



AN APPRAISAL OF THE FUNCTIONING OF SEZ IN INDIA

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KEYWORDS :

What is SEZ?

Variously known as free trade zones, special economic zones, bonded warehouse, free ports, customs zones and maquiladoras, these are, in fact, exports promotion zones which are defined by international labour organization (ILO) as industrial zones with special incentives set up to attract foreign investors, in which imported material undergoes some degree of processing before begin re-exported.

A special economic zone (SEZ) is thus a specifically delineated duty free enclave, which is deemed to be foreign territory for the purposes of trade operations and duties and tariffs.

By offering privileged trading terms for manufacturing-based exports, SEZs can attract investment and foreign exchange, spur employment and boost the development of improved technologies and infrastructure.

The government of India enacted the special economic zones (SEZ) act 2005, which came into effect from February 10, 2006. These act is being considered as a major step in india's foreign trade policy to provide an internationally competitive and hassle free environment in manufacturing, trading and services sectors and to attract foreign investments to usher in an export led growth of the economy.

In east economies, like China, which launched SEZs on a scale not seen previously, provided a platform for attracting FDI and not only supported the development of china's export oriented manufacturing sector, but also served as a catalyst for sweeping economic reforms that later were extended throughout the country. In southeast Asia, Malaysia was the first ASEAN country to adopt an EPZ program in 1971. It was followed by the Philippines (1972), Indonesia (1973) and Thailand (1978) respectively.

By the 1970s, zones of various kinds were multiplying, but with mixed results. Never the less, their popularity increased over the years with the "miracle of Shenzhen" serving as beacon. There after, special economic zones (SEZs) have been recognized as an important mechanism for trade and investment promotion, creation of infrastructure, employment generation, promotion of regional development, increase in foreign exchange earnings, improving export competitiveness and transfer of skill & technology.

India witnessed remarkable growth in number of formal, notified and operational approvals post enactment of SEZ act in 2005, formal approvals have been granted for sitting up of 405 SEZs, of which 329 have been notified and 32 have been given in principle approvals as on 31st December, 2016. While, 206 SEZs are operational and around 4218 units are approved within the SEZs as on 31 Dec 2016.

countries	Government strategy towards SEZs	Impact of SEZs on economy	Economic benefits
INDIA	<p>Government pushed export promotion through</p> <ul style="list-style-type: none"> *fiscal incentives *setup of asia's first EPZ in kandla to overcome anti-export base followed by six more EPZs *All geographically closed small industrial estates in port areas. 	<ul style="list-style-type: none"> *Launch of new SEZ scheme through a comprehensive SEZ act to provide a significant push to investment in SEZs *Extended scope of SEZs to include services, manufacturing trading, reengineering and re-conditioning. 	<p>SEZs accounted for</p> <ul style="list-style-type: none"> *5% of exports 0.2% of employment in 2000 which grew to 26% and 4.2%, respectively, in 2014

Special Economic Zones in India

India was one of the first in Asia to recognize the effectiveness of the export processing zone (EPZ) model in promoting exports, with Asia's first EPZ set up in kandla in 1965 with a view to overcome the shortcoming experienced on account of the multiplicity of controls and clearances; absence of world-class infrastructure, an unstable fiscal regime and with view to attract larger foreign investment in India, the special economic zones (SEZs) policy was announced in April 2000.

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The second EPZ, SEEPZ (SANTA CRUZ ELECTRONICS EXPORTS PROCESSING ZONE) was set up in Maharashtra in 1974 subsequently, the government set up four more zones namely NEPZ (Noida export processing zone) in Uttar Pradesh, MEPZ (Madras export processing zone) in Tamil Nadu, CEPZ (Cochin export processing zone) in Kerala, and

FEPS (falta export processing zone) in west bengal during the mid-eighties; where as the VEPZ (Vishakhapatnam export processing zone) in Andhra Pradesh was commissioned in 1994. Surat EPZ became operational in 1998 in 2000, the export-import (EXIM) policy of India shifted towards a new scheme of special economic zone (SEZs) under this scheme, EPZs at kandla, santa Cruz, Cochin and Surat were

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Converted into SEZs in 2003, the other existing EPZs at Noida, fsalta, Chennai and vzag (also know as Vishakhapatnam) were also converted into SEZs

In all, the EPZs have progressed over four distinct phases over the last five decades which are discussed briefly below:

Investment and employment in SEZs :

Investment in the SEZs increased more than six times from

RS.77210 crores in 2007 - 08 to rs. 492312 crores as on 30th September 2008. Investments in SEZs have shown a positive growth rate over a period of time registering a compounded annual growth rate (CAGR) of 3.89% over a period of 10 years on the other hand SEZs have witnessed four - fold generation of employment from 336235 persons in 2007 -08 to 1996610 persons as on 30th September 2018. Total employment generation has shown a positive growth rate over a period of time registering a compounded annual growth rate (CAGR) of 4.8% over a period of 10 years.

Export performance of SEZs :

Exports from SEZs have increased over 25 times from about RS.22840 crores in 2005-06 to about RS.581033 crores in 2017-18.

The percentage share of SEZ exports in the total exports of the country in the year 2005-06 was only 5% in the year 2017-18 it stood at 29.71% ,this shows the impact of SEZs on the exports of India.

Land Acquisition

The SEZ Act also provides for a robust structure in terms of the land requirements and the project proposal being recommended by the appropriate state government to bring in the social not for the project and the same progress towards approval from the ministry of the commerce and industry for approval with terms and conditions. Though the land remains under the control of the developer , the establishment of the units and the management of the land is under the jurisdiction of the development commissioner .SEZ lands cannot be sold as per SEZ rules any change in their land use is subject to the approval of the statutory authorities with relevant condition imposed on them.

According to "the right to fair compensation and transparency in land Acquisition, rehabilitation and resettlement act , 2013",there should be a transparent process followed for the purpose of the land Acquisition for industrialization and development of essential infrastructural facilities and urbanization with the least disturbance to the owners of the land and other affected families and provide just and fair compensation to the affected families whose land has been acquired or proposed to be acquired or are affected by such acquisition and make adequate provisions for such affected persons for their rehabilitation and resettlement .

Initiatives taken for streamlining the functioning of SEZs

The following initiatives have been taken in recent years for implementation of the SEZ policy in the country and resolve issues there in :

- I) minimum land area requirement for setting up of new SEZs has been reduced to 50% for multi product and sector - specific SEZs .
- ii) Sectoral broad - banding has been introduced to encompass similar / related areas under the same sector.
- III) A new sector " agro - based food processing " sector has been introduced to encourage agro - based industries in SEZs iv) Dual use of facilities like social and commercial infrastructure by SEZs and non - SEZs entities has been allowed in order to make SEZs operations more viable.
- V) Online processing of various activities relating to SEZ developers and units has been introduced for improving ease of doing business.

CONCLUSION

The survey also observed the shortfall between the projections and actuals of exports/employment/investment in the SEZs and found global slowdown, recession in the shipping industry, too many restrictions & frequent changes in policies as the major reasons for this shortfall. More often than not, expectations with regard to SEZs are often inflated; objectives are overstated and strategic planning remains inadequate-

resulting in stagnant development, unsustainable growth or low returns on investment. In addition, SEZ development programs should be integrated into the broader economic policy frame work and the national investment environment, and be fine-tuned to be consistent with the capacity of the government. SEZ programs should wider economic strategies as they evolve, supporting domestic investment in SEZs and promoting linkages, training and upgrading along the value chain. At every stage, both the broader development program and the SEZs need clear, consistent and credible political commitments at the highest levels of government.

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