Carleton University

Democratization and Power-Sharing for Alternative Social Orders: Lessons from Economic Liberalization and Water Conflict in India

A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfillment of the requirements for the degree of
Master of Arts

Institute of Political Economy

by
Yuichi Amano

Ottawa, Ontario
Canada

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Abstract

This thesis seeks to understand the essentials for a hegemonic social order to emerge by using Gramscian theoretical framework. Examining the process of the economic liberalization in India in the 1990s, this thesis argues that the current neoliberal order cannot be hegemonic in nature, since it has failed to assure democracy and local autonomy which is essential to raise active consent from civil society. To explore the possibility of counter-hegemony, this thesis conducts a case study about the water conflict in India occurred between a neoliberal power (Coca-Cola) and the local community (Plachimada). Assuming that development of the sustainable resource management will lead to the establishment of an alternative social order to Coca-Cola's order, this thesis explores the solutions in a natural resource management theory, 'co-management'. Finally, this thesis argues the essential values and possible policies needed to create an alternative hegemonic social order using lessons from the case study.

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List of Abbreviations

CGWB	Central Ground Water Board
CPI(M)	Communist Party of India (Marxist)
CSE	Center for Science and Environment
CWRDM	Centre for Water Resources Development and Management
DSM	Disputes Settlement Mechanism
EIA	Environmental Impact Assessment
FDI	Foreign Direct Investment
FERA	Foreign Exchange Regulation Act
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
IMF	International Monetary Fund
KGWD	Kerala Ground Water Department
KPCB	Kerala Pollution Control Board
LDF	Left Democratic Front
MRTPA	Monopolies and Restrictive Trade Practices Act
NGO	Non-Governmental Organization
NIP	New Industrial Policy
NUS	National Union of Students
PSEs	Public Sector Enterprises
Rs	Indian Rupee
SAPs	Structural Adjustment Programs
TBT	Technical Barriers to Trade
TDS	Total Dissolved Solids
TNCs	Transnational Corporations
TRIMs	Agreement on Trade Related Investment Measures
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
WSF	World Social Forum
WTO	World Trade Organization

Introduction

Extensive economic liberalization has been accelerated after World War II, especially after the 1980s, mainly under the strong initiatives of the United States and the United Kingdom. The world-wide trend for the liberalization of national economies has promoted the internationalization of production and finance, in short 'globalization', and allowed the global market to emerge (Gill, 2003; Hay, 2007). With the trend, international trade flows have expanded dramatically during the past decades; world merchandise exports of goods and services doubled between 1995 and 2006 to reach over US$14.7 trillion in 2006 (UNCTAD, 2008). The real exports of developing countries have increased by nearly 300% and those of G-7 member countries by 75% during the same period (UNCTAD, 2007). Foreign direct investment (FDI) has increased enormously; the global inflow reached to US$1,833 billion in 2007, from US$1,398 billion in 2000, US$207 billion in 1990 and US$54 billion in 1980[1]. The global shift to neoliberal economic policy can be observed even in the increase of the number of the WTO's member countries; although the GATT (the predecessor of the WTO) started with only 23 member countries in 1947, the WTO has 153 members in 2008[2]. The mechanisms of the GATT and the WTO have successfully reduced the trade barriers and expanded the global trade. Tariffs on manufactured products fell from roughly 35% (trade-weighted average) before the launch of the GATT in 1947 to about 6.4% at the start of the Uruguay Round

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[1] Sources: UNCTAD, World Investment Report database. http://www.unctad.org/Templates/Page.asp?intItemID=3277&lang=1

[2] See Chapter 3 for the detail about the GATT and the WTO.

in 1986. Furthermore, the volume of trade among WTO members in 2000 has increased as much as 25 times more than the volume in 1950 (Crowley, 2003). The globalization of production and finance has accelerated cross-border flows of labor power as well as goods, services and capitals; over a billion people are estimated to be integrating into the global labor market by 2010 (UNCTAD, 2008). In addition, the global trend of economic liberalization set a favorable environment for the transnational corporations (TNCs) to expand their power; the number of TNCs in the world increased from 7,000 in 1970 to roughly 50,000 in 2000 (Steger, 2003). The sales of the 500 largest corporations in the world nearly tripled between 1990 and 2001, while world GDP increased only 1.5 times in the same period (UNCTAD, 2002).

This historic tide of economic liberalization has been directed by the doctrines of '*neoliberalism*'. While the meaning of neoliberalism depends in part on who is using it, its fundamental direction is understood as market-oriented policies (Auerbach, 2007). Hay (2007) indicates that the core values of neoliberalism are based on the following characteristics:

1. A confidence in the market as an efficient mechanism for the allocation of scarce resources.
2. A belief in the desirability of a global regime of free trade and free capital mobility.
3. A belief in the desirability, all things being equal, of a limited and non-interventionist role for the state.
4. A conception of the state as a facilitator and custodian rather than a substitute for market mechanisms.
5. A defence of individual liberty.
6. A commitment to the removal of those welfare benefits which might be seen to act as disincentives to market participation (in short, a subordination of the principles of social justice to those of perceived economic imperatives).

7. A defence of labour-market flexibility and the promotion and nurturing of cost competitiveness.
8. A confidence in the use of private finance in public projects and, more generally, in the allocative efficiency of market and quasi-market mechanisms in the provision of public goods.
(Hay, 2007, pp.54)

Based on these doctrines, neoliberalism pursues the acceleration of free trade, free capital movement and internationalization of production (Went, 2001). In particular, the following are understood as the major neoliberal policies:

1. Privatization of public enterprises
2. Deregulation of the economic regulations
3. Liberalization of trade and industry
4. Massive tax cuts
5. 'Monetarist' measures to keep inflation in check, even at the risk of increasing unemployment
6. Strict control on organized labour
7. The reduction of public expenditures, particularly social spending
8. The down-sizing of government
9. The expansion of international trade, particularly exports
10. The removal of controls on global financial flows
(Steger, 2003, pp.41)

Empowered by brilliant macro-economic growth, neoliberalism has become the dominant ideology in the international economic and political framework (Cox, 1999). Nonmember countries of the WTO have now become minorities. The heavily indebted poor country (HIPC) is required to reform its national macro-economic framework to accommodate it to the neoliberal doctrines for the new loans from the World Bank and the International Monetary Fund (IMF)[3].

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[3] See Chapter 3 for the details about the conditional loans of the IMF and the World Bank, which are know as the Structural Adjustment Programs (SAPs).

However, the legitimacy of neoliberalism has been strongly questioned from civil society. In November 1999, as one of the most well-known anti-neoliberalism movements, the WTO's Ministerial Meeting in Seattle was coercively forced to be closed by no less than 40,000 anti-neoliberalism protesters who had gathered from various countries to block the meeting (Gill, 2003). In January 2001, the first World Social Forum (WSF) was organized in Porto Alegre, Brazil, to protest against "neoliberal policies and capitalist-led globalization"[4]. The first WSF achieved a historical success with roughly 20,000 people participating from 117 countries[5]. These are only some of the well-known examples of the massive anti-neoliberalism movement. These movements basically accused neoliberal globalization for the acceleration of inequality, commodification of labor, disintegration of social solidarity, destruction of the natural environmental, privatization of the natural resources and so on. In fact, even the macro-economic statistics of the UNCTAD (2007) indicate another aspect of the neoliberal globalization. For example, the export share of the 50 least developed countries (LDCs) fell from 2.5% in 1960 to only 0.5% in 1995. The population of people living on less than US$1 a day in sub-Sahara Africa has been increased from 1990 to 2004, while the proportion of the population decreased from 46.8% in 1990 to 41.1% in 2004. Furthermore, the richest 2% of the world's adult population owns more than half of global household wealth; the bottom half, in contrast, barely owns 1% (UNCTAD, 2007). These statistics indicate how the benefit of the global economic growth has been distributed, unequally marginalizing the subordinate people predominantly in the developing countries.

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[4] Source: the website of World Social Forum India: http://www.wsfindia.org/
[5] Ibid.

Here is a huge gap between the proponent and the opponent of the neoliberal world order, in terms of the legitimacy of its rules. On the one hand, the architects of the neoliberal economic framework, in a sense the ruling body of the world order, insist that "there is no alternative", believing in the perfection of the market mechanisms. On the other hand, the opponents of the neoliberal globalization, who can be understood as the subordinate people marginalized from the benefit of the global economic growth, claim that "alternative world is possible". Being concerned with this disintegration and growing gaps between the rulers and the ruled, this thesis will explore the effective way to establish a successful social order, in other word, 'hegemony'.

The growing anti-neoliberalism momentum in the world indicates that the neoliberal world order has been developed without the full consent of civil society. Can a social order which civil society resists be successful, if the order is supported by overwhelming economic supremacy? If not, how is the alternative social order possible? What are the essentials for a successful and ever-lasting social order? To develop the argument about these questions, this thesis will use Gramscian or Neo-Gramscian theoretical framework[6], in particular, 'hegemony theory', focusing on the level of hegemony of the neoliberal social order. How does a neoliberal social order established in a state become the dominant doctrine? How is the neoliberal social order maintained? How does the order influence the society and how does civil society react against its rule?

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[6] Antonio Gramsci (1891-1937) was an Italian socialist, political theorist, and activist. While he had been a founding member and Secretary General of Italian Communist Party, hew was imprisoned for 1926-1937 by Mussolini's Fascist regime.

If the neoliberal social order could not establish a successful (hegemonic) rule in a state, how is an alternative social order possible?

To explore the answers for these questions, this thesis will focus on India. India is one of the best countries to examine the process of the development of the neoliberal social order, since India dramatically shifted its economic policy from a socialist one to a neoliberal one in the 1990s. While India attracts a great deal of attention from economists and investors as one of the countries of BRICs[7] today, it has been a socialist country for more than four decades, since its independence in 1947 until 1991. What made Indian society convert to neoliberalism? How has neoliberalism become the dominant doctrine in India? How has the neoliberal social order influenced Indian society, and how was it maintained?

This thesis will begin with the explanation of the theoretical framework of Gramscian and Neo-Gramscian in Chapter 1. Successively, an overview of the history of the India's social transformation from the pre-independence era to the eve of economic liberalization in 1991 will be given in Chapter 2. The process of the social transformation to neoliberalism and the level of the public consent about the transformation will be focused on. Chapter 3 will examine the level of the neoliberal hegemony in India after the extensive economic liberalization, focusing on how economic liberalization influenced on the Indian society, and how the neoliberal order was maintained. In this argument, this thesis will focus on the policies of the international institutions, including the SAPs and

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[7] BRICs are the acronym for Brazil, Russia, India and China. BRICs are regarded as emerging economic countries based on the speculation that these four economies would be wealthier than most of the current major economic powers by 2050.

the WTO's rules. In Chapter 4, this thesis will conduct a case study, which is about a conflict between the neoliberal global bloc and the civil society in India, more specifically, a conflict between Coca-Cola and a small village in India (Plachimada) over the right to access to water resource. The case study will be completed in Chapter 5, with the analysis of the Coca-Cola's unsuccessful social order (or, unsustainable water resource management framework) and the argument about the effective way to create an alternative hegemonic social order. In this process, this thesis will seek the clues to create the alternative social order by exploring the effective way to establish a sustainable water resource management framework, which may replace the non-hegemonic Coca-Cola centered social order creating a new social order in the village. This thesis will seek the possible solutions to establish sustainable and hegemonic social order in the village in a theory of natural resource management, which is called 'co-management theory'. Finally, in the Conclusion, using the lessons from the local-level case study, this thesis will argue the way to create an alternative social order beyond neoliberalism, escalating the level of scale to the national level or the international level.

In the end, it should be clearly noted that this thesis will neither examine nor argue whether neoliberal policies are effective for economic development or world economic growth. The primary point in my thesis is to study the neoliberal social order, not to examine the neoliberal policies per se, and to examine the level of the hegemony of the neoliberal social order from Gramscian perspectives, focusing on the civil society's involvement.

Chapter 1. Theoretical Framework

To examine the process of transformation of ruling social order in a state and to explore the effective way to establish a successful and ever-lasting social order, this thesis utilizes a Gramscian and Neo-Gramscian approach. In this chapter, this thesis begins with the theoretical consideration of what 'hegemony' is, followed by the introduction of several key concepts to think about hegemony and counter-hegemony.

1.1. Hegemony

In Gramscian and Neo-Gramscian perspectives, *'hegemony'* is not simply domination by a powerful state. Hegemony is to be understood as a form of class rule based on active consent from subordinate classes rather than coercive domination by dominant classes (Morton, 2003). Gramsci explained this complexity of hegemony in the argument about the structure of a state. Gramsci assumed that a state is composed of two elements: political society and civil society[8]. Then, he argued that hegemony in a state cannot be created nor maintained only with coercive power of *'political society'*, but it needs active consent from *'civil society'* (Gramsci, 1971). In other words, when consent creates force, the force can be regarded as hegemony. Meanwhile, when force creates consent, the force cannot be regarded as hegemony but as domination (Buci-Glucksmann, 1982). In this context, Jones (2006) assumes that there are two types of hegemony: full

[8] Gramsci expressed the structure of a state as "State = political society + civil society" (Gramsci, 1971, pp.263).

hegemony and limited hegemony. In a *'full hegemony'*, on the one hand, civil society spontaneously and actively gives its consent to a ruling class' execution of power. On the other hand, in a *'limited hegemony'*, a ruling class has to resort to coercion and repression in order to maintain its rule.

In this way, hegemony is located in the opposite sides of domination or coercion in Gramscian point of view. A ruling class needs credibility so that it can create and maintain its hegemony having active consent from the majority of civil society. Therefore, it is necessary for a ruling class to pursue universal interest which represents not only a particular class' interest but also those of subordinate classes, otherwise its rule lose credibility as hegemony (Gill, 2003). In this discourse, Morton indicates two points as necessary conditions for a ruling class to establish hegemony. A ruling class needs to, firstly, transcend its particular economic-corporate interests, and secondly, be capable of binding and cohering the diverse aspirations and general interests of various social forces (Morton, 2003, pp.159).

Inevitably, for a ruling class to pursue universal interest and to establish credibility on its rule, the society needs to have a particular social mechanism to raise active consent from subordinate class. In that regard, this thesis assumes that democratic social framework is the one. From Gramscian perspectives, democracy is important not because democracy per se is important, but because it is a necessary social foundation which allows a hegemony to emerge[9]. Without democratic social framework, the rules or

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[9] Gramsci rejected the simplified notion that the state is a mere instrument of a ruling class (Buci-Glucksmann, 1982). Rather, Gramsci thought that "the state is the entire complex of practical and theoretical activities with which the ruling class not only

policies of the ruling body cannot be hegemonic, since they do not have effective social mechanisms to raise consent from subordinate people. Democratic ruling mode is important, since it enables a ruling class to legitimize its rule by allowing subordinate people to express their consent (or rejection) toward a social order. Therefore, this thesis assumes that democracy or democratic decision-making process is an essential condition for a hegemony or active consent from civil society to emerge. Furthermore, this thesis assumes that full hegemony is possible only when high level of democracy is guaranteed in the society. Otherwise the social order is understood as limited hegemony or mere domination. In terms of the way to evaluate the level of democracy in a social order, this thesis will focus on the following four conditions: a) stakeholders are able to participate in the decision-making process; b) stakeholders are able to review and change the existing rules or policies; c) stakeholders are able to access the necessary information (information transparency), and; d) these stakeholders' rights are guaranteed by law[10].

1.2. Historic Bloc, Global Historic Bloc, and Globalization

Gramscian and Neo-Gramscian discourse in *'historic bloc'* and *'global historic bloc'* will develop one's insight about hegemony. Gramsci assumes that three categories

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justifies and maintains its domination, but manages to win the active consent of those over whom it rules" (Gramsci, 1971, pp.244). This statement implies that Gramsci was thinking that democratic rule was necessary for a ruling class to legitimize its rule. On that basis, Gramsci thought that the framework of state is important since it can ensure the democratic social framework.

[10] This thesis set the four conditions for democracy based on the theoretical consideration with the argument of Berkes, George & Preston(1991), Dinavo (1995), Pierre (1995), Pomeroy and Berkes (1997), The World Bank(1999), Pinkerton (2003), and Waligorski (2006).

of forces interact reciprocally in a social structure (Figure 1): 1) material capabilities, 2) ideas and 3) institutions. *'Material capability'* refers to productive or destructive potentials (e.g. economic and technological capability); *'ideas'* are understood as intersubjective meanings as well as collective images of world order (e.g. ideology); and *'institutions'* are means of stabilizing and perpetuating a particular order which are formed in a coalition of the previous two elements, material capability and ideas (e.g. an organization, a committee, etc.) (Cox, 1981, pp.135-6; Morton, 2003, pp.156). A historic bloc is understood as a hegemonic social structure in which a ruling class successfully unites these three social forces in a particular society and in a particular period of the history. In other words, if a ruling class fails to establish a dominant position over any of three social forces, its rule cannot be hegemonic (Cox, 1981). While a historic bloc does not have to rely on a specific state for its existence, consent from civil society is an essential condition to be hegemonic (Gill, 2003).

Cox, as a Neo-Gramscian, applies Gramsci's idea of hegemony and historic bloc to international relations theory. Cox (1987) argues that an international historic structure is composed of three interacting social factors (Figure 2): 1) social relations of production, 2) forms of state and 3) world orders. *'Social relations of production'* refers to configurations of social forces engendered by the production process; *'forms of state'* are understood as the complexes of state and civil society; and *'world orders'* not only represent phases of stability and conflict but also permit scope for thinking about how alternative forms of world order might emerge (Cox, 1981, pp.137-8; Morton, 2003, pp.155). Cox argues that an historic bloc should first emerge domestically, since a class

which has hegemonic power is needed for the creation of a historic bloc. Once a hegemonic social structure is established domestically, a historic bloc can extend its power domestically and internationally by international expansion of a particular mode of social relations of production. This expansion of a social relation of production brings changes in forms of the state, and successively in world orders. In this process, the international coalition of domestic historic blocs develops the formation of a global historic bloc and the hegemonic world order in the global economy (Cox, 1987).

Neo-Gramscian approaches to international historic structure and world hegemony provide us a great insight to understand the power structure of the current world economic order which has been promoted and maintained by neoliberal global capitalism. Cox (1981) argues that an increasing internationalization of production and finance in the 1970s caused the integration of national and regional economies into a new global production and financial system, in short, *'globalization'*. The change of the social relations of production (internationalization of production) brought the reorganization of the forms of state (internationalization of state) to adjust its national economic framework to world economy, and successively a new world order (neoliberal global capitalism) emerged. Furthermore, Neo-Gramscians including Cox emphasize that the project of globalization allowed the emergence of a *'global historic bloc'* and a *'transnational capitalist class'* as national capitalist classes converge externally with other national capitalist classes at the level of the international economic system. Transnational capitalist class locates at the apex or the core of the neoliberal global historic bloc, and its members consist of corporate elites of TNCs, state elites in the financial or industry

related government agencies in the industrialized countries, central and other international bankers, and public officials in the international agencies such as IMF, the World Bank, WTO and OECD (Cox, 1981, 1987; Arrighi, 2001; Morton, 2003; Gill, 2003; Robinson, 2005).

1.3. Organic Intellectuals

In the discourse of the establishment and the maintenance of a historic bloc and its hegemony, Gramsci focused on the role of intellectuals. Gramsci assumed that there should be an agent who reconciles the conflicts between a dominant class and a subordinate class, so that the dominant class reproduces its hegemony by having consent over its rule from the subordinate class. Gramsci called such a social agent *'organic intellectuals'*. He distinguished two types of intellectuals: organic intellectuals and traditional intellectuals. While on the one hand 'organic intellectuals' fuse different social classes organically to reproduce a particular social order in a society, *'traditional intellectuals'* resist being incorporated into a particular hegemonic power on the other hand (Jones, 2006).

Organic intellectuals do not have to be individuals but may be institutions, organizations or communities. As Cox (1987) argues the role of international organizations such as IMF and the World Bank in the reproduction of neoliberal world order, these organizations also can be regarded as organic intellectuals in the sense that they facilitate a particular social order (neoliberalism) to be hegemonic.

Furthermore, organic intellectuals function in the creation of new

counter-hegemony as well as in the maintenance of the existing hegemony (Cox, 1993). In fact, what Gramsci expected in the discourse of organic intellectuals was the emergence of organic intellectuals from proletariats to accomplish a revolutionary labor movement (Gramsci, 1971). The leaders in the American civil rights movement including Martin Luther King Jr. are good examples to indicate how organic intellectuals can be the agent of counter-hegemony. In other words, organic intellectuals can be interpreted as a virtual space where an existing historic bloc and a counter historic bloc fight for credibility of rule and consent from the majority of civil society to maintain its hegemony or to create new forms of hegemony.

1.4. Counter-Hegemony, War of Movement / Position, and Passive Revolution

As it is implied in the previous section, counter-hegemony can emerge when the existing historic bloc's rule fails to have active consent from civil society and loses credibility of rule, namely, when the rule is in 'limited hegemony' (Brand, 2004). Meanwhile, an organization or a class cannot solely evolve its social movement into a counter historic bloc unless its interest transcends a particular class' interest and it is able to unite other social forces having active and extensive consent from civil society (Sassoon, 1982).

A process of social transformation, which is followed by a crisis of hegemony, disintegration of social forces and emergence of counter-hegemony, is what Gramsci called an *'organic crisis'*. According to Gill, an organic crisis can be defined as "an historical situation where the 'old' has exhausted its political potentials, and when the

'new' is struggling to emerge and consolidate a new order, and indeed a new form of political and civil society" (Gill, 2003, pp.48). Gramsci also argues that an organic crisis is likely to occur in the exercise of force by hegemonic power which may result in losing credibility and create a social space for counter-hegemony to emerge (Jones, 2006).

Gramsci assumed that resistance has two different strategies to struggle against hegemonic power: war of movement (manoeuvre) and war of position. A *'war of movement'*, which Gramsci named, is all-out frontal and forceful confrontation for hegemonic power with a dominant class. On the other hand, a *'war of position'* is a long-term struggle to slowly build up the social forces in civil society to be a counter historic bloc (Cox, 1999; Jones, 2006). Gramsci emphasized that a war of position is the only strategy which will be able to be counter-hegemonic. Because, he assumed that the struggle for hegemony firstly has to win in civil society before securing political society, so that the struggle has active consent from civil society which is essential to create a new hegemony. Premature attack on political society by a war of movement merely constitutes a fragile victory without active consent from civil society (Cox, 1999).

On the contrary to the idea of counter-hegemony, here is a strategy for a dominant bloc to maintain its hegemony as undermining the potentials of a subordinate class to create counter-hegemony. The strategy, what Gramsci called, is *'passive revolution'*. Passive revolution is a passive and incomplete reconstruction of a historic bloc which is introduced by a ruling class in an attempt to prevent its hegemony from being challenged by a subordinate class (Sassoon, 1982). *'Cooptation'* (or *'transformismo'*) is a typical example of passive revolution. Cooptation is "the process of

absorbing new elements into the leadership or policy-determining structure of an organization as a means of averting threats to its stability or existence" (Selznick, 1984, pp.13). Cooptation of potential leaders from a subordinate class into a managerial position of a historic bloc effectively weakens the potential of a counter historic bloc as increasing the credibility of the dominant class's rule (Cox, 1993). While cooptation has the possibility to redirect the ruling class's policy by the influence of the co-opted persons, if the power distribution to them is formally or informally insufficient, it merely ends in the erosion of the potentials of counter-hegemony.

Gramscian and Neo-Gramscian perspectives which have been reviewed in this chapter provide us a great theoretical approach to examine how a hegemonic social order emerges, how it is maintained or challenged and how it is replaced by a new counter-hegemonic order. Utilizing these theoretical frameworks, this thesis will examine the process whereby neoliberalism becomes the ruling social order in a state, India.

Chapter 2. Social Transformation in India

A brief background about the Indian politico-economic history and Indian social order in the pre-liberalism era should be done prior to the study of economic liberalization per se. In this chapter, this thesis will overview the history of India from its independence to the eve of economic liberalization in 1991. The main foci in this chapter are: how the previous hegemony (socialist regime) had been formed in Indian society; how its hegemonic power had been maintained or declined; and how the emergence of a new social order, namely the neoliberal social order, became possible. In particular, this thesis will focus on the level of consent gained with civil society in this social transformation to access the level of hegemony from a Gramscian perspective.

2.1. Pre-Independence: Rise of Nationalist-Centric Hegemony

It was 1757 when the English East India Company won a historic victory in the battle against Nawab (an Indian ruler during the Mogul empire) of Bengal and established its sovereign in Bengal. British rule in India formally begins in 1858, a century after the Company's rule, when the Crown of Great British took over administration of India from the Company, and the British colonial rule lasted for 90 years until India achieved independence in 1947 (Roy, 2002). The colonial era was the period which the Indian economy was most liberalized for foreign capitals and opened to the world economy. With some exceptions such as cotton textile, sugar, cement and paper,

however, the majority of Indian industries[11] were under the British firms' supremacy (Tripathi, 2004). According to Tripathi (2004), out of 57 largest business groups in 1939, only 19 were Indian with 196 companies and Rs 55.10 crore[12] of capital, while the remaining – all British except the Swedish Match Company – accounted for 713 companies and Rs 198 crore of capital. In addition, Tripathi's research indicates that the presence of foreign firms increased in the inter-war period. Nearly 40 of new subsidiaries owned by foreign firms[13] were registered in Indian business during 1919 – 39. It was clear that the presence of Indian firms were far less impressive than the British (Tripathi, 2004).

While foreign firms enjoyed their supremacy in the Indian economy in the inter-war years, it was also the period of the rise of the Indian nationalist movement which was led by Mahatma Gandhi. The famous movements led by Gandhi including *'Swadeshi'*[14] and *'Civil Disobedience (or Non-Cooperation)'*[15] aroused the rise of the nationalism as well as the nation-wide resistance against the foreign sovereign in India. Corresponding to the movements, the Indian National Congress, the Indian party which strongly struggled for independence with mass support, forcibly exorcised or closed 56

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[11] Tea, salt, jute textiles, transport including railway, electric generation, and coal mining are the typical industries which were effectively dominated by British firms during the colonial period in India (Tripathi, 2004).
[12] Rs = Indian rupees. "Crore " is Indian unit indicator which means ten million.
[13] There were several firms which are powerful and well-known even in the current international business, such as Siemens (German), Dunlop (Great Britain), General Electric (USA), and Philips (Anglo-Dutch). (Tripathi, 2004)
[14] 'Swadeshi' was the encouragement of domestic production and the boycott of foreign, especially British, goods.
[15] 'Civil Disobedience (or Non-Cooperation)' was non-violence and peaceful resistance or disobedience against the rules and regulations introduced by the British administration.

mills owned by British or European-controlled companies during the 1930s (Tripathi, 2004).

It can safely be said that the British rule and the foreign firms' presence in India of the time were not hegemonic, from a Gramscian perspective, although they had overwhelming supremacy over Indian society. Although this thesis cannot assert without careful examination that the British rule was coercive and exploitative, it is clear that the rule failed to have active consent from Indian civil society, including Indian business.

Gandhi's nationalist movement attracted even the elites of Indian industry. Although Indian industry would have little sympathy with Gandhi's economic schemes, which emphasized on rural autonomy, small-scale industries and abrogation of wealth, his charismatic leadership won a much wider support among Indian business elites for the Indian National Congress than ever before. The coalition between nationalism and the Indian industry was not surprising, given the business environment of those days in which the Indian firms were extensively dominated by the foreign firms. The Indian business elites' desperate, but at the same time, ambitious call for economic protectionism for Indian industry strengthened its alignment with nationalism (Tripathi, 2004).

In the beginning of the 1930s, Jawaharla Nehru, who would become the first Prime Minister after India won its independence, emerged onto the Indian political stage. His socialist doctrines emphasizing fair distribution of wealth to starving millions, safeguards for industrial workers, and state control over key industries appeared as threatening to Indian capitalist class. However, Indian industry tried to obtain business

advantages from his socialistic movements instead of strongly opposing them. When the National Planning Committee was constituted by the Indian National Congress in 1938 under Nehru's chairmanship, it became clear that "central planning" would be an essential component of the economic policy under the future Congress government. Responding to the initiative of the National Planning Committee, seven prominent Indian businessmen[16] produced what is known as "the Bombay Plan" and submitted it to the Committee. The core emphasis of the Bombay Plan was the planned development under state control. While the original direction of the Bombay Plan had not been the encouragement of socialist policy but the economic development under the protectionism or state-interventionism, it became fundamental for the post-independence administration's economic policies and the first Five-Year Plan (1951-56), which were implemented by Nehru administration for the first time in India to guide and develop Indian economy with its central planning (Tripathi, 2004).

Here this thesis finds the birth of building a counter-hegemony against British rule. Although, from Gramscian point of view, British rule had been originally far from hegemonic sovereign, the British rapidly lost the credibility of rule over Indian society and was challenged by Indian civil society through the nationalism movements. In this process, the Indian leaders including Gandhi, Nehru, the Indian National Congress and the Indian business elites played a key role as organic intellectuals to form counter-hegemony as creating a massive civil consent. The Gramscian theoretical framework of social structure may give a great insight into how the counter historic bloc

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16 Purshotamdas Thakurda, J.R.D. Tata, G.D. Birla, Lala Shri Ram, Ardeshir Dalal, A.D. Shroff, and Kasturbhai Lalbhai.

was constituted in the pre-independence period in India: the nationalism led by Gandhi became a hegemonic 'idea' in the Indian society; Indian industry which owned 'material capability' corresponded to the hegemonic idea; and the affiliation between nationalism's direction for independence and Indian industry's ambition for economic development with state protectionism encouraged the birth of a new 'form of state' (or 'institution') which would be realized by Nehru's socialist doctrine in independence. Finally, it is noteworthy that "non-violent resistance" on which Gandhi strongly insisted in his campaigns for independence effectively prevented the nationalist movements in India from being a 'war of movement'. Although non-violent resistance does not always mean 'war of position', this thesis assumes that the Indian nationalism movement was one as it successfully undermined the legitimacy of the British rule and established the foundation of a counter historic bloc in civil society. In the following section, this thesis will see how this new counter-hegemonic power was empowered in the post-independent policies and established a 'full hegemony' in Indian history.

2.2. Post-Independence: Full Hegemony by Socialist Regime

When India finally won its independence in 1947, Nehru, as India's first Prime Minister, established a regime often called "third way" or "mixed economy", which was a blend of democratic politics and central planning economic development (Ahuja, Allentuck, Chung, Corrigan, Hathaway, Martin, et al., 2006). Meanwhile, Indian civil society allowed Nehru's administration to take the pro-socialist regime, since it had already tired of the overwhelming capitalist power and its dominant power during a

century-long British colonial rule (Tripathi, 2004). Rather, civil society including Indian industry gave an active consent to Nehru's administration assuming that the poverty and the underdevelopment of Indian economy resulted from laissez-fair economic policies, exploitation by foreign capital, and no effective state intervention (Roy, 2002).

There were four major economic features which were initiated by the post-independence administration. As it is noted in the previous section, the Bombay Plan was the key guideline for the infant nation to reform its economy. Firstly, a greater intervention by the state in economic activities and the state's exclusive right to nationalize certain key industries were indicated in the Industrial Policy Statement in 1948. Secondly, the system of industrial licensing, which was well known as "License Permit Raj", was introduced in 1951. The system required the industrial firms to engage in the economic development plan made by the central state. Under the system, private firms were required to obtain the prior permission from the central government to establish a subsidiary, or even to increase or decrease production. Thirdly, the tariff policy to protect embryonic Indian industries was one of the most welcomed policies by the Indian business elites. Fourthly, the import substitute trade policy also encouraged the Indian business elites in conjunction with the protectionist tariff policy by promising them to protect the Indian domestic market from the world economy (Tripathi, 2004).

Indian industry, surprisingly or not, did not strongly oppose those economic policies initiated by Nehru, while some of the policies including central planning, nationalization and the licensing system had been most likely to conflict with its interests.

The benefits which the Indian industry enjoyed from the Nehru's policies will explain the industry's active obedience to the socialist regime. That is, Nehru's economic policies excluded the business rivals for the national industry from the Indian market and allowed the Indian firms to enjoy the vast domestic market which had been dominated by foreign firms in the colonial period. Having strong encouragement and advantage from state protectionism, Indian industry rapidly grew in the post-independence period by the exploitation of new domestic market which Indian society had relied on imports from Europe in the colonial period and the acquisition of the foreign firms which had withdrawn from India willingly or unwillingly responding to the rise of the nationalist regime (Tripathi, 2004).

In addition, the great success of the first Five-Year Plan (1951-56) enforced the legitimacy of the socialist regime. While the total investment (Rs 31 billion) was relatively less than the original Plan (Rs 35 billion), the actual increase of national income (18%) surpassed the original target (11%) (Rothermund, 1993). Having confidence with economic growth, Nehru pushed his socialistic policy more aggressively in the Second Five-Year Plan (1956-61), clearly declaring that the objective of the Plan was to create a "socialistic pattern of society" (Tripathi, 2004). Furthermore, even in the national election in 1957 during which the ruling party explicitly declared its direction to the establishment of a "socialist society" in its manifesto, the government won the election with the massive support from the civil society (Tripathi, 2004).

This thesis argues that the Indian society at the time of post-independence was in a 'full hegemony', making a strong coalition between political society and civil society.

The coercive force of the socialist policies was directed mainly toward foreign capitals, but not toward the private firms as a whole. In other words, the socialist policies were regarded as the mere beneficial protectionism policies for the Indian industry. Given the significant success of the first Five-Year Plan, therefore, it is not surprising that Indian civil society including industry willingly provided the active consent to the new government's socialist regime. However, as the Soviet Union did, when the coercive force directed toward the civil society, the rule lost its credibility and the hegemony became disintegrated. In the next section, this thesis will argue how the socialist hegemony declined in the Indian society.

2.3. Acceleration of Socialism and Decline of Hegemony

After the death of Nehru in 1964, Indira Gandhi, Nehru's daughter, succeeded to the Indian administration in 1966 as the fifth Prime Minister of India. While Indira Gandhi's first administration lasted until 1977, it was the period that the socialist regime became inefficient and dysfunctional.

Indira Gandhi's administration had to handle several domestic and international crises from its launch. The great drought which lasted two successive years during 1965-66 caused severe food price increases in India. In addition, the international conflict with neighboring Pakistan which broke out in September 1965 caused further economic turmoil by the increasing demand for national defense expenditure and the decreasing inflow of foreign aid (Rothermund, 1993). Although Indira Gandhi's administration had tried to overcome the economic hardship with a loan from the World Bank, the attempt

was effectively undermined by the United States which had had a friendly bilateral relationship with Pakistan. The amount of the loan which the Indian government could secure from the World Bank was not enough to restore its economy, and even its foreign direct aid from the United States was sharply decreased (Indo Business Centre, 2007). Moreover, the devaluation of the Indian rupee which had been implemented by the pressure of the World Bank worsened the Indian economic turmoil rather than relieved it[17]. While the major aims of the devaluation of the rupee were the enhancement of export and the protection of domestic industry from import goods, both of the aims did not work as expected. It merely ended in the further price increase of the essential goods such as salad oil and crude oil which Indian society highly relied on through imports (Rothermund, 1993).

Being unable to have active financial support from international society on the one hand, but having a mood of anti-US and anti-World Bank in its domestic society on the other hand, Indira Gandhi could find the way to steer the nation only in the acceleration of nationalistic economic regime (Indo Business Centre, 2007). Further nationalization of the private sector was corresponding to the elevation of nationalism within the domestic society. Therefore, the multiplication of the state-owned enterprises seemed a panacea for all economic miseries. In fact, the number of the public sector enterprises (PSEs)[18] dramatically increased during Indira Gandhi's administration (1966-1977 and 1980-1984). There had been only 5 PSEs in 1951, but the number

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[17] Indian rupee was devaluated by about 50% in June 1966 (Rothermund, 1993)
[18] Although public sector in a broad sense may include all activities run by the government, PSEs refer to only companies wholly owned by the government (Tripathi, 2004).

increased to 67 in 1969 and 198 in 1985. This data indicates how the presence of the public sector was relatively small during the Nehru's administration (1947-1964), while it sharply expanded after 1969 during Indira Gandhi's administration. Nehru, differed from his daughter, had regarded the private sector as an important domain for economic development and avoided indiscriminate nationalization. In the Industrial Policy Statements of 1948 and 1956, the public sector had been expected to function as a facilitator rather than a competitor or a master of the private sector. Originally, the purpose of the introduction of the PSEs was to build infrastructures with the state initiatives, which were too capital-intensive for private companies to undertake. Therefore, the presence of PSEs was limited to the key industries such as railways and steel in the beginning. However, as the data implied, Indira Gandhi introduced PSEs even into the consumer-oriented industries such as drugs, hotels, and food-processing especially after 1969 (Table 1) (Tripathi, 2004).

The PSEs' undertakings of the private sector failed to meet the expectation. Most of the PSEs yielded less profit and took a much longer time to recover the investment than the central government planned. In terms of the failure of the public sector, Tripathi (2004) indicates three major factors: 1) bureaucrats' inexperience in enterprise management, 2) the lack of PSEs' autonomy over business operations which prevented the enterprises from rapid and rational decision-making, and 3) the excess of manpower and the unfilled important posts because of political interference. As a result, the excessively bloated public sector merely resulted in the aggravation of the national finance (Tripathi, 2004). It is important to note that the failure of the public sector left not

only the huge financial burden to the national finance but also a serious friction between political society and civil society. Since the excessive expansion of public sector was the result of the coercive nationalization of private sector, it is natural to think that the hegemonic alliance based on consent between political society and civil society was seriously deteriorated.

The inefficiency of central planning and state-protection became obvious not only in the public sector but also in the private sector. The post-independence protectionism policies with high import tariff and restrictions on foreign capitals[19] successfully excluded foreign firms from the Indian market and created less or no competition for domestic firms. The large domestic market without competition with foreign rival firms discouraged the Indian firms to improve productivity, profitability and quality of products. Furthermore, the state licensing system directly exacerbated the private firms' efficient business operation and resource distribution. As noted in the previous section, under the well-known "License Permit Raj", the private sector could neither increase nor close down even one production line. As a result, even the private firms became inefficient, less productive, and less competitive in the international market (Rothermund, 1993).

The weakening in business potentials of both public and private sectors made the Indian economy as a whole vulnerable against the changes in the world economy. The two times oil crisis occurred in 1973 and 1979 tremendously affected on the Indian

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[19] Foreign Exchange Regulation Act (FERA, 1973) was one of the samples. FERA imposed a general limit on foreign ownership at 40% (Kumar, 2000).

economy. Since India had relied on import for oil[20], in spite of rich reserves of oil and coal, the sharp rise of oil price automatically worsened the Indian trade balance[21]. Although oil imports had accounted for only 8% of India's total import bill of Rs 16 billion in 1970, it increased to 23% of total imports worth Rs 52 billion in 1975 and 41% of Rs 125 billion in 1980 (Rothermund, 1993).

These oil crises also triggered severe inflation in India. The change of the consumer price index shows how the Indian economy was suffered from the inflation in the 1970s-80s. While the inflation was observed even in the 1960s, it was relatively harmless comparing to the one which occurred in the 1970s-80s. The index (1960 = 100) climbed from 137 in 1964 to 167 in 1967, which showed a part of the impact of the devaluation of Indian rupee and a great drought. However, the index jumped as a result of the oil crises, from 218 in 1972, 307 in 1974, and 420 in 1980. Finally it became 615 in 1985. In other words, the consumer price increased more than three times in less than 15 years and six times in 25 years since 1960 (Rothermund, 1993).

This thesis argues that the historic bloc based on the socialist regime has been strongly disintegrated at this point of the history. It is not hard to imagine that how the Indian government has lost the public's confidence because of the economic hardship since the middle of the 1960s. However, what should be focused on in this thesis is the

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[20] India relied 70% of total domestic consumption of oil on the import in 2005. (Indo Business Centre, 2007)

[21] The Indian government in the post-independence was not capable to undertake oil exploitation because of technological and financial reasons. India finally established a state-owned oil company having a technological support from the Soviet Union in the middle of 1960s. While there had been three multinational oil companies operating in India, the government nationalized all of them during 1974 - 76 with the introduction of Foreign Exchange Regulation Act (FERA) in 1973 (Tripathi, 2004).

relationship between the political society and the civil society in India, rather than the Indian government's failure in the macro-economic policies. The Indian citizens who were impressed with the socialist rhetoric expected the public sector to achieve what the private sector could not achieve. The people's expectation on the public sector has been expanded in conjunction with the elevation of the nationalism. Tripathi (2004) describes the Indian people's disappointment toward the socialist regime and the sign of the new counter-hegemony at the period as following:

> [T]he disillusionment with the public sector became much more widespread. The supporters of the public sector ideology in the meantime dwindled in number and declined in influence, as the generation of political class for whom belief in the efficacy of the public control over the production and distribution processes was an article of faith disappeared from the scene, while the social hostility towards the private enterprise, prevailing at the time of independence, became less and less acute. (Tripathi, 2004, pp.318)

What happened in 1984 in the Indian political scene supports the above quoted Tripathi's point of view. The first pro-liberalism administration in India since its independence was established in 1984 by Rajiv Gandhi. Rajiv Gandhi's administration won a victory in the parliamentary elections of December 1984, only one month after he had taken the office from his mother, Indira Gandhi, when she was assassinated on October 31, 1984 (Rothermund, 1993). He realized his belief in liberalism in the first two budgets of his government by emphasizing reducing taxes, lowering tariffs, and liquidating the License Permit Raj (Tripathi, 2004). Although Rajiv Gandhi's administration was terminated in December 1989 by the political obstacles which were not related to his economic policies, the birth of the pro-liberalism administration in India implied the emergence of a counter

historic bloc as well as the decline of socialist hegemony. Finally, this thesis will see how the transformation of the ruling historic bloc has been completed in the next section.

2.4. Economic Crisis and Liberalization

What actually brought neoliberalism into the Indian society was neither an intense social movement in the civil society nor an ambitious leadership in the political society, but an outbreak of the economic instability in the world economy. That was, the Gulf War. The Iraqi invasion into Kuwait and the following breaking out of the Gulf War in August 1990 abruptly pushed up oil prices. At the same time, the War forced the approximately 150,000 Indians who had worked in Kuwait to evacuate to India losing their jobs and their savings in Kuwait. For India, the remittances from the Indians working abroad had been one of the important sources to acquire foreign currency, since India had been struggling for the constant foreign currency shortages resulted from the weak export and the high dependency on imports for energy and some commodities[22]. What was worse, having been concerned about the increasing instability of the world oil supply and the Indian economy per se, the non-resident Indians in foreign countries simultaneously withdrew their funds from India. A series of these events sharply decreased the Indian foreign currency reserves to a critical level (Rothermund, 1993).

The Indian government tried to overcome the crisis of the balance of payments by borrowing foreign currency from the IMF. However, the loans, Rs 11.7 billion in

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[22] The Indian government gave the preferential treatments for the Indians working abroad to encourage the remittances. Consequently, the net transfer of the remittances increased from Rs 4.1 billion in 1975 to Rs 21 billion in 1980, and Rs 30 billion in 1984 (Rothermund, 1993).

October 1990 and Rs 33.3 billion (or US$ 1.8 billion) in January 1991, did not function enough to rescue India from the risk of bankruptcy. The trade deficit amounted to Rs 106 billion by March 1991. The outflow of funds outside of India did not show a sign of ending, amounting to a sum of Rs 25 billion during the period of April to July 1991. Finally, the implementation of economic liberalization seemed to be inevitable (Rothermund, 1993).

The comprehensive economic reform was undertaken under the administration of P.V. Narasimha Rao, who reluctantly took the office in June 1991. Since no other parties would wish to commit themselves to the painful tasks of economic reform, Rao had to take the responsibility with a minority government (Rothermund, 1993). What should be noted at this point is the selection of Dr. Manmohan Singh as Finance Minister of the Rao administration. Dr. Singh, who will be the Prime minister of India in 2004, had a brilliant career and experience in the managerial frameworks of the international economy. There was no more ideal a person than Dr. Singh, who had had several academic degrees in economics in the US[23] and work experience as a governor with the IMF, the Asian Development Bank (ADB) and the UNCTAD, to liberalize the Indian economy by utilizing his strong ties with the elites in the Western countries and the International Financial Institutions (Biswas, 2005). From Gramscian perspective, the role what Dr. Singh took in the transformation from socialist regime to neoliberal regime was a typical example of the organic intellectuals. This thesis argues that the Indian organic intellectuals, such as Dr. Singh, who had already engaged in a part of the global historic

[23] Dr. Singh had an undergraduate degree from Cambridge University in 1957 and Ph. D from Oxford University in 1962 as well as other degrees from an Indian university.

bloc and had some connections with global capitalist class effectively guided the introduction of liberalism into India by mediating the friction between the old (socialist) historic bloc and the new counter historic bloc.

Having a further two times of loans worth Rs 22.2 billion from IMF in July and September 1991, the Rao administration implemented the comprehensive liberalization programs under the initiative of Dr. Singh. What the new administration aimed at was: 1) devaluation of Indian rupee by 18% in two steps, 2) liquidation of the state licensing system, 3) deregulation of foreign firms and capitals, 4) reduction of tariffs, and 5) disinvestment of the PSEs and acceleration of privatization. Receiving a positive reaction from the world market, the outflow of funds to outside of India receded in August and nearly ceased by the end of 1991 (Rothermund, 1993; Indo Business Centre, 2007).

In this way, the neoliberal social order was finally formed in the Indian society in the early 1990s. An analysis on the social impact by neoliberalism over the Indian society – how the neoliberal policies influenced on the Indian society and if neoliberalism established hegemonic social order or coercive one – will be developed in the next chapter. However, before moving into the analysis, this chapter will be closed with an argument if the social transformation toward neoliberalism in India was implemented appropriately enough to be hegemonic, by focusing on the level of democracy and the level of the civil society's involvement in the process.

While the social transformation toward neoliberalism in the early 1990s was one of the biggest changes in terms of the India's fundamental national policy since the

previous social transformation in 1947 (independence and establishment of socialist regime), a brief overview of the Indian economic history reveals that there is a critical difference between two major social transformations. On the one hand, the first transformation, namely, the creation of the socialist regime in the independence in 1947, was accompanied by the nation-wide rise of nationalism, active consent from civil society, and creation of a historic bloc. On the other hand, the second transformation, the creation of the neoliberal regime in 1991, was accomplished as a simple result of the economic crisis. While the economic liberalization was not as passive as a result of the compulsion from the US or the international financial institutions, it was not as active as a result of a 'war of position', as the independence movement had been. Furthermore, it was in the civil society that the movement for the social transformation was firstly occurred in the case of the independence movement, led by Mahatma Gandhi and run in civil society. Meanwhile, the transformation to neoliberalism occurred and was completed within the political society from the beginning to the end, because of the urgent necessity of economic reform. In short, the nation-wide mass participation and the active consent from civil society was critically deficit in the transformation to neoliberal regime compared to the case of the independence movement.

From Gramscian perspective, a social transformation which is achieved without mass participation or active consent from civil society but with external pressure, like economic liberalization in India, is unlikely to be hegemonic and unable to be maintained without coercive force. The aftermath of the social transformation to neoliberalism in India, including the pressures on national policies from the international organizations

and the business operation of the newly entered foreign capital firms, will be examined in the next chapter.

Chapter 3. India and Power of Neoliberal World Order

Many of macro-economic statistics indicate how the Indian economy recovered from the economic crisis and showed significant potential after it implemented comprehensive economic liberalization. The average annual growth was over 6% in GDP (constant prices) during the 1990s[24] and over 7% during 2000-2007[25]. The debt to GDP ratio declined from 38.7% in 1991-92 to 21.5% in 2000-01, and the short-term debt ratio during the same period also showed a drastic drop from 10.2% to 3.4%[26] (SAAPE, 2003). The termination of the state licensing system greatly encouraged the Indian entrepreneurs to establish their own businesses and expand to the global market, especially in the information technology industry[27]. Furthermore, the inflow of foreign direct investment (FDI) dramatically increased by more than 1,000%, from US$ 162 million in 1990 to US$1.75 billion in 1995, due to the deregulation of foreign capital operation[28]. According to the research of UNCTAD, India was the second biggest destination for FDI in 2007 (The Economic Times, 2007). It can safely be said that these successful experiences in the macro economy awarded legitimacy to the emerging neoliberal ruling class in India to accelerate further economic liberalization.

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[24] Average during 1992-1999. Sources: IMF, World Economic Outlook Database (2008).
[25] Sources: ibid.
[26] According to the decline of external debt, India's world rank in terms of the absolute level of debt was improved from the third position in 1991 to tenth in 1999 (SAAPE, 2003).
[27] Software industry showed an outstanding growth in exports with the average 43% growth per year during the periods of 1991-97, and 68% in 1997-98 (Srinivasan & Tendulkar, 2003).
[28] Sources: UNCTAD, World Investment Report (1999).

However, even these brilliant macro-economic statistics are not enough to assert that neoliberalism could establish a hegemonic bloc in India. Because, from Gramscian perspectives, active consent from civil society is more important for the ruling class to be hegemonic rather than economic supremacy. In that regard, given that there are 260 million of Dalits[29] – approximately a quarter of all of the Indian population – and the scheduled tribes in India, even the outstanding growth rate in GDP or the high per capita income are not convincing enough to assume that the neoliberal economic policies successfully raise active consent from subordinate people with a remarkable economic growth. In addition, other macro-economic or macro-social indexes cast doubt on the assumption that neoliberalism established hegemony in India. For example, despite the remarkable economic growth in the 1990s and 2000s, the India's world ranking in the Human Development Index (HDI) has not improved accordingly. While India's GDP per capita has almost quadrupled since 1991 to 2007, its HDI rank has remained very low during the period, placing around 120-140 out of 160-177 countries, but never showed a dramatic improvement (Table 2). Furthermore, according to the UNDP (2007), the percentage of the population living below the national poverty line is no less than 28% and that of the population living below US$2 a day is over 80%.

In this way, macro-economic statistics do not clearly tell if neoliberalism successfully established hegemony in India. While the remarkable economic growth might give a certain level of legitimacy to neoliberalism to be a dominant economic

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[29] Dalits are the people who are located at the lowest level in the Indian caste system. According to the research of SAAPE (2003), 86% of them are landless, 24% of them are literate, and only 17% of the Dalits' children are enrolled in primary school.

policy, it is still unclear to what extent the neoliberal rule was hegemonic or coercive in India. To examine the level of neoliberal hegemony after economic liberalization in India, this thesis will study how the economic liberalization policies were implemented and how they affected on the Indian society after 1991 (Section 3.1). Subsequently, this thesis will examine how the neoliberal order was maintained after economic liberalization in India, focusing on the neoliberal global economic framework (Section 3.2). Finally, an example of the TNCs' power expansion facilitated by the neoliberal social order will be given in Section 3.3.

3.1. Implementation of Economic Liberalization: SAPs

As argued in the end of the previous chapter, the regime shift to a pro-neoliberalism one had been accomplished only within political society without mass participation from civil society. How did such a social order, which had been established less democratically, promote the economic reform in India? By examining the process of the economic reform and its influence on the Indian society, this thesis will argue the level of neoliberal hegemony in India.

To begin the examination of the process of the economic reform and its influence, firstly, the Structural Adjustment Programs (SAPs) should be focused on. SAPs are the set of macro-economic policy changes which the IMF or the World Bank requires borrowing countries implement as conditions for getting new loans. Although SAPs are designed for individual countries, they have common pro-neoliberal principles and features which include export-led growth with currency devaluation; financial reform by

minimization of government expense and tax revenue increase; privatization of public services; deregulation of domestic market; and reduction of trade barriers. Because SAPs are the conditions for loans, borrowing countries frequently have no choice but to accept them and promise to implement them. In addition, as is often the case, because many of borrowing countries need the loan in emergent circumstances, usually there is no time for the governments to seek the public opinion about the pros and cons of the acceptance of the SAPs (Gill, 2003).

In fact, this was exactly what happened to India in 1990-1991. India had no choice but to accept the SAPs and promised to implement comprehensive economic liberalization in 1991 as conditions for the loans which had been necessary for the Indian government to overcome the economic crisis at the time[30]. As noted in the beginning of this chapter, the Indian government successfully recovered from the crisis and showed strong economic growth through the implementation of SAPs. However, the economic recovery was accompanied by the painful economic reforms which caused the dismantlement of the Indian domestic industries. To argue the process of economic reforms under the SAPs and their influence, this thesis will focus on two liberalization policies implemented under the SAPs: elimination of agricultural subsidies for farmers, and deregulation of foreign firms and capitals.

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[30] The research in the Section 2.4 shows that the Indian government borrowed at least Rs 67.2 billion (or approximately US$ 3.6 billion) from the IMF only in a year (Rs 11.7 billion in October 1990, Rs 33.3 billion in January 1991, and Rs 22.2 billion in July and September 1991.).

Impact of SAPs (1): Elimination of Agricultural Subsidies

The heavy governmental subsidies to farmers were required to be terminated in the context of SAPs. It was a very natural requirement of SAPs which basically aimed at financial reform by minimization of government expense. The increase of subsidies for farmers was originated in "Green Revolution" in the 1960s. Green Revolution was implemented during Indira Gandhi's administration in an attempt to achieve food self-sufficiency. For India, which had been suffered from the drought, the food price increase in imports (see Section 2.3) and the limit of the cultivable land, the dramatic improvement of agricultural productivity in the existing cultivated land was necessary. While the Green Revolution brought remarkable productivity improvement in India, maintenance of high productivity was expensive because of its farming method requiring the use of huge amounts of chemical fertilizers and water. The Indian government pursued food self-sufficiency by encouraging farmers with subsidies and free electrical power for water extraction (Rothermund, 1993). By 1985, only the fertilizer subsidy amounted to Rs 18 billion. While the heavy subsidies related to the agricultural sector had been a big burden for India's national budget, most of the politicians hesitated to curb the expenditure since the rural voters including farmers played a major role in Indian politics (Rothermund, 1993).

Eventually, the exclusive subsidies termination was implemented in 1991 under the direction of the SAPs. While it reduced the government's financial burden, it resulted in plaguing poor farmers which constituted majority of the Indian labor class (SAAPE, 2003). For the Indian workers, agriculture has been the predominant sector. 68% of the

India's employment engaged in the agricultural sector in 1991 (Roy 2002). Meanwhile, the agricultural sector constituted only 30% of the total GDP at the time (Indo Business Centre, 2007). This remarkable gap between labor distribution and GDP distribution implies how India's agricultural workers were marginalized and were in the weaker position in the Indian social structure[31]. In addition to the subsidies cut, the Indian farmers suffered from the input cost increase during 1990-1996 – fertilizer by 113%, irrigation by 62%, insecticide by 90%, diesel by 75% – while the selling price of wheat increased only by 58% (SAAPE, 2003).

This thesis' aim is not to argue the pros and cons of the agricultural reform per se from the macro-economic perspectives, but to examine how the policy reform was implemented and how it affected the level of hegemony in India. In that regard, this thesis argues that the elimination of agricultural subsidies initiated by the SAPs significantly declined the level of active consent from the subordinate people to the rule of neoliberalism in India, even if it was inevitable for the macro-economic financial recovery. It is noteworthy that the subsidies cut was initiated by the external pressures, namely the SAPs, without having sufficient and democratic deliberation with stakeholders including farmers who constituted nearly 70% of the total work force in India. Apart from the argument about the policy per se, it can be safely said that subsidies cut without democratic deliberate process prompted the farmers' frustration and prevented them from giving active consent to the neoliberal social order.

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[31] The unbalanced gap between labor and GDP distribution in Indian agricultural sector is problematic even today. Only 18% of the total India's GDP is distributed to the agricultural sector in 2005, where no less than 60% of the total labor population engaged in (Indo Business Centre 2007; CIA 2008).

Impact of SAPs (2): Deregulation of Foreign Firms and Capitals

As described in Chapter 2, India had been protecting its domestic industries as eliminating the foreign firms from its domestic market by the state licensing system and the high import tariff under the nationalist economic policies, until the government extensively deregulated the restrictions in the context of the SAPs in the 1990s. In terms of the restrictions on foreign investment before liberalization, the Foreign Exchange Regulation Act (FERA, 1973) had imposed a general limit on foreign ownership at 40%, and the Monopolies and Restrictive Trade Practices Act (MRTPA, 1969) had given legal powers to the Union government to prevent an acquisition if it was considered to lead to "concentration of economic power to the common detriment" (Kumar, 2000).

However, through the SAPs, the state licensing system was liquidated, the nationalized industries and the public sector enterprises (PSEs, see footnote 18.), and the above mentioned restrictions on foreign investment were significantly deregulated (Tripathi, 2004). The Rao administration announced the New Industrial Policy (NIP) in July 1991, a month after it launched the new administration. The NIP abolished the FERA's restrictions on foreign ownership in Indian firms and removed the requirement of prior government approval on M&As (Kumar, 2000). The opening up of the almost undeveloped Indian markets with the world's second largest population strongly attracted the TNCs. The FDI actual inflows which had been no more than $US 200 million at the time of 1991 jumped more than tenfold by the middle of the 1990s (Table 3). Tripathi (2004) described the landscape of the massive inflow of foreign products into the Indian market after economic liberalization as following:

> [A]s a result [of market liberalization], products such as Kellogg's cereals, McDonald's fast food, Arrow shirts, Levi's jeans, Gillette toiletries, Rexona's deodorants, and a variety of wines and spirits for which the Indians visiting foreign lands would flock to the stores were now available[.] (Tripathi, 2004, pp.320)

The entrance of TNCs and their high quality products and services were welcome by the Indian consumers who had been tired of the shoddy, unattractive, and in-efficient Indian firms' products and services for decades. Meanwhile, the Indian politicians who had been attached to the Swadeshi concept (see footnote 14) and business leaders increased their concerns about the rapid and extensive inflows of the foreign capitals, being afraid of the erosion of the domestic industries. The Bombay Club, a group of business leaders, required the Indian government to create what they called a "level playing field", demanding to regulate the TNCs' entrance (Tripathi, 2004).

The concern of the Bombay Club with the problematic point of the FDI inflows in this period was that it led to the dismantlement of the domestic industries, rather than to the enhancement. For many developing countries which do not have sufficient financial budget to implement economic development policies, the inflow of FDI is very attractive. However, even the massive inflow of FDI will not always lead to the expansion of the domestic market if it merely ends in mergers, acquisitions and rationalization of existing businesses rather than investment to new businesses (Di Caprio & Amsden, 2004). Kumar (2000) revealed that nearly 40% of the FDI flown into India during 1997-1999 was mere M&As of existing Indian firms by the foreign TNCs rather than greenfield investment. Furthermore, out of 256 M&A deals during 1993-2000, no less than 239 were simple acquisitions rather than mergers or joint-ventures with Indian

firms. While acquisitions of local firms allow the TNCs to establish the business infrastructure rapidly in the newly entered market, contrary to greenfield investment, they will bring neither of technology of transfer nor expansion of domestic industries (Kumar, 2000). It is noteworthy that the devaluation of Indian Rupee implemented in the SAPs facilitated the TNCs to buy out the Indian firms with relatively cheap price.

Again, this thesis' aim is not to argue the pros and cons of the deregulation of foreign investment per se from the macro-economic perspectives, but to examine how the policy reform was implemented and how it affected on the level of hegemony in India. In that regard, it is doubtful to assume that the deregulation of the foreign investment which resulted in the extensive acquisitions of the local firms by the TNCs was implemented by raising active consent from civil society in advance. Given the resistance of the local industries (e.g. the Bombay Club) and the fact that the liberalization policies were announced only a month after the Rao administration launched, it is clear that the policy reform was implemented only by the political society without stakeholders' participation. The point is that the liberalization of the domestic market was initiated mainly by the external pressures (SAPs) and the overwhelming capital power of the TNCs, without democratic consent.

To sum up this section's outcomes, firstly, the economic liberalization policies were mainly initiated by the external pressures, namely the SAPs, and the power of global capitalists, but not by the Indian people's endogenous demand for changes. That is, not only was the regime shift to pro-neoliberalism accomplished, but also the individual

economic reform policies were implemented by the external pressures without taking democratic procedure. The important policy changes such as the termination of the agricultural subsidies for the farmers and the liberalization of the domestic market should have been deliberated within the Indian society and implemented with the sufficient transitional period and social safety-net, so that the ruling body could legitimize its policies with a certain consent from the civil society. But the conditions of the SAPs effectively prevented the Indian government from taking time to do so. In addition, this thesis argued that the consequences of the economic reforms were too painful for some or major parts of the civil society to give active consent to the new social order. Therefore, as a conclusion of this section, this thesis argues that the neoliberal social order in India was limited hegemony or coercive domination, rather than full hegemony.

3.2. Embedding of Neoliberalism: Global Market and WTO

In the previous section, this thesis argued that the neoliberal social order in India was non-hegemonic by focusing on the process of social transformation and the level of the civil society's involvement in the transformation. From Gramscian perspectives, a non-hegemonic social order, which is not enforced by the active consent from civil society, is unable to maintain its rule without resorting to coercive force. How, then, was the non-hegemonic neoliberal order maintained after economic liberalization? If the Gramscian perspective is correct, some kind of coercive force must be exercised. In this section, this thesis will examine the mechanisms which allowed the non-hegemonic

neoliberal social order to be dominant in the Indian society, by focusing on the neoliberal global economic framework.

Maintenance of Neoliberal Order (1): The World Bank and Global Market

Even after the implementation of comprehensive economic liberalization in the early 1990s, the World Bank, as one of the largest creditors for India, urged India to accelerate further liberalization. Responding to the India's disobedience to the free trade policy with 3% of import tariff increase in September 1997, the World Bank required the Indian government to: review the import tariff increase; accelerate privatization of public sector enterprises by reducing government equity to 26%; deregulate measures for insurance, urban planning, agricultural exports and foreign exchange, and; deregulate the regulations for foreign investors. Meanwhile, the Indian government resisted against the Bank's proposals by increasing the average import tariffs by roughly 5% on top of the previous 3% tariff increase, in the first quarter of 1998 (The Tribune, 1998).

The World Bank quickly warned that foreign investments in India could slowdown further because of the deterioration of investment climate, unless the government undertook further economic liberalization. In fact, what directly punished India's disobedience to neoliberalism was the power of global market. Responding to India's import tariff increase, foreign institutional investors withdrew more than US$ 400 million from the Indian stock markets in only two months, in May and June 1998, and Moody's downgraded India's sovereign rating to speculative (The Tribune, 1998).

This case implies how the neoliberal world order can be maintained even if a nation state is unwilling to follow it. In the neoliberal world order, the mechanisms to maintain the order are coercive rather than consent-oriented. In this case, the Indian government's resistance to free trade promptly confronted the direct sanctions from the global market and the global capitalists. In traditional politics, if a country's policy were conflicting to the other country's interest, there would be room for political negotiation to review the policy and seek common ground. On the other hand, in the global free market under neoliberal doctrine, the punishment to the disobedient country would be done promptly, directly and nearly automatically without the process of negotiation by the way of the capital withdrawal and the downgrading in the financial market. Even if the protectionist policy or anti-neoliberalism policy were an outcome of a nation-wide democratic agreement, it would be effectively punished or undermined through the global market mechanisms without taking democratic procedure.

Apart from the discourse about if the protective tariff increase was good for the Indian economy or not, the sanctions from the global market against India were, from the Gramscian perspectives, coercive force without a room for democratic negotiation. It seemed very difficult for a state government to keep its autonomy over its macro-economic policies, once its domestic economy opened to the global economy. A state is forced to give up its macro-economic autonomy and pursue improvement of the investment climate not to disappoint global markets.

Maintenance of Neoliberal Order (2): The WTO

The global market is not the only mechanism to maintain the neoliberal world order. The World Trade Organization (WTO) is also playing a key role for the maintenance of the world order. The General Agreement on Tariffs and Trade (GATT), the predecessor of the WTO, was enacted in 1947 as a non-institutional framework to promote trade liberalization, with only 23 founding member countries. The GATT launched with several fundamental principles including 'elimination of discriminatory treatment' or 'most-favored-nation (MFN) treatment' in trade[32], removal of quantitative restrictions in trade, and reduction of tariffs (Gardner, 1980). When the GATT was institutionalized to the WTO as an outcome of the Uruguay Round in 1995, the functions to accelerate global free trade were enforced. The observance to the rules of the WTO became mandatory for members; the coverage of the WTO's surveillance was expanded to service domain (GATS)[33] as well as intellectual property (TRIPs)[34]; the "National Treatment"[35] in the GATT was enforced (TRIMs)[36], and; the Disputes Settlement

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32 The elimination of discriminatory treatment in trade is so-called 'non-discrimination' principles or 'most-favored-nation (MFN) treatment' principle. This principle requires a state to treat other countries equally, means that if a state offers a benefit or a tariff concession to another GATT member, it must offer the same benefit or tariff reduction to all of other GATT members (Crowley, 2003).

33 The GATS (The General Agreement on Trade in Services) is also an outcome of the Uruguay Round, which came into force in 1995. The aim of the GATS is to increase trade in services by liberalizing restrictions accelerating deregulation of international trade barriers in service domain.

34 The TRIPs (The Trade-Related Aspects of Intellectual Property Rights) is also an outcome of the Uruguay Round, which came into force in 1995. All signatories are required to implement standard patent and copyright protection procedures (Di Caprio & Amsden, 2004).

35 'National Treatment' is one of the fundamental trade principles which is adopted by the WTO. 'National Treatment' requires member countries to treat foreigners and locals equally. For example, imported and locally-produced goods should be treated equally —

Mechanism (DSM)[37] was newly installed as a new function of the organization (Clarkson, 2002).

Surprisingly, India was one of the 23 founding members of the GATT despite its nationalist economic policies at the time. Since then, India has often served as a spokesman for developing countries in the GATT / WTO and led the discussion with developed countries in an attempt to protect developing countries' interest[38] (Srinivasan & Tendulkar, 2003). However, the neoliberal world order under WTO often showed coercive aspects against India's disobedience. In November 1997, the Indian government introduced new measures in an attempt to protect the Indian automobile industry. The law required all new foreign auto manufacturing investments to meet the restrictive conditions such as: a minimum US$ 50 million investment in joint ventures; a waiver of

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at least after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights and patents. (WTO website: http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm)

[36] The TRIMs (The Agreement on Trade-Related Investment Measures) is also an outcome of the Uruguay Round, which came into force in 1995. The aim of the TRIMs is understood as the empowerment of the principle of 'National Treatment'. Details of the TRIMs will be given in the main text.

[37] The DSM (Dispute Settlement Mechanism) of the WTO is stronger than the one in the GATT. Once a suit filed, a 'panel' of trade experts is established by the Dispute Settlement Body. The ruling of the panel has legal power, and the country lost in the dispute is required to comply with the rule.

[38] For example, in the Uruguay Round, India in corporation with Brazil strongly opposed to the idea of the creation of the GATS on the ground that developing countries were not ready to compete with industrialized countries in the service domains. India insisted that the industrialized countries first should liberalize their agriculture and textile markets as they committed in the previous negotiation, before discussing the GATS (Srinivasan & Tendulkar, 2003). The argument over the liberalization of the agriculture market in the industrialized countries (primarily in the US) is still lasting today. The Doha Round, began in 2001, reached a standstill in July 2008 and is likely to close without breakthrough because India in cooperation with China strongly battled over the above point with the US and no concession was made among three countries (Castle & Landler, 2008).

import licenses if local content exceeds 50%; 50% local content requirements for complete-knock-down (CKD) and semi-knock-down (SKD) in first three years and 70% within five years, and; the obligation to export within three years. Responding to the Indian government's new law, the US government and the European Communities filed a suit to the WTO's DSM in May 1999, claiming that the Indian low violated the Agreement of TRIMs (Greenfield, 2001).

Under the TRIMs, a nation state's attempt to protect its domestic economy from the competition with foreign capitals is effectively prevented. The central idea of the TRIMs, 'National Treatment', is to treat domestic firms and foreign firms equally without discrimination ensuring free competition. Under the TRIMs, the government's regulations on foreign firms, such as technology transfer requirement, performance requirement, local content requirement[39], trade balancing requirement[40], restrictions on the transfer of profits overseas, and controls on foreign exchange flows, would be regarded as "trade distortion" and banned as the violation of the TRIMs (Wade, 2003).

India continued to resist against the neoliberal economic order, particularly against the TRIMs. In September 1999, almost a month prior to the WTO Seattle conference, the Indian government circulated a set of proposals on behalf of twelve

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[39] "Local content requirement" is a government's regulation on foreign firms which requires foreign firms' particular levels of local procurement in production.
[40] "Trade balancing requirement" is a government's regulation on foreign firms which restricts the volume or value of imports foreign firms can purchase or use according to an amount related to the level of products it exports.

developing countries[41]. In this proposal, India requested the revision of the TRIMs, saying:

> There is a need to review provisions in the Agreement on TRIMs which come in the way of acceleration of economic growth in developing countries and deny these countries the means to maintain balance of payments stability. ... Developing countries should be exempted from the disciplines on the application of domestic-content requirement by providing for an enabling provision in Article 2 or Article 4 to this effect. (Greenfield, 2001, pp.7)

In terms of the above mentioned trade conflict related to the India's automobile protectionist law, not surprisingly, India eventually lost the dispute in the DSM with the US and the EC, and forced to revoke the automobile law in December 2001 (USTA, 2001).

The above introduced case is only an example which the Indian government was forced to revise its domestic law to fulfill the requirement of the WTO. The Indian government's attempts to protect its domestic economy from free trade have been effectively prevented by the neoliberal framework, particularly by the WTO. In other instances, India was also required to amend its domestic law related to the intellectual property. In 1999, the Indian government amended its Patent Act, which had been established in 1970, to fulfill the obligations to the TRIPs, mainly to guarantee the intellectual property rights including patents in the areas of pharmaceuticals and agricultural chemicals. This amendment resulted from the dispute in the WTO's DSM which had been raised by the US government alleging that the India's Act violated the

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[41] Twelve developing countries constituted of Cuba, the Dominican Republic, Egypt, El Salvador, Honduras, India, Indonesia, Malaysia, Nigeria, Pakistan, Sri Lanka and Uganda (Greenfield, 2001).

TRIPs (Embassy of India, 1999). Furthermore, as to trade policies, the Indian government's attempt to maintain its protectionist trade policies was also blocked by the WTO. Before the WTO established in 1995, India had kept quantitative restrictions on imports on approximately 2,300 tariff lines mostly of consumer goods on the grounds of Article XVIII of GATT, which allows member countries whose economies are in the earlier stage of development to apply quantitative restriction for balance of payment position. Although India tried to maintain those 2,300 of quantitative restrictions on trade even after the GATT was institutionalized in the WTO, India confronted the complaint from the US, again. The US government filed a dispute to the WTO's DSM against India in 1997 alleging that India's continuance of quantitative restrictions on imports was inconsistent with the India's obligations to the WTO. Again, India lost the dispute and all of the quantitative restrictions were eliminated during 2000-2001 in complying with the rules of the DSM (Srinivasan & Tendulkar, 2003).

These evidences introduced above indicate how the WTO functions to maintain the neoliberal world order as giving sanctions on disobedient countries and forcing them to revise their domestic law to become in conformity to the neoliberal principles. The WTO's rules including TRIMs and GATS limit the governments' capacity to restrain or interfere in trade so that the framework of the global free trade is ensured (Clarkson, 2002). Such rules, as India claimed in the proposals related to the TRIMs, effectively prevent the developing countries from taking protectionist trade policies, which have been adopted by the industrialized countries including the US and Japan as basic tools for successful development, for their own countries' development (Clarkson, 2002; Wade,

2003; Di Caprio & Amsden, 2004). More critically, such WTO's rules threaten a nation state's autonomy over its public welfare as well as macro-economic policies. For example, the requirement of 'Technical Barriers to Trade (TBT)'[42] or so-called 'Necessity Test'[43] under the WTO's rules may restrict a nation state's right to set a domestic regulation (e.g. food safety standard, anti-pollution law, sustainability impact assessment, etc.) for the sake of public interest. The domestic regulations which failed to prove that they did not disturb free trade would be required to deregulate by the WTO, by being asserted that they are "unnecessary obstacles"[44] or "not more burdensome than necessary"[45] to international free trade, even if the majority of the public support the necessity of the regulations (Clarkson, 2002; Tuerk & Holland, 2003).

As it has been argued in this section, the level of democracy is significantly threatened by the WTO's rules, as they disregard a nation state's autonomy and domestic laws which have been established democratically. In the neoliberal economic order, the international trade rules which had been dominantly maintained by the WTO are thought

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[42] The Technical Barriers to Trade (TBT) Agreement is enacted in 1995 as one of the outcomes of the Uruguay Round. The aim of the TBT is to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles (WTO, 1994a). In other words, the TBT requires member countries to minimize the influence of domestic regulatory standards (related to, for example, environment, health, food safety, etc.) to global free trade (Clarkson, 2002).

[43] Necessity Test is one of the WTO's provisions which is included in GATT, GATS, TRIPS, TBT Agreement, the Annex on Telecommunications, and the Agreement on Government Procurement (WTO, 2003). Under the concept of Necessity Test, member countries are responsible to prove that their domestic regulatory measures on trade are legitimate and necessary enough not to disturb free trade. The concept of Necessity Test allows trade tribunals to challenge the "legitimacy" of a nation state's domestic law (Tuerk and Holland, 2003).

[44] WTO (1994a)

[45] WTO (1994b); Article VI.4

to be superior to the domestic laws. Tuerk and Holland (2003) imply the potential risk of the WTO's framework to jeopardize the democracy:

> [G]overnments may be required to notify the WTO of draft national regulations, allow other trading partners to comment on these draft regulations and take these comments into consideration in their respective domestic regulatory decision-making process. ... [It] may result in significant constraints for domestic regulatory prerogatives. (Tuerk & Holland, 2003, pp.17)

In addition, in terms of the level of democracy, the internal decision-making process of the WTO is also problematic. Firstly, in terms of the DSM, Srinivasan and Tendulkar (2003) point out that the Mechanism may only work for the developed countries to expand their supremacy in international trade, since it is available only for those countries which can bear the cost of dispute as complainant as well as respondent[46]. Secondly, the decision-making process of the WTO per se, so-called "Green Room Process" is also criticized on the ground of the lack of transparency and the limited participation of stakeholder countries, as important negotiations and decision-makings have been frequently made among a small number of members (most of the case among the developed countries) behind closed doors (Blouin, 2001; Tuerk & Holland, 2003; Srinivasan & Tendulkar, 2003; Wade, 2003).

As a conclusion of this section, this thesis argues that it was the global economic framework – such as the power of the global market and the rules of the WTO – rather

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[46] The data of the WTO shows out of 408 of the disputes brought into the WTO as of October 10, 2008, 90 cases (22% of the total) has been filed from the US, 79 cases (19%) from the EC, 30 cases (7%) from Canada. These three countries (entities) are the largest three complainants. 52% of the total cases are from G7 members (Above three plus Japan (13 cases; 3%). (Source: http://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm)

than active consent from civil society that allowed neoliberalism to keep being dominant in the Indian society. In other words, as Gramscian assumed, a non-hegemonic social order could not be maintained without coercive forces. This thesis argues that there are fundamental deficits in the neoliberal social order, which is created and maintained by the SAPs, the power of the global market, and the WTO's rules. That is, the mechanisms ensuring the democracy, which is essential to raise active consent from civil society. The neoliberal social order, which disregards democratic decision-making process, threatens nation states' autonomy, requires democratically established laws to be amended, and undermines the social integration between a state and tax-payers, is too coercive to be hegemonic. Neither does the framework of the SAPs nor that of the WTO have effective mechanisms to enforce its legitimacy by involving subordinate people and raising active consent from them. Neither does the global market. Therefore, this thesis argues that the current neoliberal order which does not have effective mechanisms to ensure democracy is essentially coercive and cannot be hegemonic. Consequently, this thesis also argues that the current global order is in an organic crisis. It is critically important for neoliberal capitalists to develop a new economic framework which may guarantee democratic decision-making process and states' autonomy, to be hegemonic[47].

Gill assumed that the creation of a neoliberal state through SAPs and WTO's rules is a "long-term war of movement" rather than a war of position (2003, pp.59). If the

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[47] In the review of the financial crisis in the early 1999, an United Nations Task Force criticizes SAPs saying that conditionality for loans "should not include issues related to economic and social development strategies and institutions, which, by their very nature, should be decided by legitimate national authorities, based on broad social consensus" (United Nations, 1999).

rule of neoliberalism is a result of a war of movement, non-hegemonic, and in an organic crisis, counter-hegemony should be emerged.

Before moving into the possibility of the counter-hegemony, getting back to India, this thesis will briefly examine how the coercively created neoliberal social order facilitated the TNCs' power expansion in India.

3.3. Power of Transnational Corporations over India's Autonomy

In this chapter, this thesis has argued how the neoliberal social order was established and maintained in India, by focusing on the role of the SAPs and the WTO's rule in the social transformation. However, although the international organizations including the IMF, the World Bank and the WTO are playing key roles in the enforcement of the neoliberal economic order, they are only a part of the neoliberal global historic bloc from Neo-Gramscian perspectives (see Section 1.2). In short, the power of TNCs remains to be discussed. As described in the Section 3.1, the extensive economic liberalization resulted in the massive inflow of the FDI into India and allowed the TNCs to expand their power over Indian business society. In this section, as a final section of the chapter, this thesis will examine how the neoliberal social order was promoted in India, by focusing on the power of the TNCs. In particular, this thesis will focus on a dispute which was held among the Indian government, Coca-Cola, and the US embassy.

It was in July 1996 when Coca-Cola formally obtained an approval from the government on its investment plan in India to establish two wholly-owned subsidiaries[48].

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[48] One was Hindustan Coca-Cola Holdings Private Limited and the other was Bharat

The establishment of wholly-owned subsidiary had a historical and significant meaning for Coca-Cola. Coca-Cola once left India in 1977, having left its 22 bottling plants behind (Hazarika, 1989). When the Indian government required Coca-Cola to dilute its shareholdings to 40% on the ground of the Foreign Exchange Regulation Act (FERA) (see footnote 19), Coca-Cola rejected the government's demand and decided to leave India, on the ground that sharing ownership was not consistent with its global business strategy to keep Coca-Cola's recipe secret[49] (Ravel & Subramanian, 1996).

According to Narendranath (2003), no less than 43% of the FDI approved by the Indian government during 1992-2002 was from the US, as the largest foreign investor in the Indian market. Coca-Cola's US$694 million investment to establish two wholly-owned subsidiaries was formally approved in July 1996 by the Indian government, making it the largest single FDI in this period.

In the context of the restart of its business in India, Coca-Cola accepted a condition, which had been required by the Indian government, that Coca-Cola would divest 49% of its shareholding to Indian shareholders by July 2002 (Mukherjee, 2002; Singh, 2002; Thakurta, 2002, 2003; Srivastava, 2003). While that was a measure which the Indian government had adopted in an attempt to protect its domestic economy from the foreign capitals, Coca-Cola tried to invalidate its commitment by mobilizing two

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Coca-Cola Holdings Private Limited. In February 2000, these two holding companies were merged into one company called Hindustan Coca-Cola Holdings Private Company (Thakurta, 2003). Prior to this investment plan, Coca-Cola already reentered into the Indian soft drink market in 1993 by acquisition of 22 domestic soft drink companies including Parle Exports (see Section 4.1 for further details).

[49] At that time, IBM as well as Coca-Cola decided to leave India rejecting to comply with the FERA (Thakurta, 2002).

different supports from neoliberal global bloc. Firstly, Coca-Cola launched an extensive program in the financial media in an attempt to get the global financial market on its side, questioning the Indian government's policies for foreign investments and warning of the consequences to the government's officers (Singh, 2003). In the program, Coca-Cola said:

> [Coca-Cola is] one of the top five foreign direct investors in India and this decision would send wrong signals to other foreign investors in the country. ... will have far-reaching consequences for foreign investment in India. (Singh, 2002)

As already argued in the Section 3.2, India experienced the coercive power of the global financial market in 1998, which had resulted from the decline of the investment climate of India. Given that Coca-Cola was one of the largest investors in India at the time, its remark must have been significant.

Secondly, on top of the indirect pressure with the global financial market, Coca-Cola mobilized direct political power to urge the Indian government to drop the request of sell-off of 49% shareholdings. Having an approach from Coca-Cola, Robert Blackwill, the US ambassador in India at that time, officially requested the Indian government to review the measure and grant Coca-Cola's 100% shareholding. While the Blackwill's letter was followed by the letter from William Lash, Assistant Secretary for Market Access and Compliance in the US Department of Commerce, the US government's pressure on this issue was clearly indicated in the Lash's letter:

> [R]ecent Indian press reports indicate that the Minister of Commerce and Industry Mr. Murasoli Maran has turned down Coca-Cola's request for a waiver from a requirement to divest 49 per cent of its India holdings by July 2002. I understand

> that this is the second time that Coca-Cola's waiver request has been denied. I find this to be very unfortunate, not just for the company but also for India's investment climate. ... When the Indian Government approved Coca-Cola's Indian investment plans in 1997, the divestment condition was part of the agreement. But I believe it is fair to say that the India of 2002 is different from the India of 1997. ... I understand that, in several instances, the Indian Government has recognized these important changes and either has granted disinvestment waivers to foreign companies or allowed them to increase their holdings in India to 100 per cent. Given the current environment, Coca-Cola's request is appropriate and should be granted. (Mukherjee, 2002)

Finally, the Indian government succumbed to the US's pressure. While Coca-Cola was still required to divest 49% of its shareholding to Indian shareholders as the basis on the original agreement, these shareholders would have no voting rights. In other words, Coca-Cola maintained 100% voting rights while it held only 51% of the capital (Thakurta, 2003).

This episode among the Indian government, Coca-Cola and the US embassy clearly indicates how a state autonomy and democracy could be deteriorated by the neoliberal global bloc, and how the power of TNCs is enforced by the neoliberal social order. The power of TNCs distorts the democratic policy making process by directly influencing the government, without democratic procedures such as voting. The power balance between a TNC and a citizen is not equal, because of the TNC's social importance, such as employment and tax payment. The superiority in the social roles gives TNCs the privilege of access to governmental officials or particular politicians. Making full use of their privileged position, TNCs try to form or reform the rules of the game favorable for their profit, uniting with the particular bureaucrats or politicians (Waligorsk, 2006).

To sum up this chapter's argument, Gramsci's concept of the historic structure (see Figure 1) may be helpful to explain the process of the neoliberal global historic bloc's power expansion over the Indian society. The 'idea' of neoliberalism has been brought into India by the 'institutions' including the IMF and the World Bank through the SAPs, and reinforced also by the 'institutions' through the WTO's rules. In other words, neoliberalism has already achieved dominant position in India in two of three spheres of the Gramsci's historic structure at this point, if not it was hegemony. Finally, as to the remained 'material capabilities' (e.g. market, natural resources, etc.), the international organizations or the political power played a role as a facilitator who arranged a way for transnational capitalist class (e.g. TNCs) to access to Indian material capabilities (e.g. market, natural resources, etc.). In this way, this thesis argues that the neoliberal social order achieved the dominant position in all of the spheres of the historic structure in India, and created a historic bloc in India, although the rule was not full hegemony but limited hegemony or mere domination.

Although this thesis has developed the argument about the level of the neoliberal hegemony in this chapter, there is another important implication. What is implied in this chapter's analysis is that the power foundation of neoliberalism is not located in a nation state per se. As Robinson says, the expansion of the neoliberal social order "is not a 'national' project but a class project without a national strategy, or rather, with a strategy that seeks to utilize the existing political infrastructure of the nation-state system" (Robinson, 2005, pp.569). Many of the cases introduced in this chapter revealed that the

Indian government was unwilling to promote economic liberalization. Rather, the governance system or the ruling framework was effectively redefined, reformed and utilized by the neoliberal global bloc, as Robinson argues. From this perspective, this thesis assumes that 'state' or 'political society' is a virtual space where an existing historic bloc (the old nationalist / protectionist bloc represented by the Indian government) and a counter historic bloc (neoliberal global bloc) fight over authoritative power and governance system for rule to establish or maintain its hegemony (or domination). Victory in political society will provide the ruling body enough authoritative power to establish domination, if not hegemony. Therefore, a counter historic bloc against neoliberalism has to pursue the victory in political society (authoritative power) as well as the victory in civil society (active consent) to win a war of position and to create an alternative hegemony.

With this in mind, this thesis will explore the practical way to create counter-hegemony with a case study in Chapter 4.

Chapter 4. Case Study: Coca-Cola's Operation in India

In previous chapters, this thesis has argued how the neoliberal social order was formed and maintained in India not by the democratic consent-based forces from civil society, but by the direct and indirect coercive forces from the neoliberal global bloc. On the basis of the argument, this thesis argues that the order was in an organic crisis and, therefore, the emergence of counter-hegemony against neoliberalism would be possible. To explore the possibility of counter-hegemony, it is necessary to study how the Indian civil society, in fact, reacted to the neoliberal social order. In this chapter, this thesis will study a conflict between the neoliberal global bloc and civil society, in particular, a conflict over the right of access to water resources which occurred between a Coca-Cola's bottling factory and a local community in India, to reveal some clues for the emergence of counter-hegemony and the creation of alternative hegemony. The strong relation between Coca-Cola and other neoliberal global bloc (e.g. the US government, the WTO's rules) has already been argued in the previous section. Now the question is: how is it possible for civil society to resist the neoliberal social order and establish an alternative hegemony? As an introduction of the case study, a brief study about the measures which Coca-Cola took to establish its dominant position in the Indian market will be given in the next section.

4.1. Overview of Coca-Cola's Presence in India

The opening of the Indian market to the global economy by extensive economic

liberalization in the 1990s gave great opportunities of growth for the TNCs including Coca-Cola. For Coca-Cola, finding growing markets was an emergent business issue to ensure its growth in the twenty-first century, as it was suffering from the slowdown in sales growth for the carbonated soft drink industry in the US and other industrialized countries' markets at the time of the 1990s. For example, the average sales growth for the carbonated soft drink industry in the US in the 1990s was only 0.2%, although it had been 5-7% during the 1980s (Kaye, 2004). In such business circumstances, the undeveloped Indian market with over one billion population, growing middle class, and low per capita consumption of soft drinks was the promising market for Coca-Cola[50] (Kaye, 2004).

After Coca-Cola left India in 1977 (see Section 3.3), the Indian soft drink market has been dominated by two companies: roughly 60% by an Indian soft drink company, Parle Exports Private Ltd. (Parle), and 25% by Pepsi (Kumar, 2000). Parle is a Bombay-based Indian soft drink company established by Ramesh Chauhan. It built a dominant position in the Indian soft drink market in the late 1970s, taking advantages of the temporary exit of Coca-Cola from India[51] (Tripathi, 2004). When it comes to Pepsi, it entered in India as early as 1988, by way of a joint venture with two Punjab government-owned soft drink companies, Punjab Agro Industrial Corporation and Voltas India Limited[52] (Kaye, 2004).

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[50] At the point of 1988, the Indian soft drink market has grown to 2.5 billion bottles a year, nearly five times the level in 1978 after Coca-Cola left India (Weisman, 1988).
[51] There was an unconfirmed rumor that Mr. Chauhan was instrumental in getting the Indian government to oust Coca-Cola in 1978, although Mr. Chauhan denied the possibility (Weisman, 1988).
[52] The economic liberalization in the early 1990s enabled Pepsi to buy out these partner companies and become a fully-owned subsidiary in 1994 (Kaye, 2004).

When Coca-Cola reentered into the Indian market in 1993 by taking advantage of India's economic liberalization in the early 1990s, it took a strategy to build up a dominant position in the new market by massive acquisition of domestic soft drink companies. Firstly, Coca-Cola successfully established its supremacy in the Indian market by acquisition of Parle in 1993 for the buyout priced only US$ 60 million (Raval & Subramanian, 1996; Kumar, 2000; Brandchannel.com, 2004; Kaye, 2004). What Coca-Cola obtained through the acquisition of Parle were: market presence in India with Parle's popular brands[53] as well as its 60% of market share, Parle's marketing systems and distribution network. As noted in Section 3.3, the Coca-Cola's investment amount for two wholly-owned subsidiaries was as much as US$ 694 million. Given that Coca-Cola could get Parle's market share as well as nation-wide marketing and distribution network, US$60 million was rather cheap[54]. Secondly, in addition to the buyout of Parle, the acquisition of another 22 Indian bottling companies enabled Coca-Cola to establish its bottling system very quickly, allowing it to absorb other rival brands (Cockburn, 2005).

The massive acquisition of domestic firms gave Coca-Cola a significant supremacy not only in the Indian soft drink market but also over Indian society as a whole. When it comes to employment, Coca-Cola's investment, amounting to more than US$1 billion during 1993-2004, created 7,000 local jobs at its 27 wholly-owned bottling factories, 17 franchisee-owned factories and 29 contract factories. Its products were

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[53] Thums Up (Parle's original cola brand), Limca, Maaza, Citra and Gold Spot. Coca-Cola used Thums Up to attack Pepsi instead of terminating the brand (Brandchannle.com, 2004).

[54] The reason why Pepsi did not acquire Parle in advance to Coca-Cola was unclear. Responding to Coca-Cola's expansion in the Indian market, Pepsi also acquired a smaller domestic company, Duke, to reinforce its market share (Kumar, 2000).

distributed to 700,000 retail outlets, and indirectly resulted in another 125,000 employment positions in India (Kaye, 2004). However, given that Coca-Cola's business infrastructure had been established mainly by acquisition of the existing firms, it was unclear to what extent, in practice, the company contributed to create new jobs in India. Rather, there was another argument that Coca-Cola significantly dismantled the Indian domestic industry (The Times of India, 1993; Raval & Subramanian, 1996; Brandchannel, 2004; Cockburn, 2005).

This Coca-Cola case clearly indicates that massive inflows of FDI may lead to dismantlement of domestic business rather than expansion, if the investments end in mere M&As of domestic firms, as this thesis argued in Section 3.1. The Indian soft drink market was, without doubt, one of the most promising markets in the world. According to industrial research, the Indian soft drink market is expected to grow at least 10% per year until 2012. The actual growth rate of the Indian soft drink market between 1998 and 2002 was 76% (Kaye, 2004). However, Coca-Cola's massive M&As effectively eliminated the domestic firms from the promising Indian soft drink market by establishing a duopoly market, with more than 95% of the soft drink market share combined with Pepsi[55] (Kaye, 2004). Neville Isdell, Chairman and CEO of Coca-Cola, announced in 2008 that it is investing US$ 250 million to India, expecting that the Indian market, which is currently the seventeenth largest market in the world, will grow to the fifth largest market in the future (The Times of India, 2008). In addition, it should be noted that Coca-Cola's excessive market presence as well as its influence in the Indian society (e.g. employment)

[55] In the US cola market, the combined share of Coca-Cola and Pepsi in 2006 was 74%: 41% for Coca-Cola and 33% for Pepsi (The New York Times, 2007).

might enable the company to abuse its power over the Indian government as disregarding state's autonomy, as argued in Section 3.3.

Considering the process that the Coca-Cola established its supremacy over the Indian market and society, it was rather coercive domination backed by the overwhelming power of capital and social influence, as is often the case with the global capitalist market mechanism. However, the dismantlement of the local industry or the abuse of power over democracy is not the only issue which Coca-Cola has been blamed for in terms of its business operations in India. It has also been condemned for its water resource extraction. Serious depletion of water resources and contamination of common water resources were reported in several communities around the Coca-Cola's bottling factories[56]. The local communities strongly resisted against Coca-Cola, blaming its environmentally unsustainable and socially problematic operations for causing that tragedy. The local communities' resistance against the US-based TNC triggered a nation-wide, or even international, anti-Coca-Cola movement. In the next section, this paper will examine the sequence of conflicts between Coca-Cola and the Indian society in terms of the right of access to water resources, focusing on the case at Plachimada in Kerala state.

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[56] India Resource Center, one of the Indian NGOs which led protest activities against Coca-Cola, introduces three villages as examples which had water conflicts between the Coca-Cola factories: Plachimada (Kerala), Kala Dera (Rajasthan), and Mehdiganj (Uttar Pradesh). (India Resource Center website: http://www.indiaresource.org/campaigns/coke/index.html)

4.2. Overview of Plachimada and Coca-Cola's Bottling Factory

Plachimada, a small village with 9,000 populations where Coca-Cola established a bottling factory in 2000, is located in Palakkad district in Kerala state (see Figure 3 for the map) (Worth, 2007). Palakkad district was relatively less developed district in Kerala or even in India. According to the census 2001, the population of Palakkad was over 2.6 million and the population density was 584 per square kilometer, with the lowest literacy rate in the state (Table 4) (Paramasivam, 2000). Most of the population was Hindus, 76%, and the second largest religious community was the Muslims. The Palakkad's primary sector was agriculture; 64% of the geographical area was cultivated. 60% of the cultivated area was for paddy land, and 80% of the rest was for food crops. Cash crops grown in Palakkad were coconut, groundnut, cotton, sugarcane, pepper, banana and cashew nut (Kumar, 2003).

While almost 80% of the populations in Plachimada depended on agriculture for their living, most of them were predominantly landless peasants[57] (Koonan, 2007). Scheduled tribes constituted 30-40% of the populations and 10% by dalits. The agricultural daily wage averaged Rs 80 (or US$1.60) for men and Rs 40 (or US$0.80) for women (Bijoy, 2006). Given that one bottle of Coca-Cola (300 ml) was sold by Rs 10 (or US$0.20) at the time in India, soft drinks were still luxuries in Plachimada (Rai, 2002).

The Hindustan Coca-Cola Beverage Private Ltd., hereinafter referred to as Coca-Cola, established a bottling factory on 34.64 acres of land in Plachimada in January

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[57] Almost all of the cultivated land in Plachimada was owned by the ezhavas, a few Muslims (Bijoy, 2006).

2000, with a license from the Perumatty Grama Panchayat[58]. In the factory, 130 permanent workers and 250 contract labors were employed (Bijoy, 2006). Coca-Cola officially admitted that the setting up of a bottling factory was the specific request from the Kerala state government (Coca-Cola India, 2003). Or more specifically saying, the Left Democratic Front (LDF) invited the company (Venugopal, 2008). The LDF was the ruling political alliance in the Kerala state government at the time, led by the Communist Party of India (Marxist) (CPI(M)). The Janata Dal (or People's Party), which was the ruling party in Perumatty Grama Panchayat at the time, was one of the constituents of the LDF (Krishnakumar, 2003) (See Figure 4 for the illustrated political landscape in Kerala at the time). Coca-Cola had committed the state government to invest Rs 800 million (or US$18.4 million) until 2003 and additional Rs 200 million (or US$4.6 million) afterward for Plachimada plant in exchange for the governmental support for infrastructural facilities including electricity and water supply[59] (Coca-Cola India, 2003).

When it comes to the level of water resources in Plachimada, it could be hardly said that it had no problem. In so far as groundwater goes, Palakkad district, which Plachimada belongs to, once had the richest groundwater reserve in Kerala, at least at the point of 1997 (Table 5). Palakkad district was an important agricultural region for the

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58 'Panchayat' is a village council in India. Article 40 of the Indian constitution directs the government to establish Panchayats to serve as institutions of local self-government. A Grama Panchayat can be set up in villages with a population of more than five hundred. All Panchayat members are to be elected for five-years terms in elections supervised by state election commissions (Indian Child, 1995). The board of the Perumatty Grama Panchayat, which Plachimada village belonged to, consisted of 15 members (Surendranath, 2003).

59 The details of the governmental support have not been clarified on the Coca-Cola India's website.

state and was known as the 'rice bowl of 'Kerala'. It was the rich amount of groundwater that had backed the Palakkad district's agricultural activities including irrigation. Meanwhile, Palakkad district was also known as the rain shadow area of the Western Ghats and was a drought-prone area (Koonan, 2007). In fact, even before Coca-Cola launched its operation in Plachimada, the lowering of groundwater levels and the need of restriction on groundwater extraction had been warned in an environmental analysis report, which had been prepared for the World Bank and Kerala Rural Water Supply and Sanitation Agency. According to the report, "excessive ground water withdrawal in certain parts of Palakkad ... has resulted in the lowering of ground water level" and "regulatory measures for groundwater withdrawal to prevent water mining" was needed (Paramasivam, 2000). It should be noted that groundwater is a depletable resource. That is, sustainable use of groundwater is possible only when extraction rates do not exceed the recharge rates (Anderson, 2007). In short, the abundance of groundwater at the point of 1997 was temporary and unsustainable, unless a regulatory body restricted the groundwater extraction, because of the scarcity of water replenishment by rainfall.

Considering the above noted situations, it can be hardly said that Plachimada was the appropriate place for a factory like Coca-Cola which uses huge amount of water to be established. The reason why Coca-Cola chose Plachimada as the place for the new factory has not been clearly explained. Nor has the reason why the state government invited the company into such a region vulnerable to water issues. However, some information on the Coca-Cola India's website implies the possibility that Coca-Cola had already known that the level of groundwater in Plachimada was at risk, even before it

launched the operation. On its website, Coca-Cola implies that it was originally planning to source water mainly from the neighboring (5 km away from the Plachimada factory) dam by connecting the dam and the plant, so that it did not have to rely on the problematic groundwater for its business (Coca-Cola India, 2003). With this regard, Coca-Cola blames the state government for not issuing a permission to realize the plan as following:

> [W]e have been waiting for permission to build a pipeline at our own cost to source water from the Moolathara Dam (5kms away) for more than four years now. Alternatively, a check dam can be built (at our own cost) at Kunnamkattupathy (1.5kms away) but again, we have not been given permission. (Coca-Cola India, 2003)

In addition, Coca-Cola insists that the construction of the pipeline between the Moolathara Dam and the plant should have been authorized smoothly, because it was one of the "infrastructural supports" which had been promised by the state government as one of the preferential treatments (Coca-Cola India, 2003). It is unclear why the state government did not issue the permission for Coca-Cola, or, if the government was truly to be responsible as the company insisted. Since no further information related to the Moolathara Dam issue was available, any more argument will remain a matter of speculation. However, given that this information was posted on the Coca-Cola India's website around December 2003, Coca-Cola had been awaiting the permission since 1999, even before it launched the operation in Plachimada. It suggests that both Coca-Cola and the state government had already recognized, even before the factory's launch in January 2000, that the groundwater in Plachimada did not have enough reserves to meet the

Coca-Cola's demand; the Plachimada plant would not be able to continue its business without developing other water resources than groundwater, and; the heavy dependence on the groundwater would cause serious depletion of the groundwater.

Rainfall harvesting[60] was the alternative water resource for Coca-Cola. In fact, Coca-Cola seemed to have prominent technology in rainfall harvesting. The company shared the technology with local communities as one of its Corporate Social Responsibility (CSR) activities[61] (Kaye, 2004). In terms of the rainfall harvesting system which Coca-Cola installed in the Plachimada factory, the company proudly introduces the capacity:

> [W]e estimate a harvest of 50,000 cubic meters of rain water in 2002 and this more than doubled to 125,000 cubic meters in 2003, which is equivalent to approximately 50% of our annual water usage. (Coca-Cola India, 2003)

However, unfortunately, Coca-Cola admits in its website that the system has not been installed until June 2002 (Coca-Cola India, 2003). It means that the rainfall harvesting system was not installed at the point of the Plachimada factory's opening, and the factory has predominantly depended on the groundwater for its business for two and a half years, until June 2002.

These facts suggest the possibility that Coca-Cola has kept using the groundwater for its business since the launch, at least for two and a half years, while it

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[60] Rainfall harvesting technology aims to recharge aquifers by effectively trapping rainwater and directing it deep under ground into aquifers (Coca-Cola India, 2003).
[61] Coca-Cola in Plachimada shared the rainfall harvesting technology with five farms and a school as its CSR activity. According to Coca-Cola, they have the capacity to recharge the aquifer with an average 500 cubic meters of water a day with normal rainfall (Coca-Cola India, 2003). It is unclear when the company started the activity in Plachimada.

knew how the continuous extraction of the groundwater might lead to a serious consequence such as depletion. Moreover, it was also true that the state government admitted Coca-Cola to launch the operation in January 2000, even though none of the alternative water resources (the Moolathara Dam or rainfall harvesting) were available. It can be safely said that both Coca-Cola and the state government ignored the potential risks of the groundwater extraction and put higher priority on the business implementation than sustainable water resource management or water security for the local community. In the end, Coca-Cola launched its operation in January 2000, totally depending on the groundwater.

What should be noted briefly at this point is the level of the local community's involvement in the decision making process. To clarify the meaning of "local community" in this thesis, local community means the geographical community or communities of which water resource use will be limited or affected by Coca-Cola's business operations, in particular, Coca-Cola's water intake. Accordingly, "local people" will be regarded was the members of the local community. Given that Plachimada was primarily an agricultural area and most of the local people strongly depended on the local water resources, the groundwater, for their agricultural activities, building up of a new bottling factory must have an enormous impact on the local community. Therefore, some chances to reflect their voices into the new factory's business plan should have been given to the local community. However, as far as my research knows, even a meeting for the local people had not been held in advance of the factory's opening. For example, when it comes to Coca-Cola's Environmental Impact Assessment (EIA), Coca-Cola had

neither invited the local community to the assessment nor disclosed the result[62], while the company only insisted that it had conducted environmental studies and scientific tests before setting up the factory there (Coca-Cola India, 2003). Moreover, the EIA was conducted without consulting any body in the state government. The officer of the Kerala Ground Water Department (KGWD) admitted in the interview of a NGO[63]: "At the time of construction of the factory, the KGWD was not consulted as it was not mandatory" (Surendranath, 2003). In short, the agenda of the building up of a new bottling factory in Plachimada has been predominantly deliberated and implemented only between the state government and Coca-Cola (or only by Coca-Cola at least in the EIA), eliminating the local community from the decision-making process[64]. In other words, expressed in a Gramscian way, the new social order in Plachimada was established without participation or prior consent from the subordinate people.

From a Gramscian perspective, again, a social order without active consent from subordinate people cannot be hegemonic, and coercive forces are mobilized to maintain the order. In such non-hegemonic social order, the ruling body is likely to treat the subordinate people as potential threats for war of movement and mobilize coercive forces

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[62] For example, The Guardian, a paper in the UK, stated that its request to open the EIA was declined by Coca-Cola India (Brown, 2003a)

[63] The NGO was Arumughan Pathichira, a member NGO of the Anti Coca-Cola Peoples Struggle Committee (see Section 4.3 for the further information about the Committee).

[64] The licensing process might be the only exception which the local community was involved in. As stated previously, the final governmental body which gave the license for operation to Coca-Cola was the Perumatty Grama Panchayat. However, it is problematic to assume that the Panchayat was independent from the political society in Kerala or India. In addition, considering the level of the Panchayat's involvement in the licensing process, it can be hardly said that the Perumatty Grama Panchayat had enough authoritative power to intervene in the process. These issues will be argued in somewhere else in this thesis.

(Buci-Glucksmann, 1982). Furthermore, the subordinate people have potentials to form a counter-hegemonic bloc. In the next section, this thesis will study how Coca-Cola and the state government tried to maintain the newly created social order in Plachimada, and how the local community resisted against the rule.

4.3. Water Conflict in Plachimada

Since it started operation in January 2000, only about four years passed when the Kerala High Court formally ordered Coca-Cola to stop its operation in Plachimada on March 9, 2004 (Srivastava, 2005a). The direct reason why the High Court halted the factory's operation was the temporary action for a couple of months in view of the severe drought in the district (Hills & Welford, 2005). However, even after the High Court's order expired, the factory remained shut down for nearly two years, until the Perumatty Grama Panchayat finally renewed the license for Coca-Cola on January 4, 2006 (Aggarwal, 2007).

It was the local community's strong protests against Coca-Cola's operation, primarily against its excessive extraction of the groundwater, that kept the factory closed. Even before the High Court issued the cease order, Coca-Cola in Plachimada had confronted the strong and long-term protests from the local community. The local people in Plachimada blamed Coca-Cola's operation for causing serious water shortage and contamination. Within two years after Coca-Cola started operation in Plachimada, around the beginning of 2002, the people around the factory experienced problems including the decline of the water table and the deterioration of water quality around a 1.0-1.5 km

radius of the factory (Bijoy, 2006). According to research by the People's Commission, an Indian human rights NGO, nearly 250 hectares of wet paddy fields around the factory had dried up (Surendranath, 2003; NUS Services, 2005a). The research of the Central Ground Water Board (CGWB) revealed that the groundwater level in Plachimada declined by 2-4 meters in 2004 April, compared to the mean water level in April during 1994-2003 (see Figure 5). Several studies organized by governmental bodies or the Indian NGOs found that water resources around the factory became contaminated and unsafe for human consumption[65] (Krishnakumar, 2003; Surendranath, 2003). Due to both quantitative and qualitative problems in their water resources, people in Plachimada were being forced to walk about 5 km to fetch water. In addition, some farmers were unable to continue their business due to a lack of water for irrigation (Surendranath, 2003). According to Surendranath (2004), three farmers committed suicide in March 2004, suffered from the acute drought, crop failure and accumulated debts. Although no direct evidence to prove that the Coca-Cola's operation was the primary factor of those severe water resource deteriorations had been found, the local people and some NGOs launched massive protest activities against Coca-Cola's factory in April 2002 for the first time, accusing the factory of causing the tragedies (Bijoy, 2006).

Although Coca-Cola tried to defuse the local people's protests, it did not stop extracting water for commercial use. As a result, the protest activities were escalated rather than calmed, and the local people continued demanding permanent shut-down of

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[65] Surendranath (2003) introduced the results of several water quality studies which revealed that water samples collected from open wells around the Coca-Cola factory contained twice the amount of chlorides as the standard drinking water. The details will be described later.

the factory, compensation for the affected community members, recharge of the depleted groundwater and cleaning up of the contaminated water and soil (Hills & Welford, 2005). Various disputes and a series of legal actions were exchanged between Coca-Cola and local communities over rights to access water resources in Plachimada. The developments of the conflict will be described in the rest of this section.

Conflict (1): Rise of Water Conflict in a Small Village (Apr 2002 ~ May 2003)

The first protest movement occurred on April 22, 2002, led by the 'Coca-Cola Virudha Janakeeya Samara Samithy' (or Anti Coca-Cola Peoples Struggle Committee), which was a coalition of the indigenous NGOs to protest against Coca-Cola in Plachimada[66]. Over 2,000 people, mostly 'adivasis[67]' and dalits, joined the protests with blockades as demanding the Coca-Cola factory's immediate shut-down on the ground of the destruction of the environment and the natural resources for their livelihood (Wramner, 2004; Bijoy, 2006). On the second day of the campaign, on April 23, leaders of the Struggle Committee were arrested by the police[68] (Wramner, 2004). Having a suit filed by Coca-Cola against the Struggle Committee on April 26, 2002, the Kerala High Court conceded the people's right to protest peacefully and ordered the police to provide protection to both the factory and the protesters (Bijoy, 2006). Responding to the rise of the anti-Coca-Cola sentiments in Plachimada, representatives of all of the constituent

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[66] According to Wramner (2004), nearly 20 of the Indian NGOs joined the Committee, and organized the protest actions on April 22, 2002.
[67] 'Adivasi' is one of the scheduled tribes which constituted 30-40% of the population in Plachimada (Wramner, 2004).
[68] The reason of the custody was using a campaign vehicle without the necessary permits (Wramner, 2004).

parties of the LDF, including the Janata Dal[69], issued a statement on June 8, 2002, that Coca-Cola generated employment and hence it should be protected rather than opposed, also denying allegations that water resources in Plachimada were depleted or contaminated by the company's operation (Wramner, 2004). Only one day after the political representatives issued the pro-Coca-Cola statement, on June 9, the police were mobilized to remove the protesters outside the factory in Plachimada – the protests had lasted without a pause since the first movement on April 22, 2002 – and 130 people were arrested (Jayaraman, 2002).

In November 2002, the first official report about water security in Plachimada was issued by the Kerala Ground Water Department (KGWD), which was disappointing for those who wished to oust the Coca-Cola factory from Plachimada. The report of KGWD found that only three wells out of 20 wells around the factory in Plachimada showed quality problems and a drop in water levels. The report also indicated that there had been a significant decrease in the average annual rainfall in the region since 2001: 2060mm in 1988, 1785mm in 1999, 2137mm in 2000, 1147mm in 2001, and only 670mm in 2002. On that basis, the KGWD concluded that "the depletion of water in the open wells was due to poor rainfall, the resultant reduced groundwater recharge and the high density of irrigation bore wells" (Surendranath, 2003). Meanwhile, the KGWD's report also acknowledged that it was "necessary to restrict the exploitation of ground water regime" and hence, the "intake of water by the Coca Cola company should be regulated to a bare minimum of 0.3 million liters per day" (Surendranath, 2003). In terms

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[69] Refer Section 4.2 for the brief information about the LDF and the Janata Dal.

of the amount of the groundwater extracted by the Coca-Cola factory, it has been one of the most controversial and unclear issues in the disputes in Plachimada. While the factory in Plachimada had six bore wells and two open wells from the beginning of its launch, Coca-Cola insisted that it had not used more than three wells at any one time and had extracted "only" 300,000 liters per day, which was equivalent to the minimum water need per day for 7,500-15,000 people[70] (Brown, 2003b; Coca-Cola India, 2003; Surendranath, 2003). On the other hand, a report of the Central Ground Water Board (CGWB), which was issued in September 2003 after several months' investigation of the factory in Plachimada, concluded that the factory had pumped as much as 510,000 liters per day, although the Board also noted in the same report that the company had never registered to the Board for the permission to use that amount of groundwater (CGWB, 2003). Meanwhile, the company defended its legitimacy that it had permission from the Kerala Pollution Control Board (KPCB) to use 561,000 liters of the groundwater per day (Bijoy, 2006).

Even the recognition about the depletion of the wells or the level of water shortage in Plachimada was different by the standing point. Although the reports issued by the indigenous NGOs were, in general, devoid of scientific data or quantitative information in terms of the depletion of the groundwater, they basically reported how the local farmers and residents were suffering from water shortage mainly based on interviews of the local farmers or by reporting the landscape of the village. For example, Jayaraman (2002), Surendranath (2003), Sen (2004) and Cockburn (2005) interviewed

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[70] The World Bank recommends 20-40 liters of water per day for basic human life.

different local farmers and introduced how their life became difficult because of the water shortage. Or, the People's Commission, an Indian human rights NGO, reported that nearly 250 hectares of wet paddy fields around the factory dried up (Surendranath, 2003; NUS Services, 2005a). However, surprisingly or not surprisingly, the reports issued by the state government or the scientist consulted by Coca-Cola around 2002-2003 reported very differently. Similarly to the above introduced report of the KGWD issued in November 2002, such reports were likely to conclude that there was only normal change of the water level decline along with the short rainfall, admitting some extent of decline of the water level in some wells. For example, the above mentioned report issued by CGWB in September 2003 shortly concluded that "no cases of complete drying up and abnormal changes in water level were observed in and around the factory" (CGWB, 2003). Or, another report issued by Dr. Athavale, who was an emeritus scientist in National Geophysical Research Institute and conducted scientific research on the basis of Coca-Cola's invitation, concluded "it is obvious that the drying of only some of the open wells in these villages was due to natural cause and not due to pumping of groundwater in the Coca Cola plant" (Athavale, 2002). In terms of the disputes over the water depletion in Plachimada, as briefly examined above, it is noteworthy that the reports which were conducted by the authoritative bodies with scientific measures were likely to deny the existence of the abnormal depletion of water resources, while the reports basically prepared by the NGOs' interview or field investigation strongly alarmed the threat of the water scarcity.

The contamination of the groundwater was also one of the controversial as well

as unclear issues in Plachimada, because of the contradicting evidence. Soon after the first protest movement was held in April 2002, various scientific investigations were conducted mainly by the indigenous NGOs. In July 2002, Jananeethi, one of the NGOs which constituted the Anti Coca-Cola Peoples Struggle Committee, found that the chloride content, the amount of Total Dissolved Solids (TDS) and the hardness (calcium carbonate) in the water samples collected around the factory exceeded the standard: chloride content was 540mg per liter against the standard of 250mg per liter for drinking water; the amount of TDS was 551.6mg per liter against the limit of 500mg per liter, and; the hardness (calcium carbonate) was 1,120mg per liter against the limit of 300mg per liter[71]. The Jananeethi concluded its report that "the water of the wells of this area is polluted and unfit for domestic use" (Surendranath, 2003). On 13 May, 2003, the district medical officer of the Public Health Center formally informed the Perumatty Grama Panchayat that people should not drink water from the three wells neighboring the Coca-Cola factory on the ground that the hardness, chlorides and the TDS were beyond the tolerable levels for drinking water, domestic use and irrigation (Surendranath, 2003; NUS Services, 2005a). Meanwhile, the above mentioned report issued by CGWB in September 2003 clearly denied the possibility of the water contamination as saying "the quality of water samples collected from the dug wells located in and around the factory during Feb. 2003 ... are within the permissible limit of drinking water standard. No cases of abnormally high TDS has been found in the area and the water is suitable for all

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[71] Another research conducted in June 2002 by the Integrated Rural Technology Center (IRTC), a Palakkad-based NGO, found similar or more extreme result to the Jananeethi's (Surendranath, 2003).

purposes" (CGWB, 2003).

The difference between the views of those who thought the depletion and contamination of groundwater were caused by the Coca-Cola factory's operation and those who denied the existence of intolerant level of water threat was never resolved. Meanwhile, the stance of Coca-Cola has been clear and consistent from the beginning to the end of the water conflict in Plachimada. Firstly, the company agreed the existence of the depletion of groundwater and the deterioration of water quality in Plachimada. However, it denied the allegation that the company's operation was the direct cause of them basically on the basis of the reports of the CGWB and KGWB. Instead, it insisted that the shortage of rainfall and inefficient agricultural water use[72] caused the water issues in Plachimada. Responding to the NUS Services's interview about the responsibility over the water issues in Plachimada, Coca-Cola answered as follows:

> The Coca-Cola Company agrees that there has been a decrease in both water quality and quantity in the Kerala area since it located there, but agrees with Government studies which have concluded that severe deficiencies in rainfall during that period are the main cause of water depletion and subsequent decrease in quality. The Company asserts that the amount of water it draws is not significant enough to be responsible for the large-scale impact on local water[.] ... The Coca-Cola Company agrees with the assessment that water quality around its plant is poor, but says that this is the case throughout the State of Kerala and not just around its plant. (NUS Services, 2005a, pp.2)

Secondly, the company has kept claiming its legitimacy to extract groundwater saying

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[72] In terms of the agricultural water use, Coca-Cola criticized the inefficiency implying that the company was less responsible for the water issues in Plachimada. It said on its website; "The prevailing agriculture in the area requires approximately twice as much as our plant needs (on a per acre basis)" (Coca-Cola India, 2003).

that its water use was within the permission set by the KPCB or the Kerala High Court[73].

However, the recognition gaps in terms of the seriousness of the water scarcity in Plachimada and the Coca-Cola's responsibility for it were too big for the local community to accept the company's allegation. The first official movement against Coca-Cola to protect water resources for the local community in Plachimada was made on April 7, 2003. The village council, Perumatty Grama Panchayat, decided not to renew the industrial license which had been issued to Coca-Cola's Plachimada factory. The Panchayat stated that the decision was made to protect the public interest, blaming Coca-Cola's operation for causing a shortage of drinking water through over-exploitation. The Panchayat also explained that the decision had legitimacy on the basis of Section 232 of the Kerala Panchayat Raj Act (1994), which had allowed the Panchayat to protect its land and people from offensive or dangerous actions for human life or health[74] (Surendranath, 2003; Koonan, 2007). Coca-Cola promptly took a legal action against the Panchayat's decision. The company filed a suit to the Kerala High Court arguing that the Panchayat's decision had been made in an arbitrary manner without providing the company adequate chance to defend its position. On May 15, 2003, the Kerala High Court issued a stay order on the Panchayat's decision in favour of Coca-Cola's claim, and ordered the Panchayat to review its decision (Krishnakumar, 2003).

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[73] As noted previously, the original limit of groundwater extraction was set up to 561,000 liters per day by the KPCB (Bijoy, 2006). This limit was redefined in the Kerala High Court's ruling on April 7, 2005, up to 500,000 liters per day (under a normal rainfall condition). The details of the later rules will be described later.

[74] Under the Indian Constitution, Article 243 G, the legislature of a State may endow the Panchayat with necessary powers and authority to function as an institution of self-government (Surendranath, 2003).

In terms of the above mentioned Perumatty Grama Panchayat's action, Coca-Cola did not hesitate to show its frustration against the Panchayat's accountability for its abrupt policy change and political intervention from the state government (NUS Services, 2005a). Responding to the interview from the NUS Services (2005a) in terms of the Panchayat's decision, Coca-Cola answered as following:

> [I]t should be noted that the Perumatty Panchayat invited the plant to locate within its district in the first place and has only moved to act against the plant since changing allegiance to a political party which wishes to see Coca-Cola and other American multinationals leave India. (NUS Services, 2005a, pp.7)

In fact, as mentioned in Section 4.2, Coca-Cola established its bottling plants in the Kerala state having been invited by the LDF, and the Janata Dal, which was one of the constituents of the LDF and the leading political power in the Perumatty Grama Panchayat at the time, gave the industrial license to the company (see Figure 4). Moreover, as noted in elsewhere in this section, both the LDF and the Janata Dal issued a statement to protect Coca-Cola from the attacks of the local community on June 8, 2002. Nevertheless, the LDF as well as the Janata Dal changed their attitude to Coca-Cola altogether. The research of the NUS Services (2005a) indicates that the Janata Dal changed its position on Coca-Cola in late 2002 in response to the growing protests in Plachimada and elsewhere[75]. Furthermore, another possibility that the Panchayat's decision might be made mainly by the political reasons rather than the water resource

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[75] Plachimada was not only the place where Coca-Cola confronted protests with the local community. For example, the Indian Resource Center (IRC), one of the Indian NGOs which led protest activities against Coca-Cola, demanded permanent shut-down of Coca-Cola bottling factories in Mehdiganj, Kala Dela and Plachimada (Hills & Welford, 2005).

conservation purpose is pointed out. That is, the canceling of the license might be a part of the extension of the Communist Party of India (Marxist) – the leading political party in the LDF – policy of boycotting the products of the US-based TNCs in the wake of the US-led Iraq War[76] (Krishnakumar, 2003; Surendranath, 2003). In fact, nearly one month after the Perumatty Grama Panchayat decided not to renew a license for Coca-Cola in Plachimada, the Pudussery Grama Panchayat (also in Palakkad district) also decided to cancel the license for Pepsi Co India Holdings Private Ltd. in Kanjikode, while no particular restriction was newly imposed to any other domestic bottling factory in the region (Surendranatha, 2003; NUS Services, 2005a).

It is noteworthy that over 700 people, mainly composed by the workers in the Coca-Cola Plachimada factory, organized a protest march to the office of the Perumatty Grama Panchayat on May 16, 2003, just after the Kerala High Court ordered the Perumatty Grama Panchayat to review its decision. Their demand was protection for their jobs and retraction of the Panchayat's decision to cancel the license for Coca-Cola (Krishnakumar, 2003). This event clearly indicates the complexity at the local community level of inter-sector jurisdictions. Considering that there were some people who benefited from the Coca-Cola's operation in Plachimada, it is not plausible to assume that the local community was united in a single value to oust the company. However, as far as my research reveals, the above introduced protest movement was the first and last event which was held by the pro-Coca-Cola group in Plachimada. Although no document tells of the aftermath of the workers' movement in Plachimada, it might be diminished

[76] The US military forces invaded Iraq on March 20, 2003, with UK and other small supporting countries.

because it failed to achieve active consent from the majority of the local community.

Conflict (2): Expansion and Escalation of the Conflict (Jul 2003 ~ Jan 2004)

While the Kerala High Court allowed Coca-Cola to restart its operation in Plachimada, it did not mark the end of the conflict. Rather, the local people's movement against the company entered into a new phase. The protests were expanding, rather than diminishing, by linking with other social forces in other places in the world, including the US and the UK, or in other level of the society, such as mass media and academic institutions. Within only a couple of months after Coca-Cola restarted its operation in Plachimada by winning a lawsuit in the Kerala High Court, various institutions started casting doubt on Coca-Cola's operations in India.

First of all, on July 25, 2003, BBC Radio-4 broadcasted a report that the factory waste, or the "sludge", which the Coca-Cola factory in Plachimada distributed to farmers as "fertilizer", contained significant amounts of toxic materials including cadmium and lead (Rajeev, 2005). The scientific tests carried by BBC Radio-4 in collaboration with the University of Exeter (UK) found that the factory waste contained 10mg per liter of cadmium and 65.7mg per liter of lead, although the permissible limit prescribed by the WHO was 3mg per liter for cadmium and 10mg per liter for lead (Rajeev, 2005; Bijoy, 2006). The BBC report also alleged that the repeated application of the sludge containing toxic materials led to the contamination of surface and groundwater resources in the area (Koonan, 2007). Responding to the report of BBC Radio-4, the Kerala Pollution Control Board (KPCB) conducted a test both for the sludge and the groundwater on August 7, and

consequently, ordered Coca-Cola to stop distributing the sludge to farmers[77] (Rajeev, 2005; Bijoy, 2006). In addition, on October 31, 2003, the KPCB officially ordered the Perumatty Grama Panchayat to inform its residents that the water from the wells in the Panchayat area should not be used for drinking purposes (Koonan, 2007). Nevertheless, the KPCB had issued a report of the investigation to Coca-Cola in August 2003, assuring that the contamination levels of the groundwater were "not beyond tolerable limits" (Rajeev, 2005; Bijoy, 2006). Although Coca-Cola India stopped the distribution of the sludge following the KPCB's order, it kept defending the benefit of the sludge as fertilizer and denying the allegation that the sludge caused the contamination of the groundwater (Coca-Cola India, 2003). However, the company's claim became doubtful when the Kerala State Anti-Corruption Bureau implemented an investigation of K.V. Indulal on August 11, 2005. Mr. Indulal, who had been a member-secretary of the KPCB and had conducted the above mentioned investigation of the Coca-Cola factory on August 7, 2003, was investigated by the Bureau on suspicion of taking bribes from Coca-Cola and distorting the report in favor of the company[78] (Ajayan & Srivastava, 2005c; Rajeev, 2005; Worth, 2007).

Secondly, on August 5, 2003, only ten days after the BBC Radio-4's broadcasting, the Center for Science and Environment (CSE), an environmental group in India, issued a press release which claimed that products of Coca-Cola and Pepsi sold in India (total twelve brands) contained high levels of pesticides such as lindane, DDT,

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[77] According to Bijoy (2006), the result of the test conducted by the KPCB showed that the sludge contained the toxic materials as double as what the BBC Radio-4's reported.
[78] The result of the Bureau's investigation of Mr. Indulal is unclear.

malathion and chlorpyrifos[79] (Kaye, 2004). The report of CSE found that total pesticides in all Coca-Cola brands averaged 0.015mg per liter, which was 30 times higher than the permissible limit prescribed by the EC. The report also found that the Coca-Cola's and Pepsi's products sold in the US did not contain pesticides, which indirectly implied the possibility that the incorporation of the pesticides occurred in the production procedure in India (CSE, 2003; Kaye, 2004). In response to the CSE's report, the Indian central government immediately banned Coca-Cola's and Pepsi's products from the Parliament and launched its own investigation team, urging the state government to follow suit (Hills & Welford, 2005). In fact, seven of the India's 28 states including Kerala banned the sale of Coca-Cola and Pepsi products in and around government offices and government-funded schools (Ramachandran, 2006). Both Coca-Cola and Pepsi strongly criticized the CSE's allegation calling it "baseless". The companies tried to assure the customers in India of the safety of their products by citing the results of their investigations and regular tests in a joint press conference, threatening legal actions (Kaye, 2004). In late August, the central government announced the results of its investigation. It found that nine out of the twelve brands produced by Coca-Cola or Pepsi in India failed to meet the EC safety standards, although it did not mean that any of the products violated the India's safety standards. While the central government's report refused the CSE's claim that the companies' products contained dangerous levels of

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[79] Given that these pesticides were mainly used in the agriculture, it is possible that the contamination of Coca-Cola's and Pepsi's products stemmed from the groundwater contamination resulting from the past agricultural activities. However, the disputes at the time between the companies and the CSE were mostly focused on the products' safety. Therefore, neither the CSE's report nor the Coca-Cola's website argued the causes of the contamination (Coca-Cola India, 2003; CSE, 2003).

toxins, it also denied the companies' assertion that their products were within the EC safety standards (Hills & Welford, 2005).

Both reports, the BBC Radio-4 and the CSE, triggered mass movements against Coca-Cola in India. After CSE issued its report, and having confronted an extensive boycott, Indian Coca-Cola experienced a sharp drop in sales by 30 to 40% in only two weeks (Hills & Welford, 2005). This thesis assumes that these events encouraged the grass-roots protest activities against Coca-Cola at the time, including the case of Plachimada, to increase the legitimacy of their activities as raising support from other parts of society. These events effectively formed the anti-Coca-Cola momentum in Indian society, or even in the international society. In fact, the water conflict in Plachimada had been a mere issue in a particular region at the beginning, however, by linking with other related issues (e.g. distribution of the factory waste as fertilizer) or with other protest groups in other level (e.g. mass media in the UK), the water issue in a small village was scaled up to the national level issue and even to the international issue. In other words, the "Coca-Cola issue" was no more a local issue, but it jumped social scales and became a common concern which was widely shared in Indian society and international society. On the one hand, the growing anti-Coca-Cola momentum made the credibility of Coca-Cola's business operation in India diminished, and on the other hand it empowered the legitimacy of the protest movements against Coca-Cola.

Around this period, an important progress in terms of the dispute about water resource management in Plachimada was made. Before moving into the next case of the cross-scale escalation of the local activities, the progress in Plachimada should be

introduced first. On December 16, 2003, a few months after the BBC Radio-4's and the CSE's reports upset Indian society, the Kerala High Court determined that Coca-Cola's extraction of groundwater in Plachimada was illegal. The court decision was made from a lawsuit which had been made by the Perumatty Grama Panchayat against Coca-Cola on the grounds that the company overused the common water resources and threatened the local community's lives. The High Court ruled in favor of the Panchayat's claim. The Coca-Cola factory in Plachimada was ordered to stop extracting groundwater and to find alternative water resources within a month (Ramakrishnan, 2003). Justice K. Balakrishnan Nair explained its illegality as follows:

> Groundwater under the land of the company does not belong to it. ... Every landowner can draw a 'reasonable' amount of groundwater which is necessary for its domestic and agricultural requirements. But here, 510,000 liters of water is extracted per day, converted to products and transported, thus breaking the natural water cycle. (Hills & Welford, 2005, pp.171)

Justice Nair also said that the government had no power to allow a private party to extract such a huge amount of groundwater, which would result in depletion. The justice also pointed out that the Supreme Court had stated in earlier orders that underground water belonged to the public and the state should act as a trustee for its protection in the view that groundwater was a national resource that belonged to the entire society (Ramakrishnan, 2003). However, although the High Court supported the Panchayat's claim about the need of the restriction on groundwater extraction, it denied the Panchayat's legal power to intervene in the factory's operation on the other hand. The Court ordered the Panchayat to renew the factory's license saying that the Panchayat had

no authority to interfere Coca Cola's operation (Ramakrishnan, 2003; Hills & Welford, 2005). At the same time, the High Court ordered the formation of an investigation team to review and reform the water resource management framework at the Coca-Cola factory in Plachimada. The investigation team comprised of the Centre for Water Resources Development and Management (CWRDM)[80], the KGWD, the KPCB, and Coca-Cola[81]. In accordance with the Court's interpretation that the Panchayat had no authority to intervene in the factory's operation, the Perumatty Grama Panchayat was eliminated from the investigation team (Venugopal & Suchitra, 2005). The final report of the investigation team was not submitted to the High Court until as late as February 2005 (Bijoy, 2006). The point of the final report will be introduced later.

On December 19, 2003, responding to the Kerala High Court's judgment, Coca-Cola announced that it would appeal against the Court's rule which banned the company from extracting groundwater (NUS Services, 2005a). At the same time, Coca-Cola announced that it had newly formed a special advisory board in its management structure, called 'India Environment Council', to guide the company on various issues including environmental issues, corporate citizenship, social responsibility and corporate governance. The Council was headed by the former Chief Justice of India[82],

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[80] The Centre for Water Resources Development and Management (CWRDM) was established in 1979 as an autonomous research organization by the Government of Kerala, recognizing the need for catering to the R&D needs in the field of water management. (from CWRDM website: http://www.cwrdm.org/index.php)

[81] The investigation team was constituted from eleven members. Eight members including the Convener from the CWRDM, and one member from each of the KGWD, KPCB, and Coca-Cola (Venugopal & Suchitra, 2005)

[82] The former Chief Justice of India: B.N. Kirpal. Mr. Krpal criticized the protest movement in Plachimada calling it "agitation for agitation's sake" at press conference

and comprised of some of the India's leading professionals and distinguished personalities[83] (NUS Services, 2005a; Bijoy, 2006). It can be safely said that the aim of the company to establish a new council was to recover its legitimacy to do business in India by incorporating the Indian intellectuals into its management body. It was necessary for the company to regain credibility and consent from the civil society which it had been significantly lost in the scandals. However, it is also noteworthy, although it was not surprising, that no one who had been involved in the protest movements in Plachimada was invited in the company's Council.

Only one month after the Kerala High Court banned Coca-Cola from using groundwater and the Panchayat from interfering with the factory's operation, the protest movements against Coca-Cola in Plachimada expanded and escalated the level of the resistance further. In January 2004, the Perumatty Grama Panchayat in corporation with other indigenous NGOs held a three-day water conference in Plachimada. The aim of the Panchayat and the indigenous NGOs was to invite the delegates of the international NGOs which were expected to come to Mumbai to participate in the World Social Forum (WSF) in January 2004 (Wramner, 2004). The WSF is "conceived as an international forum against neo-liberal policies and capitalist-led globalization built around the slogan 'Another World Is Possible'. It provides a space for discussing alternatives, for

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(Bijoy, 2006).

[83] According to Bijoy (2006), other members of the Council were: Naresh Chandra (former union cabinet secretary), general V P Malik (retird and the former chief of staff, Indian Army), Deepak Parekh (chairman, Housing Development Finance Corporation Ltd. (HDFC)), S M Dutta, (former chairman, Hindustan Lever), Sunil Kant Munjal (managing director, The Hero Group), Jairam Ramesh (economist), Ustad Amjad Ali Khan (artist), and Shyama Chona (educationist).

exchanging experiences and for strengthening alliances between social movements, unions of the working people and NGOs"[84]. The fourth WSF was expected to be held in Mumbai during January 16-21, 2004[85]. The attempt of the Panchayat and the indigenous NGOs successfully attracted the delegates from all over the world, and the three-day conference, called 'World Water Conference in Plachimada', was held in Plachimada during January 21-23 (NUS Services, 2005a). During the stay in Plachimada, the delegates of the international NGOs and the local people in Plachimada all together, with over 300 people, marched to the Coca-Cola factory and held a sit-in in front of the factory gates demanding the local people's right of access to water[86] (Barlow, 2004; Krishnakumar, 2004). In the end of the Conference, 'The Plachimada Declaration' was adopted. It begins with the assertion that water is not a private property, not a commodity, but a common resource and a fundamental human right, and continued, with rather aggressive words, that:

> We should resist all criminal attempts to marketize, privatize and corporatize water. Only through these means can we ensure the fundamental and inalienable right to water for the people all over the world. ... [T]he right to conserve, use and manage water is fully vested with the local community. This is the very basis of water democracy. Any attempt to reduce or deny this right is a crime. (Krishnakumar, 2004)

Furthermore, the Plachimada Declaration describes the resistance in Plachimada as

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[84] Quoted from the website of World Social Forum India: http://www.wsfindia.org/

[85] The first WSF was held in Porto Alegre, Brazil, in January 2001, coincided with the World Economic Forum (WEF) in Davos, Switzerland. The first WSF achieved a historical success with roughly 20,000 people of participation from 117 countries (from the website of World Social Forum India: http://www.wsfindia.org/).

[86] Several internationally well-known environmental activities joined the protest activities and the Conference in Plachimada: Vandana Shiva (India), Jose Bove (France), Maude Barlow (Canada), etc (Krishnakumar, 2004).

"symbols of our valiant struggle against the devilish corporate gangs who pirate our water" (Krishnakumar, 2004).

The implementation of the Conference and the protest march with the attendance of the WSF had a significant meaning for the protest movements in Plachimada to escalate their activity vertically as well as to expand it horizontally. By connecting its activity with higher level (international level) groups or issues, the protest movements against Coca-Cola in Plachimada successfully scaled up the level of resistance from local level to global level. The significance of linking with other bodies in other social levels was expressed in the speech delivered by A. Krishnan, the president of the Perumatty Grama Panchayat at the time, at the end of the Conference:

> It is for the first time in India that a small village like Plachimada is attracting international attention because of severe water scarcity. It is for the first time that a small village is hosting a world event to underline that multinational companies like Coca-Cola and Pepsi are exploiting Indian villages. ...We too have friends all over the world. We are now part of the global resistance. And, the world would be watching. (Krishnakumar, 2004)

This thesis assumes that the escalation of the level of resistance allowed the movements in Plachimada to increase their legitimacy as well as to expand the anti-Coca-Cola momentum in India further. All of the movements, including the grass-roots activity in Plachimada, the Conference with the WSF attendance in Plachimada, the BBC Radio-4's broadcasting and the report of the CSE, were linked to each other directly or indirectly, and empowered reciprocally. Then, this thesis assumes that such social movements formed a virtual space for a counter-bloc against Coca-Cola's rule in Plachimada to emerge, while the counter-bloc was not strong enough to replace Coca-Cola's rule with

an alternative hegemonic social order.

In the end, it should be noted that no event such as debate involved Coca-Cola was held while the attendance of the WSF visited Plachimada. Although several conferences were organized during January 21-23, 2004, all of them were held without involving Coca-Cola. It is unclear whether the Panchayat and the NGOs did not invite Coca-Cola to the Conference, or Coca-Cola declined their invitation. Either way, no event to restore cooperative relation between the local community and Coca-Cola was held at the time.

Conflict (3): Battles over the License (Feb 2004 ~ Jan 2006)

In February, 2004, roughly one month after the Conference with the WSF, the Kerala state government declared seven out of the fourteen districts in the state, including Palakkad district, as drought hit (Bijoy, 2006). In that context, on February 17, 2004, the Kerala High Court issued a strict order to the Coca-Cola factory in Plachimada to halt its operation until June 15, 2004, in view of the severe drought in the district. As a result, the factory stopped all of the operation on March 9, 2004[87] (Hills & Welford, 2005; Bijoy, 2006). Moreover, Coca-Cola's new application for a five-year license at Plachimada was rejected by Perumatty Grama Panchayat again. The reason for the rejection was that

[87] The NUS Services (2005a) revealed that the president of the Prematty Grama Panchayat had sent a letter to the Kerala state government on February 12, 2004, threatening a hunger strike from February 21, in front of the Coca-Cola factory unless the state government forces its closure. While it is unclear to what extent this Panchayat's pressure influenced on the state government's decision, it might be possible that the decision was made from political perspectives rather than natural resource management perspectives.

Coca-Cola had not accepted one of the Panchayat's preconditions to ban the extraction of groundwater[88] (Hills & Welford, 2005). As a result, Coca-Cola was not able to restart its operation in Plachimada for nearly two years from March 2004 until January 2006.

The official progress in the disputes over the Coca-Cola's operation in Plachimada had not been made until February 11, 2005, when the investigation team[89] which had been constituted on the basis of the Kerala High Court's order on December 16, 2003, finally submitted its final report on investigations on the extraction of groundwater by Coca-Cola in Plachimada. The final investigation report concluded that the permissible groundwater extraction for Coca-Cola in Plachimada was up to 500,000 liters per day and lesser according to the extent of rainfall (Bijoy, 2006). Based on the report, on April 7, 2005, the High Court ruled that:

> [P]ermissible groundwater withdrawal could be 5 lakh (500,000) litres per day, if for relevant year, average rainfall was available. If it was less by 10 per cent, exploitation is to be reduced to 4 lakh (400,000) litres per day. If the monsoon is less by 20 per cent or 30 per cent, restriction should have been made to 3 lakh (300,000) litres and 2 lakh (200,000) litres respectively. In a case of a year where there was 30 per cent lesser rainfall than average, total ban of use to be imposed. (Bijoy, 2006, pp.4336)

In the explanation of the grounds of the judgment, the High Court stated that "a person has the right to extract water from his property, unless it is prohibited by a statute" (Bijoy, 2006, pp.4336). As it was implied in this statement, any effective 'statute' which might

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[88] Coca-Cola criticized the Panchayat's rejection claiming that it was unfair as 20 other companies in the district including Pepsi had been allowed to utilize groundwater. In response to Coca-Cola's complaint, the Panchayat responded that the same condition as Coca-Cola's would be applied to all of the companies if Coca-Cola accepted all of the three preconditions (Hills & Welford, 2005).

[89] See footnote 81 for the constitution members of the investigation team.

have allowed the administrative body to regulate Coca-Cola's water extraction had not been enacted in the case of Plachimada (the details of the deficit of the legal framework will be argued later). In the end, the High Court ordered the Perumatty Grama Panchayat to issue the new license to Coca-Cola within a week of the application by the company if its business plan met certain conditions (Ajayan & Srivastava, 2005a). It should be noted that the Court declined the Panchayat's request to submit the counter-report prepared by the CSE (Bijoy 2006).

Despite the High Court's judgment, the negotiation between Coca-Cola and the Panchayat did not reach an agreement again. On April 26, 2005, the Panchayat rejected the Coca-Coal's application for a five-year license submitted on April 13, on the ground that the application did not fulfill the conditions set by the High Court (Bijoy, 2006). After having a warning from the High Court, the Panchayat offered Coca-Cola a license valid for three months with thirteen conditions on June 6, 2005, instead. However, Coca-Cola refused to accept it because of the offered license's short duration of validity. While Coca-Cola filed another new application for a two-year license, the Panchayat, again, rejected it on June 13, 2005. Naturally, Coca-Cola denounced the Panchayat's decision as a violation of the court order (Ajayan & Srivastava, 2005a). Finally, Coca-Cola took an aggressive measure. On August 8, 2005, Coca-Cola restarted its operation as a "trial" at the Plachimada factory without license from the Panchayat. While its operation was immediately stopped on August 19, having been ordered by the KPCB, the credibility of Coca-Cola was significantly damaged (Ajayan & Srivastava, 2005b).

Even during the Coca-Cola factory shut down, the pressures against Coca-Cola both in Indian society and in international society increased rather than calmed down. On Marcy 7, 2004, two days before Coca-Cola decided to halt its operation in Plachimada, activists of the Democratic Youth Federation of India (DYFI) and others involved in the anti-Coca-Cola agitation blocked two tanker lorries transporting water[90] to Coca-Cola factory at Plachimada and distributed the water to local people (The Hindu, 2004). The same attack was repeated on April 3, 2004, even after the factory officially announced its shut-down[91]. In the latter case, 44 of the local people and activists were arrested by the police (Surendranath, 2004).

Around February - April 2005, when the disputes in the Kerala High Court were about to end, the anti-Coca-Cola movement showed a new expansion internationally. In February 2005, students in the US and the UK launched a campaign to revoke Coca-Cola's contracts at colleges and universities on the ground that the company had caused sever water shortages, pollution of soils and water resources, distribution of toxic waste as fertilizer and sales of sub-standard drinks contained high level of pesticides[92] (Hills & Welford, 2005). In the US, the campaign held symposium, called 'Speaking Tour to Hold Coca-Cola Accountable', from April 4 to 19 across the East Coast of the US. The

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[90] According to Jayaraman (2002), Coca-Cola has been carrying water by trucks from the wells in the neighboring villages to cover its unfulfilled water demand, especially when the factory was banned from extracting groundwater from its own wells in the plant.
[91] It is unclear why Coca-Cola was carrying water to the factory even after it officially announced its operation halt. The local people accused the factory assuming that it continued the production (Surendranath, 2004).
[92] The campaign also accused Coca-Cola of the alleged human rights violations in its bottling factories in Colombia. The poor working conditions in the bottling factory in Colombia was controversial at the time (Hills & Welford, 2005).

tour culminated on April 19, 2005, when the campaign joined the Coca-Cola's annual shareholders meeting in Wilmington, Delaware, US, and dominated the meeting's agenda by questioning the accountability of the company's operation in India and Colombia (Hills & Welford, 2005). Meanwhile in the UK, one of the largest trade unions in the UK called for a week of boycott action against Coca-Cola from April 10 to 16, 2005. In addition, around the same time, the National Union of Students (NUS), which is a large UK-based student organization constituted of 750 member colleges and universities in the UK and the Northern Ireland, announced its intent to investigate further into Coca-Cola's controversial operations in India and Colombia, and to review its contract with Coca-Cola[93] (Hills & Welford, 2005). As a result of these movements, for example, the Rutgers University in the US cancelled its US$17 million contract with Coca-Cola in April 2005 (Hills & Welford, 2005); the University of Michigan decided to suspend the contract with the company which was worth about US$1.4 million in December 2005 (Burnett & Welford, 2007), and; six of the student unions in the UK – SOAS, Middlesex, Queen's University Belfast, Leeds, Bristol and Oxford – removed Coca-Cola's products from their campuses (NUS Services, 2005b). According to the research of the One World, 25 universities or colleges in the US, UK, and Canada including the above listed schools took actions to remove the Coca-Cola's products from their campuses (Glantz, 2007).

On November 16, 2005, the Kerala High Court, once again, ordered the Perumatty Grama Panchayat to issue the new license for Coca-Cola, this time with a deadline, before January 6, 2006. As a result, the Panchayat, finally, issued a fresh license

[93] The NUS's commercial arm, NUS Services Ltd., had a £15 million, five-year contract with Coca-Cola to supply more than 200 bars across the country (Townsend, 2006).

for three months to Coca-Cola on January 4, 2006, to comply with the Court's order. The Panchayat offered 17 conditions for the new license, including a condition to prohibit the company from extracting groundwater beyond the limit set by the Panchayat. As a result, Coca-Cola accepted all of the conditions, finally, the company was allowed to restart its operation in Plachimada after the nearly two years of being shut-down (Aggarwal, 2007).

4.4. Brief Review on the Water Conflict from Gramscian Perspectives

As argued previously, the social order related to water resource management in Plachimada was non-hegemonic from the beginning, since it had been created by non-democratic process, eliminating the local people from the decision-making process. All of the conditions – such as location of the plant, source of water for the business, way to access to water resources, amount of the water use, treatment of the factory waste, and so on – were set behind the closed doors without involving the local community which would be most likely to be influenced by the factory's operation. In other words, the social order centered on Coca-Cola factory had no chance to be hegemonic from the beginning, since the ruling body, the coalition of Coca-Cola and the state government, had not sought to raise consent from subordinate people. The economic development including creation of jobs was not enough to gain active consent from the majority of the local community. As the Gramscian theory argued that a non-hegemonic order requires coercive forces to maintain its order, the police power and the court order were the main forces to maintain the social order in Plachimada. Obviously, the social order in Plachimada centered on Coca-Cola was in an 'organic crisis'.

This thesis has argued in the previous chapters that the neoliberal social order was 'limited hegemony' or 'domination' rather than 'full hegemony' both in the nation-state level and the international economic framework level. In terms of the local level, the community's protest movements against Coca-Cola proved that the new social order which was installed as a result of the neoliberal economic reform was not backed by the civil society, and therefore, was not hegemonic even at the local community level, at least in the case of Plachimada. The protest movements against Coca-Cola in Plachimada increased its social power as well as legitimacy by linking with other activities horizontally and vertically. In fact, the movements successfully halted Coca-Cola's operation in Plachimada. However, the aim of this thesis is not to reveal the way of successful 'protests', but the way to create counter-hegemony and an alternative social order beyond the neoliberal limited hegemony. In that sense, the resistance should pursue a victory in 'war of position', not in 'war of movement'. In terms of the case of Plachimada, many of the activists or activist NGOs praised it as "a victory of civil power" or "David's victory against Goliath". However, did the victory against Coca-Cola in Plachimada mean a victory in 'war of position'? Did the protest movements create counter-hegemony in Plachimada? Did the anti-Coca-Cola movement replace the neoliberal social order with an alternative social order?

Unfortunately, this thesis says "no" to all of the above questions, because the fundamental social order in Plachimada has not been changed. In fact, the protest movements successfully stopped Coca-Cola. However, the judicial judgment that the Panchayat's interference with Coca-Cola's operation was illegal has not been changed;

the political irresponsibility that invited Coca-Cola to Plachimada and allowed the company to launch a bottling factory without sustainable water resources has not been solved at all; the bureaucratic inefficiency and malfunction in the state's water resource management framework are still there; the excessive centralization or the de facto nationalization of local resources still eliminates the local community's participation from the policy-making regarding natural resource management. That is, most of the fundamental factors which caused severe conflicts and water issues in Plachimada remain to be solved. In addition, as the factory workers' campaign to demand the plant's restart implied, the issues such as the balance between social development and environmental conservation also remain to be solved, even if the local community ousted the company from the village. Above all, while the Panchayat succeeded to restrict Coca-Cola's operation, it does not mean that the water issues in Plachimada have been solved. Given that the depletion and the lowering level of the groundwater had been reported even before the company launched the operation in Plachimada, a management framework for sustainable water resource use remained to be installed. In short, the new order centered on the Panchayat is likely to be temporary and overturned. Therefore, this thesis assumes that the local community's victory against Coca-Cola was not a victory in a 'war of position', although it was valiant enough to be called a victory in a 'war of movement'.

Then, how is an alternative social order and counter-hegemony possible? How can civil society achieve a victory in a 'war of position' rather than in a 'war of movement'? If a frontal crash with a body from the neoliberal bloc (e.g. the protest movements against Coca-Cola in Plachimada) would end in a mere 'war of movement',

how is a 'war of position' possible? To seek the answers for these questions, this thesis will start the exploration – how an alternative social order is possible – from the local community level, instead of the national level or the international level. Because, as described in Section 1.2, Cox (1987) assumes that a historic bloc should first emerge domestically, and then expand domestically and internationally forming a global historic bloc and a hegemonic world order. In accordance with Cox's argument, this thesis assumes that a counter-historic bloc also should first emerge at the local level and successively escalate to the domestic level and the international level, to replace a non-hegemonic order.

Based on this point of view, this thesis will examine the case of Plachimada further. In the case of Plachimada, a successful social order can be understood in the context of sustainable and equitable water resource management. If a sustainable water resource management framework had been there, and the Coca-Cola's operation had been incorporated with that framework, the local community in Plachimada would not have had to develop the massive protests against Coca-Cola demanding water security. Finding the effective way to establish a sustainable water resource management framework in Plachimada is equivalent to finding the effective way to prevent Coca-Cola from exploiting water resources excessively, which is also equivalent to finding the effective way to control the power of TNCs under the civil society's will. If the way to control the power of TNCs could be found through the exploration of sustainable resource management in Plachimada, and if the way to establish a sustainable resource management framework based on the democratic decision-making and the power-sharing

among stakeholders could be found, a great insight to create counter-hegemony against neoliberalism would be found. To start the exploration for the alternative resource management framework, the next chapter will begin with the analysis of the causes of the failure in water resource management in Plachimada.

Chapter 5. Case Study Analysis

To reveal an effective way to create an alternative social order, this thesis begins the exploration of the way to establish a sustainable water resource management by continuing the examination of the case of Plachimada. Starting from the analysis of causes of the failure in Plachimada, the argument about the possible solutions for a better social order (sustainable water resource management) will be followed. Finally, this thesis will argue the essential conditions needed to create an alternative social order as a conclusion to the case study.

5.1. Causes of the Failure in Plachimada

This thesis has briefly argued in Section 4.4 that the social order in Plachimada related to water resource management was neither hegemonic nor sustainable. In this section, the reasons why the order was not hegemonic, as well as the reasons why the water resource management was not sustainable, will be examined more specifically. This is the process to seek some lessons from the unsuccessful social order in Plachimada to create an alternative sustainable social order. This thesis will focus on three points: 1) if the democratic mechanisms were installed in the management framework; 2) if the administrative framework was organized well enough to govern the resource management framework efficiently, and; 3) if the stakeholders were capable to have adequate social capitals including trust and respect to create a cooperative management framework.

Deficiency (1): Non-democratic Management Framework

As briefly noted in the end of the Section 1.1, a democratic social framework is necessary for a hegemonic social order to emerge, because the rules or policies of the ruling body (e.g. in the case of Plachimada, the ruling body was Coca-Cola, or the coalition of Coca-Cola and the ruling political party in the Kerala state government) need to be legitimized with active consent from the subordinate people (e.g. in the case of Plachimada, the subordinate people were the local people in Plachimada). Democratic social framework is an important mechanism which allows the ruling body to raise consent from subordinate people and enforce its rule's legitimacy. In this sense, a high level of democracy is a necessary condition for full hegemony to be established. Therefore, first of all, this thesis will explore the reasons why the social order in Plachimada was unable to be hegemonic by focusing on the level of democracy in the resource management framework centered on Coca-Cola in Plachimada.

In terms of the way to evaluate the level of democracy in a social order, as argued in the end of Section 1.1, this thesis will focus on the following four conditions: a) stakeholders are able to participate in the decision-making process; b) stakeholders are able to review and change the existing rules or policies; c) stakeholders are able to access the necessary information (information transparency), and; d) these stakeholders' rights are guaranteed by law. In this case, 'stakeholders' are understood as the people (or entities) whose quality of life (or performance of the business operation) may be affected by the implementation or the changes of the policies. In the case of Plachimada, 'stakeholders' include, primarily, the local water resource users (e.g. farmers and

households) whose livelihoods were vulnerable to the changes of the water security possibly caused by the establishment of the new bottling factory. However, 'stakeholders' are not necessary to be limited to the people who have been marginalized from the ruling bodies. Namely, the people who benefited from the establishment of the new factory such as the workers in the factory and Coca-Cola per se are also understood as constituents of 'stakeholders'.

a) Deficiency of Democratic Decision-Making Process

In terms of the first point – whether stakeholders are able to participate in decision-making processes – the stakeholders, predominantly the local resource users, were consistently eliminated from the decision-making process. The invitation to Coca-Cola for regional development had been implemented only within the ruling bodies, namely within the LDF and the company. The important issues for all of the water resource users in the local community, such as the selection of the factory's location, the limits on the company's water intake, the main water sources, treatment of the factory waste and so on, had been decided without the local people's participation. Furthermore, the undeveloped legal framework at the time in the Kerala state allowed Coca-Cola to complete its EIA without consulting any of the governmental bodies and keep the assessment result secret as confidential information. As a result, Coca-Cola's problematic business scheme, which was to extract groundwater for commercial purpose from the drought-prone region, had been officially authorized without being reviewed by other water resource users including the local farmers and residents. The local community's

objections might have hampered Coca-Cola's business scheme, which had totally depended on the groundwater for its water source, from being implemented, if a process or a mechanism to involve the local community in the decision-making process had been present. At least, the stakeholders could have considered alternative plans such as postponing factory opening until June 2002, when the company installed a rainwater harvesting system in the factory, or until the day when the company established the pipeline to access to the Moolathara Dam. However, the ignorance of the local people's concerns and the deficiency of the legal framework to encourage the rule makers (e.g. Coca-Cola and the water related department in the state government) to involve wide range of stakeholders in the decision-making process resulted in the authorization of the business-oriented water exploitation.

Furthermore, the ill-designed decision-making process, which was excessively centralized to the state government, led to the inappropriate legitimization of Coca-Cola's water exploitation. In the water conflicts in Plachimada, Coca-Cola kept insisting that the depletion of water resources had been caused not by the factory's water extraction but by lack of rainfall and inefficient agricultural water use. On that basis, Coca-Cola consistently claimed its legitimacy to extract groundwater by saying that it had received permission from the government (see footnote 73) and its water use was within the limit. However, even if Coca-Cola's operations were not the major cause of the drought, and it had legal permission to extract huge amounts of water, this would not justify Coca-Cola's actions which threatened the sustainability of the community's water resources. In short, the permitted water extraction level which had been set by the state government's

'top-down' and 'bureaucratic' decision-making process was originally too much. The excessively centralized decision-making process failed to prevent the water shortages in Plachimada from occurring, unfairly legitimizing Coca-Cola's extraction of huge amounts of water from scarce water resources. The important issues including the quantitative limit of water extraction should have been set with agreement among stakeholders including the local farmers and households, and regulated by local authorities empowered to do so.

b) Deficiency of Democratic Monitoring Framework

The centralized state control which was likely to contradict the ideas of the people's participation or the collective decision making remained in the dominant position in the water resource management framework in Plachimada even after the Coca-Cola factory launched. Therefore, the second condition for the democratic framework – either stakeholders are able to review and change the existing rules or policies – was not fulfilled either. As far as my research shows, local people's participation has never been officially admitted even after the Coca-Cola's operation in Plachimada became problematic domestically and internationally. For example, although the first governmental investigation report was issued by the KGWD in November 2002 responding to the growing momentum of the anti-Coca-Cola movements in Plachimada, the research had been done without involving the Perumatty Grama Panchayat or the local people and concluded that the company's groundwater use was not as problematic as the protests claimed. Moreover, the Kerala High Court's ruling in December 2003 that

the Panchayat had no authoritative power to intervene in Coca-Cola factory's operation deprived the local people of the rights to monitor the factory's operation which was critical for the quality of their lives. In addition, as one of the most symbolic events to show how the centralized governance system eliminated the local stakeholders from the management framework, neither the Panchayat nor the local people were allowed to participate in the investigation team constituted by the Court's order in December 2003. The bureaucratic centralism was indicated in the member constituent of the investigation team. While the Panchayat or the local people were eliminated from the investigation team on the one hand, the governmental bodies comprised as many as ten members out of eleven on the other hand (see footnote 81). In particular, although the Centre for Water Resources Development and Management (CWRDM) took the primary responsibility to reconstruct the water resource management in Plachimada comprising the majority of the investigation team, it was the first and last time that the CWRDM was involved in the disputes. Even the submission of the counter-report prepared by the CSE was rejected by the Court. It is noteworthy that all of the official reports were exclusively based on scientific and quantitative research, while the reports from the NGOs were likely to be based on interviews with the local farmers and households. This contrast in the methodology of the investigation suggests how the governmental bodies tended to disregard the local community's voices in the process to reconstruct the water resource management framework in Plachimada. In the end, it should be noted that the excessively centralized management framework made the investigation process opaque, and consequently, threatened the democratic management framework with corruption (see

footnote 78). These facts prove that the local people were not entitled to review or change the existing water resource management policies.

c) Deficiency of Information Transparency

In terms of the third point – whether stakeholders are able to access to the necessary information, or in other words, either the information transparency are guaranteed – the arguments so far revealed how the information transparency in Plachimada was extremely low, especially for the local community. Eliminated from the decision-making process and the monitoring framework, the local community had no chance to access the necessary information. One of the most typical cases of the deficiency of information transparency in Plachimada was the volume of the Coca-Cola's groundwater extraction. The amount of the company's water intake was one of the most unclear as well as controversial issues, because the company had not disclosed the data, while it kept claiming that its water use was "within the permitted level". The company's hesitation to share the fundamental data among stakeholders prevented the stakeholders from having constructive discussions based on common understanding and forming trusts. Instead, the low level of the information disclosure from Coca-Cola created a number of unnecessary speculative reports from the NGOs with regard to the company's water intake[94]. The deficiency of the common understanding resulted from the company's low

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[94] For example, the People's Commission, one of the few activist organizations which were allowed to enter into the factory for investigation, concluded the investigation report published in November 2002 that "the company could be extracting close to 1,000,000 liters of water every day", assuming that one bore well in the factory could extract "more than 0.1 million liters of ground water in an hour" and "a minimum

level of information sharing ended in the furious exchanges of condemnations and the irreparable distrusts between Coca-Cola and the local community.

d) Deficiency of Legal Enforcement to Guarantee Democratic Framework

Finally, the arguments so far partially addressed to the fourth inquiry – whether the stakeholders' rights to intervene in the social framework in question are guaranteed by law. The legal framework at the time related to the issues in Plachimada was not developed enough to protect local community's interest imposing no legal obligations on Coca-Cola to disclose corporate information, such as the result of the EIA and the amount of its groundwater intake, which was critically important for the local people to protect the community's common water resources. Above all, the Perumatty Grama Panchayat's attempt to intervene in the factory's operations by rejecting the license renewal for Coca-Cola was officially judged as illegal in December 2003. As noted in the previous section, the legitimacy of the Panchayat's decision had been based on the Section 232 of the Kerala Panchayat Raj Act (1994), which had allowed the Panchayat to protect its land and people from offensive or dangerous actions for human life or health (see footnote 74). The Kerala Panchayat Raj Act was enacted in 1994, responding to the 73rd and 74th constitutional amendments in 1992. The constitutional amendments in 1992, submitted in 1989 by the Rajiv Gandhi's administration, aimed at the empowerment of the Panchayat and devolution of power by the state government to enable the Panchayat to act as a

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pumping of 10 hours per day" (Surendranath, 2003). Other figures reported in the NGO's report ranged from 561,000 (the original limit permitted by the KPCB) to 1,500,000 litters per day (Krishnakumar, 2003; Surendranath, 2003; NUS Services, 2005a; Bijoy, 2006; Koonan, 2007)

micro level unit of local self-government. The Rajiv Gandhi's administration also expected to stimulate local development efforts by providing funds from the state government to the local Panchayats directly so that the Panchayats would be able to work on the issues like unemployment by creating jobs with the funds. In this way, the Kerala Panchayat Raj Act was introduced in 1994 in the context of decentralization and community empowerment (Indian Child, 1995; Koonan, 2007). The Kerala Panchayat Raj Act required "the factories and industries to obtain license from the Panchayat" in Section 233A (Koonan, 2007, pp.6). Furthermore, the Act empowered the Panchayat to "abate the nuisance created by any factory or industries in its jurisdiction" in Section 233 (Ibid). Considering the legal rights granted to the Panchayat in the Kerala Panchayat Raj Act, especially in Section 232, 233, 233A, the Perumatty Grama Panchayat's actions against Coca-Cola had enough legitimacy. Although this thesis's aim is not to examine the legitimacy of the judicial ruling, it can be safely said that the Kerala High Court's ruling in December 2003 against the Perumatty Grama Panchayat's actions were contradicting the ideas of the community empowerment and decentralization backed by the 73rd and 74th constitutional amendments and the Kerala Panchayat Raj Act[95]. Needless to say, the High Court's ruling disappointed the local community, including the Panchayat and the local people involved in the protest movements. A. Krishnan, the president of the Perumatty Grama Panchayat, raised objections against the Court's ruling saying:

[T]he court order asking a government official to sit in judgment of the decision of

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95 Koonan sharply criticizes the Kerala High Court's ruling against the Perumatty Grama Panchayat's actions saying "the object of the decentralization principle has been completely neglected by the division bench of Kerala High Court" (2007, pp.7).

> the people's representatives went against the Constitution and democratic principles[.] (Krishnakumar, 2003)

These examinations revealed that none of the four conditions set by this thesis to evaluate the level of democracy was met in the water resource management framework centered on Coca-Cola in Plachimada. The first three conditions – democratic decision-making process, democratic monitoring framework, and information transparency – were mostly ignored or disregarded in the case of Plachimada. When it comes to the fourth condition – legal enforcement to guarantee democratic framework – the society seemed to have an adequate legal framework (the Kerala Panchayat Raj Act) to guarantee the minimum level of the democratic rights to protect public interests based on collective decision-making. Given that the first three conditions were not fulfilled, the local people in Plachimada including the Perumatty Grama Panchayat had no other options than resorting to the legal rights granted in the Kerala Panchayat Raj Act to participate in the management framework and to protect democratic social order. However, even the Panchayat's rights were denied in the Kerala High Court's ruling in December 2003. As a result, the local community in Plachimada was deprived of all of the options to protect democratic social order and collective decision-making. The disobedience to the Court orders and the forceful protests movements were the only remaining options for the local community to resist against the non-democratic as well as unsustainable social orders centered on Coca-Cola.

Viewed from Coca-Cola's side, the Panchayat's one-sided order to halt the operation without giving the company an adequate chance to defend its position must be

seen as a non-democratic or coercive measure, and the Panchayat's disobedience to the Court orders as well. However, those Panchayat's coercive responses against Coca-Cola should be understood as struggles to get into the non-democratic management framework and reflect the local community's voices into it. If the water resource management framework in Plachimada had been implemented with the local community's participation, if it had had the democratic mechanisms to change the managerial systems according to the voices from stakeholders, and if those mechanisms had been adequately enforced by laws, the Panchayat would not have to take those coercive responses or support one-sided decisions against Coca-Cola. That is, the local community's furious reactions against Coca-Cola were an understandable consequence resulting from the deficiency of the democratic management framework. In other words, 'organic crisis' in Plachimada was brought by the ruling bodies' failure to guarantee democratic decision-making process for the subordinate people. Unless all of the four conditions for democracy were guaranteed by reforming the water resource management framework to the democratic one, any rules would end in a mere coercive domination rather than hegemony. In fact, any of the revised water resource management schemes conducted by Coca-Cola or the governmental bodies only caused further frictions with the local community. A democratic ruling framework was critically needed in Plachimada to establish a hegemonic social order as well as a sustainable water resource management framework.

Deficiency (2): Malfunctions of Centralized Administrative Framework

This thesis has argued that the deficiency of the democratic mechanisms was one of the causes that made the water resource management in Plachimada non-hegemonic and unsustainable. However, it is doubtful to think that the sustainable water resource management framework would have been achieved if only the local people's participation and the collective decision-making had been there. The inefficiency and malfunctions of the administrative framework which is thought to have resulted from bureaucracy and centralism should be solved too.

a) Inefficiency, Malfunctions and Irresponsibility of Bureaucracy

First of all, inefficiency and malfunctions of bureaucratic administration should be noted as one of the causes of the unsuccessful water resource management in Plachimada. The malfunctions of bureaucracy, or in particular, the malfunctions of the Kerala state government, had been seen even before the Coca-Cola factory established in Plachimada in January 2000. As noted in Section 4.2, the lowering of the groundwater level and the need for restriction of groundwater extraction in the region had been warned in an environmental analysis report published in May 2000, which had been prepared for the World Bank and Kerala Rural Water Supply and Sanitation Agency. The research project had been conducted in 1994, six years prior to the publication of the report, and the Kerala state government was involved in the project as the project owner (Paramasivam, 2000). Taking these facts into consideration, it must have been possible for the state government to introduce necessary measures for sustainable water resource

management, much before Coca-Cola established the bottling factory in Plachimada in January 2000. Nevertheless, the state government had taken no necessary actions and authorized the Coca-Cola's unsustainable water use, ignoring the warnings from the environmental research project. In addition, the state government's irresponsibility to the preferential treatments offered to Coca-Cola to invite the company to Palakkad district was understood as a typical case of bureaucratic malfunctions. According to the Coca-Cola's claim, the state government did not issue the permission for the company to build a pipeline to source water from the Moolathara Dam, against the original promise which had been offered by the state government as one of the preferential treatments. If Coca-Cola's claim is true, the state government's irresponsibility should be blamed, and the government should be responsible for the destructive consequence in Plachimada, since it allowed the company to extract groundwater without providing an alternative water source (the Moolathara Dam) to the company as promised.

The deficiency of the legal framework for sustainable water resource management was also caused by the state government's bureaucratic inefficiency. The Kerala Ground Water Act was enacted in 2002. The aim of the Act is to control and regulate the extraction and use of groundwater by the private individuals and companies, based on the recognition that groundwater is a "critical resource" and regulation on the use of groundwater is "necessary and in public interest" (Koonan, 2007). The Act makes it mandatory for individuals or companies to get permission from the authority (the KGWD) to dig or expand a well. The permission would not be issued before clarifying the purpose of digging wells, the quality and quantity of groundwater of the area, the

potential danger to the existing users, distance from the existing wells, etc. The investigation by the scientist appointed by the authority and registration of wells are also mandatory in the Act (Koonan, 2007). Although the Act seemed powerful enough to regulate Coca-Cola's operation in Plachimada, the Act was not in effect when the case of Plachimada occurred. If the state government had legislated the Act at the right timing, the case of Plachimada would have been different. Firstly, the Act should have been legislated as early as the 1990s. A model Bill for Regulation of Ground Water was circulated to all states by the Ministry of Water Resources in 1992 and 1996[96], recommending the states to establish the law to regulate groundwater extraction at the state level (Koonan, 2007). Secondly, the Act should have been notified to the "over-exploited area" including Plachimada as soon as it was enacted in 2002. The Act was only applicable to the notified areas. In fact, the Act was not notified to the regional block where Plachimada belonged when the water conflict occurred in Plachimada in April 2002, hence, the Act was not applied to the case of Plachimada (Koonan, 2007). It was as late as 2004, when the KGWD notified Plachimada as one of the "notified areas" and put it under the category of "over-exploited"[97] (Bijoy, 2006; Koonan, 2007).

The authoritative bodies' passive and slow response to the water conflicts in Plachimada was also one of the factors which worsened the frictions between Coca-Cola and the local community. The authoritative bodies' investigations should have been conducted regularly to prevent both the quantity and quality of water resources from

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[96] The first circulation of the Model Bill for Regulation of Ground Water was originated in 1970.

[97] According to Bijoy (2006), no practical actions have been taken by the KGWD even after it notified Plachimada as "over-exploited" area.

declining. However, the authoritative bodies in the Kerala state government conducted investigations only after problems happened. The first governmental report about the water security in Plachimada was issued by the KGWD as late as in November 2002, six months after the first protest movements had occurred in April 2002. The KPCB ordered Coca-Cola to stop distribution of its factory waste as fertilizer only after the BBC Radio-4 broadcasted the facts in July 2003. Similarly, the KPCB ordered the residents in Plachimada not to drink the water taken from the wells in October 2003, three months after the BBC Radio-4 pointed out the possibility of water contamination in Plachimada. Furthermore, the investigation team constituted by the Kerala High Court's order in December 2003 took no less than one year to complete its investigation report. These facts that the authoritative bodies conducted the investigations after problems occurred implied that they did not have an effective regular monitoring framework over Coca-Cola's operation. As a result, all of the government's actions came too late and failed to prevent the depletion and contamination of water resources from occurring.

b) Overlapping Authorities and Unclear Responsibility

The inefficiency, malfunctions or irresponsibility of the state government's authoritative bodies argued above were partially the results of the overlap of authoritative powers and ambiguity of the locus of responsibility. The confusion resulting from the ambiguity of the locus of responsibility was often observed in the case of Plachimada. For example, the original limit of groundwater extraction for Coca-Cola (561,000 liters per day) was set by the KPCB. Meanwhile, the investigation of the factory's groundwater

intake was conducted by the KGWD and it concluded that the company's water intake should be restricted to 300,000 liters per day. After that, the investigation team constituted by the Kerala High Court's ruling was led by the CWRDM, and the High Court ruled that the company could use maximum 500,000 liter per day. Finally, the Perumatty Grama Panchayat permitted Coca-Cola to resume operations with a condition that the company will not extract groundwater beyond the limit set by the Panchayat. It is fair to say that the administrative framework was chaotic and malfunctioning because of the overlap of the authorities.

The overview of the laws and the administrative bodies related to the issues of Plachimada can be summarized as shown in Figure 6. Mainly, there were two authoritative bodies capable of dealing with water issues in Plachimada: the Kerala Pollution Control Board (KPCB) and the Kerala Ground Water Department (KGWD). The KPCB was empowered by three laws: the Water (Prevention and Control of Pollution) Act[98], the Environment Protection Act[99], and the Hazardous Wastes (Management and Handling) Rule[100]. The Central Pollution Control Board (CPCB) was an umbrella body established at the central government level which had the state level

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[98] The aim of the Water (Prevention and Control of Pollution) Act is the 'prevention and control' of water pollution and to 'maintain or store the wholesomeness of water'. The Water Act was enacted in 1974 (Koonan, 2007).

[99] The Environment Protection Act was established in 1986 to protect and improve the environment (Koonan, 2007).

[100] The Hazardous Wastes (Management and Handling) Rule was legislated in 1989 and amended in 2003. The factory waste which Coca-Cola had distributed as fertilizer had not been under the control of the Hazardous Wastes Rule when the BBC Radio-4 raised the issue in July 2003. The Central Pollution Control Board (CPCB) ordered the KPCB to treat it as hazardous waste around November 2003. According to the explanation of the KPCB, it had overlooked the issue because it did not expect the soft drink factory would produce toxic waste (Koonan, 2007).

boards under its governance. The KGWD was also the state level authority governed by the central government level organization, the Central Ground Water Board (CGWB). As noted previously, although the KGWD was empowered by the Kerala Ground Water Act legislated in 2002 at the state level, the legal power was not in effect when Coca-Cola built up its factory at Plachimada. While the reasons for the malfunctions varied, these laws and authoritative bodies failed to prevent the water issues in Plachimada from occurring. As a result, the Perumatty Grama Panchayat took irregular measures to stop the Coca-Cola's operation beyond the responsibilities of the KPCB and the KGWD claiming that the Panchayat had legitimacy on the ground of the Kerala Panchayat Raj Act. Obviously, the cooperation among these authoritative bodies was critically missing, and it made the water resource management framework as a whole disintegrated.

The contradicting judicial rulings by the Kerala High Court also resulted in the acceleration of the confusion of the responsibilities. In December 2003, the Court ruled that the state government had no power to allow a private party to extract huge amount of groundwater. Meanwhile, in April 2005, the Court overturned the previous ruling saying that the company could use maximum 500,000 liters per day. In terms of the legal interpretation about the authoritative power of the Panchayat, the Court judged that, on the one hand, the Panchayat did not have the authority to control Coca-Cola's operations in the judgment of December 2003. On the other hand, the Court authorized the Panchayat to set conditions and make a decision for license renewal in the judgment of April 2005. The ambiguity of the High Court's authority was actually one of the issues about which Coca-Cola complained. Coca-Cola claimed that the Panchayat had neither

authority nor jurisdiction over its operations, but that the state of Kerala did (Srivastava, 2005b).

After all, it is still unclear which administrative body had the authority to admit or halt Coca-Cola's operations in Plachimada. Clarification of the responsibilities and elimination of the overlap of the authorities in the administrative framework are important to reconstruct the effective water resource management framework in Plachimada.

c) Political Intervention and Corruption

As introduced in the previous chapter, political intervention might unfairly affect the disputes over the Coca-Cola factory's operations in Plachimada. The political parties including the LDF and the Janata Dal initially supported the Coca-Cola's stance, criticized the local people's protests against the company, and mobilized police power to put down the protests. Nevertheless, the political parties overturned their stance and started attacking Coca-Cola as the anti-Coca-Cola momentum was growing across the regions. Furthermore, the LDF's anti-US policies triggered by the US's invasion into Iraq might be the primary reason that the Perumatty Grama Panchayat decided not to renew the license for Coca-Cola in April 2003, since the Panchayat took no similar actions to the Indian water-related factories.

These inconsistent policies resulted from the political interventions significantly undermine the credibility of the water resource management framework and distort the democratic decision-making process. To keep the management framework's

accountability and transparency high, the political interventions and corruption should be eliminated.

These examinations revealed that the malfunction or the inefficiency resulting from the centralized administrative framework was one of the causes of the tragedy of Plachimada, as was the non-democratic ruling framework. Even if the high level of stakeholders' participation is guaranteed in the water resource management framework, it will not work desirably, unless the malfunction and inefficiency of the centralized administrative framework is solved. Therefore, this thesis argues that the sustainable resource management framework could not be built in Plachimada only with the installation of the democratic mechanisms; reform of bureaucracy by decentralization and streamlining was also critically needed. In other words, expressed in a Gramscian way, counter-hegemonic social order (in this case, sustainable water resource management framework) will not be completed until the counter-hegemonic bloc reaches to the authoritative power in the state and reforms it, even if the counter-hegemonic bloc has already had massive support and consent from civil society.

Deficiency (3): Lack of Trust for Cooperative Management

Finally, lack of trust among the stakeholders, primarily between Coca-Cola and the local community, to establish a cooperative management framework was also one of the causes which made the conflict in Plachimada irreparable. Firstly, Coca-Cola's response toward the water scarcity issue and the local community's furious claims were

inappropriate to establish cooperative management with the local community. When Coca-Cola confronted growing public criticism against its operation in Plachimada, it asserted that the charges were false and subsequently became the "target of a handful of extremist protests" (Srivastava, 2003). Furthermore, Coca-Cola failed to develop a good relationship with the local community by continuously insisting on its legal right to extract water despite the disputes over water shortages. Coca-Cola should have talked about the community's water sustainability rather than about its legal right.

Secondly, the communication between Coca-Cola and the local community and the NGOs was totally deficient. The lack of cooperative attitude was found not only in Coca-Cola but also among civil groups. Hills and Welford (2005) indicated that NGOs such as the Indian Resource Center refused to even sit down with Coca-Cola officials, despite Coca-Cola's repeated invitations[101]. Needless to say, the aggressive expressions and the violent measures in the anti-Coca-Cola movements made trust building between the company and the local community almost impossible.

In addition, the protest movements' discriminatory treatment of Coca-Cola lost the chance to establish a cooperative relationship as well as the movements' legitimacy. Coca-Cola has consistently criticized the illegitimacy of the local community's allegation and the state government's policy to discriminate against the company. In fact, Burnett and Welford (2007) noted that NGOs did not attack other Indian drinks factories as hard as they did against Coca-Cola, while many of the domestic factories were more

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[101] Amit Srivastava, the founder and coordinator of the India Resource Center, repeatedly refused to have a meeting with Coca-Cola saying "there is no space for dialogue right now." (Hills & Welford, 2005)

inefficient in their water resource management than Coca-Cola. In addition, some Indian breweries which were neighboring the Coca-Cola factory have not come under attack from the Indian NGOs and the administrative bodies including the Panchayat (see footnote 88, too).

The problem was not only the deficiency of trust between Coca-Cola and civil society, but also the absence of mediation mechanisms to address the conflicts. The administrative bodies should have mediated the disputes between Coca-Cola and the community. However, the administrative bodies consistently conducted the investigation behind closed doors, eliminating the local community rather than organized a negotiating table.

The analysis of the causes of the failure in Plachimada revealed that, firstly, the democratic mechanisms are critically needed to be installed in the water resource management framework. Secondly, the excessively centralized administrative framework should be decentralized and streamlined to solve the inefficiency and malfunctions. Thirdly, a constructive relationship among stakeholders should be encouraged to create a cooperative management framework. With these points in mind, this thesis will explore some ways to establish the sustainable water resource management framework in Plachimada, with an expectation that some clues to create counter-hegemony could be found in the exploration.

5.2. Sustainable Water Resource Management: Co-Management Theory

As noted previously, finding an effective way to establish a sustainable water resource management framework in Plachimada is to find the way to establish an alternative social order. To reveal the effective way to establish a sustainable resource management framework, it is necessary to seek the solutions in the natural resource management theories. This thesis will explore the possible solutions in the theory of 'co-management'.

'*Co-management*' is a theory related to natural resource management, which is defined as "the sharing of power and responsibility between the government and local resource users" to establish a sustainable resource management framework (Berkes, George & Preston, 1991). Or, the World Bank defines the concept as "the sharing of responsibilities, rights and duties between the primary stakeholders, in particular local communities and the nation state; a decentralized approach to decision-making that involves the local users in the decision-making process as equals with the nation-state" (The World Bank, 1999). Its concept is often equated with joint management, shared management, participatory management, multi-stakeholder management, etc (Carlsson & Berkes, 2003). The concept of co-management is illustrated in Figure 7.

Co-management is understood as a management system in between pure *'state-level management'* and pure *'local-level management'*. A typical state-level management is carried out by some centralized authority (e.g. the federal government or provincial government) under the top-down management structure. Its judgment is likely to be based on scientific data collected by Western scientific research. On the other hand,

a local-level management is decentralized and self-regulative management system which is implemented under consensus-based decision-making in a local community. Its policies are based on cultural tradition and local knowledge rather than scientific knowledge (Berkes, George & Preston, 1991). On that basis, Berkes, George and Preston (1991) assumed that co-management has seven stages along with the level of stakeholders' participation and power-sharing between state-level and local-level (Figure 8). Co-management's framework is thought to be more effective for resource sustainability than the extremely centralized management (pure state-level management) or the extremely decentralized management (pure local-level management), since it combines the strengths of each resource management and mitigates the weaknesses of each. In this way, co-management aims to establish a sustainable resource management framework as mitigating the inefficiency and the limitation of the centralized state-level management on the one hand, and utilizing the local-level management with community empowerment on the other hand (Pomeroy & Berkes, 1997).

'Collective decision-making' and enforcement of the *'agreed-upon rules'* among stakeholders, primarily resource users, are understood as an essential aspect of co-management (Berkes, George & Preston, 1991). Just as the Gramscian approach thinks that a democratic mechanism is a necessary condition to create a hegemonic social order, co-management theory assumes that the local resource users' active participation and initiatives in rule-making and decision-making are essential to establish a sustainable resource management framework. And again, just as the Gramscian approach thinks that a social order without active consent from civil society cannot be hegemonic,

co-management theory assumes that "if the institutional design does not involve key participants, fails in building trust, and does not produce consensus on governance rules, the end result is going to be failed co-management" (Berkes, Armitage & Doubleday, 2008, pp.314). The core concept of co-management articulates that "decisions which may affect people's lives should be made by the lowest capable social organization" (Berkes, 2006a).

The above mentioned key aspects of the co-management, such as collective decision-making and enforcement of the agreed-upon rules, cannot be achieved only with the institutional arrangements. *'Trust'* and *'respect'* among stakeholders are also essential social capitals to establish a cooperative and multi-stakeholder management framework including co-management (Berkes, 2008b). The parties involved in a co-management must have "respect for the autonomy of others and willingness to share both in hardship and plenty" (Berkes, George & Preston, 1991, pp.13). At the same time, co-management is a process of trust building among stakeholders. The stakeholders involved in co-management will learn to "respect differences in worldviews" through "mutual education" between the parties (Berkes, 2008b, pp.26). The increase in trust and respect will lead to the escalation in the level of co-management (see Figure 8), and vice versa.

However, effective co-management is not simply community involvement, users' participation, or trust-based cooperative management. Rather, as the definition implies, it requires '*decentralization*', and subsequent *'delegation of authoritative power'* to the local level and *'power-sharing'* between state-level and local-level. Co-management theory articulates that the government has an important role to

legitimize the local-initiated rules and provide sufficient authoritative power to the local level to establish a successful co-management framework (Pomeroy & Berkes, 1997). Just as the central control without local participation cannot be successful, so the local-level management without legal empowerment from the government cannot be successful. In that context, Berkes (2007) warns that participation and community involvement without power sharing may end in a mere cooptation of resource users into an existing top-down management framework[102]. In this regard, the research of Schott provides a significant implication about the importance of resource users' empowerment. In his research about Atlantic Canada's fishery management, he notes that "transferring more authority and power to provincial governments ... would not be a solution" (2004, pp.166). Then, he argues that authority and responsibility should be shifted to "resource users who ultimately control the resource" (Ibid).

While the excessively centralized state management contradicts the idea of co-management, co-management theory assumes that the government still has three major roles to establish a successful resource management framework. Firstly, as already mentioned above, authorization and legitimization of the local-level management framework (including local organization, locally initiated rules, and so on) is the government's most important role. Secondly, providing supportive assistance and services (e.g. administrative, technical, informational and financial) to the authorized local-level management body is also an important role of the government. Thirdly, a coordinating and monitoring role including conflict management is expected to be taken

[102] Carlsson and Berkes warn that ill-designed power-sharing might be "an attempt of state authorities to increase the legitimacy of their domination" (2005, pp.71).

by the government (Pomeroy & Berkes, 1997).

In the end, it should be noted that the stakeholders in co-management are not necessary to be limited to two players, the state and the local community. While co-management can be understood as a management system in between state-level management and local-level management, Berkes, Armitage and Doubleday (2008) indicate that a co-management framework may involve more than two stakeholders such as private companies. In fact, the commercial private sector is involved as one of the primary stakeholders of co-management in the World Bank's definition, as Figure 7 indicates. This thesis assumes that private companies are one of the local resource users. Given that even a TNC like Coca-Cola could not access water resources without a license from the lowest municipal government (Panchayat), it is plausible to assume that private companies are one of the resource users rather than a part of authoritative power holders. It is true that private companies have far more advantages than individuals to access authoritative powers because of their social influence including employment or taxes. However, it is also true that private companies cannot access natural resources unless the authoritative body permits them to do so.

These are the brief overview of the essence of the co-management theory. In the next section, this thesis will explore the possible solutions to establish a sustainable resource management framework based on the co-management theory.

5.3. Application of Co-Management to the Case of Plachimada

Even a brief study about the sustainable resource management theory clearly

proves how the resource management framework in Plachimada was far from sustainable or successful. Obviously, the water resource management in Plachimada contradicts the concepts of co-management. The resource management in Plachimada, which was predominantly centralized to the coalition of the state government and Coca-Cola, went against the core concepts of co-management, eliminating the local resource users from the managerial framework instead of involving them. From the point of view of co-management theory, the case of Plachimada can be understood as a typical case of the failure of centralized management. Considering the low level of information sharing in the resource management in Plachimada, it seemed that the level of co-management did not reach even the first level, 'informing' (see Figure 8). Collective decision-making and enforcement of agreed-upon rules, which are the essential aspects of co-management, could not be seen in the non-democratic management framework in Plachimada. There was no chance for trust building, since the first contact between Coca-Cola and the local community had started with the local people's furious protests and the company's condemnation against the movement. In terms of the power-sharing, from the point of view of co-management, the Panchayat had been the most possible body to be empowered with delegation of power from the state government, since it was the closest body to the local resource users. Nevertheless, the authoritative power of the Panchayat was officially denied in the legal disputes in the Kerala High Court.

As already argued previously, although the Panchayat finally succeeded to put Coca-Cola under its control somehow, the new social order centered on the Panchayat was not hegemonic but temporary. The reason why the Panchayat's rule was neither

successful nor hegemonic can be explained from the co-management perspectives as well. That is, the authoritative power kept in the state government has not been shared with the Panchayat appropriately. The Court's judgment that the Panchayat's intervention to Coca-Cola's operations was illegal has not been changed. Namely, the authoritative power is still highly centralized in the state-level, hence, power-sharing between state-level and local-level is still to be completed. In short, the water conflict in Plachimada has not been finished. Successful resource management should be established in Plachimada. The following are the possible policies need to be implemented in the resource management framework in Plachimada to establish a sustainable resource management framework, or a co-management framework.

a) Promotion of Local Participations and Initiatives

The local resource users' participation and initiatives in the resource management should be introduced as the first step for co-management. It is also the first step to solve the failures caused by the non-democratic resource management framework. The case of Plachimada revealed that the regulation set by the government with a top-down approach did not function for sustainability. Rather, it merely provided Coca-Cola with the inappropriate legitimacy to exploit water resources excessively. The important rules which may affect the local people's lives should be decided under the local people's initiatives. Originally, the fundamental conditions for Coca-Cola to start operations in Plachimada, such as the location of the factory, the source of water, the limit of groundwater extraction, the measures of the regular monitoring and so on, should have

been set with the local resource users' initiatives and active consent. The local resource users should be involved in every stages of the resource management, not only in the initial condition setting stages, but also in the operational stage such as regular monitoring.

The participatory management framework requires, for example, joint surveys to have common recognition about the present status of the resources, an open deliberation process, sharing both concerns and expectations of introduction of the new scheme (e.g. establishment of the Coca-Cola factory), sufficient time for consensus building, sharing the alternative plans in case the new scheme did not work as expected, and so on. In fact, the establishment of the agreed-upon rules with local resource users' involvement requires patience and long-term effort (Pomeroy & Berkes, 1997). Without local resource users' participation and consent, no successful co-management framework would be possible, and the rules would be ineffective as observed in the case of Plachimada. Therefore, to establish a successful co-management, this participatory policy and consent-based rule making process should be adopted as the highest priority in the process of the reconstruction of the resource management framework in Plachimada.

b) Establishment of the Panchayat-Centered Independent Organization

Institutional reform is also needed to establish effective co-management. As noted previously, even if there were sufficient mechanisms to encourage people's participation and initiatives, the resource management in Plachimada would still remain chaotic, unless the inefficiency and the malfunctions of the central-control resulted from

overlap of authorities and ambiguity of responsibilities would be cleared. In addition, as co-management theory warns, people's participation under the existing centralized management framework (the coalition of Coca-Cola and the state-government) may end in mere 'cooptation'. As noted in Section 1.4 from Gramscian perspectives, cooptation without actual power distribution is a typical example of 'passive revolution', which weakens the potentials of counter-hegemony (e.g. co-management) and ends in the enforcement of the existing ruling power (e.g. centralized resource management). Although this argument implies the importance of the delegation of power, this thesis will argue on that point in another place in this section. Consequently, this thesis argues that the managerial framework should be independent from both the state government and Coca-Cola, and decentralized to an institution at the local level.

From the point of view of co-management, Panchayat is the most plausible administrative body after decentralization, given that it was the closest body to the local resource users. However, as the case study proved, there is a risk that the Panchayat's policies would be directed by the political intervention from the upper political bodies such as the LDF or the Janata Dal (see Figure 4). In fact, the Rashtriya Jal Biradari (or National Water Community), an Indian indigenous group dedicated to promote community-based water resource management, expresses concern that some Panchayats are already too politicized to be regarded as pure representatives of the local interests (Grover, 2004). Furthermore, while co-management put high priority on the local community's initiatives, it does not mean that the management framework is exclusive to the local resource users (Berkes, 2000). As the co-management theory's core concept,

'power sharing', implies, the management structure should have "multiple centers of power" (Berkes, 2006b, pp.7). Therefore, this thesis assumes that Panchayat per se cannot be the perfect solution for the managerial body of co-management.

Taking these points into account, this thesis argues that the establishment of the new independent organization with the key stakeholders' involvement would be desirable. As to constituent members of the new organization, centering on the Perumatty Grama Panchayat, Coca-Cola, the state government's departments related to the water resource management (e.g. KGWD and KPCB), and some representatives from the local resource users should be involved. In addition, the NGOs or the international organizations which dedicate themselves to the development of a sustainable resource management framework may be involved as advisory members.

Given that the Panchayat members were elected through a democratic process (see footnote 58) and it had been the lowest self-government unit in the Indian society historically and culturally, Panchayat is still to be put in the center of the resource management framework. This new organization is expected to be established by the initiatives of the Panchayat under the legal empowerment of the Kerala Panchayat Raj Act (the issue of legal empowerment will be argued later). In addition, to avoid the risk of political intervention, some representatives from the local resource users should be involved. For example, the leaders who led the protest movements against Coca-Cola in Plachimada would be the possible members. However, it should be noted that the leaders should be from the local resource users' groups in Plachimada, not from the NGOs

outside the village[103]. This thesis suggests that the members should be chosen from the stakeholders whose lives may be directly affected by the new organization's policies, so that the local resource users' initiatives, autonomy and responsibilities over water resource management are encouraged and respected. Excessive intervention from the external organizations might discourage the local initiatives or even distort the local autonomy. Meanwhile, the NGOs' or the international organizations' various capitals including expertise knowledge, experience and network are so helpful that the new managerial framework should utilize them by inviting them as external advisory members. The importance of the roles taken by the state government, the NGOs and Coca-Cola will be argued later.

The establishment of the new organization with power-sharing is a necessary institutional arrangement for successful co-management. The overview of the structure of the possible co-management regime in Plachimada is shown in Figure 9. In the end, the primary responsibilities over the water resource management should be taken by this new multi-stakeholder organization, so that the inefficiency and malfunctions of the central control resulted from the overlap of authorities and ambiguity of responsibilities would be solved.

c) Capacity Building by Governmental and Non-Governmental Support

Even after the decentralization and the introduction of the co-management

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[103] In expressed in Gramscian point of view, the counter-hegemonic order is possible only by the people who had been directly dominated by the previous social orders. This point will be argued in the Conclusion.

framework, the governmental bodies such as the KGWD and the KPCB have important roles. First of all, the governmental bodies' mediation effort for trust building, primarily between the local community and Coca-Cola, will be critically needed, since the relationship between the local community and the company has severely deteriorated through the water conflicts. Secondly, the infant organization will need various supports for capacity building from the state government including financial, technical, managerial and informational support. It is not plausible to think that the Panchayat will be able to deal with all of the water issues in Plachimada solely and effectively. Because the water issues in Plachimada would not finish even if the local community ousted the company from the village, unless the other issues, such as inefficient agricultural water use or the lowering groundwater level caused by the shortage of rainfall, would be solved. The solutions for the fundamental water issues in Plachimada will require a certain amount of financial budget, expertise knowledge and technology, and feedbacks related to water resource management from other regions, all of which are difficult for the Panchayat to obtain solely. The governmental support will be the primary source for the new managerial organization to get such capitals to implement new water resource management framework, especially in the initial stages.

Furthermore, the advisory supports from the NGOs and the international organizations (e.g. the World Bank) should be significant for the infant organization to establish its managerial capability regarding resource management. The involvement of the cross-scale organizations such as the international NGOs or the World Bank will allow the new management body in Plachimada to enhance its managerial capability by

accessing their knowledge and experience, learn from the best practices in other countries, and expand its social network by linking with other management bodies in other places or scales.

d) Active Utilization of the Potentials of the Private Sector

To construct sustainable water resource management, the support from the state government might be insufficient, especially in terms of financial and technological perspectives. In such cases, the utilization of the potentials of the private sector is one of the most likely options, especially when the municipal government does not have a sufficient financial budget to implement necessary policies.

In particular, the rainfall harvesting technology of which Coca-Cola is proud has significant potentials to improve the water situation in Plachimada (see footnote 60 and 61). In fact, Coca-Cola stated on its website that its rainfall harvesting technology would enable the factory not only to operate without using groundwater, but also to increase the groundwater level by recharging water unused during the production process:

> [T]he rainwater harvesting technology we have introduced has the potential to not only recharge more water than we use but also ensures there is an increased supply of water available for the needs of the local farming community. (Coca-Cola India, 2003)

It is natural that the local community demands the permanent shut-down of Coca-Cola factory, given how much the trust between the local community and Coca-Cola has been lost during the hostile disputes. Furthermore, the company's excessive groundwater extraction in the drought-prone region cannot be justified. However, if the company's

technology may contribute to the sustainable water resource management, and if there is no alternative technology, it is not reasonable to eliminate Coca-Cola's involvement from the possible options.

In fact, the partner company involved in the new managerial framework is not necessarily Coca-Cola, if there is any other desirable company. While the anti-foreign-firm momentum, predominantly against the US-based firms, was there in the water conflicts in Plachimada, as far as the water resource is controlled under the effective co-management framework, it does not make a significant difference whether domestic firms or foreign firms are involved. Generally speaking, foreign firms which can move anywhere in order to pursue abundant water resources have less motivation for natural resource conservation than domestic firms do. However, if a domestic firm got bigger and became one of the TNCs connecting to the global market, there would be no big difference between foreign firms and domestic firms. Hence, the allegation that the domestic firms' usage of the natural resource in its country is more sustainable than the foreign firms' is not always correct. Parle is a typical example (see Section 4.1 for the information about Parle). After Parle sold all its brands and assets related to soft drinks to Coca-Cola in 1993, the company successfully established a prominent market position in the bottled water market, instead of being dispelled from the soft drink market. 'Bisleri'[104], Parle's bottled water brand, has around a 60% market share in the bottled

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[104] Parle had acquired the brand, 'Bisleri', in 1967 from the Italian company Felice Bisleri (Biwalkar, 2007). Under the licensing agreement with Coca-Cola, Parle agreed to lease the Bisleri brand to Coca-Cola until November 1998. In anticipation of losing the Bisleri brand, Coca-Cola introduced its own bottled water brand, Kinley, in March 1998 (Skaria, 1998).

water market in India[105]. Furthermore, its brand is expanding to the global market, primarily in Europe. According to Biwalkar (2007), Parle is increasing one of its plants' production capacity (in other words, water extraction capacity), which is currently capable of producing one million cases per year, to four million cases per year, so that it can meet the global demand. The plant is sourcing water from the Himalayas (Biwalkar, 2007). As Parle's example clearly indicates, there is no plausible reason to assume that a domestic firms' water use is more sustainable than foreign firms', if the company's business is linked to the global market.

No matter what the partner company is, the most important thing is if the company is incorporated into the co-management framework and is willing to observe the rules set by the local resource users' initiatives. In that context, the new managerial framework has to offer some incentives to the private firm so that the company joins the project and provides its financial or technological investment as a partner. The incentives could be the permissions to use part of rainfalls collected by the company, to gain access to the Moolathara Dam, or to extract some amount of the groundwater within the amount not to exceed the recharge rates. Or, preferential treatments concerning taxes or electricity tariff may be another possible incentive for the private firm. All of the conditions

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[105] According to Lai Pai (2006), India is one of the biggest and most attractive water markets in the world. The Indian bottled water market is worth US$250 million in 2005 and its growth rate is as much as 40% per year. While India is the tenth largest bottled water consumer country in the world in 2005, its market potential is significant. Before economic liberalization, the domestic demand for the bottled water was only 2 million cases per year. However, it increased up to 82 million cases per year in 2005. Nevertheless, the per capita bottled water consumption in India is still low – less than 5 liters per year as compared to the global average of 24 liters. In other words, the market has potentials to increase nearly fivefold if the per capita consumption increased to the global average level.

including the incentives should be decided by the participatory deliberation among the local resource users, the state government and the company.

In the end, the growing Indian beverage market is attracting private companies (see Section 4.1 for the Indian soft drink market and footnote 105 for the bottled water market). Furthermore, as the example of Parle indicates, the water resources in India are being exported overseas as the domestic capitalists expand their business to the global market taking advantages of the economic liberalization. That is, establishing the effective way to control the market power, which tries to use the water resources in India as much as possible for commercial purpose, not to exceed the sustainable level is an urgent issue. The water conflict which the Plachimada village had with Coca-Cola might happen somewhere else in India with foreign firms or domestic firms[106]. Therefore, it is necessary to establish an effective co-management framework which involves private firms, before the tragedy of Plachimada is repeated. In other words, if the Plachimada village successfully establishes an effective co-management framework involving Coca-Cola, it might save the water crisis in India to a great extent, being applied to other regions as the best practice.

e) Delegation of Authoritative Power (Legal Empowerment)

These arrangements to establish a co-management framework would be completed with 'delegation of authoritative power' from the state government to the local

[106] According to Lal Pai (2006), there are approximately 1,200 bottling water factories in India. He states that the water conflict is not the only case in Plachimada, but likely to happen around the bottling factories, since the majority of the factories are dependent on groundwater, as Coca-Cola in Plachimada was.

level new managerial body. As the definition of co-management indicates, 'power-sharing' and 'delegation of authoritative power' are the core concepts of the theory. Without legal empowerment as a result of decentralization, the risks of cooptation or regression to centralization would remain.

As already argued, one of the key causes of the failure in Plachimada was that the local resource users' rights to participate in the water resource management framework was not sufficiently guaranteed by the legal framework. Because of the lack of the legal legitimacy, the Panchayat could not effectively intervene in the factory's operation. The case of Plachimada clearly indicates how the superficial decentralization without legal endorsement would not work for the local empowerment. The actual delegation of power is essential to implement decentralization and to establish an effective co-management. Without legal endorsement, even a well-designed participatory institution or cooperative organization would end in a toothless body, just as the Panchayat's rules were temporary and likely to be overturned because they were not legitimized by the Court's ruling.

Therefore, as the first step for decentralization, the legitimacy of the institutional arrangements – the new multi-stakeholder managerial organization for co-management – should be clearly authorized. As already argued, in the case of Plachimada, there was a legal framework to promote decentralization and local empowerment, called 'Kerala Panchayat Raj Act'. Although it was unfortunate that the Panchayat's legitimacy to intervene in the Coca-Cola factory's operation was denied by the Kerala High Court against the basic idea of the Act, it seemed that the sufficient legal framework to

implement co-management in Plachimada has been already installed. Using this legal framework, the new managerial organization centered on the Panchayat should be legitimized. However, legal endorsement of the institutional arrangement is not sufficient for effective co-management, just as the Panchayat's intervention endorsed by the Panchayat Act was toothless. Hence, the legitimization of the rules set by the local resource users' initiatives and the delegation of authoritative power to the new managerial body are also critically important for the effective co-management framework. In that context, the extensive reform of the state level legal framework might be also needed so that it facilitates the local communities' autonomy over the resource management in their regions.

Finally, to facilitate further decentralization and community empowerment for the effective water resource management, India's central policy for the water resource management should be reviewed. The Indian government updated 'National Water Policy' in April 2002, which had been originally adopted in September 1987, under the Chairmanship of the Prime Minister. While the Policy indicates the central government's fundamental policies about the water resource management, the Indian environmental groups[107] criticized that the Policy still emphasizes the continuation of the central control over water resources such as the construction of the massive dams and irrigation systems ignoring the principle of the community involvement (Devraj, 2002). For example, in

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[107] For example, the Center for Science and Environment (CSE: the Indian environmental research group which claimed that products of Coca-Cola sold in India contained high levels of pesticides in August 2003) and the Rashtriya Jal Biradari (an Indian indigenous group to promote community-based water resource management) (Devraj, 2002).

terms of the groundwater development, the Policy says that over-exploitation of groundwater "need to be prevented by the Central and State Government"[108] by conducting a "periodical reassessment of the ground water potential on a scientific basis"[109]. The involvement of the local resource users is not emphasized[110]. The fundamental direction of the National Water Policy seemed to be contradicting to that of the Panchayat Raj Act. Therefore, this thesis argues that the National Water Policy should be updated so that it accommodates the ideas of decentralization and co-management. As long as the central policies over water resource do not admit the importance of the participatory management and local empowerment, the tragedy of Plachimada will be repeated.

This thesis has conducted a case study by focusing on the water conflict between a body of the neoliberal global bloc, Coca-Cola, and a local community in Plachimada, to see how the civil society (or subordinate people) resisted against the non-hegemonic social order at the local level and to seek the possibility of counter-hegemony. Through the case study, this thesis argued the causes of the unsuccessful social order and the possible solutions for the sustainable water resource management based on co-management theory. The examination of the causes of the failure and the exploration

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[108] Ministry of Water Resource, Government of India (2002); National Water Policy, Article 7.2.
[109] Ibid. Article 7.1.
[110] In the nine pages of the policy statement, the word which may imply 'local resource users' appears only one time in the Article 27 (Conclusion). It shortly says "Concerns of the community needs to be taken into account for water resources development and management".

for an alternative resource management provided a great insight about the essentials to create counter-hegemony or an alternative social order against the non-hegemonic social order centered on neoliberalism. In the next section, as a conclusion of the case study, this thesis will summarize the essential conditions for counter-hegemony to emerge which are found through the case study.

5.4. Lessons from Plachimada: Two Essential Values for Alternative Social Order

If the local community in Plachimada successfully establishes sustainable water resource management through the introduction of co-management, it implies a great potential of co-management to create a counter-hegemonic power. Because, from the Gramscian perspectives, it means that co-management framework allows the local community to create a counter-hegemonic social order (sustainable resource management framework) replacing the existing non-hegemonic social order (unsustainable resource management framework centering on Coca-Cola). Therefore, this thesis assumes that the co-management theory involves some important sociological principles which enable a counter-hegemonic power to emerge. How will the establishment of co-management framework affect the existing social order? What is the meaning of co-management in the context of the struggle for the alternative social order? In the final section of this chapter, this thesis will try to reveal the essentials for counter-hegemony to emerge, by examining the significance of the co-management from sociological and Gramscian perspectives.

Essential Value for Counter-Hegemony (1): Democratization

The ultimate achievement which the local people in Plachimada would obtain by the establishment of the effective co-management framework is *'democratization'* of social order at the local level and *'restoration of autonomy'* over their own lives. Many of the core concepts of co-management, such as participatory management, collective decision-making or power sharing, are consistent with the fundamental idea of democracy. An effective co-management framework needs to meet all of the four conditions for high level of democracy, which this thesis set to evaluate the level of democracy in Plachimada (see Section 5.1 for the four conditions). Therefore, the development of effective co-management framework will lead to democratization (Pomeroy & Berkes, 1997). In terms of the sociological significance of co-management, Pinkerton states that the potential of co-management is "to stimulate broader reforms toward more participatory democracy in civil society" (2003, pp.71). She subsequently emphasizes that "co-management with larger reforms of democratic process leading to more direct democracy" (Ibid, pp.72).

Democratization, which can be achieved by the construction of effective co-management framework, has an important meaning for the Gramscian. Because, as repeatedly argued so far, a democratic social framework is necessary for a hegemonic social order to emerge. Without democratic social mechanisms, a ruling body cannot establish hegemony, since it does not have effective social mechanisms to raise active consent from civil society. Hence, full hegemony is possible only in a society where a high level of democracy is established. In short, the establishment of an effective

co-management framework will pave the way for a hegemonic (or a counter-hegemonic) social order to emerge through the installation of the democratic social mechanisms.

Therefore, the introduction of a co-management framework in Plachimada under the local community's initiatives means more than an establishment of sustainable water resource management framework. More importantly, the establishment of the effective co-management framework allows an alternative hegemonic order to emerge. Specifically, if the local community in Plachimada successfully established the democratic social mechanisms in the water resource management framework through the introduction of co-management, the local community could pave the way to create counter-hegemony at the local level and take a ruling position in the new social order.

Without democracy, no social order can be hegemonic. In terms of the social order related to water resource management in Plachimada, this thesis argued that the rules by the coalition of Coca-Cola and the state government were non-democratic, and hence, non-hegemonic. Moreover, as this thesis has been arguing all the way, mainly in Chapter 2 and Chapter 3, the neoliberal social order was non-hegemonic, since it failed to guarantee (or simply disregarded) the high level of democracy. Here is the fundamental deficiency of the neoliberal social order: the neoliberal policies deteriorate a democratic social framework by excessively accelerating deregulation, eliminating local autonomy, and replacing a democratic decision-making mechanism with the market mechanism. Therefore, the counter power against the neoliberal social order has to pursue 'democratization' of social order to cast doubt on neoliberalism's legitimacy on the one hand, and to legitimize its own rules with active consent from civil society on the other

hand. Without pursuing democratization, a counter power cannot escalate itself into a counter-hegemonic power, since it does neither challenge the neoliberal social order's fundamental deficiency nor have the effective way to raise active consent from civil society.

Essential Value for Counter-Hegemony (2): Decentralization and Delegation of Power

As the definition of co-management theory indicates, a set of core values of *'decentralization'* and subsequent *'delegation of power'* to the local level is another ultimate achievement resulting from the introduction of co-management. From Gramscian perspectives, decentralization and delegation of authoritative power, which would be achieved through the establishment of effective co-management, have a significant meaning. It is more than a community empowerment for efficient resource management. Rather, it enables a counter power to access to the governmental power.

Democratization, the first sociological achievement of co-management, can be understood as an effective way for a counter power to raise active consent from civil society. On the other hand, decentralization and subsequent delegation of power can be understood as an effective way for a counter power to win coercive force including legal authorities from political society. These two different powers should be achieved at the same time to create hegemony or counter-hegemony. Pursuing only democratization is not enough, although it is essential, for a counter power to escalate itself into counter-hegemony. In fact, while the Perumatty Grama Panchayat was seeking democratization of resource management and local community's autonomy over it, the

Panchayat could not establish an alternative social order, since the authoritative power from the government was not given to the Panchayat sufficiently. Just as an effective co-management will not be completed until its management framework is legally empowered, counter-hegemonic social order will not be completed until it obtains some part of authoritative power in the government through delegation of power.

In that sense, even TNCs including Coca-Cola need endorsement of authoritative power from the government. In that regard, Gill notes that "capital needs the state to provide public goods, including law and order, that is coercive activity by the state" (2003, pp.111). In fact, as the case of Plachimada indicated, Coca-Cola was forced to stop its operation by the state government's order; the company could not resume its operation until the new license was issued by the Panchayat. Namely, even TNCs need to reach to authoritative power in the government so that they can exert their supremacy over society with legitimacy. Based on this perspective, it is fair to assume that capitalists (e.g. Coca-Cola) and civil society (the local community in Plachimada) are kind of 'rivals' who are competing to obtain authoritative power from the government so that the winner can establish a dominant position in a social order (e.g. the water resource management framework). Therefore, the civil society has to pursue decentralization and delegation of power to the local level, for example through the development of effective co-management, so that it can create an alternative social order winning the competition with the neoliberal capitalists.

This consideration also reveals what a counter power should pursue to win a 'war of position', or where the battlefield of 'war of position' is. As this thesis argued in

the last part of Chapter 3, 'state' or 'political society' can be understood as a virtual space where a historic bloc (e.g. Coca-Cola) and a counter historic bloc (e.g. the local community in Plachimada) fight over authoritative power and governance system for rule to establish or maintain its hegemony (or domination). The point is that the target which a counter power (or civil society) should pursue to create counter-hegemony is in the 'state' or 'political society', rather than in the neoliberal global historic bloc per se. That is, as far as a counter power wages a frontal crash with TNCs or global capitalists, all of the challenges will end in mere 'war of movements'. Rather, a counter power should try to obtain the delegation of authoritative power from the government so that it can get the legitimacy to rule a social order. In sum, obtaining the delegation of authoritative power is the effective way for a counter power to win a victory in a 'war of position', when the counter power was emerged from civil society as the case of Plachimada was.

As this argument implies, 'state' or 'political society' has a significant role in regard to the authorization of either of a historic bloc or a counter historic bloc. The government has the power to decide to whom it gives the authoritative power for ruling when it delegates authoritative power. Parkin implies that the state has potentials to support counter-hegemony to emerge:

> if a state were … to admit a set of counter-principles as the primary determinant of reward, then the privileged position of the dominant class would be seriously at risk. (1971, pp.26)

To win a victory in a 'war of position', a counter power's struggle against the existing social order should be directed to the state power, rather than to the neoliberal historic

bloc per se. A victory in a war of position will be completed when the struggle successfully decentralizes the government and lets the authoritative power delegated to the counter power. The struggle should prevent the government from delegating the authoritative power to the opponent, for example a body from the neoliberal historic bloc including TNC.

To sum up the argument of this section, this thesis argues that there are two essential values which a counter power should pursue to establish an alternative hegemonic social order: firstly democratization, and secondly, decentralization and subsequent delegation of authoritative power. Both values should be achieved at the same time for hegemony or counter-hegemony to emerge. Legally endorsed power without democracy (e.g. Coca-Cola's operation in Plachimada) cannot be hegemonic. Similarly, democracy without legal empowerment (e.g. the Panchayat's resistance against Coca-Cola) cannot be counter-hegemonic. If a counter power successfully raises active consent from civil society through democratization, and if the counter power wins authoritative power from political society through decentralization, counter-hegemony will be finally emerged. In a sense, this thesis assumes that co-management is successful because it pursues these two values at the same time. The creation of counter-hegemony will be a long-term struggle for active consent from civil society and delegation of power from political society, just as the establishment of the effective co-management framework will take a long time for building a consensus among stakeholders and obtaining delegation of authoritative power over resource management.

Finally, this thesis found two essential values to create counter-hegemony through the local-level case study. Using these two values, this thesis will argue how the international-level struggle against the non-hegemonic world order should be developed to create alternative social order at the domestic or international level, as a conclusion to this thesis.

Conclusion: Strategies for Alternative Social Order

This thesis has examined and argued the level of hegemony of the neoliberal social order, by using the Gramscian and Neo-Gramscian theoretical perspectives. Following the explanation of the theoretical framework of the Gramscian and the Neo-Gramscian perspectives in Chapter 1, Chapter 2 overviewed the history of India's social transformation from the pre-independence era to the eve of the economic liberalization in 1991. The overview of the socio-economic history of India revealed that the social transformation to neoliberalism, which had resulted from the urgent necessity to overcome the economic crisis, was completed only within the political society, without taking democratic process to raise active consent from civil society. Subsequently, in Chapter 3, to examine the level of the neoliberal hegemony after economic liberalization in India, this thesis studied how the economic liberalization influenced on the Indian society by focusing on the SAPs, and how the neoliberal order was maintained by focusing mainly on the rules of the WTO. On that basis, this thesis argued that the neoliberal social order in India was a limited hegemony or mere domination, established and maintained by coercive power rather than by active consent from civil society. Furthermore, this thesis pointed out that the neoliberal global order cannot be hegemonic on the ground that it does not have the effective mechanisms to ensure democracy, which is essential to raise active consent from civil society. Then this thesis asserted that the current neoliberal social order is in an organic crisis.

To explore the possibility of counter-hegemony against the non-hegemonic

neoliberal social order, this thesis conducted a case study in Chapter 4, which was about a conflict between the neoliberal global bloc and civil society, more specifically, a conflict between Coca-Cola and a small village in India (Plachimada) over the right to access to water resource. Through the case study, this thesis argued that the Coca-Cola's rule related to water resource management was also non-hegemonic, revealing how the rule was critically devoid of the participatory democracy. Meanwhile, this thesis also argued that the local community's protests were not successful enough to be counter-hegemonic on the ground that the protests achieved neither decentralization nor redistribution of authoritative power. Chapter 5 continued the further examination of the case study, to seek the effective way to create counter-hegemony. Under the assumption that finding an effective way to establish a sustainable resource management framework in Plachimada would reveal the essential conditions to create the alternative social order, this thesis explored the answer in a natural resource management theory, called 'co-management' theory. As a result of the sociological consideration of the essence of co-management, this thesis found out two essential values which a counter power needs to pursue to create counter hegemony: democratization, and decentralization and delegation of authoritative power.

Both the consideration about a hegemonic social order from the Gramscian perspectives and the exploration for a sustainable resource management from the co-management perspectives proved how high level of democracy and impartial distribution of autonomous power are extremely important to establish a successful social order (hegemony or counter-hegemony). Meanwhile, this thesis' examination revealed

that the neoliberal social order ensures neither of the above criteria – democracy and impartial distribution of authoritative power – at all level of the society (international level, national level and local level). Through the case study of Plachimada, this thesis observed how a social order which failed to assure the above criteria may cause a destructive consequence. The ruling body in Plachimada (the coalition of Coca-Cola and the state government) confronted furious resistance from the local community, and could not maintain its rule without mobilization of coercive power (e.g. police and court orders).

While this thesis indicated that the fundamental failure of the social order in Plachimada was the non-democratic management framework and the excessively centralized power distribution, this structural failure is not confined to the case of Plachimada. Rather, this thesis argues that the lack of democracy and that of power-sharing are universal phenomena of the neoliberal social order. The rule-making and decision-making process without stakeholders' participation or agreement is common to the case of Plachimada and economic liberalization in India which has been implemented by the SAPs. The low level of the transparency in the deliberation process is also a commonly-observed feature of the Coca-Cola's operation in Plachimada and the WTO's governance. Furthermore, just as the local community's rights to protect its water resource were not authorized in the case of Plachimada, a nation state's autonomy over its macro-economic policies and public interests are subject to the neoliberal world orders such as the WTO's rules or the pressures from the global financial market. The power structure which the ruling power is excessively concentrated to a ruling bloc is also

common to the managerial framework in Plachimada and the neoliberal economic framework: while the ruling power was authorized to Coca-Cola and the state government in the case of Plachimada, it belongs to the transnational capitalist bloc in the neoliberal social order. That is, the conflict in Plachimada is likely to happen not only at the local level but also at the national level or the international level, as far as the neoliberal order disregards the importance of democracy and autonomy of a nation state or a community.

To prevent the tragedy of Plachimada from occurring in other places or at other levels, the lessons for a successful social order which have been argued in the case study of Plachimada should be emphasized. The existing ruling power, the neoliberal global historic bloc, should learn the lessons from the case of Plachimada to make its rules hegemonic. Or, the counter power against the neoliberal social order also has to learn effective ways to create counter-hegemony from the case study of Plachimada. In the end, this thesis closes the argument by applying the lessons from Plachimada to the future struggles for the civil society to create the alternative social order. Five key strategies to create the alternative social order are given below.

a) Pursuit of Democratization

First of all, as this thesis argued in the case study, 'democratization' is one of the essential values to reform or replace the current neoliberal social order to the hegemonic order. As this thesis consistently emphasized, a democratic social framework is critically needed for hegemony or counter-hegemony to emerge. It is an essential social

infrastructure for a ruling power to make its rule hegemonic by accumulating active consent from civil society. Nevertheless, the study in Chapter 3 about the neoliberal social order at the national or international level revealed that the neoliberal social order has failed to assure the democratic social framework or simply disregarded it. In fact, no democratic process was found in the implementation of the extensive economic liberalization in India, or in the decision-making process in the WTO. In other words, project of liberalization in India has been initiated predominantly by the top-down process without involving the local people, who were most likely affected by the policy implementation. Just as the local development and the water resource management in Plachimada was implemented only by the state government and Coca-Cola without local users' participation or consent. The case study in Chapter 4 revealed how such a non-democratically initiated social order was non-hegemonic and unsuccessful. Therefore, the neoliberal global historic bloc has to democratize its ruling framework to assure democracy, so that it can establish hegemony raising active consent from civil society. For example, the coercive conditionality to accelerate economic liberalization for new loans, such as the SAPs, should be reviewed to respect the nation's democracy and autonomy. In addition, the WTO's decision-making process, so-called 'Green Room Process", also should be democratized to involve a wider range of stakeholder countries, mainly developing countries, or the NGOs. Conversely, a counter power which challenges the neoliberal social order should pursue the democratization of the policy-making and decision-making process continuously.

b) Decentralization and Recapture of Authoritative Power

However, as this thesis warned in the case study, mere participation in the decision-making process is likely to end in cooptation. Democratization is essential, but not enough to create the alternative hegemonic social order. Even a counter power supported by massive consent from civil society cannot create counter-hegemony, unless it successfully obtains a part of the authoritative power from the political society. The fact that the Perumatty Grama Panchayat could not establish the alternative water resource management framework in Plachimada because of the lack of the authoritative legitimacy should be remembered. Therefore, the second essential value for counter-hegemony, 'decentralization' of power structure and subsequent 'delegation of authoritative power' to the lower level of society, should be pursued. Counter-hegemony is possible only when the power of civil society (active consent) and that of political society (coercive force including legal authorities) are achieved at the same time.

'State' is a virtual space where a historic bloc (e.g. neoliberal global capitalists) and a counter historic bloc (e.g. civil society) fight over authoritative power to establish or maintain its hegemony (or domination). In fact, a nation state might be weak in front of the power of the neoliberal global capitalists and the global market. However, the authoritative power to legitimize a social order is still in the realm of 'state'. In this sense, civil society should work hard to prevent the government from delegating the authoritative power to the opponent, particularly the neoliberal global historic bloc including the TNCs. Because, the neoliberal global historic bloc has much more superiority to access to the authoritative power in the government than civil society does.

As observed in Chapter 3, the neoliberal global historic bloc has already accessed the state power and reconstructed it through the SAPs or the WTO's rules to accommodate it to the neoliberal world order. In addition, because of the TNCs' social importance, such as employment or tax payment, a TNC has potentials to force the government to reconstruct legal framework in its favor by directly influencing the government. It was typically exemplified by the case that Coca-Cola disobeyed and distorted the Indian government's requirement to divest its shareholding (see Section 3.3). What civil society should do as a 'war of position' against the neoliberal social order is to recapture the authoritative power (legal framework) which has already been controlled by the neoliberal historic bloc, and to reconstruct it again to protect the nation state's or the local community's democracy and autonomy.

Decentralization and redistribution of authoritative power to the local level is effective to protect local democracy and autonomy from the coercive power of the neoliberal global historic bloc. This is possible, because the decentralized and diffused authoritative power makes it difficult for global capitalists to access and change it in their favor at once. In that regard, the centralized authoritative power is relatively vulnerable to the overwhelming power of the global capitalists, because of the easy accessibility. While the neoliberal global historic bloc tries to reconstruct a nation state's legal framework by the top-down process with coercive power, civil society has to prevent the attempt by promoting decentralization and local empowerment by the bottom-up process, for example, by introducing co-management framework in resource management.

c) Incorporation of the TNCs into the Counter-Hegemonic Social Order

As it was implied in the previous argument, a counter power's struggle against the existing social order should be directed to the state power, rather than to the neoliberal historic bloc per se. The struggle against the neoliberal social order should understand that the authoritative power is located in the state, and even powerful TNCs or international financial institutions including the IMF and the World Bank cannot exert their supremacy over the society without accessing to the authoritative powers in the state. The fact should be remembered that even Coca-Cola, one of the most powerful TNCs in the world, could not restart its operation in Plachimada for nearly two years, since the local village council, the lowest governmental body, rejected its authorization of the company's operation.

The point is that the TNCs are not the appropriate target to challenge for a counter power as a 'war of position'. As noted repeatedly, the target for a 'war of position' is the authoritative power in the state. Therefore, even if a counter power wages a frontal crash with TNCs or global capitalists, all of the challenges will end in mere 'war of movements'.

Based on the above understanding, this thesis argues that civil society should pursue the alternative hegemonic social order involving the TNCs. As argued in Section 5.3, if the local community in Plachimada establishes an effective co-management framework, Coca-Cola will be a welcome player rather than a threat. In fact, the overwhelmingly powerful player like TNC must be a big threat when the local community does not have adequate authoritative power to control it, just like the case of

Plachimada. Meanwhile, if the local community has a highly democratized management framework, a locally initiated regulatory and monitoring framework, and adequate authoritative power to intervene in the company's operation, the involvement of the TNC must be possible. This thesis assumes that such a partnership with TNCs under the local initiated management framework is a great possibility for the alternative hegemonic social order, which is neither of elimination of TNC nor slavery to TNC. It might be a cooptation of TNC by civil society.

To establish an alternative hegemonic social order involving the TNCs, as argued in Section 5.3, it is very important for a counter-hegemonic bloc to offer incentives which are attractive enough for the TNCs to support the new social order. In fact, it is one of the big challenges for a counter-hegemonic bloc, since the TNCs are capable to vote with their feet by moving elsewhere and play various jurisdictions off against one another to produce the most favorable deal or conditions. Offering incentives including preferential treatments can be understood as a process to raise 'active consent' to the new social order from private companies. On the other hand, restrictions as 'coercive power' to prevent private companies from moving elsewhere also need to be considered. For example, setting a requirement on the amount of investment may be a possible policy, so that the company could not move elsewhere soon until it gets a return on the investment[111].

In fact, it is necessary for civil society to develop such an alternative social order which can involve TNCs. Kicking-out the TNCs from the local community is not always

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[111] As noted in Section 3.2, this kind of restrictions or requirements for the companies might be regarded as the violation of the TRIMs in the WTO, if they are imposed only on the foreign capitals. The architects of the new resource management framework need to be careful to prevent the TNCs from taking advantages on the rules of the WTO.

the permanent solution. To explain with the case of Plachimada, firstly, even if the local community ousted Coca-Cola from the village, the water crisis would remain to be solved. Secondly, even if the local community ousted Coca-Cola from the village, the company would launch its operation in another place. Therefore, this thesis argues that civil society should create a (counter) hegemonic social order first at the local level, by pursuing democratization and delegation of authoritative power to the local level, so that it can involve TNCs in the local community without fear. Furthermore, it is also important to expand the counter-hegemonic social order by linking with other counter-hegemonic blocs in other places or scales, so that the private companies could find no other way than being incorporated into the counter-hegemonic social order. The importance of the creation of the counter-hegemony at the local level will be described next, followed by the argument about the importance to expand the counter-hegemony across the space and the scale.

d) Creation of Counter-Hegemony at the Local Level

Creation of a counter-hegemonic social order at the local level is the first step to create a global counter-hegemonic historic bloc. As described in Section 1.2, Cox (1987) assumes that a historic bloc should first emerge domestically, and then expand domestically and internationally forming a global historic bloc and a hegemonic world order. Furthermore, Cox asserted that counter-hegemony cannot emerge within the global institutions, since they are facilitating the expansion of hegemonic world order as absorbing counter-hegemonic ideas (Cox, 1993). On that basis, Cox argues that the

struggle for counter-hegemony needs to return to the national context (Ford, 2003).

Along with the Cox's idea, this thesis also assumes that the counter-hegemonic social order will first emerge at the local level, or at most, at the national level. Given the case of Plachimada, the possible entity which would be empowered as a result of the decentralization and the delegation of authoritative power is only the local community. While the national-level and international-level anti-Coca-Cola movements took a great role in the water conflict in Plachimada, they would not be the entity to be empowered by the delegation of authoritative power (see the argument in Section 5.3). Simply because, they were neither of the resource users nor the subordinate people who were directly affected by the Coca-Cola's operation. As argued previously, counter-hegemony is possible only when the power of civil society (active consent) and that of political society (coercive force including legal authorities) are achieved at the same time. In this regard, the external entities, in particular domestic or international NGOs which supported the local community's struggle against Coca-Cola in Plachimada, cannot initiate a counter-hegemonic social order, since coercive force (authoritative power) would not be delegated to them. In short, only those who are directly empowered by the delegation of authoritative power have the possibility to create a counter-hegemonic social order. Hence, this thesis assumes that counter-hegemony can emerge only within the domain which the state's authoritative power can empower, namely, most likely at the local level, or at most national level.

Regardless of the size or scale, the emergence of counter-hegemonic social order as a result of the decentralization and subsequent delegation of authoritative power is

significant. It means not only the empowerment of civil society, but also the dismantlement of the current neoliberal historic structure. Decentralization and subsequent delegation of power to civil society will affect, what the Neo-Gramscian calls, the 'forms of state' to some extent (see Figure 2). As introduced in Section 1.2, the Neo-Gramscian assumes that the neoliberal world order or neoliberal global capitalism has been achieved by international reconstruction of 'forms of state' and 'social relation of production' to accommodate them to neoliberalism. Therefore, if civil society successfully changed the 'forms of state' by decentralization and empower itself with the delegated authoritative power, the changes would dismantle the neoliberal historic structure as a whole, although the influence might be too small to reconstruct whole of the neoliberal global structure. However, as Cox argued, if the separately and locally created counter-hegemonic blocs expand domestically and internationally, the emergence of the global counter-hegemony is possible. Hence, the persistent creation of the local level counter-hegemonic power is important as the first step to establish a global counter-hegemony. The integration of the local level counter-hegemonic power is important as the second step. This point will be argued next.

e) Cross-Scale Integration of Counter-Hegemonic Power

While the counter-hegemonic social order first emerge at the local level, or at most at the national level, the struggle for the creation of counter-hegemony should go beyond the national boundaries. Since the neoliberal globalization goes beyond the borders, counter-hegemonic power should accordingly be formed across the borders

(Brand, 2004). Therefore, the counter-hegemonic social order established at the local level should escalate the level of struggle to the national and international level to form a global counter-hegemonic historic bloc.

In this regard, this thesis assumes that the national or international NGOs are taking an important role. While they cannot initiate the counter-hegemonic social order per se as argued previously, they have a potential to facilitate the integration of the locally established counter-hegemonic blocs across space and scales. From Gramscian perspectives, the national or international NGOs take a role of agents, or in other words 'organic intellectuals' (see Section 1.3), who support the reproduction of the existing social order as well as the creation of the counter-hegemonic social order.

The locally established counter-hegemonic power can neither expand its counter-hegemony horizontally nor escalate it vertically, without linking with other counter-hegemonic power in other place or in other scale. Therefore, a social agent, like NGOs, is critically needed to form a global counter-hegemonic bloc. In fact, in the case of Plachimada, the protest movements against the Coca-Cola factory successfully scaled up the level of resistance from the local level to the global level, by connecting its activity with higher level of groups (e.g. a nation-wide environmental group including CSE, BBC Radio4 and the WSF) or issues (e.g. marketization of natural resources, labor issue in a Coca-Cola's factory in Colombia (see footnote 92), Coca-Cola's business ethics, etc.). By doing this, 'the water conflict in Plachimada' was escalated into the national level issue or even into the international issue, forming a nation-wide and international anti-Coca-Cola movements, although it had been a mere water issue in a small village in

India.

As this case indicates, cross-scale linkage via agents, the NGOs, is an important strategy to form a global counter-historic bloc. Meanwhile, it should be emphasized that the establishment of the counter-hegemonic power should be done first, regardless of the size, before the cross-scale linkage. Without a counter-hegemonic power, which is empowered by coercive power (legal authority) as well as active consent from civil society, even the cross-scale protests will end in a mere 'cross-scale war of movement'.

These are the key five strategies to create the global counter-hegemony based on the lessons from Plachimada. This thesis has observed that so many issues, which are critically important for the public interests, are decided and implemented without participation of the people who are most likely affected by the policy implementation in the neoliberal social order. Deterioration of democracy and local autonomy were observed in all of the social level, particularly: in the process of the transformation of the India's fundamental economic policies (Chapter 2); in the global economic framework (Chapter 3), and; in the water resource management in Plachimada (Chapter 4). This thesis hopes that an alternative hegemonic social order will be established through the implementation of the above five key strategies, so that the world recovers the high level of democracy and the local autonomy.

Tables

Table 1: Public sector undertakings: a synoptic view (1985)

Sector	Number of Companies	Paid-up Capital (Rs lakh)
Steel	6	386,350
Minerals and Metals	13	220,272
Coal	5	255,668
Power	3	250,787
Petroleum	12	79,426
Chemicals, Fertilizers, and Pharmaceuticals	27	261,236
Heavy Engineering	14	56,596
Medium and Light Engineering	20	33,137
Transportation Equipment	12	40,419
Consumer Goods	15	20,955
Agro-based Industries	10	3,187
Textiles	13	29,823
Trading and Marketing	19	45,894
Transport Services	9	29,904
Contracts and Construction Services	7	8,784
Industrial Consultancy	12	24,731
Tourist Services	2	6,970
Financial Services	4	22,307
Others	5	2,088
Total	**198**	**1,756,234**

*lakh = 100,000

Source: Tripathi, 2004, pp.314 Table 17.2. Tripathi complied from *Public Enterprise Survey, 1984-1985*, New Delhi: Bureau of Public Enterprise, Ministry of Industry and Public Enterprises, Government of India, n.d., vol.2.

Table 2: India's world ranking in the Human Development Index and its GDP per capita from 1990 to 2007

Human Development Report (Year)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number of Participating Countries	130	160	160	173	173	174	174	175	174	174	174	162	173	175	177	177	177	177
India's Rank	**98**	**123**	**121**	**134**	**135**	**134**	**135**	**138**	**139**	**132**	**128**	**115**	**124**	**127**	**127**	**127**	**126**	**128**
India's GDP per capita (PPP US$)	1,053	870	910	1,072	1,150	1,230	1,240	1,348	1,422	1,670	2,077	2,248	2,358	2,840	2,670	2,892	3,139	3,452

(*Source:* UNDP Human Development Report. Complied by the author.)

Table 3: Foreign direct investment to India: approvals and actual inflows (1991-2005)

	Rs (billion)		US$ (million)	
	Approvals	Actual Inflows	Approvals	Actual Inflows
1991-1992 (*)	13.5	4.1	527	165
1992-1993	55.5	10.9	1,976	393
1993-1994	74.7	20.2	2,428	654
1994-1995	99.7	43.1	3,178	1,374
1995-1996	366.1	69.2	11,439	2,141
1996-1997	402.1	96.5	11,484	2,770
1997-1998	400.3	135.5	10,984	3,682
1998-1999	303.2	123.4	7,532	3,083
1999-2000	179.8	103.1	4,266	2,439
2000-2001	252.1	126.5	5,754	2,908
2001-2002	144.7	193.6	3,160	4,222
2002-2003	79.0	149.3	1,654	3,134
2003-2004	62.2	121.2	1,353	2,776
2004-2005 (**)	67.8	117.3	1,475	2,549

(*): August - March
(**): Up to November 2004

(*Source: Economic Survey 2004-2005,* Table 7.17; Ministry of Finance, Government of India (2005))

Table 4: District-wise population profile of Kerala – 1991 and 2001 census

District	Area (sq.km)	Census 1991				Census 2001			
		Population (thousand)	Density (per sq.km)	Population Growth (%) 1981-91	Effective Literacy Rate (%)	Population (thousand)	Density (per sq.km)	Population Growth (%) 1991-2001	Effective Literacy Rate (%)
KERALA (State)	38,863	29,099	749	14.32	89.81	31,839	819	9.42	90.92
Kasaragod	1,992	1,072	538	22.78	82.51	1,203	604	12.30	85.17
Kannur	2,966	2,252	759	16.63	91.48	2,412	813	7.13	92.80
Wayanad	2,131	672	315	21.32	82.73	787	369	17.04	85.52
Kozhikode	2,344	2,620	1,118	16.69	91.10	2,878	1,228	9.87	92.45
Malappuram	3,550	3,096	872	28.87	87.94	3,630	1,022	17.22	88.61
Palakkad	4,480	2,382	532	16.52	81.27	2,617	584	9.86	84.31
Thrissur	3,032	2,737	903	12.20	90.18	2,975	981	8.70	92.56
Ernakulam	2,407	2,817	1,170	11.12	92.35	3,098	1,287	9.09	93.42
Idukki	5,019	1,078	215	11.22	86.94	1,129	225	6.96	88.58
Kottayam	2,203	1,828	830	7.71	95.72	1,953	886	6.76	95.90
Alappuzha	1,414	2,001	1,415	7.28	93.87	2,105	1,489	5.21	93.66
Pathanamthitta	2,642	1,188	450	5.60	94.86	1,232	466	3.72	95.09
Kollam	2,491	2,408	967	10.68	90.47	2,584	1,037	7.33	91.49
Thiruvananthapuram	2,192	2,947	1,344	13.50	89.22	3,235	1,476	9.78	89.36

(*Source:* Census of India 1991 and 2001, compiled by the author.)

Table 5: District-wise utilizable ground water resources, draft and balance for Kerala state as on 31-03-1992

District	Utilisable rsources (mcm)	Net Draft (mcm)	Balance resources available for irrigation (mcm)
Kasaragod	359.6	118.3	541.3
Kannur	623.2	90.7	532.5
Wayanad	360.9	17.8	343.1
Kozhikode	416.1	53.3	362.8
Malappuram	548.5	100.3	448.2
Palakkad	**752.7**	**78.6**	**674.1**
Thrissur	709.9	153.6	536.3
Ernakulam	638.0	134.1	503.9
Idukki	389.3	19.2	370.1
Kottayam	402.9	40.7	362.2
Alappuzha	486.2	45.0	441.2
Pathanamthitta	317.8	32.4	285.4
Kollam	327.0	70.9	301.1
Thiruvananthapuram	209.7	51.3	158.4
KERALA (State Total)	6,586.8	1,006.2	5,580.6

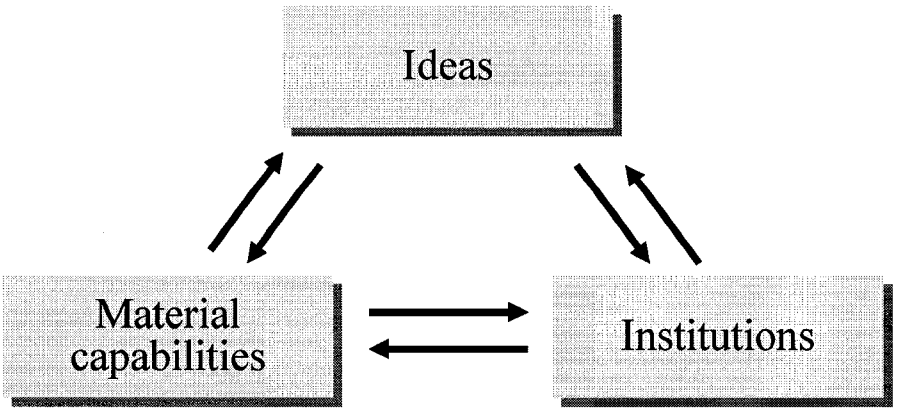
mcm = million cubic meter

(*): District wise utilizable groundwater is the annual replenishable recharge of the district phreatic aquifer (including rainfall, topography, hydrogeology, etc.).

(*Source:* Ground Water Resources of Kerala (1997) Central Ground Water Board, Ministry of Water Resources (Government of India), Trivandrum. Retrieved from Paramasivam, 2000, Table 3. Partially edited by the author.)

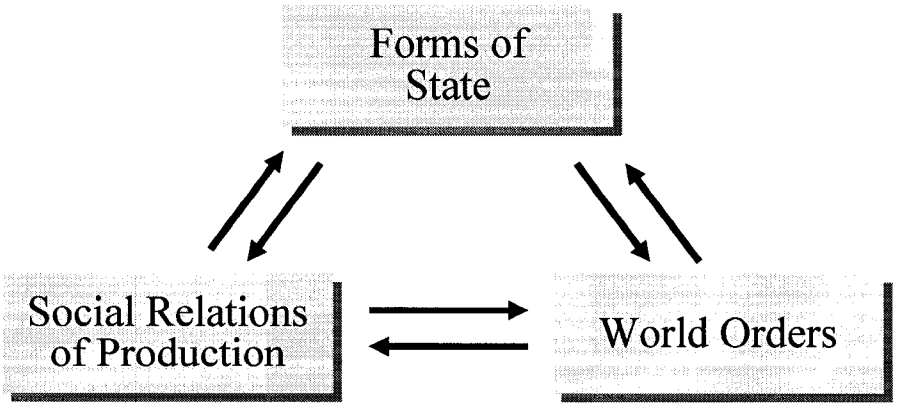
Figures

Figure 1: Historic structure (Gramscian)



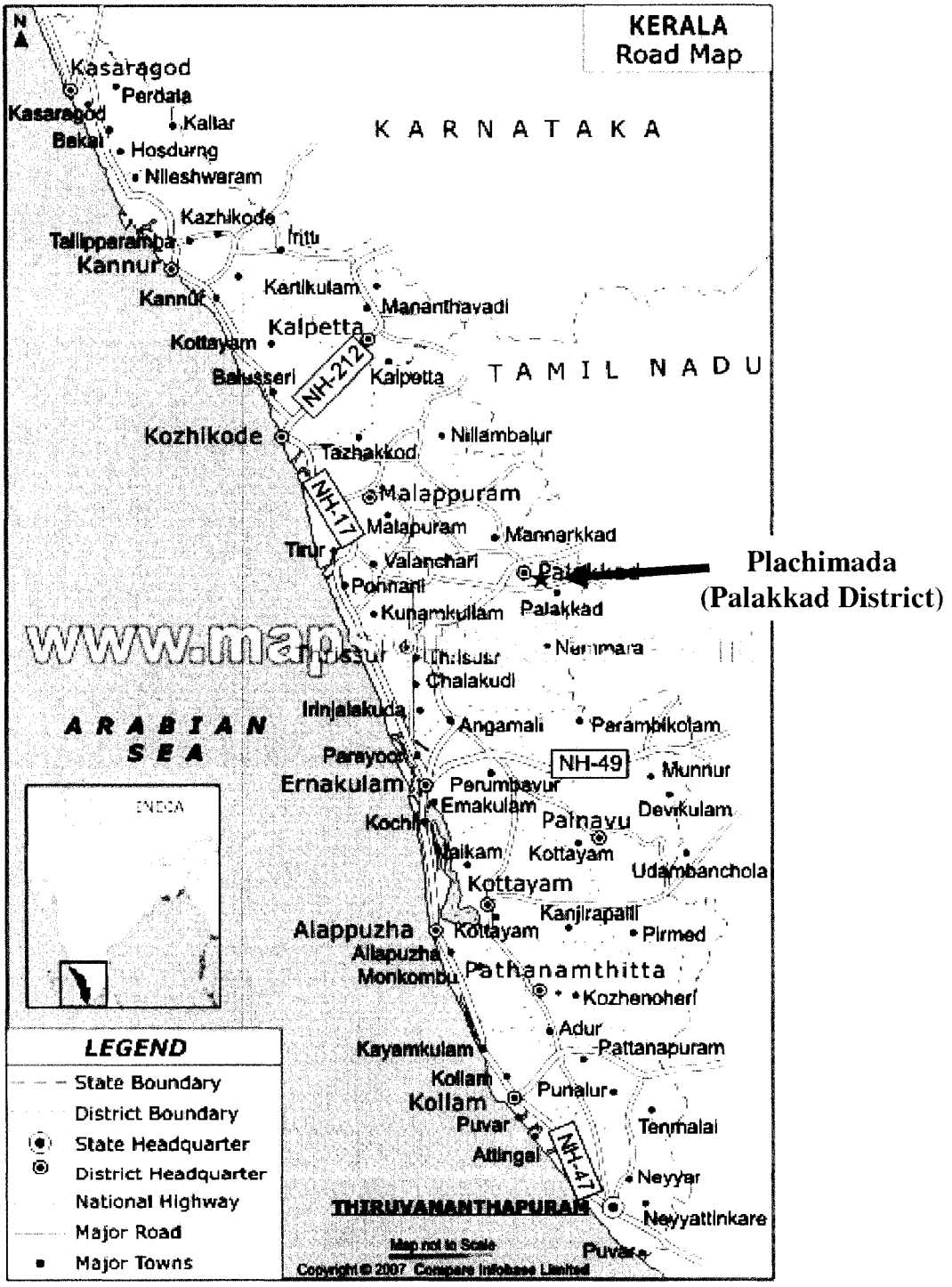
(*Source:* Cox, 1981, pp.136)

Figure 2: Historic structure (Neo-Gramscian)



(Source: Cox, 1981, pp.138)

Figure 3: Map of Kerala state and the location of Plachimada



(*Source:* Maps of India. Extracted on March 30, 2008, from http://mapsofindia.com/)

Figure 4: Political landscape in Kerala at the time of the water conflict in Plachimada

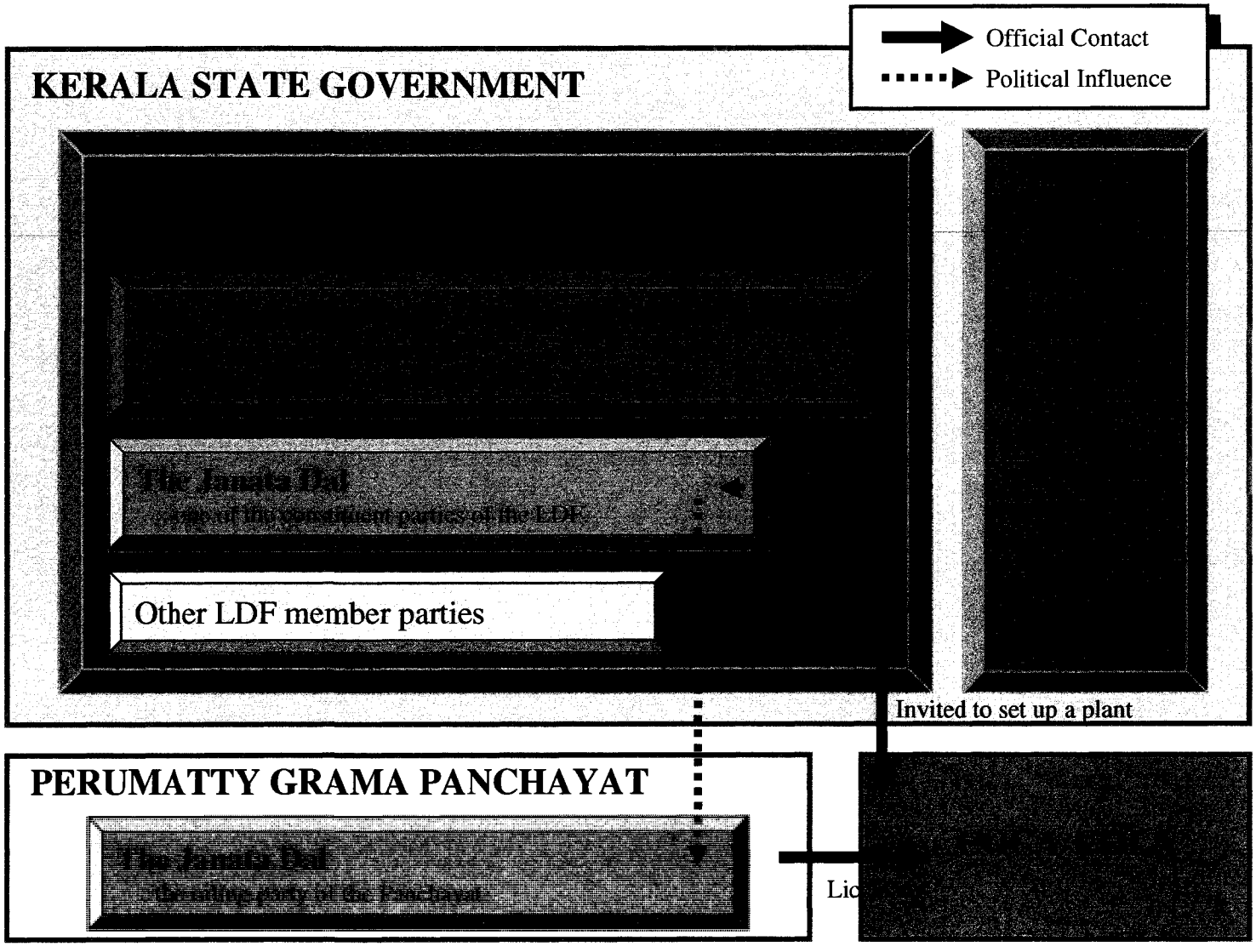
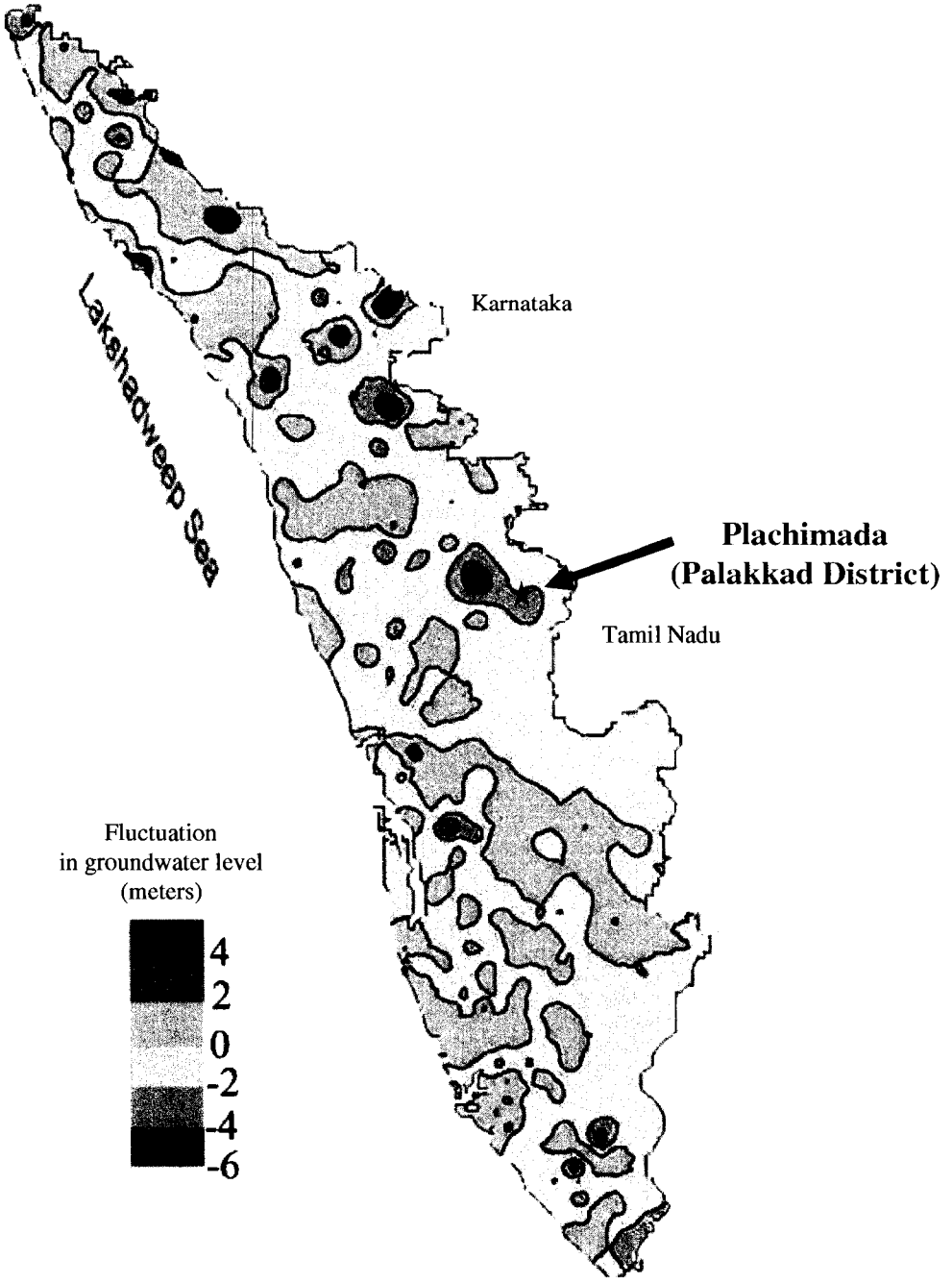


Figure 5: Fluctuation in groundwater level in Kerala between mean April water level (1994-2003) and April 2004



(*Source:* Central Ground Water Board (CGWB). Extracted on November 25, 2008, from http://www.cgwb.gov.in/KR/Monitoringreports/change_in_WL_apr2004.htm)

Figure 6: Major legal frameworks and authoritative bodies in the case of Plachimada

(Made by the author based on the information from Koonan (2007))

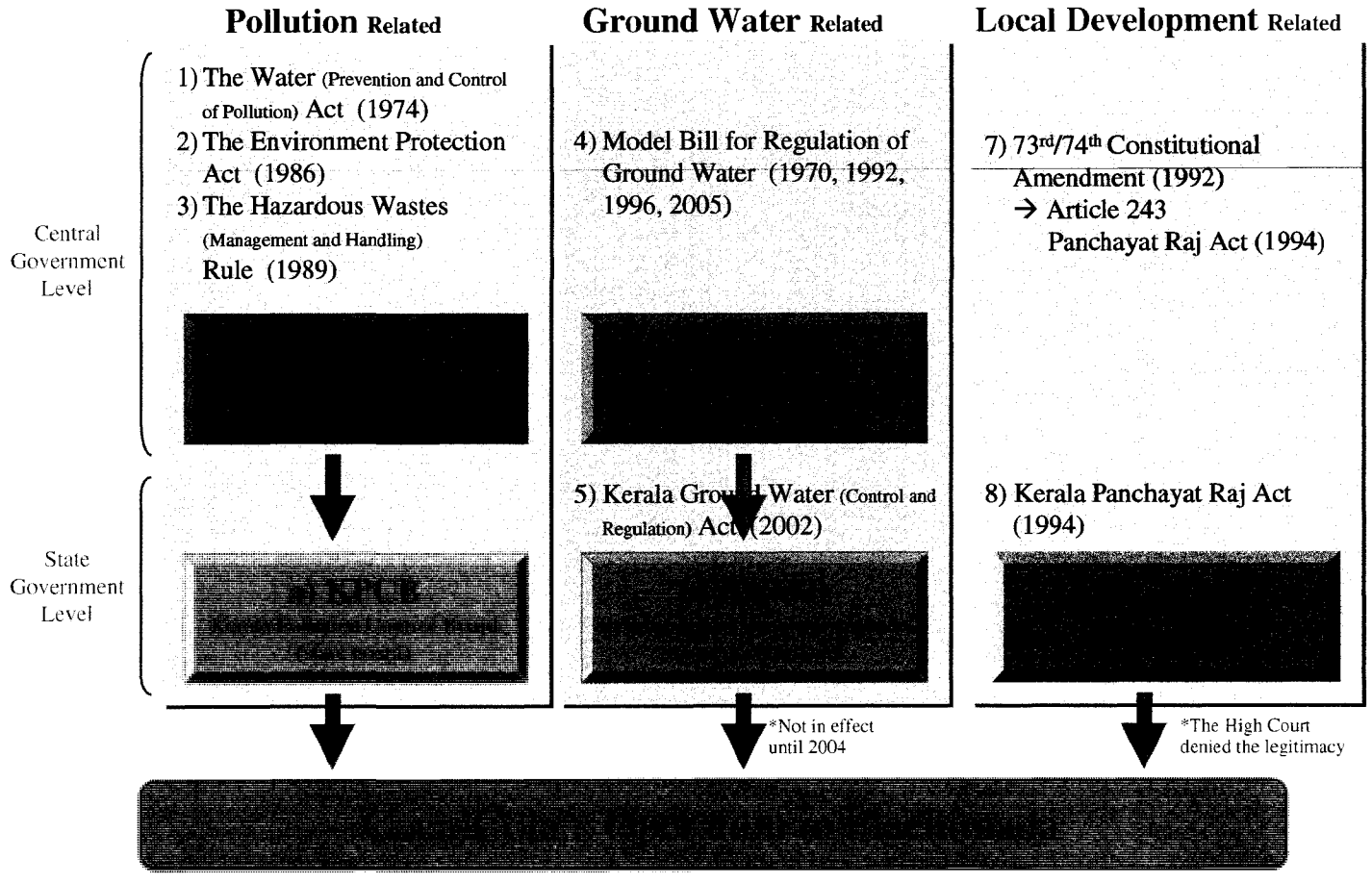
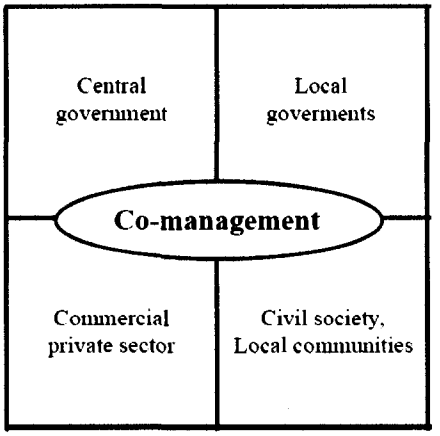
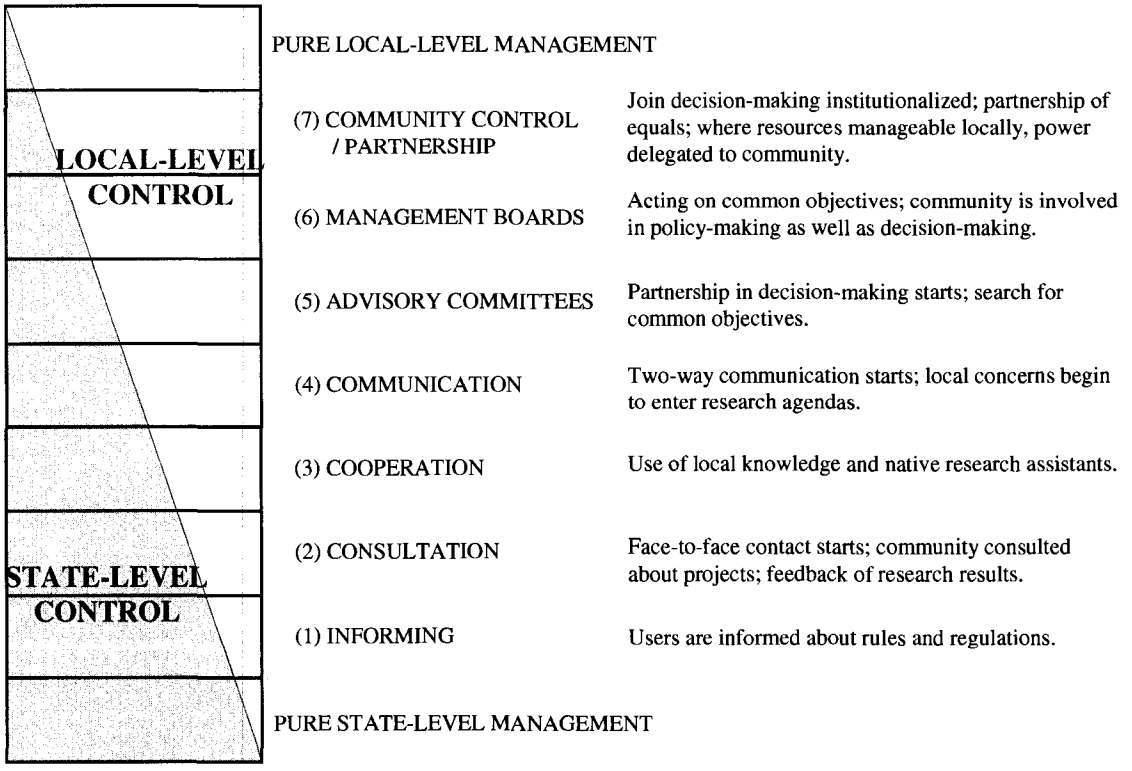


Figure 7: Key stakeholder categories and co-management



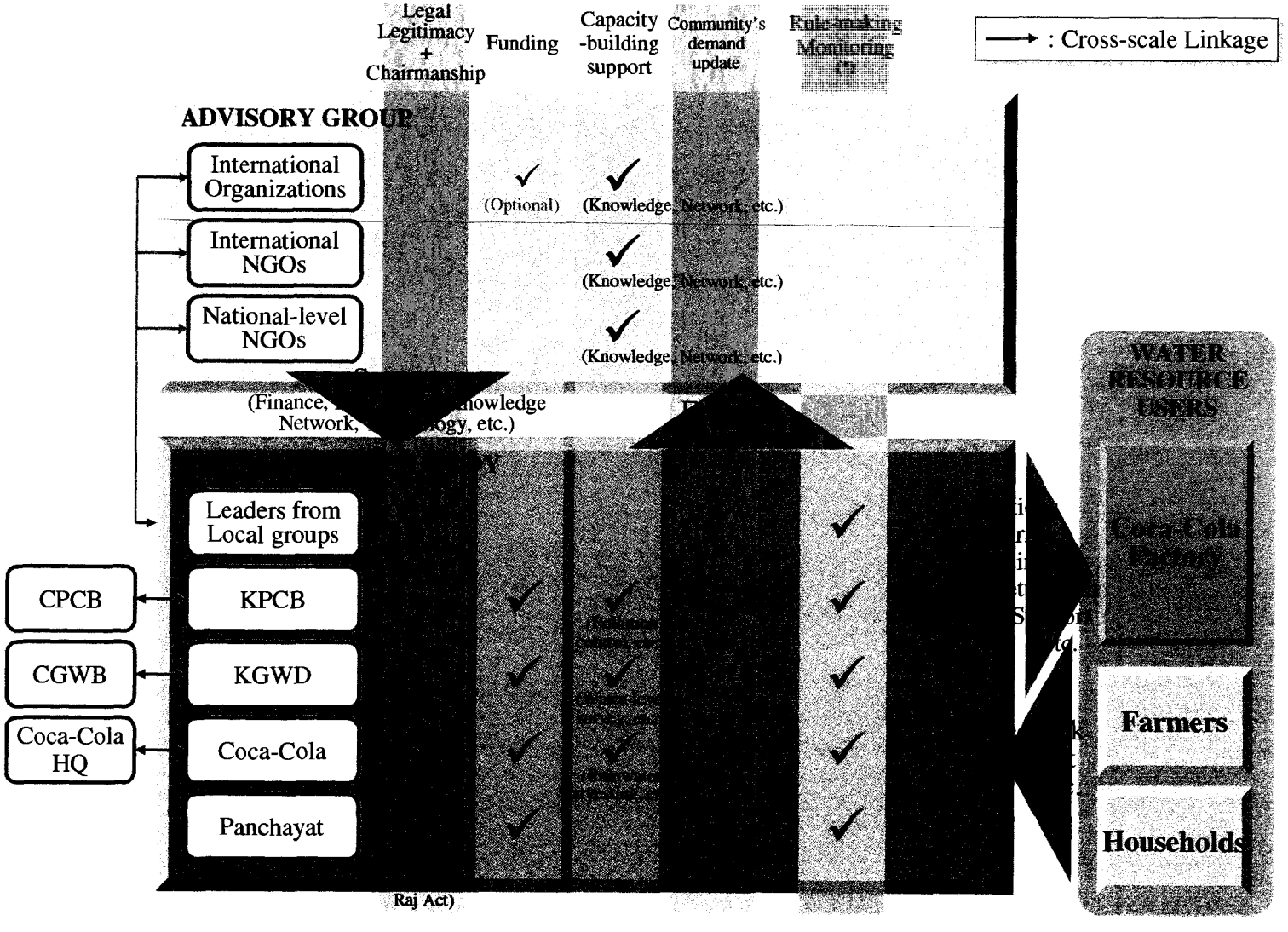
(*Source:* The World Bank, 1991, pp.11)

Figure 8: Levels of co-management



(*Source:* Berkes, George & Preston, 1991, pp.36. Modified by the author.)

Figure 9: The possible co-management regime in Plachimada



(*) Power distribution among the managerial body should be decided by adjusting the number of delegates from each entity.

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