

# SEZ: The Indian Experience

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## Contents

- [Introduction](#)
  - [Major Features](#)
  - [From EPZ to SEZ](#)
  - [The Major Drivers](#)
  - [Popular Resistance and Impacts](#)
  - [Conclusion](#)
- 

## Abstract

In the recent days, the issue of Special Economic Zones (SEZ) has come to occupy a highly visible slot in the national discourse, particularly since early 2007 – fairly dramatically catapulted to the national centre-stage by the blood-soaked and protracted mass resistance in, erstwhile obscure, Nandigram, in West Bengal.

The idea, however, is not entirely novel – either globally or even nationally. Its earlier predecessors were usually termed as Export Processing Zone (EPZ), Free Trade Zone (FTZ) etc.

The first EPZ in India, also the first in Asia, had been set up in Kandla way back in 1965. The Special Economic Zone Act 2005 came into force, rather recently, with effect from 10<sup>th</sup> February 2006. Prior to that, the SEZs in India functioned, replacing the earlier EPZ regime, from 01.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy. While the idea of creating especially dedicated enclaves geared to export of products enjoying handsome special incentives runs through like a constant red thread from the EPZ to the SEZ, the break-points are essentially defined in terms of (radical expansion of the) the scale of operation and their projected roles in the economy in general.

The transition from EPZ to SEZ essentially coincides with and, in fact, is a reflection of the momentous shift from the initial stage of “economic development” in post-colonial India with the “state” in the driving seat in the form of building infrastructure, setting up of and owning major industries – particularly with massive investments and long gestation periods, providing necessary supports and protections to the nascent indigenous entrepreneurs to come up and assume much

bigger roles in the days to come. The current stage is defined by radically raised level of self-confidence and assertion on the part of the, by now fairly matured, Indian entrepreneurs – particularly its top layer, and consequent salience assumed by private capital – indigenous, and also foreign, and the foregrounding of free-market philosophy, which, however, operates rather selectively – as in case of the SEZ itself.

The objections to the SEZ are mainly on three counts: (i) displacement caused by land acquisition for the SEZs; (ii) revenue loss suffered by national exchequer on account of massive tax concession; (iii) the various implications of SEZs as quasi city-states.

The resistances on the ground, which are fairly widespread and at places pretty massive, are, however, only on the first count.

The snowballing resistance has been, to a significant extent, able to make its presence felt. The two most spectacular success stories are Nandigram and Goa. Quite significantly, the ground rules of operation of the SEZ have since been modified. A new R&R policy is notified. And the Land Acquisition Act is due to be amended.

But the fundamental driver for the SEZ, the shift in the conceptual framework of “economic development” – a decisive and brazen tilt on the part of the state in favour of private capital – indigenous and foreign, and “free-market” – is yet to face any major threat.

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*“Since approvals for SEZ’s began in 2006, the zones have become the most contentious issue in the Indian polity and the most explosive economic policy initiative in many years. ... No other economic ‘reform’ has seen such a rapid expansion of militant protest and grassroots conflict.”*

Shankar Gopalakrishnan in *In the Name of Growth: The Politics and Economics of India’s Special Economic Zones* [[1](#)]

## Introduction

Special Economic Zone or SEZ is undoubtedly one of the most hotly debated and keenly contested policies adopted by the government of India in the recent times.

The controversy became particularly conspicuous in the wake of “Nandigram” in West Bengal since December 2006. The militant and long drawn out popular struggle which could eventually, after considerable loss of blood - in fact numerous lives, scuttle the planned chemical hub by the West Bengal government at that location, in collaboration with an Indonesian industrial house, acted as a grand trigger for further intensification of popular struggles manywhere else in India leading to certain modifications in government policy.

### **Broad Concept**

A Special Economic Zone or SEZ, as it is more popularly known, is a specifically demarcated zone, holding special economic and other privileges over the rest and overwhelming bulk of the sites in a given country, where production of trade and services take place. It receives very special and preferential treatment from the national government and thereby is termed Special Economic Zone.

*In other words, an SEZ is a specially demarcated geographic area within the territory of a country where economic activities of certain kinds are promoted by a set of policy instruments offering special incentives that are not generally applicable to the rest of the country.* [2] The most common tag to denote the early variants of the SEZ was Export Processing Zone (EPZ). Of around a score of various tags, the other most popular one is Free Trade Zone or FTZ.

As these tags strongly suggest, in the early days the overwhelming emphasis was on earning of foreign exchange through export, mainly by way of “trade”, facilitated by means of very substantive tax waivers/concessions apart from other special incentives.

Over the decades the emphasis shifted from pure “trade” to “production” via “reprocessing”. While initially the locations were close to sea ports or coastline, subsequently sites started cropping up inland as well.

As regards the growth pattern of the EPZs, or such, worldwide over the years, according to an ILO Report (September 2003), “the number of EPZs has gone from 79 in 1975 to 3000 in 2002 and the number of countries with one or more EPZs has gone from 25 in 1975 to 116 in 2002. Today, more than 43 million workers are employed in EPZs the world over, most of them working in China’s ever-growing 2000 special economic zones (SEZ)”. [3]

### **The Indian Pre-history of SEZ**

India is one of the first countries in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports. Asia’s first EPZ was set up in Kandla in 1965. [4] This was followed in the 1970s by the creation of the Santa Cruz Electronics Export Zone (SEEZ), which in the 1980s was expanded to include gems and jewellery. The 1980s also saw the creation of EPZs in Noida, Chennai, Cochin, and Falta (West Bengal), followed by the Vishakhapatnam EPZ in 1994. Immediately thereafter, also in 1994, the policy was revised to permit (in addition to the central government) state governments, autonomous agencies, and private-sector firms to develop and operate EPZs. A private sector EPZ in Surat was the first to emerge under the 1994 EPZ policy. [5]

The primary objective of these EPZs was to manufacture commodities for export and earn precious foreign exchange for the country. They offered tax incentives and easier trade procedures in an otherwise restrictive policy environment.

### **SEZ in India: The First Phase**

India’s real push toward a more comprehensive SEZ policy came following a visit by the then Commerce Minister, Murasoli Maran, to China in 2000.

Motivated by the Chinese experience, on his return, Maran acted promptly to initiate a change in India’s policy regime. Thus came the new SEZ rules notified in the Commerce Ministry’s Export-Import Policy of April 2000 - the precursor of what would later become the 2005 SEZ Act. The 2000 Exim Policy converted the existing EPZs into SEZs. Under this policy, one of the main features was that the designated duty free enclave is to be treated as a foreign territory for the purpose of trade operations and duties and tariffs. No licence would be required for import. The manufacturing, trading or service activities are allowed. [6]

The official site describes the purpose as under:

*“With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.*

“This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package, both at the Centre and the State level, with the minimum possible regulations.” [7]

The defining difference between EPZs and SEZs is essentially twofold. Whereas EPZs had been envisaged as industrial estates, SEZs typically contain a broad range of facilities that goes with a regular township – housing, schools, hospitals, shops etc. Most importantly, SEZs, are governed by a comprehensive legislation, under which far-reaching regulations are authorised, rather than through notifications and orders issued by a number of ministries.

Between 2000 and 2005, when the SEZ Act was passed, only three additional EPZs had been established – in Indore (MP); Manikanchan, Salt Lake (West Bengal); and Jaipur. Several states, however, enacted SEZ legislation or developed policy frameworks within the context of existing legal provisions. These included backward states of Uttar Pradesh, under Chief Minister Mayawati, and Rajasthan, under Ashok Gehlot. The West Bengal government under the CPIM-led Left Front, rather significantly, also passed its own West Bengal Special Economic Zone Act, 2003 in early 2004. [8]

On the eve of the 2005 SEZ Act’s passage, 811 business enterprises were operating inside the boundaries of SEZs all over the country.

### **SEZ: The Latest Enactment**

Purportedly, to provide a stable economic environment for the promotion of export-import of goods in a quick, efficient and hassle-free manner, the government of India enacted the SEZ Act, which was passed by the Parliament in May, 2005 and received Presidential assent on the following 23<sup>rd</sup> of June. The SEZ Act 2005 and the SEZ Rules 2006 were notified on June 23 2005 and February 10 2006 respectively. [9]

Subsequently three amendments have been notified on August 10 2006, March 16 and October 12 2007. [10]

*“The Ministry of Commerce and Industry lays down the regulations that govern the setting up and administering of the SEZs. The Central Government is functioning, while the State Governments play a significant lead role in the development of SEZs in their respective States by stipulating the conditions to be adhered to by an SEZ and granting the necessary approvals. The policy framework for SEZs has been enacted in the SEZ Act and the supporting procedures are laid down in SEZ Rules.”* [11]

It bears being specifically pointed out here that the SEZ Act 2005, a major piece of economic legislation with profound implications, was passed fairly quickly – a bit too quickly, just a year after the UPA government’s assumption of power. The UPA government apparently took off, without any noticeable compunction, from earlier policy development works conducted under the previous BJP-led government and the 2002 Report of the Steering Group on Foreign Direct Investment, under the Planning Commission, in particular. The 2002 Report, in turn, had heavily relied on studies conducted by a number of leading foreign management consulting firms, which included AT Kearney, the Boston Consulting Group, and McKinsey, about problems faced by foreign investors in India such as incorrect information about official procedures, delays in obtaining approvals, ambiguity about environmental regulations, a lack of clarity concerning the mandates of numerous state and central agencies, and so forth. The said committee’s report and other policy documents were vital inputs into the process by which the SEZ Act 2005 was formulated.

Its passage through the Indian parliament was marked by an absence of any detailed deliberations.

In the Lok Sabha, *it was passed unanimously after discussions for less than two hours.* [\[12\]](#)

It stands out sharply against subsequent biting criticism of this legislation by the Left, and the CPIM, in particular.

## **Major Features**

The SEZ Act of 2005, and the policy actions and implementation decisions that logically flow from the Act, have far-reaching spread and implications. [\[13\]](#)

### ***I. Major Implications:***

Beyond just trade and investment, the SEZ policy is an instrument of radical deregulation of governmental controls, changes to the tax regime, and infrastructure creation. The SEZ Act is meant to provide a single-window facility to short-circuit the process for obtaining the necessary clearances to develop an SEZ. This radically modifies the hitherto obtaining procedures for various approvals. And the tax incentives offered for SEZ developers, as well as businesses intending to operate within SEZs, involve provisions that explicitly alter several other pieces of existing legislation such as the Banking Regulation Act, the Income-Tax Act, the Insurance Act, and the Stamp Duties Act.

### ***II. The Incentives:***

The special benefits include provision of dedicated infrastructure and a package of tax and non-tax incentives. These include exemption from export and import duties, excise duties, and central or state sales tax. Businesses receive tax deductions on 100% of profits and gains from exports for the first five years of operation within an SEZ; 50% of profits from exports for the next five years; and up to 50% of profits for a further five years (i.e. up to 15 years after commencing operations) provided that funds are credited to a Special Economic Zone Re-investment Reserve Account, the proceeds of which must be used for approved business activities. The main requirement that firms must meet to receive these benefits is the maintenance of a positive Net Foreign Exchange Earning Performance during each of the tax-assessment periods covered. In addition, firms operating within SEZs need not acquire licenses for importing capital goods or raw materials, and they can start joint ventures with up to 100% FDI without the need for investment approval (except in certain cases, such as armament manufacturing or the production of alcoholic drinks and tobacco products).

### ***III. Eligibility:***

SEZs can be developed by state-level public agencies, private promoters, or a combination of the two. The makers of India's SEZ policy clearly intend the big private sector enterprises, indigenous or foreign, to act as the main drivers.

The Act lays down specific minimum size requirements for different types of SEZs.

While no minimum Export Performance is required, positive Net Foreign Exchange Earning is required.

### ***IV. Administrative Set Up:***

SEZs are governed by a three tier administrative set up -

(i) The Board of Approval is the apex body in the Department,

(ii) The Unit Approval Committee at the Zonal level dealing with approval of units in the SEZs and other related issues, and

(iii) Each Zone is headed by a Development Commissioner, who also heads the Unit Approval Committee.

### **V. Approval Mechanism:**

Any proposal for setting up of SEZ in the Private/Joint/State Sector is routed through the concerned state government who in turn forwards the same to the Department of Commerce with its recommendations for consideration of the Board of Approval. On the other hand, any proposal for setting up of units in the SEZ is approved at the Zonal level by the Approval Committee consisting of Development Commissioner, Customs Authorities and representatives of State Government.

### **Main Arguments For and Against**

The projected benefits of the SEZ policy as given out by the official site are as under:

*The main objectives of the SEZ Act are:*

*(a) generation of additional economic activity;*

*(b) promotion of exports of goods and services;*

*(c) promotion of investment from domestic and foreign sources;*

*(d) creation of employment opportunities;*

*(e) development of infrastructure facilities;*

It further adds: *It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities.* [\[14\]](#)

The usual objections against the SEZ are essentially threefold:

(i) It involves a huge amount of revenue loss in terms of taxes and duties forgone, which could have been otherwise gainfully utilised for economic development and the social sectors. The loss may get compounded through the migration of actual and, more than that, potential investments from the Domestic Tariff Area (DTA).

Quite significantly, just not the usual critiques but also the Ministry of Finance, and even the IMF, reportedly subscribe to this view. [\[15\]](#)

(ii) As SEZs would operate as virtual city states, normal (democratic) laws of the land – pertaining to labour rights or municipal governance would stand largely circumscribed and thereby further aggravate the social schisms and exploitations of the poor and marginalised. The issue of perceived abridgement of national sovereignty thereby has also been raised.

(iii) The SEZs would involve acquisition of large tracts of contiguous lands leading to massive eviction and displacement of rural folks and their loss of livelihoods apart from diversion of cultivated lands to non-agricultural purposes.



Apart from the above, there are also serious apprehensions voiced by the critiques that, in the process, environmental considerations would be given short shrift and regional disparities, contrary to the claim of proponents, would further intensify.

There are also apprehensions that under the garb of the SEZ, while enjoying all the tax-breaks, the private developers would utilise bulk of the land obtained for real estate development - building housing colonies, hotels, shopping malls etc. - and earn super-profits thereby making use of the relevant provision provided in the Act at the cost of the avowed objectives. [16]

## **From EPZ to SEZ**

*The most glaring difference between the EPZ phase and the subsequent SEZ route is of course the huge difference in scale. But this obvious and vital difference overlies a more fundamental one.*

While earning of foreign exchange for the national economy, perennially suffering from adverse balance of payments [17], through aggressive promotion of exports, from specially enclosed enclaves having much freer access to the global market and therefore carefully isolated from the mainstream economy largely protected from the big bad outside world behind formidable barriers, was a major, arguably the most major, objective behind setting up of the EPZs [18]; this feature is conspicuously absent from the list of objectives of the SEZ project as listed above. The Minister for Commerce and Industry during the discussions on the Bill in the Lok Sabha on May 10 2005 in fact pointedly emphasised that this motivation was indeed missing from the SEZ policy: *"The SEZ Bill has been under preparation, formulation for quite some time. The question was, what kind of SEZ Bill should we have. What is this SEZ Bill? How will it not only drive investment but drive employment-driven investment? When we talk of exports, sitting in this House, all our friends here know that 14 years ago, we talked of exports because of foreign exchange. We talked of exports to ensure that we were able to pay our foreign exchange bill in 1991 when we did not have foreign exchange for more than 15 days. In this span of 14 years, we no more talk of exports to earn foreign exchange. The Foreign Trade Policy which was announced by the UPA Government - which I announced - had one sole intention. We kept the focus on how we would generate employment. ...Today, 80 billion dollars of exports in the year 2004-05 have generated employment.. .*

*"These eighty billion dollars represent those merchandise exports which had not been absorbed in the Indian economy. They are incremental economic activity."* [19]

This clearly shows how export is now looked upon as a way of augmenting the market for producers and providers of goods and services, just not as a means to earn foreign exchange. That is a significant shift, arguably a sea change, from the decades gone by.

In the same vein, the official site clearly talks of *"SEZs (as) an engine for economic growth"* [20]. Nothing less. The unofficial promotional site makes it even more elaborate and explicit: *the "SEZ Act ... may well represent the future of the industrial development strategy in India. The new law is aimed at encouraging public-private partnership to develop world-class infrastructure and attract private investment (domestic and foreign), boosting economic growth, exports and employment."* [21]

Though solid data/break-ups are not readily available, it appears that the expectations of the GoI as regards heavy inflow of FDI to the SEZs with attractive incentive packages on offer, and conversely the charges levelled by some of the critiques that these are going to be floodgates for invasion by foreign capital, remain to be materialised. Apparently, as far as the foreign investors are concerned, there is no gold rush, at least as yet. [22]

As regards the difference in scale, here are some data:

### 1. Employment in the Indian Zones [\[23\]](#)

Year	Total Employment (number)	Average zone employment (number)	Average annual employment growth between the two years (%)
1966	70	.	.
1970	450	450	50.2
1975	1,450	725	41.9
1980	6,000	3,000	34.2
1985	16,200	4,050	22.6
1990	35,205	5,868	16.9

### 2. Total employment in SEZs: 3,49,203 Lakh persons

Total incremental employment generated in SEZs since Feb., 2006: 2,14,499 persons [\[24\]](#)

### 3. Indian Zones' Share of Total Indian Exports [\[25\]](#)

Year	Exports of EPZs / SEZs	India's Exports	Share of EPZs/SEZs in All India
1980-81	44.7	6,617.00	0.68%
1985-86	322.9	10,865.00	2.96%
1990-91	986.70	32,553.00	3.03%
2000-01	8,552.30	203,571.00	4.20%
2002-03	10,056.70	255,137.00	4.81%
2003-04	13,813.56	293,367.00	4.70%
2004-05	18,655.00	361,879.00	5.15%

**4. An assessment by Associated Chambers** of Commerce and Industry of India (Assocham) suggests that exports from special economic zones (SEZs) have registered a growth of 192 per cent between 2005-06 and 2007-08. The industry lobby has further projected a phenomenal growth of 451 per cent by 2008-09.

The study revealed that after the enforcement of the SEZ Act in 2005-06, SEZ exports surged to US\$ 14.98 billion in 2007-08 from US\$ 5.13 billion, clocking an impressive 192 per cent growth. [\[26\]](#)

### 5. Physical exports in the year 2007-08 accounted for 84% of the total turnover of SEZs

381% increase in exports over four years (2003-04 - 2007-08) [\[27\]](#)

Year	Value Of Physical Exports From SEZs (Rs. Crore)	Growth Rate (over previous year)
2003-2004	13,854	39%
2004-2005	18,314	32%
2005-2006	22,840	24.70%



Year	Value Of Physical Exports From SEZs (Rs. Crore)	Growth Rate (over previous year)
2006-2007	34,615	52%
2007-2008	66,638	92%

## 6. Current Investment (Private) in Special Economic Zones

The Special Economic Zones notified under the SEZ Act, 2005 have already [by 31 03 2008?] made an investment of Rs. 67,347 crore in the very short span of time since the coming into force of the SEZ Act in February, 2006. The new generation SEZs are expected to make an investment of about Rs. 100,000 crore by the end of September, 2008. [28]

**7. Total investment in Special Economic Zones** as of 30.6. 2008: Rs. 81093 crore  
Incremental investment since February, 2006: Rs. 77058 crore [29]

From all the snippets presented above, it becomes abundantly clear that *the growth of the SEZs in the recent years, particularly since 2006, is rather phenomenal. There are clearly two breakpoints - one around 2001 and another 2006.*

The growth would evidently have been even higher but for intense popular resistance which picked up since 2007. We would come back to that later.

## The Major Drivers

While exploring the real motivations behind adopting the SEZ route in India on a truly massive scale, it would be rather instructive to look into some of its specific features.

The task of developing of SEZs, starkly contrasted to the earlier EPZ phase, has been clearly passed on to the private sector. Private sector promoters of SEZs have in many cases partnered with government entities. But by far the greatest share of the investment capital comes from the private sector.

Another important feature is the complete absence of any provision in the Act for using SEZs as a tool to develop India's industrial backwaters by making use of private capital. On the contrary, these are coming up mostly in areas that are relatively more developed. It appears that to make things easier, the minimum size requirements for the SEZs in various categories have been kept much on the lower side particularly as compared to China, the source of inspiration for late Murasoli Maran, the original architect of the SEZ idea. A large number are, as a consequence, to be in the vicinity of major cities like Ahmedabad, Mangalore, Chennai, Delhi, Gurgaon, Hyderabad, Kolkata, Mumbai, and Pune. [30]

Similarly, there is also no provision in the Act to promote labour-intensive technologies though employment generation is one of the much-trumpeted objectives. Nor any explicit emphases on such use of hi-tech either to facilitate dispersal of technologies to the rest of the country, and adjoining regions in particular.

The objective of earning foreign exchange has been demonstratively downgraded, as already discussed above.

It is, however, being assertively presented as *the future of the industrial development strategy in*

*India.*

While pushing up the GDP – apparently a be-all and end-all for most of the current breed of India's policy planners, is obviously a major goal; the specific route chosen has much to do with India's longstanding tradition of (neo-liberal) "reforms by stealth" in the teeth of popular opposition. [31] Not that brute force and coercion is not used. Nevertheless, the democratic polity normally does not permit going beyond a limit, at least in the mainland - excluding J&K, North-East and some isolated remote pockets.

The SEZ route encapsulates both the (neo-liberal) "reform" and the "stealth" elements to the utmost. It offers private capital a whole range of fantastic concessions and incentives. It also proposes to do away with the elaborate system of government controls as if in a flash just by waving a magic wand. But it at the same time clearly recognises that all these cannot be done in an honest and straightforward manner, as a matter of general principle, by amending the mainline economic/administrative policies/rules. That would stir up too much of troubles. So special enclaves are to be set up, albeit on a far larger scale than ever before, to confuse and fragment the potential resistors and localise the protests, where these reforms would be tried out and implemented - hopefully before eventually rolling out to the whole of the economy/polity. That is the only plausible explanation why the government is going in for a limitless number of SEZs of moderate to small size strewn all over involving a wide array of economic activities, without any apparent sense of priorities either in terms of sectors or locations, while shying away from applying this approach to the whole of the economy. [32] Otherwise, it simply does not make any sense. The stated goal of export promotion and the provision for Net Foreign Exchange Earning are, for all practical purpose, used just as a fig leaf – a smokescreen, and nothing more. The move towards a radical push for SEZs is actually very much in tandem with the mad rush exhibited by various state governments in the recent years to lure private capital by offering all sorts of lucrative incentives lying within their own domains. The SEZ policy in effect legitimises and further deepens that phenomenon. And a sort of logical culmination.

*The SEZ policy therefore negotiates between and is reflective of the runaway "reformist" dreams of the Indian rulers at the apex of the political system and their duplicitous pusillanimity stemming from very real and stubbornly persistent constraints that a democratic polity imposes.*

## **Popular Resistance and Impacts**

The objections to the SEZs, as have been pointed out above, are mainly on three counts: (i) displacement caused by land acquisition for the SEZs; (ii) revenue loss suffered by national exchequer on account of massive tax concession; (iii) the various implications of SEZs as quasi city-states – ranging from its impacts on employer-employee relations, municipal governance to concerns about consequent abridgement of "national sovereignty".

While vigorous critiques have been offered on all the three, notwithstanding smooth and uneventful passage of the Act through the Indian Parliament, the resistance on ground, however, is only on the first count.

SEZs have brought economic reforms in direct confrontation with large sections of the rural masses in the shape of state-chaperoned, but private corporate-led, industrialization calling for massive acquisition of agricultural lands, even if widely dispersed, at the obvious and dire cost of those depending on these lands, just not the direct owners, for their fairly modest living.

In the process, it has triggered, in a number of places, desperate do-or-die resistance.

A large number of local protest groups all over the country have come up to resist projected land acquisition. The nature of the opposition, however, has varied from state to state, also because of variations in the approaches by respective state governments. But a major trigger for all these protests, apart from the too obvious and ominous threats to the very existence of a large number of people, is the tremendous outrage at the brazen abuse of the Land Acquisition Act – the gross subversion of the original purpose of “eminent domain”, which was intended to apply to projects of public importance and not to help generate private profits. That the Supreme Court of India has of late lent its stamp of approval to this contemptible exercise of state power does in no way make it any less outrageous or any more legitimate. [33]

The most visible case of grassroots opposition to the process of land acquisition has been hitherto obscure and rather unheard of Nandigram, in East Midnapore district of the CPIM-led Left Front ruled West Bengal. Since January 2007, in response to a notice indicating state plan to acquire lands for a chemical hub under the SEZ scheme, the villagers barricaded themselves from the outside world in grim determination to fight the state machinery off. In the process, large scale bloody feuds with the state and its armed minions erupted twice – in March and then in November, the same year. Precious lives were lost. Houses torched. Properties destroyed. Rapes alleged. But, in the process, the supremely arrogant leaders of the state government had to bite dust. The notification had to be withdrawn. The proposal for the SEZ finally scrapped. [34] The Nandigram case has thus become a cause célèbre for anti-SEZ forces all across India. The victory in Nandigram, admittedly earned at a considerable cost, coming on top of militant popular resistances against land acquisition by the respective state governments for private enterprises in Kashipur and Kalinganagr in Orissa and Singur in West Bengal, made a huge impact on the national scene. It electrified the resistance groups all over. Both the Central government and various state governments had to take note. The other important sites of resistance that emerged include several SEZ projects coming up in Maharashtra, Jagatsinghpur in Orissa and Nandagudi in Karnataka. [35] And after Nandigram, Goa came out as a spectacular success story. All the proposed SEZs including three notified and four with formal approval stand to be scrapped, despite some procedural wrangling. [36] And that too without any spilling of blood. Admittedly, here the Chief Minister acted in a far more responsible and responsive manner.

And the million mutinies once triggered simply refuse to die down. The caption of a news item, on September 13 2008, in a leading newspaper says it all: *“Bengal To Delhi: Land rows singe industry”*. [37]

And the government of India is forced to step back. The forced land acquisition by the state on behalf of private enterprises, despite judicial goading on their behalf, had to come to a halt. In April 2007, under the impact of Nandigram, the Empowered Group of Ministers (EGoM) brought down the cap on the maximum size of a single SEZ from 10,000 to 5,000 hectares and the proportion of processing zone to total area of an SEZ is revised upward from 35% to 50. Similarly, the land acquisition norm was also revised requiring the developer to acquire 70% of the lands on its own on commercial terms, subsequent to which the state government would intervene to acquire the rest. [38] And a revised Rehabilitation and Resettlement (R&R) Policy incorporating provision of “land for land” was notified in October 2007. The cabinet also gave its nod to amend the Land Acquisition Act, 1894 in tune with the revised R&R Policy. During discussions in the last Budget session of the Parliament, the Commerce and Industry Minister, Kamal Nath, was visibly on the back-foot. *“Kamal Nath [in the Rajya Sabha replying to a discussion on his Ministry on April 29 2008] said only 80 to 90 SEZs have become operational and once the figure reached the 100-mark, the ministry would carry out a detailed review to find out whether the law has been misused. Defending SEZs, the minister said exports had risen to around Rs 1,24,000 crore in 2008-09 against last year’s Rs 65,000 crore from duty-free zones and they generated employment for more than*

1,80,000 people". [39] The amendment to the Land Acquisition Act is now slated to be taken up by the Parliament. [40]

## Conclusion

The journey of the post-colonial Indian state over the last six decades or so is marked by quite a few turning points. The progressive metamorphosis of India's ruling elite from one by and large rooted in the epochal freedom struggle with its essentially egalitarian and pluralist ethos to one frankly nurturing hedonistic, majoritarian and hegemonistic ambitions through generational changes, impacts of domestic socio-economic developments largely caused by a range of policies formulated and implemented by the young Indian state and tectonic shifts in the international scenario is quite an engaging, even if a somewhat disturbing, saga. [41]

The adoption of the SEZ route as a major component of "developmental" strategy, with its assertive reliance on unbridled private capital – indigenous, and also foreign – and the state's brazen intervention on the side of capital and its predatory missions in the name of ensuring economic growth through the promotion of "free market" – often openly trampling upon the basic principles of the market as long as it favours the capital e.g. in the form of forced acquisition of lands, would definitely count as a major landmark in the tortuous history of Independent India.

But the story is far from unilinear. The ruling elite and the state, that it controls, are far from omnipotent. Nandigram is a living symbol of the limitation of their powers. It is also a symbol of the iron will of the common people to fight back, and their not-so-inconsiderable capacity to fight back with some remarkable success.

Nevertheless, in so far as the fight remains limited in its scope – fight for retaining lands and extant livelihoods without interrogating the fundamental dynamics of the state policies that make such grim fights an absolute imperative for mere survival, its success also cannot but be limited. Consequently, whereas the pace of the SEZ juggernaut has considerably slowed post-Nandigram, it is far from coming to a grinding halt. And even the slowing down is not irreversible.

In order to transcend the current limitations of such sectional, and largely dispersed, resistance struggles – the million (unconnected) mutinies of the marginalised, must be informed and reinforced with a growing understanding of the state policies – with growing penchant for neo-liberal economic doctrines – and the major drivers thereof flowing from a systematic exploration of the whole gamut of issues.

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## Footnotes

[1] See <http://sanhati.com/wpcontent/upload....>

[2] For a discussion on nomenclature, see *Special Economic Zones: Policy Review and Implications for India* by Erlend Reigstad, NORGES HANDELSHØYSKOLE, Bergen, June 14<sup>th</sup>, 2007 at:

<http://bora.nhh.no/bitstream/2330/1....>

[3] *Export Processing Zones - Symbols of Exploitation and a Development Dead-End* at <http://www.icftu.org/www/pdf/wtoepz....>

Also see *SEZ (Special Economic Zone) - An Overview, Challenges and Future* posted by Neeraj Mishra, July 26, 2008 at <http://neerajmishra.wordpress.com/2...>.

[4] *Background note Special Economic Zones in India* at <http://sezindia.nic.in/HTMLS/about.htm>.

[5] See <http://commerce.nic.in/publications...>.

And also [www.sethassociates.com/special\\_econ...](http://www.sethassociates.com/special_econ...).

[6] *Ibid.*

[7] See <http://sezindia.nic.in/HTMLS/about.htm>.

[8] See <http://www.thehindubusinessline.com...>.

[9] See <http://seztimes.com/pdf/SEZ%20Act%2...> and <http://seztimes.com/pdf/SEZ%20Act%2...>.

[10] See <http://sezindia.nic.in/>.

[11] See <http://www.sethassociates.com/speci...>]

As an unofficial promotional site puts it, the “SEZ Act is expected to give a big thrust to exports and consequently to the foreign direct investment (“FDI”) inflows into India, and is considered to be one of the finest pieces of legislation that may well represent the future of the industrial development strategy in India. The new law is aimed at encouraging public-private partnership to develop world-class infrastructure and attract private investment (domestic and foreign), boosting economic growth, exports and employment.” [[**ibid.**

[12] The very opening line of the intervention made by Sri Rupchand Pal, the sole speaker from the CPIM, in the Lok Sabha: *Mr. Speaker, Sir, at the outset, let me candidly express that barring a few areas of reservation, broadly I support the Bill. And his concluding remark: I conclude with my support to this Bill and I believe that the Government or the hon. Minister will look into the issues and the points raised by me; that he will sympathetically consider all the points and positively respond so that it becomes very easy for us to support the Bill.*

See <http://164.100.47.134/news/textofd...>.

See also <http://infochangeindia.org/20070324...>.

[13] See [www.sethassociates.com/special\\_econ...](http://www.sethassociates.com/special_econ...).

And also *Background note Special Economic Zones in India* at <http://sezindia.nic.in/HTMLS/about.htm>.

[14] 15. See <http://sezindia.nic.in/HTMLS/about.htm>.

[15] *Viewpoint: Trade zone hang-ups* by Andy Mukherjee, October 3 2006 at

<http://www.iht.com/articles/2006/10...>

[16] Even leading and veteran industrialist Rahul Bajaj has echoed this apprehension. *SEZs are turning into land scam: Rahul Bajaj* at <http://www.rediff.com/money/2007/ma...>

[17] *Dynamics of Balance of Payments in India*, The First Diamond Jubilee Lecture delivered by Dr. Y. V. Reddy, Governor, Reserve Bank of India at the Inauguration of the Diamond Jubilee Celebrations of the Department of Commerce, Osmania University, Hyderabad on December 16, 2006 at <http://rbidocs.rbi.org.in/rdocs/Spe...>

[18] *Features of Export Processing Zones* at <http://business.mapsofindia.com/epz...>

It says: *The Indian government since the 1960s has encouraged the setting up of Export Processing Zones in India. The main objectives of setting up Export Processing Zones in India are to promote foreign exchange earnings and exports.*

[19] See <http://164.100.47.134/news/textofd...>

[20] See <http://sezindia.nic.in/HTMLS/about.htm>.

[21] See [www.sethassociates.com/special\\_economic\\_zones.php](http://www.sethassociates.com/special_economic_zones.php).

[22] Of the largest 15 greenfield FDI projects in India during 2002-06 as listed in Competitive Conditions for Foreign Direct Investment in India published by Office of Industries, U.S. International Trade Commission (Publication 3931, July 2007), at <http://hotdocs.usitc.gov/docs/pubs/...>,

three, Vedanta Resources and POSCO in Orissa and Ispat Industries in Maharashtra, appear to have been granted some sort of approvals as SEZ.

*One of the prime objectives of this policy was to attract FDI but the share of FDI in investments in SEZs is very low is the observation made in Special Economic Zones: Are They Good for the Country?* by Ram Krishna Ranjan, CCS Working Paper No. 156, Summer Research Internship Program 2006, at <http://www.ccsindia.org/ccsindia/in...>

[23] Cited in *Special Economic Zones: Policy Review and Implications for India* by Erlend Reigstad, NORGES HANDELSHØYSKOLE, Bergen, June 14<sup>th</sup>, 2007 at <http://bora.nhh.no/bitstream/2330/1...>

[24] See <http://www.sezindia.nic.in/HTMLS/vi...>

[25] Cited in *Special Economic Zones: Policy Review and Implications for India* by Erlend Reigstad, NORGES HANDELSHØYSKOLE, Bergen, June 14<sup>th</sup>, 2007 at <http://bora.nhh.no/bitstream/2330/1...>

[26] *SEZ exports may notch up a growth of 451 per cent by 2008-09: Report*, September 05, 2008 at <http://www.ibef.org/artdisplay.aspx...>



[27] See <http://www.sezindia.nic.in/HTMLS/vi...>

[28] *Annual Report 2007-2008* at <http://commerce.nic.in/publications...>

[29] See <http://sezindia.nic.in/HTMLS/visibl...>

[30] *Special Economic Zones: Are They Good for the Country?* by Ram Krishna Ranjan at <http://www.ccsindia.org/ccsindia/in...>

[31] *Democratic Politics and Economic Reform in India* by Rob Jenkins, Cambridge University Press, 1999.

[32] *The Politics of SEZs in India: Promise and Pitfalls* by Rob Jenkins, 12.03.2007 at [http://casi.ssc.upenn.edu/print\\_pag...](http://casi.ssc.upenn.edu/print_pag...)

[33] *SUPREMELY UNJUST* posted by Soumya Datta at <http://groups.yahoo.com/group/india...>

[34] See [en.wikipedia.org/wiki/Nandigram\\_SEZ...](http://en.wikipedia.org/wiki/Nandigram_SEZ...)

[35] *India's democracy has a heartbeat* by Jonathan Jones at <http://www.india-seminar.com/2008/5...>

[36] *Centre, Goa govt may find a way to scrap SEZs*, August 1, 2008 at <http://www.business-standard.com/in...>

[37] *Bengal To Delhi: Land rows singe industry*, Sept 13 2008 at <http://timesofindia.indiatimes.com/...>

The latest in the series of spectacular setbacks for industry inflicted by recalcitrant rural folks buoyed up by wider political backing is the exit of the Tata Motors from Singur, West Bengal.

See <http://www.hindu.com/thehindu/holnu...>

[38] *SEZ freeze lifted, caps area at 5000 hectares*, April 05, 2007 at <http://www.rediff.com/money/2007/ap...>

For comprehensive news coverage on SEZ, chronologically arranged, see <http://www.rediff.com/money/sez.html>.

[39] *Govt open to review of SEZ law*, Apr 30 2008 at <http://timesofindia.indiatimes.com/...>

[40] *Proposed law cuts govt out of land acquisition*, by Subodh Ghildiyal & Nitin Sethi, 13 Sep 2008 at <http://timesofindia.indiatimes.com/...>

[41] For a fuller discussion, see *Transmutation of Indian Elite in Indian Nationalism, Hindutva and the Bomb* by Sukla Sen at <http://www.europe-solidaire.org/spip.php?article10225>. See: [Indian Nationalism, Hindutva and](http://www.europe-solidaire.org/spip.php?article10225)

[the Bomb](#)