

Impact of SEZs on Agricultural Sector in India

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Introduction-

As a result of serious balance of payment crises, India was forced by the world bank and IMF to adopt the New Economic Policy, known as LPG. LPG means Liberalization, Privatization and Globalization. The Globalization component of New Economic Policy was based upon free movement of capital and multinational industries specially into the developing countries like India. Special Economic Zones (SEZs) are the consequence of the Globalization.

Export Processing Zones –

To promote exports, the Government of India created Export Processing Zones located at Khandala and Surat (Gujrat), Santa Cruz, Mumbai (Maharashtra), Falta (West Bengal), Chennai (Tamilnadu), Vishakapatnam (Andhra Pradesh), and Noida (Uttar Pradesh). These EPZs have now been converted into SEZs.

What is SEZs ?-

SEZs called the “ Duty- free Enclaves” or “ Foreign Territories” in India. because SEZs will be provided various tax and other relief which are not available to other industries in India.

SEZs in Other Countries –

Though India accepted the policy of SEZs in 2000, other countries have implemented this policy much before. Spain implemented special Zones similar to SEZs of today in 1992, for the first time to process the domestically available raw material for export.

After that number of countries like Uttar America, Hong-Kong, China, Taiwan etc. set up SEZs to boost export. When IMF and the World Bank picked up the idea of SEZ, the world scenario changed. China adopted the policy of SEZs in 1978. In 1990 there were 847 SEZs in the world which is given the following table.

SEZs in the World

Name of the Region	No. of SEZs
America	320
Asia	225
Europe	081
Caribbean	051
South Africa	041
Mid-East	049
Africa	047
Mid-America	041
Pacific	002
Total	847

Ref.- WEPZ REPORT 1994

At present there are about 4000 SEZs in 120 countries in the world.

SEZs in India-

Mr. Murasoli Maran, the then Commerce Minister, visited in China in 2000 and was very much influenced by the contribution of SEZs in China economic development. The Contribution of SEZs in the economic development in China, encouraged the Commerce Minister to adopt SEZ policy in 2000.

Multi product SEZs , Special sector SEZs and port or Airport SEZs are the three types of SEZs.

The Government of India accepted the concept of SEZs in 2000. At the first Export Processing Zones started in 1965 were converted into SEZs. The SEZs Act-2005 was passed on 23rd June 2005 to give legal sanction to the SEZ policy. Accordingly SEZ Rules come into force from 10th February,2006.

SEZ can be set in Public sector, Private sector or Joint sector or even by State government. The Central Government encouraged the State Government to pursue the policy of SEZs rigorously.

Progress of SEZs in India-

(SEZs in Selected States)

Sr.No.	State	No.of SEZs	Land required in htrs
1	Andhra Pradesh	54	13229.19
2	Chandigadh	02	87.49
3	Chattishgadh	02	2029.00
4	Dadar Nagar Haveli	01	80.00
5	Delhi	02	17.00
6	Goa	04	290.98
7	Gujrath	30	18575.37
8	Hariyana	46	43820.89
9	Himachal Pradesh	03	50.30
10	Zarkhand	01	36.00
11	Karnatka	46	6393.08
12	Keral	12	983.65
13	M.P.	10	9380.50
14	Maharashtra	75	30755.37
15	Pondechary	01	346.00
16	Tamil Nadu	27	6378.59
17	Uttar Pradesh	18	6088.08
18	West Bengal	21	11997.00

The above data explain that the largest number of SEZs are sanctioned in the developed state like Maharashtra. Out of 75 SEZs in Maharashtra, 08 SEZs are in Marathwada, 07 in Vidarbha and remaining 60 SEZs are in Pune- Raigad- Thane-Mumbai belt.

Incentives to SEZ Developer and Industiers-

The developer which will develop the processing and non-processing areas in SEZ will get benefit of the following incentives.

- 1) 100 % FDI permitted for the development of various facilities and basic services.

- 2) Income tax benefit to developers under 80 IA for 10 years and 100 % IT exemption for first five years and 50 % for next 2 years to SEZ units.
- 3) Duty free import for the development of SEZs and for setting up of SEZ units.
- 4) Exemption from Service Tax and CST.
- 5) Developers are authorized to provide services on commercial basis.
- 6) No cap for Foreign investment for SSI reserved items.
- 7) Environmental and labour laws will not be applicable to SEZ units.
- 8) Investment made by individual etc in a SEZ Co. also eligible for exemption u/s 88 of IT Act.

Area Required-

SEZ for multi product	- 1000 hrs or more
SEZ for Services	- 100 hrs or more
SEZ for Electronics	- 10 hrs or more
Biotechnology, Jewellery etc.	- 10 hrs or more
Free Trade and Warehousing	- 40 hrs or more

Impact of SEZs on Indian Agriculture-

a) Favorable Effects-

1. SEZ will generate 15,75,452 new employments which will benefit to rural poors.
2. Processing units set up in SEZs will create demand for agricultural products as raw material.
3. SEZs will prompt export of agricultural products.
4. The infrastructure facilities developed by the developer of SEZs will help to the

progress of

agriculture.

5. The agricultural processing units in SEZs will promote to contract agriculture and the farmers

will receive fixed rates for their products.

b) Adverse Effects-

The SEZs policy will cause the following effects on Indian Agriculture.

1. The acquisition of huge tracts of prime and fertile agricultural land will cause reduction

in food grain production.

2. Huge concession given to SEZs units and developers will add to fiscal deficit and agricultural

process.

3. The acquisition of huge land more than requirement will divert prime agricultural land to

non-agricultural uses.

4. Giving the land acquired at concessional rate, to rich corporate houses is unjustified.

5. In practice, SEZ units will not provide sufficient employment, because modern units will need

highly skilled workers in a limited strength only.

6. The SEZs policy will create dual economy, SEZs area/zones will be developed, but non-SEZ

area will be backward comparatively.

7. Acquiring fertile land at concessional rate (low than market rates) will cause clashes between

the government and the farmers.

8. SEZ policy should not be the policy for putting the farmers out on the streets.

Thus acquisition of prime or fertile land producing two or three crops a year at concessional government rates will cause conflicts. The landless farmers will have to work as peons or securities at the mercy of the factory owners.

Suggestions-

1. No proposal for setting up SEZs on Prime agricultural land be cleared.
2. The rehabilitation policies must be strengthened and speeded up.
3. Out of the total SEZ area, 50 % land should be used for industrial use, 25 % for infrastructure and remaining 25 % for other facilities.
4. SEZ zones should not be approved near the metropolitan cities. They should be in barren lands and in the remote backward areas.
5. Farmers should be given compensation for their land at market rates and farmer should not be forced to give their land for SEZs.

Finally, We should like to indicate that the loopholes, flaws and drawbacks in the present SEZs policy should be effectively and urgently removed for the welfare and development of farmers. The backbone of Indian Economy i.e. agriculture should be saved, if india want to be a supper power in 2020.

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