

LARGE-SCALE ECONOMIC AND INFRASTRUCTURE PROJECTS IN INDIA'S METROPOLITAN CITIES. NEW POLICIES AND PRACTICES AMONG COMPETING SUBNATIONAL STATES.

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ABSTRACT: Engaging with theory from the field of international political economy and political geography, this paper undertakes to critically examine the strategies of increasingly powerful subnational political actors in India and to discuss their emerging role in the territorial restructuring process. The analysis focuses on the politics and policies of the re-scaling process underway within the national political economy, which are being played out in the framework of India's distinct federal system. Taking large-scale economic and infrastructure projects as emblematic examples, I examine the policies of the State of Haryana, which are shaping the metropolitan region of Delhi.

KEYWORDS: large urban projects, subnational state, scale, regulation, urban economy, special economic zones, India, Haryana, Delhi

1 INTRODUCTION

India has emerged in recent years as an important player in the world economy, more commensurate with its demographic size. Rapid growth but also profound political transformation is putting into motion major changes in the Indian economy, which are mainly visible in India's cities. Indeed, metropolitan regions are the main sites of growth and new investments, both national and transnational. The political elite has realised this and current policies are promoting urban regions as strategic assets. Inspired by spatial based policy trends compatible with a broader neoliberal agenda, these take the form of large-scale economic and infrastructure projects, a compelling example being Special Economic Zones. Along with measures that simplify investment procedures, such policies are intended to make cities more efficient and more attractive to transnational capital. Significantly, local governments, whether municipalities or villages in urban peripheries, are not involved in such decision-making, indeed they are rarely consulted about the large projects affecting them. Subnational states, in competition with each other, are driving the process.

Engaging with theory from the field of international political economy and political geography, this paper undertakes to critically examine the strategies of increasingly powerful subnational political actors in India and to discuss their emerging role in the territorial restructuring process and as regulation sites of the global political economy (Painter and Goodwin 1995, Paul 2002). It is argued that state and territorial restructuring are shaping India's urban economies and built environment in multiple ways, and that to examine these processes, the subnational State (region/province) is the most appropriate scale of analysis. More specifically, the analysis focuses on the politics and policies of the re-scaling process underway within the national political economy, which is being played out in the framework of India's distinct federal system. Taking large-scale economic and infrastructure projects as emblematic examples of re-scaling, I examine the policies of the State of Haryana, which are shaping the metropolitan region of Delhi. Like some other States, Haryana is aggressively pursuing city-centred industrial growth, directing its energies at Delhi. Using primary data collected in the field and official policy documents, I examine the content and modalities of key policies that contribute to shaping the State's regulatory environment. This offers an entry point for analysing relations between regional and national scales and the regional-local scales.

The paper is organised as follows: Section 2 provides context for understanding the case material, Section 3 analyses contemporary economic re-structuring in India and its impact on urban space, Section 4

examines the preponderant place metropolitan Delhi occupies in Haryana's industrialisation strategy, and analyses changes in the policy environment, and lastly Section 5 reiterates the main arguments.

2 INTENDED & UNINTENDED CONSEQUENCES OF ECONOMIC REFORMS

Structural adjustment reforms undertaken since the early 1990s have resulted in many changes in the Indian economy. Of particular interest here are the changes in the trade regime and the industrial policy, which have prompted a major restructuring process. The federal equation has also undergone important changes, in part the unintended effects of economic reform, and it is argued here that this new federal governance has profound consequences on urban and regional economies.

India's relationship with the world economy has fundamentally changed in the last 20 years: from a highly protected regime – its import duties were among the highest in the world – it has gradually opened up to trade and foreign investment. Within India, the regulatory framework has been overhauled and firms are much less constrained than in the past for engaging in trade, expanding capacity, entering into joint ventures, etc. In effect, until the nineties, the central state maintained strict control over private investment decisions, including the geographical location of firms, through a complex system of licenses and permits. The development model adopted in the 1950s, based on state-led industrialisation and import substitution, relied on the centralised management of the economy. In addition to allowing the state to channel scarce capital to priority sectors, planned industrial development was a means to pursue the goal of balanced regional development. In this institutional set-up, subnational States had relatively little policy space, and were obliged to lobby the Centre for industrial investments. With the dismantling of the "licence-permit raj" in the 1990s, there has been a twofold decentralisation: investment decisions to private firms, and economic development initiatives to State governments. To clarify, macro-economic and monetary policies continue to be made by the central ministries and national institutions like the Reserve Bank of India, but States have more manoeuvring space than in the past and can adopt measures that influence the investment climate within their boundaries. This is one important dimension of state territorial re-scaling that is taking place.

This re-scaling has launched a new phase of inter-State competition for private investment, with the inevitable risk of a race to the bottom as States mobilise the instruments and resources at their disposal.¹ In terms of resources, States are unequally endowed, notably with regard to attractive 'productive spaces', which are increasingly defined in relation to global markets i.e., metropolitan regions, coastal areas, and industrial corridors.

Inter-State competition has been further exacerbated by the unequal performance of States in the post-reform period, and deepening inequalities. The country's economic agenda and its impacts have fundamentally revised the rules of the game by redefining the nature of the Centre's mediation between States, and by embracing an economic regime that produces uneven economic development. However, rather than a 'hollowing out' of the national state, widely documented in literature, there is a complex redefinition of federal relations that includes delegation by the central state to subnational States, often accompanied by directives and other instruments of control and oversight (cf. SEZ policy below). This is one of the defining features of the politics of economic reform in India, i.e., the practice of diffusing opposition by delegating the management of reforms to the State-level. But the key point, and this has important implications for the ongoing debate on transnational liberalism, once delegated, the political elite selectively pursue those reforms most compatible with their own objectives.² Subnational States are not simply handmaids of the Centre, nor of global capital as we shall see later, they have their own motivations and electoral compulsions, a fact that helps explain the variations that one observes across India's regions in response to re-structuring.

3 ECONOMIC RESTRUCTURING AND URBAN SPACE

Growth has been very uneven across India's vast territory and population, increasingly so in the last two decades. Urban centres, especially metropolitan cities, have become the main nodes of growth; their

¹ On at least one occasion, the Centre intervened to regulate exemptions sales tax that were reaching epic proportions and squandering an important fiscal resource.

² See Rob Jenkins (1999) for a detailed analysis of this process.

contribution to GDP is estimated to be about 60%.³ Not surprisingly, the States experiencing the highest growth rates are those with the largest cities (or in close proximity): Haryana – Delhi, Maharashtra – Mumbai (ex Bombay); Tamilnadu – Chennai (ex Madras), Andhra Pradesh – Hyderabad. Metropolitan regions in particular have attracted new investments, a pattern that is consistent with global trends. Not only are these areas the most developed in terms of infrastructure, both quality and quantity, but growing incomes in cities feeds demand for commercial and real estate activities. Indeed, the rapid growth of the last 15 years has primarily benefited the urban middle classes, for instance through employment opportunities in the tertiary sector. This concentration of wealth and opportunity for capital accumulation places India's largest cities at the core of its political economy. This is a major shift, given the continued political importance of rural areas, where more than two-thirds of the population, and hence voters, live. Notwithstanding, political parties often have a direct stake in real estate ventures and the nexus between economic and political elites is most explicitly manifest in the context of large economic and infrastructure projects. Urban and periurban land is at the centre of the re-scaling process in India as will become further evident later in this section.

The emphasis here is not on metropolisation *per se*, but rather on public action in support of this process, on the ways cities are mobilised as 'resources' in economic strategies. As mentioned above, although metropolitan cities concentrate growth and are increasingly identified as growth engines by national and subnational governments, they remain politically and financially very weak. It is the subnational States that exert control over urban space, and their enhanced policy space as a result of re-scaling has intensified their interventions in urban areas, and in metropolitan regions particularly. These policies represent new forms of public action that can be analysed as regulation tools, shaping new geographies in a more liberalised national economy.

Metropolitan regions in India are being shaped by large-scale industrial and infrastructure projects. To name just a few: public transportation systems (underground metros, dedicated bus lanes), construction of new roads and expressways, housing, office buildings and industrial estates. In the housing sector, strong demand by middle and upper income groups has been met by private companies, and indeed real estate has become one of the economy's most dynamic sectors. The last decade in particular has witnessed an emerging pattern of large-scale residential projects conceived as self-contained townships, complete with commercial facilities and social infrastructure. Although these are key sources of urban development and raise important social issues, the focus of this paper is on industrial infrastructure, mainly in the form of industrial estates and special economic zones.

Public provision of industrial infrastructure

State agencies have long been involved in creating and managing industrial infrastructure, but there have been significant changes in the goals and the modalities of their interventions, starting in the 1990s. Most, if not all, States formed industrial development and/or infrastructure corporations in the 1960s, which were put in charge of acquiring land and building industrial estates equipped with basic infrastructure (roads, water, electricity and telecom connections), where production units could lease space and set up operations quickly. One of their foremost missions was to promote industrialisation in specially designated "backward areas", territorial units (districts or development blocks) whose relatively weak socio-economic indicators made them eligible for special attention from government.

The larger policy goal was to promote a more balanced spread of industrial activity, in part to avoid migration and 'unplanned' urbanisation. For many years, until the 1980s, official policy ignored urbanisation, or attempted to contain it: "... it was the ambition of the planners to link urban and industrial dispersal using a combination of tools including industrial licensing policy, selective location of public sector factories and promotion of small-scale industries, with a clear intent of maintaining the population in rural areas. Strict rules prohibited the location of industries in or near urban centres. More directly, cities suffered from inadequate public investments in infrastructure and housing, a policy that can be interpreted as a deliberate attempt to reduce the pull factor from cities." (Kennedy and Zerah 2008: 112).

Given this context, the current shift in policy is all the more dramatic. Today the national state as well as subnational States are re-scaling, targeting metropolitan regions as strategic assets. This paper highlights one particular policy, Special Economic Zones, that is particularly emblematic of the shift in official thinking about India's industrial strategy, and which is singularly affecting the country's large cities.

³ Mumbai alone contributes 5% of GDP and 30% of income tax.

India's Special Economic Zone Policy

SEZs are not new in India,⁴ but the national law passed in 2005 marks the beginning of an era, a sign of the commitment of India's political elite to a liberalisation agenda. For Rob Jenkins (2007), the SEZ policy can be seen as a third generation of reforms, the objective being to facilitate and intensify the effective participation of India's largest private-sector firms in the global economy by improving the physical and administrative platforms from which such firms operate. Explicitly inspired by Chinese SEZs, the objective is simple: accelerate investment to stimulate exports and employment, by providing excellent quality infrastructure and a favourable fiscal regime (exemptions from import and export duties, excise and sales taxes, exemptions on profits for up to 15 years, etc.).

The national coalition government that announced this bold policy was led by the Congress Party, the same one that initiated economic reforms in 1991. While such a policy sends a strong message about political commitment to liberalisation, it also underscores the failure of previous governments to successfully transform the investment climate. In effect, the SEZ policy amounts to creating a liberal "hassle-free" regime in enclaves across the country. The detailed rules, released in February 2006, lay down the guidelines for all activities within the zone, and for its governance structure. For all practical purposes, these are foreign territories that operate within a distinct regulatory framework. It is a textbook example of re-scaling, creation by the state of new territorial coordinates that can serve as production platforms for the global markets (Brenner 2004).

In contrast to China, the zones are to be financed and managed primarily by private developers. Their response has been enthusiastic: by June 2009, 578 projects had received formal approval from the central board, and 322 zones had been notified. Notified SEZs are those that have cleared the final approval process at the central level and have been legally declared. Notification follows verification that the land is in the developer's possession and that all requisite clearances have been obtained, e.g. from planning authorities.

Regarding the sectoral distribution of notified SEZs: 64% are in the category IT/ITES/Electronic Hardware, followed by about 5% each for engineering and pharma/chemicals and 4% for bio-tech. Less than 4% are in the textile/apparel/wool category, a sector that is traditionally strong in the country's exports.⁵

There are no restrictions on location, nor are there incentives to set-up in underdeveloped areas, which suggests an implicit strategy to favour geographic concentration and in particular metropolitan regions, characterised by its supply of human capital, quality infrastructure and overall connectivity. The repercussions of the SEZ policy for urbanisation are tremendous: the National Institute of Urban Affairs estimates that between 50 and 70 satellite cities will spring up around SEZs, each having a population of 500,000 to one million (2008).

Although the following analysis is not limited to the SEZ policy alone, the latter provides a compelling prism through which to analyse the politics of economic restructuring and state re-scaling. It is indicative of emerging geographies of production in India.

4 DELHI AT THE CORE OF HARYANA'S INDUSTRIAL POLICY

In the case of Greater Delhi (population, 15 million), I will be examining the policies of the State of Haryana, whose territory surrounds Delhi on three sides (north, west, and south). Although the area being examined falls in the Delhi Metropolitan Area (cf. Fig. 1), it remains for all practical purposes under the administrative control of the Government of Haryana. This is because the Delhi Metropolitan Area corresponds to a planning unit only, its borders do not coincide with a political entity.⁶ The focus will be on the overall investment climate created by the State's policies and practices, and the specific measures taken to implement the SEZ policy. The State is keenly aware of Delhi's attractiveness and its own advantageous

⁴ India was in fact the first Asian country to experiment with the concept, in the form of an export processing zone in Kandla, Gujarat, in 1965. In 2000 a new zone policy was introduced, inspired by Chinese SEZs.

⁵ Textiles may also be present in multi-sector SEZs, of which there are 12 notified. Source: Dept of Commerce, Ministry of Industries and Commerce, Govt of India. <http://sezindia.nic.in>.

⁶ Moreover, the Delhi Metropolitan Area is situated within an even the larger planning unit, the National Capital Region. I thank Dr. Veronique Dupont for these clarifications.

location in proximity to the metropolitan region, and has adapted its economic development strategy to take advantage of this fact.⁷

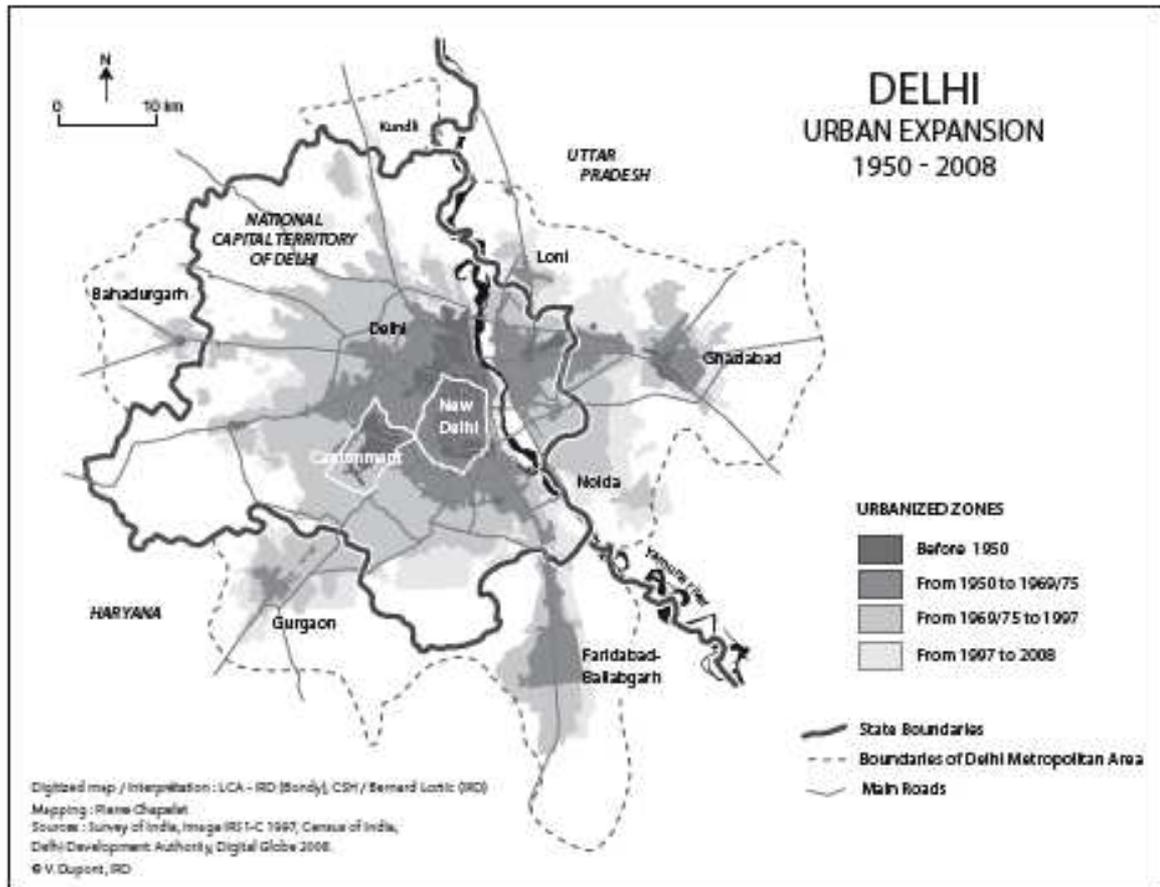


Figure 1 Map of Delhi Metropolitan Area

The State of Haryana, with a population of 21 million, is considered economically advanced, enjoying both a high level of income per capita (536 euros per year compared to the national average of 387 euros), and rapid growth. Its growth rate has generally exceeded the national average, and has been sustained at around 7% since 1990. Its contribution to GDP is roughly 3%, whereas its population is less than 2% and its land area is less than 1.4% of total land (Bhandari and Kale 2007). It has fertile, irrigated agriculture and contributes disproportionately to the country's food grains, notably wheat and rice. Industrially too, it has a strong, diversified base and in recent years has developed a specialisation in the automobile industry. The State's share in national production is approximately 50% for passenger cars, 55% for motorcycles and 25% for tractors. There are several industrial centres in the State, but the most dynamic in the post-reform period are the districts of Gurgaon and Faridabad, which are contiguous to Delhi city limits, to the south (cf. Fig. 1), and situated within the National Capital Region (NCR). As the table below shows, the NCR occupies a preponderant place in Haryana's overall industrial output and employment.

⁷ This fact came out clearly in interviews with both senior civil servants and business leaders in Haryana.

Table 1. Data on Industrial Growth in Haryana State as a whole and in its territory situated in the National Capital Region (NCR)

		2002	2007	Notes
Number of registered industrial units (under Factory Act):	in Haryana State	8,974	9,954	Increased by 980 units in 5 years, of which 661 are in the NCR.
	in NCR	3,713 (41% of total)	4,374 (44% of total)	
Number of employees in industrial units:	in Haryana State	540,338	681,416	Increase in share of industrial employment reflects the large size of the units in NCR.
	in NCR	293,939 (54% of total)	411,343 (60% of total)	

Source: Communication from the Labour Commissioner, Government of Haryana, December 2008.

Seen in comparative perspective with other States, the industrial policy of Haryana is unremarkable. The main objectives are, not surprisingly: growth, employment creation, offering an enabling investment environment, and garnering new investments in global growth sectors (IT/bio-tech, automobile). Taken at face value, the means to these ends are also quite conventional: simplification of procedures for investors (e.g., through a single window clearance mechanism), fiscal incentives and subsidies of various kinds, support to industry through infrastructure provision, and through the constitution of a “land bank” to facilitate large projects in particular.

Like some other States, Haryana has commissioned its industrial development corporation, the HSIDC, to purchase land for industrial development, a mission that is explicitly mentioned in the industrial policy from 1999. As Zamuner points out: “... it aims at providing a solution to the high prices of land resulting from Haryana’s high population density and high returns to land in certain areas – due in turn to its highly developed agricultural sector –, as well as to the considerable transaction costs related to the acquisition of large amounts of land” (2009: 29).

To appreciate the evolution: between 1973 and 1994, HSIDC acquired a land bank of 1,500 acres, then in 1995 alone, it acquired 1,000 additional acres (at Bawal, 85 km SE of Delhi). In the following year, it started acquisition of 1,800 acres at Manesar, only 35 km from Delhi, for the first phase of a large industrial township combining residential, commercial and industrial activities.⁸ The timeframe indicates the impact of the reform agenda on State-level practices and the competitive dynamics at work. The selection of locations, increasingly closer to Delhi, also suggests an evolution in the State’s strategy.

SEZs in Haryana

At about the same time it was building the industrial township at Manesar, HSIDC made plans to construct an SEZ called New Gurgaon in the heart of Gurgaon, much nearer to Delhi. About 440 hectares of prime real estate was acquired using the state machinery for land acquisition, but later the government changed its mind. Assembly elections held in 2005 brought a new ruling party to the helm whose political leaders were eager to launch a high-profile economic project. According to accounts, feelers were put out at the highest level, a process that was probably facilitated by the fact that the central and State government were now both run by Congress Party. Shortly thereafter, in June 2006, the State entered into a joint venture with Reliance, India’s largest private corporation, to develop a multi-sector SEZ (RHSEZ). The State brought to the deal the land that had it had already acquired in Gurgaon (440 ha), a move that provoked protests from landowners whose land had been acquired “for public purpose”. This SEZ was originally

⁸ Interview with Industries Secretary, Government of Haryana, Chandigarh, 19 November 2008.

planned to be spread over 10,000 hectares, but has since been scaled down as a result of a central directive following violent protests against SEZs in West Bengal in early 2007.

Haryana can boast of a successful SEZ policy, certainly the best performer among Northern States. The government has received a total of 94 proposals for setting up SEZs, at different stages in the approval process, which takes places both at the State and central level. As of June 2009, there were 46 “formal” approvals, 17 in-principle approvals and 31 notified SEZs.⁹ Table 2 below shows the sectoral distribution of notified SEZ projects and their location in the State; the dominance of Gurgaon is compelling.

Table 2. Notified SEZs in Haryana by sector, as of April 2009.

Sector	Number	Location (District)
IT/BPO	24	Gurgaon (18); Faridabad (3); Sonipat (3)
Biotech	2	Gurgaon (2)
Engineering	2	Gurgaon (1); Sonipat (1)
Textile	1	Gurgaon
Multi-Sector	2	Gurgaon (2)

Source: Dept of Commerce, Ministry of Industries and Commerce, Govt of India. <http://sezindia.nic.in>

Analysing the policy environment

To understand the policy environment of a State, it is necessary to look beyond the contents of policy documents and examine the informal practices on the ground, in other words, use both official and non-official sources.¹⁰ For instance, significant indicators can be gleaned from supporting measures, department-level notifications and government orders in all areas that relate to industrialisation: industrial policy, labour policy, compensation for land acquisition, etc. This corpus of formal, but not necessarily publicised decisions forms the basis of the overall regulatory regime that the state is seeking to deploy, within the limits of its jurisdiction, and that constitutes the interface between the government and investors. Some of the more significant decisions are discussed below.

In May 2006, the Department of Industries issued a policy with regard to “acquisition of land for private deployment and in public-private partnership for setting up of SEZs, Technology Cities, Industrial Parks and Industrial Model Townships, etc”. The notification outlines the situations in which the government will assist private developers (depending on size of project; location, i.e., whether in National Capital Region/backward areas/others; whether share equity of state government, etc.). The general tone is one of great willingness to assist private investors, with a view to encouraging as much private participation as possible for the development of infrastructure and for industrial growth, in keeping with the State’s 2005 industrial policy. Of particular interest is the stated willingness of the government to form PPPs, including for SEZs. In joint ventures where the State government has 26% or more share in equity, it “shall acquire the entire land for the project”. In fact, among notified SEZs in the State, only one is a joint venture, with Reliance, in which the State owns 10% equity. This contrasts quite sharply for instance with the State of Andhra Pradesh, where 13 of 56 notified SEZs were developed directly by the State’s infrastructure development corporation (APIIC), and another 21 projects were “assisted” by it, notably for assembling the land.¹¹

One clause in the document mentions that this Board may consider “customised incentives ... including such relaxations as it may deem necessary for achieving the objectives of economic growth”. However, it also outlines “Terms & Conditions” for firms wanting to avail themselves of help for acquisition of land from the State government, including for SEZs. These include paying the state administrative expenses (15%

⁹ Cf <http://sezindia.nic.in>

¹⁰ In addition to consulting policy documents, this analysis was informed by the interviews conducted with people in Haryana from various backgrounds, including government officers, trade union leaders, industry organisations (CII, PHD) and journalists. For the collection of this data I would like to acknowledge the able assistance of Diego Zamuner, intern at the CSH and student at Sciences Po, Paris.

¹¹ Source: collected by the author at APIIC office, Hyderabad, 16 October 2008.

of total cost of acquisition); rehabilitation of population; providing essential services for villages that are relocated; setting up and running industrial training institutes; providing independent power plant or purchasing power from a plant outside the state (Haryana has a serious electricity deficit); giving employment to at least one member of the family whose land is acquired for setting up the project; 25% of employment provided to Haryana residents.¹²

At about the same time, the government announced other measures aimed at improving the business climate in the State, including a new labour policy (2006), simplification of procedures for starting an industry, and relaxing regulations on existing factories. The key novelty in the Labour Policy is a schedule stipulating the maximum time given to various categories of employees (inspectors, conciliation officers, deputy labour commissioners) to dispose of cases under various labour laws. The measures are intended to make administration more efficient and more accountable, since a party has recourse in case of a delay.¹³ More importantly, they contribute to the central goal, i.e., to avoid conflict between labour and management and quickly resolve grievances in order to avoid strikes. Industrial organisations, especially the Confederation of Indian Industry (CII), an outspoken advocate of India's reforms, were consulted during the drafting of the policy, and their recommendations were taken into consideration.¹⁴

Such time-bound measures have also been put in place for starting an industrial unit. For example, a factory license must be given (or refused) within three months. In fact, on the ground the policy goes one step further: once a firm has applied it is 'deemed to be approved' and it can commence production without waiting for the official reply.¹⁵ Presumably in response to heavy demand in metropolitan Delhi and to speed up the procedure, the Haryana government has empowered the Additional Commissioner to issue licenses for the districts of the State located in the NCR, instead of being forwarded to the main office in the capital Chandigarh.

Lastly, it is not listed in the policy document, but it was learned in discussions with officials that there is a provision that allows for self-certification by firms, including for health and safety rules. The idea is to emphasise 'compliance' as opposed to 'prosecution'. One of the major advantages of self-certification for a firm is exemption from inspections. It was clarified however that firms could still receive surprise visits in case of complaints, but only under orders of a senior officer. According to the officer in charge: "the government's new thinking is that a company will improve of its own accord".¹⁶ These citations give some idea of the policy environment prevailing in the state, and that may explain its attractiveness to investors.

To appreciate these changes in factory and labour regulations, it should be pointed out that industrial relations in Haryana have been quite tense in recent years, with several dramatic conflicts. According to several informants, including a former Minister, the State government confers utmost importance to keeping "peaceful" industrial relations, as part of its strategy to attract private investment to the State. This includes maintaining political control over the nomination of Labour Commissioners in order to ensure their close cooperation, and systematically sending the police to break long standing strikes (Zamuner 2009: 17).¹⁷

In analysing the considerable efforts being made by the Haryana Government to improve industrial relations, the distinct impression is that preference is given to one category of social actors, namely investors, over another, industrial workers. Although a full appreciation of industrial relations would require further research, two remarks are in order: (i) there has been a significant decline in organised labour in India over the last 25 years, as a result of downsizing in both the private and public sectors and the closing or

¹² A committee constituted by the state government is supposed to monitor the compliance of these Terms & Conditions, but I have not been able to check whether this committee exists, nor to what extent these Terms & Conditions have been implemented.

¹³ The Deputy Labour Commissioner in Gurgaon admitted there was some difficulty to adhere to the time schedule, in particular with regard to claims for workmen's compensation, payment of gratuity, etc. Interview with Mr Thakur, Gurgaon, 4 December 2008.

¹⁴ Interview with Ms Kavita Nair, Deputy Director, CII Northern Region, Gurgaon, 4 December 2008.

¹⁵ Interview with Mr Chahal, Deputy Director of Industrial Safety and Health, Gurgaon, 4 December 2008.

¹⁶ According to the official in charge, the response to self-certification has not been good "only 30 firms, mostly MNCs". He said only "good firms" would go in for this, it must be confident that its standards are at par with international standards, i.e. not in violation of any provision of the Factories Act. Source: same as note 15.

¹⁷ See also Seghal 2005.

privatisation of public sector enterprises (the majority of unionized employees work for the government); (ii) India has a labour-surplus economy that makes it singularly difficult for workers, especially those without specialised skills, to negotiate for better salaries and working conditions.

Social compromises

If it is relatively less risky for the state to privilege investors over workers, it does not make electoral sense in Haryana to ignore the interests of landowners. Indeed, farmers represent a powerful political force in State politics, and a decision taken in late 2007 indicates the government is sensitive to the ways its industrial policy is affecting them.

A notification, dated 7th December 2007, emanating from the Revenue Department formulates a policy for “rehabilitation and resettlement of landowners – land acquisition oustees”. It increases the level of compensation allowed under the Land Acquisition Act, i.e., the law that allows government to take possession of private land for ‘public purpose’. Current compensation rates are based on the valuation of land on basis of sale deeds in the vicinity. This is a flawed procedure, not least because in practice (throughout India) sale deeds do not reflect the actual price paid for land since the latter is deflated on paper to avoid ‘stamp duties’ or tax on land transactions.¹⁸

The enhanced compensation includes an annuity of Rupees 15,000 per acre per annum (to be increased by Rs 500 every year)¹⁹ for 33 years, an amount that is over and above the usual land compensation. It is noteworthy that the decision contains a special clause for land acquired for setting up SEZs, which is more generous and to be borne by the private developer, namely a sum of Rs 30,000 per acre per annum to be paid for 33 years by the developer and this annuity will increase by Rs 1000 yearly. Moreover, this policy provides for the allotment of plots as a form of compensation, subject to a set of specific conditions, but as a general rule, the size of the plot depends on the amount of land acquired. In some cases, in addition to residential plots landowners can also be allotted commercial sites (for small shops).²⁰

According to the Industries Secretary, the objective of this policy is to improve upon the low level of compensation allowed under the Land Acquisition Act, which incidentally dates back to 1894, when India was under British rule. He mentioned the State government had announced another measure, targeting the same objective, in the form of floor rates for different locations, ostensibly to ensure that compensation will be closer to market values, e.g. in Gurgaon there is a minimum floor price of about Rs 2,200,000 per acre (approx. 30,000 € per acre).²¹

To my knowledge, this is the only policy of its kind in the country. It is significant in light of the fact that across the country, the SEZ policy has been contested on the grounds that it favours private developers at the expense of farmers and landless labourers, who stand to lose their livelihood. Following violent clashes in Nandigram, in West Bengal, in which 14 protestors lost their lives in a police shooting, the Empowered Group of Ministers at the central government level sent a directive to States appealing to them not to use state machinery to acquire land for private developers.

Haryana’s decision to enhance compensation and thereby raise the cost of industrial land for investors is a reminder of the importance of local political factors. An elected government in India cannot afford to ignore its constituencies. As the subnational State seeks to offer attractive and competitive production platforms for national and global capital, it has to contend with social forces that operate at the local and regional level. This corroborates the findings of Darel Paul that “local politics play a significant role” in determining the response of subnational states to the pressures of global competition (2002: 471).

Although there is one very visible joint venture, RHSEZ, the vast majority of SEZ projects in Haryana are being developed by private players, and the state is not directly helping them to purchase land. In fact,

¹⁸ According to the Industries Secretary, sale deeds only reflect 1/4 or 1/3 of real market rates.

¹⁹ Rs 15,000 is about €211. In September 2009, €1 was worth approximately 70 rupees.

²⁰ Not surprisingly, the main opposition party, the Indian National Lok Dal, promises to pay better compensation for land: in Sept 2008 the former Chief Minister Om Prakash Chautala claimed that if his party returned to power in the next Assembly elections, he would ensure farmers get Rs 5 million per hectare for the land sold to industries, and if the farmland was located in the NCR, farmers would be paid double as compensation. Reported in *The Hindu*, 26 September 2008.

²¹ Interview with Yudhir Singh Malik, IAS, Commissioner & Secretary Industries Department, Government of Haryana, Chandigarh, 19 November 2008.

discussions with several investors in Gurgaon indicated that the State government is not as 'facilitating' as official discourse would suggest. In particular they complained about "excessive" development charges levied to cover costs of bringing networked infrastructure to their SEZ sites. Interestingly, a high ranking official in the Ministry of Commerce of the central government confirmed that Haryana charged the highest rates in the country, and that some States waived these charges. The same official admitted that the Ministry had made a recommendation to the State (on behalf of private developers!), to reduce them.²² This is an interesting indicator of the politics of SEZs, and of liberal reforms generally, being played out in India's federal system.

5 CONCLUDING REMARKS

Taking as a starting point the trend of city-centred growth strategies and territorial re-scaling widely documented in the context of advanced capitalist countries, this paper examines similar processes underway in India. A major difference is the virtual absence of local government, including in India's largest cities, in decisions shaping urban space and the built environment. Political institutions, evolving from a long period of centralised management of the economy, remain hierarchical although economic reforms are contributing to redefining federal governance. In particular, subnational States now enjoy greater policy space to pursue economic development and influence the regional business climate, a situation that has increased competition between them. Abandoning the goal of balanced spatial development, their efforts are focused on improving infrastructure and connectivity in the largest cities, which are considered growth engines for the regional economy.

These processes are examined through the prism of the Special Economic Zone (SEZ) policy, which is particularly emblematic of the shift in India's industrial strategy, and which stands to have a powerful impact on urbanisation. Indeed this policy seeks to create deregulated free trade enclaves that can serve as production platforms, and thereby facilitate the country's integration into global markets. Strongly promoted by the central government, State governments are adapting their own policy frameworks. Centring the analysis on the State of Haryana, whose territory surrounds Delhi on three sides, the objective was to analyse the public policies that inform the investment climate and contribute to the urban dynamics observed on the ground.

Using official policy documents as well as primary data collected in the field, the modalities of the State's approach were analysed, with particular attention to changes in the regulatory environment. The overall impression is of an aggressive industrial policy, combining material incentives and simplification of rules and procedures with improvements in accountability. The enthusiastic response from private investors, including for SEZ projects, is no doubt an indicator of success. At the same time, an in-depth analysis shows that policy-makers have been responsive to reactions on the ground, motivated no doubt by electoral concerns, and were willing to apply measures that were not in the interests of real estate developers and industrialists. This is a reminder of the importance of local political factors in shaping subnational policies, and one with important theoretical implications. It corroborates Paul's assertion that subnational states have agency and do not blindly implement policies and injunctions from above (2002). On the other hand, local urban governments in India are completely excluded from decision-making, and do not exercise 'positive' agency, although they may succeed in exerting influence on policy through organised resistance.

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²² Interview with the Director of SEZs, Ministry of Commerce and Industries, Government of India, New Delhi, 1st July 2009.

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