

# The Local and the Global in Hyderabad's Development

SANJAYA BARU

Throughout history, Hyderabad/Golconda has benefited from trade with the local and external economies. In recent decades, the city has been the focus of industrialisation driven by public investment and agricultural surpluses from coastal Andhra Pradesh. Hyderabad is poised to grow further as it spreads its wings with links to south-east and west Asia.

My interest in the link between India's external relations and the internal change in the country has been partly triggered by what I saw happening in Andhra Pradesh in the 1990s. My specific interest in this region's links with south-east Asia was shaped by former prime minister Narasimha Rao's "Look East Policy".

It may be recalled that even before independence, Jawaharlal Nehru took a keen interest in India's relations with Asia, especially Indo-China. As prime minister he tried to re-establish India's ancient and civilisational links with the region, links that were disrupted by European colonialism. However, this new post-colonial phase was short-lived. The cold war disrupted a nascent re-engagement with the region.

The end of the cold war, India's economic opening up in 1991, the rise of the "Asian Tigers" and of China, encouraged India to re-engage the region. Narasimha Rao's policy, was, I suspect, not only inspired by Nehru's vision of India's relations with east and south-east Asia, but also influenced by his own understanding of our civilisational links with the region. As a scholar familiar with the history of the region, Narasimha Rao would have known how deep run the roots of this region's links with Asia to our east. Today, however, our relations with the Association of South-East Asian Nations (ASEAN) are not just defined by history, geography, culture or even commerce. There is a growing people-to-people interaction and a growing congruence of strategic interests.

The India-ASEAN Free Trade Agreement that prime minister Manmohan Singh has been actively pursuing will further cement this relationship. India's current policy towards south-east Asia offers a new opportunity for Andhra Pradesh to rediscover its links with the

region and build a mutually beneficial interface with ASEAN.

## 1 Globalisation of Golconda

Narasimha Rao would have known that Hyderabad, and its predecessor kingdom of Golconda, had their own "Look East Policy". Golconda, and later Hyderabad, is one of the few landlocked urban centres of this subcontinent that reached great heights of prosperity without a major river system or a port next to it. But that is strictly not correct, for Golconda and Hyderabad had the port of Machilipatnam linking them to the world outside. The road connecting the two was the umbilical cord that linked Hyderabad to the Andhra coastline and from there to global markets, contributing to the region's prosperity for several centuries. In his impassioned narration of a love story centring around a Hyderabad princess and a British official, novelist and historian William Dalrymple (2002) draws from archival material to tell us: "the road from Hyderabad to the port of Masulipatnam was one of the most beautiful in the Deccan". Of course, it had to be a beautiful road for on it had travelled for centuries bullock carts and horse carts laden with precious stones and highly valued commodities.

Historians are familiar with the vital strategic role of the Machilipatnam port, also known as 'bandar', the Persian word for port. But long before the Persians and the Europeans arrived at bandar, the Hindu kings of the Satavahana Dynasty set forth across the waters from the port of Masalia, later Masulipatnam. In his little known but well researched account of India's maritime history, K Sridharan (1982) records the maritime prowess of the Andhras during Satavahana rule from as early as first century AD. According to Sridharan: "That the Andhras maintained a fleet is proved by incontrovertible numismatic evidence. The coins minted during the reigns of Pulamayi and Yagnasri (and king Yajna Satakarani around 200 AD) show, on the obverse, representation of sailing ships with two masts." A shipbuilding industry developed at Masulipatnam and the Satavahanas forayed deep into east Asia, leaving their cultural imprint as far as Vietnam.



Historians tell us that peninsular India was very much a part of the active maritime trade across Asia, from China to the Persian Gulf, from times immemorial. According to Ken McPherson (2004), along with various ports on the western coast of the Indian subcontinent, Masalia on the east coast (identified as Masulipatnam) was listed in *The Periplus*, the writings of an unknown Greek visitor to India in first century AD, as a port visited by ships from Egypt and the Persian Gulf crewed by Greeks, Egyptians, Arabs and Persians. Among the goods exported from here to the west were grain, timber, metals, gold, silver and copper coinage. According to McPherson: "From this early period one of the most unique characteristics of South Asian trade until the eighteenth century AD is evident. Put most simply, south Asia exported a greater value of goods than it imported, with the result that huge quantities of gold and silver flowed into the subcontinent."

In his masterly survey of maritime India in the 17th century, historian Sinnappah Arasaratnam (2004) says:

A new element in the trade of Coromandel, and what gave Masulipatnam a special place among Coromandel ports, was the forging of trade links with the west, with Gujarat, the Persian Gulf and the Red Sea. This Persian connection was strengthened by the adherence to the Shiite sect of Islam by the Golconda rulers and nobility. This gave them favoured treatment in Persian ports and brought in a substantial Persian merchant migration to settle in the port and the country. At the beginning of the century Golconda had emerged as an Indian Ocean port, looking eastwards and westwards. Golconda rulers, anxious to develop their trading ambitions, fostered friendly relations with the Portuguese. .... With the rise of Masulipatnam, Golconda muslims and domiciled Persians became another of the Bay of Bengal's itinerant merchant communities (p 50).

### **Machilipatnam**

Textiles, rice, iron and steel, tobacco, indigo and diamonds were the major export items, while imports included Persian silk, horses, coffee, dried fruits, almonds, rose water and coined specie. Masulipatnam, later called Machilipatnam, developed further as a maritime gateway to the Deccan under Sultan Quli Qutub Shah-I. Golconda in the centre of the peninsula and Machilipatnam along the east coast

became the two most important urban centres of the Deccan in his time. What is interesting about the growing maritime activity of the Golconda kingdom was that it was not just local resources that fed this activity, but the fact that the state's institutional and infrastructure support enabled it to emerge as a maritime state. There appears to have been a certain entrepot character to Machilipatnam's role in the region's mercantile activity. This was almost entirely because of the enlightened outward-looking nature of the Golconda rulers, and the security they offered to trade and enterprise.

### **Golconda's Trade**

The global was, without doubt, an essential part of Golconda's prominence in its heyday as the seat of power in the heart of India. The arrival of the Europeans in the waters around India, however, disrupted the indigenous links of maritime trade in the Indian Ocean waters. Trade from and to India passed increasingly into the hands of European traders. The Portuguese on the west coast and the Dutch on the east, to begin with. Golconda's prosperity was also linked to the west coast with the Portuguese reaching deep across the peninsula to Golconda. On the Coromandel Coast the Dutch were first challenged by the French and then by the British, who finally held sway.

Nayan Chanda (2007) tells us how European merchants bought and sold diamonds from the Golconda mines and the bed of the Krishna river through their ports on the west coast. Chanda tells us, from correspondence of European traders available in archives, the story of Isaac Ergas who would take customers' orders, much like any shopkeeper today, in his offices in the Italian port of Livorno for the sale of Golconda diamonds. These orders were sent by hand over sea from Livorno to Lisbon and from Lisbon to Goa, and by road from Goa to Golconda. And, as he tells us, "if everything went well – and the ship did not sink in a storm – customers receive the diamonds a year or two later"! Hindu traders along the Konkan Coast then bartered the diamonds for corals or other valuables.

These popular accounts remind us that the landlocked fort of Golconda, and its

successor urban centre of Hyderabad were actively linked to the maritime trade of both the east and the west coast. It required not just the availability of diamonds along the Krishna river and the rocks of the Deccan, but the administrative acumen of the Golconda rulers to build a centre of great wealth and prosperity based on trade with distant lands.

Historians are familiar with the great European battles for control over Machilipatnam. First came the Portuguese, and then came the Dutch. They were followed by the French and finally came the British. By the late 18th century the British established full control over the Bay of Bengal after annexing Machilipatnam from the French. By the 19th century when Hyderabad was connected by rail with the presidency towns of Bombay and Madras, the importance of Machilipatnam declined. However, the growth of modern education and industrialisation from the end of the 19th century and through the early part of the 20th century ensured that Hyderabad was one of the few non-British centres of development before independence. The local and the global in the long history of Hyderabad's evolution worked together to ensure the city's prosperity and growth over the centuries.

### **Growth of Presidency Towns**

The control of European interests over the Coromandel trade and the establishment of British imperial control over peninsular India meant that presidency towns of Calcutta, Madras and Bombay became more important to India's maritime trade. This contributed to the decline and collapse of Machilipatnam and cut its highly productive links with Hyderabad. Not only did maritime trade shift to the presidency port towns but also the rail links between Hyderabad and Madras and Bombay ended Machilipatnam's maritime importance.

More importantly, the division of India into British India and Princely India may have also weakened Hyderabad's links with the outside world. During the era of the last Nizam, Hyderabad did see some industrial activity with the growth of textiles and other industries, but much of this was either based on public investment or investment by expatriate capital, especially marwari enterprise. Hyderabad's

pearl trade was one of the few remnants of its glorious maritime past, and it remains a reminder of the city's links with Asia to our east.

## 2 Local Origins of Development

Well into the 1970s, Hyderabad remained a centre of government, education and public sector industry. While some of the old marwari enterprise continued to thrive, new business from Calcutta and Bombay arrived partly in search of greater industrial peace and cheaper infrastructure. The green revolution changed all that.

### First Generation Businessmen

When I returned to Hyderabad in the late 1970s and began researching the growth of small enterprise around the city I soon discovered that a large number of units were set up by first generation businessmen. Based on some sketchy fieldwork and analysis of data collected at the time by the Andhra Pradesh State Finance Corporation and Andhra Pradesh State Industrial Development Corporation I tried to understand the phenomenon of industrial development in Andhra Pradesh, with a special focus on Hyderabad, using the framework of capitalist development elaborated by Maurice Dobb in his famous *Studies in the Development of Capitalism*. Dobb's paradigm of the "really revolutionary way" and the "less revolutionary way" seemed to describe the different patterns of agrarian change and capitalist development in coastal Andhra, the hinterland of Machilipatnam, and Telangana, a region that was part of the erstwhile state of Hyderabad.

It was clear to me [Baru 1984] that some of the industrial development around Hyderabad was happening because of public investment and the role of expatriate businessmen. This had no "local" roots and was not the product of any agrarian transformation around Hyderabad. This was based on Dobb's "less revolutionary path". It was also obvious that some of the new investment around Hyderabad was funded directly or indirectly by public money finding its way into private hands – a kind of "state capitalism" – with politicians and contractors investing their rentier income

extracted from the state. However, it was also clear to me that some of the new first-generation business enterprise coming up around Hyderabad had its roots in agrarian change and "green revolution" in coastal Andhra. This followed Dobb's "really revolutionary path" of agrarian capitalism contributing to the growth of industrial capitalism.

It was fashionable at the time for Marxist analysts to write about the crisis of semi-feudal and dependent capitalism and its inability to make the transition from feudalism to capitalism. The highly theoretical mode of production debate glossed over regional variations and ignored the potential for indigenously rooted capitalist development occurring as a consequence of agrarian change, a la Dobb's "really revolutionary way". I argued at the time that it was meaningless for analysts to refer to a so-called "mode of production in India", for India's political boundary is a meaningless analytical category for the analysis of capitalist development. For a continental nation like India, its developmental experience is regionally differentiated and if Dobb can make a distinction between modes of production and transition to capitalism in England, France and Poland, why should we shy away from recognising inter-regional

variations in the transformation of modes of production across India.

### Industrialisation of AP

Something interesting was under way in Andhra Pradesh, I had argued in the 1980s, and this was manifesting itself in the industrialisation of Hyderabad. While Indian business was till then largely confined to metropolitan India, around the presidency towns of Bombay, Calcutta and Madras and post-independence industrialisation was largely concentrated in Gujarat, Maharashtra, Tamil Nadu, West Bengal and around Delhi, Andhra Pradesh was emerging as a new centre of industrial development, thanks in part to agrarian change in coastal Andhra. In an essay on regional differentiation in development, Krishna Bharadwaj (1995) observed:

Certain parts of Andhra Pradesh, Kerala and Karnataka in the south, Haryana in the north, and Gujarat and parts of Maharashtra, have shown prominently dispersed growth ... We note the importance of agricultural surpluses in adequate quanta to sustain industrial expansion. The regions sharing some industrial vitality appear to be the ones where agricultural growth has also been promising.

Before independence agrarian surplus from the delta districts went largely to Madras and also contributed to the

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development of towns like Vijayawada, Rajahmundry and Visakhapatnam. Some of this continued even after independence as the work of B Sarveshwar Rao on Visakhapatnam and Carol Upadhyaya (1988) on coastal Andhra showed. The unification of the state, however, helped capital migrate to Hyderabad.

An early and striking example of agrarian surplus being invested in modern industry in the state was that of Nagarjuna Fertilisers launched by a technocrat-turned-businessman, the late K V K Raju. Mobilising share capital directly from ordinary farmers, he set up a fertiliser plant and built the Nagarjuna group of companies. K V K Raju was a pioneer leading a new generation of Andhra businessmen who heralded the transition from agrarian to industrial capitalism in Andhra Pradesh

### Role of Public Sector

Hyderabad also benefited from public investment in industry. This had its own positive impact on the growth of small-scale and ancillary industry. Hyderabad, like Bangalore, is a good example of public investment catalysing private investment growth. The public sector played this catalytic role in a variety of ways – ranging from providing finance, creating demand for goods and services, generating rentier incomes to offering space for the emergence of entrepreneurial talent. One such case deserves mention.

One first generation businessman, functioning out of small premises in Banjara Hills was struggling to compete with large multinationals in the pharma business. This entrepreneur was a former employee of a public sector company and was striking out on his own. His name was Anji Reddy. By 1989, Anji Reddy was spearheading a campaign against inclusion of intellectual property rights (IPRs) in the Uruguay round of the General Agreement on Tariffs and Trade. By 1999 he was ranked one of the rising stars of Indian business, building a business on the basis of India's adherence to IPRs and taking advantage of the new patents regime.

### Dynamics of Regional Enterprise

It is this phenomenon I explored in two separate essays on the dynamics of regional enterprise in India [Baru 2000 and 2004].

In these essays I argued that while public investment and the investment decisions of national big business were important determinants of industrial activity in the post-independence period, contributing to the industrial development around metropolitan centres; new urban centres like Hyderabad were also the beneficiaries of a new phase of agrarian change and regionally-rooted industrial development. A more detailed case-study based analysis of such industrial development is soon to be published by Harish Damodaran who examines the role of the kamma, reddy and raju caste groups in this transition.

My study of inter-regional variations, at the national level, in the growth of business enterprise [Baru 2004] showed that public investment and the investment decisions of big business groups were not adequate reference points to explain post-independence variations in the growth and spread of business enterprise across the country. The key variable seems to be agrarian change and the emergence of a rich peasant class in rural areas and of an empowered middle class in urban centres.

To be sure, I concluded, public investment played an enabling role in this transition in a variety of ways: investment in irrigation and the “industry and infrastructure” of the green revolution; investment in urban infrastructure that helped the process of urbanisation in western and southern India; finance and credit and subsidised raw materials from public sector enterprises; “infant industry” protection; and the political patronage offered by political parties in power. These factors facilitated the transition from pre-capitalist to modern capitalist forms of production. However, if this process was regionally differentiated then the reason for this was partly to do with historical and geographical factors, but increasingly to do with differences in agrarian change and the emergence of a prosperous middle class both in rural and urban areas.

Regional variations in the process of agrarian change have shaped the pattern of industrial development across the country. This process had enabled a new generation of agrarian capitalists and middle class professionals to make the transition to capitalist entrepreneurs in

some parts, rather than others. Regions that have not yet experienced high or above-average growth must look within – that is, to the social, economic and political changes required to foster local enterprise and a local middle class capable of facilitating the process of agrarian change and urbanisation. This is not to suggest that local growth cannot be fostered by external stimuli, including public investment, but that any such external stimuli is likely to make a greater impact when the ground below is more fertile and capable of facilitating growth and development of new enterprise.

### Behind Hyderabad's Growth

Hyderabad's development in the past two decades has happened, I would argue, because Andhra Pradesh had undergone the social, political and economic transition required to foster the growth of business enterprise. A new era of industrial development and globalisation began for Hyderabad when the city became the centre of a range of new industries like pharmaceuticals, information technology, biotechnology and so on. Built on the firm foundations of agrarian change, fostered in part by the munificence of “state capitalism” and rentier capital, further boosted by the arrival of national and global business, Hyderabad has emerged as a major business centre today.

The migration to west Asia and Persian Gulf region and the consequent remittances from the emigrants have also contributed to the city's development. Just as Kerala's economy was buoyed by such remittances from a region to which Kerala has been linked through history, so too has Hyderabad benefited from its new relationship to a region with which it has had commercial links for centuries. While Tamil Nadu has a more robust business relationship with south-east Asia, and Kerala has gained from the Gulf-based remittance economy, Andhra Pradesh has the potential to tap both sources as it goes forward. The recent creation of the Telugu Association of Singapore could help Hyderabad tap more effectively into Singapore's investible capital.

These new links can contribute to the redevelopment of Andhra Pradesh's maritime economy, with port modernisation

and better connectivity between the hinterland and the ports. The proposed high-speed train link between Hyderabad and Vijayawada would not only improve the economics of the international airport in the city, but also contribute to business development in regions around both ends of such a high speed rail corridor. The emergence of Hyderabad as a centre for knowledge-based development and the proliferation of academic and training institutions have the potential to create the local foundations of Hyderabad's globalisation in this century.

### Spreading Wings

In fact, the importance of the new international airport project near Hyderabad as well as its economics must be viewed within this perspective. This airport was conceived, it may be recalled, not just as a new airport for Hyderabad, but as a major hub for the region and as a likely competitor to Dubai and Singapore. As India moves closer to a more generalised open skies policy, this airport could in fact compete with Dubai and Singapore for business.

Just as Mumbai sees itself as a potential international financial centre competing with Dubai and Singapore for business, Hyderabad could emerge as an international airport hub competing with Dubai and Singapore. In so viewing its potential, Hyderabad would once again be spreading its wings, so to speak, to the far corners of the city's original geographical and business reach – namely, from the Straits of Malacca in the east, to the Straits of Hormuz in the west. Just as the Golconda empire of the past stretched all the way from a rocky Deccan to coastal Andhra, so too does Andhra Pradesh – the new political expression of the Telugus. There is a logic to this undying relationship between this capital city and the coast to the east. They were part of a unified political expression of a people in times gone by as they are today.

To sustain the nascent process of economic development in Andhra Pradesh, the state must continue to invest in its people, in their education and health, in better infrastructure and in more balanced regional development. The state must address the challenge of developmental disparity between the developed

and the backward districts. For the process of change to contribute to the overall development of the state it is necessary that there is greater investment in agricultural development, irrigation and infrastructure in the less developed regions of Telangana and Rayalaseema.

### Urbanisation

One way in which Hyderabad's growth can contribute to the overall development of the region around it would be to develop industrial corridors between Hyderabad and Warangal, Machilipatnam and Tirupati/Bangalore. Urbanisation in the state must be evenly spread across all regions of Andhra Pradesh, so that Hyderabad does not become the only magnet and be destroyed in the process. Like in Tamil Nadu, Andhra Pradesh too needs more urban centres spread out across all three regions of the state, with equally good centres of education and urban infrastructure. In Telangana and Rayalaseema there has to be new investment in agricultural and urban development, with a special focus on irrigation, industry and education. Such decentralised development across the state will benefit Hyderabad by reducing the pressure on space and ensuring that what was once a garden city does not become a concrete jungle.

I do believe that much of the process of change that I have outlined remains to be properly documented and researched, before it is in fact celebrated. Social scientists seem to lag behind journalists in recording

the far-reaching social and economic change under way in Andhra Pradesh.

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Email: baru@pmo.nic.in

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