

# CUTS IN ACTION

25<sup>years</sup>  
1982-2007  
CUTS  
International

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## The Political Economy of SEZs in India



**S**pecial Economic Zones (SEZs) have raised a huge controversy in the country. Alas, one would miss the wood for the trees, if one does not look at the political economy and the challenges it will continue to raise in our distorted discourse.

According to many, SEZs would create a pro-business industrial environment in the country, which may not be good for fostering India's economic democracy. While SEZs are indeed pro-business, such a (pro-business economic) policy is not new in India. The country has vigorously pursued a pro-business policy, which has witnessed significant reduction in poverty. The real question is not that can we afford to have SEZs, but can we afford not to.

Before getting into an analysis of the political economy, let me examine two important questions and that will help in understanding the situation. First, will large-scale formation of SEZs in India lead to an enclave-led growth? Second, whether enclave-led growth is good or bad for our economy and its people.

There is no easy answer to these questions, which will depend on local factors, among many other things. At best one can do some case studies to draw some lessons but generalisation will not be possible. An answer to the first question can be found by looking at the performance and impact of existing export processing zones (EPZs) – which are similar to SEZs – in India. The first EPZ in India was developed in Kandla, Gujarat in mid-1960s, and alongwith many others the multiplier effects have been great.

It appears that the central and various state governments have taken a right decision to encourage the setting up of SEZs and this policy is consistent with the National Foreign Trade Policy of India, 2004-09. Let

me highlight three most important conditions in the Indian context. The first condition is that agricultural productivity must rise at a rate sufficient for the production and marketing of food to be able to feed the entire population. This requires continuous technological progress in agriculture, and institutional and organisational changes, including land reforms.

Second, the growth rate of industrial labour force must be faster than the growth rate of the total labour force. Over the last couple of decades, industrial employment in India is stagnant and in order to change this situation both large-scale capital accumulation and labour-using bias of innovation are required. The policy of developing a large number of SEZs meets both these conditions. Third, there must be a balance in inter-sectoral labour markets. The number of new employment opportunities created in industry must be in step with the number of persons released from agriculture.

What is the way out of the present impasse? The Government of India and state governments should take certain specific policy measures for increasing agricultural productivity and simultaneously, manufacturing employment. But results from such measures will take a longer time to arrive. A huge political will is required in order for India to become a developed country (not poor, if not rich) by the year 2020. Given the nature of our democracy, this will be a risk but there will be huge returns too – in economic terms as well as politically.

*Pradeep S. Mehta*

Pradeep S Mehta, Secretary General



### Promoting Competition

Pursuing the training and capacity development mandate of the seven-country regional competition policy project (*Capacity Building on Competition Policy in Select Countries of Eastern and Southern Africa*), CIRC, in partnership with Institute for Global Dialogue, South Africa organised a training workshop on competition policy and law in Pretoria, on February 15-17, 2007.

The workshop deliberated competition administration issues and was attended by representatives of young competition authorities of the region along with officials from relatively older competition authorities from other parts of the continent.

### World Consumer Day

To commemorate the World Consumer Day, CUTS Centre for Human Development (CUTS CHD), jointly with the District Supply Office, Chittorgarh, organised a seminar on 'Empowerment of Consumers – Assert Rights, Pursue Remedies' at Chittorgarh, on March 15, 2007.

P L Agarwal, the District Collector, Chittorgarh, while addressing the participants emphasised the need for sustained educational campaign to create awareness among the consumers for their rights.

### Fostering Rural Upliftment

CUTS Centre for Consumer Action, Research & Training (CUTS CART), Jaipur organised a state level launch-cum-brainstorming workshop under the project entitled, 'Promoting Greater Role of the *Panchayati Raj* Institutions (PRIs) in Rajasthan to Foster Rural Livelihood Opportunities: Meeting the Challenges of Globalisation and Economic Liberalisation' in Jaipur, on February 28, 2007.

The purpose of the workshop was to propagate projects' aims and objectives amongst relevant stakeholders and draw the short, middle and long term plan of action.

### Aid for Trade

CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), Jaipur organised the International Conference under the TDP project in Nairobi, on March 15-16, 2007.

The theme of the conference was 'Civil Society Organisations (CSOs) and Aid for Trade (A4T) – Roles and Realities', which aimed to provide a discussion forum to deliberate various aspects of the involvement of CSOs in implementing A4T programmes.

Representatives of project partners from 15 countries attended the conference apart from representatives from inter-governmental agencies, governments, civil society, and research organisations.

### Building Capacity

CUTS Africa Resource Centre (CUTS ARC), Nairobi with support from Canadian International Development Agency (CIDA) and DFID, UK conducted a one and a half day regional conference under the project entitled, 'Capacity Building for the Fast Tracking of the East African Common Market' in Nairobi, on January 29-30, 2007.

The objective of this conference was to undertake a consultation and sensitisation, advocacy, networking

## A Symposium Par Excellence

As part of a unique research programme entitled, 'Competition, Regulation and Development Research Forum (CDRF)', CUTS Centre for Competition, Investment & Economic Regulation (CUTS C-CIER) and CUTS Institute for Regulation & Competition (CIRC), jointly organised a Research Symposium, 'Political Economy Constraints in Regulatory Regimes in Developing Countries' in New Delhi, during March 22-24, 2007.



This Symposium deliberated the research findings that emerged in the first cycle of the CDRF project, which included about 20 research papers. It discussed objectives of enacting Competition Law and Policy, highlighting the potential conflicts between promoting efficiency and public interest objectives.

Dignitaries from around the globe included Dr Supachai Panitchpakdi, Secretary General, UNCTAD, Dr C Rangarajan, Chairman, Economic Advisory Council to the Prime Minister of India, Dr Fredric Jenny, Judge, French Supreme Court; Dr Nitin Desai, Former Under-Secretary-General of UN, India; Roger Nellist, Head, Investment and Competition Team, DFID; and Pradeep S Mehta, Secretary General, CUTS International.

and capacity building that will eventually lead to programme development and monitoring in the East African region before the common market becomes operational.

### Linking CSOs with EPA

CUTS ARC, Lusaka, in collaboration with Overseas Development Institute (ODI), Jubilee Zambia, Civil Society Trade Network of Zambia (CSTNZ) and Participatory Ecological Land Use Management (PELUM), organised a workshop entitled: 'Helping CSOs to Influence the EPA Negotiations' in Lusaka, on February 09-10, 2007.

The objective of the workshop was to help national CSOs to develop a plan of informed action to influence the EPA negotiations to enhance pro-poor growth and reduce poverty.

### A Pilot Project

CUTS CITEE organised a one and a half day inception workshop of the project entitled 'Mainstreaming International Trade into National Development Strategy: A Pilot Project in Bangladesh and India' with the support of Royal Norwegian Embassy, New Delhi in Kolkata, on February 07-08, 2007.

The objective of the workshop was to bring together people associated with the project and discuss the sectors, draft Terms of Reference and questionnaires.

([www.cuts-citee.org/pdf/MINTDEVInceptionworkshopReport.pdf](http://www.cuts-citee.org/pdf/MINTDEVInceptionworkshopReport.pdf))

### Expanding Horizons

Dr N C Pahariya of CUTS CITEE participated in the conference entitled 'SAARC 2015: Expanding Horizons and Forging Cooperation in a Resurgent Asia', jointly organised by the Friedrich Ebert Stiftung (FES) India and the Jawaharlal Nehru University (JNU), in New Delhi, on February 09-11, 2007.

The Seminar deliberated extensively the evolving ways and means for South Asian Association for Regional Cooperation (SAARC) to become an effective and powerful institution for expanding horizons and forging cooperation in a resurgent Asia in the next decade or by 2015.

### Infrastructure Investment Forum



Pradeep S Mehta and Udai S Mehta of CUTS attended the conference on 'India Infrastructure Investment Forum 2007', jointly organised by the Confederation of Indian Industry (CII) and the Commonwealth Business Council (CBC), in New Delhi, on January 15, 2007.

The Conference coincided with the parallel sectoral workshops that addressed current policies and business opportunities in India, including various strategies that could be adopted to accelerate infrastructure development.

### On Contract!

Rahul Ranajan of CIRC attended a consultative meeting on 'Contracting Mechanism for Public Private Partnership (PPP) in Health System of Rajasthan', in Jaipur, on February 06, 2007.



The objective of the meeting was to share the draft contracts developed with key stakeholders in order to understand their views and receive feedback on the mechanism to ensure smooth functioning of PPPs.

### CUTS on WB's Institute on Sustainable Development

In recognition to the World Bank and considering the experience and involvement of CUTS in the area of good governance and social accountability, George Cheriyan of CUTS is included in the International Resource Team on Social Accountability of the World Bank Institute on Sustainable Development (WBISD) based in Washington DC, USA from January 2007. Besides, George has also been appointed as a member of Rajasthan Electricity Regulatory Commission (RERC).

### Warwick Commission into the Future of the Global Trade Regime

Pradeep S Mehta of CUTS has been invited to be a member of the 'Warwick Commission into the Future of the Global Trade Regime'. It is hosted at the Centre for the Study of Globalisation and Regionalisation at the University of Warwick, UK. Pierre Pettigrew, an experienced trade specialist and diplomat and former Canadian Minister for Trade and Foreign Affairs is the Chairman of this Commission. The first meeting of the body was held in Warwick, on February 23-24, 2007, in which Mehta presented a Note on 'Threats/Obstacles and Possible Solutions'.



### SHORT CUTS

- Sajeev Nair of CUTS C-CIER attended a two-day National Conference on State of Competition in the Indian Economy organised by the Competition Commission of India (CCI), in New Delhi, on March 14-15, 2007.
- George Cheriyan of CUTS CART facilitated a session on 'Sustainable Development & Role of NGOs', as part of the five-day training programme on 'Public, Private & People's Partnership in Development' organised by the Centre for Management Studies, in Jaipur, during March 05-09, 2007.
- Vladimir Chilinya of CUTS ARC participated in the 'Economic Partnership Agreement-Eastern and Southern Africa-Regional Negotiation Forum', in Burundi, on February 21-23, 2007.
- R K Sharma of CUTS CART participated in a conference on 'Rural Business Hub: Partnering for Growth' convened by the CII in Jaipur, on February 20, 2007.
- Bipul Chatterjee of CUTS CITEE participated in a seminar entitled, 'Realising the Doha Development Agenda As if the Future Mattered' held in Salzburg, Austria, from February 16-20, 2007.
- Ritu Agarwal of CUTS CART attended a programme on 'Trafficking of Women and the Girl Child' sponsored by National Commission for Women (NCW), New Delhi and organised by Centre for Social Development (CSD), in Jaipur, on February 15, 2007.
- Pradeep S Mehta and Udai S Mehta of CUTS participated in a two-day International Conference on 'Meeting India's Infrastructure Needs with Public Private Partnerships: International Experience and Perspective', jointly organised by the Government of India, the World Bank, and the International Finance Corporation (IFC), in collaboration with Public Private Infrastructure Advisory Facility (PPIAF), and Infrastructure Development Finance Corporation (IDFC), in New Delhi, on February 05-06, 2007.
- Vishwajit Habbu of CUTS CITEE participated in 'Tamil Nadu State Level Workshop' organised by the Citizen consumer and civic Action Group (CAG), in collaboration with the Tamil Nadu State Planning Commission, held in Chennai, on January 19, 2007.
- Madan Lal Keer and Devendra Kumar Paliwal of CUTS CHD attended a two-day Induction Training Programme organised by the Voluntary Health Association of India (VHAI), in New Delhi, on January 15-16, 2007.

## Norway Strengthens Ties with CUTS

After successful implementation of the first stage of the project entitled, 'Capacity Building on Competition Policy in Select Countries of Eastern and Southern Africa' (also referred to as the 7Up3 project) by CUTS, the stage for the second phase is all set.

In this context, an agreement was signed between Norwegian Agency for Development Cooperation (NORAD) and CUTS International in Jaipur to consolidate the project on strengthening competition regimes in seven countries of Eastern and Southern Africa. Earlier, an independent evaluation had recommended NORAD to support activities of the second stage of this project. A delegation of 15 Parliamentarians headed by Thorbjorn Jagland, President of the Norwegian Parliament (Stortinget), witnessed the signing of the agreement.

The visiting delegation had a close discussion with CUTS' researchers and staff, taking stock of the



organisation's work on international trade and competition policy and law activities in various parts of the developing world. With the signing of the agreement, CUTS is entrusted to implement project activities in the seven project countries – Botswana, Ethiopia, Malawi, Mauritius, Mozambique, Namibia and Uganda, as part of the activities under the 7Up3 Project, Phase II.

For details, please visit: <http://www.cuts-ccier.org/ccier-prMar07.htm#pr1>

### VISITORS

Name	Comments
Dr Shyam Agarwal, Principal Secretary to Government of Rajasthan, Jaipur	I am really very fortunate to have visited CUTS. Wish I should have been here long back and done some participative research in policy making. I hope I can benefit in future.
Rajan Sudesh Ratna, Director, Department of Commerce, Government of India, New Delhi	Interaction with CUTS as an institution has been very long, however it was a great experience to interact with individuals who put lot of effort for a good work. The Institute maintains good standards not only for its human resources but also the infrastructure. Keep it up!
M Ann Tutwiler, Managing Director for Trade & Development, Hewlett Foundation, Washington DC USA	I am quite impressed by the vision and the breadth of the work CUTS is doing. I look forward to have contact with the organisation in future.

## CUTS Branches Out in Vietnam



CUTS has opened its fourth overseas resource centre in Hanoi, Vietnam in January 2007. CUTS Hanoi Resource Centre (CUTS HRC) will be campaigning to build consumer awareness in the Mekong Region countries of Vietnam, Cambodia and Laos. The DFID office in Vietnam is negotiating a project on Making Markets Work for the Poor in Vietnam and is likely to associate CUTS in this endeavour. CUTS Hanoi would also be providing technical assistance to the Vietnamese Competition Authority during 2007-09, with support from the Government of Switzerland.

The first assignment that the Centre undertook was to prepare an assessment of Vietnam's Investment Climate Policies Against the Organisation for Economic Cooperation and Development's (OECD) Policy Framework for Investment. This study supported by the OECD would provide a 'first hand' assessment of the most distinctive regulatory features and recent policy developments in Vietnam in the investment policy area using the questions of the 'Policy Framework for Investment' as indicative benchmark.

For details, please visit:

<http://www.cuts-ccier.org/ccier-prJan07.htm#pr1>