Special Economic Zones In The Emerging Economic Scenario: Issues And Challenges

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HISTORICAL PERSPECTIVE OF SEZS

China is a pioneer in introducing the concept of SEZ as a part of economic development strategy that it adopted in 1978, nearly after the 30 years of self-imposed isolation. The need of such economic adjustment in China was felt primarily due to the reasons that the per capita GNP of China had grown at an average annual rate of 2.5-3.0 percent since 1957, well below the average of its neighboring countries like Japan and South Korea. The total factor productivity of the Chinese industry had been either stagnant or declining since 1957. Hence, Deng Xiao-Peng successfully put economic reforms in the Central Committee of China, which were consequently adopted by the committee. Later, 'Open Door Policy' (*Kaifang Zhenze*) was formally adopted by Central Committee of China, which visualized that inflow of capital, particularly foreign direct investments (FDI) and portfolio investments (FPI) can play a significant role in the economic development. Hence, it was decided to establish SEZs to attract the inflow of foreign investments by exempting investors from regulations applicable in China. It also provided an excellent infrastructure. In this series, four SEZs had been established by China along the south-east coast - Shenzhen, Zhuhai, Xiamen and Shantou by 1980. These SEZs were aimed at to serve as the testing grounds for economic and social reforms. Second, their locations-Shenzhan right next to Hongkong, Zhuhai, adjacent of Macao and other two opposite to Taiwan-were chosen to facilitate the eventual reunification of China. In 1984, the concept of SEZs was extended to another 14 coastal cities and Hainan island. To improve the investment in China, new provisions were made in 1986 and cooperative joint venture law was passed in 1988. In 1995, the concept of SEZs was extended to Shanghai. Initially only neighboring countries invested in the Special Economic Zones (SEZs), but later on, the success of SEZs across regions encouraged other countries also to invest in China due to the investment friendly policy adopted by the government. The policy of SEZs was highly successful to attract foreign investment in China. China's approach has been constantly pragmatic to invite foreign investors from every source and allow them to attain the benefits of the country's competitive advantages in low labour cost and growth potential in the backward areas. The largest share of FDI in China has been in the manufacturing sector, this is about 60 percent.

The success of SEZs policy in the transformation and development of Chinese economy highly impressed the Indian counterparts and in the year 2000, Indian Union Commerce Minister, Murasali Maran also visited China to have an over view of the experiment. He thought that the policy of SEZs can also be a useful and powerful instrument in the development of the Indian Economy. Consequently, the policy of SEZs was incorporated in the 1997-2002 Foreign Trade Policy of India. The annual trade policy 2000-01 was a landmark trade policy for introducing the concept of SEZ in India for the first time. However, the policy on SEZs in India has failed to produce the desired results in its present form. Hence, the need to make certain reforms in SEZs policy was realized. The Ministry of Commerce started serious deliberations over making SEZ policy a successful instrument for the economic development and it was decided that government should enact a separate SEZ Act. The act was passed by the Indian Parliament in May 2005 which became effective from 10^{th} Feb 2006. The SEZ Rules 2006 also came into effect the day SEZ Act became effective and extend to the whole of the Indian territory including J &K. It also overrides any provision, which is inconsistent with the current Act. Globally, SEZs are known by the different names such as Free Trade Zones, Export Processing Zones, Coastal Economic Open Zones, Economic and Technological Development Zones etc. It is evident that in manufacturing industries, about half of the FDI has been in labour intensive products. FDI in service sector contributes about 25 percent of the total investment in China. The overseas Chinese community appears to be a major investor in China. Due to huge inflow of foreign capital in China, the economy is fast integrating with the global economy. In this regards, the experience of SEZs have proved to be very significant and helpful in China.

SCOPE:

The concept of SEZs had gained much significance in the present economic scenario because it is essential to integrate National economy with the World economy. This concept has already proved its vital relevance in the economic integration of South East Asian Countries and China with the global economy. Though, the concept of SEZs has been adopted by the Government, yet the social, political and economic circumstances of China and South East Asian Countries are quite different from that of India. Therefore, there is a need to implement the philosophy of SEZs in India cautiously and transparently. It is also evident that only few studies have been carried out in India on SEZs which establish the need to critically analyze the

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concept of SEZs. In the present research paper, an attempt has been made to evaluate the issues, challenges and implications of SEZ policy in the emerging economic scenario in India.

OBJECTIVES:

The major objectives of the study are:

1) To examine the Government Policy on SEZs.
2) To analyze the issues and challenges of SEZs in the present economic scenario and to make certain suggestions.

METHODOLOGY:

SEZs policy is a very wide subject. It has all-round impact on Indian economic, social, political and technological environment. The scope of the present study includes SEZs Policy Act 2005, WTO, IMF, World Bank and certain other SEZ related studies. It also encompasses the Indian Industrial sector, external sector, agriculture sector, social sector and environmental analysis both social and biological. SWOT analysis has been applied to analyze the issues and challenges of SEZ in the emerging economic scenario. Delphy method is also used to analyze the government policy on SEZs.

SEZ POLICY IN INDIAN SCENARIO

The SEZ Act 2005 and SEZ rules 2006 provide enough guidelines to the developer, Govt. and entrepreneur of SEZ units, for the establishment, development and management of SEZs in India. The act specifically defines the SEZs as "Duty Free Enclaves" within a country, which are to be treated as foreign territory for compliance of various legislation and in particular fiscal legislation. These zones are called special economic zones as they are governed by the special legislative policies and system, which are not otherwise applicable in India. The philosophy of SEZs was adopted in India for the attainment of economic objectives such as: to enhance foreign trade, to attract foreign investments, technological and know how advancement, infrastructure development, development of backward regions, employment generation etc. It was observed that why the policy of export promotion zones established in the past had not been very successful and why the government has to shift to the policy of SEZ. It was also decided to convert the four former 'export promotion zones' Viz., Santa Cruz, Kandla, Vizag and Cochin into SEZs. The SEZ Act States that SEZs can be established by the central government, State Governments or by any person individually or jointly for manufacturing the goods and rendering the services or for both or for trading and warehousing activities. The application for setting up an SEZ has to be made by the developer to the State Government. The government has to forward the application to the Board of Approval within 45 days of receipt of application. The application to set up SEZ can also be sent directly to Board of Approval. While forwarding the application, the State Government has to ensure that the requirements for minimum area of land has been fulfilled or not by the applicant.

The SEZs are broadly divided into five categories such as multiproduct SEZs, sector specific SEZs, gems and jewellery, bio tech, non conventional energy SEZ and free trade and warehousing SEZs. The minimum area required for the establishment of these SEZs is 1000ha, 100ha, 10ha, and 40ha respectively. In case of special states, the minimum area required is reduced to 200ha , 100ha, and 50ha in relation to multi product SEZs and sector specific SEZs respectively. No change of minimum area requirement has been made in case of other SEZs. The special states include Assam, Meghalaya, Nagaland, Manipur, Tripura, H.P., J.K., Sikkim, Goa and UTs. There are two separate designated authorities in the process of development of SEZs i.e. Board of Approval headed by an Additional Secretary in the Ministry of Commerce and Industry and Approval Committee headed by Development Commissioner. BOA is designated authority for the approval of SEZs and other related issues and Approval Committee is the designated authority for setting up units in SEZ. There are two main players in the development and establishment of SEZ i.e. developer and entrepreneur. Developer is a person who has been granted, the letter of approval and develops the SEZ. Entrepreneur is a person who sets up a unit in the SEZ. The SEZ Acts offers various incentives for SEZ Developers and SEZ units which are as follows.

INCENTIVES FOR DEVELOPERS

- Duty free imports and procurement of goods for the development and operation of SEZ.
- Income Tax exemption for a block of any 10 years in 15 years.
- Freedom to allot developed plots to approved units on commercial basis.
- Foreign funds to develop the townships.

CONCESSIONS FOR SEZ UNITS

- A duty-free enclave that is treated as a foreign territory for trade and tariffs
- License free imports.
- Custom duty exemption on imports.
- No excise on capital goods, raw materials procured in domestic market.
- Supplies to SEZ units from domestic territory area (DTA) are treated as deemed exports.
- 100% income tax exemption for a block of five years, 50% for two years and upto 50% of ploughed back profit for the next three years.
- For offshore financing units, 100% income tax exemption for three years and 50% for two years.

- Freedom to subcontract even abroad.
- In manufacturing, barring a few sectors, 100% FD through automatic route.
- No cap on foreign investment for 55% reserved items.

The developers of multi-product zones need to have a net worth of at least Rs 250 crores and a minimum investment of Rs 1,000 crores whereas for the developer of sector specific zones, it requires at least 50 crores as net worth and minimum investment of Rs 250 crores. SEZs act issued the guidelines for the developers of sector-specific SEZs that they can build maximum of 7,500 residential houses, a 100-room hotel, and a 25- bed hospital and have an office space of upto 50,000 sq. meters in the non-processing area. While in multi-product zones, developers can build 25,000 residential houses, a hotel with 250 rooms, a 100-bed hospital and office space of not more than 2.50 Lakh sq. meters. The area within the SEZ can be classified as processing and non-processing area, which is demarcated by the Development Commissioner of SEZ. As per the present guidelines, 25 per cent to 35 per cent of the area will be the processing area and 75 percent to 65 per cent area will be the non-processing area. This non-processing area will be used for the development of social infrastructure. The activities in the development of social infrastructure includes building of basic infrastructure, water and sewage treatment plants, office space, shopping area, schools, houses, hospitals, recreational and sports facilities, restaurants and power and gas connections. SEZs would provide world class infrastructure to attract local and foreign investments. Furthermore, the State Governments will acquire the land at market rates. In the policy of SEZs, the question of land acquisition and potential displacement has been left unattended by the Union Government because the land is under the jurisdiction of state subject. It is pertinent that the Central Government approves the SEZs but the State Governments are responsible for allocating the land and only those proposals for SEZs will be approved for which the land used is either wasteland or barren land or not a very good farm land. The Board of Approval has decided that proposal for setting up SEZs on prime agricultural land would not be cleared. The Central Government further made it clear that the area of double cropland should not be more than 10 percent of the total area required for setting up of SEZs. While the balance 90 percent must be single crop, waste and barren land.

ISSUES, CHALLENGES AND IMPLICATIONS OF SEZS IN EMERGING ECONOMIC SCENARIO

In the emerging economic scenario, every country of the world is under immense pressure to increase the efficiency and competitiveness. India has decided to go forward with the programme of economic reforms to enhance its competitiveness globally. Therefore, adoption of SEZ policy is an outcome of this situation and the philosophy of SEZ has now come to stay. What is essential is an effective implementation of the policy so that it could secure the twin objectives of economic development and welfare of society. No doubt, the philosophy of SEZ has been very successful in China and it could be equally helpful in India but the government should properly address the issues that are emerging out of the implementation of SEZ concept. The issues, challenges and implications that may crop up out of implementation of SEZ policy are discussed in detail as follows. The Agricultural sector of the economy will be worst affected by the policy of SEZs. Land, which is an essential component is now receding due to the developmental activities and increasing population pressure. Consequently, the land-man ratio is declining. The SEZ Act states that only those proposals will get approved which are on either barren land or single crop land or only 10% of total land used for SEZ could be fertile land. This is very unfortunate on the part of the Government that on one side, land is squeezing due to population pressure and on the other hand, Government is framing such policies which are unfavorable for the agricultural sector. If we want to achieve the growth target of 8 to 10%, then the contribution of the agricultural sector is essential for achieving this overall G.D.P. growth rate. But this is not possible under the current policy of SEZs. The Government should review the policy of SEZs and should make laws that only barren land or least fertile land should be used for SEZs. The land, which is cultivated land, permanent pastures, grazing land, fallow land, village common land, cultivable waste, land under miscellaneous crops and trees should be strictly prohibited to be used for SEZs. The life of a farmer is not only depended on cultivated land but also on pastures, grazing land, forest land and common village land. Till date, the Government has approved near about 400 SEZs, which according to an estimate require 2.80 lakh hectare land i.e. 2800 sq.km. area. Notwithstanding, the Government's assurances that no farm land will be given to SEZs developers, the State Governments are providing all types of land to these SEZs. Many SEZs in Haryana, Punjab, Maharashtra, Andhra Pradesh, Madhya Pradesh, and in other States have mostly allocated the prime agricultural land. Hence, agricultural land will be reduced by 2.80 lakh hectare. According to a report by Agriculture Ministry, about 13 lakh hectare agricultural land have been used for non-agricultural purposes during 1999-2005. In 1999-2000, the total agricultural land was 1942 lakh hectare which has been reduced to 1892 lakh hectare. The network of SEZs will further affect the agricultural land. This decline in agricultural land will have a deep impact on the production of all food grains. The production of food grains includes the production of cereals and pulses. The production of all food grains in 2004-05 during Kharif season was 14.58 quintal per hectare and 20.54 qtls. per hectare during rabi season. If 2.80 lakh hectare land is taken as base, then production of food grains will decline by 2.80,000 x 14.58 = 4184460 qts during kharif season and 280,000 x 20.54 = 5894980 quintal during rabi season. Hence the production of food grains will reduce by (4184460 + 5894980) 10, 07,944 quintals. The share of cereals in food grains was 93.5% and in pulses the share was 65% in 2003-04 (P.K. Dhar pp. 311). It is evident from this study that impact will be more on cereals. It is pertinent to mention here that India is not self sufficient in case of pulses and the policy of SEZs will further affect the production of pulses. The policy will not only affect production of food grains but also affects the annual growth rate of food grains. The annual growth rate of food grains was 2.4% during 1964-65 to 2004-05, which may also decline. The decline in the production of cereals and pulses will adversely affect the food security situation in India. Regarding the food security situation, our country is facing a dismal situation where millions of people remain underfed and the problems of starvation are raising its ugly head. The availability of cereals and pulses per capita per day was 427.4 gram and 35.9 gram respectively in 2004. The per capita per day food grains availability is (427.4 + 35.9 gram) 463.3 in 2004 whereas annual food grains availability is 168.99 kg. per capita. Where as, per capita food availability in China and U.S. are 325 kg and 850 kg. respectively. Hence, the policy of SEZs will be a challenge to the food security situation in India because due to decline in cultivatable area, the production of cereals and pulses will further decline and consequently it will affect the net food grains availability. Thus India may face acute food grain crisis in future as population is increasing and per capita food availability will decline due to decline in cultivated land. This food grain crisis will have deep impact on India and its precious foreign exchange reserves. To solve the food crisis problem in India, the Government will have to import food grains from other countries. Even at present we are still deficient in pulses and vegetable oils and we are importing these commodities in huge quantity. Hence, due to affect on foreign exchange reserve, our development work will suffer a lot. The crisis of food security problem may also affect the general price rise situation in the country. As we know, in the recent period the prices of commodities are rising very steeply and inflation had reached 7% in the month of April, 2008. Hence, the policy of SEZs will further deteriorate the situation of prices in India. This will make the life of common man very miserable. Therefore, it is essential to save the fertile agricultural land of India in larger interests and the low biological potential area or only barren land should be earmarked for the development of SEZs. There is enough data to complete such work speedily.

Since land is a state subject and as per the guidelines of SEZ Act, it is essential for State Govt. to provide land for approved SEZs. In this way State Govt. are playing the role of middlemen between SEZ developers and farmers and forcing the farmers which is unfortunate on part of the Government. Ministry of Commerce and Industry has cleverly declared SEZ as public utility services, so that State Governments can utilize the Land Acquisition Act 1894 to acquire the land for private companies. Whereas there are provisions in the Land Acquisition Act, 1894 that Government can only acquire the land only for those projects which are of public utility like roads, railway tracks, hospitals etc. Hence, the Act is misused as an instrument for acquiring the control of land for the private companies. There is pressure on states to acquire land for approved SEZs.The Government should declare SEZs as private utility service so that the misuse of Land Acquisition Act and other Acts in force may be avoided.

SEZ Act States that 75% or 65% of land acquired by SEZ can be used for non-commercial purpose. In the non-commercial area, land will be used for the development of social infrastructure e.g. restaurants, educational institutions, hospitals etc. This lacuna in the SEZ Act and more economic incentives attract the industrialists to block the large piece of land. This mass grabing of agricultural land is giving rise to the business of real estate. A Morgan Stanley report suggested that many of the applications are made in rush just to block the piece of land. Social worker Medha Patekar also labeled allegations against Mega Company that they have purchased land at Rs. 1 lakh per acre and bargained with foreign investors for Rs. 4 crore per acre. This huge earning of money out of the sale and purchase of land leads to the situation of large scale grabbing of agriculture land. The grabbing of land has two impacts- one, this system is going to create a new kind of society i.e. corporate feudal society and second, it has deep impact on marginal and small farmers, which constitute 78% of the total holding in India. This conspiracy of land grabbing will push this section of society to the below poverty position. The RBI had also directed the nationalized banks to treat SEZs as real estate and ruled out any commercial finance to the developers of these zones. It is pertinent to note here that as compared to China's SEZs, Indian SEZs are very small in size and large in number. Till date, China has only six SEZs and they too are stretched across hundred of kilometers, for instance Hainan SEZ is as big as Kerala and Shantou is 234 sq. kms. whereas in India the total number of applications for SEZs are about 500 and approved SEZ are 400. The minimum size of SEZ in India is 10 hectares out of which only 3.5 hectares can be used for commercial purpose and 6.5 hectares for the development of social infrastructure. This creates the doubt against the success of SEZ policy in India and raises the question that how an SEZ of small size can boost the growth of the industrial sector. There are two reasons behind it- one, our SEZs are very small in size and second they are using 35% of the area for commercial purpose. The findings of Morgan Stanley report in June 2006 suggest that the minimum sized SEZ should be somewhat between 40-50 sq. miles. To setup the SEZ of a proper size, the Government should merge the small SEZs to make a big SEZ. Further it is also suggested by many economists that 50% of the area of SEZs should be utilized for industrial purpose and Government should develop a proper mechanism to plug these loopholes. The lack of transparent mechanism of land acquisition has bred corruption and led to massive losses for the Indian exchequer. The attractions towards real estate business and incentives of tax sops attract the SEZ developers. This situation may lead towards the diversion of capital and investment from non- SEZ area to SEZ areas which may have deep impact on urban employment. The big threat of SEZ policy is displacement of millions of farmers, artisans, landless people, small businesspersons and others. As it is estimated that land required from SEZs is 2, 80,000 hectares and average holding size in India is estimated about 1.3 hectare. Consequently, it will displace about 215,385 families of farmers and if one family has near about seven members then it will affect about 15, 07,692 farmers. Apart from farmers, millions of landless laborers and artisans will also be displaced. The displacement of millions of people without any social and economic security will create unrest in the society. Regarding the displaced masses, nothing has been made clear in the SEZ policy .The Government has no concrete and transparent plans that will help the rehabilitation of farmers. India is keeping a very poor record of rehabilitation of farmers and tribal people, whose land has been taken away. Till date the government has failed to solve the rehabilitation problem of about 10 crore farmers and tribals, who were displaced under the various development plans. There are 50 to 60 lakh displaced people in Jharkhand only and every fourth person is a displaced one and further among these displaced people one is tribal. The mass displacement of millions of people will create social tension and regional imbalances in the society, which may also increase the rate of crime in India. The strength of landless, homeless and slum dwellers is going to increase due to the policy of SEZs. The policy may also have an adverse impact on rural employment. There is already a high degree of unemployment and under employment among the agricultural workers in the country. The unemployment rate has increased from 6.2% in 1993-94 to 8.6% in 2004 in rural India based on current daily status. The displacement of people from rural area will further aggravate the problem of unemployment in rural areas of the country. The situation of unemployment will also be worst in urban areas as many industrialists are making efforts to shift their industries to SEZ area to attain the benefits of tax sops. Apart from this social and economic impact, the establishment of SEZs and displacement of millions of people will also adversely affect the ecology and environment. No one seems to be worried for the environmental loss being caused by the SEZs, neither Ministry of Commerce nor Ministry of Finance and Environment.

Many special economic zones are coming up around the major cities and developed areas of India. The policy of SEZs will create serious regional disparity or imbalance in our economy. India is already experiencing huge regional imbalances as many states are economically advanced and some others are backward. RBI recently, in its annual report mentioned that SEZs could aggravate an uneven pattern of development as industrialists may pull out resources from less developed areas to advanced areas. India's renowned firms have applied for more than 500 SEZs and 400 have been approved and the states with most number of SEZs are Maharashtra, Andhra Pradesh, Tamil Nadu, Karnataka, Gujarat, Haryana, Uttar Pradesh and Punjab. Against it in the north- eastern states, hilly states and economically less developed states, there are a few SEZ applicants. No firm is ready to set up SEZs in backward states and areas. Hence, the policy of SEZs will further increase the regional imbalances. This regional imbalance may further increase the mass migration of people from less developed areas to more developed areas and will breed the seed of social tensions at later stages. Marathi and Northern Indian dispute in Maharashtra is one such example. When the local residents feel economically and politically suffocated, then they may raise the voice of separatism.The Khalisthan movement of Punjab, Ghorkhaland movement of West Bengal, North Eastern separatist movements and other separatist and regional movements and outbursts in the country can be seen in this perspective. The issue raised for the formation of separate states is also supported by such ill logics. Therefore, to maintain national unity and integrity, the Government should scientifically analyze the implications of the SEZ policy.

The main objectives of economic development are the development and utilization of human resources and improvement in overall quality of life of the people. There is a direct relationship between human development and overall economic progress. National Institute of Public Finance and Policy estimated a revenue loss of 1, 75,000 crores by 2011, resulting from the loss of income tax, excise and custom duty. This financial loss has been estimated when the number of SEZs approved was 182, but now the number of approved SEZs has reached about 400 and hence, the financial loss to the Government exchequer has also increased manifold. Dr. Raghuram Rajan, chief economist at IMF expressed concern that India, with its big fiscal deficit finds difficulty to afford this revenue loss and this may affect the central assistance for the development of social sector. Consequently, budget allocation to health, education, poverty alleviation programmes and public distribution system and other developmental schemes will get affected. On the one hand, the Government would find it difficult to fulfill its social obligations and on the other hand, the functioning of the Government would be affected due to cash crunches .We know that India is the biggest democracy in the world and the constitution offers certain fundamental rights to its citizens. Any law that violates the fundamental rights is null and void. The SEZ act has deep implications not only for fundamental rights but also for labour laws. The SEZ act does not allow trade union activities in the SEZ areas. This not only violates the constitution but also violates the preamble of International Labour Organization. For these reasons, these SEZs are "undemocratic enclaves" within the "democratic India". Therefore, this seems to be the genuine requirement of the time that Government of India should carry a sincere review of the Act and work properly over the crystal chokes of the policy. It should lay down certain new norms to limit irrational numerical growth of the SEZs and make enough amendments in the SEZ Act so that labour laws could be implemented and labour interests safeguarded.

CONCLUSION

The shift from an agricultural economy to industrial economy is essential and vital for the economic development and employment generation in any country. The apparent harm to the interests of farmers, artisans, landless people, laborers, small businesspersons and others is inevitable, but there is no other way as the agriculture sector is incapable of providing the jobs of satisfaction to the new generation. Industrialization is the only way out to meet these urgencies and it's a globally accepted truth now. China has proved this with its man power resource and it has not only survived as a political system but also emerged as a major world power. Conversely, Soviet Union had to face adverse effects and even a collapse to turn out as a defunct state. India also has the potential to compete with China with its man power resource. That is why India has adopted the SEZ policy, which has already proved its significance as an engine of economic growth in China. In this research paper, the impact of SEZ policy on agricultural sector, food security situation, displacement of masses, imbalanced regional development, external sector, employment situation and labour laws has been studied in detail. To make the SEZ policy successful, the Government has to address the issues and challenges that are emerging out of implementation of SEZ policy. Though we have followed this model from China, yet the Government has not fully endorsed it. The Government should fix the priorities of SEZs. There is a mad race for the SEZs as the Government have approved 400 SEZs till date. However, in China until now there are 14 SEZs only. In India, the Government should identify the areas and should limit the number of SEZs. This blind rush for SEZs will not only affect the present structure of industrialization but will also prove the biggest failure on the part of government exchequer. The business of real estates and getting exemptions from tax seems to be the real motive behind the investors. The SEZ policy can prove as an engine of economic growth but it requires determination, discipline, transparency and political will in governance. If the Government is sincere and willing to exploit the economic potential and social objectives of SEZ, then it has to make amendments in SEZ Act or it will widen the gap between the 'Suffering India' and 'Shining India'.

SUGGESTIONS

The following suggestions are made in respect of the philosophy of Special Economic Zones (SEZs) in India.

1. The farmer's land is not only the means of generating income but is also a source of life security. Therefore, regarding the displaced farmers, government should offer reallocation package by ensuring them jobs in special economic zones.
2. In China, the displaced farmers are given urban *hukou* status. A *Hukou* was a locality residence license that allowed the *hukou* holders to assess social benefits and local public goods such as health, education facilities and goods at subsidized prices. In addition to financial compensation, these tangible benefits will make compensation packages more effective and farmer resistance can be addressed in a better way.
3. The policy of compensation should be transparent and compensation should not only be at present market value but it should be decided after assessing the future income from that land. Displaced peasants should be ensured jobs in and out of SEZs.
4. It is also suggested that land should be given on lease to the developers of SEZs and in addition to monitory compensation; peasants should be given perpetual royalty as dividend is given to shareholders.
5. The Government of India should make it mandatory that more than 50 percent area of SEZs be utilized for manufacturing activities so that it could also be ensured that SEZ policy has been kept away from the land grab Mafia. It will also discourage the development of neo-corporate feudalism.
6. It should also be ensured that while approving the SEZs for a particular area, the ecological loss should be properly assessed and a complete social-cost benefit analysis be carried out.
7. The concept of SEZs should basically mean to develop immense backward area. Therefore, the Government should carefully ensure and identify the areas for SEZs so as to remove the regional imbalances caused due to the implementations of the SEZ policy.
8. The Government should discourage the establishment of small sized SEZs. The small sized SEZs should be merged to make it bigger ones. It will be helpful for the Government to manage and control it in an effective way.
9. Government should make transparent and scientific policy for the rehabilitation of displaced people before approving SEZs for a particular area.
10. Although, it is evident that the concept of SEZ has contributed significantly in China but simultaneously it has also created numerous problems in China. Therefore, the Government of India should implement the concept of SEZs by taking into consideration the social, political, ecological and economic circumstances of India only.
11. The Government should ensure the implementation of labour laws in SEZ areas to bridge the rift of bitterness between capital and labour relations.
12. To discourage the business of real estate, the land ceiling for SEZs should be fixed.
13. The Government should identify priority areas for the establishment of SEZ's. Hence, SEZs should not be a general phenomenon; rather it should be specific one.
14. Encouragement should be given for those SEZs which will attract foreign technology and are only export-oriented.
15. Government should limit the land ceiling area for the development of industrial activities that should not be more than 25 per cent of the total land in any case.

Lastly, we can say that if the aforementioned suggestions are considered fairly and rationally by the policy makers, the concept of SEZ can be a powerful and healthy means to transform rural economy into manufacturing economy and finally to accelerate the pace of overall economic development. Or else, it will be a complex amalgam of infinite and uncontrollable problems.

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