

# **Multi-scalar dynamics driving India's urban megaprojects. Speculative urbanisation and the IT Corridor in Chennai, India**

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Paper presented at the RC21 International Conference on "The Ideal City: between myth and reality. Representations, policies, contradictions and challenges for tomorrow's urban life" Urbino (Italy) 27-29 August 2015. <http://www.rc21.org/en/conferences/urbino2015/>

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Megaproject development has assumed greater significance in Indian cities in the last 15-20 years following economic liberalisation, and is a key component of strategies deployed both by the central government and regional states to enhance the potential of metropolitan spaces to serve as growth engines (Kennedy, 2009; Ren, Weinstein 2013). In sharp contrast to this ‘entrepreneurial’ mode, municipal governments, including in India’s largest cities, remain in a ‘managerial’ mode, to use Harvey’s categories (1989), excluded from strategic planning as a result of the resistance of state (provincial) governments to devolve functions and finance to urban local bodies (Kennedy, Zérah 2008; Ghosh et al. 2009). In this context, the investment climate of metropolitan areas is largely co-shaped by central and central and regional states policy initiatives, which interact with strategies of local state and non-state actors to produce outcomes.<sup>1</sup> Drawing on the example of Chennai’s Information Technology (IT) Corridor, this paper examines the inter-scalar dynamics shaping urban transformations in India’s 4th largest metropolitan area (pop. 9 million), with attention to the respective roles of state and non-state actors.<sup>2</sup>

Surfing on India’s rapidly expanding market for outsourced IT services, the regional government of Tamil Nadu (of which Chennai is the capital) devised a multi-pronged strategy to build essentially *ex nihilo* an IT cluster. This megaproject combined large-scale public investments, notably three state-sponsored enterprise parks and a six-lane 18-kilometer expressway, with a generous policy package aim at attracting private investors, both for developing real estate and locating IT-based firms. The package included tax incentives and promises for uninterrupted electricity and water supply (Roumeau 2012). Property developers responded by investing massively in the area both in high-end commercial and residential properties (Varrel 2011). As a result, private firms acting in conjunction with property owners have radically transformed

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<sup>1</sup> For a comparative review of rescaling and metropolitan governance in Europe, see for instance Lefèvre (1998) and Gualini (2006).

<sup>2</sup> This paper builds on research conducted in the framework of the FP7 “Chance2Sustain” project. See the project website: <http://chance2sustain.eu/7.0.html> On Chennai, see Kennedy et al. 2014.

Chennai's southern periphery (Marius-Gnanou 2010), although supply in business property now clearly exceeds demand and many luxury apartments, acquired for speculative purposes, also remain vacant.

This case provides a compelling illustration of the politics of scale in contemporary India, which is reshaping state space. This is occurring both in the 'narrow sense' of state space, i.e., the formal reorganisation of territorial state power (Brenner et al. 2003: 7), —as the state government officially extended the boundaries of the Chennai Municipal Corporation in 2011 to encompass the most developed sections of this IT Corridor—, and in the 'integral sense', i.e., by seeking to reshape geographies of production or innovation, as well as geographies of social relations (ibid), here through the creation of competitive spaces connected with the global economy. However, this socially and spatially disruptive process of city-making has not proceeded without contestation, both from environmental groups who oppose the encroachments on the fragile Pallikaranai Marshland (Seifelislam 2013, Jameson 2014) and from political parties, working on behalf of vulnerable groups facing eviction (Braathen et al. 2014). So far, these uncoordinated actions appear powerless to present a challenge to the larger push in favour of 'world-class' cities and lifestyles (Follmann 2015), which is supported both by the state's 'bourgeois imaginary' (Arabindoo 2011) and the aspirations of the city's expanding middle class. This paper will build on recent comparative research on urban megaproject development in Brazil, India, Peru and South Africa, which has indicated that top-down, technocratic planning and implementation remain the predominant pattern of governance (Kennedy 2015). The latter findings contrast in significant ways with the 'new' megaproject model observed in European and North American cities (Altshuler, Luberoff 2003; Díaz Orueta, Fainstein 2008), which is characterized by efforts to minimize popular resistance, achieve 'planning legitimacy' (Flores Dewey, Davis 2013: 535) and avoid the displacement of residents (Kennedy 2015: 163).

This paper is organised as follows. The first part introduces the topic by situating urban megaproject production in relation to recent changes in India's geo-political economy, via a review of the existing literature. The following section

describes the IT corridor project in Chennai, situating it within the wider policy agenda of the Tamil Nadu state government, and examines implications for state-market relations. The third section discusses selected policy outcomes with attention to both social (employment and informal settlements) and environmental dimensions, and examines the response of various organised social groups, with a focus on changing state-society relations. The final part summarizes the findings and discusses them in relation to recent literature on urban megaprojects.

### **Section 1. Rescaling governance in federal India**

To understand the dynamics driving urban MP development in India's large cities, it is important to review critical changes that have transpired the country's overall geo-political economy, with implications both for multi-scalar governance and state-market relations. This will allow us to identify both continuity and change in state-market relations.

The adoption of structural adjustment reforms by India's central government in the early 1990s put into motion processes of state spatial rescaling, which are redefining the spatial frame of reference for national economic development policies, from predefined territorial boundaries to subnational spaces, on one hand, and decentralising policy-making prerogatives to subnational (regional) states, on the other. This relative decentralisation of policy 'space', without increased fiscal resources, has been largely an indirect process, and the effects have been uneven across national territory. This is because state restructuring processes, of which increasing federalisation is one manifestation, have also emerged as a consequence of organic political development (Kennedy 2014). Thus some Indian states have experienced more intensely than others political mobilisation specifically framed against subnational territory, regional political systems are increasingly discrete spaces (Yadav, Palshikar 2008; Pai 2013).

This rescaling of policy-making has given regional political elites opportunities to interact with global players (e.g., multinational corporations, international aid organisations and lending agencies). Some states have seized what they perceive to be

opportunities to engage with globalisation. The southern state of Andhra Pradesh, for example, aggressively pursued a city-centric development policy aimed at transforming Hyderabad into a hub for the IT industry, as well as financial and BPO services, modelled on Asian examples (Kennedy 2007a; Rudolph & Rudolph 2007; Bunnell, Das 2010). Similarly, in North India, the state of Haryana built a “Model Industrial Township” (approximately 5000 acres) at Manesar on the outskirts of metropolitan Delhi, with the aim to attract manufacturing investments (Kennedy 2009). Although state governments built industrial estates before liberalisation as part of their efforts to promote economic development, research suggests that this policy instrument is now being deployed quite differently. In particular, such production platforms now tend to be located in close proximity to metropolitan areas, which marks an important break with the earlier emphasis on balanced regional development. To promote industrial development, state agencies built estates in ‘backward’ areas, and offered incentives to private firms to establish production there.<sup>3</sup> In the case of Tamil Nadu, further elaborated in this paper, post-1995 new industrial estates were considerably larger in size than previous ones and were almost exclusively located near Chennai (Kennedy 2007b). In addition to adapting to a more open political economic regime, this shift reflects new perceptions of state territorial space on the part of both national and regional policy-makers about operating in an increasingly open economy, characterized not only by more stringent competition between states for private investment but also with neighbouring Asian countries.

Such supply-side initiatives, of which there are numerous examples, concentrate public investment in infrastructure in well-connected, usually urban, spaces with an aim to create “world-class” enclaves. These initiatives, the aim of which is to create new spaces of accumulation, are often combined with ad hoc regulatory frameworks (Sood 2015) for specific areas and discretionary subsidies, or ‘geobribes’ (Roy 2011: 269). The national Special Economic Zone (SEZ) policy, voted into law in 2005, is emblematic of this trend (Jenkins, Kennedy, Mukhopadhyay 2014). Although

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<sup>3</sup> However, as Okahashi has indicated with reference to Madhya Pradesh, industrial growth centres were often built in ‘backward’ districts that were contiguous with more developed districts (Okahashi 2008: 54).

in theory an SEZ can be established anywhere in the country, most projects concern urban spaces, and metropolitan regions in particular (Mukhopadhyay, Pradhan 2008). Moreover, two-thirds of notified SEZs are specialised in information technology and IT-related services,<sup>4</sup> which are activities that tend to concentrate in urban areas. These zones, small in size, often resemble ordinary enterprise parks. Although the objective was to attract international capital, only 11% of directly invested total capacity in 2011 was from abroad (Aggarwal 2012).<sup>5</sup> As critics point out, the SEZ policy offers attractive conditions to real estate companies, which in addition to supplying office buildings for IT companies can develop highly profitable residential and commercial property in the “non-processing” areas of the zones, thereby benefiting from significant tax breaks (Mukhopadhyay 2008). But what has drawn the most protest, —from local social movements contesting specific parties to mainstream political parties or activist organisations calling for a repeal of the SEZ policy—, is the widespread practice that consists of state authorities acquiring private land for SEZ development. Using powers of eminent domain to acquire land (authorized for projects of ‘public purpose’), state governments have proceeded to transfer such land to private property developers, thereby contributing to speculative urbanisation (Levien 2012).

In practice, because many such zoning policies and practices tend to rely on the construction of infrastructure, they rest on localised relations between elected officials and local economic actors, mainly property developers.<sup>6</sup>

In the last couple of decades, there has been growing consciousness at the national scale also of the strategic importance of cities. The National Urban Renewal Mission, for instance, announced in 2005, made available to India’s largest cities a large fund for restructuring projects (Sivaramakrishnan 2011).

## **Section 2. Subnational city-centric growth strategies: the case of Tamil Nadu**

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<sup>4</sup> Statistics on SEZ projects (state-wise and sector-wise) are available on the official government website : <http://sezindia.nic.in>

<sup>5</sup> This proportion would be larger if indirect capital inputs e.g., global equity funds in India’s real estate firms, were also taken into consideration.

<sup>6</sup> The localised nature of these relations does not mean that international capital does not contribute to investments; Indian real estate developers act as intermediaries for channelling international finance capital into urban infrastructure development. See Halbert & Rouanet, 2013 ; Searle 2014.

This section will document recent policies pursued by successive state governments in Tamil Nadu to promote industrial development around the capital city of Chennai. In particular, attention is given to strategies aimed at building clusters/corridor (Kennedy 2007b; Varrel 2011; Cessou 2014; Vijayabaskar 2014; Kennedy et al. 2014).

### **Section 3. Megaproject effects and nascent social protest movements**

The section will address the core issue of the panel by analysing the social and spatial impacts of urban megaproject development, on one hand, and examining the nascent social movements that are contesting state-led megaprojects, on the other. The analysis of the impacts generated by the IT Corridor examines economic linkages and employment effects (Vijayabaskar & Suresh Babu 2013), as well as expropriation practices and eviction of residents (Braathen et al. 2014).

The evidence on the emergence of protest movements in relation to the IT Corridor concerns two sets of issues: water and environment related issues (Roumeau 2012; Seifelislam 2013; Jameson 2014; Roumeau et al. 2015), on one hand, and resistance to eviction (Coelho, Raman 2010; Coelho et al. 2012; Braathen et al. 2014; Kennedy et al. 2014), on the other. This will provide an opportunity to contrast movements involving subaltern groups (residents of informal settlements) and those driven largely by middle-class educated residents involved in environmental activism.

### **Section 4. Conclusion**

The analysis of the social and environmental impacts of the IT Corridor in Chennai shed light on the relative winners and losers of this type of urban megaproject development. It was seen for instance that subaltern social groups and women have found employment opportunities in the IT sector, a result that is probably linked to the regional government's policy of positive discrimination in higher education. Indirect employment opportunities generated in local transport are low-paying and rarely offer any form of security or scope for career promotion. In terms of generating income effects and acting as a motor for local economic development, the evidence is mixed. The demand for housing has led to a large increase in rents in neighbourhoods close to

the IT corridor leading to a 'crowding out effect' for residents who either do not own property or do not have access incomes on the scale offered by IT companies. Benefits have accrued to property owners who have seized opportunities to provide rental accommodation for IT employees.

Regarding movements, although dispersed and relatively weak, they represent counter-narratives to aspirations expressed by subnational developmental states, which give priority to economic growth, predominantly through infrastructure projects. As the IT Corridor example illustrates, these projects often involve bringing previously untraded public land into the market, reaping rents from land development, and conferring rights to private firms to develop land in exchange for capital investment. They often specifically aim to benefit private firms through various forms of subsidies (e.g., subsidized access to land, uninterrupted water, power; quality telecommunications, state-developed enterprise parks). In doing so, the interests of private property owners and residents of informal settlements are subordinate to those of private sector firms (IT, real estate), and appear indicative of a relatively new pattern of both state-market and state-society relations. Water and wildlife resources too are relatively neglected in the push for economic development via megaprojects.

**Acknowledgements:** This article is based on joint research conducted in the framework of the Chance2Sustain project (FP7, 2010-2014). In particular it draws on fieldwork and fruitful exchange with colleagues working in Chennai: Isa Baud, Eric Denis, R. Dhanalakshmi, Véronique Dupont, Karin Pfeffer, Hortense Rouanet, Samuel Roumeau, Tara Saharan, Aicha Seifelislam, N. Sridharan, M. Suresh Babu, Aurélie Varrel, M. Vijayabaskar.



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