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MANGALORE SPECIAL ECONOMIC ZONE – GROSS ROOT LEVEL REALITIES AND SEZs PROBLEMS**S.P. KIRAN****RESEARCH SCHOLAR****DEPARTMENT OF STUDIES IN ECONOMICS & COOPERATION****UNIVERSITY OF MYSORE****MYSORE****DR. D.V. GOPALAPPA****ASSOCIATE PROFESSOR****DEPARTMENT OF STUDIES IN ECONOMICS & COOPERATION****UNIVERSITY OF MYSORE****MYSORE****ABSTRACT**

This paper attempts to analyse the problems of Mangalore Special Economic Zone particularly and generally. The MSEZ projects are proposed over a total area of 3,985 acres of land of Dakshina Kannada District, Karnataka. The SEZs would not be used more than 0.069 per cent of the total land area and not more than 0.12 per cent of the total agricultural land in India. In Mangalore the crop yield per acre was 20 quintals and 18 quintals respectively. Even then the land surveyors have certified the same as waste land and fixed lower price. In addition to this the compensation paid was only Rs. 8 Lakhs per acre where as the market price was Rs. 45 Lakhs. Even for the residential houses they have paid only Rs. 450 and 650 per sq. ft. for tile and concrete roofed houses respectively. The projected displaced families is 1,661 out of this only 223 have got in to training, and in the first batch, only 40 trainees were given employment and the remain g (82.10%) could not get anything. The principle of cost benefit analysis failed miserably in case of the establishment of MSEZ, which has not produced any product even today.

KEYWORDS

Agriculture, Compensation, Employment and Land.

INTRODUCTION

Any development project need to be according to the principle of Cost Benefit Analysis. The principle of Cost Benefit Analysis is that 'the Social cost needs to be lower than the Social benefit'. Unfortunately the authorities have not been bothered about the same and their programmes and policies many times proved wrong. Here is a case of the Mangalore Special Economic Zone (MSEZ), which has been in news for its loopholes from the last about six years. According to the proponents of SEZs, the SEZs will increase employment, exports and Foreign Direct Investment (FDI) in the country. This will, in turn, result in the economic development and growth. But the field level observation reveals that it is caused only hardship to the farmers.

A Special Economic Zone is a geographical region which has economic laws that are more liberal than a country's general economic laws. It is a specifically delineated duty-free enclave treated as a foreign territory for the purpose of industrial, service and trade operations, with exemption from customs duties and a more liberal regime in respect of levies, foreign investment and other transactions. In fact, the SEZ is a development tool, with the goal of promoting rapid economic growth by using tax and business incentives to attract foreign investment and technology. The policy of SEZs was first adopted by China in 1978 as part of its economic reforms. On seeing the success of this policy in China, India adopted this scheme in April 2000.

Today all countries of the world are in the race to enhance their socio-economic development. They are using different methods and policies to achieve socio-economic development. Of these methods and policies, the policy of Special Economic Zones (SEZs) is a new one and is adopted by many countries like Brazil, China, Pakistan, India, Iran, Jordan, Poland, Russia etc. to enhance their socio-economic development.

OBJECTIVES AND THE METHOD OF RESEARCH

To gain insights into the functioning of SEZs, the present study was carried with the objectives of to examine the SEZs & its impact on agricultural sector. To evaluate the performance of Mangalore Special Economic Zone in Karnataka. The present paper is based on both secondary and primary data. In this direction the secondary data has been collected from various reports of the Ministry of Commerce, Government of India and Indian stat. Com. The literature has also been gathered from published articles, books and Government reports. The primary data collected interviews of the land lost famers, project displaced families, people who were deprived of employment and the farmers who protested against land acquisition during second phase. And also to crosscheck the same the discussion were held with the officers of MSEZ, KIADB, Special Land Acquisition Officer the District Statistical Officer, etc.

SEZs AND AGRICULTURAL SECTOR

The concept of SEZs is not a new one and it is an improvement over the concept of Export Processing Zones (EPZs). India was one of the first in Asia to recognize the effectiveness of the EPZ model in promoting export, with Asia's first EPZ set up in Kandla in 1965. Seven more EPZs were set up thereafter. The policy provides for setting up of SEZs in the public, private, joint sector or by the State Government. There is also a provision in this policy that some of the existing Export Processing Zones would be converted into Special Economic Zones.

To set up such a large number of SEZs there is a need for land on a large scale to be acquired. The total land area of India is 29, 73,190 sq km out of which 16, 20,388 sq km area is used for agriculture (agricultural area). The share of the agricultural area in the total area is 54.5 per cent and the non-agricultural area in India is 13, 52,802 sq km. The total area for proposed SEZs (formally approved and in principle approved) is approximately. 2061 sq km which would not be more than 0.069 per cent of the total land area and not more than 0.12 per cent of the total agricultural land in India. (Ministry of Agriculture).

If SEZs are set up on non-agricultural land, especially on barren land, then they play an important role for the social and economic development of the country. They can generate employment, enhance export and attract foreign direct investment (FDI) and technology at low social cost. In case of China SEZs are set up on non-agricultural land. Therefore they have played an important role for the economic development of the country. From 1980 to 1995, the annual rate of economic growth of China was near about 10 per cent.

On the other hand, if SEZs are set up on agricultural land then they create obstacles for the social and economic development of the country. If fertile land is used for the establishment of SEZs, then the area under agriculture will decline. This will lead to decrease in the production of agriculture. India at present is facing a food problem (leading to import of wheat) and this problem will become more severe if the area under agriculture declines due to the setting up of SEZs.

But in India SEZs are being set up not only on non-agricultural land but also on agricultural land. In case of Punjab, Haryana, UP, West Bengal, Maharashtra, Karnataka and some other States of the country, SEZs are being set up on fertile land. For example, the land of West Bengal and Karnataka are basically good for

agriculture but even then the West Bengal and Karnataka Government are allowing SEZs in Nandigram, Singur and Mangalore. Those SEZs, which are set up on fertile land, adversely affect our agricultural production. The social cost of such SEZs is more than the benefits one gets from these SEZs. For the setting up of SEZs the government acquires land forcibly from the farmers at a price lower than what is prevailing in the market and gives this land to the developers of SEZs at a subsidized rate. Farmers organise agitations against the government for such a move on the latter's part and there is often loss of public property and lives in these agitations as happened in Singur, Nandigram and Mangalore.

When land is acquired from the farmers, the farmers and agricultural labourers lose their employment, as they are not skilled labourers to relocate them to other jobs. The problem of displacement and rehabilitation of farmers and agricultural labourers also comes to the fore. Indian farmers are mostly uneducated, so they cannot get high-rank jobs in SEZs; they can work only as labourers in SEZs. But farmers are not ready to work as labourers in SEZs. Already farmers and agricultural labourers are facing a bad situation in India and when there will be no work for them their economic conditions will become worse.

On the other hand, if the farmers invest their money (which they get as compensation for land) in a proper way, they can get more profit. If they spend their money on the education of their children then their future will be bright. The labourers, who work in the agricultural sector, can also work in SEZs when an industry is set up under the SEZ scheme. The wage rate is high in SEZs as compared to the agricultural sector. So there can be improvements in the economic conditions of agricultural labourers. Thus SEZs can play an important role for the transformation of labour from the agricultural sector to the industrial sector. Then the burden of the population on the agriculture sector will decline and this will be beneficial for both the development of agriculture and industry. Due to this disguised unemployment in the agriculture sector would disappear and lead to proper utilization of our manpower.

FIELD STUDY OF THE MSEZ

Mangalore Special Economic Zone established in February 2006, promoted by the Central & State Governments, industrial groups and financial institutions. The MSEZ project is proposed over a total area of 3,985 acres of land of Dakshina Kannada District, Karnataka. Currently 1,800 acres is already in possession of MSEZ Ltd., of which 1,453 acres has been notified as sector specific SEZ (Petroleum & Petrochemicals).

During the first phase of the development of MSEZ (2005) about 1890 acres of land was notified and acquired from the villages like Kalavaru (458), Thokuru (250), Bala (25), Permode (408), Bajape (600) and Kulayi (150). The land loser families though protested against MSEZ could not save their land. According to the farmers, their lands were very fertile and were growing the rich crops like Paddy, Areca, Coconut, Banana plantation, Mango, Pineapple and Jasmine with the approximate cropping intensity of 2.4 per year. Even then the land surveyors have certified the same as waste land and fixed lower price.

Gregory Pataro (land loser) said that he lost the land bearing the survey NOS. 23, 58, 65 and 92 (14.28 acres) of which 4 acres could be cultivated for paddy and 10 acres for horticultural crops. The crop yield per acre was 20 Quintals and 18 quintals respectively. He expressed his pain and angry about MSEZ for acquiring the land by considering it as wasteland along with the residential house, which was destroyed subsequently. Not only Mr. Pataro, many other farmers after watching horrible destruction of their houses by the J.C.B have been carrying the same pain.

In addition to this the compensation paid was only Rs. 8 Lakhs per acre where as the market price was Rs. 45 Lakhs. Even for the residential houses they have paid only Rs. 450 and 650 per sq. ft. for tile and concrete roofed houses respectively. Unfortunately this amount was not enough to build a house and this made people to take money from money lenders under exploitative conditions. Apart from this, the farmers have faced a series of problems like lack of water facilities, electricity, public services, civil amenities and the ration through PDS (Since they do not have door NOS the ration card is not yet issued even today).

In a way MSEZ is creating unemployment problems also because in the first batch it gave training to youth for two years with the stipend of Rs. 500 per month. These youth were promised to pay the salary of Rs. 10,000 after the training. As a result many youth have discontinued their studies and quit their existing jobs to take up training by expecting more salary. But out of 1,661 families only 223 (86.58) have got in to training, and in the first batch, only 40 trainees were given employment and the remaining (82.10%) could not get anything. As the authorities failed to absorb them, the training period extended from two to three years without giving any reason.

The then minister, Krishna J. Polymer along with the Deputy Commissioner have discussed with the authorities of MSEZ and assured the employment and also the compensation in the month of June 2011 and even today no progress in this direction. R.N. Shetty (President of the Student Federation Committee) said that MRPL and MSEZ conducted a meeting of PDFs (Project Displaced Families) in Mangalore. It was attended by the General Manager, A.J. Pai (MSEZ) and Public Relation Officers, viz., Sanjivkarkere, Santhoshkumar Khadri and three other officers. In the meeting they have said "MSEZ will generate more than 10,000 jobs and preference would be given to PDFs while recruiting for jobs". But till now there is no much progress.

In spite of all these problems MSEZ went forward for second phase of land acquisition of about 2,035 acres in the villages viz., Permode, Thenkayakuru, Delanthbettu and Kuthethuru. But because of the strong resistance from the farmers along with the organizations like *Krishna Samrakshana Samithi*, *DSS*, *Karavali Karnataka Samrakshana Samithi*, etc., it could not succeed. The farmers have criticized MSEZ for all the problems created to them and they wish not to have any SEZ in Mangalore and elsewhere. Every problem has its own solution but the MSEZ has created problems and it has become impossible to solve them. Therefore, the Principle of Cost Benefit Analysis failed miserably in case of the establishment of MSEZ, which has not produced any product even today.

MAJOR FINDINGS AND CONCLUSION OF THE STUDY

Mangalore Special Economic Zone was established in 2006, to boost the economic growth of the area. MSEZ acquiring the agricultural land and increase the food crises in India. If SEZs are set up on agricultural land then they create obstacles for the social and economic development of the country. When land is acquired from the farmers, the farmers and agricultural labourers lose their employment, as they are not skilled labourers to relocate them to other jobs. In way it's creating unemployment problems in India. The MSEZ leads to the problem of displacement and rehabilitation of farmers and agricultural labourers also come to the fore. However, there is a criticism about the SEZs because most of the SEZs are established by the Multi National Companies. If that is the case, whatever the dividend earned by these MNCs may be flown to their respective countries. If this happens the host countries will face the problem of the scarcity of the capital.

The paper concludes that MSEZ apparently, it failed in terms of the principle of cost benefit analysis. Unfortunately the authorities have not been bothered about the same and their programmes and policies many a times proved wrong. Every problem has its own solution but the MSEZ has created problems and it seems, this has become impossible to solve them. Therefore, the MSEZ failed miserably in two counts - Firstly it is failed in terms of boosting economic growth as it could not produce a single product even today and secondly it has not generated any employment, which it had proposed and lost the confidence of the farmers land the public in the area.

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