SPECIAL ECONOMIC ZONE

BY: NEHA SINGH

INTRODUCTION

- Special Economic Zone is a geographical region in which economic laws are more liberal than laws prevailing in other parts of a country and which is designed to export goods.
- In India SEZ is the extension of EPZ scheme.
- It includes Free trade zones, Export processing zones, Free economic zones, Industrial parks and Urban enterprise zones.
- SEZs offer relaxed tax and tariff policies which is different from other economic areas in the country. Duty free import of raw materials for production is one example. Moreover the free trade zones attract free players who want to set up business without any license hassles and the long process involved in it.
- For a well organized SEZ there should be at least 1000 hectares of land and a minimum investment of 10000 crore rupees.

Types of SEZ

- Multi Sector SEZ-to be developed for multiple sectors such as defense with aviation.
- Sector specific SEZ- to be developed for a specifically single sector, for example- defense, automobile, etc.

- OBJECTIVES
- It is established with the following objectives
- a) to enhance foreign investment and provide an internationally competitive and hassle free environment for exports.
- b) to promote exports from the country and realizing the need that level playing field must be made available to the domestic enterprises and manufacturers to be competitive globally.
- c) Creation of job opportunities.
- d) Development of infrastructure facilities

- HISTORICAL PERSPECTIVE
- The concept of FEZ dates back to 300 B.C. it was noted that such enclaves were found in the city of tyre in the Greek island of Delos. The city became rich due to such policies and considered challenge to the centralism of the Roman Empire.
- In the modern context it was formed by China in 1960s followed by Brazil, India, Iran, Jordan, Kazakhistan, Pakistan, Phillipines, Poland, Russia and Ukraine.
- At present there are approximately 3000 SEZs operating in 120 countries, which account for over US$600 billion in exports and about 50 million jobs.

SPECIAL ECONOMIC ZONES OF INDIA AND ITS DEVELOPMENT

- Zones are not new to India, the first Asian Export Processing Zone came up in Kandla in Gujarat in 1965. It is the largest multi product SEZ in India.
- Kandla was succeeded by the Santacruz Electronics Export Processing Zone in Mumbai in 1974 and those Noida, Chennai, Cochin, Falta and Vishakhapatnam.
- In India, until 1991 the economy was marked with high complex bureaucratic system with so many procedural hassles.
- Licensing raj was one of the biggest hindrances in the development of the economy. Foreign investment was limited as foreign investors were not allowed in all sectors.

- In 1991 India adopted the policy of Liberalization, Privatization and Globalization. In the changing circumstances and to make its global presence, India wanted to increase its exports and enhance its foreign exchange earnings.
- In order to overcome the shortcomings due to multiplicity of controls and clearances, absence of world class infrastructure, and an unstable fiscal regime and for attracting larger foreign investments in India, the special economic zone was announced.
- Thereby to achieve this goal the idea of SEZ’s was conceived. The basic objective of setting up of these zones was to promote and boost trading activities.

- In India SEZ is the extension of EPZ scheme, the SEZ policy was announced in April 2000, and 8 EPZ were converted to SEZ, but the SEZ Act was passed in 2005 by the parliament.
- The Act provides for the establishment, development and management of SEZ for ‘the promotion of exports’.
- All the units are freely allowed to import any kind of material which is required for production’
- The SEZ permitted units have to abide by the local laws, rules and regulations in regard to area planning, sewerage, disposal, pollution control, etc.
- The units have to abide by the industrial and labor laws if they are locally applicable.

- INCENTIVES GIVEN TO SEZ DEVELOPERS
- Exemption from customs/excise duties for authorized operations
- Income tax exemption on income derived from business of development of SEZ.
- Exemption from minimum alternative tax.
- Exemption from dividend distribution tax.
- Exemption from sales tax.
- Exemption from service tax.
- Less bureaucratic hurdles
- Companies can produce goods at lower prices due to above mentioned incentives

SEZ are important and essential tool for developing nations:

- In developing nations, to carry out any massive development project huge capital investment is required. For undertaking massive development project, the government requires huge amount of funds and SEZ can be a great source to attract foreign direct investment, thereby generating foreign exchange.
- Generally in developing nations most of the industries are established by public sector. Private sector has a huge potential in terms of financial resources, modern technologies and competitive strengths.
- In order to attract private sector, creation of SEZ's is an important source to raise the level of production and this in return helps to earn foreign exchange and boost exports.

Present scenario

- A bank branch set up and located in an SEZ is called Offshore banking unit.
- The government has recently constituted a group to study the SEZ policy of India by the group headed by Bharat Forge Chairman Baba Kalyani
- There are altogether 238 operational SEZ in India and amongst states, Tamil Nadu has highest number of operational SEZ , i.e. 40.
- The state having highest number of approved SEZ is Telangana with 56 notified SEZ.
- In last parliamentary discussion it was disclosed that SEZ has generated 20 lakh jobs till 2019.
- It brought an investment of Rs 5 lakh crore and exports worth Rs 7 lakh crore.