Chapter One

CONCEPTS, OBJECTIVES, METHODOLOGY AND DATA BASE

1.1 Defining Special Economic Zone

1.1.1 A Special Economic Zone (SEZ) is a territory within a country with special rules for facilitating Foreign Direct Investment for export oriented production, and for purposes of trade and custom duties (Ramkrishna, 2006). Mukim (2006) opines that SEZ’s are specially delineated duty free enclaves outside custom territory of India. SEZ’s are also defined as a new kind of license system and an area of conflicts that acts as catalyst of incremental growth and socio-economic conflicts (Mevkan and Ansari 2007). An SEZ is a geographically demarcated region that has economic laws that are more liberal than the country’s typical economic laws and where all the units therein have specific privileges (World Bank). India’s EXIM policy defines SEZ as specifically delineated duty-free enclaves and shall be deemed to be foreign territories for the purpose of trade operations and duties and tariffs. While SEZ’s have been defined in different ways, as per Ministry of Commerce and Industry (of India), SEZ is “A specifically duty fee enclave, and shall be deemed to be foreign territory for the purpose of trade operations and duties and tariffs” (www.sezindia.nic.in).

1.1.2 Special Economic Zones have been established in several countries, including the People’s Republic of China, Jordan, Poland, Kazakhstan, Philippines, UAE, Malaysia, Iran, Brazil and Russia. The concept dates back to thirteenth century Spain and in more recent times late 1950’s and early 1960’s to Ireland and Puerto Rico, which established Economic Processing Zones (Ramachandran, 2007). In the early 1980’s one of the earliest and an exemplary Special Economic Zone ‘Shenzen’ was founded by the government of the Republic of China under Deng Xiaoping. Recently, Puno in Peru has been earmarked to become a “Zona Economica”. In the United States, SEZs are referred to as “Urban Enterprise Zones”. Germany too is assessing on the feasibility of creating a different business environment in some parts of the “New
Bundesländer” with regard to the tax regime, bureaucratic exigencies for investors and remuneration regulations, Dohrmann (2008).

1.1.3 Most developing countries of the world have recognized the importance of facilitating international trade for the sustained growth of the economy and increased contribution to the GDP of the nation. The Government of India too, has made several policy changes to achieve this objective. Of the various reform initiated, the SEZ Act, 2005, (No. 28 of 2005), is one of the initiative. The commerce ministry notified the SEZ law on February 9, 2006 and the rule came into effect from February 10, 2006.

1.2 A History of Development of SEZ in India

1.2.1 To comprehend the development of SEZ in India one needs to dwell on the stages of its formation. India adopted a mixed economy after independence. In the year 1950, import substitution was the focus. Foreign trade as a stimulant to economic growth was overlooked and inward looking industrialization was emphasized. The economic policies of 1960’s were geared towards selective import liberalization and export promotion, thus marking the development of Export Processing Zone’s (EPZ’s) in the country. The first EPZ in India which was also the first in Asia was set up at Kandla in 1965 (Confederation of Indian Industries, 2006). The proposal for setting up Kandla free trade zone was mooted in 1961, with the objective of facilitating the development of Kutch region, to ensure greater utilization of Kandla port and to create employment opportunities in Kandla. In the year 1968, Foreign Investment Board was created and in 1973 the very restrictive Foreign Exchange Regulation Act (FERA) was enacted. It was during this time China created Free Trade Zones. Korea, Taiwan and Hong Kong too established EPZs. In India too, the Santa Cruz Electronics Export Processing Zone (SEEPZ), was set up at Mumbai in 1974. SEEPZ was initially planned as a single product zone but by 1986 it was made a two product zone providing for gems and jewellery along with processed electronic goods. Export Oriented Units (EOU) were introduced in the year 1981 (Sundaram and Dutt, 2002). It complements EPZ for they are on same production regime
but differ in site with respect to the raw material source, ports of exports and
eexistence of industrial base. While EOU’s are exempted from custom duty
they are not entitled to tax benefits (www.sezindia.nic.in). In the year 1984
emphasis was on growth led export and thus, four more zones were set up in the
mid-eighties at NOIDA (NEPZ, Uttar Pradesh), Chennai (MEPZ, Tamil Nadu),
Cochin (CEPZ, Kerala), and Falta (FEPZ, West Bengal) and the seventh EPZ in
the country was commissioned at Vishakhapatnam (VEPZ, Andhra Pradesh) in
1994 (Confederation of Indian Industries, 2006). These aimed to provide export
facilities with better infrastructure such as telecom, water and power. But the
financial incentives were not attractive and bureaucratic red tape hurdles
continued. In the year 1998, the first private SEZ was implemented in Surat
(Ramakrishna, 2006). In 2003-04, four new SEZ; Mahindra World City in Jaipur
and Chennai, Indore and Manikanchan were created (Hindustan Times, 2007)
thereby initiating the development of SEZ in full swing.

1.3 Salient Features of SEZ

1.3.1 As per the SEZ Act, 2005, SEZ in India can be set up by the private sector,
state government or joint sector (state sector and private). This offers equal
opportunity to both Indian and International private developers.

1.3.2 The country is divided into two territories (Fig. 1.1) with Special Economic
Zones and Domestic Tariff Area (DTA). The area outside of SEZ is DTA,
where laws of the country are applicable. On the other hand, in the SEZ the
laws and controls of the country may be applicable only partially as they are
lead by special laws. Goods flow from DTA into the SEZ area are treated as
exports and goods coming from SEZ area into DTA are treated as imports.
There is no duty free access to domestic market, full duties must be paid and
licenses produced according to law applicable on normal exports.
1.3.3 SEZ are of three types:

a) Multi-product SEZ – occupying minimum of 1000 ha of land,

b) Sector specific SEZ – occupying minimum of 100 ha of land,

c) Games and Jewellery, IT-ITES – BPO’s and Biotech – SEZ occupying 10 ha of land (may be reduced to 4 ha in special cases). Backward states have the option of relaxation of minimum size of SEZ.

1.3.4 In the case of multi-product SEZs, the minimum processing area requirement is prescribed as 35%, with a provision of relaxation up to 25% by the Board of Approval. The remaining 65 per cent non-processing area would include the housing colony, shopping complex, schools, medical facilities, water supply, power plant, sewerage, roads and all other facilities. In the case of IT/ITeS, there is provision for minimum built up processing area of one lakh square meters. Similarly, in case of Gems and Jewellery SEZs, minimum built-up
area shall be 50,000 square meters and for Bio-tech SEZs, minimum built-up area shall be 40,000 square meters. For the green field SEZ, the government has specified a minimum preferable area of 1000 ha. However, for sector specific SEZ, there is no restriction of minimum area.

1.3.5 The requirements concerning the minimum size of an SEZ are relaxed with regard to certain small states. Thus, in the states of Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttarakhand, Sikkim, Jammu and Kashmir, Goa or in a Union Territory, the minimum area requirement for multi-product SEZs or a sector-specific SEZ has been reduced to 200 and 50 hectares or more respectively.

1.3.6 In the case of a multi-product or a sector-specific SEZ, at least 50 per cent of the area must be earmarked for developing the processing area.

1.3.7 If the developer proposing to set up an SEZ is not in possession of the minimum contiguous area, the Central Government may approve more than one developer. In such cases, each developer shall be considered as a developer in respect of the land under its possession. Whereas, at first, there was no ceiling regarding the maximum size of an SEZ, a meeting of the so called Empowered Group of Ministers (EGoM) held on 5th April 2007 brought about a capping at 5,000 hectares, which can still be undercut by states as land matters are state matters according to Indian constitutional law (Dohrmann, 2008).

1.3.8 The basic approval of the SEZ lies with the commerce ministry. There is a provision for hundred per cent foreign direct investment (FDI) for all investments in SEZ’s except activities under negative lists. But there is no relaxation for pollution control laws and labour laws. The local regime on these subjects will be enforced. States are required to exempt the electricity duty and sales tax on electricity as well as remove all controls on electricity generation and sale within the SEZ. Private generation, transmission and distribution of power in SEZ are allowed. Developers are even permitted to build roads, airports etc as per their requirement.

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1 Negative list contain items that are not allowed to be exported or imported.
TYPES OF SEZ

1. **ON THE BASIS OF SECTOR**
   - **Sector Specific:** Manufacture one or more goods in particular sector. Render one or more services in particular sector.
   - **Multi-Product SEZ:** Manufactures multiple goods in one sector or multiple sectors. eg Trading and Warehousing. Render two or more services in a sector or multiple sectors.

2. **ON THE BASIS OF AREA**
   - **Processing area:** Where SEZ units can be located for the manufacture of goods or rendering of services.
   - **Non-processing area:** Which is intended to provide support facilities to the SEZs processing area facility.

3. **ON THE BASIS OF ACTIVITY**
   - **Manufacturing SEZ:** Apparel, Garments and leather, Automobile and Auto-component, Engineering-light, heavy and application, Pharmaceutical, Food processing, Telecom equipment, Computer Hardware, and Microelectronics, Consumer Electronics and Appliances, Gems and Jewellery and Diamonds.
   - **Service SEZ:** IT enabled Services, Biotechnology, R&D, Health Care, Financial Services, Knowledge Services, Entertainment, Leisure and Recreation, Sports and Related Activity, Organised Retail Business Services Conventional and Exhibitions, Warehousing and Trade Related Services.

4. **ON BASIS OF APPROVAL STATUS**
   - **Formally approved:** Given when land is available to set up the SEZ
   - **In principle:** Given when the land has not yet been secured but all other criteria are fulfilled.
   - **Notified:** Final stage after which physical development work begins.
1.3.9 The developer, which may be the (central or state) government itself, a private developer or a joint venture in which both parties are involved, is entitled to set up an SEZ after recognising the proposed area. The procedure for setting up a zone like this may vary according to the nature of the developer. The private developer submits his proposal for establishment of an SEZ to the state government concerned. The private developer may also approach the BoA directly and thereafter get the acceptance of the state government concerned. The state government has to get its proposal screened directly by the BoA. After consulting the respective state government, however, the Central Government may set up and notify the SEZ *suo motu*. The state government then has to forward the private developer’s proposal to the BoA within 45 days of the date of receipt along with its recommendation if any (sec. 4 para. 1 SEZ Rules). The BoA then has the power of either approving or rejecting the proposal or modifying such proposals for the establishment of SEZs.

1.3.10 In the event of approval, the BoA communicates the same to the Central Government, which, in turn, grants formal approval to the developer (sec. 3 para. 10 SEZ Act) through a Letter of Approval (LoA) within 30 days of receiving the communication from the BoA. The LoA is valid for a period of three years, during which the developer must take all necessary steps to ensure implementation of the approved proposal. The powers also include the decision-taking regarding authorised operations to be carried out in the SEZ by the developer as well as granting approval to the developers or units in the SEZ for foreign collaboration, foreign direct investment and regarding infrastructure facilities (Dohrmann, 2008).

1.3.11 There is no mandatory provision of criminal courts in the SEZ Acts though the provision of civil courts is present. A special security force will look into the internal security of the SEZ.

1.3.12 There is also a facility to set up offshore banking units in SEZ. Income tax is exempted for a block of 10 years. Foreign Direct Investment for developing township within SEZ with residential, educational, healthcare and recreational
facilities is permitted depending on the case. With regard to development of infrastructure around the SEZ and monitoring thereof, the developer is not responsible for creation of infrastructure outside the SEZ. However, the Department provides support for creation of external infrastructure under the ASIDE (Assistance to States for Development of Infrastructure for Exports) Scheme.

1.3.13 It is a known fact that gains of economic development trickle to the nearby areas also, as the ancillary industries develop in the neighbourhood of main industrial areas and the workforce from the neighbouring places gets job opportunities. Some of the SEZ developers have started training programs in such areas, to ensure availability of trained manpower. With regard to the impact of SEZs on the national/indigenous industries, located outside the Special Economic Zones, there is a good scope for development of strong backward linkages with the DTA.

1.3.14 To ensure that private parties do not misuse the facilities in the name of establishing SEZs, and acquire property at concessional rates, without fulfilling the obligations the representatives of the Home Ministry as well as Defence Ministry are there in the Board of Approval. Before the approval is granted, the background of promoters is sent to the Ministry of Home Affairs. In case of any objection from the Home Ministry, the proposal is rejected.

1.3.15 For the Zones situated along the seashores, where there is possibility of smuggling. Special Economic Zone has a boundary wall (Photo1.1). The Department in agreement with INFOSYS have worked out software, to keep track of the goods coming in and going out. Also, all the SEZs don't have any direct access to any seaport or airport. Every cargo enters either through the regular JNPT Mumbai or Chennai port, which is having stringent security arrangements. In Mumbai, an X-ray examination of all the container cargo is done, before it comes into the SEZ (83rd Report of Parliament, 2007). To facilitate these salient features a structure of SEZ has been underlined.
1.4 **Structure of SEZ**

1.4.1 SEZ rules provide for different minimum land requirement for different classes of SEZs. Every SEZ is divided into processing area; area where units can be located for manufacture of goods or rendering of services, as well as area meant for trading and warehousing purposes and non processing area; area is intended to provide support facilities to the SEZ processing area activities, and may include commercial and social infrastructure.

1.4.2 A single window clearance approval mechanism has been provided through 19 member inter ministerial SEZ Board of Approval (BoA). The applications duly recommended by the respective state government/UT administration are considered by BoA periodically. All decisions of the BoA are with consensus.
1.4.3 Three tier structure (Fig. 1.2) of the SEZ includes:

   a) Board of Approval - headed by the secretary, Department of Commerce.
   b) Zone Level Approval Committee - includes development commissioners, customs and representatives of the state.
   c) Zone - Development Commissioner.

**Fig 1.2 Hierarchy of agencies regarding the establishment of SEZs and their function**

- **Board of Approval (BoA):** grants or rejects approval or modifies proposal for SEZ and authorized operation.
- **Development Commissioner (DC):** guides entrepreneurs in setting up of units in SEZs, coordinates between central and state government, ensures promotion of exports, and monitors performance.
- **Approval Committee:** approves import or procurement of goods from Domestic Tariff Area, approves provision of services from outside India or DTA.
- **SEZA:** develops infrastructure, promotes exports, and reviews performances of SEZs and levies charges.

Source: Based on the information given in www.sezindia.nic.in
1.4.4 Once an SEZ has been approved (Fig.1.3) by the Board of Approval, and the Central Government has notified the area for the development of SEZ, units are allowed to be set up therein.

**Fig.1.3 Operation of SEZ at various levels.**

**Level 1: Notification and Demarcation**
- Land Acquisition/Purchasing of land.
- Land Holding details are submitted and the area identified is earmarked as SEZ.
- Development Commissioner is appointed and Approval Committee is notified.
- Development Commissioner delineates the area of SEZ as processing or non-processing.

**Level 2: Grant of Approval**
- Proposed operation details submitted to BoA.
- Sanctions requirement by Approval Committee.
- Developer endorses the legal bond.

**Level 3: Establishment of SEZ**
- Proposal for establishment of SEZ made to DC.
- Proposal forwarded to AC and BoA.
- Approval awarded.

Source: Based on the information given in www.sezindia.nic.in
1.4.5 There are three stages in approval of SEZ; In Principle Approval\(^2\), Formal Approval\(^3\) and Notified SEZ\(^4\). The total numbers of valid formal approvals in 2012 are 552 spread over 17 States and 2 UTs. Besides, 141 In Principle approvals spread over 17 States and 1 UT have been granted for setting up SEZs. Out of 234 formal approvals, notifications have been issued so far in respect of 274 SEZs (www.sezindia.nic.in).

1.4.6 All the proposals for setting up of units are approved at the Zone level by the Approval Committee, consisting of Development Commissioner, Customs Authorities and the representatives of the concerned state government. All the post-approval clearances, including grant of importer-exporter code number, change in the name of the company or implementing agency, broad-banding diversification, etc. are given at the Zone level, by the Development Commissioner. The performance of the SEZ units is periodically monitored by the Approval Committee, and the units are liable for penal action under the provision of Foreign Trade (Development and Regulation) Act, in case of violation of conditions of the approval (Dohrmann, 2008).

1.4.7 The concept of Special Economic Zone takes into consideration the issues related to economic development thereby providing for development of self sustaining Industrial Townships, so that the increased economic activity does not press hard on the existing infrastructure. Unlike most of the international instances where zones are primarily developed by Governments, the Indian SEZ policy provides for development of these zones by the government, private or joint sector.

1.5 Literature Review

1.5.1 In the last few years there has been substantial literature on the various dimensions of SEZ. These dimensions may be studied under the following heads; existing and emerging issues and includes site selection, extent and size of SEZ, displacement, capability of land, compensation or land price,
rehabilitation, residential property development, and land speculation, the threat of possible relocation of units from other parts of the state to SEZ and consequent loss of public revenue.

1.5.2 The site and size selection plays an important role in further progress and functioning of SEZ and so has come under debate. On the issue of setting up of SEZs in predominantly agricultural states like Punjab, Haryana and other States, which do not have any mono crop or fallow land, each state has its own Industrial Policy in place and acquisition of land by the State Governments for various purposes is governed by their respective policies and procedures (Guha, 2008). The State Government of Tamil Nadu had to remove the double-cropped land from acquisition, and go for some other land in some of the cases. However, in all other cases, because the land is a state subject, the Department is depending upon the State Governments (83rd Report of Parliament). In November 2006, farmers from the Jamnagar District in Gujarat moved the High Court of Gujarat and later even the Supreme Court to challenge the setting-up of a 10,000-acre (approx. 4,000-ha) SEZ by Reliance Infrastructure (Hindustan Times, 2006). They alleged that the acquisition of large tracts of agricultural land in the villages of the district not only violated the Land Acquisition Act of 1894, but was also in breach of the public interest. This led the Government to “consider” putting a ceiling on the maximum land area that can be acquired for multi-product zones and decide to “go slow” in approving SEZs (Buisness Standard, 2006). Ramachandran (2007) states that the total estimated land required for SEZ is small in relative terms but in absolute terms it could be of the order of 2000 square kilometers. The idea that urban estate redevelopment has become a central motive force in the age of neoliberalism (Smith 2002), fits well with the fast pace of the real estate development in SEZ enclaves and in many large cities. The Commerce Ministry’s Board of Approval has authorized 181 SEZs and endorsed another 128 In Principle. A developer can set up SEZ on as little as 10 hectares. The average size of the approved SEZs in India is only 420 hectares, compared to the zones of 40,000 hectares or more in China (Skeers, 2006). The Board of
Approval considers only those proposals, which have been duly approved by a state government. Dohrmann (2008) opines that Jamnagar district of Gujrat moved the High Court in November 2006 and later Supreme Court to challenge the setting up of 10,000 acre SEZ by Reliance Infrastructure as it violated Land Acquisition Act of 1894 thus, building a pressure on the government to consider putting a ceiling on the maximum land area that can be acquired for multiproduct zones. Ranjan (2006) points that however, the state Governments have been advised that in case of land acquisition for SEZs, first priority should be for acquisition of waste and barren land and if necessary, single crop land could be acquired for the SEZs. In case of double cropped agricultural land, the same should not exceed 10 per cent of the total land required for the SEZ. Farmers are protesting against the forced acquisition of their land (Buisness Standard, 2007). In Raigad district of Maharstra, the state government is reported to have served acquisition notices to 20 villagers with 1,200 farmers to make way for Mumbai Special Economic Zone (MSEZ). The CPI (M) and the other left parties claim to oppose the SEZ Act, but in reality, are proposing minor modifications to the policy to increase the allocation to 50 per cent, rather than the existing 35 per cent of land, in an SEZ to productive activity and to put an end to the forcible acquisition of prime agricultural land (The Hindustan Times, 2007). Haryana is slated to develop one of the largest economic zones in Asia in which the critics say that the land has been acquired by depriving thousands of poor farmers of their homes and livelihoods (Ahmed, 2006). Similarly, Bidwai (2007) adds that some sites for SEZ are becoming unpopular like Nandigram, where a 1000 acre SEZ is proposed to be developed by Indonesia’s Salem Group and also Singur, where plans are to build a car factory by Tata Buisness Group, 40 and 60 kms from Kolkata.

1.5.3 Ramachandran (2007) opines that the size requirement of the land is the function of the sectors that are proposed to be developed. The larger share of knowledge-based services in a SEZ, the lesser is the quantum of land required. No empirical analysis is yet available to fix a one size fits all formula.
Abhayankar (2006) highlights that application for 300 more SEZ are pending. Most of the big ones among these are located in Maharashtra, Uttar Pradesh, Haryana, Gujarat and Punjab. On the same line Aggarwal (2006) points out that farmers have been agitated against SEZ in states as different as Uttar Pradesh, India’s most populous and Himachal Pradesh, one of the smallest state. Thousands of acres of land has been purchased from the farmers in Vishakhapatnam district, about 9,200 acres of land, mostly found in Rambili and the adjoining Achutapuram Mandal have already been acquired for SEZ and under the phase II of the acquisition, an additional 10,000 acres of land has been earmarked (Chaturvedi, 2006). DLF, a large scale developer, had initially planned an 8000 hectare multiproduct SEZ in Gurgaon but after the setback of EGoM decision it planned to split its large SEZ into two partrs, one with maximum size of 5,000 hectares and the other with the excess amount of 3,000 hectares (Indian Express, 2007). Fernandes (2008) mentions that the Goa government had earmarked the land for allotment to IT major Wipro for setting up the SEZ. But the Goa University has now come forward claiming that the 1 lakh square meter of land actually belongs to it. This has sparked off a row between the University and the Goa government and also on its claim on support to higher education. Gonigal (2008) refers to another striking protests by the locals of Goa which has forced the government both at the center and state to cancel SEZ in Goa and has also raised a concern regarding compensation to SEZ developers, who have already pumped in money to set up the business infrastructure, the three controversial SEZs in Goa, Cipla's Meditab Specialities, Raheja's IT/ITeS SEZ and Peninsula Pharma's bio-tech SEZ, which were officially notified, were given a temporary reprieve. Zemse (2009) mentions that in the twenty two villages that participated in a referendum on SEZ most of the people voted against the SEZ but the authorities did not disclose the result. (Madhvi 2009) argues on the same line that the government does not want to release water of Hetwane dam to the Vashi village as the area is rich in productivity and government will have no excuse for forcing out the villagers. Natural Energy Processing Company (NEPC) India Ltd has planned to set up a SEZ at the Palladam near
Coimbatore also Australia head-quarter ed Center for Asia Pacific Aviation (CAPA) world’s leading provider of independent aviation market intelligence will develop the Helicopter City that will be part of Gujrat Vittal Innovation City (GIVC), a multiproduct SEZ that will come up at Umargaon near Surat (Hindustan Times, 2009). The residents of Jewar in U.P. (75km from Delhi) were excited by the proposal of an international airport in that area as they are not opposed to acquisition of land but would want adequate compensation (Mint, 2007).

1.5.4 The report on state-wise distribution of SEZ in India points that in Tamil Nadu, 69 SEZ have so far been approved by government of which 54 are notified and in majority of them construction work has commenced. Likewise, in Andhra, number of SEZs formally approved stands at 103, out of which 70 such facilities are notified as on 2007. Andhra Pradesh and Maharashtra clearly lead the pack in terms of notified and actually functioning SEZs, and have actually given away very large tracts of land for individual SEZs unlike most of the other States. In Karnataka and Kerala number of SEZ approved are respectively 53 and 25 of which 30 and 10 have been notified (Ministry of Commerce, 2007).

1.5.5 In northern part of India state government is partly responsible for its land acquisition which has been consistently subject to intense controversies because of loopholes in their policies (Economic Times, 2007). In the state of Punjab in which the center has so far approved 10 SEZs for it and only 2 SEZs have so far been notified for the state. Likewise, state of Uttar Pradesh in which 334 SEZs have been approved, notification for SEZs numbering 16 have so far been issued and in the entire state. In the state of Madhya Pradesh, 14 SEZs are formally approved against which only 5 are notified. However, the progress in Rajasthan is extremely satisfactory in which 8 SEZs are approved and 7 of them are notified. A proposal for SEZ had to be dropped due to the environmental restrictions in Aravali area (Times of India, 2009).
1.5.6 In case of zoning regulations in every state, the area may be earmarked as residential area and, therefore, commercial activity cannot be allowed. In that event, the party has to drop the proposal. Baran (1958) argued that the effect of infrastructural facilities would be nix if they remain alien and do not become part of an economic environment or of socio-economic structure into which they have been built. In such cases they would only accelerate disintegration of peasant economy and contribute towards more intensive mercantile exploitation of rural interior. Guha (2008) examines the evolution of the new development enclaves – Special Economic Zones – in India in the light of the space relations of capital. Raman (2005) reveals that if the state delays the investor’s paper or lack infrastructure they have the option to another place. The infrastructure would include good building, roads, easily available utilities, transportation facilities, offshore banking and even a special court to resolve economic disputes. Lipietz (1992) suggests that SEZ are taking place on an aggressively contested institutional landscape in which newly emerging “economic spaces” interact conflictually with inherited regulatory arrangements, providing a political arena through which subsequent struggle over accumulation by dispossession and its associated contradictions are getting articulated and fought out (Brenner and Theodore 2002). Acquisition of peasant lands in India currently for the corporate sector and for SEZs has been identified as a new phase of primitive accumulation (Patnaik, 2008). The IT Ministry fears that many of the 6,500 companies located in the 47 STPs would prefer to shift to new IT-SEZs, rendering the STPs across India unviable (Vishawanadan, 2006). This can be considered as an opportunistic effect as the sector does not need help to develop its activity in India. The software sector up to now marginal in SEZ, is getting real large growth of 61 per cent. To encourage industrial activity in the land-locked states it is necessary to establish SEZs in those states. But the state-wise SEZ approvals suggest that about 80 per cent of them are in coastal states. Agarwal (2006), states that there is a strong possibility that SEZs will be set up in states where there is already a strong tradition of manufacturing and exports and will aggravate regional disparities. SEZ are planned in different states and some of
these will be product specific, service specific or multi-product zones, engulfing up to 10,000 hectares of land. In India a total of 1,34,000 hectare of land is getting acquired for 67 multi-product SEZs (Financial Express, 2006). Dohrmann (2008) underlines that farmers first tried to safeguard their interests through litigation.

1.5.7 SEZ has been established to benefit either the developer or the people of the area. Aiyar (2006) mentions that the concessional rates of land to develop SEZ has come as an opportunity to grab the scarce land near cities. Mevkan and Ansari (2007) state that the ugly side of the SEZ cannot be ignored as there are emergence of land mafia, financial scams and grabbing of agricultural land. Ali (2007) noted that SEZ Act enables the state government to offer land at a much lower rate thus, there’s a shift of small firms and even big companies to these privileged enclaves. Similarly, Royal (2007) also stresses that companies will simply relocate to SEZs to take advantage of the tax concessions, offered in them. Hebber and Kumar summarizes that the SEZ will create islands of prosperity at the expense of underdeveloped areas. It divides the country into two distinct zones. Grasset (2007) highlights that the SEZ map is close to that of a city map as it occupies large area and infrastructure of city. On the 2005 map, except Kandla all the SEZ were in the city with more than one million inhabitants. But it was not the main criteria, as Bangalore and Hyderabad were not having SEZs, the coastal side seemed more important. It is a reason why Bangalore and Hyderabad have developed their business around IT services, explored it, as is not important to build SEZs near a port. Bhardwaj (2006) refers to this as a perfect example of ‘corporate welfare’. Chatterjee (2006) argues that land acquisition needs to be transparent. Dohrmann (2008) mentions that some cities have even offered land free of cost, while others like Pune, Kolkata and Dehradun have sold land to IT companies at lower rates. The rate in Chandigarh is higher than Tier II cities. Mohali charged Rs 2.10 crore per acre for FAR of 2, Panchkula fixed Rs 3 crore per acre for 2.5 FAR, Chandigarh has decided to allot land for Rs 1 crore per acre for 1.25 FAR (Hindustan Times, 2008). Pranab et.al, (2009) states that government officials
treat compensation as rehabilitation. Thus, by using this norm the land losers are deprived of the price. Farmers had to give away their land for the bypass expressway and the Rajarhat township in Kolkata, West Bengal and were paid an average of INR 300,000 (1 EURO = 64 INR, Indian National Rupee; 1 USD = 44 INR) per acre when the market price in that area was INR 2 million. The situation is worse in the backward areas where price is low. In the 1980s, some farmers in Jalpaiguri district of West Bengal were paid an average of INR 1,700 per acre (Fernandes et al, 2006). However, the Government of West Bengal has promised rehabilitation in Singur because its farmers were agitated against displacement (Ray, 2006) and were apprehensive that they will be deprived of their livelihood without alternatives. The purpose of compensation is to compel the owner to sell the right (in monetary terms) as though the landowner is in the same position as if his land had not been taken (Rowan-Robinson and Brand, 1995). The underlying theme in the compensation provisions of the land acquisition statutes is to ensure that a dispossessed landowner is no worse off and no better off as a result of his eviction (Brown, 1991). Hence, in some cases, where farmers are being offered a price that is attractive considering their meager earnings from their small holdings but does not reflect the present or potential value of the land, (Ramesh et al, 1997, Murickan, 2003) the compensation cannot be considered proper. Rehabilitation issues have been compounded by the inherent unfairness of the acquisition process (Modi, 2006).

1.5.8 The Reserve Bank of India (RBI) has ruled out concessional finance to developers and units in these zones. The RBI has clarified to commercial banks that all loans to SEZ developers and for acquiring units in the SEZ should be considered as exposure to commercial real estate (Vishwanadham, 2006). Dohrmann (2008) points that if viewed objectively, leaving the land acquisition to the free market forces may harm the farmers sometimes, while at other times it may stand in the way of further industrialization, the necessity of which is obvious to most people. The low level of foreign investment is reducing the technology transfer. In Falta, only 5 per cent of the investments
are foreign investment and the success of the zone is linked to the capital intensity, more than other reasons, particularly not the size (Aggarwal, 2005). Grasset and Landy (2007) highlight that large investors are not interested in going to SEZ, some of them just prefer to create their own like Nokia, Flextronic or Wipro.

1.5.9 Kansara (2007) points out that land deals invites corruption, so no wonder farmers are being displaced from their place in the name of SEZ without giving adequate compensation. The new compensation plan for land to be acquired for a steel factory in Salboni in West Midnapore district in West Bengal worked out between JSW Steel and state government promises each landowner a mix of cash compensation and shares in the projects Special Purpose Vehicle (SPV) equal in value to the full price of the land acquired. This (package) works out as a safety net in case of adverse outcomes such as the SPV failing to develop the project (Financial Express, 2007). Bhardwaj (2006) states that in Maharashtra, since the residential land of the villagers cannot be acquired for the development of SEZ, the villages will not be moved. Agarwal (2006) argues that not the residential but agricultural land is being procured for SEZs. Amiti (2006) underlines that while Reliance in Maharashtra plays it as a proof of its magnanimity; activists allege that this is `a ploy to disqualify the villagers for rehabilitation. The fact is that on the one hand this situation will disqualify the villagers a right to rehabilitation, on the other hand the gram panchayat of these villages will lose their rights completely and the villagers will have to live within the SEZ with identity cards. Kumar (2007) points that about 1,011ha of land have been acquired in the Ghaziabad’s Hapur Tehsil for Reliance Energy Generation Limited “world’s largest gas based power plant”, thousands of families have been displaced. Farmers here are not against power plant but against inappropriate compensation, the way land has been acquired and fake rehabilitation promises. Bidwai (2007) underlines from his study on Nandigram and Singur protests that it has forced the left government to re-evaluate the project. Also mentions that one of the fiercest battle is being fought in Dadri in western
Uttar Pradesh. Fernandes (2008) points out that in Goa, the Goa Movement (GMAS) against SEZ and activist groups like Goa Bachao Abhiyan have spearheaded a successful agitation against the controversial SEZ. Even the state government under their pressure has called for the review. It has called for the state land acquisition system to be streamlined and transparent. Dohrmann (2008) remarks that opposition had not been the case to such an extent had the ministers concerned made up their mind to formulate a comprehensive displacement and Rehabilitation Policy preceding the land acquisition to establish SEZs. In the Press release issued by PIB (2007)\(^5\) EGoM announced that the Ministry of Rural Development had been requested to reformulate a comprehensive land acquisition Act and a comprehensive Resettlement and Rehabilitation Policy would be developed, ensuring that at least one person from each displaced family would be able to earn their livelihood from the project. Chandrasekhar and Ghosh (2007) argue that in the specific case of land appropriation for SEZs, the question of ownership and control is also critical.

1.5.10 Amidst the opposition of the SEZ, recession has also mellowed down the development of SEZ projects. In Maharashtra, Tamil Nadu and Punjab alone ten promoters want to pull out of the SEZ projects in the wake of slow down for commercial space (Hindustan Times, 2009). At least eight SEZ have sought extension citing different reasons like problem in acquiring land (Times of India, 2009). Board of Approval has so far approved one year extension to the eighty-one developers (Hindu, 2009). Siyaram Poddar Group Company (transport engineering goods) in Kutch (Gujarat) has deferred its SEZ project in Kutch by six months to one year (Business Standard, 2009). Similarly, ESSAR Steel has scrapped its proposed steel SEZ at Hazira in the wake of decline in demand of steel in the overseas market (Business Standard, 2009). Another steel giant Welspun Gujarat Stahl Rohren is considering shifting its existing unit outside the engineering SEZ at Anjar in Gujarat (Economic Times, 2009). While the country’s growth roars ahead at 8 percent, growth in

\(^5\) http://pib.nic.in/release/rel_print_page1-asp?relid=26679
regular employment is found to have exceeded not even 1 per cent in recent years. Also, India accounts for the largest number of homeless, illiterate and ill-fed in the world (Bhaduri, 2008). Sen and Dasgupta (2008) states that the surveys have revealed that workers in SEZ work 5.3 per cent more hours than those in the non SEZs and at hourly wages that are 34 per cent lower. Growth Centre Development Corporation is also not going ahead with its SEZ for handicraft and artisan (Hindu, 2009). GIDC has sought extension of validity of formal approval for apparel sector SEZ at Ahmedabad and IT/ITeS SEZ at Gandhinagar. Jubilant Infrastructure has also sought the same extension for its chemical SEZ in Bharuch (Buisness Standard. 2009).

1.5.11 The social cost and adverse effect of the SEZ are also conspicuous. The unpopularity of the SEZ is so marked that even the entertainment industry has vouched to prepare commercial film under Aasra Nirman India Production and Veera Shanker as the director (Hindu, 2009). Sharma (2007) highlights the concerns raised from the land acquisition in her case study of Haryana SEZ and further examines the SEZ Act on rehabilitation. Banerjee-Guha (2008) points that the contradictions of these spaces should not be seen as one between the industry and agriculture, or modern and backward, as it gets officially projected, but more importantly as one between the nature of industrial development in the less developed part of the world and the historically evolved regions-specific socio-economic activities and related livelihoods that is now becoming expendable in the name of “creative destruction” by citing a “globally hegemonic discourse”. Kumar (2007) mentions that the Land Acquisition Act has not been amended since its inception in 1894 to provide for the rehabilitation relief to the farmers. Bhaduri (2007) points out that there is a complete loss of equivalent livelihood of farmers due to separation from the land. Roy (2008) mentions that in Raigadh when one farmer looses land five other families lose a livelihood as they are directly and indirectly dependent on the land. Compensation is given only to one farmer, who owns the land and not to those who have been indirectly (salt pan workers, animal husbandry, horticulture) dependent on the same land.
In situations of unequal power it also means that small land holders are less likely to receive the true value of the land (Chandrashekar and Ghosh, 2007). Enormous capital is pumped into the cities especially the larger metropolises that are experiencing drastic restructuring (Banerjee-Guha 2002) and aggrandisement of economic globalisation. A surging consumer culture is engulfing these cities (Harvey 2005) in which material manifestation of inequalities like “gated communities”, “edge cities” of hi-tech activities, spectacular consumption zones, shopping malls and theme parks heightens the logic of aestheticising urban development (Kipfer and Keil 2002) and dissociating it from public discourses. Hiramath (2007) mentions that the total loss of income to farming and farm worker families is at least Rs 2120 million a year not to include other income loss due to the demise of local rural economies. Banerjee-Guha (2008) remarks that to offer labour competitive price, SEZs are declared as “public utility services” with several exemptions from the labour laws, including the Minimum Wages Act and the Contract Labour (Regulation and Abolition) Act and where strikes will be made illegal. India’s Special Economic Zones have drawn sharp criticism from a wide range of environmental and human rights groups, as well as farmers, villagers, fishing and agricultural workers who face losing their land, homes and livelihoods.

Further, Royal (2007) stresses that farmers want employment or want to become stakeholders in the project. Rondinelli (2007) studied that SEZ’s primarily employ low-wage, unskilled female labour, develop a few labour or managerial skills that transfer little modern technology or know-how and thus have weak links to domestic manufacturers. Ghosh (2002) considers the role of policy in providing work and survival security to women. Jha and Misra (2007) state that in Mundra, fishermen have lost their traditional occupation because of SEZ. Kanitkar and Kulkarni (2006) emphasise that it is not hard to imagine the jobs farmers, landless labourers and their spouses and children would get in IT centers, shopping malls, golf courses or residential complexes. Despite all this most employers with the units surveyed by research organizations have demanded even greater freedom to hire and fire and
claimed the current labour regulations to be too stringent (Sundaram, 2006). Jha (2007) also stresses that in Vadodara district government acquired 1500 hectares of most fertile land to develop IT Park at Por and Fajalpur because of which 3000 people directly dependent on this land would lose employment, while the IT Park will generate employment for 800 to 1000 people. The people of Goa too fear implication of SEZ on employment. It is projected that 17 out of 18 SEZs are supposed to generate 9,27,100 jobs which makes them all the more apprehensive that ‘outsiders’ would deluge Goa in hunt for jobs thus crunching on the opportunities for locals, especially since Goa does not have the numbers required, nor does it have such a large quantum of skilled or unskilled labour (Gonigal 2008). According to Upadhya (2007), providing lucrative employment opportunities for the workforce contributes only to the reproduction and consolidation of the middle/upper class from whom this workforce is drawn. The total employment that the IT/ITeS SEZs will create is negligible and if the number of potential jobs is put against the volume of investment one finds that one job will require an investment of Rs 10 to 15 million or even more (Rupe 2008). As regards the size distribution of units, a study of Noida SEZ states that a small number of relatively larger units have a disproportionately high share of exports and employment, and that most of the units are small, a situation that is much the same in other Indian SEZs (Mazumdar 2001, Neetha and Varma 2004). Thus, nine out of Noida’s 16 units employed less than 100 workers (Neetha and Varma 2004). Another feature is that the proportion of women workers in Indian SEZs is markedly lower than that in Bangladesh EPZs, and lower than in the EPZs of many other countries (Mazumdar 2001, Neetha and Varma 2004). The proportion of female workers varies among the seven EPZs/SEZs, between the 57% of Madras SEZ (the highest) and the 18% of Noida SEZ (the lowest) (Mazumdar 2001; Ghosh 2002). Kundra (2007) concluded that the wage structure in SEZs more or less conforms to prevailing market rates. A lot of malpractices have been detected, which includes the existence of a substantial number of unrecorded workers on company payrolls, non-availability of health insurance or workers’ provident funds, and denial of leave even for periods stipulated by
the law (Aggarwal, 2006). A study of Madras SEZ, concluded that young women who constitute the bulk of the workforce receive pay that is far below the minimum wage (Pria 1999). A study by Aggarwal (2007) of three SEZs, NOIDA, Santa Cruz and Madras, does not support the argument that a substantial proportion of SEZ labour receives less than minimum wages but says zone wages are not higher than non-zone wages. Aggarwal (2007) also finds working conditions differ among the SEZs in terms of working hours, overtime practices, overtime compensation, night shifts and the provision of leave and other facilities. Pratap (2009) has examined working conditions in NOIDA SEZ and Apache SEZ, a newly established private SEZ in Andhra Pradesh. In practice, it is reported that attempts to organise the workers are discouraged by investors as well as by zone authorities (Pria 1999, Mazumdar 2001 and Pratap 2009).

1.5.14 The proportion of the women workers in Indian SEZs is markedly lower than that in Bangladesh EPZs, and lower than in EPZs of many other countries. The low concentration of female workers in Indian SEZs is attributable to the availability of male workers willing to work under the conditions offered by the investors and also reflects regional socio-cultural gender norms which act as a deterrent against female employment (Mazumdar, 2001; Neetha and Verma 2004). Of the seven SEZs, only in two, Madras SEZ and Falta SEZ, do women outnumber men. It cannot be denied that SEZs have offered employment to number of women in Indian context (Mazumdar, 2001; Ghosh 2002). In 1990 women accounted for 48 per cent of the workforce which reduced to 37 per cent in 2008 (Mazumdar, 2001; Aggarwal, 2007). Aggarwal (2007) also points that working conditions differ among the SEZs in terms of working hours, over time practices, overtime compensation, night shifts and provision to leave and other facilities. Pratap (2009) has examined working conditions in NOIDA SEZ and Apache SEZ, Andhra Pradesh.

1.5.15 Ali (2007) states that SEZs have encouraged inward migration. One of the prime objectives of this policy was to attract FDI but the share of FDI in investments in SEZs is very low and due to inward migration very few new
managing units have been set up in the SEZs. Rondinelli (2007) has analysed that large SEZs may promote undesirable in-migration from rural areas, produce more dependence on foreign-owned firms that tend to move or cut back production when wages, costs or international trends change. Sharma (2007) has analysed the displacement of people and the profile of affected population.

1.5.16 The benefit of SEZ is obviously at a cost. However, it would appear that no cost benefit analysis of SEZ has been attempted (Ranjan, 2006). It has been pointed by Sharma (2007) that without any product-cost-benefit analysis, SEZ Act stipulates only a minimum ceiling of land for SEZ without fixing any upper limit, thus the whole state may be offered as SEZ as per the present Act. Rondinelli (2007) noted that SEZs have a high construction and maintenance cost. A loss of Rs. 3,97,040 million of duty under export promotion schemes during 2003-04 which accounts for 82% of customs duty collected that year gives an idea of how costly this whole affair is (CAG Report, 2004). There will be massive revenue losses because of the tax breaks accorded to the companies in the zone (Kumar, 2007). Andhra Pradesh which is the biggest beneficiary of SEZ so far has categorically ruled out any review of SEZ already cleared for the state (Times of India, 2006). The Ministry of Finance had estimated a loss of taxes to the tune of Rs. 900,000 million. Considering the average tax rate to be about 30 per cent means that there is an income of Rs.30,00,000 million. Since the Ministry of Finance takes 20 per cent as export profit, this income means an export turnover of Rs.15,00,000 million. Forty per cent of the turnover is normally paid by way of wages and salaries. As per rough estimates, about 25-30 per cent of the amount paid as wages and salaries comes to Government in terms of indirect taxes, by way of consumption. This means there will be an indirect tax revenue generation of about Rs. 10,50,000 million, while the losses are being projected as Rs. 900,000 million. So, in the opinion of the Ministry of Commerce, if the economic activity takes place as planned, there would not be a loss but actually there would be a gain. The RBI’s annual report on SEZs highlights
that they could aggravate the uneven pattern of development by pulling out resources from less developed areas. Revenue implications of taxation benefits would also need to be factored. The revenue loss for the government in providing incentives may be justified only if the SEZ units ensure forward and backward linkages with the domestic economy. Most SEZs are tiny; almost all are either Small or tiny (Mukhopadhyay and Pradhan, 2009). The only variable to significantly affect the number of SEZs in a district is industrialisation, which positively affects the number of SEZs in a given district, i.e., the more industrialised districts are likely to have more SEZs Pradhan (2009). Tiny SEZs are less than 50 hectares (0.5 sq. km) in size and therefore it is highly unlikely that they will be able to function as self-sufficient entities. Sivaramakrishnan (2009), argues that there is no clarity on the urban governance in the larger SEZs, and we have not been prepared for the urban demands of the smaller SEZs. A large majority of those who were displaced due to land acquisition are unable to find an equivalent livelihood or other means of survival. Communities get split, families are divided and a large number reduced to penury (Bidwai 2007). Sajan (2007) claims that establishment of SEZs would lead to fast growth of labour intensive manufacturing and services (IT) in the country. Pillai and Dhoot (2007) conclude that to judge the actual impact of the SEZs one has to look at the actual ground realities.

1.5.17 Various political parties have also taken different stand making the issue of SEZ more controversial. Maharana Sangram Singh Kissan Sangarsh Samiti, a farmers union dissenting against the project stated that some farmers were threatened by administration that their leases would be cancelled if they did not give up their land for the given amount of compensation; the government takes possession of the land (Roya, 2007). Bhartiya Mazdoor Sangh (BMS) demanded that waste and barren land should be put to use (Hindustan Times 2007). To establish SEZs in Green Belt area is a big land scam, a move to usurp farmers land and to destabilise villages. It also demanded to permit trade union to function in SEZs so as to prevent exploitation of labour. 75 percent of the land should be used for setting up the
industry and 25 percent for other commercial activities. Otherwise this sort of industrialisation will not serve national interest rather end in industrialised land scam (83rd Report of Parliament). In the same line Hind Mazdoor Sabha (HMS) also put forward its demand for rehabilitation of the farmers and agricultural labours and food security. Both HMS and AITUC strongly opposed to exempting SEZs from labour laws. It also suggested appropriate ceiling of the land area under a SEZ developed by private developer and bigger SEZ to be built by the public sector (83rd Report of Parliament). Before opting for agriculture land for industrialisation all possibilities of recycling land blocked in closed units need to be explored (Times of India, 2008). Bardhan (2007) member of CPI pointed that if private entities are allowed to own such huge tracts of land, it would amount to re-establishment of the zamindari system sixty years after independence (83rd Report of Parliament). Private developers should only be allowed to take the land on lease or build the infrastructure on a BOT basis. Private entities should not be allowed possession or control of the land beyond the stipulated ceiling. SEZs whose land area exceeds the specified ceiling should only be developed by the state (Business Standard 2008). A model compensation and rehabilitation criteria should be framed by the Central Government and it should be ensured that the current owners of land are awarded compensation in line with market prices taking into account the expectation of future land development. There should be separate caps for the total number of multi-product and sector specific SEZs. The central government should consider setting up of SEZs through public investments in those states where private investment is not forthcoming. Also in regard to the processing and the non processing area while a developer of sector specific SEZ of 1000 hectares is required to develop at least 500 hectares of processing area, the developer of a 100 hectares multi-product SEZ is required to build only 250 hectares of the processing area showing a clear anomaly. Therefore, processing area of SEZ should not be less than 50 percent. Further, 25 percent of the non processing area should be dedicated for infrastructure development. Building of residential and commercial complexes should be permitted over 25 percent of the total land area (83rd Report of Parliament). Bharatiya Janta Party pointed that distortions in SEZ policy (formulated by the then NDA government) by UPA has allowed many promoters to
turn to SEZs into biggest land grab racket in the history of independent India. It suggested that minimum area for the processing zone in an SEZ should be raised from the present 35 percent of the total area of the SEZ to 60 percent. No fertile irrigated agricultural land should be acquired by government for SEZs. Minimum 15 percent of the area in the processing and residential commercial parts in the non processing zone should go back to the farmers whose land has been taken. Every SEZ developer must be required to set up a training institution on a BOT basis, where appropriate training facilities for the farm workers and other allied workers displaced from their traditional employment may be established. There should be provision for their subsequent absorption in employment and in the processing units. SEZ developers should be required to obtain land from the farmers through direct purchases, but at a price higher than the minimum. Wherever possible farmers should be allotted equity shares in developer companies. Each SEZ proposal must include a plan for rehabilitation of people who would be displaced from their traditional employment and livelihood. Every SEZ developer must be required to prepare a redevelopment plan for the village abadis falling within the SEZ limits and to execute that plan at his cost. Business in DTA should not be put at a disadvantage because of the incentives available to those in SEZs. Tax exemption currently available to IT and ITES units upto 2009 should be extended for a further period of 10 years. Also there should be an independent regulatory authority to deal with the issues related to the SEZs. All India Kisan Sabha (AIKS) mentions there should be no transfer of land ownership to the private developer and that they should only be allowed to take land on lease. The Central Government should set an appropriate ceiling on the total land area under a SEZ, which can be developed by a private entity. SEZs whose land area exceeds the specified ceiling should only be developed by the State (Public Enterprises of the Central or State Governments). A provision limiting the acquisition of multi-crop agricultural land should be built into the SEZ Act itself. Compensation and rehabilitation criteria for SEZs should ensure that the current owners of land are awarded compensation in line with market prices taking into account the expectation of future land development.
1.5.18 The choice of land for establishing SEZ has raised concern and so geographical characteristics of land need to be taken into account while delineating areas. Destroying the prime agricultural plots for the sake of industrialization does not necessarily result in equitable development, as farmers do not make easy transition for the jobs that are offered in the SEZs (Kujiu, 2007). The Ministry of Agriculture, vide its written note, submitted that the National Agricultural Policy of 2000 categorically states that the National Land Use Policy will seek to promote “technically sound, economically viable, environmentally non-degrading and socially acceptable use of country’s national resources—land, water and genetic endowment, to promote sustainable development of agriculture”. Measures will be taken to contain biotic pressure on land, and to control indiscriminate diversion of agricultural lands for non-agricultural purposes (Business Standard, 2007). The policy concern relate more to the process of land transfer, nature of compensation and rehabilitation of displaced persons, rather than to whether there should be a change in land use per se. Master/Development Plans for towns in the Region should incorporate land suitability analysis for the land use allocations, which would identify areas, intrinsically suitable for settlement, agriculture, forestry, industry and recreational uses (83rd Report of Parliament). Hiramath (2007) states that if SEZs are to be seen as successful in the future then more cultivated land is acquired, they will then endanger the country’s food security. Shafi (1966) underlines that the natural asset of land to man is constant. So it becomes necessary to comprehend the capability of land before putting land to any use. Land capability undertakes texture, structure of soil, aspect of terrain, slope, temperature, rainfall, runoff, and water availability (Shahina 1972). Hanif (2006) argues that in this classification, there is heavy reliance on soil survey results. Land is the most crucial resource especially in the countries that have abundant labour. Therefore the land chosen for development of SEZ will play a decisive role.
1.6 **Objectives of the Study**

1.6.1 The review of the literature available firstly shows that large part of the studies have appeared in the popular journals and are journalistic in character as a result rigorous academic analysis of issues relating to SEZ are very few. Secondly, from the geographical point of view the choice, location and site for SEZ has not attracted research attention.

1.6.2 In the light of the above mentioned observation the objectives of the current study are:

   (a) To analyse the various categories of land capability areas earmarked for SEZ.

   (b) To compare the structure of processing and manufacturing units and study the sites that are preferred for establishing SEZ.

   (c) To evaluate the socio-economic condition of people alienated from the land which is earmarked for the development of SEZ.

1.7 **Hypotheses**

1.7.1 The study seeks to verify the following hypotheses in the process of fulfilling its above objectives:

   (a) Since the land capability has not been the criteria for the choice of land for SEZ it is posited that SEZ will include land with very low to very high capability.

   (b) Farmers alienated from their land may be classified into two types: those who use the compensation for the further investment and others who have retained it for their consumption needs.

1.8 **Research Design, Methodology and Data Base**

1.8.1 The large part of the data relating to the objectives one, two and hypothesis one are from the secondary sources while the data for the third objective and second hypothesis are generated from the field work.
1.8.2 The secondary sources of data includes popular journals, articles, papers, books, Gazetteer of Haryana, Gazetteer of Uttar Pradesh, Statistical Abstracts, Census Publication, and Department related Parliamentary Standing Committee (83rd report on the Functioning of SEZs). Visits to the Ministry of Commerce, Development Commissioner of NOIDA, NATMO office have also been undertaken.

1.8.3 The land capability or potentiality is the intrinsic capability of land to produce certain agricultural commodities. It depends on the innate characteristic of soil (nature of parent material, organic matter, texture and structure of soil, permeability of soil, root distribution zone), landscape features (slope and erosion), climatic parameters (rainfall, temperature, humidity). A land capability map prepared by NATMO has been scanned and digitized with five main categories of land capability selected broadly as very good land, good land, moderately good land, poor land and land with severe limitations. These have then been overlaid on a district map of India through Arc View GIS. Only those districts have been considered which have SEZ. To this map, type and size of area devoted to SEZs are studied and a table is prepared so that a comparison is possible.

1.8.4 For the second objective, that is, to compare the structure of manufacturing and processing units and study the sites that are preferred for establishing SEZ the results so computed are represented through suitable diagrammatic techniques.

1.8.5 For the third objective and second hypothesis a structured questionnaire has been prepared to interview the village headman and the respondents of respective villages - Nalgadha and Dallupura (NOIDA, U.P.) and Khandsa and Mohammadpur Jharsa (Gurgaon, Haryana). The villages have been chosen keeping in mind that NOIDA already had an experience with EPZ and now SEZ but experience with SEZ is new for Gurgaon. About hundred respondents are covered from these four villages through purposive sampling method and care is taken to include four different types of respondents (i.e,
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twenty-five from each category). These four types of respondents are first, those whose land had been acquired second, who have sold their land to private developers, third, those who have neither sold their land nor has it been acquired by the government and fourth, who do not own any land i.e. landless labourer. The socio-economic profile of the villages is described and selected attributes are diagrammatically represented. Also, a Weighted Scale Method is used to bring out the level of satisfaction with compensation received by the respective villagers.

1.9 Presentation of the Study

1.9.1 The study is organized under the following chapters;

Chapter One: It covers the nature of problem, review of literature, research problem, objectives and hypotheses of the study, data and methodology adopted to verify the hypothesis.

Chapter Two: It focuses on analyzing various categories of land capability of areas earmarked for different types of SEZ. It also compares the manufacturing and processing units of SEZ. The hairline difference between the EPZ and SEZ are tabulated. A study of the sites that are preferred for establishing SEZ is done. These are represented through diagrammatic representation like bars charts, pie diagram, etc.

Chapter Three: The chapter deals with various debates on a number of issues of SEZs and they can be broadly clubbed under five heads which are loss in government revenue, decline in agriculture and food security, uneven regional development, misuse of land for real estate, and discrimination against existing industries.

Chapter Four: The chapter deals with primary survey of four villages namely Nalgadha, Dallupura, Khandsa and Mohammadpur Jharsa. It basically aims to cover respondents under four classes; one whose land has been acquired, two; who have sold their land to private developers three; those who have neither sold the land nor it has been acquired by the government and
fourthly, who do not own the land i.e. landless labourer. Their land detail, compensation, satisfaction with compensation and future security are studied at length.

**Chapter Five**: It throws light on all the issues touched in the previous chapters and attempts to provide modest solution to the emerging concerns.

**Chapter Six**: The chapter summarises the findings, hypotheses and critically evaluate the research and underline the weakness in data and methodology, and direct the course for future research.