

SPECIAL ECONOMIC ZONES (SEZs): UNTOLD AGONIES

Experiences from Asian Countries

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ON THE COVER: Young and old, Singur (West Bengal, India) residents oppose the conversion of their farm lands into a Special Economic Zone.

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Chapter 1: Expansion of SEZs under Neoliberalism

1. Introduction: Background of the Paper

Special Economic Zones or SEZs are taking centre-stage in the debate concerning development in Asia today. The rapid expansion of SEZs in various Asian countries have initiated a widespread debate on the impact of such zones on the economic growth and development of the concerned nations.

As evident from its name, an SEZ refers to an economic zone which receives very special and preferential treatment from the national government. These SEZs in Asia and elsewhere serve international as well as domestic markets with a focus on exports. Other economic zones with a similar nature include Export Processing Zones (EPZs), Free Trade Zones (FTZs), Special Industrial Belts, etc. Despite the existence of different types of economic zones, the SEZ is emerging as the most dominant model in Asia in the twenty-first century.

This paper aims to highlight the impact of SEZs and similar zones on the livelihoods of common people in Asia, an aspect which has received little attention in SEZ-related literature so far. The main argument of this paper is that economic growth, as demonstrated in rising Gross Domestic Product (GDP), is not necessarily the same as economic development nor does it always mean an improvement in the well-being of the majority of the people in a country. Moreover, a nation's development path should be defined by the people's aspirations and priorities rather than corporate interests; and the development process should respect human rights standards. Growth devoid of the above attributes is destruction in disguise. The paper concludes that it is erroneous to claim that SEZs would foster all-round development in Asian countries and would result in poverty-reduction. Despite limitations, this paper, within its defined scope, has tried to integrate information on the development of SEZs in Asia in a comprehensive framework of analysis, focussing on the role of these zones in shaping and intensifying hunger, poverty and inequality in this region.

This work is primarily based on secondary information and case studies available from various governmental institutions and civil society organisations (CSOs) and it is not supported by any separate empirical research. The first chapter of this paper details the link between the emergence of SEZs and the introduction of neoliberal policies in Asia. It also gives an overview of the expansion of such zones in different countries in the region. The second, third and fourth chapters summarise existing arguments for and against SEZs in Asia and present a critical analysis of the most common arguments. The fifth chapter deals with emerging resistance against SEZs in Asia, while the concluding chapter questions the existing model of development which promotes SEZs and briefly discusses possible peoples' alternatives.

This paper does not claim to provide an analysis of all the intricate dimensions of the development of SEZs in Asia and their linkages with the global political order. This, however, is an attempt to inform civil society groups about the major concerns arising from the expansion of economic zones in the continent; and to urge concerned researchers and activists in Asia to engage in more in-depth micro researches on the impact of SEZs and similar zones on household food sovereignty and the food sovereignty of nations in the long run.

2. Neoliberalism: the Driving Force behind SEZs

The SEZ epitomises the principles of the neoliberal economy. It is the neoliberal recipe for rapid economic growth in developing countries in Asia, highly promoted by multilateral institutions and eagerly accepted by governments throughout the region. The table below explains the differences between different economic zones as per their size, location, activities and markets. Despite some differences these zones are basically similar in nature as per their economic policies.

Zone	Objective	Typical Size	Eligible Activities	Markets
Industrial Zone	Industrial development	< 100 hectares	Mixed Industry	Domestic and export
Free Trade Zone	Support trade	< 50 hectares	Ports, airports Mostly trade-related processing and services	Re-export, domestic
EPZ	Export manufacturing	< 200 hectares	Ports, airports Mostly manufacturing	Export
Enterprise Zone	Urban area renewal	< 50 hectares	Inner city areas All	N/A
SEZ/FEZ /Freeport	Integrated development	> 100 km ²	Mixed Multi-use	Domestic, internal, export

Source: FIAS Bearing Point, Inc. 2004

This SEZ policy is an opportunistic alliance between the neoliberal agenda of less state intervention and policies of state-led development aimed at maximizing profits from the open market regime. A strong motivation of the governments behind the promotion of SEZs is the desire to overcome economic crises and debt burdens. In order to cope with deteriorating economic conditions and in a few cases to overcome economic stagnation, these countries introduced

trade liberalisation policy (as part of structural adjustment programmes or SAPs), an important component of which was the development of free trade zones or SEZs. The irony was that in doing so most of these countries further exposed themselves to a greater degree of vulnerability and risk, which was manifested in economic disasters faced by some of these countries at a later stage.

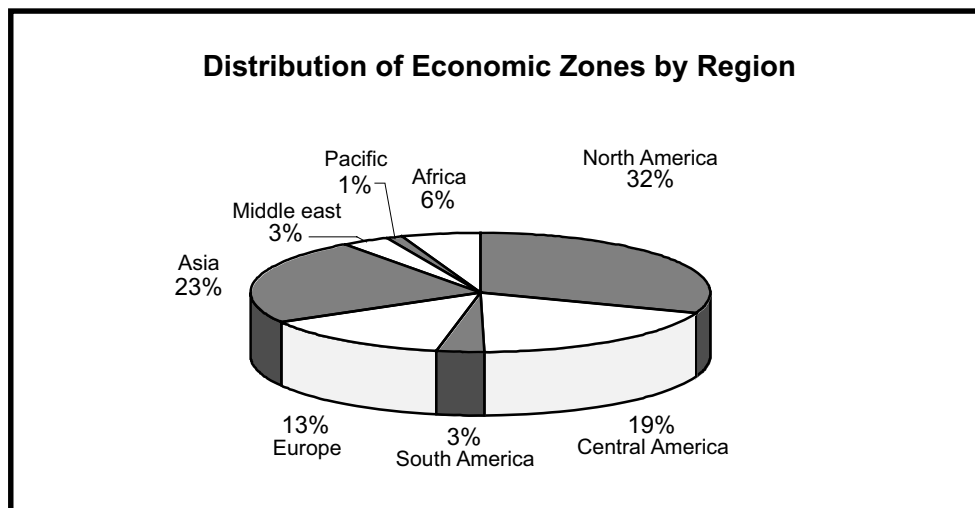
1970s	2003
30 countries	120+ countries
80 free zone projects	2,000+ zone projects
No private zones	1,200+ private zones
Total exports: \$6billion	Total exports: \$600+ billion

Source: FIAS Bearing Point, Inc. 2004

Table 2 illustrates the rapid growth of economic zones in the world. These zones, among which SEZs are dominant, have steadily expanded all over the world and presently more than 2,000 zones are in operation; around 26% of which are in Asia. China is the leader in SEZ development in Asia followed by Indonesia, the Philippines and India. An estimate shows that SEZs in China

employ more than 30 million people which comprise 60% of the total working force in SEZs globally (ILO 2007). India is emerging as the new leader in SEZ and as per statistics available from the government, 63 SEZs are in operation in the country as of 2007 and 234 SEZs have obtained formal approvals so far (GOI 2007).

Figure 1.



Source: FIAS Bearing Point, Inc. 2004

3. Definition of the SEZ and its Expansion in Asia

A common definition of the SEZ could be derived from various literature: an SEZ (or an economic zone) is an isolated foreign enclave in a host country for industrial activities. It is entitled to enjoy a very special status in the country and has liberty to run the activities within the enclave as per its own rules and regulations (Sharma 2006). It is essentially a duty free zone which receives very generous production incentives from the state. These incentives include complete exemption from excise duties, custom duties, sales and income taxes, etc. Moreover it has provisions for 100% Foreign Direct Investment (FDI); exemption on income tax on infrastructure, capital fund and individual investment; and an assurance of steady electricity and water supply. These zones are even commonly exempted from important environmental regulations and labour laws even as states often have very limited power to intervene in their activities.

The definitions of the SEZ and similar zones as adopted by various Asian countries reveal the common characteristics of these zones in diverse geographical settings. The government of China envisaged SEZ-promotion as a pillar of coastal development which fits with the reform and open policy agenda of the country (OTA 2006). The Indian government has defined SEZs as designated duty-free enclaves to be treated as foreign territory for trade operations and duties and tariffs (GOI 2007). In the Philippines SEZs are defined as areas which are highly developed or have

the potential to be developed into agro-industrial, industrial, tourist/recreational, commercial, banking, investment and financial centres (ADB 2005).

3.1 Developing the Legal Framework for the Promotion of SEZs

The first step towards the promotion of SEZs and other economic zones is the creation of an appropriate legal environment at the country level. In China the reform towards integration with the open market system intensified in 1978, when a decision in favour of open market policies was adopted at the 11th Communist party meeting. Soon after that, four SEZs were set up in 1980, three of them — Shenzhen (near Hong Kong), Zhuhai (near Macao) and Shantou — were located in Guangdong Province and one at Xiamen (across Taiwan) in Fujian Province. A fifth SEZ was installed in Hainan Island in 1988 (OTA 2004). All SEZs were located along the coast owing to easy access to sea transport. The next big expansion of SEZs took place in 1984 with the sanction of at least 14 new SEZs. In February 1985, three coastal areas (Pearl River Delta, Southern Fujian Delta, Yangze River Delta) were designated as Open Economic Zones (OEZs) and were endowed with similar preferential incentives to promote export production and the inflow of foreign capital (OTA 2004).

Singapore initiated export promotion policies between 1965 and 1988 through various stages of economic restructuring, which paved the way for the promotion of free trade zones (FTZs) in that country. These transformations were driven by

balance of payments problems, rapid inflation, and high levels of foreign borrowing in the 1960s. Indonesia implemented the “New Order Policy” in 1970 which gradually paved the way for SEZs. Big investors from South Korea, Japan, Taiwan and Hong Kong have invested in Indonesia to take advantage low production costs and unfulfilled export quotas (Thamrin et al 2007). The Philippines enacted the Special Economic Zone Act in 1995 to promote economic zones in the country. In India the first EPZ was installed as early as 1965. In 2000 the government renamed all EPZs as SEZs and offered more incentives to investors. In 2005 the government enacted the SEZ Act and the rules were notified in February 2006.

Other countries like Malaysia, Thailand, Bangladesh, Sri Lanka and Pakistan also developed favourable environments for the promotion

of SEZs in their countries in an attempt to integrate with international markets in a profitable way. Special authorities were formed in different countries to monitor and promote these zones. In Singapore, for example, the whole effort was coordinated by the Economic Development Board (EDB) – the state’s pilot agency. The Industrial Estate Authority of Thailand (IEAT) was established to monitor the growth of FTZs in that country. In the Philippines, the Philippine Economic Zone Authority (PEZA), a government corporation, formulated and implemented the policies, rules, regulations and standards governing economic zones.

These SEZ-friendly policies have resulted in large-scale investments in these developing countries as desired by their respective governments. Today hundreds of SEZ/EPZs are in operation across Asia.

Table 3. Distribution of Economic Zones in Asia and their contribution in national economy

Countries	No. of Zones ¹	Total Employment	Investment in USD million	Zone export in USD million	Zone export as % to total export
China	164	40,000,000	17.03 bn	145.06 bn	59.33
Indonesia	115 ²	6000,000	11.31 bn	18.4 bn	na
Philippines	78	1128197	1.270 bn	32.03 bn	60
Thailand	32	451599	1.442 bn	8.242 bn	na
Malaysia	213	491488	5.512 bn	12.6 bn	83
India	8 ³	100650	7.96 bn	4.9 bn	na
Sri Lanka	16	410851	287	1263	38
Bangladesh	8	3438394	1035	11716.98	75.6
Pakistan	26	888312	3872.50	8073.1	na
Vietnam	18	950000	1067		80
Korea republic	3	39000	11.56 bn	30.61 bn	na
Taiwan	5	67646	24,628,508	343	na

Source: ILO database on export processing zones 2007

3.2 State efforts to promote SEZs through incentives

Despite favouring neoliberal policies, states have not left SEZs to their own fate or to comparative advantage for ensuring profit. On the contrary, states have strongly intervened in developing these zones, thereby ignoring open market principles.

Asian countries are virtually in competition to draw FDI and they have offered several incentives to attract investors particularly to these zones. In China, SEZs have received incentives like preferential tax status to foreign investors, lower tariffs, better infrastructure, more flexible labour markets, and less bureaucratic control (Panagariya, 1993). Various industries have grown in Chinese SEZs like manufacturing, ser-

vice industries (such as hotels, retail and tourist industries), agriculture, housing construction, infrastructure development, etc. and have attracted considerable FDI (OTA 2003).

Singapore has increased tax incentives in FTZs/EPZs since 1967. New industries which are qualified for 'pioneer' status are exempted from the 40% profits tax for a period of five, ten, or more years. Afterwards, under the Industrial Expansion Ordinance No. 2, income taxes are reduced for firms that expand in order to produce approved products. Export incentives in this country include a 90% tax exemption for 5-15 years for export profits derived from sufficiently large investments (Wei Lan 2001). By 1983 21 EPZs were in operation in Singapore, covering 2,895 foreign and indigenous companies, and having nearly 212,000 employees (Mirza 1986). At present, the five most important FTZs in the country are located at the Port of Singapore, Jurong Port, Sembawang Wharves, Pasir Panjang Wharves, and at the Cargo Terminal Complex of Changi Airport.

In Thailand 34 industrial estates are located in 14 provinces among which 22 estates are run by the private sector. The Industrial Estate Authority of Thailand Act has enabled investors to receive lucrative incentives like easy access to licenses or permits, for instance, for land allocation, factory construction, etc., as well as tax benefits and reduction in customs and other duties.

As of September 2003, there were about 96 SEZs/EPZs in the Philippines providing the following incentives: (i) income tax holiday or exemption from corporate income tax for 4 to 8 years; (ii) exemption from duties and taxes on imported capital equipment, supplies, and raw materials; (iii) domestic sales allowance equivalent to 30% of total sales; (iv) exemption from export taxes; and (v) lenient immigration laws (ADB 2005).

Since the introduction of the new policy for promoting FTZs, Indonesia experienced a 194% increase in foreign investments. In 1993, as part of the negotiations for the General Agreement on Tariffs and Trade (GATT) and the Asia-Pacific Economic Cooperation (APEC), the country eliminated all restrictions on foreign investments.

Indonesia's first EPZ, Nusantara Bonded Zone (KBN), was opened in Jakarta (West Java) in 1986. The Surabaya Industrial Estate Region (SIER) was established in 1991 in East Java. Later that year, a third zone, PIER, was built in East Java. The fourth, the Batarn Industrial Zone, was also located in East Java. Most of Indonesia's EPZ factories produce garments and shoes. Recently the Indonesian and Singapore governments signed an agreement to develop the province's three main islands into an SEZ investment magnet. The government's newly established special economic zone that embraces Batam, Bintan and Karimun islands have seven initial investment projects worth US\$566.4 million (Hudiono 2006).

India, Bangladesh, Sri Lanka and Pakistan are also not lagging behind in offering incentives to lure investors in SEZs. The Indian central commerce ministry's web site has declared that the state will provide land, develop infrastructure and render other support services at a subsidised rate to the industries in SEZs. To date, the Government of India has approved 234 SEZs out of which 162 are approved on principle, and 63 SEZs have been notified in different states (GOI 2007). Bangladesh, besides offering tax holiday for ten years and a reduction to 50% of total tax attributable, exempted the zones from three major labour laws since 1989. These include the Factories Act, the Industrial Dispute Act and the Employment of Labour (Standing Orders) Act. These were replaced by two instructions on labour relations and all EPZs considered this step as a major incentive. The country formulated the Export Processing Zones Act of 1980, Foreign Private Investment Promotion and Protection Act of 1980, and the Private Export Processing Zone Act of 1996 to facilitate the growth of EPZs.

Sri Lanka, in the beginning, followed the way of offering incentives to investors like other countries. These included 100% foreign ownership; a tax holiday up to ten years with complete tax exemption for remuneration of foreign personnel employed, royalties and dividends of shareholders during that period; and duty exemptions for the importation of equipment, construction material and production inputs (Aggrawal 2005). In addition, EPZ units were provided with industrial services such as land, power, water and telecommunication services at

subsidized rates. However, in the late 1990s, the government curtailed the incentives. Tax holidays were gradually reduced to 3-5 years. Furthermore, conditions for tax exemptions on dividends, exemptions in turn-over tax and expatriates' incomes were made more stringent. All labour laws were made applicable. The ban on trade unions in these zones was removed.

Pakistan paved the way to economic zones through policy reforms implemented in 1994 aimed at better integration with open markets and large scale privatisation. During this period, an EPZ was set up in Karachi. The concessions and facilities offered included duty-free imports and exports of goods, and tax exemptions. Overseas Pakistanis were not required to disclose the origin of their funds for investment and were allowed to bring in second-hand machinery without any surveyor certificate (Khan et al 1999).

The literature describing the promotion of these economic zones in Asia is quite rich in detailing the incentives and other forms of support provided to investors by governments for the steady growth of these zones. Several arguments have been put forward by the champions of SEZs in justifying the incentives provided to these zones. The existing literature have mostly argued in favour of SEZs, citing their potential in creating employment, developing skills and knowledge, and infrastructure in the host countries, all of which would eventually lead to all-round economic development. The following chapters critically examine these claims and try to determine the impact of these zones on the livelihoods of common people in various Asian countries.

Chapter 2: SEZs as Engines of Economic Growth in Asia: A Critical Appraisal

1. SEZ and Economic Growth: Lessons from Asia

The advocates of SEZs claim that these zones would be the engine of growth and motivate industrialisation. However, experiences from Asian countries are not uniform enough to come to this general conclusion. The literature reviews indicate that while some countries have been able to benefit from these zones temporarily, others have not. In this context, it is imperative to question the model of SEZ-centred growth imposed on developing countries by the neoliberal global order. This chapter will provide a critical analysis of the key arguments in favour of SEZs and will illustrate the ground realities with case-examples from various countries in Asia.

2. FDI and Economic Growth

The most common expostulation in favour of SEZs is that it fosters quick economic growth. The key indicators which are used to determine this growth include increasing flow of FDI, growth in export-oriented production, and growth in GDP. There is no doubt that countries like China, India, Singapore and Indonesia have registered growth in GDP over the last 20 years and this was partly due to their success in attracting FDI and increasing export production. In China, for example, GDP growth in 2006-2007 was 10.7% while India recorded a 9.2% growth. These figures coincided with increasing FDI and export earnings of these countries. Whether increases in GDP and FDI have contributed to the all-round development of these two countries, however, remains a question. During the same period of GDP growth, these two big Asian countries continued to suffer from unemployment, acute poverty and hunger. Despite exemplary economic growth, China and India performed poorly in Human Development Indicators over the same period. China's Gini coefficient touched 0.496 in the year 2006 which was worse than many other Asian countries including India (ADB 2007). The rural-urban gap in terms of economic development has also widened in China. India experi-

enced several starvation deaths over the same period and the poverty situation remains appalling.

The impact of FDI on growth is far from clear and the impact varies across countries under different economic conditions. To ensure the steady inflow of FDI, Asian countries need to maintain their growth momentum in order to improve market size, frame appropriate labour policies, improve infrastructure facilities, and follow more open trade policies. In other words, further integration with the open market system is a precondition to ensuring steady inflows of FDI. However, uncontrolled or unregulated integration with the open market has resulted in serious economic crises in several Asian countries; the widely known Asian economic crisis in 1997-98 was just one example among many.

The ability of FDI to create employment opportunities in a country largely depends on the labour market of the country, and the degree of knowledge and skills of the labour force. Moreover, FDI displaces domestic investment due to technological superiority, better management and more efficient production processes (Sahoo 2006). The relationship between FDI and domestic investment depends, among other things, on the quality of FDI, domestic regulatory environment, etc. which are increasingly determined by global actors and not by poor nation-states. An estimate of the impact of FDI on domestic investment in South Asia was done by Sahoo (2006) for two periods, 1970-2003 and 1990-2003. He observed that the direction of FDI inflow was positive for the current period and for the whole period of 1970-2003 with minor fluctuations. However, according to him, the large inflows of FDI failed to contribute significantly to domestic investment.

FDI is considered a powerful tool for export-promotion. However, whether FDI would actually contribute to export-promotion depends upon the motive of investment. If the FDI aims to make use of cheap inputs and capture domestic markets, thereby displacing domestic producers,

then no considerable export-promotion would occur. On the other hand, FDI could also be motivated by the desire to exploit the country's comparative advantages to tap the export market, leading to export growth. But as in most cases, the profits are not essentially reinvested in the host country by multinational corporations (MNCs). It is therefore difficult to conclude that export-promotion due to FDI would automatically translate into the economic well-being of a host country.

Thus, it is perceptible that increasing flows of FDI in SEZs are not synonymous with economic growth of a country, or empowerment of domestic industries. Neither does FDI ensure sustainable employment generation nor does it guarantee skill-upgrading of the host country. On the contrary, the SEZs — which are the magnets of FDI — have increased economic disparities in many countries and contributed to disproportionate economic growth within the different regions of a country. Moreover, cases from different countries have proven that fostering economic growth that is mainly dependent on FDI is risky and unsustainable in the long run. These concerns are further detailed below:

3. SEZs: Promoting Regional Disparities

The major SEZs in China are confined in Guangdong and Fujian Province. Within a few years, these two provinces became economically powerful due to profits from SEZs. Between 1979 and 1995, China received the largest share of FDI in the developing world amounting to US\$128.1 billion (OTA 2003). But the distribution of the FDI that flowed into China has been severely skewed with the coastal areas accounting for over 90% of all FDI inflows since 1979. Among coastal regions, Guangdong, Fujian, Shanghai and Jiangsu received the most substantial amounts of FDI.

This has triggered uneven economic growth within the country. Enticed by the economic boom in the coastal districts, thousands of SEZs were likewise established by local governments in other parts of the country in an effort to attract FDI, but with little success (Wei and Liu, 2001). Regional disparities had not been reduced, but rather worsened in this period. Income inequality in China, measured by the Gini coefficient, reached 0.403

in 1998 and has continued to increase. However, policy makers have chosen to prioritise macro-economic growth even at the cost of equity in income distribution and opportunities. The income gap between provinces increased and the relative position of provinces as “rich” or “poor” became rigid (Okushima et al 2005).

In the Philippines, the 1997 Philippine Human Development Report noted the uneven geographical concentration of development and growing regional disparities in the country (HDNUNDP, 1997). Similarly, Tadjoeidin (2003) has observed the uneven development of trade and industrial centres in Indonesia evident in growth enclaves and worsening inter-regional disparity. Only 13 districts in Indonesia out of 291 are known as industry, trade and service enclaves — the majority of FTZs are located in these districts. The disproportionate growth of these districts is policy-driven, based on comparative advantages deriving from such factors as strategic location and infrastructure. Examples are the city of Batam, Jakarta and Surabaya (Tadjoeidin 2003).

In Bangladesh, industrial output is concentrated around the two major metropolitan centres, i.e. Dhaka and Chittagong. In 2000, 65% of manufacturing GDP originated in just 4 of the 64 districts in the country. Rapid industrialisation and expansion of economic zones in Bangladesh are bypassing large parts of the country (Mahmood 2007).

In India, SEZs were initially located in comparatively well-off states with better infrastructure. Andhra Pradesh, Maharashtra, Tamil Nadu and Gujarat — all wealthy states — have managed to receive the majority of SEZs. In 2006, out of 106 formally approved SEZs, 65 were located in these states (Gupta 2006). Andhra Pradesh had 20 of the approved SEZs, while Maharashtra had 18 zones; Tamil Nadu had 16; and Gujarat 11 zones. This concentration of SEZs in richer pockets intensifies income gaps and disparities between states in India.

Thus, the country experiences clearly indicate that SEZs intensify uneven economic growth within a country, and as the state has very little power in controlling these investments, state efforts to redirect investments in backward regions

have remain largely unsuccessful. In Bangladesh, India and Sri Lanka, the government has made special packages available for investors willing to invest in poor regions. In China, the government has more recently tried to ensure development of SEZs outside the existing SEZ districts. However, all these efforts have remained mostly unsuccessful and the investors have opted to concentrate in the well-off districts with good infrastructure and facilities. The propensity of SEZs to concentrate in a few pockets nullify the claim of their promoters that these would lead to infrastructure development all over the country, particularly in the poorer regions.

4. Sector-wise Disparity of Investments in SEZs

The distribution of SEZs is highly uneven across the economic sectors as well, leading to disproportionate growth of economic activities in the host country.

In India majority of SEZs are Information Technology-related⁴, which is not an indicator of sustainable all-round industrial growth. India's performance in manufacturing industry remained comparatively poor and the government was not successful in directing FDI in diversified industries which could strengthen the national economy. In China SEZs are dominated by manufacturing industries since the country's major advantage is absolutely low labour cost, less regulations and various schemes of incentives. A point of concern for China is the gradual reduction in growth-rates as the country's comparative advantage of low wages diminishes. In other countries like Bangladesh, Sri Lanka and Indonesia, most of the industries in SEZs are in low-technology, low-cost, labour-intensive, export-oriented manufacturing; thus nullifying the rationale of skill-upgrading of host countries and strengthening of domestic industries (see Chapter 3).

5. Unsustainable Economic Growth Fostered by SEZs

Country experiences have illustrated that the benefits accruing from SEZs are often short-lived.

SEZs are based on free market and liberalisation policies as well as on increased privatisation. However, many researches have dispelled the idea that further liberalisation—increased privatisation and the imposition of “free market” principles—will lead to sustained economic growth (Beams 2003). A report by the United Nations Conference on Trade and Development (UNCTAD) confirmed that the replacement of state interventionist policies by market-led development policies have failed to yield all-round development for poor countries. Policies based on downsizing the public sector often undermined growth and hampered technological progress. The report noted that industrial progress had halted in much of the so-called “developing world” with only eight of 26 selected countries experiencing an increase in the share of value-added by manufacturing to GDP between 1980 and 2002. In many countries, liberalisation had led to inconsistencies in trade, macroeconomic development, foreign investment and financial policies (Beams 2003). Moreover, foreign investments in SEZs depend largely on global market demands and the world economy which is quite volatile; and increasing global competition combined with volatile markets make SEZs unsustainable.

“SEZs baffle the country's statistic and metric by short-term spurts but just like administering steroids it kills slowly the country in any middle to long-term tenure - it is capital de-formation on a longer tenure — a bad proposition!” (Bose 2006, pp. 2).

6. SEZs Leading to Loss of Revenue for Countries

Almost all Asian countries have offered lucrative packages to investors for FDI in SEZs (see Chapter 1). The investors are also allowed to repatriate their profit freely. The experiences show that all these relaxations lead to loss of revenues for these countries and do not contribute to the long-term economic development and self-reliance of the host nations.

The Finance Minister of India, P. Chidambaram, the central Reserve Bank of India and even the International Monetary Fund warned the Indian government that tax benefits accorded to

industries operating in SEZs would lead to massive revenue losses. The estimated at 900 billion rupees, or \$19.5 billion during the initial phase. Tejal Kantikar et al (2006) observed that experience in China had been that of companies wrapping up their industries once the tax holidays expire. According to the new tax policy of China which would be put into effect starting January 2008, SEZs would continue to enjoy preferential treatment and this new policy would lead to a revenue loss of 93 billion approximately.⁵

Thus, if the number of SEZs continue to grow, the nation-state will be losing more potential income. Furthermore, economists are concerned that many industries would shift from non-SEZs to SEZs in order to avoid paying taxes. Sharma (2006) cited the example of the IT sector in India where tax exemptions currently enjoyed by this sector comes to an end in 2009-2010. Therefore, a large number of IT companies have already applied for setting up SEZs, and in India currently, IT is the dominant industry in these zones. The revenue losses will surely aggravate the deficit in the budget and will result in expenditure cut-backs. In the neoliberal regime, the soft targets of these reductions are often the social sectors which will result in the worsening of the economic conditions of the poor, and would weaken the economic future of the country in the long-run.

Bose (2006) observed that reliance on SEZs will also increase the debt burden of the country:

“With every additional SEZ in the country the marginal productivity of one invested dollar loses its comparative sheen after the number of SEZs had reached a critical number. A country cannot sustain that as the public funds will soon be depleted for domestic operations. They will have to borrow money from financial institutions beyond the nation-state boundary”. (Bose 2006, pp. 3)

The little profit acquired from SEZs would be spent for paying the interest on the borrowed funds, concluded Bose (2006). He further pointed out that in a normal nation-state, protectionism at the initial stage helps domestic industries and enables them to compete in the open market. But in the case of SEZs, public subsidies do not build up any value proposition. Thus, the industries in SEZs would never be able to compete without subsidy and incentive support.

The SEZs will also not contribute to strengthening national currencies by earning revenue for the country in the international market. The profits earned in SEZs would either be repatriated abroad or used to import more foreign goods, observed Bose (2006). Therefore, the increase in foreign exchange reserves would also be short-lived.

The arguments in this chapter have deconstructed certain myths concerning SEZs and rapid economic growth. The following chapters will continue unmasking further tall claims related to SEZs and ‘development’.

Chapter 3: Employment and Labour Rights a Major Concern in SEZs

1. SEZs in Addressing the Unemployment Crisis in Asia

SEZs are considered sources of large-scale employment generation (both direct and indirect) in host countries thereby contributing to economic growth and poverty alleviation. Moreover, SEZs are supposed to contribute to the skills development of the labour force and technological upgrading in the host countries through sharing of knowledge with domestic firms. It is difficult to present a comprehensive picture of total employment in SEZs in Asia due to the lack of reliable and regular flow of data. An estimate presented in the FIAS conference in 2003 (shown in Table 3 above) gave us some idea about the employment generation potential of SEZs in Asia which, in fact, was not insignificant.

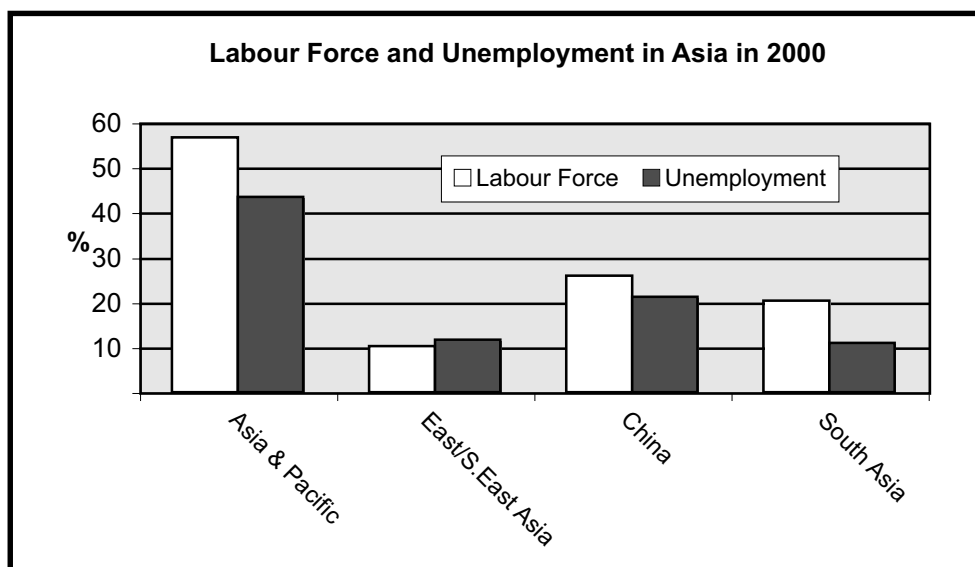
But the fact remains that employment generation in SEZs have largely failed to address the unemployment problems in the host countries, as the jobs created by these enclaves are nominal compared to the annual increase in the size of the labour force in these nations (Aggrawal 2007). In Asia in 2000, despite all 'economic growth', unemployment was 4.7% of the labour force, which amounted to a total of 79 million unemployed persons in the continent.

During the same period, the average GDP growth rate in the region was 6.4% and the average employment growth rate was 1.6%.

Besides unemployment, the high numbers of working poor were also a matter of great concern in the region. In South Asia, between 40% and 56% of those employed were also poor. In East and South-East Asia, excluding China, the comparable figure of working poor had been between 11 and 16% , with an unemployment rate of 7% in 2000.

The present global trend in unemployment and the projections for coming years do not provide any consolation. At the global level, while the labour force is projected to grow at 1.4% per annum during the first decade of the 21st century, the unemployment rate is expected to rise to 7% and the number of unemployed to 239 million worldwide (Majid 2001). Therefore, the significance of SEZs as sources of new employment should be evaluated in the larger context of the unemployment crisis in Asia. At the same time, factors like the kind of employment created in SEZs, the sustainability of these jobs, working conditions, etc. should be adequately considered before prescribing SEZs as a policy solution to unemployment in developing nations.

Figure 2.



2. Scope, quality and nature of employment in SEZs

With the expansion of SEZs in Asia, some experts argue that FDI would increase, resulting in employment generation. However, the flow of FDI is dependent on various factors among which the global market situation is a strong and volatile factor and will regulate employment creation in the global south to a great extent. Apart from the market factor, other factors (as discussed in Chapter 1) will also determine the employment-creation potential of FDI in developing nations. Thus, it is inconclusive that the expansion of SEZs would always ensure employment generation.

The quality, nature and sustainability of employment created in SEZs should also be critically evaluated in order to estimate how far these jobs would contribute to decreasing the number of working poor and the absolute number of unemployed workers in the region. Experiences from various Asian countries show that the nature and quality of employment created in SEZs depend largely on the labour market (availability and skill) of the host country and on global market demands. The main attraction for the big investors in Asia is cheap labour, and different countries have projected 'cheap labour' as an incentive to lure FDI. Thus, jobs created in SEZs in Asia are mainly sector-specific, low-skilled jobs and temporary in nature. For example, in Malaysia the electronics industry is most prominent in SEZs — approximately 65% of the employment in such zones in 2000 was created in this industry (TUAC 1997). Whereas in India, the main industry in SEZs at present is IT (66%) and it employs only highly skilled and educated professionals, thereby accommodating an insignificant number of employees who are employed in SEZs in the country.⁶ Women constitute the majority of the 'cheap labour force' in these enclaves. They are generally unskilled or semi-skilled and are employed in intensive, repetitive work. For example in Bangladesh, the majority of garment factory workers are unskilled and semi-skilled rural women who have migrated to the cities to work in EPZs.

There is no conclusive evidence that SEZs promote skill formation of workers and improve technological knowledge in the host countries. On

the contrary, the experiences of China, Bangladesh, the Philippines and other countries illustrate that during the initial phases SEZs are dominated by labour-intensive industries such as clothing, footwear, and electronic component assembly, etc. These industries are based on low-cost technology which do not require highly-skilled workforces and do not provide much skill-development opportunities for the workforce (Aggrawal 2007). Matthews and Kaplinsky (2001) further observed that even in these low-skilled jobs, the employers prefer workers with previous experience, thus, zones benefit from experienced labour and not the other way around.

In the present process of globalisation, global-scale 'informalisation' and so-called 'flexibilisation' of labour make the workers increasingly disposable (Dae-oup 2003). Throughout Asia countries are in fierce competition to attract more FDI by offering lucrative incentives to investors. This has resulted in the increased mobility of capital which has made the workers in SEZs severely vulnerable. The workers are always afraid of losing their jobs due to the flight of capital to another country or region — and states use this 'risk factor' as an excuse to curb workers rights and movements.

During the period of 1960-70s — well before the installation of Chinese SEZs — EPZs were set up in South Korea and Taiwan on a large scale. These EPZs were mainly producing export products for US, Japan and European markets and were not serving the domestic market. In time, as the wage-levels in those EPZs increased and therefore deemed 'uncompetitive', foreign capital flew to the low-wage EPZs of Indonesia, Thailand, Mexico, etc. Within two decades, when the labour of these countries became costlier, China became the next favoured destination of FDI due to relatively cheaper labour in comparison to those countries. As a result, while new jobs were created in SEZs in China in the mid-90s, many workers in Indonesia, Thailand and Mexico lost their workplaces in SEZs (Ali 2007).

Employment created in SEZs are often temporary in nature, and there is no job security for the low-skilled workforce. Often the workers in SEZs do not have proper contracts and in many cases they are employed not directly by the companies but by the intermediary contractors. A Trade Union Advisory Committee (TUAC) paper (1997) found

that in Vietnam only 10% of the workers had permanent employment contracts while others had contracts only for three months to a year .

Labour laws are usually poorly enforced in SEZs and the government has little power to monitor the respect for labour rights inside SEZs. Daeroup (2003) observed how transnational corporations (TNCs) often exercised their 'collective' power to pressure national governments to implement 'business-friendly' labour control policy. He cited the example of labour disputes in Korea in 2003 when the Seoul Japan Club, an association of Japanese TNCs in Korea, publicly expressed a strong concern that 'the labour-friendly' intervention of Korea's new government would undermine Korea's policies to attract foreign investment as well as the image of Korea in the world market.⁷ Workers in India also fear reprisal from management in these companies. In the Noida EPZ in India, workers were dismissed when they demanded the enforcement of existing labour laws in that enclave (ICFTU 2003). The following paragraphs will discuss in detail different dimensions of labour rights violations in SEZs.

3. Violation of Labour Rights in SEZ

Labour rights are enshrined in the Universal Declaration of Human Rights (UNDHR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), the International Covenant on Civil and Political Rights (ICCPR) and Conventions of the International Labour Organisation (ILO) such as Convention 87 - freedom of association; Convention 98 - the right to collective bargaining; Conventions 29 and 105 - the prohibition of forced labour; Conventions 100 and 111 - covering non-discrimination in employment and remuneration; and Convention 138 - minimum age for employment to eliminate child labour. Virtually all nation-states have ratified these conventions and have committed to enforce such standards accordingly.

Several researches have pointed out that core labour standards are frequently violated in SEZs and that national legal frameworks which safeguard the rights of the workers are commonly circumscribed. The tendency of SEZs to ignore the rights of workers is often encouraged by the government as part of providing investors' a friendly

environment in the host countries. International labour rights guarantee, among others, a minimum wage, defined working hours, a safe working environment, freedom of association, freedom to form and join labour unions, the right to strike and the rights of female workers, and the abolition of child labour. Almost all of these rights are constantly being violated in SEZs all over Asia.

3.1 Restricting Trade Unions and Banning Strikes

Trade union activism is either prohibited or highly discouraged in SEZs and other enclaves. A paper by the UK Department for International Development (DFID) on Labour Standards and Poverty-Reduction dated May 2004 observed that in the era of 'growth', labour rights are often ignored in China:

"The processes of liberalisation – as well as promoting growth and reducing poverty – have reduced the statutory protection that workers used to enjoy, and regional disparities are widening. Independent trade unions and collective bargaining (outside the framework of the official All-China Federation of Trade Unions) are banned, and attempts to organise such unions have been suppressed. In areas other than freedom of association, the Chinese labour code is strong, but inadequate regulatory capacity and corruption mean that enforcement is weak..." (DFID 2004, pp. 12)

China's first "comprehensive" labour law in 1994 does not protect the rights of the workers at large and does not allow them to organise, to bargain collectively and to strike (TUAC 1997). Enforcement of labour laws within SEZs in China is very weak and irregular. Moreover, regional labour laws (mostly in SEZs) allow the authority to dismiss and discriminate against such workers who try to organise independently outside of the official All China Federation of Trade Unions (ACFTU). Several reports suggest that prisoners are forced to work in SEZs virtually as bonded labourers (TUAC 1997).

Malaysia provides other examples of labour abuse in SEZs. In 1971 the government passed

the Free Trade Zone Act on the basis of which EPZs were developed. In 1974 the government restricted the right of workers to unionise on the grounds that unionisation would create a disincentive for foreign investment (TUAC 1997). In 1988 the government withdrew this ban on unions but within two weeks re-imposed it in the face of severe protests from investors. In Bangladesh, the government exempted EPZs from labour laws. Though trade union activities are not banned in general, they are highly discouraged and actual unionization rate within EPZs is poor. In Sri Lanka and in India, trade unions are legally allowed but in reality highly discouraged in SEZs. In a few cases workers lost their jobs due to their association with unions. In Sri Lanka workers are only allowed to participate in “joint consultative councils” which are regularly monitored by the state. A 2003 study carried out by the Trade Union Congress of the Philippines (TUCP) clearly revealed workers who were associated with any labour union faced discrimination in SEZs.

“In seven EPZs (Cavite, Victoria Wave, Luisita Industrial Park, Laguna, Subic Bay Metropolitan, Bataan and Cebu), at least 977 employees in 43 firms were dismissed either for being trade union members, because they had formed a union, or had demanded transparent trade union elections..” (ICFTU 2003, p. 12)

In India many labour laws are not properly enforced and monitored within SEZs. Informal measures have been taken to exempt the zones from labour legislation, and in some states, such as Andhra Pradesh, the Department of Employment has been instructed not to carry out inspections in the zones (ICFTU 2003).

Strikes are not allowed in SEZs in almost all Asian countries; though not necessarily by law. A 1997 TUAC paper quoted the background document prepared by the Secretary-General to the United Nations Sub-Commission on Human Rights dated July 1995 to illustrate and explain the attitude of governments and TNCs towards labour rights in SEZs. It stated:

“It is primarily in the EPZs that workers’ rights to join a national union for collective bargaining/and

or to strike are largely restricted by Governments, based on the belief that unions will discourage foreign direct investment in the country....in some instances these restrictions were introduced in response to conditions laid down by TNCs as a prerequisite for investment; ...In other instances trade unions have been banned altogether. In still other cases, legislation governing strikes, lock-outs and conciliation are not to be applied for 10 years after the commencement of operations in EPZs” (online⁸)

3.2 Minimum Wages and Working Conditions in SEZs

Though it is difficult to make any general remark about minimum wages in SEZs, the experiences of some countries reveal that minimum wages are not fully enforced in economic zones. In Malaysia minimum wages are not enforced in EPZs (TUAC 1997). In India the situation is lax due to absence of any standard minimum wage for the industry all over the country. These create ample opportunities for the employers to exploit workers in SEZs. Often the workers in SEZs end up working overtime without any extra money and unable to protest against such malpractices, fearing dismissal. In some cases, workers are classed as apprentices for much longer than necessary before being accepted as regular workers and thus entitled to the minimum wage (TUAC 1997).

As per an ILO study, workers in Asian SEZs were found working 10 to 12-hour shifts that could go up to 16 hours during peak periods. Some firms used a quota system, which workers had to meet in order to receive their day’s pay (Aggrawal 2007). A garment worker in Bangladesh narrated how the quota was increased each time they fulfilled the target, thereby making it impossible for the workers to meet the demand of the employer (Berik et al 2007). In China, average working hours in SEZs vary from 54 to 77 hours per week and overtime is more a rule than the exception (Aggrawal 2007). In Vietnam EPZ workers are forced to work overtime often without extra payment. In the Taiwanese-owned shoe factory, Delphi Co., and the Toan My Co. glove factory in Tan Thuan EPZ, the management forced the workers in the tanning workshop to work an extra four hours at the end of each shift, with no overtime pay. If a worker refused to do

overtime he or she faced a penalty of 20,000 dong (US\$1.80) per day, which was more than a day's wage. Workers caught going to the toilet or resting were fined 50,000 dong (US\$4.50) each time, which could lead to deductions of up to half their wages at the end of the month (Greenfield 1998).

Aggrawal 2007 also observed that health standards in these zones were often very poor. Workers were forced to live mostly in dormitories close to the enclaves. Safety regulations were not followed properly and factory fires were quite common in different Asian SEZs, claiming hundreds of lives. In the Guangdong SEZ in China, the most prominent SEZ district, the death rate is rising by 62% a year (TUAC 1997). In Bangladesh accidents in EPZs are quite common owing to inadequate safety measures. In Dhaka, three twelve-year-old girls died in a garment factory fire in 1990 that killed twenty-five persons and injured about two hundred, the majority of them young women (Senser 2004). In 2000 a fire in a garment factory in Bangladesh once again claimed 48 lives including 10 minors. All exits had been locked and the security guards could not find the key at the crucial moment (Human Rights for Workers 2006). In another incident in Savar, Dhaka (Bangladesh) in July 2005 a nine-story building that housed the Spectrum Sweater and Shahriar Fabrics factories collapsed, killing 74 workers and injuring more than 100 (Maquila Network 2005). In 2004, 188 Thai workers lost their lives in Kader factory in Thailand, when a fire broke out and they failed to escape as regular exits were locked or blocked (Senser 2004).

3.3 Exploitation of Women Workers in SEZs

Women dominate the workforce in EPZs in most developing countries. For instance in the Philippines the share of women workers in total EPZ employment was 74% in 1994 (Aggrawal 2007). In Bangladesh more than 95% of the workers in the garment industries in EPZs are women. In spite of the large numbers of female workers in SEZs, a few economists have argued that SEZs have done almost nothing to reduce the unemployment rate since most female workers now working in SEZs were previously not part of the labour force. On the other hand, other researchers have argued that employment opportunities for women in SEZs have empowered

them and increased their recognition in and outside their households.

But the fact remains that the high incidence of abuse of female workers is a matter of grave concern in SEZs. Majority of female workers are young women between 16–25 years of age (Aggrawal 2007). Many researches point out the fact that women are paid less than men for similar jobs and are subjected to gender violence in these zones. Majority of women are engaged in low-paying, low-productive jobs with insecure contracts and without any social/health/maternal benefits. Over time, as the SEZs evolve with higher technological inputs, female workers are simply replaced by more skilled male workers.

Country experiences illustrate the exploitation of women in SEZs. In China female workers are often dismissed by the age of 25 and they are forced to return to their villages since migrants cannot live in SEZ districts (TUAC 1997). In Malaysia the government rescinded the legislation that restricted women to work in SEZs in night shifts. A 1997 TUAC paper cited an ILO survey in Malaysia which revealed that only 50% of female electronics workers interviewed had permanent contracts, about 20% were on probation and the remaining 30% were temporary workers. An ILO survey in 1992 also found that more than 90% of females in SEZs worked more than 48 hours per week and an average of eight hours overtime. In Sri Lanka around 80% of the workforce in the EPZs are women, with more than 75% classified as trainees, unskilled and semi-skilled (TUAC 1997). Women have less prospects of promotion; very little opportunities for skills development; receive low wages; face increasing work burden and pressure of overtime; and prone to sexual abuses. In addition to these, occupational health and safety standards are low and poorly enforced. The female workers in other Asian countries more or less face a similar fate. All these confirm that SEZs are not the tool for women empowerment in poor Asian countries as claimed by some. SEZs do not guarantee long-term employment for women and hence contribute very little in their sustained empowerment. On the contrary these enclaves are zones of special exploitation of female workers.

The conclusion one could draw from the discussion in this chapter is that the tall claims of em-

ployment generation through expansion of SEZs have mostly yielded disappointment. The workplaces in SEZs are very unstable, insecure and largely determined by global demands and the degree of integration of the host country with the open market regime. Violations of labour rights are rampant and states have restricted their own authority and exercise little political will to intervene when workers are suffering abuse in these zones. Gender discrimination is a matter of great concern and gender violence is also common in these enclaves which generally go without remediation.

SEZs create workplaces in one country often at the cost of the livelihoods of workers in another country. Therefore it is obvious that the large figures on employment-creation in SEZs in Asian countries are misleading. No real analysis is even available regarding the destruction of livelihoods resulting from the expansion of SEZs into new areas. The next chapter will focus on this unsaid part of SEZ-development in Asia.

Chapter 4: SEZs Shaping Access to Land, Livelihoods and Food Security

1. Introduction: Access to Land and Poverty in Asia

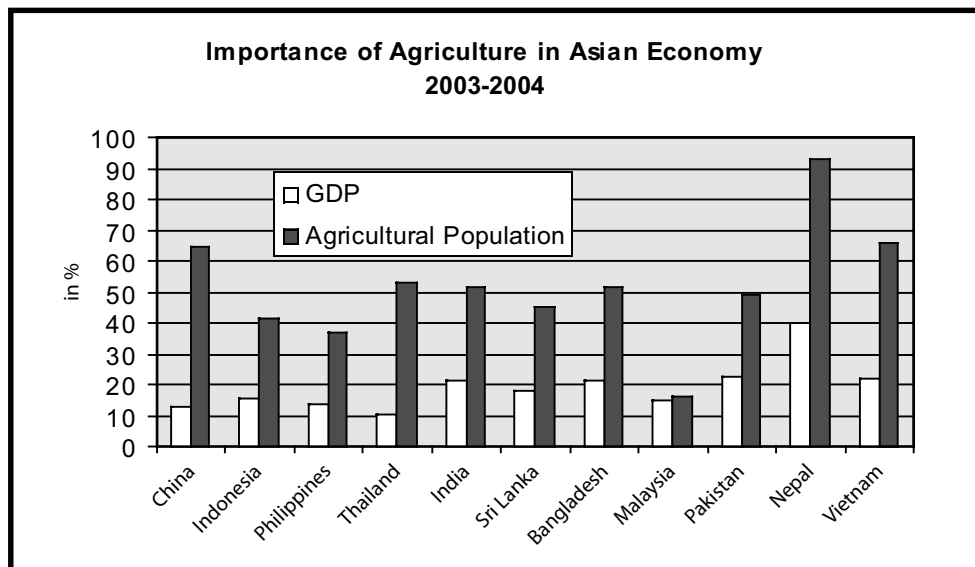
Land and SEZs are inseparable issues. The expansion of SEZs demand large amounts of land and as states assume the responsibility of providing infrastructure (except in a few cases), governments frequently resort to the Compulsory Acquisition of Land (CAL) which has intensified over the years. The large scale acquisitions of land entailed by SEZ development have had serious consequences on the livelihoods and food security of weaker and vulnerable communities in Asia. This chapter will illustrate, with examples from various Asian countries, how the expansion of SEZs has threatened the livelihoods of these poor sectors.

1.1. Land as Key Source of Livelihood in Asia

In order to understand the impact of SEZs on the livelihoods and food security of the wider communities in Asia, it is imperative to discuss the importance of agriculture and access to land in the larger socio-economic context of Asia.

Agriculture remains a major sector of all developing Asian economies. Agriculture's contribution to GDP in Asian countries was, on average, between 16 and 20% in 2004. The figure below illustrates the importance of agriculture in Asia.

Figure 3.



Source: FAO 2005

Approximately 365 million people in Asia derive their livelihoods from land. Access to land determines the economic as well as social position of rural households, and poverty is inversely related to access to land in the rural belt. The majority of the rural poor in Asia have little access to land and other productive resources. The land alienation of the poor is shaped by historical factors as well as by neoliberal policies more recently. The landlessness in Asia is intensifying at an

alarming rate over the last ten years, owing to the greater degree of integration of Asian countries with the global market, and increasing demands for land by big corporate interests. According to a study, landlessness among peasants is very high in South Asia, e.g. 49.6% in Bangladesh, 22% in India, 10% in Nepal and almost 75% in Pakistan — and the trend of landlessness is growing (IFAD 2002).

Country experiences in Asia indicate that landlessness is most appalling in regions designated as “growth areas” for foreign investments and export production. Landlessness is contributing to poverty and hunger in this continent. Data from the Food and Agriculture Organisation (FAO) indicate that poverty is mainly a rural phenomenon in Asia and in 2001; more than 700 million Asians lived on less than \$1 a day. Majority of the landless poor in Asia work as agricultural labourers and they are often compelled to accept unfavourable working conditions and contracts.

Landlessness coupled with neoliberal policy changes like reduction in subsidies in food, agriculture and social sectors as part of SAPs; introduction of intellectual property rights (IPR) policies in favour of TNCs; increasing integration of agriculture under the World Trade Organisation’s (WTO) Agreement on Agriculture (AOA); large-scale corporatisation of agriculture; and other neoliberal conditions all have worsened the sufferings of the poor peasants in Asia and have exposed them to uneven competition from northern countries in the open market regime. The agrarian reform agenda has taken a back seat in the new policy regime. Indeed, land reform measures have been replaced by measures of CAL in the name of development and industrialisation. SEZs, due to their high demand for land, has emerged as the single largest threat to the livelihoods of peasants in Asia.

2. Compulsory Acquisition of Land (CAL) for SEZs and Land Conversion

In different Asian countries the government has used the power of compulsory acquisition to provide lands for SEZs⁹. Promoters of SEZs have emphasised the availability of land as a key determining factor for the expansion of such zones in Asia. It has generally been urged that the state should take appropriate legal steps to ensure availability of lands needed for development of such zones. Meanwhile, CAL has proceeded rapidly in various Asian countries as the political, economic and legal powers of common stakeholders have been weak¹⁰. In some countries the government even amended existing laws to make it easier to acquire land for big investments. The CAL has resulted in the eviction of hundreds and thousands of peasants and endangered their food security, thereby worsening the poverty and hun-

ger scenario in the continent. The proactive role of the state in providing land to big investors at the cost of land reform unmasks the political priorities of the states — which clearly favour expansion of SEZs and ignores the need to address the structural causes of poverty for meaningful and sustainable development.

2.1 CAL and Land Conversions: Experiences from China

Chengri (2004) and Gopalkrishnan (2007) explained how land policy in China was changed to pave the way for SEZs. Efforts started as early as the 1980s to develop the legal basis for land use rights of private investors and to develop the lease system for the promotion of SEZs. Use rights¹¹ were introduced under China’s Land Administration Law in 1987 and provincial governments, municipalities and SEZs were empowered to create their own land regulations. By 1991 administrative allocation of land gradually gave way to property markets, with SEZs leading the way. The adoption of SEZ promotion policy gave rise to ‘zone fever’ in China and land speculation gained momentum. Between January 1992 and July 1993 developers received land use rights for 127,000 hectares of land in the country but in reality only 46.5% of this land was developed (Gopalkrishnan 2007). This large-scale land transfer was further fuelled by the multiplication of zones (zone fever) following the SEZ model. National as well as provincial and local governments introduced several zones and offered lands as incentive to the investors to attract investments. By 1992 around 6,000 to 8,700 zones existed with an area of 15,000 square kilometres (Gopalkrishnan 2007).

The worst hit was the agricultural belt as the rapid conversion of land affected the landholdings of peasants. As of March 2005 (Qinglian 2007) more than 40 million Chinese farmers have been displaced from their land since the beginning of market-oriented economic reforms. Qinglian cited a circular published by China’s Ministry of Agriculture in March 2006 which gave an estimate of land acquisition and displacement of farmers. As per that statement, more than 133,000 hectares of farmland are seized every year, which means that around one million Chinese farmers are dispossessed annually. This suggests that between 1996 and 2004, some eight million hectares of

farmlands were converted for industrial or non-farm use, adversely affecting the livelihoods of approximately 60 million farmers. China's total arable land has fallen to 122 million hectares, and its per-capita arable land has dropped to 0.093 hectares, which is less than 40% of the world average and near the minimum subsistence level (Qinglian 2007).

As the Chinese state clearly favours SEZs and similar big investments, farmers are increasingly suffering from high tenure insecurity. The conversion of rural lands has taken place especially in areas near expanding municipalities and within SEZs (AP 2007). The compensation paid to farmers has always been low, and huge amounts of the money earmarked for such compensation has in fact been misappropriated by local officials (Qinglian 2007). As a result, nearly all displaced farmers have been thrown into poverty. In some cases the local government paid little compensation to the persons affected by the land acquisition and afterwards sold that land at a much higher price. Qinglian gave the example of the government of Conghua City in Guangdong Province. In this SEZ province, the government forcibly evicted merchants from their shops in the town's Xiaohai District, paying proprietors 2,500 *yuan* per square meter in compensation. Afterwards the government decided to sell the land for 13,000 *yuan* per square meter upon completion of the Xiaohai development zone project (Qinglian 2007).

Goplakrishnan (2007) elaborates on how land speculation had intensified in SEZ areas in China with the example of Hainan. Quoting The Economist (1992), he pointed out that Hainan was the "world's biggest speculative bubble with few industrial farms and little industrial output".

Soon the economy of Hainan collapsed. The Hainan Development Bank, the main banker to the provincial government, closed down due to bankruptcy in 1998. The Guangdong International Trust and Investment Corporation of Guangdong province also declared bankruptcy. This was the largest bankruptcy since the initiation of market reforms (Goplakrishnan 2007). Alarmed by these developments, the government has tried to impose certain restrictions by announcing a moratorium on land use conversion, which was

followed by the enactment of a new law governing agricultural land conversion in 1998. But it was too late for millions of peasants who had already been displaced. And the land conflicts continue.

In 21st century China 70% of the population are farmers for whom the loss of arable land is a threat to their livelihood. There has been very little effort on the part of the Ministry of Land Resources to stop future unregulated land use conversion and land speculation. The central government has tried to impose a regulatory mechanism on land-use conversion by declaring that it would reclaim the power to examine and approve land-use rights. This would reduce the power of local governments and economic zones to indiscriminately convert land for non-farm use. However, with a simultaneous focus on SEZ expansion policy, it remains to be seen how far the government of China becomes successful in providing security to farmers, and in controlling indiscriminate conversion of agricultural lands for economic zones.

2.2 Loss of Land and Livelihoods due to SEZs in India

India on the other hand has used the Land Acquisition Act (LAA) 1894, for CAL. This is a colonial act which does not require adequate consultation and participation of stakeholders in the acquisition. Different state governments in India have proposed to amend the land ceiling acts so as to allow large scale accumulation of land for SEZs, which currently is restricted by the land reform laws. The Indian Urban Land (Ceiling and Regulation) Act of 1976 was already repealed in 1999, releasing huge chunks of land into the market (Madan et al 2007). Total amount of land expected to be acquired for SEZs across India would be 150,000 hectares. This land is predominantly agricultural and typically multi-cropped. This conversion would lead to a loss of 1 million tons of food grains produced, thereby threatening the food security of the entire country (CRC 2007). According to a study, close to 1.14 lakh¹² farming households and an additional 82,000 farm worker families who are dependent upon these farms for their livelihoods will be displaced due to SEZ projects (Sharma 2006)¹³. This would lead to a total loss in annual income of some Rs.145 crores from 1.14 lakh displaced farm families (Sharma 2006). The consequences of forced

eviction for families and communities, particularly for the poor, would be severe. The evicted households would suffer from loss of livelihoods, damage and destruction of property, productive assets and loss of or alienation from social entitlements.

Also important is the fact that often these CALs in India are associated with gross violations of human rights. Affected peasants seldom get adequate and fair compensation as well as economic and cultural rehabilitation. The process of CAL is generally marked with violence and involvement of armed forces. Women face severe gender violence in this process. Recently an attempt to enforce CAL in Nandigram, West Bengal, India by the state claimed more than 47 lives of innocent villagers who were protesting peacefully against such land grabbing.

Besides forced eviction and loss of livelihoods, the nation will suffer a loss of Rs. 250 to 400 crores from the reduction in area under cultivation of food grains, resulting in a drop in the production of food grains by at least 4 to 5 lakh tonnes a year which would severely affect the food security situation in the country (Sharma 2006). Even today around 375 million people in India remain hungry, and starvation deaths are often reported in the newspapers. With reduced access to productive resources and reduced opportunities for alternative livelihoods, hunger, malnutrition and starvation would increase to a great extent.

Another big concern is the development of speculative land markets in SEZs in India. The SEZ Act states that as much as 75% of the area under an SEZ could be used for non-industrial purpose. This option will give rise to real estate business in SEZs which by no means would strengthen the local economy. On the contrary, this is likely to introduce large scale real estate speculation.

The land acquisition processes for SEZs have been causing widespread discontent among the farmers and common people in the state. In India, 30.2% population live below the poverty line. Key policies on mining and industrialization have already contributed to the displacement of over 20 million people who have been missing without a trace¹⁴. The state is not concerned about

the imminent loss of livelihoods for the poor due to SEZs, and there is no participatory planning done on how to minimise the destruction of livelihoods.

2.3 Land Conversion for Big Projects in Other Countries

In Indonesia the government is ignoring customary rights of communities and acquiring land for big investors. AGRA (2006) noted that the Indonesian government acquired land for construction of, among others, large factories, luxury housing development, hotels, etc. Following the advice of the World Bank and the International Monetary Fund (IMF), the Indonesian government has launched the Land Administration Project which introduced Government Regulation No.24/1997 concerning Land Registration. This replaced the previous Government Regulation No.10/1961 which was the foundation stone for implementing land reform.

In the Philippines, landlessness is most acute in regions designated as "growth areas" i.e. Southern Tagalog, Central Luzon, Central Visayas, Western Visayas, and Southern Mindanao. The extensive reclassification and reallocation of lands in these regions have resulted in massive land use conversions leading to large scale evictions of peasants (KMP 2006). While at the national level seven out of ten farmers did not have land titles between 1998 and 2006, in 'growth areas' eight out of ten farmers did not possess land titles, which indicates the increasing vulnerability of farmers in these growth areas (KMP 2006). Evictions of peasants due to SEZ projects are also reported from Bangladesh and Sri Lanka. In Bangladesh in 2006 four villagers died and several injured while protesting against land acquisition in Phulbari for a mining project.

3. Denial of Access to Land is a Violation of Human Rights

More than half of the economically active population in Asia is involved in agriculture and agricultural employment is especially important for the livelihoods of the poor. In Asia, while decades-long agrarian reform programmes and legislation often remain only partially implemented (Borras, 2006) in the neoliberal era, the marginalised are becoming victims of expropriation for SEZs and

similar projects. This includes both small property owners as well as informal occupiers. The latter possess even less rights and are usually invisible in laws concerning compulsory acquisition (Langford and Halim 2007).

The critical appraisal of the impact of SEZ on the poor's access to land and livelihoods reveals that the existing structural inequalities would be further intensified with the continued expansion of SEZs in Asia. This would decrease the food security of Asian countries to an alarming level and would increase their dependency on the global market for food. As the global market is volatile and shaped by interests of various powerful actors, there is a threat that food would be increasingly used as a 'weapon' to control the vulnerable and weaker countries in Asia. In other words, today's compromise with the neoliberal policy of SEZ promotion would compromise the food sovereignty of nation-states tomorrow.

The right to land and the right to till the land are fundamental human rights under the right to food, as enshrined in the 1966 ICESCR. The importance of agrarian reform for realising the right to food has also been duly recognised and prioritised in International Conference on Agrarian Reform and Rural Development (ICARRD) commitments and Voluntary Guidelines on Right to Food (VGRF). Many countries in Asia have ratified this convention and guidelines and, accordingly, have obligations to ensure farmers' access to land for agriculture. In Asia agriculture is the single largest source of employment. Therefore to improve the standard of living of the poor and to ensure all-round development, the nation-states should adopt policies which would strengthen the basis of agriculture and would reduce the inherent structural inequality in agrarian society. Adopting an apparently easy path to economic growth, i.e. replacing agriculture with SEZs, is a path of self-destruction which will not only weaken agriculture but will also endanger the sovereignty of the nations in the long run.

Chapter 5: Emerging People's Resistance to SEZs

1. Introduction

As SEZs expand into new regions, the victims of this offensive are also mobilising themselves to fight back. Civil society both at the national and international levels is becoming increasingly aware of SEZs and their impacts on the livelihoods of the poor in developing nations. The resistance to SEZs is advancing on two fronts: firstly, workers in SEZs are raising their voices against unjust and exploitative working conditions and contracts; and secondly, peasants and other rural actors who are suffering due to the loss of their livelihoods. Besides workers and peasants, some concerned economists and many social activists have also raised their voices against SEZ policy and have unmasked the myth of economic growth fostered by SEZs.

2. Peasants' Resistance in China

China, the leader in Asian SEZs, has witnessed debates and protests concerning SEZs and land policy. The discontent of the victims has been manifested in various protest marches and rallies in the country. In 2003 alone, 58,000 protests and public disturbances broke out across China. In 2004 the government admitted that there were as many as 74,000 riots that took place all over the country which was a seven-fold jump in ten years. In 2005 the figure reached more than 87,000. Most of these protests were against forcible seizures of land and housing (Qinglian 2007).

As land-use conversion continues in China, the peasant movement is also gaining strength. Goswami 2007 notes:

"Whereas a few years ago, excessive and arbitrary taxation was the peasants' foremost complaint, resentment over the loss of farmland, corruption, worsening pollution and arbitrary evictions by property developers are the main reasons for farmers' unrest now" (Goswami 2007)¹⁵

Protests have intensified in SEZ provinces of Guangdong (south), Sichuan, Hebei (north), and

Henan. Guangdong, the biggest SEZ province is also the worst affected district in terms of the ill impacts of SEZs. Social instability has reached alarming proportions in this province. SEZs like Shenzhen in Guangdong, which is known as the miracle in China, is plagued with a host of problems. Shenzhen is suffering from environmental pollution, increasing crime and labour problems arising from severe exploitation of migrant workers in the SEZ (Goswami 2007).

SEZs in China are doing 'miracles' for a few, at the cost of irrevocable damage to the environment and the economy of the country. SEZs are making profits by exploiting workers. Violations of labour rights and the right to food and livelihood security of the weaker sections of the population are rampant in the country. People's resistance against SEZs in China is intensifying. The profits accruing to the state from SEZs are spent on controlling pollution and pacifying mass unrest. SEZs will have to face the strongest challenge not from the global market but from this emerging people's resistance in the country.

3. Farmers Fiercely Protesting Against SEZs in India

In India spontaneous resistance against the expansion of SEZs is also taking place, mainly concerning the issue of CAL and human rights violations. Farmers in different corners of India are raising their voices against the common concern, i.e. loss of land and loss of livelihoods due to SEZ expansion. Several civil society organisations and human rights groups have also come forward to express their solidarity towards the movements against SEZs.

Tribal people in Orissa fought against SEZ in Kalinganagar; peasants in Maharashtra and Andhrapradesh organised themselves to resist invasion of SEZs in their states; and peasants of West Bengal made history by successfully resisting the government's attempt to effect CAL for an SEZ in Nandigram. Farmers of Haryana, Punjab, Tamil Nadu and Gujarat also joined hands in anti-SEZ struggle.

In Kalinganagra Orissa 13 tribals were killed and several injured when police fired upon the tribal people gathered to protest against the construction of a boundary wall of a Tata Steel plant in a proposed SEZ last January 2, 2006. The killing provoked large scale protests from civil society while the tribes in Kalinganar were determined to continue their struggle against the SEZ. As a result of this growing resistance, the government of Orissa recently declared that Kalinganagar will not be developed as an SEZ, though TATA would still be allowed to construct the steel plant on the disputed land. All over India several strikes and protest marches are being organized by farmers and other victims of SEZs. In Maharashtra police attacked the peasants who were peacefully protesting against Maha-Mumbai SEZ of Reliance. At Dadri in Uttar Pradesh (UP) police resorted to firing and lathi charge to remove anti-SEZ protestors from the land acquired by Reliance Energy Generation Limited.

Nandigram is the most recent example of people's resistance against an SEZ in India. It is a success story since the state government was forced to abandon the SEZ project there. It all started in early 2007 when the state government tried to acquire 8,000 hectares of lands for a project of the Salim MNC, threatening the livelihoods of 100,000 peasants and other rural actors. The battle in Nandigram claimed more than 40 lives. The poor villagers who resisted against SEZ faced severe consequences. Their leaders were abducted and killed; villagers were tortured, terrorized by police and goons of the ruling party; they lost property and assets; suffered from major injuries; women were humiliated, raped and molested; and other atrocities. But the people of Nandigram made history by challenging not only the policies of the state government but also challenging the neoliberal global processes which are reintroducing the colonial era in poor developing countries. The Nandigram experience will be remembered as an example of spontaneous civil society resistance against SEZs and violations of human rights in West Bengal, and will continue to inspire similar resistance worldwide.

4. Protest of Workers in SEZs Against Human Rights Violations

In Sri Lanka, Bangladesh, Vietnam and the Philippines, workers in SEZs protest against exploitation through demonstrations and strikes. In

2005 in Sri Lanka 500 factory workers from the Biyagama Free Trade Zone (FTZ), about 25 kilometres from Colombo, went on strike which lasted for more than two weeks. They were demanding the reinstatement of a colleague who had been arbitrarily suspended. (World Socialist Website 2005)¹⁶

In Bangladesh large scale protests took place against the killing of EPZ workers in the country. On May 3, 2000, four workers were killed and 20 others suffered serious injuries when police opened fire on disgruntled workers who had taken over a garment factory in an EPZ to protest against exploitation (CRHRP 2003). The garment factory owner filed false cases against 1,300 workers. The protesters demanded the withdrawal of all false charges and the release of all arrested workers. They further demanded the regular payment of wages, job security for the workers, safe and peaceful working conditions, etc.

The EPZ workers in Vietnam revolted against exploitation in their workplaces. Despite the government's strategy of highly discouraging protests and strikes in the zones, over 2,000 EPZ workers in Vietnam were involved in strikes in 1997 (Greenfield 1997). The workers demanded shorter working hours, a decrease in shifts, specific policies to protect the rights and well-being of women workers, a system for the protection of workers' health and safety, and an end to the mistreatment of workers by managers and supervisors. SEZ workers in Noida India demanded the implementation of labour laws and staged demonstrations.

Protests of workers against exploitation in SEZs multiplied in various Asian countries indicating the strong resentment of workers against these economic zones. With virtually no labour rules applicable in SEZs and with minimal state intervention in defence of workers in these enclaves, workers' grievances were left unheard in the past. However, in time, braving the risk of losing jobs, workers in SEZs are now unionising to fight injustice and to claim their rights. As a consequence of protests, many workers have lost their jobs and have suffered harassment, even imprisonment. However, repressive measures taken by the SEZ owners have only strengthened the struggle of the workers.

5. SEZ Existence at Stake

Contrary to the claim of the advocates of neoliberal policies, the growing resistance against SEZs in various Asian countries strongly indicate that the SEZ does not have a glorious future in Asia. The SEZ is a model which is self-destructive. The only way for the SEZ to survive in the highly competitive global market is to intensify the exploitation of labour and to demand more incentives from the state, leading to further marginalisation of the poor in the host countries. However, as a response to growing exploitation, the movements of peasants and workers are also intensifying and challenging the very existence of these zones. The anti-SEZ movements in Nandigram and elsewhere have shown that other civil society actors are also coming forward to support the struggle of the farmers and workers against SEZs and would create an enabling environment for a larger peoples' movement against neoliberalism in Asia.

Chapter 6: Challenging SEZ policies with the People's Alternative

1. SEZ: the Dead End

The emergence of SEZs in Asia and the large scale negative impact of these economic zones on the livelihoods of the poor leads us once again to question the existing model of development based on neoliberal principles.

In most countries, development is still defined solely in terms of 'economic growth' rather than by the all-round prosperity of the common people. "Development" achieved through the expansion of SEZs has therefore remained restricted in certain pockets and among those who belong to privileged classes. Moreover, experiences in Asia and elsewhere confirm that the economic growth fostered by SEZs is not sustainable in the long-run. But the adverse impact of these zones on socio-economic and political environment has remained in all the host countries. These impacts include increasing socio-economic inequality in host countries; large scale violations of labour rights; gender discrimination and violence against women; the violation of the right to an adequate standard of living; and the denial of secure livelihoods for millions. At the national level the steady expansion of these zones has resulted in the disempowerment of the state by reducing its authority to define national priorities, and to ensure the well-being of its citizens, particularly the poor and marginalised. The SEZ, however, is merely one aspect of the neoliberal policy regime. Hence any critical analysis of SEZs is likewise bound to denounce the global invasion of neoliberal policies.

2. Confronting SEZs with Human Rights

The SEZ-centric model of development is devoid of human rights principles. The majority of Asian countries have ratified key international treaties and covenants on human rights which call for the progressive realisation of rights i.e. ensuring peoples access to appropriate human rights standards. However, in today's single, integrated global market the commercial, economic and social relations have been globalised and violations of rights have crossed the boundaries

of nation-states and become global as well. In the new-economic order, TNCs have emerged as powerful actors often dominating nation-states and determining the future of their people.

The Human Rights Council of UN has recognised these new challenges and have identified some larger issues, i.e. extraterritorial obligations and responsibilities of non-state actors and multilaterals which require attention and which are very relevant in the discussion of SEZs and human rights. SEZs are often exempted from respecting human rights standards in the host country (see Chapter 1). But it is the duty of a nation-state, however weak it may be, to ensure that human rights standards are implemented in SEZs. If the government of the host country fails to take appropriate measures against any TNC destroying human rights standards, then the nation-state where this TNC originated from has obligations towards the people of the host countries to respect, protect and fulfill human rights by taking steps against the concerned TNC. Human rights obligations also lie on all countries to ensure that their policies do not contribute to violations in other countries. These obligations are extraterritorial in nature and they highlight the fact that the violations of rights taking place in SEZs should be a matter of global concern; that all nation-states should formulate appropriate policies to control 'investors' in SEZs so that they refrain from destroying human rights standards. Moreover, keeping in mind the transnational presence of the business interests and the role of multilaterals in shaping human rights violations, the CHR has proposed that private corporations and multilaterals should also bear responsibilities for the realisation of rights and should be made accountable for human rights violations.

In this context it is important to revisit a significant human rights obligation of nation-states i.e. the progressive realisation of agrarian reform (see Chapter 4). However, as per neoliberal agenda, land reform policies have given way to land grabbing for SEZs, which is a clear violation of human rights. New legislations are being drafted

and amended to legalise large-scale land grabbing by corporate houses. At the same time policies are being proposed at the global level by multilaterals on how to pacify people's resistance against economic zones by standardising compensation and rehabilitation procedures through structured and ostensibly fair guidelines. In this context it is important to reaffirm the human rights obligations of nation-states related to the right to food and livelihood, and to demand for accountability of nation-states, thereby contradicting the neoliberal agenda of weakening state-intervention and strengthening open market policies.

3. Food Sovereignty Towards a New Horizon

Asia, which is the world's fastest-growing region, accommodates more hungry people than the rest of the world combined. More than half a billion people in the region are chronically undernourished. Seventeen percent of children in Asia regularly go to bed hungry and one child dies every 11 seconds due to hunger-related causes (Banbury 2006). Development policies in Asia should be based on egalitarian principles aimed at reducing inequality and ensuring peoples' access to productive resources and employment opportunities so as to enable them to enjoy an adequate standard of living. People's choices should be respected and the maximum available resources should be spent for achieving human rights standards in a country. These aims can only be achieved if a qualitative change can occur in the existing socio-political and economic structure at the national, regional and global levels. A world free of the SEZ menace would call for the rejection of neoliberal economic policies, and the institutions associated with this process. Thus, policies of the World Bank, the WTO, IMF and Northern countries for the promotion of neoliberal programmes should be critically analysed, understood and eventually rejected.

The poor in Asia have realised that rejecting SEZ will require a systematic structural change and introduction of true democratic values and principles in governance. The aspirations of the poor have been expressed in an alternative development discourse, i.e. Food Sovereignty (FS). The concept of FS rejects the trickle-down argument in favour of SEZ-oriented development that is biased and unjust. In this system, poor actors never have equal opportunities and the

powerful actors thrive only by exploiting them. The alternative development paradigm aims at achieving food sovereignty both at the household level and at the level of the nation-state. It reaffirms the need for state intervention to realise human rights and to enable marginalized and vulnerable groups to enjoy adequate standards of living. FS allows people to define their priorities and needs in pursuit of development. It is based on the principles of the right to food and the right to feed oneself, i.e. access to and control over productive resources like land, water, forest, common property resources, etc. Gender equity, sustainability and cultural diversity are key components of this model.

This concept rejects the attitude of 'one size fits all' as promoted by neoliberals and respects the diversity and the traditional wisdom of peasant communities in Asia. Therefore, FS directly challenges SEZ policies and calls for genuine agrarian reform and the full realisation of the rights of peasants and workers. FS prioritises people and the communities' rights to food and food production over trade concerns thereby rejecting the principle of comparative advantage on which SEZ policy is grounded.

SEZ policies in Asia undermine the rights of people and emphasize only profit. Such policies are destructive for the world in terms of intensifying socio-economic conflicts as well as increasing the burden on the environment. Time has come to raise a united voice against SEZs and all such neoliberal policies and institutions which rob the poor of their rights and freedom to live in dignity. Time has come to choose between development and destruction.

End Notes

Chapter 1

1. ZONES include EPZ, SEZ, FTZ and similar enclaves
2. This figure is taken from FIAS 2004
3. In India there are 234 SEZ formally approved and 162 approved in principle (GOI 2007)

Chapter 2

4. Of the 20 SEZs approved in Andhra Pradesh, 13 zones are for IT, in Maharashtra, of the 18 zones five are for IT, in Tamil Nadu out of 16 approved SEZs, 13 are for IT. Haryana has five approved IT SEZs, while Kerala has six approved SEZs, of which four are for IT. Uttar Pradesh has four approved SEZs, of which three are for IT. West Bengal has three approved SEZs, of which two are for IT (Gupta 2006).
5. <http://angrybear.blogspot.com/2007/04/new-tax-law-in-china-implications.html>

Chapter 3

6. Presently Indian SEZs employ 25,000 persons directly in 100 notified SEZs (GOI 2007).
7. Chosun Daily 30 May 2003 as cited by Dae-oup 2003 .
8. <http://www.tuac.org/statemen/communiq/fdicim.htm>

Chapter 4

9. http://www.fias.net/ifcext/fias.nsf/Content/FIAS_Resources_Conferences_EcoZonesIndia
The International Finance Corporation (IFC) and the Foreign Investment Advisory Services (a joint service of the World Bank and IFC), in collaboration with Switzerland's State Secretariat for Economic Affairs (SECO), hosted a workshop on prospects for Economic Zones in New Delhi, India on April 29-30, 2004. Over 125 participants from South Asia, participated in the workshop and they focussed on availability of land as a key factor.
10. One study concluded that that the likelihood and degree of land division/sharing between private land owners and informal settlers in urban Thailand was directly proportional to the organising power and political connections of each group (Cities Alliances, 2003).
11. As per legislation in China urban land belongs to the state and rural lands to the village commune, with individual contracts to families. The state could only transfer the urban land use right to private parties but for the rural lands to be transferred to private parties, the states' intervention in the form of CAL is necessary.
12. One Lakh is 100,000
13. Devinder Sharma, 2006: The new Maharajas <http://www.indiatogether.org/2006/dec/dsh-mahasez.htm>

14. Global Convention: Just and Democratic Governance and Land Rights 2006

Chapter 5

15. <http://www.indiatogether.org/2007/feb/opi-sezschina.htm>

16. <http://www.wsws.org/articles/2005/oct2005/labo-o15.shtml>

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