

Book Review

Adnan Naseemullah. 2017. *Development after Statism: Industrial Firms and the Political Economy of South Asia* (South Asia in the Social Sciences). Cambridge: Cambridge University Press, ISBN: 978-1107158634; pp. 350.

ASM Mostafizur Rahman

South Asia Institute, Heidelberg University

mostafiz@uni-heidelberg.de

State vs. Industrial Firms: The Puzzle

Development after statism triggers a provocation around prevailing assumptions on economic development. Statism, central to the book's debate, entails the view that the *state* holds a dominant position in directing economic life (Colburn 1988). Developmental state theory argues that industrialization requires strong state intervention to provide capital and coordination, predicting that weak state capacity leads to poor economic performance. East Asian developmental states or import-substitution industrialization in Latin America positioned the state capacity to pursue developmental goals (Johnson 1982; Amsden 1989; Wade 1990; Cardoso and Faletto 1979; Hirschman 1958). Free-market theory views statism as a hindrance to growth and pushes for economic liberalization and private enterprise. Scholars still deliberate the state capacity notion, not through intervention but by guiding the economic shift. India's economic growth by embracing globalization was viewed not as decline of the state ca-

capacity but institutional and ideational transformation within it (Mukherji 2014). Institutional theory argues that economic outcomes hang on "rules of the games" and are capable of efficiently providing credible commitments (North 1990).

Adnan Naseemullah observes that India's manufacturing industry presents a puzzle for these theoretical assumptions, as they grew under ineffective state governance, as well as thrived despite high costs in the market environment. Finally, "rules of the game" would suggest that the same formal and informal rules should require adopting similar strategies and consistent firm behavior within the same country. However, firms show divergent strategies across sectors and regions.

These anomalies imply that neither strong state nor market frameworks fully explain growth in manufacturing industries. And institutional theory does not explain why, despite being in the same region, firms exercise observable divergent practices. The author then proposes an alternative model called *governing firms* around industrial governance.

Methodological-Empirical Aspects

The author employs Mill's method of agreement carrying out the empirical study on two comparative country cases, India and Pakistan, and analyzes key variables on sectors, garments, pharmaceuticals, and automotive components. A qualitative approach is built on field visits, observations, and interviews with industrialists, managers, and workers blended with archival materials. Chapter 1 lays out the research puzzle; Chapter 2 delves into theoretical underpinnings. Chapters 3, 4, 5, and 6 covered over two hundred qualitative interviews in seven states in India, roughly 160 firms' owners, directors, and managers, and Chapters 7 and 8 involve more than 70 interviews in Lahore, Faisalabad, Sialkot, and Gujranwala in Punjab and Karachi in Sindh.

The Concept of Firm-Level Governance

The conceptual innovation of the book encounters *the state capacity* by replacing *firms' capacity* through the prisms of the manufacturing industry. Economic shifts compelled that the state no longer provide coherent direction, coordination, or investment cooperation; industrial associations are too fragmented and weak to shape coherent national policy; and markets alone cannot coordinate the complex production processes, skill requirements, and technological innovations that the manufacturing sector demands. Globalization disseminated structural change; global linkages forged a new kind of governance environment, leaving a far-reaching impact

on investment decisions, and industrial organization. Whether in technology, auto parts, or emerging managerial and skill requirements, firms needed to encounter international standards of quality, safety, and efficiency. To remain competitive in global markets, they had to develop skills and technological capabilities through targeted training, strategic recruitment, and continuous innovation. This means firms have adapted and learned by training workers internally, innovating process technologies locally, and building relational ties with international partners. The state no longer provides coordinated training or research and development infrastructure; firms themselves must create these capacities, often informally or in partnership with global firms. In the absence of credible, coherent institutions such as state or global markets as to how production should be organized, firms established their own channels and relationships with other stakeholders in acquiring capital and recruiting, training, and the like. Variables such as how firms secure finance, hire labor, and conduct training, how they procure materials, and how norms vary across sectors yet support the theoretical claim.

Empirical chapters' historical narratives display that firm-level governance evolved and entrenched in the local, regional, national, and international networks of the manufacturing regime, as path dependent and evolutionary pattern. During the statism epoch, the state was heavily involved in licensing, credit allocation, industrial organization, and the like. Firms' owners and managers have skillfully learned how

to handle bureaucracy, build networks and trust, and develop informal relationships with suppliers, officials, and financiers. After statism, as state control declined, they repurposed those relational and organizational skills. Strategies that are developed for handling the state restrictions are transformed into adaptive strategies for self-organization. Facing uncertainty and weak state capacity, firms gradually developed their own governance systems shaped by their global linkages but embedded in local and regional norms and practices. Driven by structural constraints, owners and managers build and maintain a long-established relationship with workers, agents of global markets, and sources of capital. The state remains as a central regulatory body, however, at the firm level, norms and practices are isolated from formal rules and regulations. This highlights how conventional wisdom overlooked or failed to recognize these norms, as the author discovers.

Findings

State-led industrial governance structured a conformed access to capital, credit, and investment that was largely determined by state-led financial institutions, and firms being seen as *institution-takers*. This structure terminated in post-globalization transitional phase without fully developing a market-based financial system. Firms could no longer predict finance either from state or market channels. In this condition, owners and managers proactively negotiated their own networks to secure finance by building relationships and networks with banks, suppliers, in-

vestors, and other external actors. Firms no longer operate fully by the state or market, but their informal institutional norms and practices. This adaptation strategy suggests that for their own survival, they transformed themselves into *institution-makers*.

India's automotive sector, for example, shows a path through the network of supplier-producer linkages, quality standards, and export-oriented collaborations that internalized forms of coordination once mediated by state planning. Sectoral institutions, such as the Automotive Component Manufacturers Association (ACMA), are seen as role players. This kind of sectoral organizational and governance mechanism is evident elsewhere as well. Bangladesh Garment Manufacturers and Exporters Association (BGMEA), for instance, played a historic role in shaping global competitiveness (Mostafizur Rahman 2024).

The state agencies continue to issue authoritative rules to oversee efficient use of capital and labor; however, findings suggest that the state hardly function as *agency* at the firm level. In other words, the state is not source of influence over how firms operate. Instead, firms develop their own internal systems of coordination and governance in order to manage production challenges, forming a new kind of industrial governance, one shaped more by firm-level systems than by state directives.

Reflections on India–Pakistan Comparison

While problematizing conventional debate on development, the author rejects a long-standing narrative by claiming that the state under Nehru discriminating against or trying to eliminate private enterprise was “unfounded” (Naseemullah 2017, p. 80). The Second Five-Year Plan provided 48.9 percent industrial investment, and in the third plan, 45.6 percent industrial investment came from the private sector. India’s high statism development epoch was private industry dominant. This historical interpretation seems to be problematic for the author’s persuasion in the conceptual base.

Primarily, scholarly consensus has not been whether the private industrial sector was substantial during the Nehru era. Rather, the development trajectory was the state-controlled nature. The License Raj era, from the 1950s–1980s, was substantially rigid. Imports, foreign exchange controls, and import licensing were restricted. Foremost political economy scholars describe India during this period as state-dominated industrialization, state-led development, or restrictive dirigisme (Bardhan 1984; Amsden 1989; Kohli 2004; Jalan 1996; Harriss-White 2003; Das Gupta 2016). Most of the industrial private sector survived through subsidies and rents, but not through competitiveness. Furthermore, many industries and sectors were strictly reserved for the state. India’s telecommunications, for example, opened for

the private sector not before the early 1990s, which later became a global economic player owing to competitiveness (Mukherji 2014). Thus, establishing private-sector dominance solely on investment shares, while overlooking the deep institutional setting, places doubt on the author’s core claim.

In the Pakistan case, the author claims that during the 1950s–1960s, the concentration of industrial power was tied to political power under authoritarian auspices, which could easily coordinate industrial policy, with capitalist oligarchs working together with administrative technocrats, referring to Peter Evans’s embedded autonomy notion. In fact, Pakistan’s economy was largely private-sector-led during the 1950s–1960s, until Bhutto launched the nationalization policy in 1972. Mahbubul Haq revealed that the 22 families who controlled 66 percent of the industries and owned an 87 percent share of the country’s banking and insurance industries also controlled state policy (Hussain 2007).

The author utilizes Pakistan as a mirror case. That’s where things seem to become complex. India followed a coherent and persistent trajectory of statism through nationalized industrialization during the 1948 and 1980 period and then moved towards neoliberal policy (Bhattacharjea 2022; Sen 1982.) While Pakistan first followed a strongly private-sector trajectory during the 1950s–1960s, followed by nationalization, and then a mixed economic model, and eventually, liberalization. India’s political-economic path diverges sharp-

ly from Pakistan's sequence. The two countries, therefore, have rather different industrial trajectories and outcomes that are historically and institutionally distinct.

On the concept, the author is certain that India and Pakistan show structural similarities and differences, yet firms develop *firm-level governance*. Why have India's manufacturing sectors become globally competitive while Pakistan's have not? Does it mean there is more to be taken into consideration other than the firm-level governance alone?

The author does counterintuitively leave a hint, though: at the exit of the British, the formation of the new country Pakistan required building institutions from scratch, causing "systemic vulnerability." India, on the other hand, inherited bureaucratic institutions and governance capacities.

The Pakistani state is defined as a military-bureaucratic oligarchic nature, whereas India's dominant proprietary notion suggests that all social groups created scope for competition in development (Alavi 1974; Bardhan 1984). These conditional, political variables could draw a thin line between why Pakistan—despite developing the governing firm mechanism—has not achieved similar economic growth like India.

Finally, the author identifies the Maruti-Suzuki collaboration, "path-clearing" for India's auto sector. However, other scholars view "triggering mechanism" diffusing Japanese production techniques, management practices, and supplier capabilities throughout the Indian auto sector, laying the ground-

work for export orientation (D'Costa 2004; Motohashi 2009; Becker-Ritterspach et al. 2008). If India's manufacturing benefited from a global linkage while Pakistan's did not, this may help understand India's rise.

In essence, India's firms achieved international collaborations and absorbed cognitive globalization. Pakistani firms display weak institutional patterns, are labor-intensive and domestically-oriented, relying on relational, kinship-based provincial bourgeoisies and moral economies; they are also lagging in technological improvement and integration into global value chains.

These reflections indicate that even Pakistani firms developed firm-level governance; however, they cannot be considered equivalent to India's. While firm-level governance exists in both countries, the techniques, types of capacities developed, and intensity of competition differ, shaped by divergent political economies.

Implications and Relevance

Donald Trump's tariff war caused global economic uncertainty. Furthermore, political turmoil shaping geopolitical realignments in South Asia. Bangladesh emerged to become India's largest trade partner in South Asia (Govt. India 2024). However, relationships between two countries soared after political change in Bangladesh (Economic Times 2025). India put a ban on road trade. Reports suggest that from large-scale to local industries are affected (Ethirajan 2025). The gar-

ment sector has the largest dependence on India's yarn. A ban on road trade is threatening supply chains. Conglomerates like Pran-RFL Group, whose products are exported to northeastern states, have severely affected (France24 2025). Small-scale factories that produce for domestic demand are facing lack of raw material: crucial chemicals (Seraj 2025).

In this milieu, firm-level governance assumes that firms can thrive autonomously of state policies, socio-political, regional, and global geopolitical forces. Firms would then be able to overcome these political dimensions and devise their mechanisms to secure and sustain their production networks. Adaptability capacity and tactics are key in the way the firm-level governance interprets.

References

- Alavi, Hamza. 1972. "The State in Post-Colonial Societies: Pakistan and Bangladesh." *New Left Review* 74: 59–81.
- Amsden, Alice H. 1989. *Asia's Next Giant: South Korea and Late Industrialization*. New York: Oxford University Press.
- Anbarasan Ethirajan. 2025. "Businesses count costs as India and Bangladesh impose trade restrictions." *BBC*, May 2, 2025. <https://www.bbc.com/news/articles/c4g2ylyg8r2o>
- Bardhan, Pranab. 1984. *The Political Economy of Development in India*. Oxford: Basil Blackwell.
- Becker-Ritterspach, Florian, et al. 2008. "Hybrid Production Systems in the Indian Automobile Industry." *Asia Pacific Journal of Management* 25(2): 189–208.
- Bhattacharjea, Aditya. 2022. "Industrial Policy in India Since Independence." *Indian Economic Review* 57(2): 565–598. <https://doi.org/10.1007/s41775-022-00154-9>
- Cardoso, Fernando Henrique, and Enzo Faletto. 1979. *Dependency and Development in Latin America*. Berkeley: University of California Press.
- Colburn, Forrest D. 1988. Review of *Statism, Rationality, and State Centrism*, by Peter B. Evans, Dietrich Rueschemeyer, Theda Skocpol, and Jan-Erik Lane. *Comparative Politics* 20, no. 4 (1988): 485–92.
- D'Costa, Anthony. 2004. "The Restructuring of the Indian Automobile Industry: Indian State and Japanese Capital." *World Development* 32(5): 879–898.
- Das Gupta, Chirashree. 2016. *State and Capital in Independent India: Institutions and Accumulation*. Cambridge: Cambridge University Press.

- Dilawar Hussain. "People who own the greatest amount of wealth." *DAWN*, Karachi, December 9, 2007.
- Economic Times. 2025. "India Limits 42% of Imports from Bangladesh, Targeting \$770 Million in Goods: GTRI." *Economic Times*, May 18, 2025.
- Evans, Peter B. 1979. *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*. Princeton, NJ: Princeton University Press.
- France24. 2025. "India restricts some imports from Bangladesh through land ports." *France24*, May 18, 2025.
- Harriss-White, Barbara. 2003. *India Working: Essays on Society and Economy*. Cambridge: Cambridge University Press.
- Hirschman, Albert O. 1958. *The Strategy of Economic Development*. New Haven, CT: Yale University Press.
- Jalan, Bimal. 1996. *India's Economic Policy: Preparing for the Twenty-First Century*. New Delhi: Viking / Penguin.
- Johnson, Chalmers. 1982. *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975*. Stanford, CA: Stanford University Press.
- Kohli, Atul. 2004. *State-Directed Development: Political Power and Industrialization in the Global Periphery*. Cambridge: Cambridge University Press.
- Ministry of External Affairs. *Ministry of External Affairs Annual Report 2024*. Government of India, 2024.
- Motohashi, Kazuyuki. 2009. *Innovation in Japan: The Case of Suzuki in India*. RIETI Discussion Paper.
- Mukherji, Rahul. 2014. *Globalization and Deregulation: Ideas, Interests, and Institutional Change in India*. New Delhi: Oxford University Press.
- North, Douglass C. 1990. *Institutions, Institutional Change, and Economic Performance*. Cambridge: Cambridge University Press.
- Rahman, ASM Mostafizur. 2024. *Globalization and Transformation: State, Ideas, and Economic Policy in Bangladesh*. PhD diss., Heidelberg University.
- Sen, Anupam. 1982. *The State, Industrialization, and Class Formations in India*. London: Routledge & Kegan Paul.
- Shykh Seraj. "Bogra Foundry Industry—Prospects and Crises." Channel I, Dhaka, July 13, 2025. <https://www.youtube.com/watch?v=KJByrFiwMF4>
- Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton, NJ: Princeton University Press.