

S.E.Z OR NO S.E.Z

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Abstract

In this article I wish to discuss the various sides of the phenomenon known as Special Economic Zone (S.E.Z). In this article, which is divided into six sections, it is argued that every major political party, irrespective of their professed ideology, is using this instrument for collecting votes for their own chair. By this S.E.Z technique what is possible is only a type of enclave capitalist development, but any local development worth the name remains elusive, because it has very little spread effect. Such sort of development generally does not carry conviction with the local people owing to the fact that benefits to some are largely offset by the costs paid by many. The recent experience of West Bengal bears this out amply enough. What stands out in this connection is that in the recent panchayet polls, the popular verdict has gone against the policy of transfer of resources from agriculture to big corporate capital in general and of building Special Economic Zones in particular. Bhargar, Singur, and Nandigram (in West Bengal, India) are good examples of this popular reaction.

Keywords: Special Economic Zone (S.E.Z), Industrialization, Enclave development, Capital-intensive techniques, Inter-sectoral imbalance, Rehabilitation, Counter-productive.

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1. Introduction

The contemplation and planning of SEZs hold out some apparent hopes for the urban educated unemployed who generally expect high-salaried technical jobs. In this sense it may bring the votes of urban middle classes. But it also involves a transfer of resources like land from agriculture. Those adversely affected by such transfer are not likely to react favourably to the construction of SEZs, particularly in those areas where land is fertile and highly productive, and agriculture provides the means of livelihood to many, not all of whom are necessarily owners of land. The idea of building SEZs as an instrument of overall economic development overlooks the fact that it is likely to intensify the already existing agrarian crisis. Besides, such a development, having as it does little spread effect but considerable backwash effect, is likely to accentuate regional disparities.

1.1 Objectives of this paper: -The main objectives of this paper are as follows-

- a) To examine the concept of SEZ.
- b) To review the advantages of SEZ and problems related to it.
- c) To throw some light on the future of SEZ and give an idea for solving the problems related to SEZ.

2. Definition

A Special Economic Zone is an area that is selected for attracting investors. What is 'special' about these Special Economic Zones is the grant of a wide range of concessions, including those in the field of labour laws and tax laws.

3. Apparent advantages of S.E.Z

At the first sight, these Special Economic Zones or S.E.Zs seems to have the potential of large numbers of jobs. The larger a project, the larger seems to be the number of jobs. It also seems apparently reasonable that the areas in which these S.E.Zs are located will develop in consequence of the formation of industrial units. A sufficiently large number of S.E.Zs in a state may create a spectre of general economic development at the state level.

There are other arguments. For example, it is generally held that most of the public sector units are working inefficiently, and the S.E.Zs, by promoting privatization, will intensify competition and raise the level of economic efficiency. It is also held that the heavy industries built in the S.E.Zs will facilitate the supply of inputs to small-scale industries. In

fact, the idea of S.E.Zs has become so popular among mainstream economists, especially those devoted to the dominant neo-classical variety of it, that the creation of such zones is considered the gateway to a new phase of industrialization and development.

4. What type of industrialization?

To approach the issue in some breadth and depth, we have to consider whether the formation of such Zones may lead to a situation in which the country can legitimately be called ‘industrialized’ and ‘developed.’ We may shelve, at least for the time being, the ideological debate between ‘capitalism’ and ‘socialism’. We may however try to examine if multiplication of S.E.Zs can lead really to what is fashionably called ‘industrialization’. Historically speaking, industrialization in today’s developed economies took many decades to be accomplished. We may quote from one of the standard texts on the British Industrial Revolution: “By 1850 Britain was certainly industrialized in that more of its people were engaged in manufacturing industry than in agriculture. Nearly 3.25 millions of its labour force were manufactures, compared with rather more than 2 million who were agriculturalists.”¹ Keeping in mind that this process of industrialization took about one century, it is not unreasonable to suggest that in the functioning democracy of today’s India, this is politically infeasible. There is another point, arguably more important. The corporate

bourgeoisie, both domestic and foreign, who are to invest in these S.E.Zs have accepted the game that goes by the name ‘globalization’ and in order to survive in this world, increasingly resort to cost-cutting measures. While such measures by themselves promote efficiency, the irony is that since the indigenous bourgeoisie do not have any strong tradition of generation of technology, the cost-cutting measures simply mean reduction in wage costs, and enhancement of labour productivity by employing highly capital-intensive techniques mostly imported from the west. For example, there has been a steady decline over recent years in regular employment in TISCO as well as in the Tatas’ automobile factory in Pimpri (Pune), while the growth of output has been substantial.² Hence the employment potential of this type of development, S.E.Z or no S.E.Z, cannot be large. The transfer of land and other resources from agriculture and the consequent impoverishment of the latter may be considered as one kind of backwash effect. The

struggle over land in Nandigram has shown how strong the social repercussions of such backwash effects may be. The spread effect of such development is also not likely to be large because the possibility of diffusion of knowledge and technology is extremely thin and the expansionary effect on the size of the internal market is also not likely to be very significant.

5. A Summing Up of the Problems.

The economic problems associated with the S.E.Zs, in a nutshell, are:

- a) The S.E.Zs embody a type of ‘enclave’ development with little spread effect.
- b) They are largely reliant on imported technology not properly suited to the resource endowments of the country.
- c) They usually employ highly capital-intensive techniques with low employment potential.
- d) Most often they promote conditions for inter-sectoral imbalance.

There are other problems, problems that create social tension.

This is due to forcible acquisition of land used for production in the primary sector, with its consequent adverse impact on the livelihood of those dependent upon primary productive activities. The turmoil in Nandigram, an area of southern part of West Bengal, which created a nationwide stir, provides a glaring example of this tension.

Forcible land acquisition, however, is not the only source of tension. Tensions and apprehensions arise from the disappointments caused by the non-realization of the hopes of employment generation as well as rehabilitation of the displaced people. In the S.E.Z in Falta, West Bengal, India, a firm, Patton, proposed to invest 600 million rupees for the construction of water tanks, and to employ altogether 250 persons. This suggests an investment of 2.38 million rupees for one employment. The Haldia Petro-chemical Complex presents a worse spectacle. In the refined petrochemical sector of this complex, there were only 6610 employees in 2003-04, while the total fixed asset was worth 21782.1 millions of rupees.³ This suggests the frightening picture of 3.29 million rupees per person as far as employment is concerned.

On the tension generated on the issue of rehabilitation, it is worth quoting from an essay published in the foremost journal of social sciences in India, “The first S.E.Z to be

approved in Andhra Pradesh, India, was an extent of slightly more than 12,000 acres covering 16 villages with total population of about 25,000 in Satyavedu and Varadayyapalem mandals of Chittoor District. The big land holders were promised compensation of 2.50 to 3 lakhs per acre rather than the notional market value, and the others were sought to be persuaded by promise of jobs, alternative lands, and rehabilitation in a properly constructed colony, etc. Most people doubted the promise but were not unamenable to persuasion by smooth talking officers, but there were two angry villages that refused to be taken in. These are Tonduru society and Sriharikota colony. They are wiser because they have been there before. They had left their original habitation in Nellore District in 1972 to make a way for the Indian Space Research Organization's centre at Sriharikota, which is frequently in the news for India's achievements in that realm of technology. They are 274 families in total, about half of them Dalits. At that time they left without demur partly because no body talked against displacement in those days, partly perhaps for the greater glory of the nation, but mainly because they were promised five acres of cultivable land, one job per family(in a space research centre) and a nicely built colony. No body got a job, the land they got was not five acres but 2.5 acres, not cultivable land but wild bushes in snake-infested country, and even that was not given with full title but in the name of a cooperative society. As for the promise of a rehabilitation colony, what they got was a mere house-site each, where they had to put up their own huts. It looks them quite a few years to climb back to the standard of living they had lost and so they know what displacement means.”⁴

The example of Chittoor amply illustrates the measure of success of the S.E.Zs regarding compensation, rehabilitation and employment.

6. Conclusion

The country at present is witnessing a curious phenomenon, namely that irrespective of political colour, no mainstream political party is opposed in principle to the general pattern of development represented by the S.E.Zs. In some cases, some parties are opposing forcible acquisition of land, e.g. Mamata Banerjee's Trinamul Congress in West Bengal, India, but they also do not have any idea of any alternative course of industrialization and development to follow. What needs to be grasped is that such enclave type of

development, whether it involves forcible acquisition of fertile agricultural land or not, cannot take the economy very far as far as industrialization, development and employment generation are concerned. Hence an alternative pattern of thinking and practice is seriously warranted, a pattern that involves the broad majority of the people in productive employment. We have some institutions like the *panchayats*, through which such sort of decentralized and broad – based programme may be implemented. Such a programme, will not rely on external markets or demand generated by a small, affluent section of the domestic population, but on the expansion of the internal market for mass consumption goods through a rise in the purchasing power of the broad masses by involving them in productive employment. Such a type of development has the potential of unleashing local innovative and entrepreneurial talents. In this respect, the experience of some countries, e.g. Venezuela,⁵ may be a little instructive. In the Indian case, successful implementation of such a programme, by expanding the market for consumption goods, will most probably attract even big capital, along with small and medium entrepreneurs. If reduction of inequality of income and entitlement is a coveted aim of development, the potential of this approach is also not negligible.

Fortunately for us, some academics, realizing the contradictions of the enclave-type development, have concentrated on formulating alternative ways. The foremost among them is Professor Amit Bhaduri who, in a number of recent writings, has tried to give form and shape to an alternative path of development⁶. Considering the frightening emergence of the latent crisis in the economy of rich nations, particularly the U.S.A., this alternative path seems to embody a better approach than greater integration with western capitalism, which enclave type developments like the formation of S.E.Zs represent. The feasibility constraints of such models are however not yet fully worked out. But we must disabuse ourselves of the notion that exclusive reliance on foreign and domestic corporate capital, or concentrating on building S.E.Zs may foster growth, as distinguished from development, in the short run, but its political and social costs are enormous, which may render such growth counter-productive in the long-run.

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