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Indian Economy: Licensing and Competition ERA

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ABSTRACT

Kumar Mangalam Birla has rightly stated, "The License Raj in India was a time when, to set up an industry, you needed a license. This made the government an omnipresent and sort of all- pervasive authority." Competition policy seeks to prevent restrictive business and market structures that significantly lessen competition. The objective of such a policy is to maintain and encourage competition in order to foster greater efficiency in resource allocation and maximize consumer welfare.

In order to study in detail the effect of License Raj Permit on Indian Economy, the paper shall be divided into three parts, based on the categorization of the Companies – i) incorporated prior to 1956 , ii) incorporated between 1956 and 1980, iii) incorporated after 1980. The first era includes the period up to 1956, before the Industrial Policy Resolution was passed, when the newly independent India emphasized the importance to the economy of securing a continuous increase in production and its equitable distribution, and pointed out that the State must play of progressively active role in the development of Industries. The second era is actually called the era of "License Raj" between 1956 and 1980, when emphasis was laid on socialistic pattern of society. Thus industrial development was confined mostly to public sector or the state and economic concentration in private hands was prevented, following the prolongation of industrial policy. After 1980, the era when role of free market forces, competition and private entrepreneurship were recognized as the chief components for industrial development.

In India, law governing competition policy was Monopolistic and Restrictive Trade Practice Act, 1969 which was enacted with the objective of controlling monopolies and preventing economic concentration. This act was later repealed and replaced by Competition Act, 2002 which establishes a Commission to prevent practices having adverse effect on competition, to promote and sustain free markets and to protect freedom of trade and welfare of consumers. Both of these acts shall be discussed in detail in the paper. The paper will contribute by providing solutions advanced by various scholars to the License Raj in the Competitive era with personal inputs from the authors keeping into

account the historical background of Indian economy and problems faced by the Indian economy currently.

Introduction- Beginning of the License Era

"Socialism is not only a way of life, but a certain scientific approach to social and economic problems".

Under the leadership of India's first Prime Minister Pandit Jawaharlal Nehru, India chose to become a Socialist Republic. He was greatly impressed by USSR's centralized planning and its emergence as a superpower. However, planning growth and development of newly independent India was not merely economics for him. He saw planning as "partnership of the people in a mighty enterprise & of being fellow travelers towards the next goal". India was a new country racked by the pains of partition, huge country with millions and millions of poor, a primary source of raw materials for Great Britain with no industries of note; most people dependent on rain-fed agriculture for their livelihoods, poor infrastructure and no money in the treasury to build more.

Industrialization is considered as sine qua non of the economic development and a panacea for the vicious problem of economic backwardness.[1] Indian leadership believed in the same and during the post-World War II period India was probably the first non-communist developing country to have instituted a full-fledged industrial policy.[2] This policy was formulated and overseen by the first Prime Minister along with the statistician Prasanta Chandra Mahalanobis. Policy tended towards protectionism, with a strong emphasis on import HYPERLINK HYPERLINK substitution, industrialization under state monitoring, state intervention HYPERLINK "https://en.wikipedia.org/wiki/State_intervention" at the micro level in all businesses especially in labor and financial markets, a large public sector, business regulation, and central planning. This policy held sway for three decades, from 1950-1980. Jawaharlal Nehru said "The forces in a capitalist society, if left unchecked, tend to make the rich richer and the poor poorer."

There was a widespread belief that without increasing the role of the state, it was not possible either to accelerate the process of growth or to create on industrial base for sustained economic development of the country[4]. Also it is an accepted fact that most of the private sector growth in the developed countries is based on a great deal of government intervention, protection and patronage. Even countries like Singapore and Taiwan followed a similar model of low intervention and high tariffs to provide protection to infant industries.

Thus, to make the private sector in consonance with the desired economic goals, certain measures were resorted, such as-

- Foreign Investment Policy- Investment by multinationals was subjected to draconian regulations as compared to national companies.
- Controlled Prices- The Government secured prices for a variety of essential products, for example, steel, sugar, aluminium, etc.
- Subsidization of Exports- Policies such as 'Import Entitlement Scheme' were introduced to mitigate the adverse effect of import quotas and tariffs on the exporting industries.
- Import Control Regulations- All the products for which imports were restricted was listed in a book called 'Red Book' to protect domestic industries from foreign competition.
- Industrial Licensing- Under this, it was made mandatory for any industry that wished to manufacture any product or wanted to expand its existing capacity had to obtain a license from the Government.

All these measures helped by providing a quick start to the India's infant economy. However, some believe that the deteriorating situation of the India's economy in the 1960's, 1970's and 1980's was the consequence of such policies. This led to bitter criticism of India's initial planning schemes, out of which, licensing was condemned the most.

The economists were extremely critical of the policy –

"The hopes of 1947 have been betrayed. India, despite all its advantages and a generous supply of aid from the capitalist West (whose 'wasteful' societies it deplored), has achieved less than 2 virtually any comparable third-world country. The cost in human terms has been staggering. Why has Indian development gone so tragically wrong? The short answer is this: the state has done far too much and far too little. It has crippled the economy, and burdened itself nearly to breaking point, by taking on jobs it has no business doing."

Bradford DeLong, professor of Economics at UC Berkeley, wrote -

"The conventional narrative of India's post-World War II economic history begins with a disastrous wrong turn by India's first Prime Minister, Jawaharlal Nehru, toward Fabian socialism, central planning, and an unbelievable quantity of bureaucratic red tape. This "license raj" strangled the private sector and led to rampant corruption and massive inefficiency."

The term 'License Raj' was coined by Indian statesman "Rajagopalachari, who firmly opposed it for its potential for political corruption and economic stagnation and founded the Swatantra Party to oppose these practices.[7] Kumar Mangalam Birla has rightly stated, "The License Raj in India was a time when, to set up an industry, you needed a license. This made the government an omnipresent and sort of all-pervasive authority."

In order to study in detail the effect of License Raj Permit on Indian Economy, the paper is divided into three parts, based on the categorization of the firms – i) incorporated prior to 1956 , ii) The Economist, "A Survey of India", May 4, 1991, p.9. J. Bradford DeLong , India Since Independence: An Analytic Growth Narrative, 2001.
The Swatantra Party and Indian Conservatism. Cambridge University Press. 2007. p. 131. ISBN 978-0-521-04980- incorporated between 1956 and 1980, iii) incorporated after 1980. The paper also discusses the MRTP Act, 1969 and the Competition Act, 2002. The paper throws light on various views expounded by scholars on the system of licensing followed by a conclusion.

Incorporated Prior to 1956

The Europeans and the British initially came to India as traders. The Industrial Revolution in the Great Britain resulted in increasing demand for raw materials for their factories and a market to sell their finished goods. India provided such a perfect platform to them to fulfill all their needs. Shashi Tharoor in his speech at Oxford University pointed out:

"India's share of the world economy when Britain came to our shores was 23%. By the time the British left, it was down to less than 4%. Why? Simply due to the fact that India was governed for Britain's benefit. Britain's rise in two centuries was financed by its depredation of India."

Prior to independence there was virtually any public sector in Indian economy. The only instances worthy of mention were the Railways, The Posts and Telegraphs, the Post Trusts, the Ordinance and Aircraft Factories and a few state managed undertakings like the government salt factories, quinine factories etc.[8] Even such existing public sector undertakings weren't working for the development of Indians , their sole agenda was to flourish Britain.

Thus after independence, the new lawmakers of India felt the need to frame such policies that shall benefit all the masses. The major agenda of all policies was social welfare and less importance was given to economic growth and development. This was achieved through industrial licensing and import licensing, to substitute imports with aboriginal industrial development. The Industrial Policy

Resolutions and the five year plans model are considered as the rationale of evolution and growth of Public Sector in India. These policies provide for the co-existence of Public sector and Private sector within their distinguished areas but with a bigger role for the public sector. Prior to 1956, Industrial Policy Resolution of 1948 was passed.

The main purpose of Industrial Policy Resolution of 1948 was to classify the industries into four categories which are as follows –

- Defense and Strategic industries such as arms and ammunition, control and production of atomic energy and the ownership and management of Railways were to be the exclusive monopoly of Central Government.
- The second category included coal, iron and steel, aircraft manufacture, ship building, manufacture of telephone, telegraphs and wireless (apparatus (excluding radio receiving sets) and mineral oils. New undertakings in this category could henceforth be undertaken only by the State. However the existing old enterprises were to be continued to run by private entrepreneurs till the question of their nationalization was decided by the State.
- The third category included industries like chemicals, fertilizers, rubber manufactures, cement, paper, newsprint, automobiles, electric engineering etc. which the Central Gov- ernment would feel necessary to plan and regulate.
- The fourth category comprised of the ‘other industries’ which were left open to private undertaking, individual as well as co-operative with overall general control by the Government.

This marked the beginning of establishment of substantial industries in India. However, government felt the need to maintain sufficient powers in order to regulate industries in a number of ways. Thus Industrial (Development & Regulation) Act, 1951 was passed to promote planned industrial development in accordance with the Industrial Policy Resolution of 1948 by introducing licensing of certain specified industries. First Schedule of the Act specified licensing of all the major manufacturing industries which could be broadly classified as metallurgical industries, fuels, boilers and steam generating plants, prime movers(other than electrical generators), electrical equipment, telecommunications, transportation, industrial machinery, machine tools, agricultural machinery, earth moving machinery, miscellaneous mechanical and engineering industries, commercial-office-household equipments, medical and surgical appliances, industrial instruments, scientific instruments, mathematical-surveying-drawing instruments, fertilizers, chemicals (other than fertilizers), photographic raw film and paper, dye stuffs, drugs and pharmaceuticals, textiles (including those dyed, printed or otherwise processed), paper and pulp including paper products, sugar, fermentation industries, food processing industries, vegetable oil and vanaspathi, soaps- cosmetics-toilet preparations, rubber goods, leather-leather goods and pickers, glue and gelatin, glass, ceramics, cement and gypsum products, timber products, defense industries and other miscellaneous industries such as cigarettes, oil stoves, etc.

Thus all the major production industries were subject to licensing. Also while giving licenses to the new undertakings government could lay down conditions regarding location, size, number of units, etc. as the government may deem fit. Government could also take over industries which fail to comply with the instructions given by them. This clearly indicates that the development of private industries was in the hold of the central government, restrictions on private industries increased after Industrial (Development & Regulation) Act, 1951 and so private industries could not prosper independently. Though this helped India achieve rate of economic growth two to three times high as compared to the British Era. But these policies were also put through certain criticism. Lack of co-ordination between public and private sector deprived India from the benefit of mixed economy. A noted economist A.H. Hanson expressed that, at that time Government was more interested in the control of private enterprises than in the public- private balance.

Nevertheless, Industrial Policy Resolution, 1948 and Industrial (Development & Regulation) Act, 1951 were the seeds of Industrial policies and framework in India. Until 1991, the entire industrial policy was based on these two with certain modifications that were made timely which are discussed below.

Incorporated between 1956-1980

The draft of Second Five Year Plan (1956) stated, "the adoption of the socialist pattern of the society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in nature of publics utility services, should be in public sector. The state has therefore, to assume direct responsibility for the future development of industries over a wider area."

Thus to achieve this goal, Industrial Policy Resolution of 1956 was passed. The Industrial Policy of year 1956 is known as 'Economic Constitution' of the country. As per the IPR, 1956, the industrial sector was divided into three schedules. Schedule A reserved 17 important industries exclusively for state enterprises. These included- Arms and ammunition and allied items of defense equipment; Atomic energy; Iron and Steel; Heavy castings and forgings of iron and steel; Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government; Heavy electrical plant including large hydraulic and steam turbines; Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953; Aircraft; Air transport; Railway Transport; Ship Building; Telephones and telephone cables, telegraph and wireless apparatus (excluding radio receiving sets); Generation and distribution of electricity; Coal and lignite; Mineral oils; Mining of iron ore, manganese ore, chrome-ore, gypsum, sulphur, gold and diamond; Mining and processing of copper, lead, zinc, tin, molybdenum and wolfram.

Schedule B included 12 important industries where state enterprises were to acquire dominant positions. They were - all other minerals (except minor minerals); Aluminium and other non- ferrous metals not included in schedule A; Machine tools; Ferroe- alloys and steel tools; Basic and intermediate products required by chemicals industries such as manufacture of drugs; Anti- biscuits and other essential drugs; Fertilizers; Synthetic rubber; Carbonization of coal; Chemical pulp; Road transport; and Sea transport.

Schedule C - All industries not included in Schedule A or B was to be included in this category.

The Industrial Policy Resolutions of 1948 and 1956 desired to achieve self sufficiency in industrial production for India. Domestic production was encouraged to curb the insufficient foreign investment. Huge investments by the State in heavy industries were designed to put the Indian industry on the path of a higher long-term growth. This strategy guided industrialization until the mid-1980s.

The following table illustrates the growth of investment in CPSE's –

Year (As on march 31)	No. of units	Total Investment (in crores)
1951	5	29
1961	47	950
1980	179	18,150
1990	244	99,330
2001	242	2,74,198
2007	247	4,21,089
2008	214	7,63,815

2009	213	7,93,096
2010	217 (operating survey)	9,08,842

Source – Public Enterprises Survey (2009-2010)

This era is called the "License Era", the policy of state being the dominant industrializer was followed. Private sector was occasionally granted license to produce items that were reserved for the public sector. However public sector could enter at its will wherever private sector played the dominant role.

During this period, the main focus of the industrial policy was shifted from development oriented to regulation oriented. Also with the change in time, new kinds of industries and a variation in the new range of products was witnessed. The IRDA, 1951 lost its prospective during this time and a new broader act was passed to regulate industries. The Monopolies and Restrictive Trade Practices Act came into existence on 27th December, 1969. The preamble to this act provided it to be that the operation of the economic system does not result in the concentration of the economic power to the common detriment, for the control of monopolies, for the prohibition of monopolistic and restrictive trade practices and for matters connected therewith or incidental thereto. The act is discussed in detail in the next section.

Industrial Policy Notification of 1973 made licensing mandatory for all industries with investment above a certain level. Schedule IV and V specified certain industries where licensing was compulsory irrespective of size and a list comprising of specified small scale industries was reserved. Industrial policy statement was issued in the same year, Appendix I of which specified industries to which business houses and foreign companies were to be confined.

In order to setup an industry back then, a number of steps had to be gone through by an entrepreneur to obtain a license. Government controlled and monitored each and every step in order to maintain the state monopoly. These included, inter-alia, procedures relating to acquiring: a letter of intent, capital goods imports clearances, foreign-technology collaboration clearances, capital issue clearances, capital issue clearances, raw materials import clearances, essentially clearances, indigenous non-availability of equipment and materials clearances, monopolies clearances, small-scale sector clearances and clearances for locating in non-municipal areas.

The government did introspect the license raj oriented industrial policy. Two key bodies were set up to study the effect of heavy licensing over Indian economy. They were – (i) the Monopolies Inquiry Commission of 1965 and (ii) the Industrial Licensing Policy Inquiry Committee in the year 1969. Both the committees declared that the system has failed practically on all accounts.

No steps were taken during the Indira Gandhi regime due to the fact that a large nexus was created among the bureaucrats, industrialists and managers, who wanted the license raj system to stay. A new attribute was added to this era – 'corrupt'. These bureaucrats and managers used to take certain amount/commission/rent to grant license to these industrialist.

Desperation on the part of the government to maintain the monopoly and frequent changes made in laws resulted in a baffled system of industrial licensing. Some actions taken by the government were anti-policy related decisions. For instance, 'Siemens' was embraced in India by the hidden hand and the license raj: age and the growth of firms in India, Sumit K Majumdar, Pradeep K Chibbar, working paper #9705-14, Research Support, University of Michigan Business School.

Administration for power generation projects whereas multinational corporations like 'IBM' and 'Coca-Cola' were walked off at the same time.

Certain initial steps for liberalization were made during the short lived government of Morarji Desai (1977-1979), however they failed miserably. Agricultural development was the forte of the even shorter lived Charan Singh Government (1979-1980), not much thought was given to industrial policy.

Monopolistic and Restrictive Trade Practices Act, 1969

Competition Law for India was triggered by Articles 38 and 39 of the Constitution of India. These Articles are a part of the Directive Principles of State Policy. Pegging on the Directive Principles, the first Indian competition law was enacted in 1969 and was christened the **Monopolies and Restrictive Trade Practices Act** (MRTP Act). The MRTP Act is regarded as the Competition law of India, because it defines a restrictive trade practice to mean a trade practice, which has, or may have the effect of preventing, distorting or restricting competition in any manner. Premises on which the MRTP Act rests are unrestrained interaction of competitive forces, maximum material progress through rational allocation of economic resources, availability of goods and services of quality at reasonable prices and finally a just and fair deal to the consumers.

Three areas informed till 1991 (when the MRTP Act was amended) the regulatory provisions of the MRTP Act, namely, concentration of economic power, competition law and consumer protection. The statute, till 1991 regulated growth but did not prohibit it. Even in its regulatory capacity, it controlled the growth only if it was detrimental to the common good. In terms of competition law and consumer protection, the objective of the MRTP Act is to curb Monopolistic, Restrictive and Unfair Trade Practices which disturb competition in the trade and industry and which adversely affect the consumer interest (Monopolistic, Restrictive and Unfair Trade Practices are described later in this paper) The regulatory provisions in the MRTP Act apply to almost every area of business – production, distribution, pricing, investment, purchasing, packaging, advertising, sales promotion, mergers, amalgamations and take over of undertakings (provisions relating to mergers, amalgamations and take-overs were deleted in the MRTP Act by the 1991 amendments to it).

The principal objectives sought to be achieved through the MRTP Act are:

- prevention of concentration of economic power to the common detriment;
- control of monopolies;
- prohibition of Monopolistic Trade Practices (MTP);
- prohibition of Restrictive Trade Practices (RTP);
- prohibition of Unfair Trade Practices (UTP).

Incorporated after 1980

With the return of the Indira Gandhi government in 1980, the industrial policy of 1980 was passed on 23 July which aimed at restoring faith in the public sector. It mainly focused on the promoting competition in the domestic market and the efficient working of public enterprises. But it could not bring out the Indian economy which got stuck in a vicious circle of low productivity and poor growth. Jagdish Bhagwati summarized India's economy failure as:

"I would divide them into three major groups: extensive bureaucratic controls over production, investment and trade; inward-looking trade and foreign investment policies; and conventional confines of public utilities and infrastructure. The former two adversely affected the private sector's efficiency. The last, with the inefficient functioning of public sector enterprises, impaired additionally the public sector enterprises' contribution to the economy. Together, the three sets of policy decisions broadly set strict limits to what India could get out of its investment."

Certain steps were taken by the Rajiv Gandhi government (1984-1989) to deregulate the industrial licensing. Through the Industrial Policy Announcemnt, 1985 restrictions on business houses to Appendix I industries were removed so long as they entered specified industrially backward areas.

Secondly, the minimum asset limit defining industrial houses was raised from Rs.200 Million to Rs. 1 Billion. Though Rajiv Gandhi never came up with an official industrial policy relating to the growth of private enterprises. Nevertheless, he paved the initial path of liberalization for lessening the burden on the government and in order to provide a fair chance to the private enterprises but deeply stressed the importance of socialist pattern of society and the key role of the public enterprises. While delivering a speech in the Lok Sabha he declared public sector to be, "key to our development and a pathfinder to take the country to the 21st century."

After his assassination in the year 1989, the veteran Congress leader PV Narasimha Rao became the Prime Minister of India and it was during his term that India witnessed a drastic change in the economic policies. "Depleted official reserves, large deficits in balance of payments, and sharp decline in GDP growth which was reflected in similar declines in almost all sectors of the economy demanded urgent attention."

Thus to bring out the country from economic difficulty and to speed up the development, Dr. Manmohan Singh, finance minister in the Narsimha Rao Government took the charge . In an interview to PBS (2001), Singh said:

"I said to him (P V Narsimha Rao) it is possible that we will still collapse, but there is a chance that if we take bold measures we may turn around, and that, I said, is an opportunity. We must convert this crisis into an opportunity to build a new India, to do things which many people before us have thought and said should be done, but somehow were never done."

This policy is popularly known as the 'Liberalisation, Privatisation and Globalisation'. While presenting these reforms in the parliament budget session, Singh quoted Victor Hugo- "No power on earth can stop an idea whose time has come". The policy could be summarized as follows:

Liberalisation- It basically means to emancipate the economy from bureaucratic cobweb to make it more competitive. Economic liberalism, in the classic rather than the American sense, refers to policies that reduce government constraints on economic behavior and thereby promote economic exchange: ''marketization.''[16] Following are its key features-

- To do away with the requisite of having a license for most of the industries.
- Freedom to determine the scale of business activities.
- Removal of restrictions for the movement of goods and services from one place to another.
- Freedom for fixation of prices for goods and services.
- Simplification of Import-Export Procedure
- Simplifying the path for foreign capital and technology.

Privatisation- To bring public sector undertaking either partially or wholly under the private ownership is called privatization. It follows that privatization in principle means the process of transfer of ownership, sometimes also of permanent or long-term usership, of a formerly common or public good to individuals and/or groups operating for private profit, i.e., its passage from public to segregated owner- and/or usership[17]. Chief features are-

- Reducing the role of public sector and increasing the role of private sector
- Reducing budgetary burden of the government
- Improving management of enterprises
- Reducing the pressure of government and increase in government treasury
- Increase in competition, following the path of mixed economy.

Globalization- Globalization refers to the process of integrating the economy of one's country with the rest of the world. Jan Aart Scholte states that "globalization stands out for quite a large public spread across the world as one of the defining terms of late twentieth century social consciousness.[18] Its key features include-

- Free flow of goods and services all over the world.
- Free flow of capital globally.
- Free flow of information and technology in all the countries.
- Free movement of people for jobs, encouraging 'outsourcing'.

In a major move to liberalize the economy, the new industrial policy abolished all industrial licensing, irrespective of the level of investment, except for a short list of 18 industries (security and strategic, social reasons, hazardous chemicals and overriding environmental reasons and items of elitist consumption. In April 1993, further 3 more industries were delicensed (Motor cars, white goods, skins and leathers). In the year 1996-1997 6 major industries were delicensed. (Entertainment and electronic industry, animal fats and oils, tanned or dressed fur skins, chamois leather, asbestos and asbestos-based products, plywood and other wood and paper and newsprint). In 1998-99, coal and lignite, petroleum products and sugar were delicensed. Currently only 3 industries are exclusively PSUs. They are – atomic energy, Railway transport and substances specified in the schedule to the notification of the Government of India in the Department of Atomic Energy number S. O. 212(E), dated the 15th March, 1995.

The aftermath benefits of these reforms could be summarized into following points-

- Improvement in Performance of the Economy: The economy's performance in the post reform era has been quite impressive. The reforms started in year 1991 and if one leaves out 1991-92, which was exceptionally a bad year, the average annual growth rate between 1992-93 and 1999-2000 was 6.3%.
- Growth in employment opportunities and better salaries: Employment opportunities have remarkably increased due to coming up of many new Multinational Corporations (MNCs) as well as Domestic Corporate Companies. Many of the foreign companies are now outsourcing their jobs to India thereby increasing the job opportunities available in the country at high salaries.
- Better performance after privatization: Many public sector enterprises got privatized after 1991 and their performances substantially improved, by providing better customer facilities and higher pay to the employees.
- Remarkable growth in foreign trade and rise in the foreign exchange reserves: Undoubtedly, tremendous growth after the reforms was witnessed in the external sphere. After independence, India could not accumulate foreign exchange reserve, however after the reforms, Indian foreign exchange reserve increased substantially. With globalization, import/export with foreign countries benefitted our economy.
- Check on inflation due to competition: Prices of the final products are generally pushed up by the increase in prices of the raw materials. However, globalization and privatization increase competition and help to hold or even cut down the prices of final products even when the prices of raw materials go up. This is because competition raises productivity and thereby helps manufacturers to hold the prices at the same level or even reduce them.

- Increase in foreign direct investment: After the reforms, foreign investors have shown great enthusiasm in investing in India. India has become a popular choice for foreign corporations due to availability of cheap raw materials and manpower. Even investment in domestic private undertakings has increased by leaps and bounds. And not just economically, these reforms have brought a sea change in the lifestyle and living standards of the people of India. However, with rise in competition, business giants used to enter into anti-competitive agreements such as cartels, abuse of dominance, tying agreements, predatory pricing, etc. To maintain a healthy competition in the market, need was felt for a competition watchdog and for enforcing competition law. On 27 February, 1999, Yashwant Sinha, Finance minister, made the following announcement in his budget speech:

"The Monopolies and Restrictive Trade Practices Act has become obsolete in certain areas in the light of international economic developments relating to competition laws. We need to shift our focus from curbing monopolies to promoting competition. Government has decided to appoint a Committee to examine this range of issues and propose a modern Competition Law suitable for our condition." And thus Competition Act of 2002 was passed as the MRTP Act was beyond repair and could not serve the purpose of the new competitive era. The act has been discussed in detail in the next section.

Competition Act, 2002

In October, 1999, the Government of India appointed a High Level Committee on Competition Policy and Competition Law to advise a modern competition law for the country in line with international developments and to suggest a legislative framework which may entail a new law or appropriate amendments to the MRTP Act. After some refinements, following extensive consultations and discussions with all interested parties, the Parliament passed in December 2002 the new law, namely, the Competition Act, 2002. There are three areas of enforcement that provide the focus for most competition laws in the world today.

- Agreements among enterprises
- Abuse of dominance
- Mergers or, more generally, combinations among enterprises

The rubric of the new law, **Competition Act, 2002** (Act, for brief) has essentially four compartments:

- Anti - Competition Agreements
- Abuse of Dominance
- Combinations Regulation
- Competition Advocacy

The Act posits the factors that would have to be considered by the adjudicating Authority in determining the "Relevant Product Market" and the "Relevant Geographic Market", reproduced herein below:

RELEVANT PRODUCT MARKET

- physical characteristics or end-use of goods;
- price of goods or service;
- consumer preferences;
- exclusion of in-house production;
- existence of specialised producers;
- classification of industrial products

RELEVANT GEOGRAPHIC MARKET

- regulatory trade barriers;
- local specification requirements;
- national procurement policies;
- adequate distribution facilities;
- transport costs;
- language;
- consumer preferences;
- need for secure or regular supplies or rapid after-sales services

The determination of 'relevant market' by the adjudicating Authority has to be done, having due regard to the 'relevant product market' and the 'relevant geographic market'.

Conclusion

In this paper the authors have analyzed the journey of India's industrial licensing policy, from its beginning before independence, Nehru's influence, perspective of different governments regarding the same and finally the post reforms era. From industrial policy 1948 till competition act, 2002, India has come a long way. Today India is the second largest developing economy in the world after China and even a longer road awaits India to achieve the target of becoming a developed nation. The Indian economy has the potential to become the world's 3rd-largest Economy by next decade and one of the largest economies by mid-century. The Industry sector has held a constant share of its economic contribution (26% of GDP in 2013-14).

India lacks in taking up daring economic reforms or risks. Only when other countries have successfully adopted a model, India follows the lead. Montek Singh Ahluwalia wrote:

"India was a latecomer to economic reforms, embarking on the process in earnest only in 1991, in the wake of an exceptionally severe balance of payments crisis. The need for a policy shift had become evident much earlier, as many countries in East Asia achieved high growth and poverty reduction through policies which emphasized greater export orientation and encouragement of the private sector. India took some steps in this direction in the 1980s, but it was not until 1991 that the government signaled a systemic shift to a more open economy with greater reliance upon market forces, a larger role for the private sector including foreign investment, and a restructuring of the role of government."

Also our economic policymakers are mostly politicians from non-economic backgrounds and lack expertise. India needs more experienced people for formulating efficient policy measures. I Justice, a public interest legal advocacy initiative of the Centre for Civil Society (CCS), was started in the year 2013. It aims at advancing laws promoting personal, social and economic liberties, and at the same time imposing limits on the powers exercised by the State, through strategic litigation and legal advocacy.

Vision:

iJustice envisions an India where every individual can enjoy the right to life, liberty and property.

Mission:

To advance the rule of law based on individual freedom and economic liberty through litigation and advocacy.

Core focus areas:

- Right to Education: iJustice advocates for an education market where all can avail education of their choice.
- Livelihood freedom: Taking forward CCS's Jeevika: Law, Liberty & Livelihood Campaign, iJustice is focusing on effective implementation of the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014.

- Others: iJustice also works towards advancing the fundamental right to freedom of speech and expression and other governance related issues.

Centre for Civil Society advances social change through public policy. Our work in education, livelihood, and policy training promotes choice and accountability across private and public sectors. To translate policy into practice, we engage with policy and opinion leaders through research, pilot projects and advocacy. We are India's leading liberal think tank, ranked 50 worldwide by the annual study conducted by the Think Tanks and Civil Society Program at the University of Pennsylvania.

CCS envisions a world where each individual leads a life of choice in personal, economic and political spheres and every institution is accountable. We successfully campaigned for livelihood freedom for street entrepreneurs, resulting in the passing of the Street Vendors (Regulation and Protection of Livelihood Act in March 2014. Our School Choice Campaign popularised the instrument of school vouchers in education, increasing choice and access to quality education for all.

Currently, our focus is on reshaping the school education policy landscape—shifting the focus to learning outcomes, expanding choice in education and advocating deregulation for private sector; amplifying the voice of budget private schools which are catering to the poor sections of society but face closure in the face of the RTE; enhancing choice and accountability through the CCS skill voucher model in government skilling programs; promoting livelihood freedom by facilitating effective implementation of the Street Vendors Act and creating future leaders through policy trainings and courses who will be champions of liberty in their fields going forward.

