

Special Economic Zones in India: Policies, Performance and Problems

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Abstract – *The global economic condition of 2008–09 had resulted in a very substantial fall in demand for brand new special economic zones (SEZs) in Bharat owing, among different factors, to a general holdup in international trade, and also the resultant withholding of investment plans, and a rise within the value of borrowing. Among the country, the SEZ policy and connected land acquisition practices became the centre of an excellent public speaking. This followed the well-known 2007 protests in state over government acquisition of personal agricultural land for Associate in Nursing SEZ, throughout that many farmers lost their lives. Acquisition of personal land, significantly farmland, for the aim of building SEZs has currently become one among the necessary public policy problems in Bharat.*

Key Words - *Special Economic Zones, Export Process Zone, Reforms, Public Interest Proceedings*

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INTRODUCTION

The Committee on State agricultural Relations and Unfinished Task in Land Reforms, established in 2008, had counseled, inter alia, that the govt. ought to comprehensively “revisit” the Special Economic Zones Act, 2005, and place a ban on the transfer of common property resources and agricultural land for its implementation.¹ The recommendations of the committee maybe vindicate the wide command read that the current SEZ policy doesn't adequately address the considerations of the stakeholders and wishes a radical review. Indeed, the Supreme Court is regular to listen to many petitions on SEZs within the close to future. a number of the petitions raise questions on specific comes, like acquisition of farmland for SEZs in Haryana; whereas others, like the general public interest proceedings (PIL) against the Dhegiha Mumbai SEZ, question the constitutional validity of the SEZ Act itself. The choice of the apex court on these petitions is probably going to possess a major referring to the long run SEZ policy in Bharat. It is, therefore, time that the current policy, the performance of SEZs and also the issues being featured by the stakeholders area unit critically examined therefore on determine the policy priorities and implementation challenges. additional specifically, it's become imperative to answer vital queries such as:

- i. Have the policy objectives behind establishing SEZs been met?
- ii. What area unit the social and economic prices being borne by neutral groups?

- iii. What area unit the problems and considerations that the SEZ policy should address in future?

This paper endeavors to debate these and different pertinent queries encompassing SEZs in Bharat. The section that follows traces the evolution of the SEZ policy in Bharat and identifies the present policy focus and priorities. The third section discusses the performance of SEZs. Within the fourth section, land displacement problems related to establishing SEZs area unit analyzed. The problems endeavor SEZs and also the considerations of the stakeholders area unit examined next. The ultimate section contains closing observations.

EVOLUTION OF SEZs

India launched its 1st export process zone (EPZ) in 1965 in Kandla, Gandhidham, and Gujarat. It absolutely was the primary EPZ in Asia. EPZs were formed of as nontaxable areas within which the operative units avail of a bunch of commercial enterprise and different concessions to supply and export merchandise and services. The EPZ units within the country operated among the framework of export-import policies. Although the performance of Indian EPZs was thought of listless compared with their counterparts in different components of Asia, the EPZ theme was continued through the Seventies and also the '80s.

With a read to beat the multiplicity of controls and clearances, the absence of first infrastructure, Associate in Nursingingd an unstable commercial

enterprise regime, and to draw in larger foreign investments, the Special Economic Zones (SEZs) Policy was declared by the govt. of Bharat in Gregorian calendar month 2000. The policy envisaged the event of Associate in Nursing internationally competitive and hassle-free surroundings for exports within the selected zones so the then existing method hurdles might be removed.

The policy supposed to create SEZs Associate in Nursing engine for economic process, supported by providing quality infrastructure and complemented by a pretty commercial enterprise package, each at the Centre and within the states, with the minimum potential regulation. SEZs in Bharat functioned from one November 2000 to nine February 2006 underneath the provisions of the Foreign national trading policy, and financial incentives were created effective through the provisions of relevant statutes. The SEZ Act, 2005, supported by SEZ Rules, came into impact on ten Feb 2006, providing for forceful simplification of procedures and for single-window clearance on matters concerning the central in addition as state governments. The SEZ Rules offer for various minimum land necessities for various categories of SEZs. With the enactment of the 2005 legislation, SEZs received a significant thrust. There has been a major increase within the range of SEZs in Bharat since then.

PERFORMANCE OF SEZs

In this section, the link between the event of SEZs and economic process of the country is investigated mistreatment annual knowledge. the target is to look at whether or not SEZs are able to build a major contribution to economic process through exports, employment generation and investments. The analysis examines the info from 2003 forwarder.

SURVEY OF THE LITERATURE

A brief review of the sooner analysis studies within the international context is pertinent here to spotlight the role of SEZs within the economic transition and growth of countries. there's complete literature analyzing the effectivity of economic zones, whether or not they area unit referred to as SEZs or EPZs, in achieving the socio-economic objectives of a nation. within the case of China, SEZs have beyond question contributed to the country's economic process (Shah, 2008). In 1980, China established four SEZs—Shenzen, Zhuhai, Shantou (all 3 in Guangdong province) and Xiamen (in Fujian province). it absolutely was ascertained that thanks to special commercial enterprise preferences given in these areas, foreign non-public investment poured in heavily; and by the Nineties, Guangdong province stratified 1st among all the provinces in China in terms of value (Litwack and Qian, 1997).⁴ due to this, China is usually thought of to be a job model for many Asian economies in establishing SEZs. However, Grandos (2003) found out that the

institution of development zones assumes significance for countries that adopt growth models supported export promotion rather than import substitution.

PERFORMANCE OF SEZs IN INDIA

The 3 necessary objectives of the SEZ Act, 2005, are: generate employment opportunities, encourage investment (both non-public and foreign) and increase India's share in international exports. The success of SEZs in meeting these objectives is analyzed during this section so as to assess their effectivity in Bharat. Since the quantity of operative SEZs in Bharat is incredibly high, compared to mention in China, it's impractical to separately value the performance of every SEZs. Therefore, the study undertakes Associate in nursing overall assessment of SEZs in Bharat.

EXPORTS FROM SEZs

The institution of SEZs is seen as a very important strategic tool to expedite the expansion of interchange a vicinity. Trade enlargement is especially measured within the sort of hyperbolic exports as units established in Associate in Nursing SEZ need to turn out merchandise and services principally for exports. Hence, the hyperbolic level of exports has been vital to the success of SEZs and is directly associated with productivity gains. Associate in Nursing annual analysis of the additive exports contribution of all the SEZs in India⁶ reveals that they need had a chemical process impact in promoting merchandise and services within the international market. it's ascertained that the half-dozen The SEZs analyzed before the SEZ Act, 2005, came into force area unit those EPZs that regenerate into SEZs when the enactment of the SEZ legislation. They are: Kandla, Santacruz physics Export process Zone (SEEPZ), Noida, Madras Export process Zone (MEPZ), Cochin, Falta and Visakhapatnam. Exports from the new SEZs, i.e., SEZs notified underneath the SEZ Act, 2005, have adult quickly over the years. Their share at fifty three.4 per cent is that the highest in 2009–10 compared to central government SEZs and state government/private SEZs.

EMPLOYMENT

Generation of jobs for the region's population, each direct and indirect employment, is seen united of the most important effect effects of building SEZs within the developing and transition economies. Quantitatively, generation of direct jobs in SEZs in Bharat is on the increase post-SEZ Act, 2005. The structure of employment generation conjointly reveals that Associate in Nursing considerable range of job opportunities in SEZs are realised for the feminine population Investment in SEZs within the case of most economies, SEZs area unit supposed to draw in foreign transnational

enterprises. this is often considered a catalyst impact by several studies. The intention is to draw in foreign capital by suggests that of investing incentives Associate in Nursing to use foreign technology and management skills to possess an hyperbolic export base. A study advocated that just in case of Mauritius, EPZs compete an important role within the country's development by attracting new ideas and data (Romer, 1993). within the case of Bharat, it's ascertained that the Indian government's flexibility towards SEZ reform (SEZ Act, 2005) as a part of its economic strategy has resulted in hyperbolic investment within the sector.

REGIONAL DEVELOPMENT

While SEZs area unit conceptualized to attain balanced growth across all the regions of the country, ironically, statistics reveal that out of the 322 notified SEZs in Bharat, 211 area unit within the most developed states of the country. Provides the main points on the state-wise distribution of the SEZs. The numbers area unit themselves testimony to the continuous imbalance within the locational preferences of SEZs in Bharat. In China, SEZs are established in coastal areas to encourage the expansion of comparatively underdeveloped regions on the country's coast. The Chinese government's policy on SEZs was ab initio designed to allow a positive stimulus to industrial development within the less developed components of the country. All the most important Chinese SEZs area unit placed on the lineation, in distinction to Indian SEZs—a majority of that area unit placed close to major urban agglomerates.

LAND ACQUISITION AND CONNECTED SOCIAL CONSIDERATIONS

Land holds several meanings for India's peasants and rural communities. Land constitutes a key supply of identity and happiness, economic sustenance and social bonding. It represents a social and productive quality in addition as a supply of security, and shapes prospects of substantive citizenship in a lot of of rural Bharat. the entire issue of land rights and access, therefore, has to be pictured not in pure economic terms (e.g., a unit of production) however as a basis for the larger sense of well-being of the population. In India's for the most part agriculture primarily based economy, queries of access to and management over land stay vital to rural poorness and well-being. Recent estimates show that the nation's land-holding pattern continues to be sharply skew with ninety five.65 per cent of the farmers among the little and also the marginal classes owning more or less sixty two per cent of the operated land areas; whereas medium and enormous farmers, World Health Organization represent a mere three.5 per cent of the whole farmers, own 37.72 per cent of the whole space (NSSO, 2003). These prevailing problems area unit

any combined through the competitor pressures toward land to be used in non-agricultural activities, as well as the acquisition of land for putting in place power comes, for infrastructure development, and industrialization, as well as the institution of SEZs.

LEGAL VIOLATIONS IN LABOUR LAWS

In a developing country like Bharat, labour has poor dialogue power. Most process companies in (and outside) SEZs tend to use girls and, to a lesser extent, men with low education from poor families and marginalized teams, and on a brief basis, while not appointment letters, underneath conditions of insecure employment. Exporters like labour that's easier to regulate and low-cost so as to stay the prices low. Additionally, labour laws might not apply in SEZs, therefore giving employers a blank check to extract long hours of labor, pay poor wages, and rent and fireplace at can. Often, the use terms and conditions ar left to the observation and police investigation applied by a non-public social audit agency that will be paid by the employers to realize certification that produces them a lot of engaging to purchasers. There's a necessity to strengthen the hands of the labour departments to act authoritatively and make sure that employers abide by the law of the land and cling to international norms; which penalties ar obligatory to examine any inhuman practices and sub-standard operating conditions.

CONCLUSIONS

India was the primary country in Asia to line up associate degree EPZ and has keenly pursued the policy of building EPZs/SEZs to any its policy objectives. this study shows that the policy has yielded solely modest ends up in terms of exports, employment and investments. The social prices of human displacement and also the economic prices of land acquisition are discovered to way outweigh the advantages that have increased from the policy. Indeed, associate degree skilled cluster Report discharged by the look Commission²⁸ seems to decision into question the advantages of SEZs: Land acquisition for Special Economic Zones (SEZ) has given rise to widespread protest in varied components of the country. Massive tracts of land are being nonerasable across the country for this purpose. Already, queries are raised on 2 counts. One is that the loss of revenue within the style of taxes and also the alternative is that the result on agricultural production (p. 13). Additionally, the SEZ policy might have contributed to exacerbating regional imbalances within the country. Considering the numerous land displacement problems.

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