

# SEZs and land acquisition

## FACTSHEET FOR AN UNCONSTITUTIONAL ECONOMIC POLICY

### WHAT IS AN SEZ?

A Special Economic Zone (SEZ) is an especially demarcated area of land, **owned and operated by a private company**, which is deemed to be foreign territory for the purpose of trade, duties and tariffs. SEZs will enjoy exemptions from customs duties, income tax, sales tax, service tax. After the passing of the SEZ Act by the Parliament in June 2005, the law came into effect in February 2006, though some states, like Gujarat, had passed provincial SEZ legislation in 2004 itself.

Farmers' protesting against SEZ in West Bengal  
(Arunangsu Roy Chowdhury, The Hindu)



## WHY SEZs?

The stated purpose of creating SEZs across India is “**the promotion of exports**”. The Commerce and Industries Minister Shri Kamal Nath claims that exports will ultimately grow five times, GDP will rise 2% and that 30 lakh jobs will be generated by SEZs across India. It is also claimed by the government that SEZs will attract global manufacturing through foreign direct investment (FDI), enable transfer of modern technology and will also create incentives for infrastructure.

## HOW MANY SEZs?

- 237 SEZs in 19 states (occupying 86,107 hectares) have been approved by the Central government.
- 63 of these SEZs have already been notified.
- 23 SEZs are operational, 18 in IT sector.
- **Ultimately 500 SEZs.**
- Total amount of land to be acquired across India: **150,000 hectares (the area of National Capital Region)**. This land – predominantly agricultural and typically multi-cropped – is capable of producing close to 1 million tons of foodgrains. If SEZs are seen to be successful in the future and more cultivated land is acquired, they will endanger the food security of the country.

## WHAT HAS BEEN THE EXPERIENCE WITH SEZs SO FAR?

There are less than 400 SEZs around the world at the moment. In India the government is planning that many in one country alone.

	<b>China</b>	<b>India</b>
NUMBER	7	Ultimately 400-500
WHEN STARTED	1980	Mostly after 1991
DEMOCRATIC DECISION-MAKING?	Lot of discussion and debate preceded setting up of SEZs	No discussion. Parliament passed the law easily
SIZE	Very large (Shenzhen: 32,700 hectares)	Small (3 – 14,000 hectares)
OWNERSHIP	State	Private corporations
ON WHAT KIND OF LAND	Mostly coastal wasteland	Mostly fertile cultivated land
EXPORTS	Very good (Shenzhen: Net exports 2006: \$35 billion)	Poor so far (In 1998, a waiver of \$1.67 billion on customs duties was given to earn \$1.04 billion in foreign exchange)
EMPLOYMENT	Substantial number of low-paid jobs	Very limited so far: 100,650 in all the SEZs till March 2005
TAX REVENUE COLLECTIONS	Only selective tax incentives provided	Across-the-board tax holiday given to companies
OVERALL ECONOMIC SUCCESS	Shenzhen very successful, but at least 2 SEZs have failed	Largely unsuccessful so far
EASE OF LAND ACQUISITION	Land battles in some areas still	Bloody, bitter resistance

## DISPLACEMENT AND LOSS OF LIVELIHOODS

Estimates show that close to 114,000 farming households (each household on an average comprising five members) and an additional 82,000 farm worker families who are dependent upon these farms for their livelihoods, will be displaced. In other words, **at least 10 lakh (1,000,000) people who primarily depend upon agriculture for their survival will face eviction.** Experts calculate that the total loss of income to the farming and the farm worker families is at least Rs. 212 crores a year. This does not include other income lost (for instance of artisans) due to the demise of local rural economies.

The government promises 'humane' displacement followed by relief and rehabilitation. However, the historical record does not offer any room for hope on this count: **an estimated 40 million people (of which nearly 40% are**

**Adivasis and 25% Dalits) have lost their land since 1950 on account of displacement due to large development projects. At least 75% of them still await rehabilitation.**

Almost 80% of the agricultural population owns only about 17% of the total agriculture land, making them near landless farmers. Far more families and communities depend on a piece of land (for work, grazing) than those who simply own it. However, **compensation is being discussed only for those who hold titles to land. No compensation has been planned for those who don't.**

## WILL SEZs CREATE JOBS?

The growth of employment in the entire organized sector since the inception of the reforms in 1991 has been negligible. The total employment in the organized sector is still less than 3 crores. Even in IT and ITES, the boom areas of the economy, employment is less than 0.15 crores. (60% SEZs are for IT.) The Indian labor force is estimated at 45-55 crores. Thanks to growing automation, modern manufacturing grows joblessly around the world. (In India automobile production has grown rapidly, while employing less labor than before.) With more automation, organized services also require limited supplies of labor. **SEZs will attract modern industry and services in order to succeed. To that extent they are unlikely to generate too many jobs.** Moreover, the few jobs that will be generated will be for highly skilled labor, usually not available in the countryside – from where working people are being

displaced to make room for SEZs. Kamal Nath's claim that SEZs will create 30 lakh jobs within a few years is fraught with fantasy: those many jobs have not been created in total since the inception of the reforms in 1991! **The government does not provide information on jobs lost, only on jobs created.**

Furthermore, if the experience of existing SEZs in places like Noida (or Shenzhen, China) is anything to go by, the working conditions – poor wages, non-existent benefits, long working hours, occupational hazards, discrimination and so on – under which people will be employed will inevitably violate human rights apart from keeping the benefits of growth away from the poor.

## THE NEW CORPORATE CITY-STATE?

Many of the SEZs, like the MahaMumbai SEZ (to be built by Reliance Industries) will be like a mid-sized city, over 100 sq km in area (the size of Chandigarh). There will be no elected local government. A government-appointed 'Development Commissioner' will govern the SEZ with the main aim of facilitating economic growth. SEZs have been declared "public utilities" under the Industrial Disputes Act, making collective bargaining and strikes illegal. Infrastructure, like power, roads and water supply has been guaranteed to investors and developers, not to people of the region. Several lakh people may be living/working inside the SEZ. In some cases the developer may have the right to tax the population in order to provide essential services. **The Constitutional tenability of**

**private monopolies running local governments (for a sizeable cluster of the urban population) without being elected is questionable.** All the non-economic laws of the land under the IPC and the CrPC would be applicable to SEZs. However, internal security will be the responsibility of the developer. Would the SEZs turn ultimately into sovereign city-states – treasure islands of prosperity in a sea of poverty and misery – unaccountable to the vast majority of citizens in the neighborhood?

## LOSS OF PUBLIC REVENUE

Thanks to exemptions from customs duties, income tax, sales tax, excise duties and service tax (even on luxury hotel facilities, shopping malls, health clubs and recreation centres) given to SEZs, the Finance ministry estimates a loss of Rs.1,60,000 crore till 2010 in revenue. (The Ministry has also asked for capping the number of SEZs at 100. Finance Minister P. Chidambaram wrote to Cabinet colleagues saying: “SEZs per se will distort land, capital, and labour cost, which will encourage relocation or shifting of industries in clever ways that can’t be stopped. This will be further aggravated by the proliferation of a large number of SEZs in and around metros.”) **The foregone tax revenue every year is five times the annual allocation for the National Rural Employment Guarantee Scheme and is enough to feed each year 55 million people who go to bed hungry every day.**

Furthermore, given the concessions on import duties (not merely for the investors who will produce exportable items but also for the developer, who will not), there are likely to be foreign exchange losses (rather than gains). For the five year period ending 1996-97 the foreign exchange outgo on imports made by units in SEZs and the customs duty forgone amounted to Rs.16461.58 crore against which exports of only Rs.13563.87 crore were reported.

Moreover, these zones are exempt from sales tax, octroi, mandi tax etc on the supply of the goods from the Domestic Tariff Area (rest of India).

## SEZs OR REZs (REAL ESTATE ZONES)?

### Are SEZs a gigantic real estate scam?

What are SEZs likely to become in a few years' time? According to a clause in the SEZ Act (Section 5(2)), as much as 75% of the area under large SEZs (above 1000 hectares) can be used for non-industrial purposes. What will the remainder of the land be used for?

This lacuna in the law is likely to become a loophole for the accumulation of land banks by private developers and property dealers for the purposes of real estate speculation. (This explains why so many of them have been buying areas for SEZs.) In fact, it may well be the case that the rationale for the above clause in the SEZ Act is the uncertainty surrounding the economic attractiveness (and ultimate viability) of SEZs. If adequate productive investment is not forthcoming, the SEZ developer can at

least cash in on the land value. Conglomerates like Reliance already own upwards of 100,000 acres of land in the countryside.

Furthermore, the government has enabled foreign direct investment (FDI) in real estate as of January, 2007, leaving the door wide open to massive amounts of international speculative investment in property. Far from giving "land to the tiller", as the original idea of land reform had promised, the present tendency of the Indian governments is to remove all ceiling on the ownership and use of land—serving thereby the interests of big business. It is noteworthy that there is no legal upper limit on the size of land area under an SEZ.



## SEZs: LEGAL VIOLATIONS

The following are the main legal violations because of the SEZ Act, 2005:

- It violates the letter and spirit of the Indian Constitution.
- It infringes the fundamental rights of the citizen guaranteed in Part III of the Constitution.
- Relaxation/inapplicability of many labor laws (including under the Industrial Disputes Act, Contract Labor Act, Factories Act, Minimum Wages Act, Trade Union Act)
- Environment (Protection) Act is inapplicable to SEZs. No environmental clearance needed.
- Violates Panchayat Raj Act (1996) for local self-government
- Violates laws granting rights and control to Adivasi communities over their land
- Violates many international conventions on human rights

## RESISTANCE MOVEMENTS IN DEFENCE OF RURAL LIVES AND LIVELIHOOD



Farmers' rally against Reliance SEZ in NaviMumbai (Frontline)

The political landscape of India in the last 20 years presents “a million mutinies”. In every region and state, small and large people’s movements have emerged to fight back the appropriation of their natural resources, livelihood and survival by their own governments and large national and international corporations. What we present here is only a snapshot of these rebellions.

### *In the Southern Region*

- Struggle against Coca-Cola in Plachimada, Kerala - holding Coca-Cola accountable for water shortages and pollution in the area: the community forced the Coca-Cola bottling plant to shut down in March 2004. Spearheaded by Coca-Cola Virudha Samara Samiti.
- Muthanga Forest Land Struggle, Waynad, Kerala- Led

by Adivasi Gothra Sabha (AGS) and its leader C K .Janu for Tribal land rights.

- Farmers protest against land acquisitions for Bangalore-Mysore Highway, Karnataka.
- People's struggle against mining of Krishna River by the Reliance Group.

### ***Western and Central India***

- Dalit struggle for *Gairan* (grazing) land in Marathawada region, Maharashtra, under the *Jameen Adhikar Andolan*.
- Struggle against Reliance Gas lines in Sindhudurg district, Maharashtra.
- Farmers protest against SEZ in Raigad, against land acquisition by Reliance in Greater Mumbai.
- Farmers (*26 Gaon Bachao Sangharsh Samiti*) protest

against SEZ in Raigad, against land acquisition by Indiabulls

- Fishermen's struggle against the proposed gigantic port at Umbergaon
- Anti-Coca-Cola agitation in Kaladera, Rajasthan by *Jan Sangharsh Samiti*.
- *Narmada Bacho Andolan* for over 20 years has opposed big dams, displacement of people and brought issue of rehabilitation, justice and ills of mega projects into the mainstream.
- Against Privatization of Shivnath river in Chattisgarh, National Alliance of People's Movements, the All India Youth Federation, the *Nadi Ghati Sangharsha Samiti* and the *Chhattisgarh Mukti Morcha* have been uniting people living along the river to oppose the privatization . 23.6 km length of Shivnath River has been sold to the Radius Water Company.

### ***Eastern Region***

- Struggles in Kashipur, Gopalpur, Kalinganagar (Orissa) against displacement.
- Struggle in Singur and Nandigram (West Bengal) against SEZs and displacement.
- Adivasi struggle in Jadugoda against uranium mining and displacement.
- People's movement against the construction of the to Koel-Karo Hydro- Power Project (80 kms from Ranchi under the *Koel-Karo Jan Sanghathana*, that has stalled the implementation of the project for over three decades

### ***North-East Region***

- Struggle against Pahladia dam in Assam and the privatization of water resources.
- Peoples movement in Doyang and Tongani, Assam against forcible eviction from forests.

- Struggle against the Tipiamukh Multipurpose Hydel Project in Manipur.

### ***Northern Region***

- Anti Coca-Cola struggle in Mehdiganj, near Varanasi in Uttar Pradesh.
- Struggle against privatization of water, Delhi,
- Farmers protest against Reliance SEZ in Jhajjar, Haryana
- Farmers Struggle against land acquisition for Trident SEZ in Barnala Punjab.

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