Special Economic Zones; a Potent Strategic Tool for Sustainable Economic Development in India

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Abstract: While there have been many analyses of India’s approach towards establishing a substantial economic strategy to encourage industrial development; SEZs (Special Economic Zones) in general, is an attempt to set specific administrative mechanism to enhance industrial growth. Though, some regulatory issues, extraneous politics and local issues surrounding the implementation of this ambitious project seems not been undertaken to its real purpose. This research paper is conceptual in nature, aims to substantiate the current economic issues of country in relation to Special Economic Zones. An attempt is made to explore the economic effects of SEZs in order to make certain critical observations. The study also endeavors to discuss issues pertaining to impeding growth of SEZ in India and ascertain whether the policy objectives behind establishing SEZs are met.

Keywords: Competitive advantage; Policy issues; Regional scaling; Special economic Zones; Sustainable economic development

INTRODUCTION: THE SEZ SAGA

For nearly a century, manufacturing and provision of commercial services alongside, drawn upon, and gradually superseded the characteristic agrarian economy as the dominant productive sector in India. As a cause and effect of industrialization, the growth of urban areas has attracted rural Indians seeking opportunity. Traditional social relations have been shuffled and reshuffled, often in unpredictable ways, in response to changing conditions and new incentives. Besides, Globalization has paved a way for rapid Industrialization, providing ample scope for different nations to come up with innovative economic policies to tap the opportunity. And wherever it has occurred, has been a complex process; the occurrence of large scale mechanized production, undertaken through a range of organizational forms along with social dislocation and political conflicts. India has been no exception.

But, there have been a fundamental shift, from a predominantly agriculture based economy having its existence in the countryside to one focused on urban industrial development. It has mirrored similar processes in other countries; China for instance where the concept was successfully conceptualized and painstakingly implemented. SEZ is a specific industrial-development policy for deemed territories for with the purpose of smooth trade operations, singular duties and tariffs, enhanced promotion of exports of goods and services.

The present research aims to study the theoretical and practical aspects of India’s SEZ policy, seeks eventually to discuss the effectiveness, find out the challenges and possible remedy to plug the gaps. And to do so in a way that can make professional use of India’s institutional environment to embark on real potential of industrial growth.

Special Economic Zones (SEZs) are defined as a group of industrial units operating in a well-defined special area where certain economic activities are carried out by a dedicated set of policy, which is not applicable to other areas unless decided under the same set of policy measures. The SEZ Scheme was introduced in India as a part of the EXIM Policy, 2000 with a view to providing an internationally competitive and relatively free environment for export of goods and rendering services. These zones were conceived as designated duty free (duties and tariffs) enclaves treated as separate zones for trade operations. Later on in 2005, Government of India introduced legislation in Parliament on SEZs covering all aspects of their establishment, operation and fiscal regime. The main objectives were to impart strength to the SEZ policy, instill confidence in prospective investors and give a boost to economic activity. The SEZ Act (SEZA) was passed by Parliament in May, 2005 and received President Assent on 23rd June, 2005.

Overwhelmed by the success of China’s SEZ (Special Economic Zones) experiments, India has reposed much faith in adopting SEZs not only for export growth but also to boost large volume of investments, FDI (Foreign Direct Investment) for regional industrial clusters. A major difference between the Indian SEZ Policy and that of China is on the question of land. In the Chinese case, the State acquired the land and developed the required infrastructure, where private enterprises were invited to set up industrial units. Besides, in China most of the SEZs are located along with coast, shrinking cultivable land and in wastelands. India's SEZ policy is attempted on the Chinese model to some extent; however, there seems a less comparable fact that goes along with India’s socio-economic setting, the size and location of the zones. SEZ Act (SEZA, 2005) on the economic path of India’s economic trajectory was a defining moment. SEZA signaled a new approach to advancing economic reforms; by establishing a legal framework for the
establishment of geographic areas governed by distinct regulatory regimes where taxes and bureaucratic burdens on business activity, especially the development of export-driven infrastructure, are substantially reduced. Looking at the China’s Shenzhen model of SEZ for relative introspection, a focused two tier process was planned for the development of the region; first a socio-economic development plan was formulated to deal with basic issues pertaining to population and migrations. On the other hand, a master plan was put in place for each zone to address the issues related to land utilization and infrastructure development, thereby attracting foreign investors. This followed a systematic approach in promotion of different sectors. Instead of applying uniform policy China applied different policy in different regions; in order to take appropriate steps in building infrastructure facilities, zone-wise plan was designed with particular responsibility and task assigned to respective government body at zonal level. This imbibed rigorous plans to mobilizing resources essential to develop and maintain infrastructure facilities within respective zones. Local bodies were encouraged to undertake infrastructure projects (Hameed, 1996). Foreign companies were allowed through FDI (foreign direct investment) to participate in developing such facilities and this is how it was manifested into a world class model of leading-edge industrial clusters.

As far as degree of outcome is concerned it generated lot of revenue. Major sources of local revenue included revenue generated from taxes, profit from SOEs (state owned enterprises), loans from banks, domestic and foreign investment, and a minimal contribution by the central government in the vested form of grants. However, the sources of revenue varied across zones as different zones applied different policies. In the case of Shenzhen, a major source of revenue from land-use rights, whereas for Xiamen, it came from the Xiamen municipal budget. Domestic and foreign investments were the major source for infrastructure development in the case of Hainan. Though, private investment was largely encouraged. For instance, between 1980 and 1990, the central and local governments, accounted for 1.4 and 13.1 percent of the total investments respectively in the physical infrastructure development of Shenzhen, whereas the rest was channelized through private investments (Yeung et al., 2009). Apart from providing world-class infrastructural facilities, the Chinese government also ensured adequate supply of labor force to operationalize SEZ proficiently. Labor service agency was established in each zone to meet the professional demands of foreign origin companies. The agency supplied labor in different ways and channels (Chen, 1998). Initially, it was done via ‘transfer through consultation and selection’, under which a team of officials from the concerned municipal organization would travel to different parts of the country for recruiting suitable candidates for the SEZs. In 1982, ‘recruitment through examination and invitation’ policy came into operation under which the concerned municipal government would advertise the posts to be filled up and selection was carried out accordingly. Under this system, an assurance was given to the employees of housing facilities in the respective zones, and, often employment for one’s spouse was also provided along with other incentives like medical insurance introduced to attract skilled laborers from Mainland China.

**SEZ; the Indian perspective:**

Economic growth and development share a common pathway; people gradually move away from agriculture domain towards industry and urban areas. Though, Rapid industrialization has been followed by intervals of relative stagnation, agriculture has changed dramatically in some pockets of India, becoming more commercial and reliant on modern infrastructure and equipment such as large scale irrigation networks, modern chemical fertilizers and genetically engineered seeds. However, it has not been substantially strong enough to propel regional economy. On the other hand, industrial development has occurred in fragmented manner. But, in many parts of India industry and industrial employment are still scarce, and agricultural practices relatively unchanged. Overall, it is in the context of the need of profound restructuring of the socio-economic order that one of India’s most concerted efforts to accelerate industrial development SEZ (special economic zone) model of economic development was introduced.

Though, India has been a progressive nation to adopt distinctive economic policy that sounded beneficial to its vast geography and socio-economic synchronization, it’s initiatives toward a better and comprehensive SEZ policy began since the year of 2000, notifying new SEZ rules in Exim policy (export-import) that converted than existing industrial zones-EPZ (Export Processing Zones) into SEZs. SEZ is actually a modified version of the conventional EPZ that again was a combined version of two models- industrial park and free trade zone (FTZ, World Bank, 1992). Even though the SEZ in India was started as an EPZ at Kandla in the Year 1965 it did not yield expected results which halted the exponential progress of SEZ in India.

**Assessing the rationale; EPZ to SEZ:**

SEZ emphasize building up integrated infrastructure with dedicated Industrial Township comprising of facilities like housing, schools, recreational, medical and commercial setup. The survival of such townships necessitated a specific exemption from constitutional amendments introduced earlier in 1990s obligatory of elected local government. Few industrial townships adopted this requisite radically challenging the ideal functioning of local democracy. This subsequently highlighted the difference in mode of governance between SEZ and EPZ. SEZ works on ‘self-certified’ mode as an indigenous operational model of tax-exempted business, whereas, EPZ required official approval for every transaction. EPZ dating back to 1960s, the Kandla Export Processing Zone was opened in Gujrat in 1965 to promote private sector involvement. Subsequently Santa Cruz EPZ (electronic, engineering, gems and jewelry) was opened in Maharashtra State in 1973 and Surat (gems and jewelry) in Gujrat.

In February 2006 SEZA (SEZ Act) from the central government came into force when other states enacted state-level SEZ act aligned with state investment programmes. Along with investment incentives, the immediate objective here was to attract investment with a vision of exclusively developing export-oriented infrastructure; employment generation and regional economic development were long-
term goals. In this system the overall governance occurred outside the regulatory gambit prevailed in the rest of the country.

EPZ projects have been internationally well accepted right from the beginning. Even in earlier period they were a global phenomenon evident particularly in Spain, Ireland and Malaysia. Infact the ASEAN (Association of Southeast Asian Nations) countries were some of the first to explore EPZ concept to increase exports and relax foreign exchange constraints. EPZs were also instrumental in using test bases for trade liberalization policies, which were then applied to the economy as a whole (Menon, Mitra, 2009).

In India EPZ were established solely through budgetary allocations from the Government of India. The industrial units located in these EPZs were primarily meant for exports with very little linkage with the domestic tariff areas (DTAs), i.e. the areas outside the zone. However, the government lacked a consistent approach to rectify the supply side factors and this caused hampering the progress of EPZ. Besides, other issues like dispute of ownership, apathetic governance, cumbersome administrative procedures and other structural problems received very less attention on policy front. There was no devoted law governing the activities of EPZ in the country and it depended completely on the EXIM policy of the Indian Government. Concurrently, the evolution of SEZ policy in India was based on the successful experience of SEZ in China with reference made to it in the EXIM policy statement of 1997-2002 (Tantri M., 2012). SEZ policy was put forwarded as a 'qualitative transformation' from EPZs edifice. Unlike the EPZ system, the SEZ policy allowed entry of the private players and joint sectors from within and primarily abroad as in the global economy. SEZs viewed not merely as a source of generating foreign exchange but as a platform for promoting export led industrialization (Aggarwal A., 2007). The global economic crisis of 2008–09 triggered slowdown in global trade, resulting into the withholding overall investment plans, and increasing the cost of borrowing. This led to constraints to existing projects and a substantial slowdown in demand for new special economic zones in India. Moreover, as the SEZ policy and related land acquisition practices became the centre of a great public debate in India. The resistance varied from state to state, in part because of variations in the approaches taken by state governments to the question of land availability. On the other hand on global economic scenario and undergoing geopolitical advents in Western economies had been facing the challenge of multi-polar global order. Surprisingly, China with its prominence in export led economy established a benchmark. Growth spurted in China over huge FDIs, with foreign investors showing immense interest for the SEZs through the shores of Hong Kong, as initially, the majority of foreign investors were non-resident Chinese from Hong Kong who were engaged in trading. Later, multinationals began investing in technology-oriented sectors.

**SEZs in India; assessing regional distribution:**

As per the SEZ Act guidelines the SEZs ought to be located outside an urban agglomeration/municipal limit of a million plus city, and form part of the City Region. However, it is observed that most of the SEZ are located near urban centres (Commerce Ministry, Annual Report 2016-17). Looking at the current situation out of the total 36 Union Territories and states, 22 have at least one SEZ approved, 20 have at least one notified SEZ and only 16 have operational SEZs. Of the 20 states that have their own notified SEZs, 4 account for over 55% of all notified SEZ. At present 206SEZ are operational SEZs in the country but concentration of SEZ in unbalanced few states are having such an industrial trend. Tamilnadu (36) has highest number of operational SEZ in country which are followed by Telangana (27), Maharashtra (26), Karnataka (25), Andhra Pradesh (19), Gujarat (18) etc. Andhra Pradesh, Maharashtra, Gujarat, Telangana, Tamilnadu, Karnataka states account for more than 73% of operational statuses in the country (see Figure 1). It is evident that SEZs are more likely to be in states with relative ease of doing business and where the state government shows active support for the states (Mukherjee 2016).

![Operational SEZ](image_url)

*Figure 1: concentration of SEZ across Indian states*

*Source: SEZ India website data accessed on 16-03-2018*
It is apparent that there is a considerable difference in the concentration of operational SEZs across states. The major concern here is the gap between approved and operational SEZs. Out of 411 approved SEZs 330 are notified and only 206 are actual operational (see Table 1). This indicates that developers are requiring considerable resources and time for getting operationalized.

| State Name            | Formal Approval | In-Principal Approval | Notified SEZ | Operational SEZ |
|-----------------------|-----------------|-----------------------|--------------|-----------------|
| Andhra Pradesh        | 30              | 4                     | 24           | 19              |
| Chandigarh            | 2               | 0                     | 2            | 2               |
| Chhattisgarh          | 2               | 1                     | 1            | 1               |
| Delhi                 | 2               | 0                     | 0            | 0               |
| Goa                   | 7               | 0                     | 3            | 0               |
| Gujarat               | 28              | 4                     | 24           | 18              |
| Haryana               | 23              | 3                     | 20           | 7               |
| Jharkhand             | 1               | 0                     | 1            | 0               |
| Karnataka             | 64              | 0                     | 42           | 25              |
| Kerala                | 29              | 0                     | 25           | 16              |
| Madhya Pradesh        | 10              | 0                     | 5            | 2               |
| Maharashtra           | 52              | 11                    | 48           | 26              |
| Manipur               | 1               | 0                     | 1            | 0               |
| Nagaland              | 2               | 0                     | 2            | 0               |
| Odisha                | 7               | 0                     | 5            | 3               |
| Puducherry            | 1               | 1                     | 0            | 0               |
| Punjab                | 5               | 0                     | 3            | 2               |
| Rajasthan             | 9               | 1                     | 8            | 4               |
| Tamil Nadu            | 48              | 4                     | 46           | 26              |
| Telangana             | 57              | 0                     | 46           | 27              |
| Uttar Pradesh         | 24              | 1                     | 19           | 11              |
| West Bengal           | 7               | 2                     | 5            | 7               |
| **GRAND TOTAL**       | **411**         | **32**                | **330**      | **206**         |

Source: SEZ India website data accessed on 16-03-2018

### Sectorial contribution:

Indian economic policy is trying to accrue the task of maintaining higher GDP amidst diverse demography. As per the UN National Accounts Statistics data, India’s ranking has improved from 14th position in 2006 to 7th position in 2016, among the world’s 15 largest economies in terms of overall GDP. Service sector emerged as biggest sector of economy in the post reforms period. Correspondingly, statistics on the sector-wise distribution of SEZs also exhibit certain peculiar distribution. Current data shows that Software/IT SEZs constitutes more than 56% of operational SEZs (see Table 2).

| Sector name                             | Formal Approval | In-Principal Approval | Notified SEZ | Operational SEZ |
|-----------------------------------------|-----------------|-----------------------|--------------|-----------------|
| Agro                                    | 5               | 2                     | 4            | 1               |
| Airport based multiproduct              | 3               | 0                     | 0            | 0               |
| Auto and related                        | 1               | 1                     | 1            | 1               |
| Aviation/Aerospace/ Animation           | 6               | 1                     | 5            | 5               |
| Beach & mineral/metals                  | 2               | 0                     | 2            | 0               |
| Biotechnology                           | 22              | 1                     | 15           | 2               |
| Building prod./mul. transport           | 2               | 2                     | 2            | 2               |
| Electronic product/Industries           | 2               | 0                     | 2            | 2               |
| Engineering                             | 14              | 1                     | 14           | 13              |
| Foot                                    | 5               | 0                     | 5            | 3               |
| Food Processing                         | 3               | 0                     | 2            | 2               |
| FFWZ                                    | 7               | 5                     | 5            | 3               |
| Gems and Jewellery                      | 6               | 3                     | 3            | 3               |
| Handicrafts & Carpets                   | 3               | 0                     | 2            | 2               |
| IT/ITES/Electronic Hardware/Alumina     | 263             | 0                     | 211          | 117             |
| Light Engineering/Metallurgical         | 2               | 0                     | 2            | 1               |
| Multi-Product                           | 19              | 9                     | 16           | 21              |
| Multi Services                          | 7               | 1                     | 7            | 2               |
| Non-Conventional Energy                 | 2               | 0                     | 2            | 2               |
| Petrochemicals & petro/oil              | 2               | 1                     | 0            | 0               |
| Pharmaceuticals/chemicals               | 16              | 2                     | 16           | 12              |
| Port based multi-product                | 5               | 1                     | 3            | 2               |
| Power/alternate e                       | 3               | 1                     | 3            | 3               |
| Textiles/Apparel/Wool                   | 7               | 1                     | 6            | 7               |
| Writing and printing paper mills        | 4               | 1                     | 1            | 0               |
| Granite processing Industries           | 2               | 0                     | 1            | 0               |
| **GRAND TOTAL**                         | **411**         | **32**                | **330**      | **206**         |

Source: SEZ India website, 2016-17
While multi-product zones are evident by their relatively minor share in the total number of functional SEZs, single-product zones have been established across a broad spectrum of manufacturing sectors such as gems and jewelry, textiles, pharmaceuticals, biotechnology, engineering products and food processing. Manufacturing SEZ (single as well as multi-product zones) account for more than 30% of the total operational zones in the country. Despite the predominance of IT/ITeS (Information Technology/IT enabled services) the presence of manufacturing SEZs cannot be entirely overlooked (Mukherjee, 2016). This may have a risky proportion as sector-specific SEZs may get affected easily by cyclical and other economic factors, as could be seen from the fact that the IT related industries, particularly BPO (business process outsourcing) sector faced severe slowdown due to the global economic recession in the latter half of 2008.

**Exports proportions:**

International trade is the way an economy can earn substantial foreign exchange and this entails improving the export quantum of the nation. Promotion of exports is one of the foremost objectives of SEZ policy. However, export performance under SEZ regime has not been that uniform and encouraging. Exports from SEZs rose sharply during initial years but it lost its pace in recent years. As shown in figure 2, SEZ exports rose during last decade from Rs.228.40 Billion in 2005-06 to Rs.5236.37 Billion in 2016-17 registering 23 folds growth. After initial success SEZ export growth declined substantially in 2013-14 (3.76 %) which fell to negative at (-6.13) in the next corresponding year (see Figure 2). Surprisingly, after showing just affirmative growth in 2015-16 it rebound to 12.04% in 2016-17. Though it is still unclear, a analysis of the reasons behind the slowdown of SEZ exports would require detailed sector-wise, state-wise time series data on export performance over this period. In the absence of such systematic data, we are only assessing cumulative data available so far, of all SEZ in the country over the years.

In order to assess whether slowdown in export growth from SEZs is owing to general economic factors or factors specific to SEZ, it is important to examine SEZ export performance with respect to total exports of the country. From annual trend analysis of the cumulative exports contribution of most of the SEZs in India it is pretty clear that they have a catalytic effect in promoting goods and services in the international market. Also, it is observed that the share of SEZ exports in the country’s total exports increased from 5% in 2005-06 to 28% in 2016-17 (see Table 3).
Table 3: Relative Export contribution

| Year (05-06) | Rs. In Crore | US $ million | SEZ Growth in % | Rs. In Crore | US $ million | Growth in % | SEZs Share in Indian Exports |
|-------------|-------------|--------------|-----------------|-------------|--------------|-------------|-----------------------------|
| 2005-06     | 22840       | 5159         | 22.43           | 456417      | 103091       | 5           | 5                           |
| 2006-07     | 34787       | 7629         | 52.31           | 571779      | 126263       | 6           | 10                          |
| 2007-08     | 66638       | 16560        | 91.56           | 655863      | 161312       | 10          | 10                          |
| 2008-09     | 99689       | 21675        | 49.6            | 840755      | 182631       | 12          | 12                          |
| 2009-10     | 220711      | 46521        | 121.4           | 845533      | 178751       | 26          | 26                          |
| 2010-11     | 315868      | 68506        | 43.11           | 1136964     | 273122       | 28          | 28                          |
| 2011-12     | 364748      | 68769        | 15.39           | 1465959     | 276596       | 25          | 25                          |
| 2012-13     | 476159      | 87546        | 30.64           | 1634318     | 300485       | 29          | 29                          |
| 2013-14     | 494077      | 82209        | 3.76            | 1905011     | 316975       | 26          | 26                          |
| 2014-15     | 463770      | 73229        | -6.13           | 1896348     | 299432       | 24          | 24                          |
| 2015-16     | 467337      | 70809        | 0.77            | 1714617     | 259790       | 27          | 27                          |
| 2016-17     | 525637      | 80760        | 12.04           | 1841514     | 290742       | 28          | 28                          |

Source: SEZ India website, 2016-2017

However, since 2009-10 the share of SEZ exports remained more or less stable ranging around 24-28 %. Again during the period where SEZ exports indicated a decline, total exports of India were also showing declining trend. Commerce Ministry stated following reasons behind the slowdown in country’s exports.

i. Fall in global demand and fall in commodity prices, impacting terms of trade for commodity exporters.
ii. Fall in the prices of petroleum crude resulting in consequent decline in prices as well as export realizations for petroleum products, which are major terms of exports for India.
iii. Fall in demand of precious goods like Pearls, Precious and Semi-Precious stones, especially from oil producing countries.

Though export performance of SEZs in India has been outstanding, the saturation of SEZ export share in total exports remained a major concern.

Investment and Employment: a leveraging task:

The concept of SEZ is basically intended to attract private and foreign investment for the development of modern infrastructure; leveraging productivity skills and employment generation becomes among strategic objectives from India point of view. Also, assessment of investment in SEZ is necessary. However, data available for investment in SEZ is very aggregate. Most of the data does not provide clear investment made by developers and units. Though, based on available data we can say that SEZ has been instrumental in bringing investment in India. Total investment in financial year 2016-17 reached to Rs.423328 crore which is more than 150 times of total investment in 2005-06. However, decrease in growth rate of investment in recent time is cause of apprehension (see Figure 3).

Growth rates in employment mostly moved in conjunction with export growth rates. However unlike SEZ exports growth rates, employment growth rates are steadily declining since 2009-10. Cumulative employment at the end of the 2016-17 stands at 1731641 persons which are nearly 13 times more than cumulative employment at the beginning of the SEZ act. Despite of unstable export growth employment in SEZ has shown positive growth over the years (see Figure 4).
Sector wise employment data is not available across years so aggregate data of SEZs over the years is considered. This shows a dwindling trend in employment generation obtained through SEZs (see Table 4).

Table 4: SEZ Investment and Employment proportion

| Year    | Total Investment | Incremental Investment | % Growth in Investment | Total Employment | Incremental Employment | % growth in Employment |
|---------|------------------|------------------------|------------------------|------------------|------------------------|------------------------|
| 2005-06 | 2793             |                        |                        | 134704           |                        |                        |
| 2006-07 | 24722            | 21929                  | 785.14                 | 197220           | 62516                  | 46.41                  |
| 2007-08 | 78028            | 53306                  | 215.62                 | 336235           | 139015                 | 70.49                  |
| 2008-09 | 118207           | 40179                  | 51.49                  | 384957           | 48722                  | 14.49                  |
| 2009-10 | 148489           | 30282                  | 25.62                  | 503611           | 118654                 | 30.82                  |
| 2010-11 | 202810           | 54321                  | 36.58                  | 676608           | 172997                 | 24.88                  |
| 2011-12 | 201875           | -935                   | -0.46                  | 844916           | 168308                 | 24.88                  |
| 2012-13 | 236717           | 34842                  | 17.26                  | 1074904          | 229988                 | 27.22                  |
| 2013-14 | 296663           | 59946                  | 25.32                  | 1283309          | 208405                 | 19.39                  |
| 2014-15 | 338794           | 42131                  | 14.20                  | 1442316          | 159007                 | 12.39                  |
| 2015-16 | 376494           | 37700                  | 11.13                  | 1591978          | 149662                 | 10.38                  |
| 2016-17 | 423328           | 46834                  | 12.44                  | 1731641          | 139663                 | 8.77                   |

Source: SEZ India website data accessed on 16-03-2018

Augmenting the potential of SEZs in India:
The government’s efforts since the turn of the millennium to spur the creation of dedicated industry zones—SEZ culminated. Ironically Special Economic Zones represents a microcosm of the special temporal disproportions that have long been the hallmark of India’s industrialization. Many SEZs have been cited in areas inhibited by farming families and others reliant on the agrarian economy. The resultant physical displacement of agriculturists, pastoralists, and practitioners of traditional allied service occupations to make way for modern industry has been accompanied by social disintegration and economic dislocation. These are somewhat unnatural repercussion of India’s industrialization. The process initially has been accelerated and magnified in some way, but was unrepresentative of the larger purpose. Yet, the notion of SEZs provides a unique window onto phenomena otherwise disguised by time’s gradual passage and situational background.

As per the global trends so far, for boosting up the economic development by establishing business clusters, or by creating export enclaves it is imperative to realize that they are physically distinct from India’s regular economy, highly diversified geography and demography. India has been engaged earlier in the protracted process of market-oriented economic reform though; it has continued a paradigm shift. The pace and synchronization of reforms so far has varied, given the process has been interrupted by some policy decisions and actions of particular movements that later stood out as turnover point. These actions cumulatively generated disruptions extensive enough to pertaining state institutions and economic factors free from a normal ‘path dependence’ and eventually casted a doubt over the SEZ phenomena.
In some pockets of country SEZA spurred undesirable reactions; notably, protests movements in states localities where SEZs were proposed. The present policy, the performance of SEZs and the problems being faced by the stakeholders are required to be revisited so as to identify the policy priorities and implementation challenges. It is also noted that many private SEZ developers have already approached DC (Divisional Commissioner) offices in respective states for de-notifying their projects. Local resistance is surfaced, varying in terms of the size and sustainability of project by opposition, the grievances articulated by protesters, and the tactics employed to achieve the ambiguous objectives. Eventually, SEZ becomes a potent symbol within India’s political arena and policy discourse. To supporters, the economic dynamism within SEZ demonstrates the growth performance that India could achieve have fettered to some extent with burdensome regulation, complex taxations, insufficient infrastructure support. There have been some disturbing instances in land acquisition and operational mechanism, critics see SEZs as a muddle of land-grabbing tactic, in which ordinary citizens are deprived of their rights, while business groups seem accorded disguised control over governance within corporate fiefdoms.

The overall scenario demands the ability of the Indian states to address the contradictions in order to restore faith in the fairness and efficacy of the SEZ concept. Similarly efforts to stimulate an ecosystem in the line of predictive economy must be inculcated. The strategy should include procedural safeguards that protect the interests of vulnerable people and redistribution of resources to ensure enhanced scale & structure, productive growth, decent standard of living for every stakeholder. It is indeed possible to establish and operate SEZs in ways that conform to the provisions of law, democratic principles of transparency and accountability.

While the SEZA (SEZ Act) is indeed national in scope, its implementation requires the mutual understanding of India’s respective state governments and local bodies. Though, some states have passed corresponding state-level SEZ legislation, conforming to the resolute strategic approach for substantial growth; others have issues with policy statements to guide the process of establishing and governing SEZs within their jurisdictions. Many state governments have done more than merely mentoring private-sector SEZ developers through the process of gaining the necessary approvals from the central government; they have joined as equity partners in SEZ projects and in some cases have promoted their own projects. This can showcase an indigenous model of SEZ in global marketplace rather than the adopted one.

By focusing high degree projects in exclusive industrial area, SEZ policy can offer a compelling model of regional scaling. Scaling-up include non-state actors like relaxing certain taxes (related import/export taxes), providing incentives and competitive set-up for industrial development. Scaling-down connotes minimizing the political interferences and decentralizing fiscal policy decisions. These two aspects if synchronized properly would provide a conducive ecosystem to enhance region’s competitive advantage. Studies show that a quarter of the world’s manufacturing takes place within only some thousand zones across the world that provide employment for over 41million people. This has been possible due to outspread of such initiatives that can also promote regional economic integration. On global economic scenario it is evident that global economic power cauldron is undergoing geopolitical readjustment. With compatible resources and growth potential India also can claim for a superior industrial power at world platform and SEZ can be real means for this worthy mission.

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