

**SEZ IN INDIA: LOOK BEFORE YOU LEAP**

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Competitiveness has emerged as an important discipline in the area of strategy and research efforts have brought many interesting perspective and frameworks at the country, industry and firm level. Location decision of a firm has been subject for empirical researches and literature suggests that location can be a contributing factor to the competitiveness of a firm. The impact of location on the firm performance has been the subject for research and special economic zones, as a specialised location, have provided ease to use business location along with advance infrastructure and other facilities to enhance competitiveness at the country level. Special Economic Zones (SEZ) have emerged as a popular strategy adopted by various countries, particularly the developing countries, to increase their trade competitiveness. The contemporary debate on the SEZ policy has been quite intense but the focus has been mostly on the issues pertaining to the establishment, sanctioning procedures, land grabbing and protests against the SEZ policy and at the same place focus on the relevance of the SEZ on the whole are somewhere undermine.

This article has discussed the whole concept regarding SEZ, in the following parts- Part I is an introduction, Part II deals with the evolution of SEZs in India, Part III gives us objectives of the SEZ units, Part IV discusses about the incentives of SEZs, Part V explains the Investment, Employment And Exports, Part VI explains the negative aspects and Part VII is conclusion.

**1. INTRODUCTION**

In the economic scenario, countries need foreign assistance. They, individually can't fulfill the requirements of the nation and people with the available resources. They need the latest techniques, skilled technicians and capital Inflows. But the flow of foreign capital and technicalities to host nations is obstructed by the trade barriers and regulatory norms.

"China was yesterday and India is today", is the slogan which brought India in field related to Special Economic Zones. A SEZ is a geographically bound zone where the economic laws in matters related to export and import are more broadminded and liberal as compared to the rest of the country. The category 'SEZ' covers a broad range of more specific zone types, including Free Trade Zones(FTZ), Export Processing Zones (EPZ), Free Zones(FZ), Industrial parks or Industrial Estates(IE), Free Ports, Urban Enterprise Zones and others.

Globally, in People's Republic of China, Special Economic Zones were founded by the central government under Deng Xiaoping in the early 1980's. Following the Chinese examples, Special Economic Zones have been established in several countries, including Angola, Bangladesh, Brazil, India, Iran, Jordan, Kazakhstan, Oman, Pakistan, Philippines, Poland, South Korea, Russia, Ukraine. Among these, India has played a significant role in the founding and establishment of Special Economic Zones. It has the largest outsourcing industry in the world.

**2. EVOLUTION OF SEZs IN INDIA**

Worldwide, the first known instance of an SEZ seems to have been an industrial park set up in Puerto Rico in 1947 to attract investment from the US mainland. In the 1960s, Ireland and Taiwan followed suit, but in the 1980s China made the SEZs gain global currency with its largest SEZ being the metropolis of Shenzhen. From 1965 onwards, India experimented with the concept of Export Processing Zones (EPZ). Attractive incentive and great investment opportunities have attractive many business tycoons to step into the SEZ (Model) all over the country. The first step was taken by the Mahindra World City at Chennai. The SEZ was promoted by Mahindra & Mahindra Ltd and later on by the Tamil Nadu Industrial Development Corporation. Mahindra & Mahindra Ltd holds 89% equity in the same. Later on, Reliance Industries also signed a pact with the Haryana government for setting up of the Rs. 25,000 crore multi products SEZ near Gurgaon in 2006.

State Governments play a very active role to play in the establishment of SEZ unit. Any proposal for setting up of SEZ unit in the Private / Joint / State Sector is routed through the concerned State government who in turn forwards the same to the Department of Commerce with its recommendations for consideration. Before recommending any proposals to the Department of Commerce, the State Governments properly checks all the necessary inputs such as water, electricity, etc required for the establishment of SEZ units.

At present there are fifteen functional SEZs, each with an average size of 200 acres, located at Santa Cruz (Maharashtra), Cochin (Kerala), Kandla and Surat (Gujarat), Chennai (Tamil Nadu), Visakhapatnam (Andhra Pradesh), Falta and Salt Lake (West Bengal), Nodia (Uttar Pradesh), Indore (Madhya Pradesh), Jaipur (Rajasthan), Bhubneshwar (Odisha) etc. The Govt. has although approved a total of 164 SEZs.

### 3. OBJECTIVES

The main objectives of SEZs in India are :

- 1.Generation of additional economic activity.
- 2.Promotion of exports of goods and services.
- 3.Promotion of investment from domestic and foreign sources.
- 4.Creation of employment opportunities.
- 5.Development of infrastructure facilities.

### 4. INCENTIVES

- 1.Customs and Excise: SEZ units are free to import from the domestic sources without paying any duty on capital goods, raw materials,consumables, spare packing materials,office equipments,DG sets,etc.
- 2.Income Tax: Tax exemption for SEZ units engaged in manufacture or providing services and tax incentives for SEZ developers.
- 3.Foreign direct investment: 100% FDI is freely allowed in manufacturing sector in SEZ units.
- 4.SEZs are allowed to set up of-shore Banking Units
- 5.SEZs are free for Banking/External Commercial Borrowings.
- 6.Service Tax:Exemption from service tax to SEZ units.
- 7.Sales to DTA
- 8.Exemptions in Matters Related to Environment
- 9.Exemption from requirement of domicile in India for 12 months prior to appointment as Director.
- 10.Exemption from port restriction under Drugs & Cosmetics Rules.
- 11.Normal Labour Laws are applicable to SEZs, which are enforced by the respective State Governments.

However, State Governments have been requested to simplify the procedures / returns and for introduction of a single window clearance mechanism by delegating appropriate powers to Development Commissioners of SEZ.

### 5. EMPLOYMENT,INVESTMENT AND EXPORTS OF SEZs

SEZs in India have seen investment of Rs 1,66,000 crore so far. The direct employment generated in SEZs have gone beyond 5,50,000 lakh persons. Exports from SEZs have gone up from Rs 22,000 crore in 2005-06 to Rs 2,20,000 crore in 2009-10. The following table explains the growth of exports during 2003-04 to 2009-2010.

During this period, the rate of annual growth was phenomenal. It rose from 39% in 2003-04 to 121.40% in 2009-10. Till 2005-06, growth rate keep on decreasing. But there was drastic change after 2005-06. The growth rate touched the heights in 2007-08 to 93%. The year 2008-09 showed the fall in the SEZs growth rate to 50%. Again in 2009-10, growth rate increased to three digits,i.e.121.40%.

#### SEZ EXPORTS

Year	Value (Rs. Crore)	Growth Rate ( over previous year )
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2003-2004	13,854	39%
2004-2005	18,314	32%
2005-2006	22 840	25%
2006-20007	34,615	52%
2007-2008	66,638	93%
2008-2009	99,689	50%
2009-2010	2,20,711.39	121.40%

## 6. CONTROVERSIES

Introduction of SEZ in India has resulted in the dispossession of agricultural land and has affected the livelihood of farmer at large. In comparison to this, farmers first protested the concept to safeguard their interests through litigation and court cases challenging the establishment of SEZs. There are many incidences like one held in Jamnagar where farmers moved to High Court of Gujarat and later to Supreme Court in order to challenge the setting-up of a 10,000 acre SEZ by reliance infrastructure. The other incidence of Nandigram violence, where West Bengal government decided to allow Salim Group to set up a chemical Hub under the SEZ policy. The above given examples show the controversies associated with SEZs. No doubt that these commercial hubs started with a lot of premature praise but have now become a bone of contention which is readily exploited by the political forces to the detriment of the peasants, who fear losing their means of livelihood.

## 7. CONCLUSION.

Every coin has two sides. Therefore, SEZs in India have both advantages and disadvantages. The present scenario demands us to tackle with the obstacles and proceed further to achieve a bright future for our motherland.

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