

Space Relations of Capital and Significance of New Economic Enclaves: SEZs in India

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This paper examines the evolution of the new development enclaves – special economic zones – in India in the light of the space relations of capital. The process of establishing SEZs in India is essentially a classic unfolding of the process of “accumulation by dispossession” which is part of the recent strategy of global capital to overcome the chronic problem of over-accumulation. The paper throws light on the ongoing reorganisation of the space relations of capital in India.

“Space is political. It is a product literally filled with ideologies.”

– Lefebvre 1991: 101

Introduction

A large number of erudite, critical writings are being produced on the current economic growth process in India and the official policy of establishing development enclaves in different parts of the country. Most of these writings have deftly explicated the fallacy of the present path and its exclusionist framework that has largely been seen as a part of the contemporary process of economic globalisation. This paper, while sharing the critical perspectives of such writings, attempts to examine the evolution of these new economic enclaves/spaces in the light of spatiality and space relations of capital. The inter-relationship that exists among space, spatiality of capital and the globalisation process happens to be the premise of this paper.

In several states in India, specific areas – large and small, rural and urban, are being identified as special economic zones (SEZs) to carry out modern hi-tech corporatised activities with promised (sic) returns at a high rate. They are mostly located in functionally active spaces, barring a few that have less habitat or occupations. Essentially global, these new economic spaces, are being carved out from agricultural areas, forests or coastal fishing zones, at times located near big cities or communication networks, in semi-rural areas, in the outer peripheries of metropolitan regions, in villages, also in slums, dilapidated/less-used areas in cities of all sizes. In the process of converting old/active economic spaces into newer ones, a large number of farmers, agricultural labourers, fisherfolk and allied workers are getting displaced from land and livelihoods that is leading to fierce resistance movements in different parts of the country and resultant state atrocities and violence. According to the official argument, as India cannot grow fast without foreign investment for which “world class infrastructure” is an imperative and which the state possibly cannot provide throughout the country in a short time, it is necessary to invite private capital to provide it initially in chosen pockets. While private capital agrees to do undertake this task, it becomes obligatory on the part of the state to offer them various concessions and subsidies in their pursuit of establishing economic and allied activities within such zones. In several states, land acquisition for creating SEZs is being undertaken by regional governments by invoking the colonial Land Acquisition Act (LAA), 1894. As per the provisions of this Act, the state is the ultimate owner of the land and it can take over any tract for “public purposes”, if it pays reasonable compensation.

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Enclave development, that was once a mainstay of the colonial state, has thus surfaced as a major policy of the contemporary Indian state with the latter emerging as an active partner in corporate growth.

The above process of opening up of new territories – within old ones by replacing the existing land uses – to not just capitalistic development but to capitalistic forms of market behaviour – needs to be viewed as a part of a larger process of progression of global capital and its strategy to industrialise the south. The obvious contradictions of these spaces should not be seen as one between industry and agriculture, or modern and backward, as it gets officially projected, but more importantly as one between the nature of industrial development in the less developed part of the world and the historically evolved region-specific socio-economic activities and related livelihoods; the latter, in other words, a niche, an interrelated cultural landscape that is now becoming expendable in the name of “creative destruction” by citing a “globally hegemonic discourse”. The depth of this discourse and its intensive regulatory power resides in its ability to restrict serious, responsible, alternative viewpoints of a larger body, and also specify a parameter of the “practical” and “sensible” among linked groups of theoreticians, policymakers and practitioners [Peet 2002]. Following this, I would argue that the entire process of establishing SEZs in India needs to be seen as essentially a classic unfolding of the process of “accumulation by dispossession”,¹ the recent strategy of the global capital to overcome the chronic problem of over-accumulation.

How does one look at this process as a part of the ongoing reorganisation of space relations of capital? For that, there is a need to revisit the concept of space and spatiality that have always been a key construct of capital’s operational framework and therefore a key element in the understanding of the process of accumulation by dispossession in contemporary times.

Space Relations of Capital and Globalisation

The last 100 years of capitalist development have involved production and reproduction of space at an unprecedented scale. The renewed importance of geographical space is reflected in the drastic redrawing of economic and political boundaries based on international political economic relations. Phrases like “shrinking of the world” or evolution of a “global village” thus need to be understood in terms of the specific necessity of a mode of production based on the relation between capital and labour expressing a time-space compression. The universalising tendency they project, primarily concerns the goal of equalisation with unhindered movement of goods, services, technology and selective humanpower, for the need of a constantly expanding market. I argued earlier [Banerjee-Guha 2002a] that it is essentially a levelling of the globe at the behest of capital, exacting equality in the conditions of the exploitation of labour [Marx 1867 (1967)] in every sphere of production. The above phrases, begotten from such levelling, project a one-dimensional geography of sameness in which actually all facets of human experiences are degraded and equalised downward [Smith 1986], hiding the fact that the premise of this equalisation rests on a strategy of dividing relative space into many absolute spaces of differential development, all

tuned to the requirement of global capital [Banerjee-Guha 2002 a]. The international economic space thence created is characterised by a divergent use of space and spatial attributes reflecting contradictory tendencies of concentration and dispersal and hence a space-specific valorisation and devalorisation,² as seen in the recent statist logic in India supporting land acquisition in agricultural areas for establishing SEZs. Space in such cases needs to be seen as absolute, relative and relational – all three together in dialectical tension with each other and in interplay, depending on circumstances [Harvey 2006]. In the light of this, the rapid and dramatic changes that are taking place in the regional space economies in India due to national and international restructuring of capital become extremely relevant.

As capitalist activity is always grounded somewhere, it is found that the diverse material processes in a given spatiality continuously get appropriated by the process of capital accumulation. The construction of globalisation thus is found to have largely depended not only on geographical reorganisation of economic activities but also historically evolved cultural landscapes. In the process, it has built and rebuilt geography of regions in its own images, creating newer socio-economic landscapes with produced space of infrastructure and institutions for the purpose of facilitating capital accumulation [Harvey 2000]. In analysing the SEZs in contemporary India, the post-1980 operational strategy of global capital can be the base point. The strategy tangibly represented a contradictory, uneven and crisis ridden process that incessantly explored the possibility of reorganising space relations to create more surplus that could be subsequently undermined or even destroyed for newer accumulation [Banerjee-Guha 1997]. It brought in its wake dynamic changes in production and labour processes. While the pre-1980 relocation process of production from cores having skilled and highly priced organised labour to peripheries with skilled but cheaper organised labour aimed at higher profit by way of reduction of input cost (that on its turn led to labour aristocracy in poorer countries), the subsequent reorganisation rested on disaggregation and fragmentation of a single production process into different modes accompanied with a rigid and centralised corporate control. Because of technological innovations and revolutionary development in transport and communication over which global capital had a total control, production could be made more fragmented, homogenised, suitable to many sub-processes and spatially separated too [Banerjee-Guha 1997].

This “partial” production process distributed at various locations became the hallmark of the post-1980 spatial organisation of global capital [Thrift 1986] involving large-scale and simultaneous small batch production, achieving efficiency by externalising economies of scale (in complete contrast to large-scale, factory-based mass production achieving efficiency through internalisation of economies of scale). Because of its simultaneous accommodation of modern and pre-modern production systems than having a unilinear, evolutionary progression of production and technology together, Ettlinger (1990) preferred the term “non-Fordist” than post-Fordist for the newer strategy. Its success lay in subcontracting, making the non-capitalist territorial production areas coexist with capitalist

production complexes as equally important entities that drastically brought down the cost of production, more importantly the cost of reproduction and worked towards an absolute exploitation of surplus [Chandoke 1991]. The geographical see-saw of closing down production at one place and opening up elsewhere, especially in a totally different mode were its common features. The lost organised jobs of the rich countries did not necessarily get relocated in the modern organised sector of the poorer countries; fragmented and disaggregated, they got accommodated in the unorganised sector. It did become a part of the process of annihilation of space³ – the primary aim of the globalisation project – but with a simultaneous division and reconstruction of absolute spaces, disjointed from one another in terms of wage and quality of life variations. Thus, on the one hand, technological innovation made it possible to reduce manpower requirement [Basu 2007] in skilled jobs located in modern production complexes with developed infrastructure, and on the other, with simultaneous disaggregation of production and outsourcing of a large part of the same production process, the possibility of engaging low paid, subcontracting, “footloose” workers on flexible terms, increased by leaps and bounds. Tension between fixity and movement of capital was internalised in the above framework resulting in a distinct space-specific devaluation that went to form a part of an internationally operative human cost, social wear and tear and accumulation through underdevelopment. Further, through deskilling of labour and functional and physical separation of production, specific “roles” were created for places in the world economy [Wright 2002].

The basic tenet of the above framework and the associated new international division of labour (NIDL) rested on disaggregation of production and wage differentials. For the purpose of increasing profit, greater mobility of capital, goods and services was pitted against the lesser mobility or near immobility of labour of poor regions and a transnational economic space was carved out in which a phase-wise separation of production between capitalist and non-capitalist modes surfaced as a basic methodology. There was a massive divestment of capital in old manufacturing plants in the UK, USA, Germany, France and other countries associated with a restructuring of mass production methods towards a “flexible” model of customised production. In this global industrial restructuring, the capital-labour relation and production relations between the global core and periphery underwent a drastic reconfiguration. ILO (1981) noted that global corporations operating in Asia, Africa and Latin America, since the 1970s, increased the size of unskilled workers at the cost of large-scale displacement of production workers. During late 1980s, General Electric’s employment reduced by 1,00,000 while its revenue increased by \$ 13 billion, Fiat removed around 15,000 workers from employment while its revenue rose by 12.4 billion lire [Lowe 1992]. In Unilever, cost per worker in Asia was drastically brought down while profit per worker rose by 50 per cent [Elshoff 1988]. In the early 1990s, in Procter and Gamble in India, the entire production of certain products like Crest tooth paste, Clearasil medicated cream or Ultra Clearasil facial cream was undertaken by contract labour located in Andhra Pradesh, Gujarat or Maharashtra. During the same time, in the organised

garment unit of Hindustan Lever while the number of workers was 250, it was 500 in the subcontracting units. Similar was the situation in H L footwear units [Banerjee-Guha 1997].

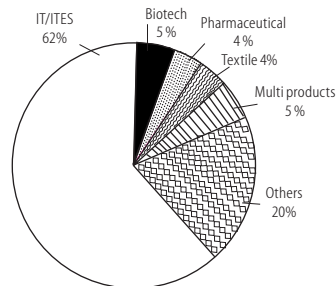
Such negative correlation between increase in production and decrease in organised factory employment distorted the concept of increase in labour productivity and created a new labour divide in which the concept of labour aristocracy got diluted with expendability of labour. It worked towards a narrow sectoral development of a high technology and information-based order thwarting redistribution of income and economic benefits over an expanded space [Kundu 1997]. The UNDP 1993 *Human Development Report* noted that many parts of the world started witnessing a jobless growth during this period. The pattern of income distribution showed that 20 per cent of the world’s population had 83 per cent of the world’s income, i.e., five times the purchasing power of the poorest 80 per cent [UNDP 1993]. A number of countries during this period started adopting supply side economic policies seeking to derive efficiencies in service delivery by privatising public services. State-capital alliances started becoming a common practice and as a supportive mechanism, neoliberalism flourished, subsequently to emerge as an unchallenged model of economic efficiency with its spite for those who dared to challenge its revealed realities [George 1999]. Blind faith on the market was preached with a religious fervour throughout the world [Conway and Heynen 2006], emphasising state fiscal austerity, market liberalisation and public sector privatisation for the South, the three pillars of the “Washington Consensus” [Goldman 2005]. It was accompanied with a consistent assurance from the global North and the international institutions that economic growth and expansion would come only from the above strategy. “The myth of the global market place” [Sachs 1999] was finally institutionalised with signing of the 1994 Uruguay round of General Agreement on Tariffs and Trade (GATT) and the emergence of the World Trade Organisation (WTO). Neoliberal structural adjustment “solutions” further exacerbated impoverishment, increased exploitation of extractive resources of the South and heightened iniquities in their comparative advantages vis-à-vis the advanced capitalist core countries and their transnational corporate partners [Conway and Heynen 2006].

Opening Up of New Economic Spaces: SEZs in India

As a natural outcome of the above process, in a number of countries of the global South including India, through global-local interplay, a newer form of capitalist development gradually came to emerge, using the dynamics of absolute space within the parameters of relative and relational spaces and depending upon globally networked flows of information, finance, technology and a supportive neoliberal hegemonic discourse. It went beyond the previous practice of production disaggregation and strategised on a total appropriation of space and its attributes for a newer form of exploitation. Set to mutate all existing social relations, it modified the non-Fordist labour process, transformed relations between the dominant and the dominated and alienated specific space-economies from their respective social realities to construct an economic system conforming to its description in

pure theory [Bourdieu 1998]. The common, collective interest and the public good started getting negotiated away by ideological, political and economic power-plays that privileged individual accumulation subordinating the common people and their rights

Figure 1: Sectorwise Distribution of Approved SEZs in India 2008



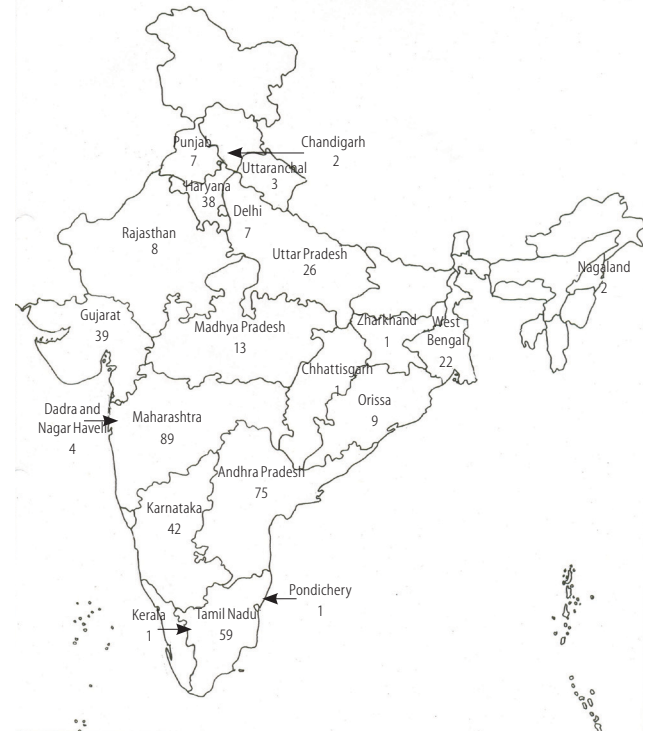
Source: Government of India, 2008

The contemporary space relations of capital represents a thorough reworking of innumerable “regionalities” that had once been produced by the convergence of molecular processes of capital accumulation in countries located in different parts of the world, characterised by territorialisation of resources, labour and mode of production. In all these regions, over the years, hegemonistic class alliances were formed as did a working class alliance, encompassing cultural and social values, attitudes, beliefs, religious as well as political affiliations. As India is largely agricultural, many of the above “regionalities” are embedded in agriculture-related activities and livelihoods, identity of which cuts across the above characterisations. Drastic reorganisation of economic space and activities due to the establishment of SEZs is lending an ambiguous identity of placelessness [Harvey 1982] to the above “regionalities” which is evident in the conversion of active farmlands in many states into areas of high-tech corporate activities, in dissociation from the rooted regional socio-economic formations. It rests on a contradictory framework of inclusion (of few) and exclusion (of many) and gets directly related to the materialisation of uneven development at various scales involving integration of selective regions/areas and sections of societies in the globalised framework [Banerjee-Guha 1997]. A destructive ensemble of obsolescence and rebuilding, ephemerality and reinterpretation diffuses across the old spaces, displacing the existing use values and altering the discursive as well as the material geography of such spaces. “Space” in this construct is used in a diverse manner giving rise to contradictory tendencies of integration and segmentation, creating a solid and material background for intense conflicts [Banerjee-Guha 2002] that goes to form, inter alia, a part of a global hegemonistic cultural discourse [Gramsci 1971]. A typical neoliberal construction of space, place and scale takes place that goes to reconstruct a new geography of centrality and marginality making the issues of production and capitalisation of space extremely crucial. Landscapes of conflict that are produced as a result, however, stand to be resisted and contested from below [Conway and Heynen 2006] by those whose livelihoods get jeopardised and who are systematically coerced by the state apparatus in diverse ways thereby proving their vulnerability in the current order. One thus finds no mention of the issues of displacement, rehabilitation or compensation in the government

web sites [GOI 2007] on SEZs that are bursting with details on the requirements and potential of these zones.

Most of the SEZs are gigantic, requiring huge land areas (minimum 1,000 hectares for multi-product zones and 100 for the service sector ones). One must note the congruence of SEZ functional policy of keeping only 25 per cent land reserved for multi-product SEZs and 50 per cent for sector specific productive purposes while the rest for development of real estate, potentially creating speculative real estate bubbles in an effort towards absorbing surplus value, with the help of “neoliberal” urbanism [Smith 2002]. This arrangement explains the urgency from the part of the government to set up such zones. The speed with which they are being approved is alarming: 462 formally approved (Figure 1) till May, 2008 since the enactment of SEZ Act in 2005, comprising about 1,26,077 hectares. Out of these 462, Maharashtra accounts for the largest number (89), followed by Andhra Pradesh (75) and Tamil Nadu (59) (Figure 2) (see the Table, p 55) [GOI 2008].

Figure 2: Statewise Distribution of Approved SEZs 2008



Source: Government of India, 2008.

In 2000, the first SEZ policy in India was drafted and the SEZ Act came up in 2005. The said zones systematically are being projected as “carriers of economic prosperity” that would (i) boost economic growth at an extremely fast rate, (ii) usher in affluence in rural areas, (iii) provide large number of jobs in manufacturing and other services, (iv) attract global manufacturing and technological skills, (v) bring in private and public sector investment from both home and abroad, (vi) develop infrastructural facilities, (vii) make Indian firms more competitive, and (viii) help slow down rural-urban migration. In short, they are the officially acclaimed carriers of India’s modern industrialisation that would create an all round transformation and lead the country towards

a modern mode of living. A number of state governments in India, irrespective of their political ideology, are vying with each other to woo investors to come into their respective territories for which large-scale concessions and incentives are offered at both state and the central levels. To mention a few: (i) recognition as duty free zones and foreign territory in terms of trade operations, (ii) exemption from income, sales or service tax: 100 per cent tax exemption for the first five years and 50 per cent exemption for the next five years, (iii) exemption from examination of export/import cargo by customs, (iv) allowance to subcontract to any extent, (v) freedom from environment impact assessment (EIA) regime, (vi) allowance to bypass state electricity regulatory commissions and state taxes on raw material, (vii) exemption from import licence rules, and (viii) assurance of all basic infrastructure on priority. Section 49 of SEZ Act, 2005 empowers the government to exclude any or all SEZs from the control of any central law. This means that SEZs will not be governed by the law of the land. The incentives essentially speak of a distinctive status that the SEZs enjoy as “spaces of difference” [Berner and Korff 1995] that signifies them as autonomous functional units, delinked from the surrounding areas on functional terms, simultaneously having such links with faraway places through global networks. In reality, they reflect spatial imbalances at local level associated with economic decline, social inequality and fragmentation at wider territorial scales. It is argued [RUPE 2008] that because balance between requirements and incentives is grossly skewed in these zones that are heavily subsidised by both the government and public, huge loss to exchequers in tax revenues will occur.

Growth, Development and Distribution

The logic of establishing SEZs is resting heavily on concepts like “growth” and “competition” and the supposed economic magic they can achieve. It is now widely accepted in official circles that to succeed in the global market a country must have competitive advantage that they should utilise to the fullest. But who does not know that competition in the globalised world itself is unequal? While poorer countries find themselves pitted against global corporations having the necessary technological advantages of negotiating distance and locating economic activities anywhere, the former only have a huge reserve of workers, at various educational levels, whose wage rate is extremely low compared to the prevailing rate in the west. This may lead to high return on capital but not with an associated increase in real wage and personal income, as stated by several critics [Bhaduri 2007; Mitra 2006]. It has already been seen how the operational strategy of fragmenting production at differential spaces of development became a tremendous source of profit for global capital all the world over and a factor towards exacerbating immiserisation of labour. The latter while acting as a factor for the drastic profit rise, remained out of the growth target.

Thus as growth does not necessarily ensure equitable distribution of well-being, the more important questions are how growth is achieved and how far it gets distributed and reaches people at a per capita level. A brief mention of the contradictions between growth and well-being in China will not be inappropriate here. The latter is acclaimed as a country signifying tremendous

growth with a booming export sector. However, she is a successful exporter because her effective wage rate is significantly lower than in the west. If this gap in wages between China and the west got closed, or even significantly narrowed, then her growth strategy will no longer be successful. In the west, in the current epoch of “globalisation” the wage rate of workers has been virtually stagnant. As a result, Chinese wage rates, which necessarily have to remain persistently lower than the western ones for the success of her export-led strategy, cannot increase much either. No matter how high the rate of growth of labour productivity in China in the export sector, since this rate of growth of labour productivity is more or less what obtains in the west (because China is not an innovator and only adopts technologies innovated in the west), the growth rate of China’s wage rates cannot move out of sync with that of western wage rates. If the latter are stagnant then so must China’s be, even though labour productivity everywhere is rising at a fantastic rate’ [Patnaik 2007]. Harvey (2005) notes that hourly wages in textile production in China in the late-1990s stood at 30 cents compared to Mexico’s and South Korea’s \$ 2.75. This incredible wage labour advantage made China compete against other low-cost locations, such as, Mexico, Indonesia, Vietnam and Thailand in low value added production sectors and emerge as the major supplier of the us market in consumer goods. From 1990s she started moving up the ladder of value added production to electronics and machine tools and competing with countries like South Korea, Japan, Taiwan, Malaysia and Singapore that helped her earn the status of an off-shore production centre of these countries, besides the us, in a big way [Harvey 2005].

Also as low wage rates made capital saving innovations possible, highly productive Chinese factories reversed the process of

Table: State-wise Distribution of Approved SEZs in India (May 2008)

Sr No	State	Total Area in Hectares	Percentage Share of Major Types					
			IT/ITES	Biotech	Pharmaceuticals	Textile	Multi-Product	Others
1	Andhra Pradesh	10,825.4938	13.18	0.47	6.19	3.73	63.15	13.28
2	Chandigarh	58.4566	100.00	—	—	—	—	—
3	Chhattisgarh	10.77	100.00	—	—	—	—	—
4	Dadra Nagar Haveli	1,17.75	11.99	—	—	67.94	—	20.07
5	Delhi	3,86.04	19.38	17.83	31.92	—	—	30.87
6	Gujarat	33,803.1705	4.37	0.04	0.17	0.32	48.70	56.40
7	Haryana	16,87.223	34.16	3.49	—	6.80	42.49	13.06
8	Jharkhand	36.00	—	—	—	—	—	100.00
9	Karnataka	27,12.2099	39.72	2.70	32.04	8.60	—	16.94
10	Kerala	6,19.1683	31.44	1.94	—	—	—	66.62
11	Madhya Pradesh	5,47.207	63.23	—	—	—	18.27	18.50
12	Maharashtra	11,361.0385	12.75	1.91	6.17	7.04	48.73	22.4
13	Nagaland	4,50.00	—	—	—	—	88.89	11.11
14	Orissa	1,953.36	9.58	—	—	—	51.01	39.41
15	Pondichery	3,46.00	—	—	—	—	100.00	—
16	Punjab	2,84.07	18.33	—	8.33	35.67	—	35.67
17	Rajasthan	541.10	18.33	—	—	19.11	—	68.56
18	Tamil Nadu	58,500.724	58.44	—	—	0.17	3.95	37.44
19	Uttarakhand	468.20	6.10	—	—	—	93.90	—
20	Uttar Pradesh	8,47,6706	37.50	—	—	12.23	12.23	38.04
21	West Bengal	521.521	80.81	1.99	—	—	—	17.20
22	India	1,26,077.1732						

Source: Gol, 2008.

using expensive automated systems by taking capital out of the production process (the total capital required was reduced by one-third) and reintroducing a greater role for labour. How was it done? Between 1998 and 2002, the state-owned enterprises (soe) reduced their workforce by 1,03,000 and the net loss of manufacturing jobs reached around 15 million. But, inside the sezs, number of jobs, albeit contractual, started to grow. In these zones, overtime is usually compulsory and unpaid. Clark (2008) mentions, for example, that overtime may last from 6 pm to 6 am in peak seasons in the toy factories of Dongguan in the Pearl River Delta where 80 per cent of the world's toys are made by 3,00,000 Chinese workers, many of whom are children. A minute's delay in reporting for work may reduce pay by two hours and never any compensation is given for any work related accident or disease. Non-payment of wages and pension obligations in China have led to fierce labour protests in many areas. In 2002 in the north-eastern city of Liaoyang more than 30,000 workers from some 20 factories protested for several days that came to be known as the largest demonstration of its kind since the Tiananmen crackdown [Lee 2004].

What needs to be stressed is that China, one of the world's fastest growing economies (with 9 per cent growth rate), has also become one of the most unequal societies. The benefits of growth have reached only a small section of the urban society. Some studies compare China's social cleavage unfavourably even with Africa's poorest nations [Wu and Perloff 2004]. Regional inequalities, including intra-rural and intra-urban inequalities, have intensified in China with a few southern coastal cities surging ahead. At the same time, the interior areas and the "rush belt" of the northern region [Harvey 2005] and many rural areas get almost no support. They are forced to tax local farmers and impose enormous fees to finance physical and social infrastructure like schools, hospitals, road building, even the police. Poverty and the resultant unrest are seen to be intensifying.⁵

There have been far-reaching shifts in Indian policy in the last few decades facilitating large-scale entry of global corporate capital in almost all economic sectors, downsizing of labour, outsourcing of industrial and other economic activities and promotion of an aggressive urbanisation by modernising cities of different size, through direct policy interventions. Such policies are systematically keeping out a large section of the population from the growth process, creating a distinct space of the marginalised that has been steadily on the rise. A close connection is seen among these policies and that of the international financial institutions like the World Bank, the International Monetary Fund, Asian Development Bank, the global corporate sector, and quite significantly, the major capitalist countries. The role of the state has also been redefined into a modern, vociferous one facilitating private sector operation and a developmental governmentality, a "politically neutral" practice, pitched heavily on the rationality of experts and professionals [Sanyal 2007]. An increasingly irreversible production structure in favour of the rich has started consolidating and economic activities catering to the rich are being handed over to large corporations. Simultaneously a typical jobless growth is seen to flourish. To cite a few examples: the number of workers in the Jamshedpur steel plant of the Tatas came down from 85,000 in 1991 to 44,000 in 2005

while production rose from one million tonnes of steel to five million tonnes. This means output increased by a factor of five while employment decreased by a factor of half. Similarly, Tata Motors in Pune reduced the workforce from 35,000 in 1999 to 21,000 in 2004 while increasing production from 1,29,000 vehicles to 3,11,500. Bajaj motor cycle factory in Pune reduced the number of workers from 24,000 in the mid-1990s to 10,500 in 2004 while doubling the output with the help of Japanese robotics and Indian information technology [Bhaduri 2008]. In Maharashtra, the leading state in terms of foreign direct investment (FDI), the number of factory workers came down from about 1.22 million per day in 1989-90 to about 0.77 million per day in 2003-04, although the industrial output increased from around Rs 78,000 crore in 1992-93 to over Rs 2,36,000 crore in 2003-04. Even today Maharashtra is the leading state in the factory sector in terms of investment, gross output and net value added; it is only factory employment that has declined [Singhvi 2008].

This is only possible with a huge rise in labour productivity, as mentioned earlier, that again is largely contributed by the unorganised sector accounting for more than 90 per cent of the country's labour force. Ruthless exploitation of labour has thus become the source of increased corporate profit as well as international price competitiveness in a globalised world [Bhaduri 2008]. While the country's growth roars ahead at 8 per cent, growth in regular employment is found to have exceeded not even 1 per cent in recent years. Quite logically India accounts for the largest number of homeless, illiterate and ill-fed in the world [Bhaduri 2008]. A culmination of all the above processes, as argued by many, is the recent decision of establishing sezs – the largest in number among all countries – that will help the corporate sector directly appropriate land and resources and open up the possibility of having a huge army of cheap labour, a large section of them comprising the dispossessed. Surveys have found that workers in sezs work 5.3 per cent more hours than those in non-sezs and at hourly wages that are 34 per cent lower [Sen and Dasgupta 2008], obviously to offer labour power at a "competitive price" in the global production system. To facilitate this, sezs are declared as "public utility services" with several exemptions from the labour laws, including the Minimum Wages Act and the Contract Labour (Regulation and Abolition) Act, and where strikes will also be made illegal.

To recall, the Chinese state used its own uneven geographical development as a competitive edge over other countries and became a vociferous partner in facilitating the expansion of global capital by using its incredibly low-wage labour advantages. In a unique fashion, the state in China internalised welfare arrangements and social provisions within provinces, cities and local governments and relegated the rural dwellers as the least privileged citizens, physically separating them from the urban population by introducing residency permit systems. A state-manipulated market economy was created that delivered spectacular economic growth for a long period for a significant proportion of the population which, however, brought in its wake mounting social inequality, declining per capita foodgrains availability for the rural masses [Patnaik 2007], severe environmental degradation, and finally, a revival of capitalist class power [Harvey 2005]. In

India too, against a background of pervasive agrarian crisis, conversion of farmland into SEZs will clearly aggravate the problems of declining foodgrains availability. Already with a sharp decline in the public investment rates and public development expenditure in the primary sector, the consumption of the poor in the country is sacrificed. The agrarian crisis is getting manifested through a sharp increase in the number of landless rural households (in Kerala, the rise was from 5.8 per cent in 1992 to 38.6 per cent in 2002-03) and the large number of farmer suicides underlying which is a steep fall in the profitability of production engineered by neoliberal policies [Patnaik 2008].

The nature of the land that is being earmarked for the purpose of establishing SEZs in different states in India indicates to a large extent the vulnerability of the rural poor engaged in primary activity. The overall trend in all the states has been to acquire agricultural lands for SEZ activities that are located close to transport lines, highways or other infrastructures. Large tracts of land in agricultural areas in various states like Maharashtra, Orissa, Punjab, Haryana, Kerala and West Bengal (including multiple cropped lands) have been earmarked for the purpose. The above process of acquisition of farmlands for corporate sector, according to Patnaik (2008), will facilitate the entry of foreign corporates into agriculture and related activities through contract systems and domestic corporates into urban food retailing by sourcing from agriculture that will aggravate the problem of declining foodgrains availability and intensify the problem of unemployment among petty traders, in the long run. Acquiring wastelands for SEZs is also not a simple issue. Wastelands (India has 55.2 million ha of wasteland) can be land with scrub, grazing land, pasture or land on which shifting cultivation is carried out. Who does not know that the poorest and the most marginalised depend on these lands for their survival by way of collecting firewood, fodder for animals and minor forest produce? Much of the officially declared wastelands are actually common property resources [Down to Earth 2006]. To cite examples, in Maharashtra, 'dali' or 'gairan' lands, classified as wastelands and now earmarked for SEZs were being allotted since long to landless tribals or dalits for cultivation purposes. Similarly in Gujarat, common grazing lands are being taken away. The LAA of 1894 seems to have superseded all such rights of the people along with relevant progressive legislations like the panchayati raj (73rd Amendment) Act of 1992 entitling rights to villagers to decide their own course of development or the panchayats (Extension to the Scheduled Areas) Act, 1996 empowering the indigenous peoples for self-rule. In compensation debates too, the above user rights over land are bypassed while only owner rights are mentioned. The preamble to the National Relief and Rehabilitation Policy (NRRP), 2007 states that while acquiring land the state needs to minimise displacement and promote, as far as possible, non-displacing or least-displacing alternatives for which projects may be set up on waste lands, degraded or unirrigated lands. Acquisition of agricultural or irrigated land for non-agricultural use may be kept to the minimum and multi-cropped land may be avoided. Also, while acquiring land, adequate rehabilitation packages especially for the weaker sections need to be ensured and speedily implemented [NRRP 2007]. As none of these has

been followed in reality, fierce resistance struggles against "land grab" have erupted in different parts of the country leading to state atrocity and violence.

Underlying Logic: Legitimising SEZs

This brings us to the strategy of negotiating the contradictory spaces that are intertwined with the process of establishing these zones and its underlying logic. A careful analysis of the current development patterns in the country will make things clearer. There are three interrelated issues to take note of. Let us first look at the type of activities being developed in the SEZs. Only 5 per cent of the approved SEZs [GOI 2008] are multi-product while information technology (IT)/information technology enabled services (ITES) SEZs are 62 per cent (Figure 1). According to Upadhyaya (2007), providing lucrative employment opportunities for the above workforce contributes only to the reproduction and consolidation of the middle/upper class from whom this workforce is drawn. The total employment that the IT/ITES SEZs will create is negligible and if the number of potential jobs is put against the volume of investment one finds that one job will require an investment of Rs 1 to 1.5 crore or even more [RUPE 2008]. In 2006-07 the IT/ITES sector (including engineering services, R & D and software products) accounted for 4.3 per cent of the country's GDP, of which 80 per cent was from exports. But it accounted for only 0.3 per cent of the country's employment. Even if employment in this sector doubles by 2010, it will still account for a mere 0.7 per cent of the total employment but accounting for more than 6.5 per cent of the country's GDP which will be nine times its share in the workforce [RUPE 2008]. This is in addition to the fact that firms in this sector have strong external but weak domestic linkages, with 75 per cent of their output exported.

What else can be an enclave within the economy? Larger income generated in this sector will mainly boost demand for elite consumption like better housing, automobiles, organised retail, hotels and entertainment, banking and share market-related activities, etc, that will generate very low domestic employment, even though there may be an addition of some indirect jobs. Its enormous effect on real estate is evident which brings us to the second issue, i.e., the special status that real estate enjoys in contemporary times in the country, in general, and in SEZs, in particular. A major part of the growth envisaged in the SEZs is through real estate and infrastructure. Huge tracts of lands within SEZs are being reserved for real estate projects involving "luxury constructions" that are being projected as infrastructural development. For example, the 5,100 acres of land to be given to the Salim group (of Indonesia) in West Bengal where the investors will bring Rs 44,000 crore will mainly go for making golf courses, hotels, recreation, commerce and world class residential complexes, generating employment to not even 5,000 people [Mitra 2006]. The requirement of surplus capital or profit to regenerate itself through fresh investments, given the coercive laws of competition, is thus met through real estate and/or "infrastructure development".

One may recall Baran's (1958) argument that the effect of infrastructural facilities would be nix if they remain alien and do

not become a part of an economic environment or a socio-economic structure into which they have been built. In such cases, they would only accelerate disintegration of the peasant economy and contribute towards a more intensive mercantile exploitation of the rural interior. Along with "industrialising" the countryside, such infrastructural development serves to urbanise and modernise the countryside as well, helping in the process, the expansion of the space of consumption. In case of China, "real estate" development in and around large cities and inside the export processing zones became another privileged path towards amassing immense wealth in a few hands. Since peasant cultivators did not hold title to the land, they could easily be dispossessed and the land converted to lucrative urban uses, leaving the cultivators with no rural base for a livelihood and forcing them out of the land and into the labour market. As many as 70 million farmers may have lost their land in this way over the last decade [Harvey 2005]. Acquisition of peasant lands in India currently for the corporate sector and for SEZs has been identified as a new phase of primitive accumulation [Patnaik 2008] whereby lands are used more for real estate development and land speculation than for new manufacturing activities.

The idea that urban real estate redevelopment has become a central motive force in the age of neoliberalism [Smith 2002], fits well with the fast pace of real estate development in SEZ enclaves and in many large cities. The township of New Rajarhat in Kolkata, West Bengal, built upon the displacement of an agrarian community or the Maha Mumbai SEZ coming up on agricultural lands in western Maharashtra in the periphery of Mumbai or the 2,500 acre new township being built in the Ghaziabad district of Uttar Pradesh by the real estate developer Ansals are pertinent examples. Meryll Lynch has recently stated that the growth of real estate sector in India will be up to \$ 90 billion in 2015. In 2005 it was \$ 12 billion.

Finally, in close association with the above two, comes the final issue of opening up of the internal market and helping a consumer class grow, mainly in large cities, that would act as a forerunner of the contemporary modernity and preclude large-scale social unrest that may arise out of the displacement and dispossession that the contemporary growth process leads to. Budget allocation for large cities is a good indicator to understand this phenomenon. Enormous capital is pumped into the cities especially the larger metropolises that are experiencing drastic restructuring [Banerjee-Guha 2002] in order to be developed as an ideological base of corporate capital that would work towards lending a logic to the aggrandisement of economic globalisation in a garb of modernity. One may recall the hype created about the importance of mega cities by the introduction of the Mega City Programme in 1991, that renewed the flow of investment into these cities and their regions. The same cities are now in the priority list of the central government for large-scale gentrification through World Bank-aided central government's urban renewal programme, the Jawaharlal Nehru Urban Renewal Mission (JNURM). Huge funds are being allocated for the National Highway Project connecting larger metropolises and facilitating expansion of interstate automobile travel. The fenced off eight-lane Mumbai-Pune Expressway, maintained by a private firm, cuts across agricultural

fields lying on its two sides, preventing villagers to reach their field located across. The same is the case with the fenced off Bangalore-Mysore Infrastructure Corridor Project Expressway.

Similar road rage [Low and Banerjee-Guha 2003] is seen in the reorganisation of intra city transport focusing on flyovers, metros and elevated channels bypassing the development of the basic public transport system on which more than 80 per cent of the residents in each city depends. A surging consumer culture is engulfing these cities [Harvey 2005] in which material manifestation of inequalities like "gated communities", "edge cities" of hi-tech activities, spectacular consumption zones, shopping malls and theme parks heightens the logic of aestheticising urban development [Kipfer and Keil 2002] and dissociating it from public discourses. The related cultural implications works towards justifying a unified urban planning vision that is significant for the construction of hegemony [Lefebvre 1991] and a "dominant" culture comprising competition, modernity and exploitation [Banerjee-Guha 2002]. With a flexist imposition of global imperatives, these cities act as links between global capitalist culture and local spatial formations prioritising grandiose projects of infrastructure, cultural and commercial facilities, all representing gentrification. Perpetrated in the name of urban planning, in the present time it is helping to reconstitute bourgeois hegemony and resonate an intensely polarised capitalist urbanisation process having a range of impact. In India, it is also reflecting the contradictions of state institutions that are essentially a crystallisation of uneven development, indicating towards a process of "rescaling", "decentralising", "localising" and "internationalising" – a unified and a larger process of neoliberal restructuring of contemporary times. It partly rests on existing inequalities, but largely on the reproduction of newer areas of decline and growth, based on contemporary forms of economic momentum.

Together they work towards a process of accumulation by dispossession at different socio-spatial scales and simultaneously lend a theoretical justification to contemporary development patterns. "With its monopoly of violence and definitions of legality, [the] state plays a crucial role in...promoting these processes" [Harvey 2005: 159]. Concomitantly, it brings in its wake, various institutional realignments and political adjustments, imposing newer forms of market discipline upon global, national and local social formations. Amidst the process of creating an "utopia" of a free market, in practice it shows up a dramatic intensification of a coercive disciplinary form of state intervention to impose market rule. Interestingly, while the majority of the people, by this process, are subjugated to the power of market forces, social protection is kept reserved for the strong [Gill 1995]. As Lipietz (1992) suggests, it is taking place on an aggressively contested institutional landscape in which newly emerging "economic spaces" interact conflictually with inherited regulatory arrangements, providing a political arena through which subsequent struggles over-accumulation by dispossession and its associated contradictions are getting articulated and fought out [Brenner and Theodore 2002].

It, therefore, needs emphasis that the contextual embeddedness of the above processes as they are being produced within national,

regional and local scales in India, are getting defined not only by the nexus of policy regimes, disciplinary political authorities and their regulatory practices, but also by resistance struggles, consolidated grassroots movements and mobilisation of progressive forces towards challenging the corporatised development paradigm.

Enforcement of market rule over a wider range of social relations and the impact of the ongoing "creative destruction" of politico-economic spaces at multiple geographical scales need to be understood in the light of the contradictions generated there from. It then becomes clear that the nexus stands challenged.

NOTES

- 1 Accumulation by dispossession, according to David Harvey (2005) can take several forms in the present time. Escalating depletion of natural resources like land and water and their privatisation, degradation of land and settlements by capital intensive farming that results from commodification of nature, patenting of general material and using them against people who contributed in developing them, corporatisation and privatisation of public assets, withdrawal of social welfare laws (that were earned through long struggles) protecting labour rights and rights of the poor, pension benefits, national healthcare all indicate towards practices and policies of dispossession pursued in the name of neoliberal orthodoxy. For further clarification, see David Harvey, *The New Imperialism*, Ch 4, Oxford University Press, UK, 2003. In a recent article on Indian SEZs, Sampat (2008) has clarified the process.
- 2 The process denotes removal of all spatial barriers to international production and exchange and simultaneously entails space differentiation and uneven development to exploit region and country specific characteristics, such as levels of income, wage rate, labour laws, laws related to environmental impact assessment, etc. The upshot is that the development of the space economy of capitalism is beset by counterposed and contradictory tendencies. See Swapna Banerjee-Guha, *Spatial Dynamics of International Capital*, Ch 2, Orient Longman, 1997; David Harvey, *The Limits to Capital*, Ch 13, Basil Blackwell, 1982; Henri Lefebvre, *The Production of Space*, Basil Blackwell, 1991.
- 3 The point that needs to be stressed here is that these changes in relative space are neither accidental nor arbitrary but integral to the production of the national scale and its differentiation into rising and declining regions. See Neil Smith, *Uneven Development*, Ch 5, Basil Blackwell, N Y, 1984; Also, A Markusen, *Regions: The Economics and Politics of Territory*, Rowman and Littlefield, 1987.
- 4 For a detailed analysis on Neoliberalism and China, see David Harvey, *A Brief History of Neoliberalism*, Ch 5, Oxford University Press, 2005.

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