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NEOLIBERAL EXCEPTION TO LIBERAL DEMOCRACY? ENTREPRENEURIAL TERRITORIAL GOVERNANCE IN INDIA

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ABSTRACT

Focusing on the Industrial Area Local Authority (IALA), a governance regime widely applied in the South Indian states of Andhra Pradesh and Telangana, this paper examines pathways to illiberal governance within ostensibly liberal democratic contexts. The history of the IALA exemplifies the modes by which the movement towards representative government at the local level in India was subverted at its very origins by the insertion of exceptions into the legislation that purported to establish and empower urban government. Applied to demarcated territories, both established industrial areas and spaces dedicated to globalized IT and financial services, the IALA instrument devolves the powers and functions of the municipality to an agency controlled by the state government. The career of the IALA thus demonstrates how neoliberal agendas are enacted in enclave settings through the interplay of discursive logics of participatory governance and strategies of entrepreneurial governance in practice. Using Hyderabad as an empirical case, the paper argues that special purpose enclaves, subject to regimes of exceptional urban governance, represent vectors both of neoliberalism and neo-illiberalism in avowedly liberal democratic contexts in the Global South.

KEYWORDS

India, Urban Governance, Entrepreneurialism, Exception, Special Purpose Enclaves, Hyderabad

INTRODUCTION: NEOLIBERAL AND ILLIBERAL EXCEPTIONS

Rising to dominance in the mature post-Fordist economies of the Global North, neoliberalism's origins lay in robust liberal democratic contexts and philosophical traditions (Le Gales, 2016). Yet, even in its European and North American habitats, neoliberalization over the last three decades has displayed a robust frontier thrust, reaching into and transforming newer domains of society and economy (Peck, 2013).

If the neoliberal has always co-existed among its 'others' even in the liberal democracies of the Global North (Peck, 2013, 140), it manifested itself more explicitly as 'exception' in the 'centrally planned socialist systems' of East Asia. In Aihwa Ong's 2006 study, the Chinese Special Economic Zones (SEZs) and Special Administrative Regions (SARs), for example, emerged against the backdrop of avowedly illiberal "political business as usual". In this case, exception served as 'a modality of "graduated sovereignty" that culminated in a frame of "one city, two systems" (p 78). More important, however, spaces of political exception such as Hong Kong or economic exception such as the Shenzhen Special Economic Zone (SEZ), were also vectors for more liberal modalities of state territorial control (Roy, 2013).

Since the mid-2000s, spaces of exceptional governance, whether SEZs, Special Investment Regions (SIRs) or industrial townships have also burgeoned in India (Sood, 2015; Jenkins et al., 2014). But if the Indian norm has been seen to be a liberal democratic polity and an increasingly liberalised economy, it is worth asking, what accounts for these spaces of exception? In other words, what is the role of exception in a liberal and neoliberalizing democratic context?[1]

This paper attempts to examine these questions through the lens of the Industrial Area Local Authority (IALA), a specialized regime of urban governance that is widely applied in the South Indian states of Andhra Pradesh and Telangana. Applied to demarcated territories,

both established industrial areas and spaces dedicated to globalized IT and financial services, the IALA instrument devolves the powers and functions of the municipality to the state Industrial Infrastructure Corporation. As a governance regime of territorial exception, the IALA stands in opposition to the rule of elected local government enshrined by the 74th Constitutional Amendment Act (CAA). The career of the IALA thus epitomises Ong's (2006: 5) notion of exception as an "extraordinary departure in policy that can…include as well as exclude".

Integral to "new modalities and territories of control" in an economically ascendant Asian setting (Roy 2013), the IALA exception embodies entrepreneurial strategies of economic development and city-centric growth legitimized through ostensibly participatory, if exclusionary, notions of 'local self-governance' by non-elected bodies (Coelho et al. 2013; Chhotray 2007). The revanchist and perverse spin the IALA instrument offers on the ideal of democratic representation thus serves to not only reveal the contradictions inherent in the neoliberal exception in liberal contexts but also larger tensions between participation and public good provisioning that bedevil liberal democracy (Chatterjee 2004).

In the case of Hyderabad, these practices of territorial management through exception and 'exemption' (Gururani 2013) have operated across legislative and executive, discursive and practice domains. They have often pitted the state government, as the entrepreneurial actor engaged in aggressive economic growth promotion in the sense of Harvey (1989), against the city government, which remained stuck in a managerialist, service provision mode (Kennedy and Sood 2019). In advancing its economic development agenda, the Telangana government found it expedient to undercut the legal and procedural foundations of local government functioning. Our case study thus delineates pathways to illiberal governance within ostensibly liberal democratic contexts. Moreover, it interrogates the relationship between neoliberal logics and democratic practice in Indian cities.

If we are to recognize that the relationship between the liberal and the illiberal is not binary but dialectical, we must take seriously the "nondemocratic habits" of ostensibly liberal spaces (Koch 2016, p 451). The Indian case offers a unique and relatively underexplored laboratory for understanding the nature and origins of illiberal political practices in a non-Western democracy.

In an international context, our case study examines the subversion of political liberalism against the backdrop of ongoing economic neoliberalization in countries of the global South. Worth analysing are the different pathways to these outcomes in countries with erratic histories of democracy, say Indonesia, compared to countries with more robust democratic traditions, like India. The question, nonetheless, remains: is a current of 'neo-illiberalism' inherent within the global spread of neoliberalism (Hendrikse 2018: 169)? And if so, why?

The question, and answers provided by the IALA case study gain special currency in light of the long-running debate on the nature, relevance and even conceptual coherence of neoliberalization as a force shaping urban governance globally (Storper 2016; Le Gales 2016; Pinson and Morel Journel 2016). In its critical examination of neoliberalization, this paper renews attention on the global dispersal of area-based instruments or 'zoning technologies' (Ong 2004: 75) – whether business improvement districts (BIDs), economic development zones (EDZs) or SEZs (Warner 2010, 2011; Jenkins et al. 2014). As vectors of neoliberal exception, such enclaves represent a distinct strand of state spatial rescaling (Peck 2001, 2004, 2013; Brenner 2004; Harvey 1989; Ward 2006; Weber 2002). In this way, our case study offers insight into the broader phenomenon of enclave development, which as Sidaway (2007) argues may even be said to characterize a new "metageography" of development in global settings as disparate as sub-Saharan Africa, Southeast and West Asia.

The theoretical guide-map for this paper comes from a spatially anchored framework of neoliberal exception (Ong, 2006). If states of deregulation and "exception" are to be taken as defining features of "India's planning regime" (Roy, 2009: 77), they are manifested most starkly in settings of 'special purpose enclaves' that combine high quality basic services provision with specialized forms of territorial governance (Kennedy 2014; Kennedy and Sood 2016). These 'exceptional' spaces, governed by private entities, have proliferated across India (Sood 2015) and other parts of Asia and Africa, although their specific manifestation owes a great deal to the institutional peculiarities of their national setting (Hudalah et al 2019; Dieleman 2011).

In what ways, if at all, does the IALA represent a neoliberal exception in the sense of Ong (2006)? Where does it lie on the spectrum of liberal versus illiberal forms of territorial control? What does it tell us about the viability of local – and national - democracy in neoliberalising settings? In answering these questions, our analysis expands the backdrop from local and global to bring into focus subtly divergent notions of self-governance that define both the norm of urban governance and exceptions to it. In particular, our examination of the neoliberal aspect of the IALA grounds it both in discourses of participatory governance and the practices of entrepreneurialism, and the interplay between them.

METHOD AND ANALYSIS

Drawing on interviews, spatial mapping and examination of official documents and news reports, we argue that the IALA instrument reveals the genesis and operation of illiberal forms of state territorial control in India.

Our interviewees included retired senior bureaucrats, planners, current officials of the Telangana government and officials of the industrial infrastructure corporation, the Municipal Corporation and the Telangana and Andhra Pradesh Departments of Municipal Administration and Urban Development as well as members and representatives of industry federations and IALA service societies. We conducted these nearly 50 interviews in two stages, between August 2015 and February 2016, and then in February 2018. Our sample of interviewees was purposively chosen to allow a range of institutional perspectives on the IALA but also to triangulate across interviews, media reports and other documentation.

Our spatial data came from a mapping and extensive visual documentation of the newly developed Financial District and Manikonda/ Nanakramguda IT Parks and their surrounds, alongside interviews with grassroots informants and publicly available documentation from October 2015 to January 2019.

Our analysis answers three key questions about the IALA: is it an exception? Is it neoliberal? Is it a vector of illiberal forms of governance? Our contention is that the IALA reveals key features of the processes of neoliberalism and neo-illiberalism (Hendrikse 2018) as they unfold in cities of the Global South. Succinctly stated, our argument is that regimes of exceptional governance in special purpose enclaves in India and the Global South not only serve to advance neoliberal logics through participatory discourses and entrepreneurial practices, they also function as powerful vectors of illiberal forms of territorial control.

The paper is structured as follows: Focusing on the legal foundations of the IALA instrument, the next section starts by situating the IALA as an exception to the norm of elected municipal governments. Interrogating its origins, we show how the rhetoric of local

self-governance that undergirded its creation evinces distinct neoliberal logic. The following section analyses the neoliberal nature of the IALA as an exception. It surveys the career of the IALA from 1994 to the present to examine the ways in which it fostered entrepreneurial forms of governance in the making of Hyderabad as an information technology (IT) powerhouse. We then broaden the canvas to ask: what explains the rise of neoliberal exception in contemporary India? Our analysis focuses on the tensions between economic restructuring in the wake of an International Monetary Fund (IMF)-heralded economic liberalisation and the simultaneous devolution of powers to local governments. Finally, we draw the national and sub-national strands together to examine the IALA as a vector for illiberal modalities of territorial governance in cities of the Global South. Unfolding at the level of the enclave, the tensions embodied in the IALA nonetheless point to larger contradictions in the governmentalisation of the state sharpened by the neoliberalisation project.

THE LOGIC OF EXCEPTION

In what sense, if at all, can the IALA be said to represent an exception, in the sense of Ong (2006)? In what ways is it neoliberal? In this section, we start with a legal and discursive account of the IALA, delineating the local and expedient circumstances that are popularly credited as explaining its establishment as an instrument for specialized governance. We argue that the animating cry of local self-governance that underpins the IALA 'solution' in fact embodied a larger trend towards depoliticized participatory governance in 1990s India that found clear counterparts in neoliberal governance agendas.

What is the norm to which the IALA represents an exception? The passage of the 73rd and 74th Constitutional Amendments instituted the 'third tier' of government in India, alongside the central (federal/national) and sub-national state levels. While the 73rd

Amendment in 1992 devolved substantial powers and functions to rural 'Panchayati Raj' institutions, the 74th Amendment created a new tier of urban local governments in 1993 (Sivaramakrishnan 2011). This was the norm to which the IALA can be read as an exception. As we show below, the norm and exception emerged conjoined at birth.

Beyond conferring a quasi-constitutional status on municipalities and municipal corporations, the 74th Amendment also established representative councils, with 'reservations' or quotas for women and scheduled castes and tribes, groups that historically bore the brunt of socio-economic discrimination. Further, ward committees were formed to provide scope for civil society to participate in decision-making and dispute resolution alongside elected councillors/corporators and municipal bureaucrats. Most significantly, the Act also bestowed de jure the mantle of urban development, infrastructure and services provision on the municipal government, alongside the devolution of taxation, levy and borrowing powers (Dupont 2007).

The realisation of this ambitious agenda of local democratisation has been halting at best (Sivaramakrishnan 2011). In an era when the powers and functions of city governments were still nascent, the charge of 'urban entrepreneurialism' was taken up by sub-national state governments, whose political powers increased under liberalisation (Kennedy 2014). This was a role state parties such as Andhra Pradesh's Telugu Desam Party or Tamil Nadu's Dravida Munnetra Kazhagam (DMK) and All India Dravida Munnetra Kazhagam (AIDMK) were all too eager to play (Vijayabaskar 2017).

However, a far more insidious subversion of the spirit of the 74th CAA was made possible through its very letter. At the same time, that city governments were being empowered, an antidote to that power was inserted through a little known 'industrial township' proviso to the Article 243Q of the 74th Amendment, which states that:

Provided that a Municipality under this clause may not be constituted in such urban area or part thereof as the Governor may, having regard to the size of the area and the municipal services being provided or proposed to be provided by an industrial establishment in that area and such other factors as he may deem fit, by public notification, specify to be an industrial township.

The IALA instrument, in seeking to free demarcated areas from the requirement of an elected local government arguably represents the most fully realized model of legislative exception. As we show below, in 2017, its statutory framework formally invoked the 'industrial township' provision, thus merging into the larger Constitutional framework (see also Figure 1).

< Figure 1 about here>

The content and import of this "industrial township" legislative exception in the Amendment Act and in national and sub-national policy frameworks have been deconstructed elsewhere (Sood 2015; Sivaramakrishnan 2009). We locate the larger national trends that favoured and even necessitated these exceptions in a later section. An overview of how the legislative framework for the IALA came to be constituted, however, reveals both commonalities and local variations within the Constitutional architecture for an exception in the 74th Amendment.

THE THIRD TIER OF GOVERNMENT IN ANDHRA PRADESH

The establishment of local governments falls under the ambit of state governments in India's Constitutional framework. As a result, the devolution of powers envisaged under the 73rd and 74th Amendments had to wait for the passage of state legislation to translate vision into reality (Ghosh et al 2012). In 1994, the Andhra Pradesh Government became one of the

first state-level governments to enact a *Panchayati Raj* legislation for rural areas and amend its municipal legislation along the lines of the central legislation.

Just as the 74th Amendment instituted an exception in the framework of elected local government in cities via the industrial township proviso (Article 243Q), the state's amendments made provision for the IALA framework. The Andhra Pradesh Panchayati Raj Act, first passed in 1994, introduced the IALA by permitting the state government, under section 147, to notify "any power or function vested in the Gram Panchayat [or village level council] by or under this Act, shall be transferred to and exercised and performed by …other local authority". Further, it explained that "For the purpose of this section, `local authority' includes, the Andhra Pradesh Industrial Infrastructure Corporation Limited" (APPR 1994:55).

The Andhra Pradesh Municipalities Act of 1965 was amended in 1994 to add clause 389-B – "Power to transfer functions of Municipalities to Andhra Pradesh Industrial Infrastructure Corporation". The clause allows the state government to "direct that any power vested in the municipality…by or under this Act shall be transferred to and exercised and performed by the Andhra Pradesh Industrial Infrastructure Corporation" (AP Municipalities Manual 2015: 246). Perhaps most remarkable about this clause is its short length, of no more than 300 words.

A similar clause 679-F, almost identical in its wording, was also inserted in 1994 into the Hyderabad Municipal Corporation Act of 1955, which was subsumed in 2008 by the Greater Hyderabad Municipal Corporation Act.

It must be noted that together these clauses provided no more than a skeletal structure for the functioning of the IALAs. Once the Acts were passed, however, the state government's Municipal Administration and Urban Development department designated areas as IALAs through the exigency of government orders (GOs), a form of executive

decree, published in the state gazette. According to GOs obtained in the course of this study, such notifications comprised both already developed industrial areas and those targeted for development by the then APIIC. These fiats transferred powers such as the assessment, levy and collection of property taxes, building permit fees, provision of basic services and maintenance of public streets. Table A.1 in the Appendix lists a broad sample of devolved powers and functions. Figure 1 shows the governance structure of the IALA as it exists today.

< Figure 1 about here.>

Over the course of a quarter century, as we show below, this policy framework served to create one of the longest-running regimes of exception in urban governance in contemporary India. The local antecedents of the IALA, however, lie in the political economy of Andhra Pradesh in the 1990s. These remain critical to understanding both the instrument's subsequent evolution and its larger import in comprehending urbanisms of the Global South.

AN EXPEDIENT EXCEPTION?

Set to reach a population of over 10 million by 2021, Hyderabad is India's sixth largest metropolis. The capital of the South Indian state of Andhra Pradesh and now Telangana,[2]

the city is both a nationally important educational hub and a powerhouse of the regional economy. Over the second half of the 20th century, Hyderabad's economy developed around a major public sector industrial base and a major generic pharmaceuticals sector partly on the back of agricultural surpluses channelled by prosperous migrants from coastal Andhra Pradesh (Upadhya 1988; Baru 2007; Das 2015).

<Figure 2 about here>

This was the backdrop against which the IALA emerged as a politically expedient solution to a seemingly intractable dilemma in public goods provision (see Figure 2 for a

timeline). As the name suggests, the setting for this crisis lay in the industrial areas that came to dot Hyderabad's peripheries. Starting in the 1960s, the Industries Department of the newly formed Andhra Pradesh state had started setting up industrial areas and estates in and around Hyderabad city. These estates consisted of little more than plotted developments allotted to applicant enterprises in villages contiguous to Hyderabad such as Uppal (1965) and Nacharam (1967) (Sood 2016).[3] In their early years, these sites were plagued by the absence of basic infrastructures and services. These gaps continued even after the state government established the Andhra Pradesh Industrial Infrastructure Corporation (APIIC) by Government Order (GO) in 1973 (see Table 1).

< Table 1 about here>

One manufacturer who had set up his unit on adjoining plots in an industrial area on the north-western edges of the city described a scenario of the utter breakdown of infrastructure and basic services in the 1970s and 1980s. The lack of metalled roads made the transport of raw materials and finished goods costly and time-consuming. Meanwhile, in the absence of piped water supply, manufacturing units had to rely on polluted and depletable groundwater sources.[4] Many other small and medium enterprise (SME) owners recounted similar tales.

The IALA's origins lay in this impasse in the social contract between the state government and local industries. The enterprises bemoaned the lack of infrastructure. Officials of the APIIC countered that the enterprises did not pay their dues.[5] As a result, resources to finance infrastructure development were always constrained.

The mythology of the IALA narrated by SME owners attributed its origins to the mid-1990s tenure of a charismatic officer of the APIIC.[6] The officer, now long retired, explained how he had cut through the Gordian knot to arrive at a solution that was acceptable to both

the state government and the enterprise owners by drawing on the larger framework of 'local self-governance'.

> I summoned all of them together one day. Big meeting – 300-400 people, entrepreneurs and officials. I told them [that] both groups are right. You chaps [entrepreneurs] are not paying because you have no ownership. You guys [officers] cannot [provide services] because you are not getting resources. So why unnecessarily divide these functions? Let [entrepreneurs] pay for resources and let [APIIC officials] give services to them.[7]

Several aspects of this account deserve examination. First, the proposed solution essentially allocated the bulk of property tax revenues to the decision-making authority of the area industries association. [8]

In interviews, enterprise proprietors often raised classic 'taxation without representation' criticisms about the reign of municipal governments before the coming of the IALA. As one office-bearer of an industries federation recounted, the municipal governments collected property taxes from the industrial area enterprises but spent it elsewhere. With the coming of the IALAs, beyond the amount to be statutorily remitted to the GHMC, not even 'a paisa [penny] could be spent in other areas'. [9]

Not only is this arrangement a clear departure from the intent towards the control of public finances by democratically elected urban governments of the 74th Amendment, but it also resonates with neoliberal market logic. We have argued elsewhere that the IALA represents a form of outsourced urban governance, not unlike the Business Improvement Districts (BIDs) that have proliferated in the US and Europe as well as further afield in South Africa (Warner 2010, 2011; Kennedy and Sood 2019; Didier et al 2013). On the one hand, the notion of self-governance by enterprises in the IALAs relocates decisions on collective goods provisioning from the political to the contractual arena. On the other hand, like the BIDs, the contractual principle of 'get what you pay for' (Reynolds 2004) characterizes the IALA's use of property tax revenues.

Equally interesting were the means by which this exceptional regime was first instituted. In the officer's telling:

> There is no law. It is by government order. I think first I gave an order from the corporation (APIIC)…I don't remember…in those days, I had enough clout. I just had to pick up a phone and say I want this order to be issued and it would be done in the next one hour. [10]

Worth noting is the way an instrument of local empowerment was established through official diktat. As we show below, this wide scope for the exercise of executive authority through GOs is a consistent feature of state government functioning and one that has been especially critical to upholding the exceptional state of the IALA.

Reading this account against the grain reveals striking resemblances to the depoliticized models of watershed management implemented in rural Andhra Pradesh in 1994. As Chhotray (2007) argues, these models were part of a larger focus on empowerment of non-elected local bodies encouraged by multilateral funding agencies such as the World Bank and the UK DFID, much like in Ferguson's Lesotho (1990).

In urban India, these practices found a counterpart in discourses of participatory urban governance that similarly valorized non-governmental organisations and elite neighbourhood associations (Coelho et al. 2013; Goldman 2011). As these authors argue, these reforms were predicated on a transforming neoliberal agenda that paid attention to the strengths and limitations of state capacity (see also Chatterjee 2004).

To sum up, our attention to the localized and expedient rationales of the IALA evokes troubling resonances with paradigms of depoliticized self-interest that have often accompanied neoliberal governance agendas in India and elsewhere in the Global South, whether in agrarian and metropolitan landscapes.

If this section has aimed to establish the IALA as a case of neoliberal exception in discursive terms, in the next section, we highlight its uses as a tool for entrepreneurial governance.

THE STATE'S ENTREPRENEURIAL ARM?

In Ong's formulation, China's SEZs and SARs revealed (2006, p. 89): "an astute use of the logic of exception to create economic and political zones that spread economic networks and foster political integration." However, whereas the neoliberal exception in China unfolded against the backdrop of an illiberal polity, hostile to markets, in the Indian case, the liberal and democratic are closer to the norm. So the question emerges: what does neoliberal exception do in a liberal democratic context?

Widening the frame from the discursive and the legal dimensions of the IALA, this section analyses the role of the IALA in the making of Hyderabad as a global IT hub and thereby clarifies its uses. In mapping its trajectory, we show the distance it travelled from its originating rationales to facilitate the state's entrepreneurial objectives in the development of special purpose enclaves on the western edge of the city. Nonetheless, discourses of participatory governance both buttressed and protected entrepreneurial agendas when it came to be challenged by the representative local body.

THE MAKING OF AN IT HUB

The mid-1990s represented a turning point of sorts in the political and economic fortunes of Andhra Pradesh and Hyderabad. Enamoured by the transformation of Kuala Lumpur under Mahathir Mohamad's Vision 2020, then Chief Minister Chandrababu Naidu inaugurated an aspirational government-led plan for developing the state's information and communications technology (ICT) sector as an economic growth engine (Bunnell and Das 2010). Key to this programme was the transformation of Hyderabad's western peripheries into a 'world-class' IT enclave called HITEC City, which later expanded to the Cyberabad development and planning area (Kennedy 2007; Ramachandraiah and Prasad 2008).

The APIIC was the premier agency tasked with the achievement of these goals, and the tool of choice was the special purpose enclave. Whereas the responsibilities for

managerialism (Harvey 1989) in Greater Hyderabad fell to the Municipal Corporation, the APIIC – now the Telangana State (TS) IIC -- was the entrepreneurial agency par excellence (Kennedy 2014). Vested with significant land use and economic regulation responsibilities and running the IALA as a parallel government to the Municipal Corporation, in the words of one respondent,[11] it emerged as a leading player in contemporary Hyderabad's urban development.

Provisioning the land for private investors to set up in HITEC City by entering into public-private partnerships with the private developers, and functioning as the 'deemed local body' or IALA for the HITEC City area – through these functions, the APIIC was key to realizing the entrepreneurial vision of Naidu's Hyderabad, but as part of a broader architecture constituted around the Cyberabad Development Area (Kennedy 2014).

However, APIIC in some ways came into its own as an independent actor in the making of Hyderabad as a global services hub with the later westward expansion of Cyberabad development area into Gachibowli and surrounding areas. Unlike HITEC City, where it had entered into a public-private partnership with a large private firm, Larsen & Toubro, APIIC worked without a private partner in plotting and selling land in Nanakramguda IT Park and Financial District. Indeed, one TSIIC employee counted the development of these flagship areas over the rocky and difficult terrain of this part of western Hyderabad as a particularly proud accomplishment.[12] Home to a variety of nationally and internationally prominent financial services majors, banks and IT behemoths such as the regional headquarters of ICICI, Franklin Templeton Investments, Cognizant, Polaris and others, the Nanakramguda IT Park and Financial District represent the zenith of the APIIC's and thus the state government's entrepreneurial endeavours.

The regulatory space afforded by the IALA has been critical to the state government's agenda in several ways. First, it has performed as an effective tool for dynamic practices of

land management (Roy 2009), allowing for common lands to be annexed and diverted to the purposes of national and global capital (Sood 2019). To take but one example, it was recently discovered that large plots that had been assigned to global IT majors and a township development were in fact owned by the Islamic Wakf Board, a major landholder in Greater Hyderabad.[13]

Also valuable have been the planning functions which de facto, if not de jure, accrue to the IALA in the areas under its jurisdiction. This has allowed the state government to undertake ambitious initiatives of land use transformation in the eastern reaches of the city by allowing high-end residential, IT and recreational developments on lands demarcated for manufacturing purposes. This switch-and-bait has been made possible by IT sector SEZs that are allowed in industrial areas and in turn allow an array of land uses (Sood 2019).

Significantly, the TSIIC IALAs also provide a supportive framework for the state's signature single-window clearance system TS-iPASS. Central to the state's attempts to ease "doing of business", the iPASS allows for self-certification and automatic approvals for regulatory requirements such as building approvals, according to the state's Industrial Policy Framework 2014.

Last but not least, the powers of regulating public streets assigned to the IALA in the GOs applicable to the relevant IT and industrial parks have allowed the TSIIC wide leeway in limiting encroachments. As a result, these areas epitomize zones of striking visual order, at odds with the dissonance (and vibrancy) that typically marks Indian cities (Sood 2019; see Figure 3).

<Figure 3 about here>

GOVERNANCE: PARTICIPATORY OR ENTREPRENEURIAL?

The actually existing IALA has in many ways travelled very far from its roots in the originating rhetoric of local 'self-governance', in the sense by industry owners. In fact, the

role of the entrepreneurs' associations has been circumscribed through rules prescribed by the TSIIC itself to so-called service societies which have few financial powers, a state of affairs much lamented by SME owners.

Partly this is the result of the nature of the enterprises in the Cyberabad Zone IALAs. These national and international IT and financial services majors have larger plots and are able to provide more basic services for themselves. Moreover, the shifting cast of operations heads that staff their ranks have little of the hands-on stakes of the SME owners in the industrial areas elsewhere in the city. Nonetheless, the legitimizing discourses of local self-governance have proved useful in advancing the state government's goals of entrepreneurial governance. This was most evident in a recent stand-off with the Greater Hyderabad Municipal Corporation (GHMC) soon after its creation (Sood 2016, Kennedy and Sood 2019).[14]

The devolution of local body powers and functions to the then APIIC 1955 was predicated on the condition that the corporation returns a fixed percentage of property tax revenues to the municipal body (Sood 2016). However, municipal bureaucrats complained that the IALAs remitted this sum in an inconsistent and haphazard manner, often avoiding remittance altogether (Kennedy and Sood 2019). Towards the end of 2010, the elected bodies of Greater Hyderabad passed resolutions in quick succession challenging the statutory basis of the IALAs' powers. This drew a rapid response from industry and SME associations whose press release reiterated a key argument: the IALA's positioning as an instrument of 'self-governance' in industrial estates. Equally revealing, critical to their claims were improvements in levels of infrastructure and maintenance and upkeep in IALA areas. As further evidence of the IALA's efficiency, the statement also highlighted the streamlined property tax collections and collection rates of up to 90% as one of the chief achievements of the IALAs. In other words, these organisations sought to shift the terms of the debate from the

statutory foundation of the IALA to neoliberal considerations of its effectiveness in meeting its avowed objectives of better infrastructure for industries.

Tracing the career of the IALA since 1994, we have seen how it came to be bent to purposes rather remote from its originating contexts and logic. Even so, neoliberal logic characterizes both the IALA's role as the state government's organ for entrepreneurial governance and the legitimizing discourses of local self-governance mobilized to defend it from the municipal government's demands.

SUB-NATIONAL AND NATIONAL EXCEPTION

However, this was not the final segment of the IALA's journey. Amid this contestation, the state government, via the Department of Industries acted decisively. In its Industrial Policy Framework 2014, it promised that (p 16):

> As a part of providing a hassle-free environment for the industrial units, the concept of Industrial Area Local Authority (IALA) will be strengthened. All new Industrial Parks that will be set up by the TSIIC will be covered under the IALA system. All existing TSIIC Industrial Parks which do not have an IALA will adopt the IALA system.

The state government kept its promise. A circular issued in August 2017 informed Zonal Managers of a transformation in the legal framework of the IALAs. In July 2017, a government order was passed to're-notify' existing IALAs as 'industrial townships' by invoking the provisions of Article 243(Q) of the Constitution of India.[15] It notified a total of 24 IALAs across the state, comprising many more 'industrial areas' and by our estimate, a total land area of 7832 acres. Of these, 19 IALAs in the city covering about 6227 acres were charged with sharing their revenues with the municipal corporation.

The abovementioned 'industrial township' proviso to the Article 243Q of the 74th Amendment was invoked to provide a more robust legal foundation for the IALA's longevity, and significantly it also brought together two distinct but interrelated strands of legislative

exception – the IALA and the industrial township. Given this unexpected conflation, we locate in the next section the IALA's journey against national and global backdrops to foreground the case study's contribution to appreciating the nature of neoliberal exception in ostensibly liberal democratic contexts in the Global South.

EMPOWERED CITIES, RESURGENT ENCLAVES

Our analysis thus far has examined the IALA as a case study of neoliberal exception at the sub-national scale. By expanding our backdrop to outline the contradictions of neoliberal governance in Indian cities, we address a question central to this paper: in a liberal, democratic context in the Global South, what norm of liberalism/illiberalism does the neoliberal exception embody?

THE CONTRADICTIONS OF NEOLIBERAL GOVERNANCE

The early 1990s in India set into motion two contradictory trends in urban governance. On the one hand, the passage of the 74th Amendment inaugurated an era of increased democratisation and devolution of power to city governments. On the other hand, the increasing integration of the Indian economy into global capital circuits translated into greater inter-state competition for footloose capital (Chakravorty 2012).

More broadly, India's experiment with economic liberalisation and engagement with the global economy profoundly shaped the state's relationship to its territory by redefining sovereignty at various spatial scales (Kennedy 2014; Sud 2014). The manifestations of this state restructuring process were particularly apparent in urban settings, as India's growth increasingly became city-based. These trends have only accelerated. The influential McKinsey Global Institute report *India's Urban Awakening* projected that by 2030, urban India would contribute nearly 70% of India's GDP, up from under 60% in 2008 (Sankhe et al 2010:17).

To support private investments and 'ease of doing business' within their respective territories, India's regional states adopted policy instruments to rescale their economic geographies. One repercussion of such city-centric growth strategies was the instrumentalisation of urban governance (Kennedy and Zérah 2008). The tussles between the imperatives of democratisation in urban governance and economic growth became visible in the new millennium with the rise of speculative forms of governance in response to the demands of global capital (Goldman 2011).

As Schindler (2015) suggests, the larger underlying shift in urban governance over the last two decades has valorized territorial transformation instead of population management. Area-based instruments, targeting specific spaces for exceptional treatment, via special regulatory frameworks, for instance, have emerged as one increasingly prevalent model for entrepreneurial urban governance. 'Premium spaces' such as HITEC City in Hyderabad are more and more the favoured tools for state governments to attract and concentrate investments. Yet, as happened in Hyderabad, the spatially targeted infrastructural investments and special tax treatments that together form the sine qua non of area-based schemes ran up against the demands by local governments for shares in the growing revenues and for local state sovereignty (Sood 2016; Kennedy and Sood 2019).

Neoliberalisation in Cities of the Global South

Issues of periodisation and continuity versus discontinuity are recurrent themes in the debate around neoliberal exception in India and for good reason. Neveling (2014) and Cross (2010) argue that the 'set of migratory practices' (Ong 2006: 1) associated with neoliberalism is far from exceptional against the backdrop of the continuities that mark zones. Focusing specifically on the labour de(regulation) that characterizes SEZs in Andhra Pradesh, Cross (2010: 358) argues that this 'flexibility' resembles closely the regimes of informal employment that have always existed outside the zone. Nonetheless, the fact that local and

smaller business interests have been the most vocal stakeholders in the IALA, in fact, calls for a closer examination of the 'neoliberal' antecedents of this exception. We have shown, for instance, that defences of the IALA appeal to the logic of efficiency. Moreover, the quid pro quo aspect of taxes is more reminiscent of fees for services (Reynolds 2004). The IALA thus draws its appeal from market 'mechanisms' and 'ethos' (Pinson and Morel Journel 2016:139).

More generally, there are reasons to believe that processes of neoliberalisation have encountered a more complicated but also more hospitable *urban* terrain in India. A number of features distinguish the Indian case from the geographies of the Global North which have received more scholarly attention. Storper (2016), for example, lists arenas for the authority of city governments that stand as bulwarks against urban deregulation. These include, first, issues of land use regulation – "one of the domains in which [landed interests] find themselves persistently most limited in their ability to achieve deregulation" (2016:255). Second, are the predominantly pragmatic considerations that determine public goods provision in Europe or North America.

These forces play out very differently in India and elsewhere in the Global South. First, unlike the global North, in India, land-use regulation often runs into conflict with subaltern spatial practices, centred on various forms of occupancy (Roy 2011; Benjamin 2008; Chatterjee 2004). This is because processes of land use master-planning are constantly undermined by the claims to land of poor groups in slums and encroachments. Vote-bank electoral politics at the local, sub-national and national levels serve to uphold these claims. The stark spatial fragmentation and disparities in public goods provision that have been part and parcel of urban planning practices since colonial times in India may follow different logic from the ones that guide universal public goods provision in North America or Europe (Zérah 2008). Together these features suggest that weak state capacity at the level of local governments in the cities of the Global South may limit their sovereignty substantially. In

contrast, our analysis of the IALA's trajectory as an instrument of participatory and entrepreneurial agendas suggests that sites of exceptional governance may be more effective in shaping land use and supporting (selective) public goods provision in capital-friendly ways, strengthening the case for neoliberal logics in the governance of enclaves.

This suggests the question: as settings of neoliberalisation, what can enclaves tell us about neo-illiberalization (Hendrikse 2018)?

Liberal or Neoliberal Democracy?

Where can we place the IALA as an instrument of exception on the liberal spectrum? On the one hand, as a model of territorial control, such area-based instruments in India contain distinctly illiberal features. As we have shown, by reassigning fundamental duties and tax powers of local government to ad hoc entities, the state government effectively removes selected areas from the jurisdiction of the local or municipal territory. They undermine the local social contract by earmarking tax revenues for exclusive use in industrial areas, which amounts to bestowing special treatment on firms; this appears especially egregious when these are global firms located within newly constructed premium spaces.

As Storper (2016, p 244) argues, liberalism's concern for 'limited states, whose legitimacy comes from free citizens in self-governed democracies,' comes alongside an interest in issues of 'distribution or equity'. By insulating buoyant sources of tax revenue, these exceptions in practice deprive local authorities of resources to reduce stark inequalities in service levels, belying this liberal preoccupation with distributional outcomes. In contrast, implicit in the IALA's slogan of 'no taxation without representation' is a regime of 'no representation without taxation'. The IALA thus disenfranchises groups that the municipal framework seeks to include through quotas, most particularly those historically underprivileged on account of caste and gender. In many ways, the nature of participatory governance in the IALA not only harks back to anachronistic forms of non-universal

franchise (Blewett 1965) but also speaks to the incomplete and compromised nature of citizenship for poor groups in Indian cities (Holston and Appadurai 1999).

In fact, the IALA is structured to ignore the political voice of broader coalitions of workers and residents. Indeed, the municipality's attempt to take IALA areas back into its own jurisdiction, documented in this paper, partially hinged on appeals made by residential colonies that lack basic civic infrastructure like roads (TNN 2011). The IALA approach stands thus in contrast to democratic decision-making, which rests on liberal principles of the interplay of multiple group interests.

Moreover, in liberal democracies worldwide, seeking to preserve the separation of the organs of the state, the expansion of unilateral executive action has emerged as a cause for concern. While these tensions are particularly acute in federal Presidential systems like the United States (Cooper 2014), they also apply at a variety of levels in the more centralized parliamentary Indian polity. While the invocation of the IALA offered a path to reconciling the contradictions between the messy claims of local politics (Benjamin 2008) and the demands of local and global capital (Goldman 2011), the IALAs are both realized through and make possible tremendous leverage for ad hoc exercise of state authority through executive orders (GOs).

The contestations around the IALA recounted above have revealed the state government's decisive role in promoting non-representative forms of governance against the counter-claims of the Greater Hyderabad Municipal Corporation. The divergence between the statute and its interpretation and implementation renders moot the notion of uniform and uninterrupted process of urban governance and practice. Indeed, attempts at mapping the impacts of territorial stake-making in Indian cities reveal a highly fragmented institutional fabric, forming a patchwork of incongruent governance regimes (Kennedy and Sood 2019). The IALA is only one of the many varieties of exception that undercut the "rule" of

democratically elected urban government, among them army cantonment boards and the Gram Panchayats (villages) that have successfully fought to stay outside the ambit of the municipality.[16] Far from seamless expanses enacting the norm of democratic governance in the wake of the 74th Constitutional Amendment, the present-day jurisdiction of the Greater Hyderabad is in fact rutted with zones of exceptions.

The Hyderabad case forms part of a larger proliferation of zoning technologies such as Special Economic Zones in the new millennium, the vast majority of which are located in urban peripheries (Jenkins et al. 2015). The perforated territoriality of urban democracy in India asks the question: how far can the liberal ideal be separated from the practice of democracy (Plattner 1998)? The question applies to more than these territorially demarcated regimes of exception. While the subversion of local democracy lies at the heart of our case study, at a time of crisis for liberalism worldwide, can these territorial practices tell us about ramifications over larger geographic canvases?

One answer comes from Partha Chatterjee's (2004: 34) invocation of Foucauldian 'governmentalisation' as the durable feature of contemporary liberal democracy in practice, as it came to prioritize efficiency in service delivery over more abstract values of participation and representation (Coelho et al 2013). In the Indian context, this has led to a predictable divergence between the privileged minority of citizens and the vast mass of the 'governed', whose welfare the state ostensibly undertakes to provide (Chatterjee 2004). In a way, the IALA represents the logical conclusion to these contradictions, emerging in the early 1990s precisely when entrepreneurialism was gaining favour over older forms of state-led development. It embodies the move toward a more robust territorial thrust in urban governance, also observed elsewhere in the Global South (Schindler 2015). That the IALA's originating discourses, as we have shown, came couched in participatory rhetoric echoes the

post-liberalisation ascendance, flagged by Chatterjee (2004) as well as other scholars (Coelho et al 2013), of a vocal bourgeois citizenry.

The IALA 'solution' to the tensions of democracy in a neoliberalising India does unite the participatory and the entrepreneurial mandates of this assertive middle-class citizenry but at the expense of the populations that it leaves out of its purview. The contradictions between the demands of open democratic deliberation and the utilitarian calculus of service delivery have only sharpened with the advance of neoliberalisation. The IALA case thus suggests one easy – and perhaps increasingly common -- pathway out of these competing claims, albeit one that leads to the realm of an illiberal democracy for the few.

CONCLUDING REMARKS

In this paper, we examine the genesis and operation of illiberal forms of state territorial control in India through the career of the Industrial Area Local Authority (IALA), an exceptional governance regime that is widely applied in the South Indian states of Andhra Pradesh and Telangana. Instruments such as the IALA put in place a distinct form of governance within delineated zones, creating a parallel centre of power to the 'ordinary' administration of territory. By subverting the goals of political decentralisation, they offer further proof of the reluctance of Indian state governments to empower local governments through the devolution of functions and finances.

Drawing on the theoretical framing of neoliberal exception, our analysis established the IALA as an exception. Further, we have shown how both in the discourse of participatory governance and practice of entrepreneurial governance, the IALA enacts neoliberal logic. Moreover, in defending the IALA from the counter-claims of municipal government for control over these areas, the participatory rhetoric and entrepreneurial ends serve to bolster each other.

Another undercurrent to this dynamic must be noted, one that gestures to an open research agenda. That is the reflexive distrust among state and central government officials of the capabilities and intentions of municipal corporators (Kennedy and Sood 2019). Does the choice of the industrial infrastructure corporation as the vehicle for the state government's growth aspirations then also reflect a mistrust of the diverse social bases from which the municipal government draws its elected representatives in the era of the 74th Amendment? Or in other words, does the IALA also manifest the results of caste and religious strains in the 'neoliberalisation of urbanism' in settings such as India (Pinson and Morel Journel 2016)?

Another important set of questions relate to the spatial repercussions of the fragmentation of citizenship around enclaves such as the IALA. Who belongs in the enclave of who remains outside? How is the spatial spread of sectoral 'informality' affected by these questions? Themes of fragmented citizenship at the local-national interface have been examined in Israel for example, but deserve a larger comparative focus (Cohen and Margalit 2015).

Is neoliberalism liberal? The question has witnessed vigorous debate, in the pages of this journal and elsewhere (Peck 2013; Le Gales 2016; Storper 2016; Brown 2003; Hendrikse 2018). The question remains, and may yield different answers across geographies. Beyond the specifics of the Hyderabad and Indian cases, however, the IALA also draws attention to the commonalities between ostensibly disparate area-based instruments such as BIDS, SEZs and Economic Development Zones in diverse global settings (Ong 2006, Warner 2010, 2011; Didier et al 2013). As we have argued for the IALA, these sites enact tensions between entrepreneurial agendas and local democracy that augment the contradictions of governmentalisation of the state in the wake of neoliberalisation (Chatterjee 2004). The 'illiberalisation' of the IALA offers an increasingly compelling route out of these tensions, one that allows the state to define citizenship on narrow terms, here industry owners.

"In a territory where zones of exception proliferate, what then is the city?" asks Roy (2011: 234). As we have argued here, the fragmentation of the city through the entrepreneurial territorial strategies of the state also unleashes the dynamics of fragmented citizenship. Moreover, the processes of neo-illiberalisation within the enclave reflect deeper undercurrents in the neoliberalisation project at larger geographic scales. The rhetoric of participation that scaffolds entrepreneurial logics raise troubling questions that lie at the heart of neo-illiberalisation – who participates? Who is a citizen? The IALA as enclave thus may presage a far more pervasive crisis of democracy, particularly in the Global South.

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[1] The preamble to India's Constitution states that 'India…, is a Union of States. It is a Sovereign Socialist Secular Democratic Republic with a parliamentary system of government'. We use the term liberalism here in the 'European' or classical sense, defined by the idea that 'economic, political and social relations are best organized through formally free choices of formally free and rational actors who seek to advance their own material and ideal interests' (Jessop 2002: 543). In the sphere of politics, this entails as Jessop (2002: 543) suggests, 'collective decision-making' through a constitutional state with limited powers of economic and social intervention'. Despite the insertion of the term 'socialist' into the Constitution, India has been on a path of industrial deregulation since the 1980s and more active privatization and loosening of trade restrictions since the 1990s (Kohli 2012: 189).

[2] Andhra Pradesh was bifurcated in February 2014 to form Telangana and Andhra Pradesh.

[3] Interviews, Uppal IDA, 18 November and 2 December 2015; Nacharam, IP, 2 December 2015.

[4] Interview, Hyderabad, February 2018.

[5] As the Officer credited with creating the IALA regime explained, the most transparent and robust method to assess dues was through a floor space estimate. Thus, the dues in question were de facto property taxes. Over time, as we have shown, these dues were codified to property taxes. Interview, former Vice Chairman and Managing Director (VC &MD), APIIC, Hyderabad, 7 February, 2019.

[6] Interview, Cherlapalli Industries Association, Phase II, 28 February 2018.

[7] Interview, former Vice Chairman and Managing Director (VC &MD), APIIC, Hyderabad, 7 February 2019.

[8] The initial GOs proposed to 'share' a portion of the property tax revenue (35%) with the municipal or village body.

[9] Interview, Cherlapalli Industries Association, Phase II, 28 February 2018. A paisa is 1/100th of a Rupee.

[10] Interview, former Vice Chairman and Managing Director (VC &MD), APIIC, Hyderabad, 7 February 2019.

[11] Interview, YSR Bhavan, 18 November, 2015.

[12] Interview, YSR Bhavan, December 2015.

[13] Times New Network (TNN), 2016. "The Gordian knot called Manikonda Jagir land case". *Times of India*, 26 January 2016. Available at: http://timesofindia.indiatimes.com/articleshow/50725252.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst , last accessed 20 June 2019.

[14] Times New Network (TNN), 2011. "GHMC to take over 14 IALA areas", *Times of India*, 26 January 2011.

[15] See GO No 196, Municipal Administration and Urban Development Department, Government of Telangana, 27 July 2017.

[16] Special Correspondent, 2014. "Govt. cancels merger of 36 villages with GHMC". *The Hindu*, 8 January 2014. Express News Service, 2014. "Locals Want GHMC to Knock on Army Door". *Indian Express*, 15 December 2014.