

## Special Economic Zones in Maharashtra: A Critical Analysis

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### Abstract

This paper aims to critically analyse the unfolding of the SEZ (Special Economic Zones) policy in Maharashtra and its implications for the polity, society and economy of the state in the wider context of thorough going structural change in political economy – a transition from state-led developmentalism to neoliberalism in India.

Since the 1990s, with the launch of the New Economic Policy, several reforms that accentuated the process of privatisation and liberalisation have been initiated in India. But few policies in the post liberalisation period have attracted such immediate political opposition from the affected public and faced such fierce intellectual criticism from different sections, as the Special Economic Zones Policy of the Government (given a firm legislative and operative framework through the SEZ Act, 2005) on the issues like loss of livelihood and displacement of lakhs of people due to the acquisition of huge tracts of land for the project, privatisation of governance, structural shift in the economy, land usage, environmental impact etc

Maharashtra a favourite destination for investors for its business friendly environment, where some of the largest number of SEZs have been proposed and even sanctioned has witnessed since 2006 the emergence of a strong people's movement against SEZs. The strong and well mobilised peoples' movement in Maharashtra has slowed the process of land acquisition and recently seen denotification to the cancellation of SEZ projects. This paper revisits the debate over SEZ policy and argues in favour of reviewing this policy.

**KEYWORDS:** Special Economic Zones, land acquisition, people's movement

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### Introduction

In the recent years, the Special Economic Zones (SEZs) policy of the Government has become a sensitive issue both from economic point of view and from political angle. Large scale land acquisition for developing industrial enclaves by corporate units with the help of state machinery has led to people's resistance across the country. Union Finance Minister's promise in the Union Budget 2014-15 to revive the Special economic Zones to drive India's growth in manufacturing and urbanisation, has revived the debate regarding the desirability and economic viability of SEZs.

In India, differences in processes of policy making and implementation across states governed by a similar macroeconomic regime offer an interesting opening to understand how regional politico-economic configurations intersect with policies to shape outcomes (Jenkins 2004). State governments compete to attract private investments for growth through state specific policy adaptations. Maharashtra a favourite destination for investors for its business friendly environment, where some of the largest number of SEZs have been proposed and even sanctioned has witnessed since 2006 the emergence of a strong people's campaign against SEZs. Whether it is

Khed or Wagholi near Pune, Shendre near Aurangabad, Kagal Harkangale near Kolhapur or Raigad near Mumbai, peasant's resentment against the acquisition has been widespread.

This paper aims to analyse the SEZ policy of Maharashtra and its implications for the polity, society and economy of the state. It is based on both primary and secondary data. The Study of Government Archives, Parliamentary/ Assembly debates, policy documents have been carried out. Content analysis of articles and news published in newspapers, periodicals has been done. Formal and informal interactions with the leaders of the movement, social activists and members of NGOs and organizations involved in the Anti- SEZ Movements have been carried out.

The paper has four sections –SEZs: The Catalyst for Growth; Unfolding of the SEZ Policy in Maharashtra; Critical Issues and Concerns and; Conclusion.

### **I. SEZs: The New Catalyst for Growth**

Exports and foreign investments are the *buzz words* in present global economy. The Special Economic Zones (SEZs) have become the new means to attract domestic and foreign investments and technology in export-oriented industries. An SEZ is a geographic region within a nation-state in which a distinct legal framework provides for more liberal economic policies and governance arrangements than prevail in the country at large, the intent being to stimulate investment, trade, and employment. SEZs are regarded as the engines of growth, supported by quality infrastructure and complemented by an attractive fiscal package with the minimum possible regulations and are aimed at attracting foreign investment.

The concept of Special Economic Zones is not a new one in India or elsewhere. Its lineage can be traced to Free Trade Zones or Export Processing Zones. In the modern sense this concept began to take shape in the late 1940s when the system of global assembly lines or global value chains was first conceived and implemented by the American consultancy firm Arthur D. Little Inc. on the island of Puerto Rico ( Aradha Aggrawal 2012:21). China made the SEZs global currency with the most successful SEZ at Shenzhen.

According to the Ministry of Commerce, Government of India, "India was one of the first countries in Asia to recognise the effectiveness of the processing zone model in promoting exports. Asia's first EPZ was set up in Kandla in 1965" (available at [sezindia.nic.in](http://sezindia.nic.in)). But India's push toward a more comprehensive SEZ policy was inspired by the success of Chinese SEZs. New SEZ rules notified in the Commerce Ministry's Export-Import Policy of April 2000 were a precursor of what would later become the 2005 SEZ Act. The SEZ Act was passed in haste without much public debate. An important economic legislation with far-reaching implications was passed unanimously by both the Houses of Parliament within two days in May, 2005. The SEZ Rules provide for: simplified procedures for development, operation, and maintenance of the SEZs and for setting up units and conducting business in SEZs. The very concept of SEZ presupposes provisions for incentives and facilities to the SEZ developers and to the units in a SEZ. The Incentives are in three forms- procedural, tax incentives and relaxation from foreign exchange and import and export regulations.

#### *Approval Status*

After the coming into force of the SEZ Act, 2005 on 10th February 2006, till January, 2015 491 (excluding 67 SEZs approved by BOA for cancellation/de-notification)

formal approvals have been granted for setting up of Special Economic Zones, out of which 352 SEZs have been notified and are in various stages of operation. A total of 196 SEZs are operational and are exporting (Ministry of Commerce, Government of India, 2015)

### *Performance of SEZs*

The three important objectives of the SEZ Act, 2005, are: generate employment opportunities, encourage investment (both private and foreign) and increase India's share in global exports. The success of SEZs in meeting these objectives has been highlighted by the government and the advocates of this policy. According to the official sources exports from SEZs have seen a dramatic jump from Rs. 22,840 crores in 2005-06 to Rs. 4.76 lakh crores in 2012-13, a growth of over 2000% over the 7 year period (Ministry of Commerce and Industry, Government of India, 2015).

However, there are concerns that the improved exports performance of SEZs is largely due to the relocation of export units to these zones from non-SEZ areas so as to avail the fiscal incentives offered to the units located in SEZs. Besides the pattern of exports is skewed towards IT and related services. According to the Annual Report of Ministry of Commerce and Industry, Government of India (2012-2013) the Special Economic Zones notified under the SEZ Act, 2005 have already made an investment of Rs. 2,38,990 crore (Till 31.12.13) since the coming into force of the SEZ Act in February, 2006 and SEZs in India provide direct employment to over 10,19,146 persons; the incremental employment generated by the SEZs in the short span of time since the SEZ Act came into force in February 2006, is of the order of 8,84,442 persons. Quantitatively, generation of direct jobs in SEZs in India is on the rise post-SEZ Act, 2005.

However, the employment generated by SEZs is not uniform across sectors and regions. SEZs are not creating a new manufacturing base since almost 60% of total SEZs are in the information technology and services sector, where India's specialisation was already confirmed. Although the IT sector is performing very well, it does not absorb large quantities of unskilled or semi-skilled labour.

It is surprising that while there is sufficient data about employment generation, investment and export share regarding SEZs on the government websites there is no information about the number of people who will be displaced as a result of the large scale acquisition of land for SEZs, loss of livelihood or the environmental cost of these projects.

## **II. Unfolding of the Special Economic Zones policy in Maharashtra**

In the post-liberalisation period under our federal structure states were competing with each other to attract investment for meeting the goal of economic development. The SEZ Policy envisaged setting up of SEZs in the public, private and joint sectors or by the State Governments.

States like Gujarat, West Bengal, Madhya Pradesh and Maharashtra were the first ones to initiate the framing of a state-level SEZ Policy based on the SEZ Rules in Export-Import Policy, 2000. The Government of Maharashtra (GoM) formulated the Policy regarding the setting up of Special Economic Zones in 2001 (GoM's SEZ Policy), four years prior to the implementation of GoI's SEZ Act, 2005. According to a statement made in October 2001, the SEZ policy of the Maharashtra Government is intended to "promote the establishment of large, self contained areas supported by a world class infrastructure oriented towards export promotion". Any private, public or

joint company (Indian or foreign) can set up SEZ, consisting of industrial operations, service and/or trade components. Both National and State SEZ policies emphasise a 'hassle-free environment' for the zones, offering developers exemptions on taxes such as stamp duty and registration fees. The SEZ foreign territory status allows businesses to import or procure materials- including capital goods, raw materials and office equipment duty-free and without license or specific approval (Government of Maharashtra 2001).

The important variation in the framing of GoMs SEZ Policy from that of other states is found in the extent of incentives provided - most importantly, the relaxation of labour laws that no other state has attempted to tamper with. Other incentives include concessions on state-level levies, duties, and taxes. Administrative autonomy allows SEZ management to override state-level planning and local-government legislation, including the *Maharashtra Zilla Parishads and Samitis Act 1961*, the *Maharashtra Town and Regional Planning Act 1966*, and the *Maharashtra Metropolitan Planning Committees Act 1999*. It was tabled in the state legislature as the *SEZ Bill 2002*, but was not voted into law.

It was not until 2008, however, that the GoI's Commerce Ministry finally approved Maharashtra's SEZ policy – and only on the condition that the state did not attempt to relax existing labour regulations in the name of facilitating SEZ development. However till date the SEZ legislation has not yet entered Maharashtra's statute books.

The process of state's SEZ Policy implementation suggests that during the last decade the ruling party has attempted to go further than the SEZ Act 2005, as well as those of other states in terms of deregulation within the SEZ Policy in order to create a more favourable environment for competing with other states.

### III. Critical Issues and Concerns

The SEZ policy has faced strong criticisms from different quarters of society – civil society organisations, independent researchers, economists; International organisations like the IMF, the World Bank, the Asian Development Bank and the WTO have at various points of time expressed their misgivings about the SEZ policy. There is ideological opposition that the scheme is legitimized by neoliberal ideology, which privileges the “notion” of export over production for the domestic market, favours private capital and honours profit making independent of how it is ensured (Chandrashekhra, 2006:24). Major criticisms against this policy are centered around – the revenue loss to the government due to tax reliefs to SEZs, privatisation of governance and the land acquisition and related concerns like diversion of farmland to industrial purposes, loss of livelihood, rehabilitation and resettlement etc.

The state of Maharashtra has the most number of approved SEZs of all the states in India. According to the Economic Survey of Maharashtra 2014-15, the State has received 236 SEZ proposals upto December, 2014. Of these, 124 SEZs were approved by the Central Government (formal approval 104 and in-principle approval 20) and 66 of them are notified. As on 31st December 2014, in all 24 SEZs were executed with total investment of Rs. 18,786 crore on an area of 3,059 ha which generated employment of about 1.31 lakh. The information of approved and notified SEZs is given in Table 1. However, due to the slowdown of global economy and inability of the developers to acquire land a total of 23 SEZs have been de-notified or withdrawn, for example, four SEZs proposed by the MIDC in 2006 - multipurpose project by India Bulls in Raigad, Mahindra project at Maval Taluka in Pune and two projects by

Videocon in Aurangabad and Pune, were scrapped by the Maharashtra Government in July 2012 as land could not be acquired due to strong opposition from people. Similarly, India's largest SEZ Mumbai SEZ promoted by the Reliance Industries (Mukesh Ambani) proposed to be set up in Raigad covering 10,000 Ha of land was de-notified in February, 2011 due to large scale protests.

**Table 1: Approved and Notified SEZs in Maharashtra upto December 2014**

Division	No. of SEZs			Area (ha)			Proposed Employment (lakh)			Proposed Investment (Rs crores)		
	Approved	Notified	Executed	Approved	Notified	Executed	Approved	Notified	Executed	Approved	Notified	Executed
<b>Konkan</b>	61	29	5	16,446	2,453	261	35.87	9.84	0.46	83.503	33,536	4487
<b>Pune</b>	36	21	14	4252	1784	724	10.63	6.17	0.83	42,095	34,980	9,682
<b>Nashik</b>	6	1	0	1249	1007	0	2.12	1.25	0	2,883	1,380	0
<b>Aurangabad</b>	11	7	3	3448	785	375	1.37	0.31	0.01	3,655	1,775	830
<b>Amravati</b>	3	3	0	1316	1316	0	0.40	0.40	0	2,776	2,776	0
<b>Nagpur</b>	7	5	2	2997	1887	1,699	5.46	3.92	0.01	8819	4,172	3,787
<b>TOTAL</b>	124	66	24	29,708	9232	3059	55.85	21.89	1.31	143,731	78,619	18,786

Source : *Economic survey of Maharashtra 2014-15, Directorate of Industries, Govt. of Maharashtra.*

Some of the critical issues and concerns regarding the implementation of the SEZ policy in Maharashtra raised by citizen's organisations, people's movements and researchers are as follows:

1. The acquisition of farmland for establishing SEZs is among the gravest implications of the SEZ policy. Agriculturally productive and cultivable land are being acquired despite several assurances from the government that such land will not be acquired for the construction of SEZs. The Konkan region, including Mumbai, Thane, Raigad and Pune, has the highest rainfall in Maharashtra making the soil excellent for cultivating paddy. It has also been pointed out by eminent leaders of the anti-SEZ campaigns that these are also areas where 70% of irrigation infrastructure in Maharashtra is located. According to Ms Ulka Mahajan, Convenor of the Action Committee against Globalisation and leader of *Sarvahara Jan Andolan*, "Large scale forced acquisition of land and promotion of speculative real estate business is resulting in loss of agriculture, fishing based and other traditional livelihoods" (Personal conversation on October 28, 2013). In Raigad, most people whose lands have been notified grow paddy which is a water intensive crop and a variety of vegetables like cucumber and okra. Farmers in Sinnar, Nashik grow onion, soybean, wheat, corn, bajra, sugarcane, paddy and groundnut yielding a high income from this land.

2. SEZs are proposed to be set up in the industrially developed cities with good infrastructure. Only seven out of thirty five districts have a high concentration of SEZs - Pune, Raigad, Thane, Mumbai, Aurangabad, Nagpur, and Nasik. The principal industrial zone in Maharashtra is the Mumbai-Thane-Pune belt, accounting for almost 60 percent of the states output (Planning Commission, Government of India, 2007:147).

The thirteen districts 'neglected' by SEZ development are concentrated in Central Maharashtra (Ahmednagar, Sangli, Beed, Parbhani, Hingoli, Buldana, Washim Districts) and north-eastern Maharashtra (Bhandara, Gondiya, Gadchiroli Districts). Because of its proximity to Mumbai the largest concentrations of Multiproduct SEZs are found in Raigad District.

3. One of the main reasons behind the centering of SEZs in and around big cities is the real estate business which goes by the name of SEZs. A major concern of the critics of the SEZ policy in India is that *half* the land acquired in the name of public purpose and industrial development (up from the originally stipulated 25 per cent) may be used for private profit, including real estate, residential, retail or other businesses, which may not be export-oriented at all. Significantly, in China, it is mandatory that 80 per cent of the land in SEZs must be used for production, while only 20 per cent may be used for other facilities.

4. Democratic processes and institutions have been ignored in many land acquisition cases. Gram Panchayat and Zilla Parishad resolutions to denotify the land for acquisition have not been taken into consideration. A state government initiated opinion poll conducted in the 22 villages of Pen, Raigad has clearly indicated that people do not want to give their land for the SEZ. The result of this opinion poll has not been published.

4. The compensation and rehabilitation packages have been contested. The compensation is a onetime and not commensurate with the land which is a perennial source of wealth. Employment that might be created would require a completely different set of skills that agricultural workers won't possess. Moreover, compensation and rehabilitation packages do not take into consideration the loss of livelihood of workers allied to agriculture like fisher folk and salt pan workers etc. Also the contribution of women in agriculture goes unrecognized since they are not included in the compensation and rehabilitation packages.

5. The predominant role of the MIDC in the SEZ process is a cause for concern as several MIDC plants have fully utilised government tax benefits, shut down, and reopened with new names in order to further exploit government benefits. Such practices have occurred in MIDC plants in Aurangabad and Thane leading to a colossal loss of revenue for the government. A Government of Maharashtra Public Accounts Committee Report, notes that, "industrial units obtained all kinds of subsidies for [a] period of ten years and then closed their units, losing the government Rs.70, 000 crores revenue" (Government of Maharashtra, 2006).

6. Environmental concerns have also been raised. Mangrove forests in the Mumbai-Thane District, are slated for acquisition, if destroyed will be harmful for the ecology. Industries will pollute the surrounding water and air resources.

#### **IV. Conclusion**

The geographical distribution of SEZs exposes the commercial motivations behind SEZs and gives us a picture of the ongoing corporate aggression on natural resources.

SEZs have been set up near the infrastructure developed states, big cities, on fertile agricultural land, in coastal areas and in areas rich in water resources.

The issue of land and particularly of land acquisition has been instrumental in bringing together diverse strands of discontent against SEZs together into powerful protest movement.

In the post-independence period the land was largely acquired for the state led development and infrastructure projects. However, with the introduction of economic reforms and privatisation there has been a growing concern regarding the manner in which the power to acquire land for public purposes has been exercised by the Government only for the benefit of private corporations and commercial interests and profits. One of the major outcomes of the anti-SEZ protests has been the enactment of *Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013* which replaced the 119-year-old Land Acquisition Act, 1894. It is a comprehensive law on land acquisition as well as rehabilitation & resettlement (R&R).

It subjects all eminent domain acquisitions as well private purchases of over 100 acres in rural areas and 50 acres in urban areas to a mandatory R&R package, provision of social impact assessment with a host of benefits both for affected landowners as well as livelihood losers. However it is too early to comment on the effectiveness of this Act in establishing a just and fair system of land acquisition and compensation, resettlement and rehabilitation. The corporate sector has termed it anti-industry, anti-development and the new NDA Government at the Centre has already indicated its willingness to review this Act to make it more business friendly.

At the heart of the debate over SEZ are the development choices which our policy makers have made which are vastly different from the people's perception of development. Government must ensure that all those who stand to lose through the land acquisition are not only properly compensated but also become the stakeholders in the process of development.

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