

WHAT IS SEZ?

- A **special economic zone (SEZ)** is an area in which the business and trade laws are different from the rest of the country. SEZs are located within a country's national borders.
- Their aims include increased trade balance, employment, increased investment, job creation and effective administration. To encourage businesses to set up in the zone, financial policies are introduced. These policies typically encompass investing, taxation, trading, quotas, customs and labour regulations. Additionally, companies may be offered tax holidays, where upon establishing themselves in a zone, they are granted a period of lower taxation.
- The benefits a company gains by being in a special economic zone may mean that it can produce and trade goods at a lower price, aimed at being globally competitive.

H I S T O R Y

Indian Special Economic Zone was structured with the establishment of the first **Export Processing Zone (EPZ) at Kandla in the year 1965**. Special Economic Zone came in to existence because the economic reforms incorporated in the early 1990s did not resulted in the overall growth of the Indian economy. The economic reforms incorporated during the 1990s did not produce the desired results. The Indian manufacturing sector witnessed a **sudden dip in the overall growth of the industry**, during the second-half of 1990s. The History of SEZs in India suggests that red tape, lengthy administrative procedures, rigid labor laws and poor physical infrastructural facilities were the main cause of deterioration of Foreign Direct Investments (FDI) inflow in to India. Further, the Indian markets were not mature enough to facilitate easy entry of Foreign Institutional Investors (FIIs) in to the Indian economic system. Furthermore, the legal framework of Indian economy was not strong enough to prevent misuse of Indian markets by the foreign investors. Thus, the lack of investor friendly environment in India prevented growth of Indian industry, in spite of implementation of liberal economic policy by the central government. This resulted in the formation of a much larger and more efficient form of their predecessors with world-class infrastructural facility.

The Special Economic Zone (SEZ) Policy was announced in April 2000. This resulted in the formation of a much larger and more efficient form of their predecessors with world-class infrastructural facility. The SEZ Act, 2005 and SEZ Rules became effective on and from 10th February 2006.

NEED FOR SEZ?

SEZ (Special Economic Zones)

Wind of Change...



The prime objective was to **enhance foreign investment** and provide **an internationally competitive** and hassle free environment for exports. The idea was 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. SEZ are set up in order to attract foreign investors to invest in India, SEZ are brought with **world class facilities , water , electricity , roads , transport , storage** etc.. this foreign investment will help in economic development of our country. SEZs play a key role in **rapid economic development** of a country. In the early 1990s, it helped China and there were hopes (perhaps never very high ones, admittedly) that the establishment in India of similar export-processing zones could offer similar benefits -- provided, however, that the zones offered attractive enough concessions.

**OBJECTIVES
OF SEZ**

Development of
infrastructure facilities

Generation of
additional economic
activity

Creation of
employment
opportunities

Promotion of
exports of goods
and services

Promotion of investment
from domestic and foreign
sources

ADVANTAGES OF SEZ

- 15 year corporate tax holiday on export profit – 100% for initial 5 years, 50% for the next 5 years and up to 50% for the balance 5 years equivalent to profits ploughed back for investment.
- No license required for import made under SEZ units.
- Exemption from customs duty on import of capital goods, raw materials, consumables, spares, etc.
- Exemption from payment of Central Sales Tax on the sale or purchase of goods, provided that, the goods are meant for undertaking authorized operations.
- Since SEZ units are considered as ‘public utility services’, no strikes would be allowed in such companies without giving the employer 6 weeks prior notice in addition to the other conditions mentioned in the Industrial Disputes Act, 1947.
- Has host of Public and Private Bank chains to offer financial assistance for business houses.

- In –house Customs clearance facilities.
- Abundant supply of technically skilled as well as semi-skilled manpower.
- Well connected with network of public transport, local railways and cabs.
- Simplification of procedures and self-certification in the labor acts.
- Full authority to provide services such as water, electricity, security, restaurants, recreational, facilities within the zone on purely commercial basis.
- Pollution free environment with proper drainage and sewage system.

DISADVANTAGES OF SEZ

- **Loss of revenue to government**

Generally government gets huge tax from industries. But, as government is providing tax holidays for industries, it loses most of the revenue from it. This reason government has to lay more burdens on common man. If it is not laid government may not fulfill its stint properly. Even government fails to give subsidies, it falls on poor and middle class. Hence, there is criticism on government that it is helping the rich.

- **Land grabbing**

Lands are grabbed from poor and middle class people on the pretext of development. Generally, the land is considered to be an asset to these people and they invest on it working their entire life. But, government with its simple G.O., it evacuates people. This is the reason in so many states there are widespread movements by people.

- **Regional disparity**

The places which are near to SEZs get good facilities and good infrastructure is available. This produces disparity among places. There may be tensions prevail like new states movements.

- **Loss of agricultural land**

As land grabbing is going on, there are instances that fertile agriculture lands are being taken in order to provide way for industries. This is not only keeping agriculture at stake but also food crisis may arise in near future.

- **Compensatory problems**

Government provides compensation. But it is not equal to the loss rendered. People have to sacrifice their lands for private persons which they have earned with years of their hard work. In land related issues, **agriculture land loss due to SEZs** is more problematic as farmer loses his livelihood and his asset. He has to search for another livelihood which is not easier. He has to work as a labour in another farm or has to leave his village.

- **Deindustrialization**

SEZs attract many industrialists in other places in India and they show interest as there is tax exemption. This process enables deindustrialization in already existed places and migration starts. This is not a good omen. There should be development equally.

Types of SEZ

SEZ

Sector-Specific SEZ

- Manufactures one or more good in a particular sector like gems and jewellery, electronic hardware or software = **10 or more hectares**
- Manufactures one or more services=**100 or more hectares**

Multi- Product SEZ

Manufacture multiple goods or rendering multiple services in one sector or across multiple sectors.
And land used is **1000 or more hectares**

SEZ in a port or airport ; or for free trade and warehousing

SEZ in an existing port or airport for manufacture of goods falling in two or more sectors including trading and warehousing
Land used is **40 or more hectares**

ROLE OF SEZ IN INDIAN ECONOMY

- To provide internationally competitive environment
- To encourage FDI and GDP
- To increase share in global exports
- Generate employment opportunities
- Boost infrastructure development
- Growth in the manufacturing sector

Few SEZ in India

- SEEPZ- Andheri (East), Mumbai
- Khopata- Multi-product, Mumbai
- Navi Mumbai- Multi-product, Mumbai
- Salt Lake Electronic City, West Bengal
- Manikanchan- Gems and jewelry, West Bengal
- M/S. Apiic Ltd., Naidupeta, Nellore
- Sricity Pvt. Ltd., Chittoor
- Rajiv Gandhi Technology Park, Phase-1
Chandigarh
- Surat Special Economic Zone Sachin, Surat