A literature review on Special Economic Zones and their bad impact in India

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ABSTRACT
This study aims at examining the impact of Special Economic Zones (SEZs) on human development and poverty reduction in India. It identifies three channels through which SEZs address these issues: employment generation, skill formation (human capital development), and technology and knowledge upgradation. It examines how the impact of SEZs is passed through each of these channels. The study finds that the modality differs significantly according to the characteristics of the SEZs, in particular, the level of their development as reflected in the composition of economic activities. Within this framework, the study examines the sectoral and economic composition of SEZ activities in India. It finds that labour intensive, skill intensive and technology intensive firms coexist in India’s zones and, therefore argues that all the three effects described above are likely to be important in the Indian context. Empirical findings reported in the study are based on the data collected from both secondary sources and primary surveys.

INTRODUCTION
In this era of globalization, most developing countries are witnessing a shift away from an import substitution based development strategy to one based on export promotion policy. As part of their policy instruments to promote exports, many of these countries are vigorously promoting export processing zones (EPZs). EPZs are seen as a key instrument not only for promoting exports and earning foreign exchange but also for stimulating economic growth through additional investment, technology transfers, and employment generation. There were 176 such zones across 47 countries in 1986. In 2003 the number of zones increased to over 3000 across 116 countries (ILO 2003). A majority of new zones have taken root in developing countries.

Special Economic Zones (SEZs) have, over the past five years, become synonymous in India with grabbing land from farmers. In March 2007, 14 people were killed and many more raped and injured by police and party-thugs in Nandigram, West Bengal, for refusing to give their land for a petrochemical SEZ promoted by an Indonesian company. The uproar that followed shook the state and central governments (contributing to the eventual downfall of the former) and led to a cancellation of the project, a temporary moratorium on SEZs and a reduction in their maximum allowed size. Nandigram was the tip of the iceberg, as farmers across the country were resisting the government’s use of eminent domain to acquire and transfer their land to private companies for the development of these hyper-liberalized enclaves. These ‘land wars’ have led to the cancellation, delay and downsizing of projects across the country, including two massive SEZs for Reliance Industries outside of Mumbai and Gurgaon, the South Korean POSCO steel SEZ in Orissa (supposed to be India’s largest ever foreign direct investment) and all the SEZs approved in the state of Goa. These conflicts and the stoppage or stalling of high-profile investments have created great concern within the state and capitalist class that farmers will be the largest obstacle to India’s emergence as a ‘world class’ economic power.

That an export policy has exposed the land question as perhaps the biggest obstacle to capitalist development in India today may seem strange. After all, land has been acquired for industrial estates and townships in India since the first Five-Year Plan, and subsequently for early Export Processing Zones and various export promotion parks. Why an SEZ question has become an explosive land question has in part to do with how one novel feature of India’s SEZs – the privatization of their development – opened up a lucrative investment opportunity in a particular phase

1 At the time of writing, the outcome of the POSCO standoff remains uncertain. The steel plant, which was to be set up as a captive SEZ of the South Korean steel company, has been stalled for over five years in the face of stiff resistance by local agriculturalists and fishermen living on government ‘forest land’ that is the proposed location for the project. Police forces have been amassed outside of the villages for over a month, threatening to evict them by force. However, so far the resisting villagers have been able to hold their ground by erecting barriers, forming human chains, and drawing enough media attention to make violent removal politically difficult. Despite clear violation of the Forest Rights Act (2005), which mandates approval for such forest conversion by local assemblies (gram sabhas), the Central Forests and Environment Ministry finally gave its approval for the project in May 2011.
of Indian capitalism. The SEZ Act of 2005 provided a framework for building hyper-liberalized economic enclaves – with minimal taxes, tariffs and regulations – on the Chinese model, with the avowed purpose of promoting exports, attracting FDI, developing infrastructure, and generating employment. But whereas China's SEZs were state-developed, in India, the private sector would be enticed with offers of cheap land acquired from farmers to develop the zones themselves and create ‘first-class’ industrial and commercial infrastructure for exporting companies. The SEZ Act only required that 35 percent (later raised to 50 percent) of the area acquired for SEZs be used for productive purposes, giving developers freedom with the remainder. Given that the highest value land use is by far housing, most developers would use that area for constructing high-end housing colonies and accompanying ‘social infrastructure’, like shopping complexes, private schools and golf courses, for what would essentially be privately developed cities on farmland in the peri-urban periphery. This was the real draw of the SEZ for most developers and central to the business model.

LITERATURE SURVEY

There is some danger in the emerging scholarship and policy discourse on ‘the global land grab’ that the novel interest in them is mistaken for novelty of the phenomenon itself. The dispossession of land from peasants, of course, has a long history and an almost equally long history of thinking about it. While most acknowledge this, there seems to be a noticeable tendency to take the current phenomenon of transnational agricultural deals as the basis for a more general theorization about land dispossession. Thus Zoomers (2010) argues that the current upsurge of cross-border agricultural land grabs is part of a larger contemporary phenomenon of the ‘foreignization of space’, of which she cites India's SEZs as another example. Aside from the empirical considerations that transnational agricultural land deals have a long history (e.g. Grandin 2010), which demands more elaboration on what is new about the contemporary ones (White and Dasgupta 2011), and that SEZs in India, rather than representing ‘a strategy of global capital’ (Banerjee-Guha 2008, 51), are primarily developed and financed by domestic capital, it is not clear why a theory of land grabs should be based on the origin of the capital orchestrating them; this should rather be a factor in explaining variations in their character, frequency and consequences at different times and places. In creating a theory of contemporary dispossession, from land or other resources, the key question is not the origin of the capital, but the reasons why capital in general requires – or more precisely attempts and achieves – forcible expropriation at any given place and time to sustain accumulation. We might add that the term ‘land grab’ – whatever its political uses – provides little more than a self-evident descriptive label for this phenomenon.

I believe that a sounder basis for conceptually understanding contemporary processes of dispossession can be found in Harvey's reconstruction of Marx's ‘primitive accumulation’ as ‘accumulation by dispossession’. Suitably reconstructed to iron out the ambiguities and lacunae in Harvey's rendition, ABD provides the beginning of a more powerful analytic concept regarding the role of dispossession under advanced capitalism, the variations of which in space and time can be empirically studied and form the basis of a dynamic and important research program. While ABD may not capture all varieties of contemporary land grabs – such as those motivated by logics other than profit (Hall et al. 2011, 13) – it can certainly capture the great majority and allows for the term ‘accumulation’ to be specified in any given context. However, there has been a great deal of confusion in the emerging literature on what exactly defines ABD – a confusion that can in part be traced to two central ambiguities in the way scholars have traditionally understood Marx's theory of ‘primitive accumulation’. Since I believe these are of considerable significance to current debates, they call for some elaboration.

The most important ambiguity – which continues to haunt discussions of ABD – is whether primitive accumulation is defined above all by its function for capitalism or by the means specific to it. On the one hand, Marx's theory of primitive accumulation referred to the process of creating the pre-conditions for capitalism by effecting the ‘two transformations, whereby the social means of subsistence and production are turned into capital, and the immediate producers are turned into wage-laborers’ (Marx 1976, 875). On the other hand, Marx also distinguished primitive accumulation by the use of blunt, extra-economic force in contrast to ‘the silent compulsion of economic relations’ that characterized fully developed capitalism (Marx 1976, 899). In the former, ‘It is a notorious fact that conquest, enslavement, robbery, murder, in short, force, played the greatest part’ (1976, 874). Sheer violence and state-driven expropriation were necessary to generate the two major prerequisites of capitalist social relations: a ‘prior’ accumulation of capital on one side and a group of wage laborers who had nothing to sell but their labor power on the other.

Here we might note that within this first ambiguity, a second one emerges – which also plagues contemporary discussions of ABD – as to how much emphasis is to be placed on each of the two transformations: the forces seeking to turn the land into capital (e.g. the gentry turning the commons into sheep walks), and how much on its result – the creation of a class of wage laborers ‘freed’ from their means of production. If more emphasis were to be
placed on the first, would not primitive accumulation be a continuous process as more land and natural resources were needed to feed a burgeoning capitalism that already had a sufficient reserve of wage-laborers? However, because Marx's analysis of primitive accumulation remained a retrospective, historical account of how the pre-conditions of capitalism came into being that was not grafted to his theory of developed capitalism (Balibar 1979, 279), this tension was not adequately resolved. And as violent means and the ‘two transformations’ converged in Marx's classic example of the British enclosures (if not some of his other examples), the first tension between the two potentially distinct ways of defining primitive accumulation – by its means or ultimate function – remained latent.

However, subsequent scholarship questioned the centrality of ‘enclosures’ to transitions to capitalist agriculture in other parts of the world (Byres 1991), and even to the ‘classic’ transition to capitalism in England (Wood 2002). In much of the ‘agrarian question’, primitive accumulation came to mean any process that separated peasants from their means of production, which more often proceeded through a gradual process of class differentiation (Lenin 1967, Kautsky 1988, 17, Adnan 1985, 57). Economic processes like debt, often working through ‘inter-locking markets’, came to be seen as equally effective levers of primitive accumulation as the extra-economic enclosure of land (Bhaduri 1983). In sum, for many, primitive accumulation came to be defined by its results – first and foremost proletarianization – rather than its extra-economic means.

It is not the point of this very cursory discussion to assess this strand in the conceptual development of ‘primitive accumulation’. The point, rather, is to show how this ambiguity in the concept has colored contemporary receptions of ABD in ways that, I believe, obscure the novel theoretical advancement it offers. While some scholars continue to see primitive accumulation and ABD as synonymous (Arrighi et al. 2010, 411), I believe that in fact Harvey's concept of ABD marks a definitive break with primitive accumulation traditionally conceived by unmooring it from the historicism of modes of production and thereby freeing it for application to a panoply of contemporary forms of dispossession of private and social wealth – for SEZs, slum clearances, large-scale agricultural plantations, dams, real estate development, infrastructure projects and all manners of privatizations of natural resources and public wealth – that may have little to do with agriculture and that emanate from, rather than create the pre-conditions for, advanced capitalism. ABD has more to do with the multiple forces seeking to turn land and other resources into capital (Marx's first transformation) than about what may or may not be its result: adding to the pool of wage-laborers. As Sassen bluntly puts it, in many cases the land is ‘more valuable to the global market than the people on it’ (2010, 23). The significance of Harvey's reconstruction of primitive accumulation as ABD lies, above all, in its attempt to explain the contemporary upsurge in political struggles centered on the dispossession of land and various other resources rather than the exploitation of labor (Levien 2007, Burawoy 2010, 309).

DISPOSSESSION

While land has always been the most coveted asset in rural India, that asset is now increasingly desired by capital for industry, residential and commercial real estate and privatized infrastructure development. Such non-agricultural demand for land has skyrocketed post-liberalization and especially after 2005 as the Indian economy surpassed eight percent growth rates and a liberalized real estate sector experienced a spectacular boom (Searle 2010). However, this skyrocketing demand for land has exposed a latent supply problem. The problem (for capital) is that the majority of available land is in the hands of India's small-holding peasantry and significant enough sections of that peasantry remain, for various reasons, uninterested in selling it. Land, as Polanyi observed, is a ‘fictitious’ commodity not only because it is a non-produceable asset with location-specific qualities but also because it is valued in multiple ways (for example, as a habituation and long-term source of security) that are not easily reducible to exchange value (Polanyi 2001, 187).

Even where farmers would, in principle, like to exit agriculture, they are often reluctant to surrender land where non-farm economic opportunities appear unpromising (this reluctance, we will see, might be well-founded). The possession of alienable private property is thus no guarantee that people will value and treat their land as a purely financial asset, which makes its supply particularly ‘inelastic’. While a capitalist looking to purchase hundreds of acres for a large factory or SEZ will surely find some sellers, they will also surely find some hold-outs that will prevent contiguity. This is compounded by the fact that even when there are willing sellers, a high degree of land fragmentation means that a buyer might have to negotiate with hundreds of farmers. Finally, land titles in rural India are sufficiently unclear as to create high rates of litigation in rural land purchases (World Bank 2007). Such cases can take decades to resolve in India's backlogged courts and indefinitely delay projects.

It is for these reasons that any capitalist looking to establish a large greenfield project in rural India would much prefer to have the government acquire land for them. If a project is large enough (say over a few hundred acres), it
is very unlikely that the project will get off the ground without the land being acquired through eminent domain and/or state transfer of government land. The official in charge of SEZs for Andhra Pradesh’s Industrial Development Corporation frankly explained why land acquisition is necessary:

Not only has land acquisition for capital increased dramatically in India's neoliberal era, but its character has also strayed further from anything identifiable as a ‘public purpose’. Much of the land acquired for industry outside of mining has historically been in state-run industrial areas developed by state industrial development corporations. The land in these industrial areas is owned by the government, which sells plots on a lease basis to private and public companies for purely industrial purposes. Very large projects like steel mills, cement plants and other large factories – many of them in the public or joint sectors – had large amounts of land acquired for them outside of these zones, though these were largely heavy industries thought to be crucial to the country's development. This type of state-led industrialization and the accompanying infrastructural projects had significant legitimacy under the Nehruvian era of nation-building (Khagram 2004; Roy 2007), and thus it was at least more plausible to the general public that land acquisition served a ‘public purpose,’ even if many of those brutally displaced without adequate compensation never agreed.

Post-liberalization, however, and particularly in the past seven years, industrial development corporations have been increasingly acquiring land outside of industrial areas for all kinds of private initiatives, including those with commercial, residential and even recreational components. While land has historically been acquired for Industrial Townships to provide housing and amenities for employees of large industries set-up far from existing urban centers, most prominently around India's public-sector steel mills (Parry 1999, 132, Roy 2007, 139–140, Parry and Struempell 2008, 54–55), land is now being acquired for IT office buildings, elite residential colonies, private colleges and shopping malls on the periphery of existing cities. Many infrastructure projects, increasingly being built on a public–private partnership (PPP) basis, incentivize private developers with land set aside for real estate development (IDFC 2008).

The activities of industrial development corporations have thus begun to meld into those of urban development authorities who have themselves moved from acquiring land for publicly developed housing to blankety amassing land banks on the peri-urban fringe to be auctioned off to real estate developers. SEZs are the culmination of this drift as IDCs and urban development authorities have both been acquiring unprecedentedly large chunks of land (sometimes in excess of 10,000 acres) for private SEZ developers who can then re-sell developed plots for industrial and residential development. Land acquired for a ‘public purpose’ can thus be used to build luxury housing, golf courses, hotels and shopping malls. SEZs thus complete the transition to a land broker state in which the chief economic function of state governments is to acquire land for unrestricted private capital accumulation (see also Sud 2009, Goldman 2011, Levien 2011).

**LABOR AND ACCUMULATION IN AN SEZ**

Of course, the SEZ developer has to sell the land to other capitalists who are producing goods or services for export. These companies accumulate on the basis of labor rather than land, though of course they provide the ultimate demand for the (industrial) land as their ‘spatial basis of operations’ (Marx 1981, 916). By expropriating agrarian land with the help of the state, ‘improving’ it with modern infrastructure (through a system of contractors), and making it available by the square foot in a fully capitalist land market inside the zone (where land is exchanged on a purely financial basis), the SEZ developer is able to command a portion of the producing companies' profits as rent, which is capitalized as the land price. Given that the main focus of the MWC (like two-thirds of the approved SEZs) is IT and IT-enabled services (ITES), that profit comes from the labor of largely middle-class urban youth with bachelors, management and accounting degrees (see also Upadhya 2007, Radhakrishnan 2011). Since the price of such labor is becoming expensive in large cities like Bangalore, Mumbai and Delhi, IT/ITES companies are increasingly locating in Tier-2 and -3 cities like Jaipur, where they can find youth sufficiently well educated (and, if necessary, fluent in English) to do back-office work like accounting or programming for large multi-national clients (NASSCOM 2010). These youth are chauffeured in from Jaipur in SUVs to work night shifts corresponding with US and EU markets. The result is the rather surreal scene of middle-class youth from Jaipur settling the accounts of Deutsche Bank's global investment banking transactions in the middle of the night on the former grazing land of several Rajasthan villages.

Where do the former users of that land fit into this picture? Given their low levels of education and total absence of English fluency, mostly as security guards, gardeners, janitors and drivers. These jobs are relatively few in number compared to the number of people dispossessed; my survey – a random sample of 12 percent of households in 4 villages (N = 94) – indicates that only 18 percent of families who were dispossessed (and 14 percent of families
overall) received some employment in the SEZ. As many of these families – and in particular women – pointed out, this was one job (typically for a male son) when the whole family was rendered ‘unemployed’ by dispossession. Without exception, this local employment consists of temporary, insecure, and low-paying (approximately $78 per month) work sub-contracted out by the companies to a system of local contractors (tekedars) (see also Cross 2010). Besides these service jobs, a small number of people from the surrounding villages are doing daily construction work for $3 per day through dozens of fly-by-night labor contractors, though, as is often the case, the vast majority of workers are more easily disciplined migrants shipped in from other states or far-flung districts of Rajasthan (see Breman 1996). Needless to say, there are no unions or safety precautions. While the modern eye might see the transition from being a farmer to a security guard for Infosys as an improvement, such work yields less income than two milk-yielding water buffalos, which most families had to sell after the enclosure of the grazing land. Women feel particularly marginalized by this process and repeatedly told me that they had been rendered ‘unemployed’ (berozghar) by the loss of land and livestock. Overall, 75 percent of those families who had their land acquired – including 78 percent of those who received employment after being dispossessed – reported receiving more ‘loss’ than ‘benefit’ from the SEZ. While from the economist’s point of an IT campus is surely ‘the highest and best use’ of rural land compared to single-crop farming and livestock grazing, from the farmers’ point of view, their land and livestock have more value than the employment available to them in this new economy.

CONCLUSIONS

The In constructing a theory of land grabs in contemporary capitalism, the key question is not the origin of the capital, but why land dispossession becomes necessary or at least useful and possible for capital accumulation in general at a particular time and place. Accumulation by dispossession, in contrast to the normal functioning of land markets (globalized or not), is above all a political process whereby states (or other bearers of coercion) exercise extra-economic power to transfer to capitalists means of production, subsistence or common social wealth that are difficult or impossible to obtain on the market. Reconstructing Harvey, I have offered a definition of accumulation by dispossession centered on the use of extra-economic force in process of accumulation, which has the merit of being flexible enough to allow for research into variations in both of its terms (forms of accumulation and means of dispossession) in different times and places. Factors such as different state structures and legal frameworks, the presence or absence of foreign finance capital, the type of industry involved, pre-existing agrarian social structures and the balance of class forces will shape the character, degree and consequences of such dispossession in different contexts. This diversity is well illustrated by the articles in this issue of JPS.

In India, SEZs are the culmination of a long transformation of the state (or states to be more precise) toward becoming the chief land broker for capital. As increased demand for land – driven both by higher growth rates in general and real estate markets in particular – has confronted an inelastic supply in rural land markets, capitalists increasingly turn to the state to use non-market means for making land available for capital accumulation. This is the crux of accumulation by dispossession in India today. Unlike the older developmental state that expropriated large amounts of rural land for public infrastructure and heavy industries, land brokering in the neoliberal era – culminating with SEZs – proceeds under an expansive definition of ‘public purpose’ that is indistinguishable from private capital accumulation. Elite housing colonies, IT parks, malls and amusement parks have joined the hydroelectric dam and steel mill as causes for expropriating the peasantry.

What SEZs represent is thus the ascendance of real estate (the developers) and high-tech services (the producing units) over heavy industry and irrigation projects as levers of dispossession in India. The SEZ developer is a state-appointed capitalist landlord who receives windfall returns by commodifying artificially cheap land expropriated from farmers. I have put forward the concept of the rate of accumulation by dispossession to define and measure such accumulation based on the expropriation of land rather than the exploitation of labor. In return for turning farmland into ‘developed land parcels’, SEZ developer-landlords command a portion of the profits generated by the producing firms inside the SEZ. In the Mahindra World City, as in the two-thirds of SEZs that are devoted to IT and IT services, these profits largely derive from the labor of middle-class back-office workers rather than the urban or rural proletariat. The production that occurs in the SEZ marginalizes more than it exploits the labor of the dispossessed peasantry. Accumulation by dispossession is, in this case, about capitalizing the land while not exploiting the peasant.

With rural labor power a matter of indifference, the main impact of the SEZ is through the dispossession and commodification of rural land. Instead of capital seizing hold of agriculture – the traditional problematic of agrarian political economy (Kautsky 1988, Akram-Lodhi and Kay 2010) – capital is seizing hold of the land, creating a new pattern of agrarian transformation driven by real estate speculation. The dispossessed see their assets disappear and are very unequally equipped to ‘play the game’ of land markets even in the rare case examined here in which they
are given a stake in it. The legacy of feudal class and caste structures creates the basis for unequal upward mobility via land prices. Inequalities in economic, cultural and social capital congeal in caste inequalities, which perhaps express most clearly the differential ability of people to profit from land markets and turn cash from land sales into capital. However, the lack of perfect correspondence between different forms of capital and an inescapable amount of randomness in real estate speculation has generated a complex recomposition of the local class structure, introducing greater inequality not just between but within castes, classes and families (including between men and women). Rather than simple class polarization or the generation of a singular ‘neo-rentier class’ (Adduci 2009) there is a multi-scaled chain of rentiership that individuals try to tap into, with very uneven results. The more successful minority become landlords, brokers, shopkeepers and moneylenders of different magnitudes, while the less successful become redundant members of the underemployed rural proletariat. In the middle are those dispossessed marginal farmers who try to survive in this involutionary dynamic off of a vegetable cart or chai stall, the small returns of grain from a distant piece of land, or place their hopes in an appreciating plot in a gritty peri-urban development. While not entirely wrong in the broadest sense, binaries such as capital versus peasants or enclosers versus commoners do not adequately capture this complexity.

REFERENCES