adversely affected their farmers. They argued that the central government, by being a party to the WTO agreements on 'Agriculture', had trespassed the states' competences regarding agricultural policy. Some states even filed lawsuits against the central government. This phenomenon was also visible in the 1994 assembly elections, where the population of both Karnataka and Andhra Pradesh voted the Congress (which was also at power at the central level) out of power. One of the primary reasons for this was the fact that Congress, in its capacity of the central government, allowed multinational corporations to carry out deep sea fishing. This severely hit the fishermen in these states and made them vote against the Congress.

The fact that the mass of decision making with regards to India's trade policy was in the hands of the central government also started to create serious disagreements between the states and the centre after augment of the concept of 'coalition' governments in India. This was because now different political parties ruled the states and the centre. Thus, state-state and centre-state disagreements could act as a roadblock in swift functioning of the central government. With coalition governments becoming the norm at the centre and the increasing number of regional parties in the states, it was imperative to enhance the state-centre communication for trade policy formation in India.¹⁶ Thus it is important to understand what is the current institutional setup for states' participation in trade policy formation and what is missing in it. What contributes to the above, is the fact that many states within India have very different preferences with regard to foreign policy and economic policy objectives.¹⁷ Many foreign trade decisions are even made at the level of individual states that pursue their own export

¹⁵ N. Prakash, 'Parliament's new ascendancy in foreign policy-making', *The Times of India*, May 20, 1997, <http://www.hvk.org/1997/0597/0193.html> (accessed on 6 June 2019).

¹⁶ M. Rao, M. Govinda, N. Singh, *Political Economy of Federalism in India*, New Delhi: Oxford University Press, 2005.

¹⁷ J.D. Schmidt, 'The internal and external constraints on foreign policy in India: Exploring culture and ethnic sensitivities', *Third World Quarterly*, 2017, no. 38 (8), pp. 1894–1908.

strategies to foreign nations.¹⁸ Additionally, since states have considerable power in the Lok Sabha, their interests must be aligned with the central government's interests in the negotiation process.¹⁹

Reformulation of the role of Indian states in foreign trade policy formation after 2014

The general perception about how Modi government would function if it came to power in 2014 was the same, i.e. in an authoritarian manner. However, even before coming to power, Modi's party (Bharatiya Janata Party/BJP), in its election manifesto, had vowed to improve the centre-state relations by closely cooperating with elected heads of states and provinces. The specific promise read – “will place the Centre-State relations on an even keel through the process of consultation and strive for harmonious Centre-State relations...will be an enabler and facilitator in the rapid progress of states. We will evolve a model of national development, which is driven by the states...team India shall not be limited to the Prime Minister-led team sitting in Delhi, but will also include Chief Ministers and other functionaries as equal partners”.²⁰

Perhaps Modi understands the need for enhanced centre-state cooperation because he himself was the chief minister of the Gujarat state for 12 years before he became the prime minister in 2014. Modi, even before he became the prime minister in 2014, had promised amongst others to work in close cooperation with chief ministers and referred to them as equal partners in tackling with foreign policy issues that India faces. He is of the view that “India is not just Delhi. The foreign policy should be decided by the people and not just some politicians sitting in Delhi”.²¹ Clearly Modi doesn't believe in Delhi centric governance only.

It may also mean that Modi wants the interference of the States in the foreign policy matters to be legitimate. Over the years, a new trend has been observed where some states have gone against the central governments wishes on foreign and trade policy matters. This trend has been criticised, for this can probably undermine national interests due to myopic political interests of regional state parties/leaders. One such incident that contributed to this trend was West Bengal Chief Minister Mamata Banerjee's pressurizing the central government about sharing Teesta river water with Bangladesh by pulling out of the then prime minister Manmohan Singh's delegation to Bangladesh. As a result,

¹⁸ J.P. Pradhan, K. Das, *Manufacturing Exports from Indian States: Determinants and Policy Imperatives*, New Delhi: Springer, 2016.

¹⁹ *Supra* at 13.

²⁰ BJP Election Manifesto 2014, http://library.bjp.org/jspui/bitstream/123456789/252/1/bjp_lection_manifesto_english_2014.pdf, (accessed on 6 June 2019).

²¹ A. Mishra, J. Milkian, 'The Evolving Drivers of Indian Foreign Policy – An Analysis', <https://www.eurasiareview.com/20012016-the-evolving-domestic-drivers-of-indian-foreign-policy-analysis/> Organisation-The Norwegian Peacebuilding Resource Centre/Norsk Ressurscenter for Fredsbygging (accessed on 7 June 2019).

the talks between India and Bangladesh were stalled on this issue. Another example contributing to this trend is Tamil Nadu's Chief Minister J. Jayalalithaa determining how India's policy towards Sri Lanka should be by playing the "security of Sri Lankan Tamils" card. Thus, if such trend doesn't get legitimised, national interests will become subordinate to regional parties'/leaders' interests. This trend is dangerous, not only in security or defence related issues but also in trade. I am linking this concept here with the trade policy because there exists severe disparity among states in terms of exports, growth of the logistics sector and continuing expansion of trade in services.²² In this report, it was found out that only six states account for 75% of India's exports. Six states – Maharashtra, Gujarat, Karnataka, Tamil Nadu, Telangana and Haryana – account for 75 per cent of India's exports, says the survey, citing the figure below.

Table 1. State share in Indian Foreign Trade

| State | % share | Cumulative |
|----------------|---------|------------|
| Maharashtra | 22,3 | 22,3 |
| Gujarat | 17,2 | 39,5 |
| Karnataka | 12,7 | 52,3 |
| Tamil Nadu | 11,5 | 63,8 |
| Telangana | 6,4 | 70,1 |
| Haryana | 4,9 | 75,0 |
| Uttar Pradesh | 4,8 | 79,8 |
| West Bengal | 3,2 | 83,0 |
| Andhra Pradesh | 2,8 | 85,8 |
| Orissa | 2,0 | 87,8 |
| Delhi | 1,9 | 89,7 |
| Rajasthan | 1,8 | 91,5 |
| Kerela | 1,7 | 93,2 |
| Punjab | 1,7 | 94,8 |
| Madhya Pradesh | 1,3 | 96,1 |
| Goa | 0,9 | 97,0 |

Source: Government of India's Economic Survey of India 2017–2018.

This, is due to the higher gross domestic product of these states (except Kerala).

Does this mean, that if unchecked, this trend could have the same effect as TMC had on the UPA government on the Teesta river issue? Hence, a balance needs to be set between the power of states and the centre in formulating a trade policy. More

²² Government of India's Economic Survey of India 2017–2018, <http://mofapp.nic.in:8080/economic-survey/> (accessed on 25 May 2019).

power to the centre, as in the Uruguay round times, would lead to problems that are mentioned in section 1 of this paper and less power would lead towards a dangerous trend in trade policy where ‘local factors’ will start to dictate strategic foreign trade policy for the whole country. If unchecked, competitive federalism could add fuel to fire in this trend for India’s more economically advanced states can pressurise the centre for a conducive trade reform. It is not unimaginable that in such circumstances, these economically advanced states could ask for more “open” trade policy apparatus which might not be good for the rest of India.

Hence, it is imperative to check the institutional coordination between the centre and the state in India’s trade policy. At present, India, broadly has the following institutional architecture for developing its foreign trade policy:

Table 2. Institutional Setup for India Trade Policy making²³

| Tier Level | Bodies | Responsibilities |
|------------|----------------------------------|---|
| Tier I | Department of Commerce | Framing of Trade Policy |
| Tier II | Advisory Bodies | Coordinating discussion between industry and government for bringing required changes |
| Tier III | Commodity Organisations | Assist the export effort of specific product group |
| Tier IV | Service Organisations | Facilitate and assist exporters to expand markets |
| Tier V | Government Trading Organisations | Handle export/import of specific commodity |
| Tier VI | State Export Promotion Agencies | Facilitate export promotion from the states |

Source: own study.

The Indian government established the Council for Trade Development and Promotion in July 2015 under the tier II section of the setup.²⁴ Its main task is to conduct constant talks with the states’ governments and UT’s with regards to the tools that could provide an enhanced international trade reliability to the states and come up with ways that would aid the states in becoming contributing partners and increasing India’s exports. The Term of References for Council for Trade Development and Promotion would be as follows:²⁵

- a) to provide a platform to state governments and UTs for articulating their perspectives on trade policy;
- b) to provide a platform to Government of India for apprising state governments and UTs about international developments affecting India’s trade potential and opportunities and to prepare them to deal with evolving situation;

²³ Organization Setup and Functions of the Department of Commerce, Ministry of Commerce and Industry, Government of India, <https://commerce.gov.in/InnerContent.aspx?Id=9> (accessed on 3 June 2019).

²⁴ Advisory Board of the Department of Commerce, Ministry of Commerce and Industry, Government of India, <https://commerce.gov.in/InnerContent.aspx?Id=12> (accessed on 4 June 2019).

²⁵ *Supra* at 23.

- c) to help state governments in developing and pursuing export strategies in line with national Foreign Trade Policy;
- d) to provide a platform for deliberation on the need for creating infrastructure relevant for promoting trade and for identification of impediments and infrastructure gaps which adversely affect India's export;
- e) To facilitate a mechanism for discussion on operationalization of trade infrastructure. The Inter-State Trade Council²⁶ was founded to carry out continuous talks between the states' governments and union territories. It advises the governments on measures which would improve the international trade environment in the respective territories, thus aiding in increasing Indian exports.

In order to involve states in export promotion, the central government has created a State's Cell²⁷ under the Ministry of Commerce to carry out the following functions:

- a) acting as a nodal agency for communication with state governments/union territories on issues pertaining to imports and exports;
- b) analyzing all issues of general nature for the state governments and state export corporations, that do not fall within the ambit of pending issues in the ministry;
- c) analyzing the proposals submitted to the Ministry of Commerce by the states and union territories and coordinating them with other divisions in the Ministry;
- d) acting as a connecting device between state level corporations, associations of industries and commerce and export organizations;
- e) circulating information related to export and import policy as well as export likelihoods and opportunities to state governments;
- f) mentoring state-level export organizations and simultaneously helping them in creation of export plans for each state, in cases where export opportunities stayed unexplored.

After Modi came to power in 2014, the 'States Division' within the Ministry of External Affairs (MEA) was created in order to increase cooperation between the states and the MEA. Modi's government was of the opinion that in today's globalised world, it is only plausible to connect Indian states and union territories with foreign countries. This can be achieved with the help of Indian embassies, consulates and trade missions in the outside world and through the embassies and *vice versa* in India.

The mandate of the State's Division indicates the importance and variety of the work it is bound to carry out. Its functions are:²⁸

- aiding state and UT governments to carry on with reaching out to, communicating, and coordination with Indian missions and related agencies abroad along with

²⁶ Order of Constitution of the Interstate Trade Council by the Directorate General of Foreign Trade, Government of India, <https://www.dgft.gov.in/sites/default/files/istcouncil.pdf> (accessed on 10 June 2019).

²⁷ States Cell Ministry of Commerce, Government of India, <https://commerce.gov.in/InnerContent.aspx?Id=103> (accessed on 10 June 2019).

²⁸ https://mea.gov.in/loksabha.htm?dtl/24347/Q_NO687_SEPARATE_DIVISION_FOR_CENTRESTATE_RELATIONS (accessed on 8 June 2019).

foreign diplomatic and economic missions in India. Additionally, helping MEA to facilitate trade and investment;

- facilitating tourism and encouraging cultural and academic exchanges;
- facilitating trips of foreign dignitaries to Indian states and union territories and trips of Indian states' and union territories' dignitaries abroad;
- management and administration of branch secretariats;
- helping Indian Foreign Service Officers in developing regional specialisations with the help of MEA.

The States Division, so far, has been able to do well in performing its functions by collaborating with states to reach out to the outside world by encouraging trade and investment as well as better communication.²⁹

Even though we may see that there have been substantial institutional additions in Indian trade policy formation apparatus ever since Modi came to power, the success of it shall depend upon how well the coordination and communication between states and centre or various states will be ensured.

Conclusions

Today, trade policymaking is an important task for all nations. This is especially true for a developing country like India, as the percentage share of trade in India's GDP is quite substantial. Over the course of the last twenty years, however, trade policy making has become a tedious task, which made it extremely hard for any trade ministry to perform his/her duties swiftly. The ever increasing 'range' (and also importance) of 'tradables' in goods and services, capital, labour, as well as new born issues in the international trading system and multiplicity of trade agreements, have made it imperative for trade ministries to have effective and deeper 'communication' with public entities and private interests within their sovereign states. Historically, opinions of various state governments within India on its foreign trade policy were not sought until the Uruguay Round. One reason why states have started to knock on the doors to play an increasingly important role in India's trade policy formation is globalisation. Talking about interconnectedness between the people of various regions of the world, the state governments do get concerned if the people of the states are adversely affected by the impact of such interconnectedness. Additionally, the trade policy making apparatus of India was not conducive to simultaneously take into cognizance the international treaty making and issues that the states within India deemed important. Resultantly, a hybrid apparatus was functioning between the centre and the states which lacked communication on real issues relating to trade policy between the two. This trend caused friction between the state and central government especially after the reign of coalition governments in India. Predictably, this trend has

²⁹ Ibidem.

been criticised by many who say that the new process, where foreign policy-making is becoming subservient to short sighted political interests of regional-state parties and leaders, is actually working contrary to the logic of India's national foreign policy interests and objectives. The general perception about how Modi government would function if it came to power in 2014 was that he would work in an authoritarian way. However, even before coming to power, Modi's party (Bharatiya Janata Party/BJP), in its election manifesto, had vowed to enhance the centre-state relations by closely cooperating with elected heads of states and provinces. Modi's efforts to enhance the centre-state cooperation in trade policy formation is perhaps aimed at legitimisation of the trend in question.

Even though there is an attempt to have a better coordination between the centre and the states' governments now, due to the new institutions that have come up, yet, there is a need for introduction of checks and balances for the powers of both the centre and the regional governments in order to control the dangerous trend in trade policy where 'local factors' potentially start to dictate trade strategies for the whole country.