

# Special Economic Zone: An Essential Nuisance for Economic Development: A Case Study of Adani-Mundra Special Economic Zone

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## **Abstract:**

Special Economic zones are being criticised on the grounds of its policy framework and experiences of people after their establishment. Although any policy will have its pros and cons. our scope as being a person of economics should be and is concerned more with costs and benefits of socio-economic fields. On the other hand, the momentum and the direction are being criticised by environmentalists in the interest of natural resource protection. Now economists too give importance to sustainable development and therefore are interested in natural resource protection. Not only that, but now it is the view of scholars that economic policies should be prepared for the optimal utilization of natural resources (Originally too the economics is a science that studies the methods of using limited resources).

Administrative policies can put at the top either of the objectives, the economic development or balancing the ecology. In making this statement, it is assumed here that both the goals-economic development and balancing of ecology-are inversely related. Therefore administrative policies should aim to find out the way by which the growth rate can be kept high; simultaneously we have to maintain the balance of ecology.

In this paper the Special Economic Zone as a pro trade development policy of government and its impact on natural resources has been taken to enquire in it, especially in reference to APSEZ in the Kachchh district.

**Keywords:** Special Economic zone, environmentalists, natural resource, sustainable development, ecology.

## **The Adani Port Special Economic Zone: Introduction:**

Adani Port and Special Economic Zone (APSEZ) is India's largest private multi-product operator. The company was earlier known as the Mundra Port and Special Economic Zone Ltd. (MPSEZ), changed its name to Adani Port and Special Economic Zone- APSEZ Ltd., effective from 6th January, 2012. The APSEZ is a part of the Adani group who owns other ports at Hazira, and Dahej in Gujarat, India and in Australia as well as Indonesia too. The port started its operation with 1 berth in October, 1998, it has now 22 berths with a total quay length of 6.5 km. The APSEZ has an effective capacity to handle 185 million tonnes of cargo per annum-the largest amongst all operational ports in India. The port serves in the exports of clinker, salt, automobiles, containers etc.; it imports coal, iron ore, minerals, fertilizers and the like.

**Concept of the Special Economic Zones:**

Special Economic Zones or SEZ can be said as successors of EPZs (Export Processing Zones) and FTZs (Free Trade Zones). Government of India adopted this policy from June 2005. The SEZ act was passed in May 2005 and came in force from February 2006. Special Economic Zones act is part of free trade policy of the central government of India. In fact India has been the first Asian country to recognize the importance and effectiveness of EPZ. The first EPZ came into existence in 1965 in Kandla, Gujarat: but after observations of China's SEZ, the then minister of commerce and trade late Mr Murasoli Maran recommended for SEZ for export promotion. This policy has been adopted for export led growth in place of import substitution.

Special Economic Zone is a geographical area where economic activities aiming export receive special fiscal benefits than normal area's economic activities. In the statement of the Gazette of the Gujarat government, Gujarat act no. 11, 2004, it is mentioned that to improve infrastructural facilities for export production the government of India introduced the SEZ in its EXIM policy, 2000. The concept of Special Economic Zones is to bring large dividends to the states in terms of economic and industrial development and the generation of new employment opportunities. As a result of the SEZ policy as a part of EXIM policy state governments formed their acts of SEZ to achieve rapid economic growth and to attract investment for systematic and integrated industrial growth in the state.

**The Research Problem:**

Free trade policies are preferred for efficient and maximum utilisation of resources. Technological development has removed geographical barriers and expanded the scope for growth. The later part of 20th century has given birth to two concepts. The first is the awareness towards declining quantity of natural resources and thus worry for future development; second, the globalised economy. Administrators of different countries can't remain aloof in this situation. They had to have liberal policies for their economies to play in a global field.

The Special Economic Zone (SEZ) policy has been questioned and tested for its performance in reference to its objectives as well as many other socio-economic impacts.

The Mundra block of Kachchh where the APSEZ (Adani Port Special Economic Zone) is located is rich in natural resource diversity. Seacoast, mangroves' jungle, fertile land and water of good quality are the features. In this area, prior to APSEZ, economic activities were mainly consisting fishery and farm activities. Although people have been benefited economically with SEZ and industrial development, the APSEZ is being opposed on the ground of its impact on natural environment. From the middle of the year 2012, the APSEZ is in discussion for the Supreme Court's verdict, arouse of people's voice for their loss and appointment of a probe committee headed by Sunita Narain, the environmentalist.

By this research the researcher wanted to see whether the SEZ policy as a free trade policy has any negative sway on quality and quantity of natural resources, original professions, subsistence and thus ultimately on sustainable development of the area.

**Origin of the Problem:**

With the aim of development of economic activities and export, the government of India has adopted SEZ policy. Responsibility of creation and development of Special Economic Zones has been assigned to the states. States with large sea-coast have been benefitted specially in establishment of SEZs. But these states have formed the policy with different procedural actions that reveals their approach towards

the natural resources conservation. This has been echoed in protests by fisher-folks, farmers and other natives, with the complaint of natural resource depletion and degradation. The states where such protests came on surface to be named some are Tamil Nadu, Gujarat, Andhra Pradesh and Kerala. Situation could be similar or different in other states having SEZ.

At the time of observing different states' policies, SEZ policy framing found containing distinct condition and clauses.e.g. in the Maharashtra's SEZ policy prio. permission has been made mandatory in establishment and expansion of unit. On the other hand in the Gujarat, prior permission is not necessary. This condition "may" harm the use of natural resources sustainably.

In addition, many scholars were getting attracted towards the research on the SEZ and its effects on various issues like sustainable development, its success in context with its objectives, gender disparity in inclusive growth environmental impact and so on.

Simultaneously in Mundra SEZ of Kachchh district, volume of protesters' voice was increasing. Also public interest litigation was forwarded. All these resulted in the establishment of a committee by the central government to probe into the questionput on the subject of environmental negative impact.

Although h the the committee is performing its duty, the researcher wanted to see the question from a different point of view, which is putting this topic in the category of political ecology that how a public policy can affect and can be used to manage natural resources for sustainable development. The question of public policies' efficiency is also important.

The National Environmental Policy 2006 has clearly mentioned in its objectives for conservation and protection of critical environmental resources, intergenerational equity, integra integration of environmental concerns in economic and social development, efficiency in environmental resource use and the like. Now, here we are seeing clash between two public policies namely environmental policy and the SEZ policy of state governments.

This situation has watered the seed of this research that how a public policy is affecting in decision making process with its inherent loopholes. On the other hand, sustainable use of natural resources is the need of the hour. Therefore, public policy in reference to natural resource use for sustainable development has been tested here.

In this research, the SEZ policy has been focused because it aims at increase in rate of development through open market policy that liberates many procedural barriers; that will result in increase in investment, employment and export. The question is that is it possible that the policy of development itself be a policy of retardation in long term? Review of Literature:

To get in-depth knowledge of studies conducted on the subject matters of evaluating public policies, different impacts of SEZ and other studies in the field of environmental impact assessment, a vast literature has been found in support of this study.

**Table No : 1**

Sr. No.	Autley/Year	Title	Type of Source	Subject Area	Publisher
1	AggarwalAradhuisa, Nov, 2006	Special Economic Zones: Revisiting tho policy	Joumal article	Comparative analysis of Objectives and performance of Asian LDC's SEZ in their respective fields like	Economic and Political Weekly, Vol. 41, No. 43-44, Nov, 4,

				investment employment etc.	pp 4533- 4536
2	Yuan Jing-dong, Eden Lorraine, Nov. 1992	Export Processing Zones in Asia: A comparative study	Journal article	Comparative analysis of Objective and performance of asian LDC's SEZ in their respective fields like investment employment etc.	Asian Survey (Journal) Vol No. 32, No. 11 pp. 1026- 1045
3	Shah Deepak, 2009	Special Economic Zones in India: A Review of Investment Trade, Employment Generation and Impact Assessment	Journal article	States wise investment and employment, Arable land  acquisition policy  and impact on farm activity, availability and demand of water, impact on local/ region specific professions	Indian journal Agricultural Economics, Vol. 64, no. 3, July- Sept., pp 431-4
4	Churista Wichterich,  2009	Free Trade Policies and pact on Sustainable Development Social and Gender Justice A Case Study f the EU- India Free Trade Agreement	Website A workshop proceeding	impacts of free trade policies on specific sectors	Heinrich Boell Foundation (HBF), Centad, Intercultural Resources (ICR), Focus on the Global South, India and WIDE (Brussels)
5	Vidya  BhushanRawa MamidiBharathBhus Han Sujatha Surepally 2011	The Impact of Special Economic zones in India: a case study of  Polepally SEZ	Website	SEZ in India: policy and controversy	International Land coalition

Above table shows that the SEZ act and its implementation have attracted many writers and researches. Special Economic Zones have been studied in reference to objectives of SEZ policy, its impact on land

acquisition provided in the Act in the Gazette and change in land use. Also the SEZs have been studied in context with their impacts on natural resources and sustainable development. Essence of various studies is as below:

Aggarwal Aradhna, a renowned writer has studied Pros and Cons of SEZ on the issues like land acquisition, loss of revenue, relocation of companies to take benefits of tax exemption, loss of agriculture land and misuse of land for estate. Aradhna has also studied the SEZs on their impacts on employment, poverty and human development.

Christa Witcherich had conducted a case study on EU-India trade relations. This study is on Free trade Policies and their impact on sustainable development and gender justice. Free trade policies are framed with the aim of restructuring of economies with industrialisation. But when protest aroused from fisher-folks and paper-wood growers in Kerala, this inspired Christa Witcherich to study the free trade policy of trade relations between India and the EU. The study had been conducted with the purpose that the government should not be allowed to frame policies that overlook the life and livelihoods of small income earners. Moreover the sustainable development puts the condition of inclusive growth. Here the researcher has sustainable development. Essence of various studies is as below:

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Rawat VidyaBhooshan, Mamidi Bharat Bhooshan, Surepally Sujathahad undertaken a case study for Polepally SEZ in Andhrapradesh. They have addressed impacts on food security, health, socio-economic impacts and impacts on environment. Most debated questions of land acquisition, loss of revenue, inadequate compensation and environment concern are searched. Total 370 households were surveyed to know the impacts.

Shah Deepak has reviewed SEZ with objectives of the SEZ itself, that how the SEZs have affected trade, employment generation and investment. His study covers almost all representative SEZs of India.

A study conducted for perambalur, a multi-product SEZ in TamilNadu, for its environmental impacts presents an overview of the chief environmental impacts and their likely impacts. Also it lists recommendation as mitigation measures.

### **Objectives of the Study:**

1. To get thorough understanding of impacts of SEZ policy on Natural resources.
2. To highlight the importance of natural ecosystem balance for sustainable development.
3. Unemployment caused by the SEZ.

## Hypotheses:

The investigation will start with the following assumptions..,

1. SEZ, the free trade policy of the Gujarat state has no concern with the use of natural resources.
2. The SEZ policy of the Gujarat state has overlooked the natural environmental problems.
3. Damage to the natural assets surrounding to APSEZ is due to the economic activities in APSEZ.
4. The APSEZ does not affect performance and production of primary sector.
5. Employment and self employment opportunities are generated with the development of SEZ.
6. Public policies affect the use and management of natural resources.

## Tools and Techniques:

Following tools and techniques have been used in this research.

## Methods of Data Collection:

Primary data: structured and semi structured interviews with experts have been planned to conduct to know their experiences and views. For experts' opinion, experts of various fields will be interviewed. They will be experts from fields like environment, public policy and law and executors of the public policy.

## Significance of the Study:

This research is going to study the effects of SEZ a government policy, encouraging global trade, especially on natural resources. The study is assumed to put the real situation of natural resources in front of us. By this, we can come to know the relative utility of natural resources' existence and their potentiality to contribute constructively or destructively in the process of sustainable development, when these resources get invested in competing economic activities.

Moreover, this study will test the SEZ policy in its conceptual form that how it has addressed the scarcity and probable future problems of natural resources. Observations and interpretations can be useful to policy framers and all stakeholders.

## Findings and Suggestions:

Name of the Village	Total respondents	Opinion in Favour	Opinion in against	Percentage in favour	Percentage in against
Luni	15	02	13	13	87
Zarpara	17	Nil	17	Nil	100
Dharb	12	04	12	33	67
Shiracha	11	01	11	09	91
Paragpar	19	02	19	10.5	89.5
Bhadeshwar	09	03	09	33	67
Bocha	18	02	18	11	89
Mundra	12	01	12	08	92
Navi nal	21	02	21	9.5	90.5
Tunda	18	03	18	16	84



On the basis of above table it can be seen that majority of the respondents are against this SEZ. This SEZ is basically failed to fulfill its pre-decided objectives. Villagers of surrounding areas of this SEZ are now against this project. They have been asked on various parameters which were supposed to be fulfilled after the establishment of the SEZ. They were negative to all the parameters of economic development such as employments for locals, alternative self employments by Adani or Government of Gujarat, compensation for the loss of their land, degradation of ecosystem of surrounding areas due to industrialization. In short the findings of this research are as follows:

1. Local inhabitants are suffering severely from unemployment because this project has proved white elephant for them. These localities do not fulfill the need of skilled workers of the company. Therefore, they are of no use for them.
2. Fisheries were the main source of livelihoods of these local inhabitants. But due to the development of this project, this activity has received severe blow and nowadays it is almost dead.
3. Environment of the area is seriously damaged and children the main sufferers. They are facing various physical problems. Environment is also getting changed due to the hectic industrial activities in the surrounding areas of these villages.
4. Air pollution is arising alarming due to the various industrial units which includes power projects also causing serious health hazards for localities.
5. Due to the air pollution, production of mangroves has declined considerably causing serious economic blow to the farmers of the areas.
6. Natural eco-system is severely damaged by this project. Various passage of natural water flow have been either diverted or blocked by human created obstacles which is proving hazardous for the natural eco-system.
7. Fertile land is slowly converting into barren land. Once again severe blow for the farmers and a negative impact on their survival.

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