Tamil Nadu which are not known).[6] But since the exact figures are not known, the cap on the amount the government will pay Nokia as mentioned in the MOU can be a better way to approximate the reimbursement:

> Total availment of such concessions shall not cumulatively exceed the investment made by Nokia in eligible fixed assets within 3 years of signing of MOU. The cap can be enhanced to the extent of additional investments made by Nokia within 5 years of signing the MOU.[7]

In 2005 Nokia had promised to invest Rs 675 crore (then $ 150 million) of which Rs 300 crore were in fixed eligible assets.[8] An added investment in 2008 of Rs 338 crore ($75 million) is assumed to be eligible for additional VAT concessions.[9] With this, the sum of Rs 638 crore becomes the maximum reimbursement for the company. In effect, it means that the Tamil Nadu government has offered Nokia to pay for its investments via the VAT/CST reimbursement and allow sales in the world's fastest growing mobile phone market, while the tax incentives have prevented the state from recovering the expenses. Is this a case of attracting investors by paying for their investments?

Table 1: Additional Incentives

Incentive	Conditions
Works contract tax	Not known
Lease tax	Not known
Entry tax	Not known
Capital subsidy for mega projects	Rs 100 lakh plus 150% if located on land belonging to the state government
Electricity tax	For the first five years of commercial production
Infrastructure	A water supply pipeline had been laid, electrical lines had been drawn, and roads had been built to the site by SIPCOT
Failure to charge duty on goods sold within India	Duty of Rs 681.38 crore (Rs 86.76 crore in 2005-06 and Rs 594.62 crore in 2006-07) foregone on the inputs

Sources[10]

Land Deal

Land was allotted to Nokia from SIPCOT[11] Industrial Park at Sriperumbudur on the outskirts of Chennai. SIPCOT had acquired this land earlier through a government order in February 1997.[12] In the original MOU Nokia was supposed to pay Rs 8 lakh per acre as a lease charge on 99-year leasehold tenure but somehow the sum got renegotiated down to Rs 4.5 lakh per acre in the second MOU for a total of Rs 9,48,91,500 for 210.87 acres (85 hectares) of land.[13] A report from the Comptroller and Auditor General specified how the actual acquisition cost for the government had been between Rs 4 and Rs 14 lakh per acre, plus an additional 30% to the previous landowners who went to court for better compensation. The result was a loss of Rs 7.4 crore for SIPCOT and thus the Tamil Nadu government.[14]

Apart from the lower land price, the second MOU also removed the need for Nokia to pay stamp duty on the land which was earlier set to 4% of land value or Rs 38 lakh. Written by hand in the lease deed is the added statement regarding the lease rent for Nokia:

> The Lessee shall have to pay the annual lease rent of Re 1 per year for 98 years and Rs 2 for the 99th year and the same has been paid in advance in consideration of occasion of the lease deed.

While the state makes loss by leasing the land to Nokia at a lower cost, it gives the company the possibility to make profit by subletting the land and charging a higher price if it so desires.[15] At the time when Nokia got control over the 210 acres of land for setting up the SEZ, public money had already been invested by SIPCOT to develop infrastructure at the industrial park.

Employment: Whose Benefit?

Information on actual working conditions is very limited due to the nature of the zone as a sealed off entity. The available documents do however point to a number of troubling aspects with the working conditions. Nokia initially promised direct employment for 1,200 workers but later, as the production increased, scaled this up to 8,000, including those employed by contracting agencies. Out of this number, 70% are reported to be women between age 19 and 22.[16] An inspection report from the deputy chief inspector of factories, in July 2008, showed the company employed 4,548 people, or significantly lower than the number of workers reported in the press.[17]

The Contract Labour (Regulation and Abolition) Act, 1970 is a central government act originally put in place to limit the use of contract labour in manufacturing. The Tamil Nadu government has weakened its provisions in favour of companies on a number of occasions but to date such labour remains banned in manufacturing. Contract labour has been found to be prevalent in all non-manufacturing forms of work in the Nokia SEZ, with 2,893 contract labourers hired in 2008 according to an inspection report from the inspectorate of factories. Thus, in the Nokia SEZ, it seems like staff has come to be contract labour with very low job security whenever possible including warehouse staff, security personnel, drivers, cleaners, etc.[18]

The issue of controlling strikes in SEZs have been dealt with in many states by declaring zone operations as public utilities. This has been done for all SEZs in states like Andhra Pradesh, Maharashtra and Karnataka. In Tamil Nadu public utility status is not part of official policy but instead hidden in the specific MOU. In the MOU signed on 6 April 2005 the TN government promised that:

> [t]he State shall declare the SEZ Site to be a 'Public Utility' to curb labour indiscipline.[19]

The text does not offer any explanation on why there is an a priori need to "curb labour".

Another measure of "success", in terms of employment generation, is to see if this multinational provides a decent salary. But even in this case Nokia seems to have failed. As per Nokia's own admission "employees are paid well above the minimum wage.... Salaries vary from Rs 5,400 for experienced operators, around 70% higher than the minimum wage, to around Rs 3,400 for apprentices." If this is compared with what Nokia pays to its employees globally, which is Euro 44,624 per annum, or Rs 29 lakh, in wages and salaries per employee during 2008,[20] it works out to be 45 times what the workers in Sriperumbudur plant receive. Even adjusted to the different purchasing power of India compared to Finland, the global average