

SEZs, INDUSTRIALIZATION AND GOOD GOVERNANCE

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ABSTRACT

A Special Economic Zone (SEZ) is a geographical region that has economic laws that are more liberal than a country's typical economic laws. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Government of India announced the Special Economic Zones (SEZs) Policy. The whole idea behind the setting up of SEZ was to increase the exports and hence accelerate the economic development of the country. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure complemented by an attractive fiscal package. Inspired by the success of the Special Economic Zones (SEZs) in China, the Indian government introduced a similar policy through the ratification of the SEZ Act by the Indian Parliament in June 2005. This policy consists of extending economic concessions to foreign as well as domestic developers intending to set up either single product or multi-product, single sector SEZs. According to the SEZ policy, the land needed for these SEZs would be acquired by the government for the private corporate promoter of the SEZ. The SEZ would also enjoy several other benefits such as being "exempted from a slew of taxes, duties and devoid of effective labour laws and with restricted entry against I-cards" (Kothari, 2006). Considering these developments, amidst the adoption of the SEZ Act, this paper aims to study the various farmers' initiatives at forming co-operative SEZs that are seen to be emerging at various places in the country. This paper gives a bird's eye view about the SEZ, objectives and rules of SEZ, incentives available in SEZs, benefits from SEZ, impact of SEZ in India, the arguments against the SEZ, the politics behind SEZ and finally the paper ended up with recommendations for the sustainability of the SEZs in the interest of the farmers and industries both. We look at the reactions of the farmers and farmers' groups including the innovative responses that have been seen from farmers' coming together as a response to this policy and analyze the impact of the SEZ policy and potential for farmers' co-operative to venture as SEZs and the implication of this for rural employment.

Key Words: *Special Economic Zones (SEZ), Investment, and Rural Employment*

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INTRODUCTION

Inspired by the success of the Special Economic Zones (SEZs) in China, the Indian government introduced a similar policy through the ratification of the SEZ Act by the Indian Parliament in June 2005.

This policy consists of extending economic concessions to foreign as well as domestic developers intending to set up either single product or multi-product, single sector SEZs. According to the SEZ policy, the land needed for these SEZs would be acquired by the government for the private corporate promoter of the SEZ. The SEZ would also

enjoy several other benefits such as being “exempted from a slew of taxes, duties and devoid of effective labour laws and with restricted entry against I-cards” (Kothari, 2006).

The aim of adopting this policy was to promote “foreign direct investment (FDI), flow of foreign exchange and to generate employment”. (Kothari, 2006). That substantial benefits, in terms of foreign exchange inflows, higher employment and general growth, can accrue to the country through this kind of development is quite certain. However, the **distribution** of these is most likely to be skewed. On the one hand are the promoters of SEZ, the companies which will operate in these and make profits and the people who will live and work here amidst world class amenities. On the other hand are the farmers whose lands will have to be acquired to build these world class SEZs. The skewed distribution of the potential benefits is the negative fallout of the policy and this is reflected in the responses of the two groups.

The government which has brought in this policy is playing the role of a facilitator. This is being done by allowing several tax concessions, import duty concessions and mainly easy acquisition of land for the promoters/industrialist. That the policy of SEZ is going to or is impacting the two groups – the promoters/industrialists and the farmers- very differently is reflected in the response these groups are showing to the SEZ policy. On the one hand, industrialists are welcoming it as seen in the growing number of applications for setting up SEZs. On the other hand, farmers and their supporters are protesting against the policy in their own way – by organizing protests, anti-SEZ demonstrations etc. However, among the farmers’ protest an innovative response is also being noted from several places. In this not only are farmers protesting the government policy of SEZ by non co-operation but are going further in setting up some of their own variations of a SEZ. This is a unique and positive kind of response.

It is mainly the acquisition of land, agricultural land, for the proposed SEZs which has become the focal point of the debate. Farmers are reluctant to part with their land, despite adequate

prices where as industry is looking to government to provide them with this resource if the SEZ concept has to succeed. To this end farmers are not co-operating in the land acquisitions by the government or are turning to setting up their own co-operative SEZs or industrial ventures. This is an innovative response to the policy of SEZ, which was mainly announced to facilitate corporate industrialization.

The paper is being researched mainly on the basis of secondary literature survey. The literature survey includes books, journal articles and newspaper reports. The paper is structured as follows: In the first section we look at the concept of the SEZ and the theoretical and empirical findings with regard to the contributions of the SEZ to economic growth of a country. Here we also look at the different aspects of SEZ like its size, its policy and incentive structure and the likely impact that the policy will have on increased output, exports, foreign investment and foreign exchange. In the second section we examine the impact or response of the corporate sector of India to this policy announcement. A discussion on the gains made so far is also undertaken. In the third section, we look at the reactions of the farmers and farmers’ groups including the innovative responses that have been seen from farmers’ coming together as a response to this policy. In the fourth section: Analysis and Conclusions, we summarise and analyse the impact of the SEZ policy and potential for farmers’ co-operative to venture as SEZs and the implication of this for rural industrialization and development. A Special Economic Zone (SEZ) is a geographical region that has economic laws that are more liberal than a country's typical economic laws. The category 'SEZ' covers a broad range of more specific zone types, including Free Trade Zones (FTZ), Export Processing Zones (EPZ), Free Zones (FZ), Industrial Estates (IE), Free Ports, Urban Enterprise Zones and others. Usually the goal of an SEZ structure is to increase foreign investment. One of the earliest and the most famous Special Economic Zones were founded by the government of the People's Republic of China under Deng Xiaoping in the early 1980s. The most successful Special Economic Zone in China,

Shenzhen, has developed from a small village into a city with a population over 10 million within 20 years. Following the Chinese examples, Special Economic Zones have been established in several countries, including Brazil, India, Iran, Jordan, Kazakhstan, Pakistan, the Philippines, Poland, Russia, and Ukraine. (Source: Leong, 2007).

Special Economic Zones have become a popular tool as perceived by many developing countries to enhance growth and development. So the question this raises is: Are SEZs really a way to achieve rapid economic development? What role can SEZs play to enhance a country's investment, foreign exchange earnings and income? The following discussion attempts to answer the question based on two studies, namely of Leong (Leong 2007) and Kundra (Kundra, A.K, 2008).

In a recent comprehensive econometric study on the SEZ policies in China and India, Leong (2007) investigates the impact of the opening up the Chinese and Indian economies on economic growth in these countries, using new panel data sets for both the national economies and the regional economies of China. The results of his study provide support to the fact that export growth does have a positive and statistically significant effect on economic growth in these countries. However, he finds that the growth rates of these countries are export and FDI inelastic, in the sense that a one percentage point increase in growth rate of export or FDI will have a less than one percentage point increase in economic growth rate of these countries.

In the case of the Chinese regions, Leong finds that the presence of export processing zones may exert positive effect on the regional growth rate but the increase in regional growth is even more export inelastic than at the national level. The result dispels the popular view that adopting a policy of more openness in the economy has a "multiplier" effect on economic growth. Of the two phases of liberalization in both countries, the second stage, according to the author is statistically significant. One possible reason he puts forth is that the scale of liberalization is greater in the second phase. Additionally, the author finds that increasing the

number of SEZs has a negligible effect on economic growth. Taken together, these results suggest that what contributes to greater growth is a greater scale of liberalization, rather than increasing the number of SEZs. (Leong, 2007).

Leong's study seems to suggest that establishing SEZs and increasing exports does have a positive impact on the growth of the economy but the contribution may not be significant. According to Kundra's study, although SEZs are similar to EPZs, they have much larger objectives than only promotion of export promoting activities. Where EPZs are industrial estates, SEZs are virtually industrial townships. Since the scope of the SEZs is much larger, their linkages with the domestic economy will be much larger. Kundra contends that the Chinese SEZs have proved successful and their distinguishing features are their large size, investment friendly customs regime, flexible labour laws, liberal policy for DTA (Domestic Tariff Area) access, attractive package of incentives and delegation of powers in favour of provinces and local authorities for managing the zones. Comparing the different features of the Chinese and Indian SEZ policy he tries to analyse whether the Indian policy is adequate to ensure success. About SIZE, the author contends that although most of the Indian SEZs are larger than the earlier EPZs they are much smaller compared to the Chinese SEZs. However, China has very few SEZs but many EPZs.

Regarding Customs Regime, the Chinese SEZs provide tremendous operational ease. And in the Indian case too the author says that the customs regulation designed for Indian SEZs are much less cumbersome than those for EPZs.

In case of the incentive package the author contends that the incentives given for the Indian SEZs (duty free import of capital goods and raw materials, reimbursement of Central sales tax, tax holiday for a specified period, 100 percent repatriation of profits for subcontracting facilities allowed, also incentives for the infrastructure sector to zone developers) are more liberal than those for the Chinese.

The author says that where Labour Laws, Decentralisation of power and DTA are concerned, the Indian SEZ policy falls short of expectation. China relaxed its labour laws by allowing a hire and fire policy for SEZs and this resulted in attracting a lot of foreign investment to these zones. And over time as the investors gained confidence in the Chinese workforce productivity, the hire and fire policy was substituted by the contract system. Further, the Chinese SEZs have a decentralized approach, with provincial and local authorities having authority to sanction a SEZ proposal of upto \$30 million. This according to the author has been a key contributor to the success of the SEZs in China. According to the author, the Indian SEZ policy is too centralized and this may curtail the progress of the SEZs. The local bureaucrats may have no incentive to push the proposal forward. Finally, the author talks of the DTA. He says that the policy of levying full import duty on DTA sales will bar the entry of the units based on indigenous inputs into SEZ, since such sales will not be viable for them. Moreover the policy in this regard for EPZ/EOUs is much more attractive. Hence the SEZs will attract import intensive investment with low net foreign exchange earnings. Summing up, the author says that although the objectives of the SEZ in India are laudable, the success of the SEZ policy will depend a great deal on well the model is evolved and how the implementation is. He advocates the need for a decentralized approach, relaxation of labour laws and rationalization of duty on DTA access for the SEZ policy to be successful. Looking at both the studies it appears as if the Indian SEZ policy though laudable in its objective may not achieve the same success as the Chinese one because of lack of certain complementary policies, implementation hurdles. An important aspect not touched by both the above authors is the treatment of the unequal distribution of gains that will result from the adoption of the SEZ policy. That the policy will bring in gains is not debatable, but what is debatable is the distribution of these gains. How is the Indian government planning to tackle these fallouts? The Indian SEZ policy does try to address some of these issues; however the question remains whether this is

adequate and how will it turn out in actual implementation.

THE INDIAN SCENARIO

The Indian government brought out the SEZ Act in 2005. Ever since the announcement of the SEZ policy, the Indian government was flooded with several corporate. By August 2006, 360 SEZs have been cleared across the country. These SEZs range from 7,500 hectares to 30,000 hectares, being single product or multi-product SEZs. The government of Maharashtra state, which had already adopted this policy in 2001, has so far, cleared 41 SEZ proposals in Maharashtra. By, 2008, according to Mr. Kamal Nath, Union Minister for Commerce and Industry, 80 SEZs were in operation and once this figure reached 100 the government would consider reviewing the Act and making revisions in it if required. A total of Rs 67,000 crores had been invested in the various SEZs offering an employment to 1,76,688 people. The combined exports from these SEZs or duty free zones stood at Rs. 65,000 crores and were projected to rise to Rs. 1,24,000 crores in 2008-2009. (IE, 1st May, 2008). These are spread over 19 states and 3 Union territories like Tamil Nadu, Rajasthan, Gujarat, Andhra Pradesh, Punjab, Uttar Pradesh and Maharashtra and Karnatak. These are in sectors like engineering, textiles, IT, telecommunications, multiproducts, shoes, gems and jewellery, non-conventional energy, bio-technology and pharmaceuticals.

THE EXPECTED GAINS FOR INDUSTRY

The Commerce Ministry and the Finance Ministry have conflicting views with regard to the utility of the SEZ Act. The Finance Ministry contends that the tax concessions given to these SEZs will harm the revenue collections adversely. However, according to the Economic Survey, the benefits derived from the SEZ would far outweigh the revenue losses. "Benefits derived from the multiplier effects of the investments and additional economic activity in the SEZs, along with the additional employment

generated, is estimated to far outweigh the revenue losses on account of tax exemptions given to the SEZs. (Eco Times, 29th February, 2008).

However, there are apprehensions that these SEZs are not giving rise to new industries and investment but are actually enabling a relocation of existing industries due to the tax sops and other benefits. Hence the question is how much of new investment and employment is actually being generated? To this the Economic Survey claims that "Experience has shown that these apprehensions are ill-founded and fresh investments have been flowing in the SEZs. (Eco Times, 29th February, 2008).

There are other concerns as well with regard to the proliferation of the SEZs. One major fall out of this policy and the overall infrastructural development in the country is that land has become scarce and the market for land has heated up. There appears to be a tussle between the industry and agriculture for land. Since a SEZ requires vast amounts of contingent land, large scale land acquisitions are rapidly taking place. Here the concern is that agricultural land will be acquired for SEZs. According to the government, a number of measures have been taken to prevent this. States have been advised by the Centre to give priority to acquisition of waste land and barren land and if necessary, single crop land for SEZ.

The land acquisition process for some SEZs is already underway and land is also being acquired by other industries. The farmers whose land is involved are reacting in different manner than they would to similar acquisitions 10 to 15 years ago. This kind of policy would have evoked a passive acceptance on the farmers side 10 year ago. Very few farmers would have protested and come together to resist the acquisition of their lands. But now, with increased awareness due to spread of media, farmers and farmers groups are protesting vociferously. The newspapers are full of reports from different places to these land acquisition drives.

THE FARMERS' RESPONSE : PROTESTING AGAINST LAND ACQUISITIONS

In this section we try to assess the reactions of the land owners to this acquisition drive, based on newspaper reports. These protests to the land acquisitions by farmers is noted from all over the country. On the farmers' side, it has been seen that in places where the land acquisition for SEZ is underway, farmers have not reacted passively. For instance, the land acquisition drive for the Hinjewadi Phase IV SEZ (near Pune in Maharashtra) saw a violent protest by the villagers of Maan who have been agitating against it under an action committee. (Kothari, 2006) Rajgurunagar, another village near Pune too has witnessed similar protests. (Kothari, 2006)

A similar response was seen in the protest by farmers of half a dozen villages holding a protest outside the office of the Deputy Commissioner in Shimla, Uttar Pradesh. The farmers submitted a memorandum to the Deputy Commissioner conveying that no agricultural land should be diverted for the construction of an airport. (Ashwani Sharma IE, 21/3/2008).

In another similar instance, 22 villages in Haryana have come together under the umbrella of "Shivalik Area Kisan Sangarsh Samiti" to fight against the land acquisitions by the Haryana Infrastructure and Industrial Development Corporation (which has a 10 percent equity in the project) and the company, Nano City owned by Sabeer Bhatia. The Nano City is a joint venture project of the Haryana Infrastructure and Industries Development, a government undertaking and a private firm. The Samiti, i.e. the farmers' organization, is vigilant about anybody selling their land to the Company. They fan across the villages at night whenever there is a rumour regarding any villager selling his land to the company and prevent it. (Sukhdeep Kaur, IE, 3/5/2008).

In May 2008, villagers from Chikhali village in Satara, Maharashtra stalled the functioning of 60

windmills belonging to Suzlon, a private company, because the company had failed to fulfill its assurances. They are demanding that Suzlon return their land as it had been “grabbed” from them. (Jagtap, Ram, Indian Express 7th May, 2008).

On 25th March, 2008, hundreds of farmers protested at Karegaon in Shirur taluka Pune District, Maharashtra against the SEZ scheme of the government. The protest was part of the nationwide campaign against SEZs. The main demand was that a national debate should be held on agriculture, land acquisition and development. The government is acquiring about 4000 acres of land under the SEZ in Karegaon, in Shirur taluka, Pune district, against the wishes of the farmers, according to Bhai, Vaidya, an activist leading the farmers. The protestors are demanding that the government withdraw the land acquisition notices issued to people in the village. The villagers fear that they will lose their land and not find employment in the factories that come up. “The factories are automated and manpower is hardly required and the farmers stand to lose,” says Bhai Vaidya. According to Rekha Chand, a women protestor, “If we sell our land, we will be left with nothing. Where will we go and what will we do? Agriculture is our only occupation”. (Times News Network, TOI, 26th March, 2008.)

SOME INNOVATIVE RESPONSES: FARMERS’ SEZS

Apart from protesting the land acquisitions for SEZs, farmers from several other places are reacting to the land acquisitions for SEZs in different innovative ways too, by taking the initiative in promoting income generating projects. Their stance appears to be that they do not need the corporate SEZs to give them employment and income, in return for their farm lands. They can create these for themselves. In this section, we present five such innovative responses.

Case 1.

An interesting kind of reaction to the SEZ policy has been seen from the farmers of Avasari Khurd village

in the Ambegaon sub-district of Pune district. This is about 40 kms from Pune. The villagers led by an industrialist Sopan Bhor, who belongs to the village, have taken the initiative in setting up their own SEZ in 2007. (Indian Express, July 7th 2007.)

About 1500 farmers of the village, under the leadership of Sopan Bhor, are planning to set up a company by the name, “Avasari Khurd Industrial Development Pvt. Ltd”. The SEZ has been proposed on barren land worth Rs 900 crores. Sopan Bhor, the activist leader, says that instead of sitting on this asset, they decided to convert it into a capital venture. About 18,000 people stay in the village and not only will everyone get a job but the farmers will also be owners of the SEZ. Since the gram panchayat, the local governing body cannot establish a SEZ, according to the SEZ Act, it was decided to form a private Ltd. company in which the farmers will be shareholders.

The land use plan is as follows: Out of a total land of 6220 acres, the proposed company plans to use 2,665 acres for agriculture and 2,489 acres for industrial development. The remaining, 1,066 acres will be set aside for residential purposes. The shareholder farmers will put in the initial investment like laying roads, creating gardens, drainage facilities etc. Various sectors are proposed to be accommodated in the SEZ, like automobiles, electronics, IT and chemicals. This initiative has drawn farmers from other areas like Nashik and Nigunje to study their venture. (Jadhav Radheshyam, TOI, 16th January, 2008.) The planning has been done so meticulously so that the State government had given an in principle approval to this proposed farmers’ SEZ and had sent it to the Central government for approval.

However, lately, this farmers’ SEZ has run into problems. The farmers are now no longer backing Sopan Bhor but have a new leader in Suresh Bhor and an organization called Shetkari Bachao Kirti Samiti. Backing the new leader and the new organization the farmers say that they will now oppose the idea of a SEZ and will not allow a SEZ in their village. Villagers have been convinced that Sopan Bhor was misleading them about the benefits

flowing from the farmers' SEZ and that their lives would be wrecked under that scheme. (Express News Service, Indian Express, 28th January, 2008).

Case 2.

Another innovation has been the establishment of a co-operative SEZ in Maharashtra. This is near Girner village in Aurangabad district. A civil engineer turned farmer, Mohan Raut, has taken the lead in establishing this. It is a small SEZ admeasuring about 25 acres. Raut has set up the Rajiv Gandhi IT Park Co-operative society. Initially there were 5 to 7 members but now after the SEZ concept there are 250 members. The SEZ will be an IT park. The state government has already approved it and it has been forwarded to the centre for approval. The Centre too approved it in January, 2008. Fifteen units have been proposed in the SEZ and all of these have already been booked.

The society has raised a capital of Rs. 2.5 crores from 250 members. The state government is expected to give Rs. 25 crores as per its existing policy. (For co-operative societies the state government has been extending financial assistance to the extent of ten times the share capital mobilized by it). (Prafull Marpakwar, TNN, TOI, 1st February, 2008.)

Case 3.

In Nigoje village of Khed taluka of Pune district, 75 farmers, whose lands were acquired for the Chakan MIDC Phase IV SEZ, have joined hands to form a company. In the MIDC scheme for farmers whose land has been acquired for industrial purposes allows for farmers to buy back 15 percent of the land once it is developed and lease it to the company for a permanent source of income. The farmers of Nigoje village have officially formed the "Nigoje Logistic and Services Company Limited". They have bought back 32 acres of land to form the company which will provide various services including transportation, construction and warehouses. This policy of MIDC of allowing the buy back option to farmers, where the farmers can buy back 15% of the land after it is developed after paying the original

cost and 50 % additional, is resulting in formation of several farmer companies in this area.(Times News Network, Times of India, 10thMay 2008).

Case 4.

In Chinchwad area near Pune, Maharashtra, farmers' activist Dattatray Sane, along with others is advocating an idea of a special township project among the farmers. He plans to develop 500 acres of land near Chinchwad (near Pune) on the lines of the Magarpatta township project at Hadapsar. Magarpatta has been developed as a modern township on lands held previously by farmers. This was a scheme successfully implemented where the farmers got a good value for their land. Sane has been mobilizing opinion among farmers on this and says that most have agreed. (Manish Umbrajkar, TOI, 28th April, 2008).

Case 5.

Another innovation and an alternative to the SEZ has been proposed by Ganesh Devy, a scholar and activist in Gujarat and founder of the tribal advocacy NGO "Bhasha". He is proposing what he calls a "Green Economic Zone" (GEZ) where he plans to use women of the SHGs and the land of seven districts and 2200 villages on the eastern tract in Gujarat to grow corn. He says they are planning to produce a substitute for Kellogg's cornflakes, right from growing the corn to manufacturing the flakes. He plans to organize it as a "co-operative industry" somewhat on the lines of the AMUL model. Since the land where this is proposed cuts through three perennial rivers – Tapi, Narmada and Mahi- it is named TANAM and it is prime agriculture land.

Devy opines that "before the government saturates Gujarat's eastern tribal belts with SEZs and the tribals are shunted, Bhasha has drummed up a solution rooted in agriculture and local culture. Chaitanya Samiti is the name of the co-operative that will drive the GEZ dream. The tribal members of this Samiti will be guided by one Sachin Mardikar who is a development consultant. He will "evaluate their system, shadow their progress along a time line and steer them to the most optimal route to the

GEZ. It is planned that within three to four years the system to collect and store the community corn will be in place. Moreover, everyone has found the venture to be a very good idea and are enthused by it. It has given them a direction and a sense of purpose. The plan also includes shifting the agriculture to organic agriculture where in the use of chemical fertilizers will be substituted by organic manure, therefore the name, Green Economic Zone. Devy is not unaware of the problems that the venture might face. He envisages trouble with the government, but in his words, "he hopes to negotiate, if not regulate government policies". Providing the necessary infrastructure like the irrigation, transportation, cottage industry, marketing and distribution will be necessary before the GEZ can really take off. Moreover, different tribes are involved and getting them to participate in this given their varying socio-economic backgrounds is a tough job. And according to Mardikar, this will require leaders. But if the idea can be operationalised successfully, it can bring in great results. (TOI, 14th July, 2008)

ANALYSIS AND CONCLUSIONS

From all the above disparate responses to the Indian SEZ policy, it is apparent that differential gains are perceived by different groups. The farmers who stand to lose land are most vulnerable as they have no other means of earning a livelihood. Even if they are promised jobs in the enterprises that would come up, they realize that this may take some time to realize; also because it is an uncertain situation, they are reluctant to accept this. Hence, farmers and their leaders are either trying to stop these SEZs coming up or are trying to put up their own SEZs. Although the latter attempts are laudable, they are fraught with their own problems.

As a solution to the problem of rural employment and income, a farmers' SEZ seems an ideal model. With this the village can get industrialized; moreover the villagers instead of losing their land and getting a one time payment with which they do not know what to do, would get

ownership in the industry and probably an income stream. This seems to solve the twin problems of industrialization and employment generation in rural areas, simultaneously.

However, so far, these innovative responses are very very few. They have come from places where there are dynamic individuals who have visualised this concept and are keen to implement it too. Even in these cases, the path is strewn with obstacles- the main one being getting the farmers ready to participate and co-operate for such a venture. An even more difficult task is for such an enterprise to succeed. As seen in Case Study 1, the farmers had agreed to the concept of farmers' SEZ earlier but later backed out and took an anti SEZ stand later.

Moreover, even if farmers are willing to form and execute the idea of a farmers' SEZ, to succeed in the competitive environment, farmers, whose skill mostly is that of traditional farming may find it extremely difficult to do so. Hence the role of a development consultant as seen in the GEZ experiment of Gujarat would seem necessary for such ventures to take off and stabilize.

About replicating this idea of a Farmers' SEZ, it seems difficult on its own until a very successful case emerges which can have a strong demonstration effect, like that of the AMUL model. Once one venture becomes successful the hurdles faced by it and the solutions provided by it can help other fledgling ventures. Of all possible inputs, the key input in the given circumstances seems to be the desire within the farmers to have industrialization through such ventures. Only when this is strong, will such ventures take off and be sustainable. But in case they do proliferate they can become the single point solution of rural industrialization, rural employment, rural incomes and overall rural development. And it is for this reason that these kinds of efforts should be promoted in all the ways they can be.

Till Farmers SEZs become a reality and a successful one at that some steps can be taken to co-opt farmers in the corporate SEZs as co-owners

so that they do not lose their land. As an activist leader, Bharat Patankar of the "Shramik Mukti Dal" opined, instead of a sale of land by the farmers to companies, companies should acquire the land from the farmers on a rental basis and the farmer must be given a yearly income which he supposed to get from the field. (Vivek Waghmode, Indian Express 9th May, 2008).

POLICY RECOMMENDATIONS

Two policy measures can be adopted to this end. One, as has been suggested by one activist-that land, instead of being sold to the promoter/industrialist under the SEZ Act, should be leased or rented. So that the farmer is not deprived of the ownership of his land and is also assured of an income stream. Moreover, if the promoter has to lease the land, he will be forced to make pay a fair price for it. Promoters will take up projects which are profitable and will eliminate projects being undertaken because government of sops. It will ensure that the farmer becomes a co-owner in the enterprise.

The other policy measure could be as follows: Just as the government is supporting the industrialists (by procuring contingent land), it should also further farmers' interest by promoting and assisting such co-operative ventures wherever they emerge. To this end there is already a provision that government will provide 10 % of the capital if the farmers' co-operative can raise some on their own. These kind of incentives need to be increased, strengthened and more importantly made well known.

Moreover, government can also take proactive steps in this direction by setting up model farmers' SEZs, getting it off the ground and functional. Another suggestion in this regard is that development consultants required by such co-operatives can be appointed by the government so that the burden of his salary does not fall on the co-operative and the potential members are assured that there are no vested interests in the advice from him, something like government extension workers.

From all the above it appears that Farmers' co-operative SEZ to promote industrialization, employment generation and income generation in rural areas, has the potential to distribute the gains of rural industrialization fairly, if these are encouraged and nurtured in the right direction and the right way. And these can very well co-exist with private sector industrialization so that gains from both are maximized and losses are minimized and the gains are more equally distributed than in the current scenario.

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