

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

Exports, Foreign investment, foreign exchange earning alongwith employment generation can be the purposes of any country's economy. Various countries came up with different export promotion policies to boost the exports. One of them is Export Processing Zone (EPZ) also called as Free Trade Zone (FTZ) was the prime medium to achieve abovementioned goals in earlier days. Aggarwal Aradhna (2004) defines EPZs as special enclaves, separated from the Domestic Tariff Area (DTA) by fiscal barriers and are intended to provide an internationally competitive duty free environment for export production at low cost and benefitted usually from modern and efficient infrastructure, general fiscal and non-fiscal concession to firm and better governance due to single window facilities to ensure corruption and red tape free business environment. First EPZ was set up in Shannon, Ireland in year 1959. After 1960 many countries started setting up of zones in their respective countries to boost the exports and rejuvenate the economy. In Asia, Kandla (Kutchch, Gujarat) was the first EPZ set up by the Indian Government in year 1965. Looking at the success of EPZ many Asian countries also started implementing the said policy. Shenzhen EPZ in China was the example of first successful EPZ in the world set up in year 1980. In present scenario EPZ is popularly known as Special Economic Zone (SEZ) which is bigger in size and having many benefits unlike conventional EPZ. SEZ is delineated area especially set up for export promotions, generating employment, earning foreign exchange,

attracting foreign investment. In Custom law, it is considered to be as Foreign Territory for the purpose of tax. There are mainly three types of SEZs namely Multi-product SEZ, Sector Specific SEZ and Free Trade & Warehousing Zone (FTWZ). There are various types of zone around the world as classified in **Table 1**. SEZ can be set up by the Central/State Government, Private Companies or under the Public Private Partnership. In India there were first seven EPZs established by the Central Government, later on those were converted to SEZs under the new export import policy in year 2000.

World Economic Processing Zones Association (WEPZA) has divided zones in four part.<sup>1</sup>

#### **Wide area**

Large zones with a resident population such as the Chinese Special Economic Zones or new cities.

#### **Small area**

Zones those are generally smaller than 1000 Ha. normally surrounded by a fence. Investors must locate within the zone to receive benefits. No resident population, although they may contain worker dormitories.

#### **Industry Specific**

Zones that are created to support the needs of a specific industry such as banking, jewelry, oil and gas, electronics, textiles, tourism, etc. Companies invested in the

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<sup>1</sup>Retrieved from World Export Processing Zones Association, <http://www.wepza.org/> on March 10, 2012

zone may be located anywhere and receive benefits. Examples include India's Jewelry Zones, or many offshore banking zones.

**Performance Specific**

Zones that admit only investors that meet certain performance criteria such as degree of exports, level of technology, size of investment, etc. Companies can be located anywhere. Examples include India's export oriented factories, the Mexico Maquila program or a research park.

In year 2008, comprehensive classification of zones done in FIAS report which is shown as under.

**Table 1:- Classification of Zones**

FTZ/Bonded warehousing	FTZs are small, fenced-in, duty free area, offering warehousing storage and distribution facilities for trade, transshipment and re-export operations and located in most ports of entry around the world
EPZs	EPZs are industrial estate offering special incentives and facilities for manufacturing and related aimed mostly at exports markets with the entire area within the zone reserved exclusively for export oriented enterprises licensed under an EPZ regime
Hybrid Zones	Hybrid EPZs are typically subdivided into a general zone open to all industries and separate EPZ area reserved for export-oriented, EPZ-registered enterprises.

SEZs	SEZs are generally a much broader concept and typically encompass much larger areas. They accommodate all types of activities including tourism and retail sales, permit people to reside on site and provide a much broader set of incentives and benefits.
Single factory	These schemes provide incentives to individual enterprises regardless of location; factories do not have to locate within a designated zone to receive incentives and privileges. EOUs or STPIs in India are examples of such zones.
Sector Specific	Special Economic Zones have also evolved into highly-specialized facilities, configured to the needs of specific industries and activities. There are sector sector-specific SEZs.
Service	These zones specialize in service exports.
Logistic Park	These are regional logistics/distribution centres, esp. around port hinterlands which offer cost-efficient logistics services for transiting trade
Country Specific Zones	These are zones set up foreign companies/governments and are expected to bring in huge FDI. The Taiwan investment zone in China; Chinese, Australian and Saudi Arabian EPZs in Pakistan; the Singapore SEZ in Indonesia and the Korean EPZ in Bangladesh are some noted examples SEZs of this.
Enterprise	Enterprise zones are intended to revitalize distressed urban or rural areas through the provisions of tax incentives and financial grants. Most zones are in developed countries, for example the United States, France and the United Kingdom

	although South Africa is developing a similar mechanism.
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FIAS (2008)

Many countries introduced an exclusive law for smooth governance of SEZ in the country. For example India enacted the Special Economic Zone Act in May 2005 and received presidential assent in June 2005 and Rules for SEZ also prepared and came into effect in February 2006. Bangladesh enacted Economic Zone Act in 2010 and Pakistan enacted Special Economic Zones Act in 2012.

### 1.1.1 Special Economic Zones in the world

Data on EPZs is very limited. Only International Labour Organization (ILO) is maintaining data regarding EPZs. Followings are the details about the no. of EPZs in the world.

**Table 2 :- Export Processing Zones in the world**

<b>Years</b>	<b>1975</b>	<b>1986</b>	<b>1997</b>	<b>2002</b>	<b>2006</b>
Number of Countries with EPZs	25	47	93	116	130
Number of EPZs or similar types of zones	79	176	845	3000	3500+

ILO (2007)

Following is the classification of EPZs in the world according to geographic area wise. Data shows that Asia is leading in implementing EPZ policies followed by United State of America.

**Table 3:- Geographic Areawise EPZs**

<b>Geographical Area</b>	<b>Number of Zones</b>
Asia	900+
Central America & Mexico	155
Middle East	50
North Africa	65
Sub-Saharan Africa	90+
United States	713
South America	43
Transition Economies	400
Caribbean	250
Indian Ocean	1
Europe	50
Pacific	14
<b>Total</b>	<b>3500+</b>

ILO (2007)

Thomas Farole & Gokhan Akinci (2011) mentioned in their work, obviousness of the countries to set up zones in their own countries but there are countries which set up zones in other countries at the request and need of the company. China in its 11<sup>th</sup> five year plan announced that it would establish upto 50 overseas economic and trade cooperation zones. China's Ministry of Commerce has approved seven African zones for special funding under the going global initiatives; six had commenced construction as of November 2009. China has set up zones in Pakistan, Zambia, Thailand, Nigeria, Cambodia, Mauritius, Korea, Indonesia,

Algeria, Vietnam, Russian Federation, Mexico etc. Partnership also made between two countries to set up a zone. China and Singaporean government joined hand to set up Suzhou Industrial Park in early 1990s. Singapore played crucial role in terms of initial capital and technical knowledge sharing.

### **1.1.2 Special Economic Zones in India**

Before looking at the development of SEZs in India, we will look at the other export promotion schemes initiated by the central government in India as discussed under.

#### *Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE)*

The objectives of ASIDE scheme is to establish a mechanism for involving the State Govt. to participate in funding of infrastructure critical for growth of exports by providing export performance linked financial assistance to them. (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India)

#### *Market Access Initiative (MAI)*

Under this scheme, Financial Assistance is provided for export promotion activities on focus country, focus product basis. Financial Assistance is available for Export Promotion Council, Industry and Trade Associations, Agencies of State Governments, Indian Commercial Mission abroad and other national level

institutions/eligible entities as may be notified (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India)

#### *Marketing Development Assistance (MDA)*

Under this scheme, Financial Assistance is provided for range of export promotion activities implemented by EPCs and Trade Promotion Organization on the basis of approved annual action plans. (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India)

#### *Towns of Export Excellence (TEE)*

A number of towns have emerged as dynamic industrial clusters which contributed significantly in India's exports. Under this scheme selected towns producing goods of Rs. 750 Crore or more will be notified as TEE based on potential for growth in exports. (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).

#### *Export and Trading Houses Status*

Merchant Exporter, Manufacture exporters, service providers, EOU, units in SEZ, AEZs, EHTPs, STPs, BTPs shall be eligible for recognition as a status holder. Status recognition depends upon export performance (on FOB/FOR basis). Status holders are given specified benefits under the policy. (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).



### *Served From India Scheme (SFIS)*

Objective of this scheme is to accelerate growth in export of services so as to create a powerful and unique ‘Served From India’ brand, instantly recognized and respected world over. Specified Indian Service Providers will be eligible for Duty Credit Scrip which can be utilized for payment of import duty. (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).

### *Vishesh Krishi and Gram Udyog Yojana (VKGUY)*

Objective of VKGUY is to compensate high transport costs and offset other advantages to promote exports of Agricultural products, Minor Forest Produce, Gram Udyog Products, Forest Based Products other notified products. (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).

### *Focus Market Scheme (FMS)*

Objective of FMS is to offset high freight cost and other externalities to select international markets with a view to enhance India’s export competitiveness in these markets. (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).

### *Focus Product Scheme (FPS)*

Objective of FPS is to promote of export of products which have high export intensity/employment potential, so as to offset infrastructural inefficiencies and other associated costs involved in marketing of these products. (Chapter 3 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).

### *Duty Drawback*

Drawback in relation to any goods manufactured in India and exported, means the rebate of duty or tax, as the case may be, chargeable on any imported materials or excisable materials used or taxable services used as input services in the manufacture of such goods (Section 2(a) of Customs, Central Excise Duties and Service Tax Drawback Rules, 1995) There are two type of rates for drawback one is All Industry Rate for standard products and Brand Rate which is for special type of products.(Chapter 4 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).

### *Duty Entitlement Pass Book Scheme (DEPB)*

Under this scheme exporter gets credit on prescribed rates when he exports the goods. This credit can be utilized for payment of custom duty on imported goods. The entitlement rates will be % of Free On Board. This scheme discontinued for exports made on or after 1/10/2011. (Chapter 4 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).

### *Advance Authorization*

Firm can import duty free inputs for production of goods which finally to be exported under this scheme. This can be used for physical exports, intermediate supplies, deemed exports. (Chapter 4 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India).

### *Export Promotion Capital Goods (EPCG)*

Under EPCG scheme firm can import capital goods including spares at zero duty for specified products and at a concessional rate of 3% customs duty for all sectors. Firm has to fulfill export obligation from 6 to 8 times of duty saved on capital goods to be fulfilled in 6 to 8 years from issued date. (Chapter 5 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India)

### *Export Oriented Unit (EOU)*

EOU Scheme introduced in year 1981 to promote exports. Any standalone company can easily apply for status of EOU after fulfilling certain requirement. It is exempted from Central Excise, Custom. Central Sales tax to be reimbursed. It was also having benefit of deduction from profit under Section 10B of Income Tax Act, 1961 until assessment year 2011-2012. Supplies from DTA to EOUs treated as deemed exports. There were 2600 EOUs as on March 2009 having exports of Rs. 171498 Crore, Import of Rs. 111707 and generated employment for

284105.<sup>2</sup>(Chapter 6 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India). EOUs were having share of 12.24%, 24.98%, 21.04%, 8.41%, 6.65% in India's Export for year 2006-07, 2007-08, 2008-09, 2009-10, 2011-12 respectively.<sup>3</sup>

*Electronic Hardware Technological Park (EHTP), Software Technological Park (STP)*

Software Technology Parks of India (STPI) is registering authority for setting up of EHTPs and STPs in the India. STPI was established and registered as an autonomous society under the Societies Registration Act, 1860 under the then Department of Electronics & Information Technology, Ministry of Communication and Information Technology, Govt. of India on June 5, 1991 with an objective to implement STP/EHTP schemes, set up and manage infrastructure facilities and provide other services like technology assessment and professional training. There were 5235 STP operative units out of which 4,542 units actually exporting and recorded exports of Rs. 2,26,712 Crore as on March 2012. EHTPs' exports were of Rs. 10,019 Crore as on March 2012.<sup>4</sup> EHTPs & STPs enjoy tax benefit, exemption from Central Excise, Custom, reimbursement Central Sales Tax. Supplies from DTA to EHTPs/STPs treated as deemed exports. EHTPs/STPs were having benefit of deduction from profit under Section 10A of Income Tax Act, 1961 until assessment year 2011-2012. (Chapter 6 of Foreign Trade Policy, Aug 2009 to March 2014, Ministry of Commerce & Industry, Govt. of India)

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<sup>2</sup>Retrieved from Export Oriented Units, India, [http://www.eouindia.gov.in/fact\\_figure.htm](http://www.eouindia.gov.in/fact_figure.htm) on April 1, 2012

<sup>3</sup>Retrieved from [www.indiastat.com](http://www.indiastat.com) on April 5, 2014

<sup>4</sup>Retrieved from Software Technology Park of India <https://www.stpi.in/writereaddata/links/3065162286ar1112en.pdf> on March 2, 2014

### *Bio-Technology Park (BTPs)*

For the promotion of Biotechnology industry Department of Biotechnology, Ministry of Science & Technology initiated BTPs. BTPs provides a very good platform for upcoming biotech companies to start new ventures and to achieve early stage value enhancement of the technology with minimum financial inputs. Central body i.e. Biotechnology Parks Society of India (BPSI) also proposed by government like STPIs. BTPs have been set up at Lucknow, Hyderabad, Kochi, Bangalore. BTPs are having same tax benefits as EHTPs/STPs.<sup>5</sup>

India was the first Asian country to recognize importance of Export Processing Zone to boost the exports. The Central Govt. set up the first zone in Kandla, Kutchch, Gujarat in year 1965 then after other six zones were set up at Santracruz (1973), Noida (1985), Chennai(1984), Cochin(1984), Falta (1984), Visakhapatnam (1989). Concept of Special Economic Zone came in to India in year 2000 inspired by successful zones of China. Mr. Murasoli Maran, India's the then Commerce Minister visited China. During his visit he been to SEZs and he was very much impressed with the concept of SEZ. He brought this idea in India and became instrumental promoting the same in India. All abovementioned seven zones converted in SEZs under Export Import Policy 2000-2001. There were many shortcomings in the working of EPZs due to lack of comprehensive policies and to overcome this, government came up with exclusive law for zones called Special Economic Zones Act passed in May 2005 and received Presidential accent on June 23, 2005. For implementation of this law, Special Economic Zones Rules were framed and it came into effect February 10, 2006.

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<sup>5</sup>Retrieved from Department of Biotechnology, Govt. of India <http://dbtindia.nic.in/> on March 10, 2013

The main objectives of the SEZ Act, 2005 are :

- a. Generation of additional economic activity;
- b. Promotion of exports of goods and services;
- c. Promotion of investment from domestic and foreign sources;
- d. Creation of employment opportunities;
- e. Development of infrastructure facilities.

As on May 10, 2016, total 417 SEZs have been formally approved, 330 notified by the government and 205 are functional SEZs including 19 SEZs established before SEZ Act, 2005.

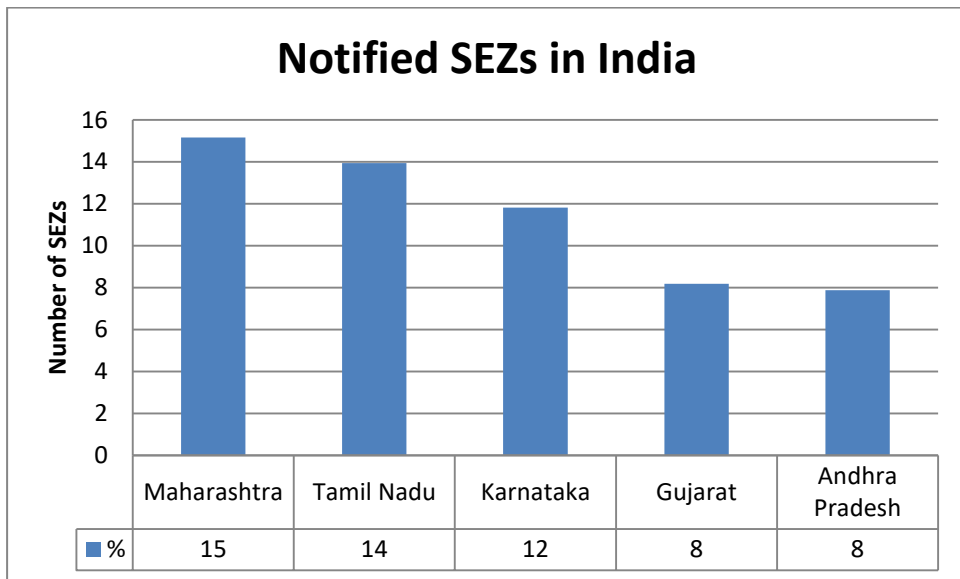
**Table 4:- Statewise Distribution of Special Economic Zones in India**

State	Formal Approvals	In-Principle approvals	Notified SEZs	Exporting SEZs (Central Govt. + State Govt./Pvt. SEZs +notified SEZs under the SEZ Act, 2005
Andhra Pradesh	30	4	26	19
Chandigarh	2	0	2	2
Chhatisgarh	2	1	1	1
Delhi	2	0	0	0
Goa	7	0	3	0
Gujarat	31	4	27	18
Haryana	23	3	20	7
Jharkhand	1	0	1	0
Karnataka	61	0	39	26
Kerala	29	0	25	16
Madhya Pradesh	9	1	5	2
Manipur	1	0	1	0
Maharashtra	59	9	50	25

Nagaland	2	0	2	0
Orissa	8	1	5	3
Pondichery	1	1	0	0
Punjab	5	0	2	2
Rajasthan	9	1	8	4
Tamil Nadu	48	4	46	36
Uttar Pradesh	22	1	19	11
West Bengal	12	2	5	7
<b>Grand Total</b>	<b>417</b>	<b>32</b>	<b>330</b>	<b>205</b>

Source :- [www.sezindia.nic.in](http://www.sezindia.nic.in) as on May 10, 2015 retrieved on June 30, 2016

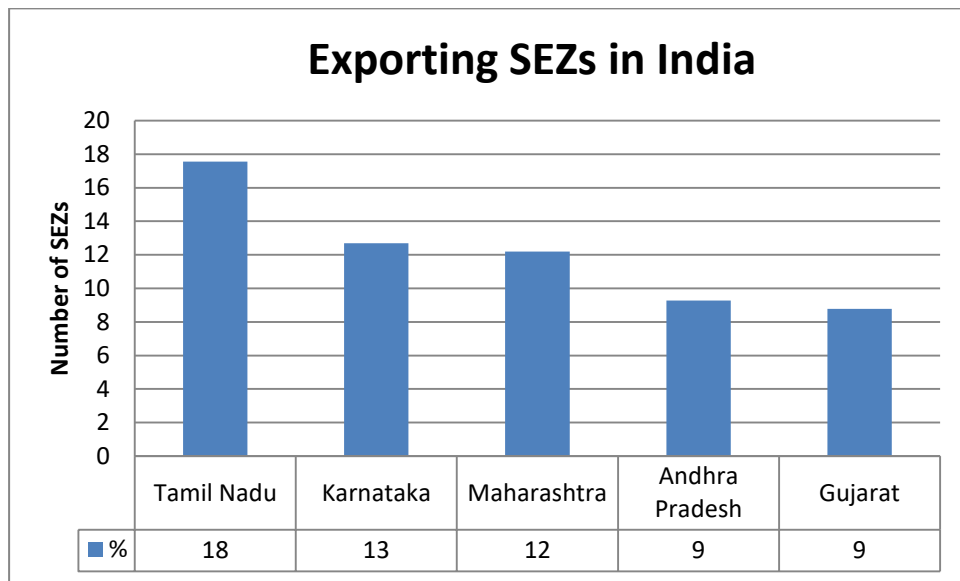
**Figure 1:- Notified SEZs in India**



Source : [www.sezindia.nic.in](http://www.sezindia.nic.in) as on May 10, 2016 retrieved on June 30, 2016

We can see in **Figure 1 & Figure 2** that five states are having share of more than fifty percent of notified & exporting SEZs in India. Gujarat is in the list of top five states in terms of number of notified & exporting SEZs in India.

**Figure 2:- Exporting SEZs in India**



Source :www.sezindia.nic.in as on May 10, 2016 retrieved on June 30, 2016

**Table 5** shows the Sectorwise distribution of Special Economic Zones in India. IT/ITES SEZs having major part of formally approved and notified SEZ which is 62% of total SEZ followed by multi-product, pharmaceuticals, bio-tech, engineering etc. (**Figure 3**).

**Table 5 :- Sectorwise Distribution of Special Economic Zones in India**

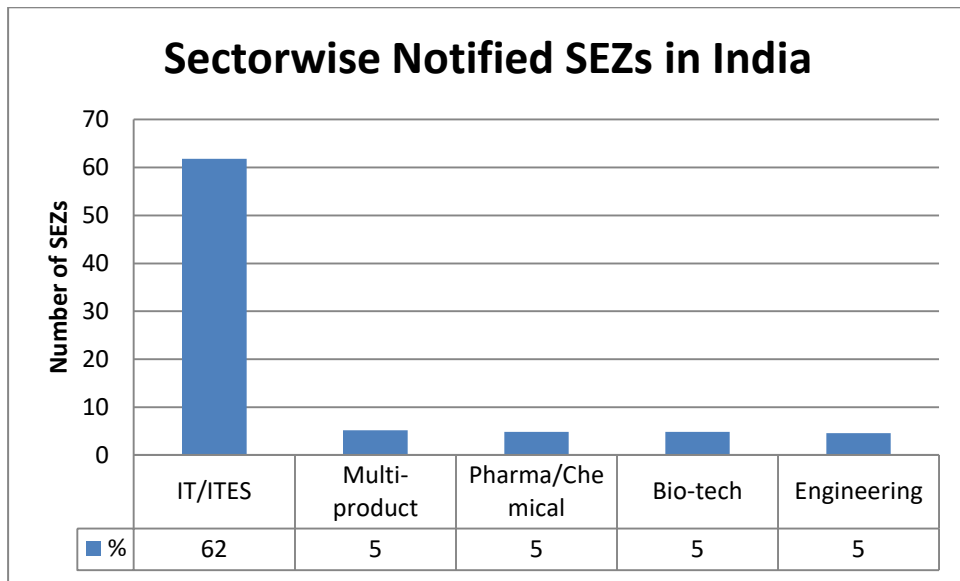
Sectors	Formal Approvals	In-Principle approvals	Notified SEZs	Exporting SEZs (7 Central Govt. + 11 State Govt./Pvt. SEZ + notified SEZs under the SEZ Act, 2005)
Agro	4	2	4	1
Airport based multi-product	3	0	0	0
Auto and related	1	1	1	1
Aviation/Aerospace/Copper	6	1	5	5
Beach & Mineral/metals	2	0	2	0
Bio-tech	23	0	16	2



Building product/material	2	2	2	2
Electronic product/industries	2	0	2	2
Engineering	15	1	15	13
Food Processing	4	0	3	3
Footwear/Leather	6	0	5	3
FTWZ	10	4	7	3
Gems & Jewellery	7	3	4	3
Granite processing industries	2	0	1	0
Handicrafts	3	0	2	2
IT/ITES/Electronic Hardware/Semiconductor	262	0	204	116
Aluminium	2	0	2	1
Metallurgical Engineering	1	0	0	0
Multi-product	19	11	17	20
Multi-services/services	7	1	7	2
Non-conventional energy	2	0	2	2
Petrochemical & Petro	2	1	0	0
Pharma/Chemical	16	2	16	12
Portbased multi product	5	1	3	2
Power/alternate energy/solar	4	1	3	3
Textile/Apparel/Wool	6	1	6	7
Writing & Printing paper mills	1	0	1	0
<b>Grand Total</b>	<b>417</b>	<b>32</b>	<b>330</b>	<b>205</b>

Source :www.sezindia.nic.in as on May 10, 2016 retrieved on June 30, 2016

**Figure 3:- Sectorwise Distribution of Notified SEZs**



Source :www.sezindia.nic.in as on May 10, 2016 retrieved on June 30, 2016

### 1.1.3 Special Economic Zones in Gujarat

As we seen above that India got its first EPZ at Kandla, Kutchch Gujarat followed by other six EPZs established by the Central Government. Two more SEZs were established in Surat district, southern part of Gujarat before the SEZ Act, 2005. Surat Special Economic Zone which is the multi-product SEZ and India's first SEZ operated by private players notified in year 2000 and other one is sector specific, Surat Apparel Park established by Gujarat Industrial Development Corporation notified in year 2005. Gujarat has got the 57 SEZs approved by the Central Govt. Gujarat stands at 4th in terms of notified SEZs (**Figure 1**) and fifth in terms of functional/exporting SEZs in India (**Figure 2**).

**Table 6:- Districtwise SEZs in Gujarat**

<b>District</b>	<b>SEZ approved by Govt. of India</b>	<b>% of approved SEZs</b>
Kutchch	16	28
Ahmedabad	15	26
Bharuch	8	14
Gandhinagar	6	11
Surat	3	5
Vadodara	3	5
Valsad	2	4
Amreli	2	4
Mehsana	1	2
Jamnagar	1	2
<b>Total</b>	<b>57</b>	<b>100</b>

Source :-Office of Industries Commissionerate, Govt. of Gujarat,  
www.ic.gujarat.gov.in.accessed on March 5, 2013

As we can see above that around 68% SEZs have been established in the three districts itself namely, Kutchch (28%), Ahmedabad (26%) and Bharuch (14%) followed by Gandhinagar having 11%, Surat and Vadodara having 5 % each in total approved SEZs in the Gujarat.

Following is the Sectorwise distribution of SEZs in Gujarat. IT/ITES and Multi-product SEZs having 40% in total approved SEZs having almost equal sharing. Engineering and Pharmaceuticals SEZs comes on third and fourth position respectively in terms of approved SEZs in Gujarat. Out of total approved SEZs, 65% SEZs sector are having only one SEZ each.

**Table 7:- Sectorwise Distribution of SEZs in Gujarat**

<b>Sector</b>	<b>SEZ approved by Govt. of India</b>	<b>% of approved SEZs</b>
IT/ITES	12	21
Multi-product	11	19
Engineering	5	9
Pharmaceuticals	4	7
FTWZ	3	5
Chemicals	2	4
Textile	2	4
Apparel	2	4
Alternative Energy	1	2
Bio-tech	1	2
Ceramic Glass	1	2
Electronics	1	2
Energy	1	2
Flat Steel	1	2
Food Processing	1	2
Handicrafts & Artisan	1	2
Multi-product Port based	1	2
Multi-services	1	2
Non-conventional energy	1	2
Oil & Gas	1	2

Plastic	1	2
Polymer	1	2
Power	1	2
<b>Total</b>	<b>57</b>	<b>100</b>

Source :- Office of Industries Commissionerate, [www.ic.gujarat.gov.in](http://www.ic.gujarat.gov.in) retrieved on March 5, 2013

## 1.2 Statement of the problem

As we have seen that India embarked on journey of SEZ model looking at the success of Chinese SEZ. An exclusive law for SEZ also passed in year 2005 for better governance of SEZs in India. After the SEZ Act, 2005, till date 330 SEZs have been notified by the central government. There are many advantages of having SEZs in the country and but presently it has been failing to meet the expectations in terms of growth in exports, employment, investments. There are several negative aspects of SEZs alongwith positives ones. This study will analyze the economic and legal aspects of SEZs in Gujarat.

## 1.3 Objectives of the Study

Followings are the main objectives of the present study.

- To evaluate economic impact of SEZs in Gujarat.
- To evaluate compliance by SEZs in Gujarat under SEZ Act, 2005 & SEZ Rules, 2005.
- To do comparative analysis of SEZs in Gujarat with SEZs in other states.
- To evaluate government's policies regarding SEZs in India and Gujarat.

## **1.4 Hypothesis of the Study**

Followings are the hypotheses of the present study.

- Special Economic Zone has promoted economy of Gujarat.
- Special Economic Zones in Gujarat are complying all legal requirements as per the SEZ Act, 2005 and SEZ Rules, 2006.
- SEZs in Gujarat performing better compared to SEZs in other states.
- Government policies are supporting Special Economic Zone to grow.

## **1.5 Significance of the study**

SEZ is the burning topic at the International, National and State level because of numerous reasons. SEZ is meant to boost the exports, generating employment, attracting investments and help the economy to grow but it has started causing some side effects also namely improper land acquisitions, revenue loss, labour exploitation etc. Most importantly it has failed to achieve the desired goals in terms of exports, employment, investments etc. Central/State Governments and private companies blindly started following the concept of SEZ and setting up of SEZs and ultimately facing the present consequences. Many of private players have applied for de-notification of SEZs and shown inability to take SEZ project further because of government's volatile policies regarding SEZ. Thus there are various issues which need to be analyzed with the help of the scientific study.

## **1.6 Literature Review**

### **1.6.1 Economic & Legal Aspects**

#### **Rabbani F.A. (1980)**

Although few Asian governments explicitly stated social development of EPZ workers and residents as one of their objectives, the EPZs and the export system which they typified have exerted considerable effects on the life pattern and social value of the local people and have at the same time created new social problems. Amongst these problems is the increase in the number of unmarried females. Owing to the nature of work and the wage level, most of the labourers in zone enterprises are young girls coming from rural areas or from low-income urban families who are soon exposed to the hazards of city life. Low wages, poor working environment, long working hours and over-crowded dormitory living conditions affect their health and their chances of getting married. Although many of these female workers will leave their jobs after 6 or 7 years to get married or to pursue other careers, quite a number of them will stay on for a longer period of time and miss their customary marriage age. In Asian countries, these unmarried females are caught in a traditional society that defines the role of woman in terms of marriage and child-bearing, but they are denied that role by the environment engendered by the EPZ factories in which they work.

#### **Rabbani F.A. (1980)**

Setting up an EPZ is probably not a difficult task, but to make it work is a completely different matter. When EPZs were first established, they were usually not integrated with the domestic economy, but in the long run, they should be an

integral part of national development and should complement the growth of the domestic tariff sector.

### **E E Pollack (1981)**

In many Asian countries the costs of providing the industrial estates for EPZs and FTZs have been high, and despite the large amounts of foreign investment made in them, the numbers of jobs generated have often been disappointing. Pollack notes that the 49 EPZs located in Asia in 1978 produced about 4,74,000 jobs, but more than half of this employment was created in only four countries. Industries located in Malaysia's EPZs employed a little more than 80,000 people; in Sri Lanka less than 20,000; and in the Philippines less than 30,000.

### **D R Phillips & A G O Yeh (1983)**

As stated by the Chinese government, the main objectives of establishing special economic zones are to "develop external economic co-operation and technological exchanges and promote the socialist modernization programme". They may be thought of as almost "laboratories" within which the operation of capitalist enterprise can be observed and understood, and in which different economic policies may be experimented with which might be of use in China's future economic development. They will also assist China to acquire much-needed modern technology and management methods. Therefore, owing to the constrained and carefully defined nature of the SEZs, from China's point of view there is plenty to gain and relatively little risk involve.



Although land and labour are cheap, the past political instability of China, its volatile nature, and uncertainty about future economic policies, are major stumbling blocks to the ability to attract to the zones the foreign investment on which their future development is heavily dependent.

**D L Li Jayawardena (1983)**

India's FTZ at Kandla in Gujarat, which opened in 1965, has had little success by any criteria. By 1982 it had attracted only 52 low technology, labor-intensive firms employing less than 3,000 workers. Nearly all the firms are Indian-owned, with little or no foreign investment. A second FTZ, opened in 1973 at Santa Cruz, near Bombay, fared no better. Only 17 of the zone's 35 factories attracted foreign investment.

**Clyde D. Stoltenberg (1984)**

The idea of special zones for the promotion of foreign commerce did not originate with the Chinese. Rather, it is a centuries old concept utilized in various forms throughout the major trading nations of the world. Indeed, the Chinese carefully researched a number of existing zones in preparation for establishing their own. In addition, the Chinese had their own experience with such concepts, not only in the form of the 19<sup>th</sup> century treaty ports but, more recently, with the special export commodity production bases promoted by Zhou Enlai following the Cultural Revolution and established as policy in 1971 by the Ministry of Foreign Trade. The implementation of China's SEZs commenced with the State Council's directive of July 1979 authorizing Guangdong and Fujian provinces to take extraordinary measures to develop tourism, foreign trade, and investment.

**Kwan Yiu Wong & David K Y Chu (1984)**

Worker's power in the Asian EPZs to improve their position is minimal. Reliance on foreign investments gives all governments a vested interest to see that the demand of cheap labour is met and that industrial peace is maintained. Strikes are banned and labour union movements are under strict control.

**Kwan Yiu Wong & David K Y Chu (1984)**

EPZs in Asian countries have been developed primarily with the aim of supporting the strategy of export led growth. However, considering the magnitude of problems involved in the industrialization and economic transformation of these nations, the role played by the EPZs can best be described as moderate. Despite efforts by many governments to further expand the establishment of such zones, their contributions to the overall industrial development programme of the country and in fulfilling the more specific objectives such as employment generation, foreign exchange earnings and export growth, etc. are quite limited. The first and most pronounced problem encountered by the less successful EPZs in Asia is the insufficiency of infrastructural provision. This is especially true for EPZs whose locations were decided on political considerations such as regional development. Away from major cities and sited at more remote corners of the country, these EPZs required considerable expenditure on infrastructure before they became viable.

**Lousie Do Rosario (1985)**

Some officials in the People's Republic of China have always been wary of the potentially adverse social impacts of the SEZs. In the most successful one,

Shenzhen, the government began an in-depth investigation in 1984 of widespread illegal trading, smuggling, foreign exchange speculation, bribery and fraud. One analyst observed that "the scrutiny, probably the strictest trained on Shenzhen in years, exploded the myth that Shenzhen, with its preferential tax rates and other incentives, has been successful in attracting and making good use of foreign capital and technology." Instead, many of the occupants of the zone have used it to forge illegal ties with Chinese firms inland: "Hundreds of Chinese enterprises have been busily engaged among themselves in profitable dealings legal or illegal. Very little of their operations have involved new investment or know how.

**Deniss A. Rondinelu (1987)**

Asian planners believed that EPZs and FTZs, modeled on the free trade and industrial processing zones established in Europe during the 1950s, would be strong external stimuli for economic growth. They would generate jobs for people who are difficult to employ in domestic industries, use the resources of areas or regions that might not be highly productive in agriculture and that are unlikely to be centers of domestic manufacturing, and generate multiplier and spread effects that would contribute to local and regional as well as national economic development. But recent studies indicate that although free trade and export processing zones do attract foreign investment, generate employment and provide foreign exchange earnings for the national economy, they have disadvantages. They are becoming increasingly difficult to establish in developing countries and to operate successfully. Their stimulative effects on local and regional economies tend to be weak or nonexistent. Indeed, growing evidence suggests that although EPZs and FTZs in some developing countries have generated impressive macroeconomic

benefits, they also have potential detrimental effects on local economies in areas where they are located. In the short run they can create social and economic problems for localities and exacerbate intra-regional and inter-regional economic disparities. While EPZs and FTZs are obviously attractive to multinational corporations, they are also strongly promoted by the governments of developing countries.

Many of the adverse impacts of EPZs on local economies can be reduced by forging stronger and more beneficial ties between EPZ and domestic firms, by protecting the local physical environment, and by promoting diversification in local economies so that communities do not become overly dependent on EPZ employment. The future of EPZs in Asia may ultimately depend on how effectively governments and multinational corporations respond to these challenges of social responsibility and economic development.

### **Edy L. Wong (1987)**

The years since Shenzhen's inception in 1980 have witnessed its transformation from a small border town into a burgeoning economy and a major recipient of foreign capital. Its purported success notwithstanding, the performance of Shenzhen and indeed the propriety of the SEZ policy, have come under heavy scrutiny and criticism since early 1985. The principal subject of controversy surrounding Shenzhen are its failure to attain predetermined economic goals, its reliance on central fiscal transfer and its contributions to the emerging socio-economic ills of China. Shenzhen also failed in its role as a SEZ. Instead of being source of foreign exchange earnings and capital for the modernization of China, it has led to net outflow of foreign exchange and net drain of government fiscal resources. Short

term benefits generated by the SEZs experimental role are underlined by a concern with their long-term compatibility with and their place in the socialist Chinese economy.

**David K. W. Chu (1987)**

Finally, instead of being an export oriented economy, Shenzhen turned out to be a heavy importer, using up large amounts of the country's foreign exchange. In summary, the dominant feature of the Shenzhen SEZ was Nei-lian (linking with the inside) rather than Wai-yin (attracting from the outside). The Chinese wanted SEZs to be bases for attracting foreign investments so that products made in the zones could be exported. However, foreign businessmen wanted to invest in SEZs so that they could eventually sell to the Chinese market. Those two purposes obviously contradict each other.

**Peter G Warr (1989)**

Working Conditions and Wages in EPZs have been widely criticized by writers from industrial countries. This perspective is often combined with the claim that EPZ firms "exploit" their workers and enjoy big profits, at the expense of jobs back home in the industrial countries. Such arguments have usually reflected a lack of familiarity with the conditions and wages in developing countries; unless workers were better off being "exploited" in an EPZ, EPZ firms would find it impossible to hire.

**Peter G. Warr (1989)**

Managers of EPZ firms report that the main obstacle to buying local raw materials is their low and unreliable quality. Entire shipments of finished goods may be rejected if the raw materials or intermediate goods used were inferior. The changing industrial composition of the EPZs is also a factor; garment and footwear manufacture uses a much higher proportion of local raw materials than electronics assembly. And a third factor is the global strategies of the corporations involved. Parent firms wish to preserve the international mobility of their processing operations; developing long-term relations with local suppliers does not serve this goal. If the corporation wishes to retain the capacity to relocate its activities at short notice, it is better to buy these inputs from the cheapest reliable international source. For countries in the early stages of development, zones can be an efficient and productive means of absorbing surplus labour. EPZs also expose domestic businesses to examples of internationally competitive enterprises; this demonstration effect is undoubtedly valuable, especially in the early stages of industrialization.

**Wai Man Wu (1990)**

Main objective of SEZ is to enter into economic co-operation with the west so as to foster China's socialist modernization programme. China's SEZs are comprehensively developed units where foreign investments are not only confined to manufacturing but may also be applied to real estate development, tourism agriculture and other services.

**Lynnda Marie B. Laraya (1993)**

The granting of special incentives to foreign industries within the zone were questioned by local industry because it gave the foreigner an advantage in their own hand and thus created unfair competition in filling out quotas in the export market destinies. In practice, the creation of a favourable climate for investment in special economic zones calls for considerably more than the provision of service, infrastructure, incentives and cheap labour. It requires an active policy that reflects awareness of what constitutes today's globally competitive region.

Technological transfer did not occur, because of the types of industries that were set up and second because of traditional make-up of the work force of women implied a diminished possibility of transferring skills to other parts of the country and their early retirement from the economy meant a loss of their skills.

**Daniel Ding et al (1997)**

Based on the empirical assessment of Human Resource Management practices among 158 joint ventures and wholly owned foreign enterprises operating in Shenzhen SEZ, results indicate prevailing practices in Foreign Invested Enterprises (FIE) that are more consistent with socialist ideology. For example, even in top management jobs, approximately 25 per cent of the jobs are handled by women. At department and work-unit levels, this percentage is larger. In addition, average salary levels of women in management in FIEs range from 73 per cent to over 100 per cent of those for men. At the non-management level, women are paid at essentially the same rates as men.

**Xie Wei (2000)**

Before 1978, China was an autarkic economy, in which foreign investment and operations were closed, except for Soviet Union assistance in the 1950s. Under the leadership of Deng Xiaoping, China opened its economy to foreign trade and investment in order to close the growing gaps between China's technology and efficiency levels and those of the developed economies. After 30 years of communism and complete state control of the economy, China designated four SEZs as laboratories for its experiments with market economy and foreign investment. These were Shenzhen SEZ (next to Hong Kong), Zhuhai SEZ (next to Macau), Xiamen SEZ and Shantou SEZ (these last two across the Taiwan Strait opposite Taiwan). The rationale behind the establishment of these zones was that if foreign participation in the industrialization programme were to be applied immediately to the economy as a whole, conflict with existing political, economic and social systems would probably emerge.

**Ramachandrabh Atta (2003)**

N K Thingalaya made a presentation on industrial and infrastructure development of coastal Karnataka during the past 20 years, transforming a subsistence agrarian economy into one of the developed regions of the state. The strength of the coastal region lies in its human resources, with high literacy rate, and the development of the service sector. He emphasized that maintenance of ecological balance along with industrial development is required.



### **Albert G. Schweinberger (2003)**

The SEZ strategy has been by and large managed by the advanced capitalist nations about to activate their local economy and the developing nations intending to pursue their economic development by ensuring export competitiveness and by expanding foreign trade. Recently, however, it is noticeable that the socialist nations have strongly implemented the strategy as a tool for their system transformation in the midst of their reform and open-door policies. China, based on the SEZ strategy, embarked on its economic open policy and laid the foundation for high economic growth today, and Russia, Eastern Europe, Vietnam, and even North Korea have selected SEZ as one of their important policies.

China's SEZ policy brought these following achievements:

- the expansion of foreign trade and accumulation of capacity of management in foreign trade,
- a break in the deadlock of economy by using foreign capital,
- introduction of foreign advanced technology,
- the development of external economy,
- the promotion of friendship with other nations and of its national status in the International society

### **Young Namkoong (2003)**

The SEZ strategy has largely been put into practice by the developing nations. It serves to attain the goals of both increased attraction of foreign capital and protection of domestic infant industries simultaneously, offering preferential treatments differentiated from other domestic areas by separating the special zone.

**Nadeem M Firoz & H Amy Murray (2003)**

China's foreign policy has also played some part in the formation of the zones. The strategic location of the Shenzhen, SEZ was selected so that cheap land and labor could be offered to neighboring Hong Kong and to maintain confidence in Hong Kong in the period up to June 1997, by convincing businessmen that profitable enterprise is possible in China. The idea is to minimize the gap between social and economic development in this region.

The MNC within a FTZ does not create any economic burden on the local economy, such as use of foreign exchange or competing with local products. In a sense, it does not exist at all. It can still take advantage of the benefits its location offers, such as cheap local labor, local raw materials, and strategic location of the host country. This MNC is importing goods for its own use within the FTZ. These might be component parts of another product. If this product is re-exported to a third country, there is no effect on the host's balance of trade, as if it had never been there at all. Many MNC's actually manufacture within a FTZ and then re-export back to the home country.

**Kankesu Jayanthakumaran (2003)**

The results do suggest that a heavy reliance on foreign investors is unlikely to maximize the welfare of citizens and that there should be a balance between domestic and foreign investment. The effective utilization of EPZs as instruments of industrialization requires the availability of linkages with the rest of the economy. In the initial stage of development at least, employment and income gains to labour seem to be important benefits, as wage rates in the EPZs generally exceed

opportunity costs. This survey shows unambiguously that the zones have provided an efficient means of absorbing surplus labour in the initial stages. However, as industrial development proceeds, the expectation is that the gap between market and opportunity costs will narrow and the national interest in the EPZs will tend to disappear. National interest may hold only if the zones generate private profit to domestic shareholders.

### **Pun Ngai (2004)**

Twelve working hours per day was normal for the workers; a rest day would be provided only if there was a break of production orders, or in the low season. This meant that the workers worked between 72 hours and 77 hours each week, far more than the working hours allowed by Chinese law (40 hours each week, and 36 hours' overtime work per month). Many workers are not paid for overtime as per standard rates. Most of the workers are migrated ones and they don't know about the Chinese law regarding wage rates. Because of the obvious violations of the company codes and Chinese law in most of the transnational companies, the Chinese Working Women Network joined with the Clean Clothes Campaign in 2002 on a pilot project to set up a monitoring system in China. The absence of residential rights has created a highly exploitative situation in which workers cannot easily organize themselves. The dormitory labour regime houses more than one hundred million migrant workers in China. These workers are mostly young, single, and female, toiling twelve hours a day in garment, electronics and toy factories. Applying long and flexible labour hours, while incurring low production cost, and maintaining strict control over working lives, this dormitory labour regime is a new creation in China.

### **Aggarwal Aradhna (2004)**

EPZs that make up for infrastructural deficiencies and procedural complexities offer a more conducive investment climate and are therefore expected to be instruments for boosting export performance in general, in developing countries in particular. Trade related infrastructure and institutional framework are generally deficient in these countries.

Results of our surveys, contrary to the expectations, show that fiscal incentives are considered very important in determining the attractiveness of the zones. Over 85 percent of the respondents regarded them very important. Over 62 % of the respondents indicate that labour laws are highly stringent.

Though the gross exports, foreign exchange earnings and employment increased phenomenally in absolute terms, their growth rates declined substantially. Growth in exports per unit of employment also slowed down indicating deterioration in the export performance. SEZs are expected to induce dynamism in the export performance of a country by eliminating distortions resulting from tariffs and other trade barriers, the corporate tax system, excessive bureaucracy, and missing infrastructure.

### **Sheth Jagdish (2004)**

To be globally competitive, Indian industry needs to invest in quality and reputation. A casual approach is just not acceptable anymore whether it is global branding or domestic branding or design and research. Design, in fact, is a very strong competitive advantage for India, probably even more than R&D and global

supply chain. It is very likely, however, that India will become a global R&D hub as well as a nation for global sourcing.

**Venugopal P N (2005)**

Author did a survey in Cochin Special Economic Zone and found that 55% of the total workforce is made up of contract workers who do not enjoy any of the benefits and privileges that regular employees do. Workers are not paid as per minimum wages. The workers, once they enter the premises do not have any contact with the outside world. Exploitation is not limited to the blue collar jobs; even the sophisticated Information Technology jobs here come with a millstone around the employees' necks, in the form of 'traineeships'. Employees are appointed as trainees for eleven months on meager wages, and then their employment is terminated. They are then reappointed again as trainees after a reasonable lapse of time and the trainee cycle continues for any period of time you are willing to let yourself be 'trained'.

**Liu Haishan (2005)**

China's SEZ serve not merely as an economic growth strategy but are also used as a tool of political control. This, China's SEZs are the officially selected strategic areas in which special policies and laws are made to attract international and domestic investors to facilitate industrial restructuring upgrade and to strengthen the party's political rule in order to achieve national modernization, urbanization and globalization.

The record of china's SEZ's experiments with limited capitalism has exposed "SEZ as a dangerous revolution" on the two fronts. On the positive side, it has successfully liberated the special zones' economies and raised them to a much higher level at home and abroad compared to their pre-zone relative indices. On the negative side, it has inadvertently created a nest of bad elements such as widespread official corruption, smuggling, prostitution and tuned into a daily occurrence, which may possibly subvert the planned, socialist dominated course of economic reform, if no immediate and drastic counter measures are devised and universally applied.

**Burman Anirudh (2006)**

Civic administration within an SEZ shall also be a cause for great concern. While all employees and workers in whitecollar jobs shall be assured of a comfortable lifestyle, the low-end workers have the most to lose. Whether the government shall be able to meet its constitutional and international obligations with respect to global labour standards, is a question time will tell.

**Bhandari Amit & Almas Heshmati (2006)**

Study reveals that casual workers are discriminated against the permanent workers. We find a substantial wage gap exists between permanent and contract workers where contract worker earn 45.5% less than their counterpart. Thus, there is an ample possibility of discrimination which is attributable to the cost cutting strategy of firms. Clearly the use of contract workers is perceived as a cost cutting device which is one of the common phenomenon in the present globalized world. In spite of being used as a cost cutting mechanism the important fact is that the increasing use of casual workers might discourage work effort of the workers for not being

able to acquire enterprise specific skills which mitigate the advantage to the firms to take benefits from their prior work experience.

**Howard W. French (2006)**

Shenzhen owed its success to a simple formula of cheap land, eager, compliant labor and lax environmental rules that attracted legions of foreign investors who built export-based manufacturing industries. There are 7 million migrant workers in an overall population of about 12 million. While grueling labor conditions exist in many parts of China, Shenzhen's gigantic plants, employing as many as 2,00,000 workers each, have established a particular reputation for harshness among workers and labor advocates. Monthly turnover rates of 10 percent or more are not uncommon, labor groups say. In Shenzhen's blue-collar neighborhoods, thick with fetid workers' dormitories, the frustration with hard labor, merciless factory bosses, low pay and miserable living conditions is palpable.

**Aggarwal Aradhna (2006)**

Furthermore, it is instructive to note that SEZs do not embody dynamic forces that can point towards sustainable development. In the long run the competitiveness of SEZs can be sustained only if economy wide investment climate is improved. The key to successful industrialization in the long run thus lies in shaping the existing institutions such that they drive firms towards an outward orientation and technological upgradation; the creation of zones which offer the easy option of competing on the basis of cost minimization should only be treated as a transitory policy arrangement. Zones should not be considered the best policy option for long-

run industrial development. Thus, the establishment of EPZs should not be regarded as a substitute for pursuing institutional and infrastructural improvements.

### **Menon Ramesh (2006)**

There is a distinct possibility that many existing manufacturing units would shift base to the SEZ just to escape tax. The SEZ would be a great place for them to park as it would not only be better in terms of doing business but also help them reap huge tax benefits making their profits soar. The enthusiasm that the government has in setting up the SEZ's underline an ugly fact that even after five long decades of independence, we still do not have the kind of decent infrastructure in the country that should have normally been the case. Services should have been available to all, but it could not be created and so now, there will be special areas demarcated for special people. The others will continue to live without power, water, roads and green areas. Islands of prosperity where the rich are ecologically subsidized are okay, while the lesser mortals live on the fringes

### **Tyagi Vinay et al (2007)**

China emphasized on establishing zones which were very big in size. Shenzhen, which is the largest SEZ, has an area of 33,000 hectares. In case of Hainan, the entire province was declared as SEZ. Unlike China, India's focus is not so much on FDI as on generation of economic activity. The philosophy driving India's policy is to boost manufacturing, generate jobs while attracting FDI. In the context of infrastructure, it is also important that while locating a SEZ, the connectivity factor to the hinterland be kept in mind. Another very critical issue is that of labour. Flexibility in labour laws within SEZs, perhaps on a pilot basis, will help attract



investors. Lastly, it is important that there is stability in the SEZ policy in the country. Frequent modifications in the policy will only detract serious investors from investing in SEZs.

### **Kujur Rajat Kumar (2007)**

More than a decade of opening of India, the Special Economic Zone (SEZ), probably has become the most controversial economic reforms announced in recent time. While some consider it as India's supersonic engine of growth, others severely criticize it as the latest land grab instrument in the hands of the industrialists. Serious discourses on models of development, displacement and rehabilitation, employment generation, foreign investment, primacy of industry over agriculture are being raised in justification as well as against the whole concept of SEZ.

### **Aggarwal Aradhna & Rajiv Kumar (2007)**

China has six SEZs spread over more than 40,000 square km area, compared with 2,000 sq. kms.in India. Large SEZs on the Chinese pattern may not be suited to our conditions because India does not have vast tracts of contiguous land located close to ports.

The finance ministry initially put the loss of tax revenue at Rs. 93,000 crore and later revised it further upwards to Rs.1,02,621 crore for the four year period 2006-07 to 2009-2010. Critics of SEZs happily quote this figure without recognizing that this estimate includes loss from indirect taxes, which are not supposed to be exported under any fiscal regime

### **Bijoy C R (2007)**

SEZs will aggravate regional disparities. Over three-quarters of all approved SEZs are located in six States – Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra and Tamil Nadu. Maharashtra and Andhra Pradesh alone account for more than a third of all approvals. These states are all relatively well developed States with high industrial capacity. These are also highly urbanized with the partial exception of Maharashtra. Obviously, investment is channelized to areas of high levels of industry and investment which further propels these states to showcase their ‘success’ further.

The working conditions, in the context of the relaxed application of labour laws, could continue the turnover rate of 30% or 40% seen in the erstwhile EPZs. Labour abuse and violence in EPZs has led to consumer movements in the US for instance, demanding multinationals to respect labour rights. Workers are told that they could not organize trade unions because of the ‘zone’ status which are declared public utility services, a designation under the Industrial Disputes Act, 1947. Labour inspectors are reportedly issued orders by the Commerce Ministry not to visit the zones without prior permission from the Ministry. There is also the unemployment caused due to land acquisition or change in land use in and outside SEZ. The long term impact such as impact of pollution and change in land use in the surrounding areas could be colossal if one is to go by past experience.

### **Rob Jenkins (2007)**

Over time, complaints about SEZ implementation became so widespread, and the land acquisition abuses followed such a predictable pattern, that the central

government's response – that problems were the result of faulty actions taken by state governments began to ring hollow. The conceptual firewall between policy and implementation was revealed as spurious: if implementation could be so consistently abusive, then there must be something wrong with the policy framework. The defenses against political blame were proving less robust than the centre's political strategists had hoped, and their faith in the political management capacities of states was appearing decidedly misplaced.

**Goswami Bhaskar (2007)**

In a country with 65% of the population depending on agriculture as a means of livelihood, industry ought to be complementary to agriculture. Through SEZs however, industry is being promoted at the cost of agriculture. Valuable resources spent to create SEZs will be at the cost of building better infrastructure for the rest of the country, something that will affect both the domestic industry as well as agriculture.

**Gopalakrishnan Shankar (2007)**

SEZ's are not likely to achieve many of the economic goals set out for them, even those that traditional EPZ policies aim to achieve. New investment at the current estimated levels is impossible, and therefore such levels would require shifting of existing investments. Exports are unlikely to grow in the absence of any requirement for significant exports and given the WTO bar on export subsidies.

Employment will not grow by a significant amount. Revenue losses will be extreme and wider economic effects dangerous. In short, the policy provides too many incentives, on too broad scale, in a governance and legal framework that binds the

hands of Parliament and the Centre but allows a free hand to investor capital. As with most such policies, some small static gains, such as the creation of some jobs, a rise in a few export sectors (pharmaceuticals, automobiles, etc.) and a one-time general export growth are used to dazzle, while ignoring the resulting economic costs. These include resource diversion, increased external vulnerability, revenue losses, and economic instability caused by rising speculation and the disruptive effects of SEZ competition on the domestic market. Such a wholesale transfer of power to large capital is unviable even within the terms of purely economic measures.

### **Erlend Reigstad (2007)**

As for special economic zones much remains to be seen in India. So far it has been next to insignificant, but there has been a tremendous buzz and development in recent years. If India can manage half the benefits experienced by China it should be worth the try. This, however, can only be achieved by including the rest of the economy. Beside, China really is a world apart, a mere change in lingo from export processing zone to special economic zone (to copy the large neighbour in the east) will not matter unless some of the zeal to achieve economic growth is also copied.

### **Mukherjee Rahul (2007)**

#### *State Government-Investor Synergies*

Investment was aided by the pro-active nature of certain states willing to push export oriented investments in certain sectors rather than the success of the single window clearance in the Development Commissioner's office. Industrial bureaus of states governments brought out good investment packages in conjunction with SEZ

benefits. This helped them attract big investors to their states. They worked hard to woo good investments, with the hope that if one major player gets convinced, it will be easy to convince others. States like Tamil Nadu and Andhra Pradesh succeeded in attracting investors who would have otherwise found a place in countries like China, Vietnam and Malaysia.

### *Investor Strategies*

Land acquisition must be preceded by a generous rehabilitation package. The people of the area must be convinced that what they are getting in return for giving up their agricultural land and traditional livelihoods will improve their economic and social conditions.

### **Gopalakrishnan Shankar (2007)**

Chinese SEZs were criticized by significant sections of the Chinese leadership themselves. The zones dazzle with foreign investment and technological booms; they also have a dark side that is rarely acknowledged. As such, the Chinese experience should be read not only as a model but also as a salutary warning.

### **Aggarwal Aradhna (2007)**

Employment generation, both direct and indirect, has thus far been the most important channel, through which SEZs have impacted on human development and poverty reduction in India. Due to stagnation, their ability to absorb surplus labor has been declining. This is manifested in the declining employment elasticity of exports. It can only be reversed if fresh investment is attracted to SEZs. Most of the workers in the zone are women and they can easily be exploited. Zones'

contribution as an engine for promoting new knowledge, technologies and innovations through technology transfers and technology creation has however been quite limited till now. Zones are dominated by medium tech activities and most firms are involved in contract manufacturing, which leaves little scope for R&D activities.

The key objective of economic development is to maximize the positive human development and poverty impacts. SEZs have the potential to enhance human capabilities. But for this potential to be realized, the government must devise strategies to strengthen the opportunities that are likely to emerge, protect interests of the SEZ workers, and forge linkages between SEZs and the domestic economy.

#### **Upadhyaya Himanshu (2008)**

A review of much touted Special Economic Zone policy in a recent Comptroller and Auditor General Audit report confirms doubts expressed by economists that it will lead to undue favours to corporates at the cost of substantial erosion in revenue earning for State. The CAG revealed in audit scrutiny that the policy had not prescribed the extent of foreign exchange that should be earned by an SEZ unit through actual physical export and that which could be earned through deemed export in DTA, to comply with positive NFE provision. Deemed exports in the DTA do not earn any foreign exchange. Units are showing DTA sales (72%) in calculation of Net Foreign Exchange Earning calculation.

#### **Chatterjee Vinayak (2008)**

In India, SEZ development has been pushed only by an enabling policy framework, and left to market forces. This might see the country dotted by more than 1000 or

more relatively small zones. Economic historians will then be well within their right to question the iniquitous nature of SEZs and why SEZ like facilities could not have been extended to the entire domestic tariff area.

**Khan Saeed (2008)**

Though, SEZ policy adopted by India to support economy in a big way, the conversion of fertile land into industrial land may create food crisis in near future. The use of the wasteland available in India (around 552692 sq. km) for SEZ development will ensure that the farmers are not displaced from their farmland, the development not concentrated near cities and the fertile land will continue to be used for agricultural use.

**Chaterjee Sumana (2008)**

It is necessary to develop zones as industrial clusters of specific products. The backward linkages would benefit the growth of accessories units as well.

The zones should specialize in terms of economic activities depending on the availability of human capital, resources and infrastructure in the region. They thus tend to transform into horizontally integrated industrial clusters, which include industries that might share a common market for the end products, use a common technology or labor force skills or require similar natural resources. It seems, therefore, that it would be desirable to develop zones as industrial clusters of specific products. This may encourage downstream industries also.

The government must slow down the process of giving approvals. This is important not only for social or political reasons but also due to economic realities. She also suggest to restore STPI and EOUs benefits.

**Pillai Manoj (2008)**

The success of any government policy depends upon its efficient implementation; and proper coordination between various ministries is an essential facet of it. Finance Ministry and Commerce Ministry are two main establishments of the Union of India as far as policy formulations on economic affairs are concerned. Serious differences of opinion have developed between these ministries and this may jeopardize the entire concept of SEZs in India. It is essential that both these departments work with full cooperation and coordination, so that the concept of SEZs will succeed in India.

One of the most controversial aspects related to the present SEZ legislation is the speed with which the Indian Government is sanctioning private proposals. Critics believe that it could lead to locking up of vast agricultural land. The Union Government of India should evolve specific guidelines and directions regarding the development of social infrastructure in these areas such as schools. Prime importance should be given to schools, houses, hospitals, water and sewage treatment plants in these areas.

**Nema Pradeep & Pradeep Pokhariyal (2008)**

Author propose to increase the minimum size of SEZs and should concentrate on establishing the large size quality SEZs instead of concentrating on large number.



We should focus on the development of the SEZs in the small and midsize cities and to facilitate the cheap transportation preferably in coastal areas.

Government should ensure that the sites boost the overall growth of country. Developing SEZs in states which are lagging compared to other states can help to alleviate the inequities which will boost overall consumption. The size of domestic market as seen in case of China is equally important for attracting investment.

### **PriceWaterhouse Coopers (2008)**

The total area of the five major SEZs in China is less than 1% of the whole country, but the GDP of these zones accounts for more than 7% of China's GDP, a fifth of the country's trade, and one-fifth of FDI. The rate of growth of these zones has been double the national average.

### **Malhotra Shavin (2008)**

A possible explanation for the increase in the number of zones and firms operating in them is the continuous changes made by the most countries in improving incentives and upgrading the status of the zones by adding higher value added services.

### **Dey Ishita (2008)**

In the name of public utility services, the special economic zones are not only encouraging entry of global capital but also facilitating and ensuring the supply of sweatshops for the private players through Special Economic Zones.

As discussed through the institution of parallel local authorities in the existing panchayat areas or municipal areas the “state” is creating two parallel structures of entitlements. These structures are legally sanctioned through separate laws so that none overlap and interfere with each other. The non-interaction of these two spaces produces a unique set of entitlements under different socio-economic conditions producing divisive politics of ‘citizenship’.

**Zaw Aung (2008)**

The developer or investor shall bear the expenses of transferring and paying compensation of houses, buildings, farms and gardens, orchards/fields, plantations on land within the Dawei Special Economic Zone permitted by the Central Body if these are required to be transferred. Moreover, he shall carry out to fulfill fundamental needs of persons who transfer so as not to lower their original standard. The relevant Management Committee shall coordinate as may be necessary for the convenience of such works.

**PriceWaterhouse Coopers (2008)**

With a large-scale migration of population from rural to urban areas taking place, there is also a need to ensure adequate social infrastructure like houses, hospitals, schools etc. This aspect is often ignored by critics of the SEZs on the grounds that in the garb of developing non-processing areas in SEZs, developers would actually be conducting real estate business.

### **Ananthanarayanan Sriram (2008)**

SEZs in Bangalore, Delhi, and Noida have cases of workers getting below minimum wages, working six or even seven days a week, and getting laid off with no notice for trying to unionize. The SEZ scheme also seriously affects the environment in and around the area of development. The units in the SEZs suck out the ground water and destroy the surrounding natural environment, in addition to destroying formerly alluvial soil that produced high-yield crops.

### **Dhingra Tarun et al (2009)**

Studies indicate that proximity to supplier/resources, availability of infrastructure, government and institutional support, quality and availability of men, machine, money, and materials are the important factors affecting the location of a firm.

### **Gopinath D (2009)**

The introduction of the SEZ programme as a model for economic development has been met with various initial reactions. On one hand, there are concerns that corporate investments bringing about the SEZs could result in greater inequality in the local arena, for instance there could be tensions between local economies (centered on small enterprises, including small-scale textile looms, plastics recycling, mechanical fabrication units) and ‘corporate economies’ (developed by multinational investment supported by state-led initiatives for mega-infrastructure projects). This is in addition to the fact that not only has the number of sanctioned SEZs exceeded the expectations of policy makers, but also that there is now an uneven distribution of SEZ investments across the country, which only a stronger central government intervention can possibly address.

**Amitendu Palit (2009)**

An important lesson that emerges in this context is that zones cannot contribute meaningfully unless policy parities prevail. Furthermore, the quality of zone administration that was earlier pointed out as one of the key determinants behind the success of zones, also assumes importance.

The dominance of IT zones among approved SEZs has given rise to inevitable questions about whether the current SEZ boom is essentially an IT boom, and more specifically whether the SEZ policy has resulted in industrial ‘relocation’ of IT units by creating large gaps between incentives available in SEZs and elsewhere.

Most of these concerns can be effectively addressed if country authorities take steps for creating efficient linkages between zone and non-zone segments. In order to do so, it is important for zones to come up in locations where connectivity is not poor. India’s earlier experience with EPZs shows that remoteness can be counterproductive to zone growth. In this context, it is essential that SEZs should not be construed as instruments for industrializing backward areas.

**Kasturi Kannan (2009)**

The policy makers seem to operate on the premise that once India provides the infrastructure for manufacturing and a tax free regime, the availability of cheap labour and raw materials will secure India a competitive advantage. But all these have been available in China for some time. More importantly, China has also invested in skills and training of a large work force that mans its export factories; India is far behind in this respect. The evidence on the ground is that FDI recognizes India's specialization in cheap IT and ITES alone as of now.

**L. Lakshmanan (2009)**

No doubt, the SEZs are promoting infrastructure and also instrumental in increasing manufacturing growth and thereby exports. But the growing number of SEZs with sector-specific small sized fragmented zones may not yield the desired results. Therefore, at this juncture, the SEZs will continue to stay in India, but a balancing strategy needs to be adopted to safeguard the interest of all constituents.

**Shah Deepak (2009)**

Policy assumes that a significant rise in private investment in SEZs and consequent increase in exports would result in higher employment opportunities. The estimates reveal that about 22-25 lakh job would be created in new generation SEZs with an investment of Rs. 1,00,000 crore. However, this works out to less than 0.5 percent of the total workforce in India which is estimated at 45 crores. This means that SEZ may not have major impact on employment pattern in India. Exports not exceeding 5 percent of total exports in India.

**Vaidya Chetan (2009)**

Key challenges in the SEZs programme thus will be decentralization and delegation of powers to local and State Governments and ensuring their participation in the management of the entities. These are essential actions needed for long-term success of SEZs. Development of SEZs needs to be integrated with existing Master Plans and Regional Plans. There is need to develop regional/sub regional plan around the SEZ areas. Here, State Town and Country Planning/Urban Development Authority should play a key role. Thus the populations of these towns are not deprived of participating in urban governance.

**Jonathan David Zones (2009)**

Indeed, the potentially positive economic impacts of SEZs have been touted by various politicians since the passing of the act. As well, major global corporations have set up operations in such zones. The business angle of SEZs should be even more pronounced at the national level, given that in spite of the anti SEZ resistance in Nandigram, SEZs were still being set up at breakneck speed across the country. Indeed, SEZs do have the potential to have large economic impacts on the country.

**S Narayan Menon & Soumya Kanti Mitra (2009)**

It is vital that infrastructure building should not be confined merely to the immediate operating environs of coastal SEZs. They must be laid out in a manner that enables SEZs to dot the entire economy, including the hinterland. The locations for the new SEZs should be selectively done so that they spread development and address existing regional imbalances. Only then will SEZs fulfill a public function by sourcing inputs from all across the economy – lowering costs, raising value-addition and hiking living standards all around.

**Mukhopadhyay Partha & Kanhu Charan Pradhan (2009)**

The SEZ policy is likely to generate costs (in lost fiscal revenue) without corresponding benefits (additional employment). Since the SEZs are being located close to existing industrialized areas, new activity in existing firms, which would have happened in the normal course of events, may now be located in the SEZs, since the distance-induced costs are minimal. In some cases, this may encourage firms to move an existing activity from its current location to a SEZ. This, while not

generating additional economic activity over that which would have already occurred, will result in fiscal losses.

**Sivaramakrishnan K C (2009)**

One important issue of jurisprudence is the validity or otherwise of the use of eminent domain for acquisition of land for SEZs. The High Courts, e.g. in the decision by Chief Justice S S Nijjar and Justice P C Ghosh of the Calcutta High Court in the Singur case, and now even the Supreme Court seems to reinforce the validity of acquiring land for “economic development” and the application of the eminent domain principle for that purpose. Justices C.K. Thakker and D.K. Jain of the Supreme Court in their judgement dated September 5, 2008 dismissed a complaint against the Andhra Pradesh Government for acquiring land for Andhra Pradesh Infrastructure Investment Corporation saying that the Government as a “sovereign power can acquire land for public purpose”, which could include “industrial and other infrastructural developmental needs for the common good of the citizens.” The Court further ruled that any project which brings foreign exchange and creates employment is for a “public purpose”.

**Nicola A. V. Virgill (2009)**

Data on EPZs is scant. The International Labour Organization is the only organization which currently and systematically collects data on export processing zones. Additionally, because there are different ways allowed under international trade and national statistics rules for accounting for EPZ exports, no consistent measure exists for EPZ exports. This analysis could be improved however through case study methodology.

The analysis suggests that countries need to undertake some important reforms in order to attract EPZs. In this sense, EPZs are indeed complements to reform measures. Indeed, EPZs are not emerging in the most distorted economies. The important reforms are related to improvements in governance, competitiveness and financial sector development. Countries must also reduce the overall costs of doing business in the economies if they are going to attract EPZs.

**Singh Jaivir (2009)**

The act of shifting the implementation of labour laws from the Labour Commissioner to the Development Commissioner undoubtedly generates a conflict of interest in the office, generating costs to the extent there is an inducement with the office not to privilege labour interests in relation to those of employers. Apart from such costs reflected in terms of incentives of the office yet other costs are generated in terms of the competency of the office to deal technically with labour matters. These costs could have been mitigated to the extent reform in the legal regime governing labour were to be targeted at the office of the Labour Commissioner rather than fragmenting the office by vesting the very same powers of the office with the Development Commissioner.

**Sharma Naresh Kumar (2009)**

There are theoretical grounds and empirical evidence to suggest that at the worst the SEZ policy can lead to serious and adverse consequences including social conflict, civil strife and breakdown of democratic institutions. It is also likely to lead to increased inequalities, and possibly shrinking of economic space for the ordinary people by making their production more unremunerative.



### **Centre for Education and Documentation (2009)**

Actually, in the name of ‘development’ we are only creating disparities with wealth in a fewer hands and nowhere near making growth ‘inclusive’ which would be based on the concepts of sustainability, ecological sensitivity and an ingrained understanding of the cultural roots of a people.

### **Chatterjee Rumjhum (2009)**

Key characteristics of successful land acquisition. (1) Avoid Productive lands, (2) Open direct communication channels with locals, (3) Equitable benefit sharing, (4) Coordinated corporate communication, (5) No political alignment. Gaining prior, free, and informed consent from local communities is a key determinant of success or failure of land acquisition for businesses.

### **Nutan Shashi Tigga (2009)**

In August 2007, the Government of Gujarat announced a Township Policy, which aimed at the development of integrated townships through private and market initiatives operations but with the attainment of public policy objectives of employment generation, inclusiveness, quality of living environment, and financial and environmental sustainability. This public policy is the first of its kind, paving the way for ‘a private city with public policy objectives’.

### **Datta Sankar et al (2009)**

It appears that land acquisition has been sensationalized more than it has been studied. To address the shortcomings in this regard, it is necessary to learn lessons

from both successes as well as mistakes made in the land acquisition process. Livelihood issues need to be addressed with a long-term perspective. Several solutions are available which are fair to the Project-Affected Persons (PAPs) and yet enable infrastructure and industrial projects to be commercially viable. The shift from non-participatory to a community based approach as well as the recognition of user ship rights of the landless and location value of land (in addition to productive value) for determining compensation level is essential. Benefits need to be disbursed in a manner which ensures long-term income rather than a one-time windfall, and this should be combined with education on how to handle finances. Part of the windfall gains should be mopped up for investment in natural capital (such as afforestation), physical capital (schools and roads), human capital (vocational skills) and social capital (self-help groups). PAPs should be given assistance by specialized R&R agencies in all these processes.

### **Mukhopadhyay Partha (2009)**

The failure is not so much of the SEZ concept as the fact that the existing governance of the process does not inspire confidence due to an inability to define priorities, and regulate and manage the phenomenon called SEZs. The government baldly accepts averments that half a million indirect jobs will be created from a 15 hectare zone. It appears to have no standard, even within sectors, for appraising a proposal and does not even insist on complete information being provided before an SEZ is notified. While monitoring, it ignores employment and sticks to hackneyed metrics like net foreign exchange earned.

**Jamie Cross (2009)**

It is precisely this disjuncture between how work in an economic zone is imagined in the rural hinterland of Andhra Pradesh and how it is experienced on the factory floor that underpins the discontent of young male workers with post-secondary level qualifications, who carry the weight of their devalued qualifications and their unmet aspirations onto the factory floor.

**Anna P. Y. Tsui (2009)**

Conciliation is not compulsory in Shenzhen SEZ. Parties can also opt for mediation, which is a type of self-regulation between workers and employers within the enterprise. A labor mediation committee may be set up in enterprises or ground level people's mediation institutions, or in towns, villages, and districts. The committee should consist of worker representatives (from the Workers' Congress), trade union members, and members of the enterprise. The committee chairman can be the trade union representative or a chairman agreed on by both parties. Either party can apply to the court to enforce the mediation decisions on certain labor matters in Shenzhen, most labor law enforcement actions are carried out by the Shenzhen Labor Inspection Brigade. The brigade was established in 1989, and it was the first such agency in China. In 2002, headed by the Chief Labor Inspector and two deputy chief inspectors, the inspection brigade had four divisions and an administrative office. The Shenzhen Labor Arbitration Committee was set up in March 1988. In November 2001, the Shenzhen Labor Arbitration Court was established. There were three courts and an office staffed by 29 people. It was also the first such organ in China. As of 2002, there were around 200 full-time and part-time arbitrators from the Shenzhen Labor and Social Security Bureau, Municipal

Federation of Trade Unions, and other government departments, and each arbitrator was responsible for 80 cases a year. In the workplace there were more than 1,500 mediation committees with more than 5,000 mediators, but the coverage was a mere 2 percent.

### **Singh Dharminder (2009)**

For the last 60 years, we are claiming that we have a democratic country. But, where has our democracy gone when the land of the farmers is grabbed forcibly by the government at low prices? No policy, no scheme can be successful without the co-operation of the people. If the government wants to ensure the success the SEZ scheme in India, then SEZs must be set up on non-agricultural land and the government must consult with the farmers before acquiring their land. One thing which should always be borne in mind is that agriculture and industry are the main wheels of the country's economy and so there is a need to strike a fine balance between them.

### **Seshadri Triyakshana (2010)**

All the examples stated in study indicate that big private sector developed infrastructure for SEZs in India is far from reality. They also highlight that a successful multi-product SEZ is not feasible without the state government as a partner in the venture. Therefore, even with successful SEZs the government has a significant share in infrastructure development, which seems to defeat the objective of the SEZ policy.

**Vaddiparti Neha & Sheela Prasad (2010)**

It is very ironic that when lands remain with the poor either for agricultural purposes or as commons they almost have no value attached to them with no state policy favoring subsidies or investments to develop these lands but as soon as the very same lands are handed over to private players in the name of public purpose, they gain a value that increases many times over. A whole range of support policies spring up about the same. Land is treated as a transferable commodity in the market with no focus on people or their livelihoods.

**D Nagayya & T V Rao (2010)**

The dominance of IT sector units in the SEZ route, which has received 61.3% of formally approved SEZs in the country so far, is highlighted as not a healthy sign in the development of world-class infrastructure through SEZs. Size and infrastructure that characterize SEZs in the rest of the world were never in the minds of the policy makers in India. The largest multi-product SEZ planned in India is only about 30-40% of the size of the smallest SEZ in China.

If the SEZ policy is to provide a real economic impetus, especially in the form of creation of world-class infrastructure, the minimum size for multi-product, multi-service, and sector specific zones should be much higher, compatible with international norms. Pricing of land, and the resettlement and rehabilitation policies should be far more humane and realistic, keeping in view the benefits accruing to the SEZ units in future periods. Current phenomenon of mushrooming of small SEZs largely of IT/ITES only in and around major cities, should be reversed for minimizing undue burden on the weak urban infrastructure.

### **Seshadri Triyakshana & Virgil Henry Storr (2010)**

Indian export promotion policies did not fail because of bad design or implementation. Indian export promotion policies failed because of the knowledge problems associated with a government planning agency determining where to locate a zone, what industries to promote within a zone and which firms to allow in the zone. They failed because the Indian government pursued a top down export promotion strategy rather than a bottom up strategy. In addition, encouraging existing clusters rather than trying to develop new clusters would likely offer more rewards than the current zone based development strategy. Similarly, removing spatial constraints on new ventures would also allow entrepreneurs to use the economy of existing clusters and developed regions and thereby be better able to innovate and develop the economy.

### **Tantri Malini (2010)**

As a way out, we argue that the government should follow a selective approach in promoting SEZs under different sectors, specifically those “target sectors” as identified under various EXIM policies. While doing so, the government can integrate SEZs within a broader development policy framework.

In some cases units are found to shift their base from non-SEZs to SEZs due to tax incentives, then the government should prioritize sectors which need to be developed, rather than allowing private investments to decide the location and sectoral composition of SEZs. Such an approach can not only arrest the problem of regional imbalances in SEZs expansion but can also be used as an effective strategy to promote a strong industrial base in the country.

**P Murugesan & P K Bandgar (2010)**

In the backdrop of a slew of controversies and social unrest confronted in Singur, Nandigram in West Bengal, Raigad in Maharashtra and other parts of India, it becomes imperative to design and implement a firm-friendly pragmatic and scientific approach towards promoting SEZs in India. Therefore, a more appropriate development strategy is one, which has a vision of developing both agriculture and industry simultaneously. This calls for concerted efforts from all angles to convert the huge amount of waste land into 'industrial enclaves' without hurting the growth of farm economy. It would be more appropriate to quote China when Chinese leader Xiaoping found merits in converting a backward fishing village of Shenzhen into an SEZ policy in 1979. This meticulous initiative has lessons to emulate in countries like India.

**Loraine Kennedy (2010)**

Yet another criticism is that SEZs are not creating a new manufacturing base since almost 70% of total SEZs are in the information technology and services sector, where India's specialization was already confirmed. Although the IT sector is performing very well, it does not absorb large quantities of labour, whereas creating new employment is perhaps India's most crucial challenge if it is to realize a peaceful transition from agrarian-based to industrial and service economy.

With the global financial crisis, the development of SEZ projects has slowed down, and many have been put on hold. In addition to the sharp reduction in international demand for exports, which has dampened enthusiasm for SEZs, promoters have had difficulty accessing credit. There have been several requests from promoters for de-

notification of their projects, an eventuality that the law had not anticipated. In some ways, it looks like the SEZ experience is losing steam even before it could reach cruising speed.

### **Mody Anjali (2010)**

Protests against SEZs have had success in some quarters. In general, however, they have not made a significant dent in how the policy is implemented on the ground. This is perhaps because their concern is with the consequences of industrialization and SEZs are only one aspect of the larger story. India's SEZ policy appears to be another successful government 'scheme' for business. The manner in which the policy is continually being shaped through concessions and rule changes suggests that it is not merely responsive to the needs of business but also open to regular reinterpretation at its urging. A question mark, however, hangs over the government's stated policy goal employment generation, industrialization of backward areas and export led growth.

### **Choudhary Koel Roy (2010)**

There is increasing evidence of usage of child labour in factories in China. School children are increasingly becoming part of the required workforce. In some coastal and particular economic zones, such as Fujian and Guangdong, there are reported to be approximately four to five million child labourers under the age of 16. Today 60% of the workers engaged in the SEZs are females. Most of female workers are employed in unskilled, low paying and labour intensive factories. There are many



cases of harassment of women in SEZs. Despite provision in the Chinese labour laws regarding maternity leave, many factories refuse to abide by the law.

**Sharma R N (2010)**

In contrast to the foregoing scenario, the case studies from Tamil Nadu and Gujarat states are highlighted which provide evidence of large scale acquisition of agricultural lands for industrial projects, without much backlash from the affected people. SEZs have ignited civil society groups to mobilize people against the very paradigm of development which alienates people from their sources of survival. In Jamnagar region two major oil refineries have been set up by two leading business groups - the Reliance and the ESSAR. Reliance acquired around 6000 acres of lands, while the ESSAR acquired 1200 acres of lands. In both the cases, though Gujarat government helped the projects to get these lands by invoking the Land Acquisition Act, the fact remains that higher prices were negotiated and offered by the business houses to the land-losers.

**Rawat Vidya Bhushan et al (2011)**

In the survey, respondents claimed that evictions were carried out in a coercive manner with little consideration of the negative impacts on the affected. It is claimed that in some cases, trees were felled and crops destroyed so that the villagers would provide less resistance to the land acquisition. More than half the respondents (55%) stated that they were given no notice of eviction but had to leave immediately; 37% of the respondents stated that they were given one to three weeks' notice to vacate the lands. The local revenue administration and local political representatives are accused of using coercive tactics, including consistent

threats that compensation amounts would be reduced if the land were not transferred to the APIIC.

### **Tantri Malini (2011)**

It is observed that the relatively better performing zones are those that are located in developed states rather than in less developed states. This indicates that regional disparity is not only reflected in SEZ performance, but also that they could hardly address such imbalance. Further, the intensity of problems is likely to be magnified considering the concentration of newly notified SEZs in a few regions within a few developed states. The size of a zone does not seem to play as an important role in its performance as the concentration of exporting units and sectoral composition. Despite their status as separate economic entities with privileges and benefits not available to rest of the economy, these enclaves were equally susceptible to changing fortunes of the world economy.

### **Mee Kam Ng (2011)**

Designated as the first Special Economic Zone (SEZ) in China, Shenzhen has grown from a city with a population of about 0.3 million in 1980 (Shenzhen Statistics Bureau, 2002, p. 44) to 8.9 million in 2009 (Shenzhen Statistics Bureau, 2010, p. 28) though informal estimate runs as high as 14 million. Riding on the preferential policy bestowed by the central government, the SEZ has experienced extraordinary growth. While the city's GDP in 1979 was a mere RMB196 million, it has attained an annual growth rate of 25.8% in the last 30 years and GDP reached RMB820 billion in 2009 (Shenzhen Statistics Bureau, 2010, p. 30).

**Madalina Giorigiana Mangra et.al (2011)**

Shenzhen has become a huge industrial city confronting challenges that threaten its prosperity, has been built rapidly on labor-intensive processing and manufacturing, and must deal with challenges arising from earlier success and recent developments within and beyond its borders (Shenzhen suffers from a lack of overall planning).

**Michael Levien (2011)**

While one could imagine a society in which the disjuncture between the slots created by accumulation and the position of those being dispossessed for it was not so great, perhaps making accumulation by dispossession less traumatic, this paper suggests that under the current political–economic conditions and trajectory of India, this process is likely to deprive the poor of productive assets and food security, amplify existing class and caste inequalities, and reproduce exploitative social forms while generating rentier and non-labour-intensive production that will marginalize or only precariously employ the dispossessed.

**Seshadri Triyakshana (2011)**

The motivations and location choices of these zones also vary between countries. Some zones such as the Mexican maquiladoras and Shenzhen in China have utilized proximity to trading partners (the US and Hong Kong respectively) to develop the region. Others such as Kandla in India and Bataan in the Philippines were established in remote areas to follow regional development goals. However, irrespective of the motivation for the development of zones, they have had mixed results with respect to increasing exports, employment and income. In brief, big

private developers have responded to land acquisition difficulties by partnering with state governments that helped to procure the land.

**A Abdul Raheem (2011)**

SEZ is having an impact on human development through three broad channels: employment generation, skill (human capital) formation and technology upgradation. However, the relationship between poverty and employment lies in the extent to which income generated from employment permits workers and their dependents to obtain goods and services necessary to meet minimum needs. Poverty reduction thus calls for the creation of remunerative, regular and good-quality jobs in the labour market. SEZs, if promoted vigorously can therefore act as an initiator in the process of human development and poverty alleviation in India. The role of SEZs in human capital formation appears to be relatively limited.

**Birajdar Shrimant (2011)**

The promotion of SEZ will not result in more exclusive growth. On one hand, India intends to emerge as a super power by 2020 but on the other hand, it would have third rate labour with deteriorating economic conditions with no income security employment security or social security in SEZs which may become industrial enclaves with super profits. The incentives to SEZs are disproportionate to the incremental benefits that may accrue to the nation. There is a need to impose stiffer obligations on the SEZs to justify the incentives.

### **Chelsea Fish (2011)**

The subjective valuation problem in the case of acquiring agricultural land in India is especially acute because people depend on the land for identity, community, livelihood, and security. The sense of injustice expressed by the protesters seems to center not only on the surplus value and other price issues, but the fact that the SEZ policy appears to systematically benefit large developers and industrialists through the consolidation of land, wealth, and market share. It is less easy to see the public benefits, the reciprocity of advantage, of these ostensibly public projects, particularly in the short term. The sense of injustice expressed by protestors may also stem from the fact that SEZs and other infrastructure projects do not generally benefit small or medium sized enterprises in the development stage.

### **Jain Sumit (2011)**

Indian government incurs a net financial loss on the SEZ plan by sustaining greater losses to tax revenue than gains to FDI. In fact, empirical evidence supports this hypothesis. An inclusive SEZ land acquisition scheme could take the form of a point system for Developers modeled upon the BEE initiative in South Africa. This point scheme for Developers is similar to the point scheme suggested above for Units. Under such a scheme. Developers would be required to meet a minimum "Community Inclusivity" points threshold to be eligible to operate in an SEZ. Developers would accrue points for taking various measures that include previous landowners in the development and operation of the SEZ, such as employing these previous landowners, involving them in management, and extending equity ownership to them. To mitigate the financial loss incurred by the Government on the SEZ policy, Units should be subject to meeting export targets. The current SEZ

operational framework requires only that Units achieve positive net foreign exchange earnings.

**Singala Subbaiah (2011)**

SEZ policy should be reviewed and re-visited keeping in view the following factors: (i) land under use for livelihoods should not be acquired for the purpose of establishing SEZs, and that the question of livelihoods of communities facing displacement be looked at holistically and not in a narrow cash/one job-for-land framework; (ii) state governments should neither acquire land for establishing SEZs, nor should they use the Land Acquisition Act for this purpose; (iii) there has to be a thorough review of the existing tax and other incentives being offered to the units in SEZs and to the promoters of SEZs; (iv) the real estate and corruption dimensions of SEZs require to be urgently addressed; and (v) there ought be re-thinking on the location of SEZs in the context of prevailing regional imbalances and sector bias.

**Tantri Malini (2012)**

A scrutiny of the newly approved SEZs in the country further mirrors the mal-adjustment not only in terms of sectoral composition but also in terms of SEZ approval across the states. It is clear that the developed states have received maximum approval and the backward states are lagging even in attracting the attention of investors. This, thereby, indicates the problem of regional disparity, which may aggravate in future if adequate remedial measures are not initiated. Moreover, we know a little about the performance of these enclaves at the disaggregated level and a way to boost the performance of the poor-performing

zones. There is a need to restructure the SEZ scheme in the country, specifically by identifying the problems and prospects in expansion rather than just multiplying the number of such project approval and extending liberal incentive schemes.

### **Wei Ge (2012)**

The effort of SEZ operation needs to be accompanied by policies that address the factors affecting the coefficient of horizontal linkage. Enhancing education; developing institutional and regulatory framework to facilitate technological diffusion and imitation; encouraging foreign SEZ firms to establish business links with their domestic counterparts; and improving information infrastructure and exchange are some of the areas that deserve policy attentions. As the study shows, the concept of SEZ, when implemented properly and treated as an integral component of a comprehensive policy package, may serve as an effective means of promoting greater economic openness and growth.

### **Sharma Surendra (2012)**

SEZ existing policy allows for purchase of goods from domestic companies for development, operation and maintenance of SEZ units. This provision can be fine-tuned with some additional specific incentive linked to such activities (which may be product and region specific). The SEZ's are in a better position to face the challenges of the global market as they are export oriented and can help increase exports by using the SSI capacity also. For the SSI units export becomes very easy as it is next door delivery, while the SEZ can buy from many DTA units to ensure adequate supply. Such region and product based policies linked with SEZ can be for a limited trial period after which their performance can be evaluated to check and

assess their contribution in social-economic development and maintaining the capability of the SSI units. This will ensure linkage of the SEZ with the SSI units putting a large Indian capacity (SSI) in the global market including reviving sick SSI units.

### **Dabas Ajay (2012)**

The reasons for delay and sometimes scrapping of the projects under the scheme can be attributed mainly to lack of foresight while formulating the policy and additional taxes imposed by the Finance Ministry. The rising cost of land acquisition coupled with the new taxation structure made a huge dent on the business viability and profitability of SEZ. Most operating SEZs saw a dwindling of their net margins by 8 to 10 per cent as a result of the new taxation policy.

### **Michael Levien (2012)**

In the survey carried out in Mahindra SEZ in Jaipur, Rajasthan – a random sample of 12 percent of households in 4 villages (N ¼ 94) – indicates that only 18 percent of families who were dispossessed (and 14 percent of families overall) received some employment in the SEZ. Overall, 75 percent of those families who had their land acquired – including 78 percent of those who received employment after being dispossessed – reported receiving more ‘loss’ than ‘benefit’ from the SEZ.

In India, SEZs are the culmination of a long transformation of the state (or states to be more precise) toward becoming the chief land broker for capital. The SEZ developer is a state-appointed capitalist landlord who receives windfall returns by commodifying artificially cheap land expropriated from farmers.



**Basu Amitava (2012)**

India needs to create the enabling environment for SEZs with high quality infrastructure, a liberal and supportive business policy environment, providing necessary push which the manufacturing sector urgently requires. This would help small and mid-sized entities which cannot afford to set up captive infrastructure facilities like large Indian companies to house their units in SEZs with state of the art infrastructure facilities and at the same time share the costs in a large group. And, importantly, coordination among multiple agencies with the common goal for facilitating SEZ is urgent to prevent hijacking the legislative framework by will of regulatory bodies. Lessons from China in regard to location of SEZs close to ports, determination of size of SEZ area, flexible labour laws, and provision for world class infrastructure can provide the required directions.

**Barman Arup (2012)**

It is observed that mere compensation for the land is not enough because the money paid to the farmers will get spent after a few days. In order to avoid this some part of the compensation should be given to the farmers in the form of equity shares of the proposed unit and hence they will be the shareholders in the proposed SEZ/unit. For making this plan successful investment education should be provided to the farmers.

Over the period of several years the SEZ have a huge contribution in the economy but recently it is seen that the development of SEZ is not based on the economic considerations but on political considerations. If this is allowed to happen then the sustainability of the SEZ in India is in doubt. So there is a need for suitable

amendment in the SEZ policy keeping in view the interest of farmers and in the industry both, then only the fruits of SEZ can be consumed in a better way.

### **Mitra Siddhartha (2012)**

On the basis of economic theory and history we can conclude that absorption of agricultural labour is necessary for sustained economic development of a developing country. “Special Economic Zones” constitute a medium for such sustenance. However, the SEZ policy in India has suffered from permission being granted for far too many suboptimally sized SEZs or for others to serve as appendages to mega cities already suffering from overcrowding, infrastructure and a size which far exceeds the optimum. The present ceiling on SEZ size at 5000 hectares does not facilitate the full exploitation of economies of scale in service oriented SEZs and should be scrapped. There are other ways of minimizing peasant unrest during the process of land acquisition for SEZ development. For example, the state can assume the role of a passive provider of a legal framework, information and incentive packages. The onus of land acquisition would be entirely on negotiations between prospective SEZ entrepreneurs and the owners of agricultural land. Mutually beneficial transactions will automatically result if possibilities for any exist.

### **M Levien (2013)**

India’s central and state governments are trying to compensate for low ideological support by offering farmers a greater stake in the accumulation generated by dispossession. Whether material consent to dispossession can be built while retaining its profitability for capital remains to be seen. However, with many

farmers across the country refusing to give their land at any price. India's neoliberal regime of dispossession is likely to remain tenuous for the foreseeable future.

### **1.6.2 Special Literature**

#### **Malhotra Shavin (2008)**

Systematic and recurring findings from this study done for Ph.D. thesis was the general reluctance of zone officials and tenants to respond the surveys. First zone official showed interest in the survey but suddenly they changed their views having knowledge of scope of the study. The administrators seemed unwilling to share any financial information on the zone and refused to offer any help in carrying out the survey.

#### **Asher Manshi (2014)**

Gujarat's recent wave of economic growth has consolidated the political hegemony of socially conservative and economically privileged groups and produced an establishment and a government that exerts strong control over the bureaucracy. Department handling land related transactions are considered the most centralized in their functioning and also the most corrupt. This was revealed in interactions with officials in the revenue department and at the Industries Commissionerate. One Public Information Officer (PIO), when questioned about the lack of transparency in governmental actions, was candid enough to say: 'I am just a PIO in name, the real PIOs are the top bureaucrats, hand-picked by the government to work in favour of the companies.'

### **Basu Nayanima (2014)**

The government is planning to make background checks on new special economic zone (SEZ) proposals mandatory and strict to weed out those who use the tax-free enclaves for other commercial purposes. The department of commerce was working out a policy that would make it mandatory for the board of approval chaired by the commerce secretary to conduct due-diligence on developers applying to set up SEZs. According to the official, developers with no expertise in a particular industry have applied for and obtained approvals for SEZs in the past. According to the official, developers with no expertise in a particular industry have applied for and obtained approvals for SEZs in the past. For instance, a textile exporting company has permission to set up an information technology SEZ. The government has taken cognizance of recent reports by the Comptroller and Auditor General and the Indian Council for Research on International Economic Relations that highlight this issue. State government officials are often unaware of the performance of SEZs in their own states. The Centre has thus decided not to approve proposals unless developers have a record of developing operational SEZs.

### **1.6.3 Research Gap**

Looking at the extensive literature review, researcher has arrived at the conclusion that no extensive study has been done on Special Economic Zone at central as well as at state level. Present study focuses on all notified SEZs in Gujarat. Literatures are scant discussing overall scenario of SEZs in Gujarat.

## 1.7 Research Methodology

Present research is purely a doctrinal study. It is descriptive and analytical by nature. The research is based on primary and secondary sources. Relevant material from primary sources is collected from statutory provisions of the relevant legislation. Researcher filed Right to Information applications (Appendix 5) in various government offices to collect some crucial information which was not available in public domain. Qualitative and Quantitative analysis will be done looking at different aspects of SEZ operation. The researcher has used other secondary sources like books, journals, reports, thesis, dissertations, articles, newspaper, web resources, databases, scholarly commentaries, policy papers, governments notifications & circulars etc. for the present studies.

### 1.7.1 Notified SEZs in Gujarat

There are 417 formally approved, 32 in-principally approved, 330 notified and 205 exporting SEZs in India on May 10, 2016 (See **Table 4**). Gujarat stands fourth in terms of notified SEZ and in exporting SEZs, rank is fifth. There are total 18 notified SEZs in the Gujarat.

**Table 8 :- Notified SEZs in Gujarat**

<b>Sr. No.</b>	<b>Name of SEZ</b>	<b>Type</b>	<b>Notified</b>
1	Kandla Special Economic Zone, Kutchch	Multi-product	November 2000
2	Surat Special Economic Zone, Surat	Multi-product	November 2000
3	Surat Apparel Park, Surat	Apparel	January 2005

4	Reliance Jamnagar Infrastructure Ltd., Jamnagar	Multi-product	April 2006
5	Adani Port & SEZ Ltd., Kutchch	Multi-product	June 2006
6	Zydus Infrastructure Pvt. Ltd., Ahmedabad	Pharmaceuticals	September 2006
7	Gandhinagar Electronic Park SEZ (GIDC), Gandhinagar	EHTP/ITES	December 2006
8	Ahmedabad Apparel Park, Ahmedabad	Apparel	April 2007
9	Synefra Engi. & Construction Ltd., Vadodara	Hi-tech Engineering products	July 2007
10	Dahej SEZ Ltd. Bharuch	Multi-product	December 2007
11	E-Complex Pvt. Ltd., Amreli	Engineering Goods	January 2008
12	Jubilant Infrastructure Ltd., Bharuch	Chemicals	February 2008
13	Aqualine Properties Pvt. Ltd., Gandhinagar	IT/ITES	July 2008
14	Tata Consultancy Services Ltd., Gandhinagar	IT/ITES	September 2008
15	Sterling SEZ & Infrastructure Ltd., Bharuch	Multi-product	September 2008
16	Larsen & Toubro Ltd., Vadodara	IT/ITES	November 2008
17	Euro Multivision Pvt. Ltd., Kutchch	Non-conventional Energy	April 2009
18	GIFT SEZ Ltd, Gandhinagar	Multi-services	August 2011

The researcher has taken those SEZs which have completed at least five years from its notification and operational so that its progress can be analyzed and interpreted accordingly. Thus the researcher has taken total 17 SEZs from Sr. No 1 to 17 for his study.

### **1.7.2 Data Analysis & Interpretation**

For the present study secondary data has been used extensively. Following are the sources for data.

Main source of primary data is exclusive law for SEZ i.e. The Special Economic Zone Act, 2005 and for its implementation The Special Economic Zone Rules, 2006 and secondary data collected through Right to Information Applications filed in following governments offices.

- 1) Department of Commerce, Ministry of Commerce & Industries, Govt. of India.
- 2) Department of Revenue, Ministry of Finance, Govt. of India.
- 3) Department of Information Technology, Ministry of Communication & Information Technology, Govt. of India.
- 4) Ministry of Labour & Employment, Govt. of India.
- 5) Comptroller & Auditor General of India, Govt. of India.
- 6) Industries Commissionerate, Govt. of Gujarat.

Followings are the other sources of secondary data.

- 1) Articles published in National & International Journals.
- 2) Books.
- 3) Working Papers
- 4) Policy papers/articles
- 5) Scholarly commentaries
- 6) Magazines
- 7) Newspaper articles. (Hard Copy and Online).

- 8) Central & State Government websites.
- 9) Government notifications, circulars, clarifications.
- 10) Databases like [www.indiastat.com](http://www.indiastat.com)

Data has been analyzed by using simple statistical tools like chart, figure, table, percentage, ratio etc.

### **1.7.3 Scope of the Study**

Present study is going to analyze Economic & Legal aspects of SEZs and the researcher has confined his study to all notified SEZs of Gujarat region only. Gujarat is one of the top five states in India which has made significant effort in flourishing SEZs in the state.

### **1.8 Limitations of the study**

No study can be without any limitations; this present study is also having followings limitations.

1. Updated information is not available with various governments' websites, offices. There is mismatch regarding information available with central and state government. As per study done by Nicola A. V. Virgill (2009) Data on EPZ is scant. The International Labour Organization is the organization which currently and systematically collects data on export processing zones. Additionally, because there are different ways allowed under international trade and national statistics rules for accounting for EPZ exports, no consistent measure exists for



EPZ exports. This analysis could be improved however through case study methodology.

2. The researcher could not visit specified SEZs taken as sample size for his study in absence of permission from Industries Commissionerate (IC), Govt. of Gujarat. The researcher planned interview with SEZ Developers, SEZ Unit holder and personnel of the units. He requested IC to issue recommendation letter in favour of him so that he could visit SEZs in Gujarat without any trouble and get co-operation from the organizations. One cannot enter in SEZ without due permission from the authority mainly from Industry Department of State, Development Commissioner of SEZs. Malhotra Shavin (2008) during his Ph.D. thesis found that zone officials and tenants reluctant to respond the surveys. First zone official showed interest in the survey but suddenly they changed their views having knowledge of scope of the study. The administrators seemed unwilling to share any financial information on the zone and refused to offer any help in carrying out the survey.
3. Human Development aspects have not been studied properly due to permission issues for visit. The researcher tried to study some aspects of human development with the help of information obtained under RTI Act. Personal interview in SEZ with various stakeholders would have helped him to understand the impact of SEZ on human development.
4. The researcher filed RTI Applications in state and central government departments asking various information regarding SEZs as shown in RTI

applications but unfortunately they are not maintaining most of the information which they are supposed to have/maintain. They just transferred his application from one office to other office and that office to another one as per the procedure laid down in the RTI Act. He received some information about SEZs due to Ministry of Commerce's effort. He has not received any kind of information from the Office of the Industries Commissioner, Gandhinagar, Govt. of Gujarat under RTI application and he has filed second appeal under the RTI Act but no reply has come yet. Till date he is waiting for reply from other govt. offices which would have helped him greatly to evaluate performance of SEZs in the state. This entire exercise helped him to the certain extent but not in significant way.

5. Major statistical tools could not be applied as required data for that not available and have not been provided by the concerned government.

## **1.9 Scheme of Chapterization**

The present study has been divided into five chapters. In the Chapter 1 of the study, the researcher has discussed background of SEZs, followed by SEZs in world, India and finally in Gujarat. He has also discussed objectives, hypotheses of the study, literature review and research methodology in the same chapter. Chapter 2 deals with various legal provisions regarding SEZ in India. Chapter 3 describes the profile of all selected notified SEZs in Gujarat on which entire study is based upon. All collected data have been analyzed and interpreted in Chapter 4. Study ends with conclusion & recommendations in Chapter 5.

The gist of each chapter is as follows

### **Chapter 1 :- Introduction**

First chapter begins with background of Special Economic Zones followed by SEZs in World, India & Gujarat. Chapter explains statement of the problem, objectives of the study, research questions and hypothesis of the study. In-depth review of literature has been done looking at all aspects finding the gap in it for the further research purpose. Research Methodology adopted for the study has been explained followed by limitations of the study. Finally scheme of chapterization is outlined at the end.

### **Chapter 2 :- Legal Provisions Regarding Special Economic Zones in India**

Chapter deals with various legal provisions regarding operation of SEZ in India. It covers exclusive legislation for SEZ, SEZ Act, 2005 & SEZ Rules, 2006 followed by allied laws, Income Tax Act, Custom Act, Excise, Service Tax, Banking, Labour Laws, Environment laws.

### **Chapter 3 :- Special Economic Zones of Gujarat – Profile**

Brief profile of all notified and selected SEZs is given in this chapter covering background of company, product/service, operation and present scenario of particular SEZ.

### **Chapter 4 :- Data Analysis & Interpretation**

Data collected from various sources has been analyzed and interpreted accordingly. This chapter shows various economic and legal aspects of SEZs in Gujarat and their interpretation.

## **Chapter 5 :- Conclusion & Recommendations**

This chapter concludes with outlining various economic and legal aspects of SEZs operation in Gujarat. Researcher has made recommendations looking at present working condition of SEZs in Gujarat. Limitation of the present study is outlined and future scope of study in the present area is indicated.

All list of references, statues, list of SEZs in India, Gujarat, RTI Application/Appeals are in the appendices.

## **CHAPTER 2**

# **LEGAL PROVISIONS REGARDING SPECIAL ECONOMIC ZONES IN INDIA**

### **2.1 The Special Economic Zones Act, 2005**

In this part the researcher has outlined the some important provisions of the SEZ Act, 2005.

#### ***Section 3 :- Procedure for making proposal to establish SEZ***

1. A SEZ may be established either jointly or severally by the Central Government, State Government or any person for manufacture of goods or rendering services or for both or as Free Trade and Warehousing Zone.
2. Any person who intends to set up SEZ may after identifying area make a proposal to the State government or at his option make a proposal directly to the Board of Approval for the purpose of setting up the SEZ. If person makes application directly to BOA and approval granted after that the person concerned shall obtain the concurrence of the state government within the period.
3. State Government forwards the proposal directly to BOA. Central Government after consulting state government suo-moto set up and notify SEZ.

***Section 4 :- Procedure for making proposal to establish SEZ***

1. After satisfying all requirements under section 3, Central Government notify the specially identified area in the State as a SEZ.
2. After the appointed day, the BOA may authorize the Developer to undertake in SEZ such operation which the Central Government may authorize.

***Section 5 :- Guidelines for notifying SEZ***

Central Government while notifying any area as a SEZ or an additional area to be included in the SEZ and discharging its functions under this Act shall be guided by the following namely,

- Generation of additional economic activity;
- Promotion of exports of goods and services;
- Promotion of investment from domestic and foreign sources;
- Creation of employment opportunities;
- Development of infrastructural facilities and
- Maintenance of sovereignty and integrity of India, the security of the state and friendly relations with foreign states.

***Section 6 :- Processing and non-processing areas.***

The areas falling within the SEZ may be demarcated by the central government or any authority specified by its as-

- The processing area for setting up units for activities being the manufacturer of goods or rendering services or
- The area exclusively for trading or warehousing purposes or
- The non-processing areas for activities other than those specified above.

***Section 7 :- Exemption from taxes, duties and cess.***

Any goods or services exported out of or imported into or procured from the domestic area by a unit in a SEZ or a developer shall subject to such terms, conditions and limitations as may be prescribed be exempt from the payment of taxes, duties or cess under all enactments specified in the First Schedule.

***Section 8 :- Constitution of Board of Approval***

1. The Central Government shall within fifteen days of the commencement of this Act by notification, constitute for the purposes of the Act, a Board to be called the Board of Approval.
2. The Board shall consist of
  - An officer not below the rank of an Additional Secretary to the Government of India in the Ministry or Department of the Central Government dealing with Commerce.....Chairperson, ex officio;
  - Two officers, not below the rank of a Joint Secretary to the Govt. of India to be nominated by the Central Govt. to represent the

Ministry or Department of the Central Govt. dealing with revenue.....Members, ex officio;

- One officer not below the rank of Joint Secretary to the Government of India to be nominated by the Central Govt. to represent the Ministry or Department of the Central Govt. dealing with revenue.....Members, ex officio;
- Such number of officers, not exceeding ten, not below the rank of the Joint Secretary to the Govt. of India, to be nominated by the Central Govt. to represent the Ministries or Departments of the Central Govt. dealing with commerce, industrial policy and promotion, science and technology, small scale industries and agro and rural industries, home affairs, defence, environment and forest, law, overseas Indian affairs and urban development..... Members, ex officio;
- A nominee of the State Govt. concerned.....Member, ex officio.
- The Director General of Foreign Trade or his nominee.....Member, ex officio.
- The Development Commissioner concerned.....Member, ex officio
- A Professor in the Indian Institute of Management or the Indian Institute of Foreign Trade as case may be nominated by the Central Govt....Member Secretary, ex officio



***Section 9 :- Duties, powers and functions of Board***

1. The Board shall have the duty to promote and ensure orderly development of SEZ
2. Followings are the power and functions of the Board
  - a. Granting approval authorized operation to be carried by developer and units in SEZ;
  - b. Granting of approval or rejecting of proposal for providing infrastructure facilities in a SEZ;
  - c. Suspension of the letter of approval granted to a Developer and appointment of an Administrator;
  - d. Disposing appeals under Section 15 & 16 of Act.
3. The Board may delegate such power and functions as it may deem fit to one or more Development Commissioner for effective and proper discharge of the functions of the board.

***Section 10 :- Suspension of letter of approval and transfer of SEZ in certain cases.***

1. If at any time the Board is of the opinion that a Developer-
  - Is unable to discharge the functions or perform the duties imposed on him by or under the provisions of this act or rules made thereunder; or
  - Has persistently defaulted in complying with any direction given by the Board under this Act; or
  - Has violated the terms and conditions of the letter of approval; or

- Whose financial is such that he is unable to fully and efficiently discharge the duties and obligations imposed on him by the letter of approval, and
  - The circumstances exist which render it necessary for it in public interest so to do, the Board may, on application or with the consent of the developer or otherwise for reasons to be recorded in writing, suspend the letter of approval, granted to the Developer for a whole or part of his area established as SEZ for a period not exceeding one year and appoint an Administrator to discharge the functions of the Developer in accordance with the terms and conditions of the letter of approval and manage the SEZ accordingly.
2. The Board may instead of suspending the letter of approval, permit it to remain in force subject to such further term and conditions as it thinks fit to impose and any further terms or conditions so imposed shall be binding upon and be complied with by the Developer and shall be of like force and effect as if they were contained in the letter of approval.

***Section 11 :- Development Commissioner***

The Central Govt. may appoint any of its officers not below the rank of Deputy Secretary to the Govt. of India as the Development Commissioner of one or more SEZs.

***Section 12 :- Functions of Development Commissioner***

1. Every DC shall take all steps in order to discharge his functions under this Act to ensure speedy development of the SEZ and promotion of exports therefrom.
2. DC shall
  - a. Guide the entrepreneurs for setting up of Units in the SEZ.
  - b. Ensure and take suitable steps for effective promotion of exports from the SEZ.
  - c. Ensure proper coordination with the Central Govt. or State Government Departments concerned or agencies.
  - d. Monitor the performance of the Developer and the Units in a SEZ.
  - e. Discharge such other functions as may be assigned by Central Govt.
3. Every DC shall be overall in charge of the SEZ.
4. Every DC may call for such information from a Developer or Unit from time to time as may be necessary to monitor the performance of the Developer or the unit as the case may be.

***Section 13 :- Constitution of Approval Committee***

Every approval committee shall consists of

- The Development Commissioner..... Chairperson, ex officio;

- Two officers of the Central Government to be nominated by the Central Govt.....members, ex officio;
- Two officers of the Central Government to represent the Ministry or department dealing with revenue.....Members, ex officio;
- One officer of the central govt. to be nominated by that govt. to represent the Ministry of department dealing with economic affairs (financial services).....Members, ex officio;
- Two officer of the State Govt. concerned to be nominated by that stated govt..... members, ex officio;
- A representative of the developer concerned.....Special Invitee.

***Section 14 :- Powers and Functions of Approval Committee***

Followings are the power and functions of approval committee.

- Approve the import or procurement of goods from the domestic tariff area, in the SEZ for carrying on the authorized operations by a developer;
- Approve the providing of services by a service provider from outside of India or from DTA for carrying on the authorized operations by the developer, in the SEZ;
- Monitor the utilization of good and services or warehousing or trading in the SEZ;
- Approve, modify or reject proposal for setting up of units for manufacturing or rendering services or warehousing or trading in the SEZ;

- Monitor and supervise compliance of conditions subject to which the letter of approval or permission, if any has been granted to the developer or entrepreneur.

***Section 15 :- Setting up of a unit***

1. Any person who intends to set up a unit for carrying on the authorized operations in a SEZ may submit a proposal to the DC concerned in such form and manner containing such particulars as may be prescribed. The DC shall submit the same to approval committee for approval.
2. The approval committee may either approve the proposal without modification or approve the proposal with modifications subject to such terms and conditions as it may deem fit to impose or reject the proposal.
3. Any person aggrieved by an order of the approval committee may prefer an appeal to the Board.

***Section 19 :- Single application form, return etc.***

Notwithstanding anything contained in any other law for the time being in force, the central government may if required,

- Prescribe a single application form for obtaining license, permission or registration or approval by a developer or an entrepreneur under one or more central acts;
- Authorize the board, the development commissioner or approval committee to exercise the powers of the central govt. on matters

relating to the development of a SEZ or setting up and operation of units;

- Prescribe a single form for furnishing returns or information by a developer or an entrepreneur under one or more central acts.

***Section 20 :- Agency to inspect***

Notwithstanding anything contained in any other law for the time being in force, the Central Govt. may by notification specify any officer or agency to carry out surveys or inspections for securing of compliances with the provisions of any central acts by a developer or an entrepreneur as the case may be and such officer or agency shall submit verification and compliance reports in such manner and within such time as may be specified in the said notifications. This section came into force On January 13, 2010 after the notification in the gazette.

***Section 21 :- Single enforcement officer or agency for notified offences.***

The Central Govt. may by notifications specify any act or omission made punishable under any central acts as notified offence for purpose of this act. The Central Govt. by general or special order authorizes any officer or agency to be enforcement officer or agency in respect of any notified offences or committed in SEZ. This section came into force on January 13, 2010 after the notification in the gazette. The Central Government specified the acts or omissions punishable under the Foreign Trade (Development and Regulation) Act, 1992 as notified offences for the purposes of the SEZ Act, 2005. Central Government authorized the Development Commissioner of

the jurisdictional SEZ to be the Enforcement Officer in respect of the notified offences committed in a SEZ.

***Section 22 :- Investigation, inspection and search or seizure.***

The agency or officer specified under section 20 or section 21 may, with prior intimation to the DC concerned carry out the investigation or search or seizure in the SEZ or in a unit if such agency or officer has reasons to believe that a notified offence has been committed or is likely to be committed in the SEZ

***Section 23 :- Designated Courts to try suits and notified offences.***

The State Govt. in which the SEZ is situated may with the concurrence of the Chief Justice of the High Court of that state, designate one or more courts.

- To try to all suits of a civil nature arising in the SEZ and
- To try notified offences committed in the SEZ.

***Section 24 :-Appeal to High Court.***

Any person aggrieved by any decisions or order of the court designated under section 23 may file an appeal to the High Court within sixty days from the date of communication of the decisions or order of the courts.

***Section 26 :-Exemptions, drawbacks and concessions to every Developer and entrepreneur.***

Every developer and entrepreneur shall be entitled for exemptions from paying Customs, Excise, Service tax, Sales tax.

***Section 27 :- Provisions of Income-Tax Act, 1961 to apply with certain modification in relation to Developers and entrepreneur.***

The provisions of the IT Act, 1961 as in force for the time being shall apply to or in relation to, the developer or entrepreneur for carrying on the authorized operations in a SEZ or Units subject to the modifications specified in the second schedule.

***Section 31 :- Constitution of SEZ Authority***

This section provides for constitution of SEZ Authority. Every authority shall be a body corporate by the name aforesaid having perpetual succession and common seal, with a power, subject to the provisions of this act, to acquire hold and dispose of property, both movable and immovable and to contract and shall, by the said name sue and be sued.

Every authority shall consist of

- The Development Commissioner of the SEZ over which the Authority exercises its jurisdictions.....Chairperson, ex officio;



- Two officer of the central government to be nominated by that govt. having knowledge of or experience in dealing with matters relating to SEZs.....Members, ex officio;
- An officer of Govt. of India in the Ministry of Department dealing with commerce on matters relating to SEZ.....Members, ex officio;
- Not more than two person being entrepreneurs or their nominee to be nominated by central govt.....Members, ex officio.

***Section 34 :- Functions of SEZ Authority***

Followings are the functions of SEZ authority for the development, operation and management of the SEZ.

- The development of infrastructure in the SEZ;
- Promoting exports from SEZ;
- Reviewing the functioning and performance of the SEZ
- Levy user or service charges or fees or rent for the use of properties belonging to the authority;
- Performing such other functions as may be prescribed.

***Section 36 :-Grants & Loans by Central Government***

The central govt. may after due appropriation made by parliament by law in this behalf make to every authority by way of grants and loans such sums of money as that govt. may think fit for being utilized for the purposes of this act.

***Section 37 :-Constitution of Fund and its application.***

There shall be established by every authority a Fund and there shall be credited thereto.

- All sums of money which the central govt. may after due appropriation made by parliament by laws in this behalf, provide to authority;
- All grants or loans that may be made to the authority under this act;
- All sums received on account of user or service charges or fees or rent for the use of properties belonging to the authority.

The fund shall be applied for meeting

- The salaries, allowances and other remuneration of the members, officers and other employees of the authority;
- The expenses of the authority in the discharge of its functions under section 34;
- Repayment of any loan;
- Meeting any other administrative expenses of the authority.

***Section 39 :- Returns and reports***

Every authority shall furnish to the central govt. at such time and in such form and manner as may be prescribed or as the central govt. may direct, such returns and statements and such particulars in regard to the promotions

and development of exports and the operations and maintenances of the SEZ and units as the central govt. may from time to time require.

***Section 42 :-Reference of Dispute***

Notwithstanding anything contained in any other law for the time being in force, if any

- Any dispute of civil nature arises among two or more entrepreneurs or two or more developers or between an entrepreneur and a developer in the SEZ; and
- The court or the courts to try suits in respect of such dispute had not been designated under Section 23,

Such dispute shall be referred to arbitration. Where a dispute has been referred to arbitration, the same shall be settled or decided by the arbitrator to be appointed by the central govt.

***Section 44 :-Applicability of provisions of this Act to existing SEZ***

All the provisions of this act except section 3 and 4 shall as far as may be apply to every existing SEZ.

***Section 49 :-Power to modify provisions of the act or other enactments in relation to SEZ***

The central govt. may by notification, direct that any of the provisions of the act (other than 54 and 56) or any other central act or any rules or regulations

made thereunder or any notifications or order issued or direction given thereunder specified in the notifications

- Shall not apply to a SEZ or a class of SEZs or all SEZs; or
- Shall apply to a SEZ or a class of SEZs or all SEZs only with such exceptions, modifications and adaptations, as may be specified in the notification.

***Section 50 :-Power of State Govt. to grant exemption.***

The State Govt. may for the purposes of giving effect to the provisions of this act, notify policies for developers and units and take suitable steps for enactment of any law :-

- Granting exemption from the state taxes, levies and duties to the developer or the entrepreneur;
- Delegating power conferred upon any person or authority under any state act to the development commissioner in relation to the developer or the entrepreneur.

***Section 53 :-SEZs to be ports, air ports, inland container depots, land station etc. in certain cases.***

A SEZ shall on and from the appointed day, be deemed to be a territory outside the customs territory of India for the purposes of undertaking the authorized operations. A SEZ shall, with effect from such date as central govt. may notify, be deemed to be a port, inland container depot, land

station and land customs stations, as the case may be under Section 7 of the Customs Act, 1962.

***Section 55 :-Power to make rules***

The Central Govt. may by notification, make rules for carrying out the provisions of this Act.

## **2.2 The Special Economic Zone Rules, 2006**

Central Govt. notified the SEZ Rules in February 2006 under the power conferred under Section 55 SEZ Act, 2005.

1. Proposal for setting up of SEZ shall be made in Form A to concerned DC and he will send it to Board with necessary documents (Rule 3).  
The State Govt. shall forward the proposal received to the Board of Approval, Ministry of Commerce, New Delhi (Rule 4)
2. Requirement for establishment of a SEZ (Rule 5)

The requirement of minimum area of land for a class or classes of SEZ.

- A SEZ for multi-product shall have a contiguous area of 1000 hectares or more but not exceeding 5000 hectares. Provided that in case a SEZ is proposed to be set up in Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttaranchal, Sikkim, Jammu & Kashmir, Goa or in a Union Territory, the area shall be 200 hectares or more.

Provided further that at 50% of the area shall be earmarked for developing the processing area.

- A SEZ for a specific sector or for one or more services or in a port or airport shall have a contiguous area of 100 hectares or more. A SEZ is proposed to be set up exclusively for electronic, hardware and software, including information technology enabled services, the area shall be 10 hectares or more with a minimum built up processing area of one lakh square meters. For Handicraft, Bio-technology, non-conventional energy, gems and jewellery area shall be 10 hectares or more.
- SEZ for Free Trade & Warehousing shall have an area of 40 hectares or more. Provided further that a Free Trade and Warehousing Zone may also be set up as part of a SEZ for multi-product.

3. Infrastructure requirement relating to Information Technology (Rule 5A)

In case of SEZ relating to IT, the following facilities shall be ensured, namely :-

- 24 hours uninterrupted power supply at stable frequency in the Zone;
- Reliable connectivity for uninterrupted and secure data transmission;
- Provision for central air-conditioning system; and
- A ready to use, furnished plug and pay facility for end users.

4. Letter of approval to the developer (Rule 6)
  - The Central Govt. shall within a period of thirty days of the communication received by it under clause (a) of clause (b) of sub-section (9) of Section 3 of the Act grant following approval.
    - o Formal approval in the cases where land is in possession of the developer in Form B to the person or the State Govt. concerned in Form C, if the approval is for providing infrastructural facilities in the SEZ, incorporating additional conditions, if any specified by the Board while approving the proposal;
    - o In-principle approval in other cases in Form B 1 to the person or the State Govt. concerned, incorporating additional conditions, if any specified by the Board while approving the proposals.
5. Central Govt. after having all details shall notify the identified area as a SEZ. (Rule 8)
6. The Development Commissioner shall demarcate the area and issue demarcation order under the provision of section 6, specifying the survey numbers and boundaries of area of the SEZ as specified in the notification issued under Rule 8. (Rule 11 : Processing & Non-Processing Area)

7. The utilization of the goods imported or procured from domestic tariff area by the developer shall be monitored by the Approval Committee.  
(Rule 15)
8. Proposal of setting up of unit to be made to Development Commissioner in Form F. (Rule 17). The Approval Committee may approve or approve with modification or reject a proposal within fifteen days of receipt (Rule 18). On approval of a proposal under rules 18 & 19, DC shall issue a letter of approval in Form G for setting up of unit.(Rule 19)
9. Every SEZ will be under the administrative control of a DC. (Rule 20)
10. Unit and Developer shall execute a Bond-cum-Legal Undertaking in Form H and Form D respectively to meet the future obligation. (Rule 22)
11. The Unit shall achieve positive Net Foreign Exchange to be calculated cumulatively for a period of five years from the commencement of production accordingly to the formula specified in Rule 53.
12. Performance of the unit shall be monitored by the Approval Committee as per the guidelines. In case the Approval Committee comes to the conclusion that a Unit has not achieved positive Net Foreign Exchange Earning or failed to abide by any of the terms and conditions of the Letter of Approval or Bond-cum- Legal Undertaking, without prejudice to the action that may be taken under any other law for the time in being force, the said Unit shall be liable for penal action under the



provisions of the Foreign Trade (Development & Regulation) Act, 1992.

13. Revival of sick units

A unit which has been declared sick by the appropriate authority shall submit a revival package through DC to Board for consideration and the Board shall consider the extension in the period for fulfillment of Positive Net Foreign Exchange for a further period upto a maximum of five years at the prevalent times. If any new unit willing to take over all the assets and liability of a sick unit, it will be considered by the Board. (Rule 72)

14. The unit may opt out of SEZ with the approval of the DC and such exit shall be subject to payment of applicable duties on the imported or indigenous capital goods, raw materials, components, consumables, spares and finished goods in the stock. (Rule 74)

## **2.3 Income Tax Act, 1961**

***Section 10A :- Special provision in respect of newly established undertakings in free trade zones, etc.***

- Subject to the provisions of this section, a deduction of such profits and gains as are derived by an undertaking from the export of articles of things or computer software for a period of 10 consecutive years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce such articles or things or computer

software, as the case may be shall be allowed from the total income of the assessee.

- Notwithstanding anything above, the deduction in computing the total income of an undertaking which begins to manufacture or produce articles or things or computer software during the previous year relevant to any assessment year commencing on or after the 1<sup>st</sup> day of April 2003, in any special economic zone shall be
  - 100% of profits and gains derived from the exports of such articles or things or computer software for a period of 5 consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce such articles or things or computer software, as the case may be, and thereafter, fifty per cent of such profits and gains for further two consecutive assessment years, and thereafter;
  - for the next three consecutive assessment years, so much of the amount not exceeding fifty per cent of the profit as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account (to be called the “Special Economic Zone Re-investment Allowance Reserve Account”) to be created and utilised for the

purposes of the business of the assessee in the manner laid down in sub-section (1B).

***Section 10AA :- Special provisions in respect of newly established units in Special Economic Zone.***

- Subject to the provisions of this section, in computing the total income of an assessee, being an entrepreneur as referred to in Special Economic Zones Act, 2005, from his Unit, who begins to manufacture or produce articles or things or provide any services during the previous year relevant to any assessment year commencing on or after the 1st day of April, 2006, a deduction of –
  - 100% of profits and gains derived from the export, of such articles or things or from services for a period of 5 consecutive assessment years beginning with the assessment year relevant to the previous year in which the Unit begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% per cent of such profits and gains for further 5 assessment years and thereafter;
  - for the next 5 consecutive assessment years, so much of the amount not exceeding fifty per cent of the profit as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account (to be called the “Special

Economic Zone Re-investment Reserve Account”) to be created and utilized for the purposes of the business of the assessee in the manner laid down in sub-section (2).

### ***Section 54GA***

Under this section capital gains are exempted on transfer of assets, shifting of Industrial under taking from Urban area to any SEZ.

### ***Section 80-I AB***

Developer of SEZ gets the 100% deduction for 10 consecutive assessment years out of 15 years beginning with the year in which SEZ has been notified by the Central Government.

### ***Section 80LA***

Bank having an Offshore Banking Unit in a SEZ or being a Unit of an International Financial Service Centre will get deduction of 100% of income for 5 consecutive years and 50% of income for five consecutive years.

### ***Minimum Alternate Tax-MAT (Section 115JB) & Dividend Distribution Tax-DDT (Section 115-O).***

Before financial year 2011-12, SEZs were exempted from paying MAT and DDT. From Financial year 2011-12, now it is chargeable to said taxes. In the recent case of *Mindtree Ltd v/s. Union of India (June 12, 2013)*<sup>6</sup> , Karnataka High Court upheld an amendment by Finance Act, 2011 which is

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<sup>6</sup> <http://indiankanoon.org/doc/192624499/> accessed on April 5, 2014

regarding chargeability of MAT and DDT. This amendment held constitutionally valid and in the public interest. While implementing SEZ in India, govt. assured that there will not be any DDT and MAT. No this new amendment clearly violates doctrine of promissory estoppel. This withdrawal of exemption will affect the operation of SEZ in country. Main contention of Department of revenue was that the amendment was made to stabilize the country's tax base and was issued in public interest. HC supported the department of revenue's logic behind the arguments. HC laid down principle that doctrine of promissory estoppel does not apply to the Legislative and that the Finance Minister has complete authority and power to amend the provisions of the SEZ Act. The HC held that the withdrawal of exemptions related to MAT and DDT is constitutionally valid.<sup>7</sup>

## **2.4 Central Excise**

Goods procured by a Unit or Developer, on which Central Excise Duty exemption has been availed but without any availment of export entitlements, shall be allowed admission into the Special Economic Zone on the basis of ARE-1 (Applicable for Removable Excisable Goods).

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<sup>7</sup> Sharing insights, News Alerts, PWC, June 21 , 2013 retrieved from [http://www.pwc.in/en\\_in/IN/services/tax/news\\_alert/2013/pwc\\_news\\_alert\\_21\\_june\\_2013\\_mindtree\\_ltd.pdf%20p](http://www.pwc.in/en_in/IN/services/tax/news_alert/2013/pwc_news_alert_21_june_2013_mindtree_ltd.pdf%20p) on May 5, 2014

## 2.5 Custom

Followings are the excerpts of circular No 29/2006-Customs dated December 27, 2006.<sup>8</sup>

- The supplies from DTA to a SEZ unit or to SEZ developers for their authorized operations inside a SEZ notified under sub-section (1) of section 4 of the Act may be treated as in the nature of exports.
- Supplies from DTA to SEZ shall be exempt from payment of any Central Excise duty

## 2.6 Service Tax

As per power conferred by sub-section (1) of Section 93 of the Finance Act, Department of Revenue, Ministry of Finance issued a new notification 12/2013-ST on July 1, 2013<sup>9</sup> regarding service tax applicability on SEZ operation. This has replaced old notification No. 40/2012 ST dated June 20, 2012. As per earlier notification, it was mentioned that Service has to be received in SEZ and wholly consumed within the SEZ used for authorized operation. Now as per new amendment upfront exemption under Section 66B of Finance Act is given when prescribed services received by SEZ unit or developer are used exclusively for authorized operation.

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<sup>8</sup>Retrieved from Central Board of Excise & Custom, <http://www.cbec.gov.in/customs/cs-circulars/cs-circulars06/29-2006-cus.htm> on April 2, 2014

<sup>9</sup> Retrieved from <http://www.servicetax.gov.in/notifications/notfns-2013/st12-2013.htm> on May 8, 2014

The exemption shall be provided by way of refund of service tax paid on the specified services received by the SEZ unit or the developer and used for the authorized operations. The SEZ Unit or the Developer shall get an approval by the Approval Committee of the list of the services as are required for the authorized operations on which the SEZ Unit or Developer wish to claim exemption from service tax.

The refund of service tax on the specified services that are not exclusively used for authorized operation or the specified services on which ab-initio exemption is admissible but not claimed shall be allowed

The service tax paid on the specified services that are common to the authorized operation in an SEZ and the operation in domestic tariff area shall be distributed amongst the SEZ Unit or the developer and the DTA units in the manner as prescribed in Rule 7 of the Cenvat Credit Rules, 2004

The SEZ Unit or the Developer shall submit only one claim of refund under this notification for every quarter.

## **2.7 Labour Laws**

### ***Section of 17 of Gujarat Special Economic Zone Act, 2004***

Delegation of powers of Labour Commissioner to Development Commissioner

Notwithstanding anything contained in the Acts specified in Schedule I (Labour Laws) , the powers, duties and functions conferred on

Commissioner of Labour or any other officer under those Acts shall be exercised by the DC or any officer authorized by him.

***Section of 19 of Gujarat Special Economic Zone Act, 2004***

Consolidated returns for various laws

The Units in the zone shall furnish the consolidated annual report in the prescribed form to the DC instead of periodical returns under the following acts, namely :-

- The Workmen Compensation Act, 1923
- The Payment of Wages Act, 1936
- The Factories Act, 1948
- The Minimum Wages Act, 1948
- The Maternity Benefit Act, 1961
- The Payment of Bonus Act, 1965
- The Contract Labour ( Regulation & Abolition) Act, 1970
- Such other acts as State Govt. may specify

***Section 20 of Gujarat Special Economic Zone Act, 2004***

Application of Chapter V-D of XIV of 1947 to Zone

The provisions of Chapter V-D of the Industrial Disputes Act, 1947 shall apply to the industrial Establishments set up in the Zone. XIV of 1947.<sup>10</sup>

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<sup>10</sup> Industrial Dispute (Gujarat Amendment Act, 2004 retrieved from [http://ic.gujarat.gov.in/wp-content/uploads/2011/03/industrial\\_disputes\\_act2004.pdf](http://ic.gujarat.gov.in/wp-content/uploads/2011/03/industrial_disputes_act2004.pdf) on May 8, 2014



SEZ has been notified as ‘public utility’ service by many state governments under Industrial Dispute Act, 1947. As per Section 22 of ID Act, 1947, no person employed in a public utility service shall go on strike and no employer carrying on any public utility service shall lock-out any of his workmen without following prescribed process in law. A major amendment has been made to Chapter V-D of the Industrial Dispute Act 1947. According to this, workers employed in SEZs do not have the right to complain if they are thrown out of their jobs. However, they will get retrenchment compensation of 45 days for a year of work rather than the 15 days given to other workers. This amendment gives units in SEZs the freedom to get rid of workers when it suits them and also weakens the power of workers to fight against illegal retrenchment.<sup>11</sup>

## **2.8 Land Laws**

Earlier lands were used to be acquired by government under the name of Public Purpose for itself or private player also under Land Acquisition Act, 1894. There was lot of agitation for land acquisition and improper, insufficient compensation for it. To avoid this conflict, government came up with some rehabilitation & resettlement policies but it did not turn up in any binding law.

Finally in September 2013, parliament passed a comprehensive law on land acquisition called ‘The Right to Fair Compensation and Transparency in

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<sup>11</sup> Indira Hirway (2011), “Labour and Employment under Globalization : The Case of Gujarat”, *Economic & Political Weekly*, May 28, 2011, Vol. XLVI No. 22

Land Acquisition, Rehabilitation and Settlement Act, 2013'.<sup>12</sup>An Act to ensure, in consultation with institutions of local self-government and Gram Sabhas established under the Constitution, a humane, participative, informed and transparent process for land acquisition for industrialization, 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 and for ensuring that the cumulative outcome of compulsory acquisition should be that affected persons become partners in development leading to an improvement in their post-acquisition social and economic status and for matters connected therewith or incidental thereto. Social Impact study will be carried out before acquisition. When appropriate land for public purpose for private companies, the prior consent of at least eighty percent and for public private partnership projects, the prior consent of at least seventy five percent of those affected families is required.

## **2.9 Environment Laws**

In December 2010, Ministry of Commerce, Govt. of India sent an instruction to all Development Commissioner regarding creation of single

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<sup>12</sup>Retrieved from Department of Land Resources, Ministry of Rural Development, [http://dolr.nic.in/dolr/downloads/pdfs/Act\\_Land\\_Acquisition\\_2013.pdf](http://dolr.nic.in/dolr/downloads/pdfs/Act_Land_Acquisition_2013.pdf) on May 5, 2014

window mechanism for granting various statutory approvals under Environmental and Regulation.<sup>13</sup>

Followings are the highlights

- All State Pollution Control Board should adopt an integrated system for granting environmental clearance.
- DC of SEZs to permit the officials of the SPCB to carry out the surprise inspections.
- Unit Approval Committee in the SEZ to include a representative of the SPCB for providing information related to regulatory requirements under the Environmental laws and to monitor the progress of grant of such clearances.

Central Pollution Control Board informed that 13 SPCBs are granting integrated clearance. As per the Gujarat SPCB mentioned that there are 70 SEZs in their states and board is granting intergraded clearances for all the industries in their state. Clearances for green industries are given for a period of 10 years. For orange industries it is 7 years and for red industries it is 5 years. Further, he also informed that for Kandla SEZ, the Regional officer has been deputed for granting such integrated clearances.

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<sup>13</sup> Instruction from Ministry of Commerce, Govt. of India, December 29, 2010 retrieved from <http://www.sezindia.nic.in/writereaddata/Instructions/Instruction%20No.73.pdf> on May 2, 2014

## **2.10 Other Laws**

### ***Insurance Act, 1938***

Section 2C :- Prohibition of transaction of insurance business by certain persons

2(c)(1).. Indian Insure Company, insurance co-operative society or a body corporate may carry on business of insurance in SEZ as defined in clause (za) of Section 2 of the SEZ Act, 2005.

### ***Banking Regulation Act, 1949***

Section 53 :- Power to exempt in certain cases.

The Central Government may, on the recommendation of the RBI declare , by notification in the official gazette that any or all of the provisions of this Act shall not apply to any banking company or institution or to any class of banking companies or any of their branches functioning or located in SEZ established under the SEZ Act, 2005.

## CHAPTER 3

### SPECIAL ECONOMIC ZONES OF GUJARAT

#### PROFILE

In this chapter we will see the overview of selected 17 notified SEZs in the Gujarat. Out of these 17 SEZs, 1 has been set up by the Central Government, 3 by the Gujarat Industrial Development Corporation and rest by the private players. 3 SEZs were established prior to SEZ Act, 2005 and 14 were notified under the said act.

#### 3.1 Kandla Special Economic Zone, Kutchch

KASEZ is Asia's and India's first Export Processing Zone set up in year 1965 in the Kutchch region of Gujarat. Earlier it was known as Kandla Free Trade Zone, later on it was notified as SEZ in year 2000. It is spread over 1000 acres of land and it is only 9 km away from Kandla Port. It was set up by Ministry of Commerce & Industry, Govt. of India. Major industries operating in KASEZ are Engineering, Chemical and Allied Products, Garments, Plastics etc. Kandla's SEZ's physical exports were at Rs. 3,636 crore and for the year 2013-2014.

List of working units in KASEZ as on March 31, 2013

Type	Total Units
Engineering	43
Chemical & Allied Products	27
Garments	33

Plastics	38
Intrazone Sale Units	6
Trading & Service of units	45
Others	27
<b>Total</b>	<b>219</b>

KASEZ is planning to set up a biogas plant that will have a capacity to treat 10,000 kg per day of wastes generated from SEZ to help recycle the waste generated by 220 functional units that populate the SEZ. One of the official stated that they have not enough space to dump the biodegradable waste.<sup>14</sup>

### **3.2 Surat Special Economic Zone, Surat**

Surat Export Processing Zone (EPZ) was set up in year 1995 and started functioning from year 1999. Surat EPZ notified as Surat Special Economic Zone (SurSEZ) in year 2000. It is situated in Surat district located in southern part of Gujarat. Diamond & Gem Development Corporation (DGDC), Mumbai is the developer of SurSEZ. It is having area of around 50 hectares. It is very well connected to Mumbai and Ahmedabad. It is the first operating zone in private sector in India. It is multi-product zone having 217 units, operating mainly in the Gems & Jewellery, Engineering, IT, Pharmaceuticals, Chemical, textile etc. SurSEZ has necessary infrastructure roads, water tank, water treatment plant,

<sup>14</sup> Nair Avinash (2013), “Kandla SEZ to build 10,000kg/day biogas plant”, *The Indian Express*, Ahmedabad, June 2, 2013 retrieved from <http://archive.indianexpress.com/news/kandla-sez-to-build-10000-kgday-biogas-plant/1123967/> on May 8, 2014

reliable sufficient power supply and in amenities Fire tender, weigh bridge, jewellery training institute, school, medical centre.<sup>15</sup>

### **3.3 Surat Apparel Park, Surat**

Surat Apparel Park (SAP) set up prior to SEZ Act and notified in year 2005. It's having area of 56 hectare at Surat district in South Gujarat. It was converted to SEZ in 2006. Gujarat Industrial Development Corporation (GIDC) is the developer of this SEZ. There are around 40 units in the zone.

In March 2010, Surat Apparel Park Association, apex body of garment manufacturers in SEZ, has urged the central and the state government that SEZ should be converted into regular apparel park due to falling demand from main foreign market. Out of the 128 demarcated plots inside the SAP-SEZ, only 66 plots are sold to 42 unit holders. Many unit holders are not ready to invest in the park due to low sustainability.<sup>16</sup>GIDC which has developed seven SEZs in the state, is also eyeing de-notification of its Apparel SEZs in Ahmedabad and Surat, on account of lack of interest for setting up units.<sup>17</sup>

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<sup>15</sup>----- (2011) "Surat SEZ, India's First Private Sector Special Economic Zone, Achieves Phenomenal Growth; Exports Jump to Rs. 381 Billion during 2010-11, Is expected to cross Rs. 500 Billion in 2011-12" *Business Times*, Washington DC, June 2011 Issue, Volume XXIX No 4, retrieved from <http://businesstimesusa.com/WebsiteIssuesofBtimes/BtimesJune2011Issue.pdf> on May 8, 2014

<sup>16</sup> Thomas Melvyn (2010), "Apparel manufacturers want SEZ denotified, converted into apparel park", *The Times of India*, March 25, 2010 retrieved from <http://timesofindia.indiatimes.com/city/surat/Apparel-manufacturers-want-SEZ-denotified-converted-into-apparel-park/articleshow/5724574.cms> on May 8, 2014

<sup>17</sup> Khanna Summit (2011), "Rs. 42, 000 crore worth SEZ investments on the anvil for Gujarat", *DNA*, Gandhinagar, February 19, 2011 retrieved from <http://www.dnaindia.com/india/report-rs42000-crore-worth-sez-investments-on-the-anvil-for-gujarat-1510058> on May 8, 2014

### **3.4 Ahmedabad Apparel Park, Ahmedabad**

Ahmedabad Apparel Park is also one of the SEZ set up by GIDC spread over area of 38 hectares at Ahmedabad district which was notified in year 2007. It is also suffering with same problem as Surat Apparel park is facing i.e. low demand from key international players. Nilesh Mehra, General Secretary, Surat Apparel Park Association or SAPA, the apex body of the garment manufacturers in the Surat SEZ said, “The input costs are so high for exporters that the duty drawback scheme also could not off-set the loss. The final products became 6-8% more expensive in an SEZ than that produced in a non-SEZ apparel park.”<sup>18</sup>

### **3.5 Electronic SEZ, GIDC, Gandhinagar**

Gujarat Industrial Development Corporation (GIDC) set up Electronic SEZ in Gandhinagar having area of 28 hectares which notified in year 2006. Electronic, Hardware Industries, IT, ITES companies have set up their units in the zone.

### **3.6 Zydus Infra Pvt. Ltd., Ahmedabad**

Zydus Infrastructure Pvt. Ltd. SEZ notified in September 2006 having size of 49.29 hectares. It is sector specific SEZ focusing on Pharmaceuticals. Company registered in October 1994. Zydus group is one of the oldest pharma group in India founded in year 1952 and it is listed in India’s top 5 pharma companies. It is Gujarat’s first pharmaceutical SEZ to be cleared by the Ministry of Commerce. Total 11 units have been allotted to various pharma companies i.e. Zyus Hospra,

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<sup>18</sup>----- (2009), “Crisis-hit apparel makers opt for non-SEZ parks in Gujarat”, *The Financial Express*, Ahmedabad, September 25, 2009 retrieved from <http://www.financialexpress.com/news/crisishit-apparel-makers-opt-for-nonsez-parks-in-gujarat/521244> on May 8, 2014



Zydus BSV, Zydus Cadilla, Nicolas Piramal, Intas, Torrent pharma, Fisher Scientific India etc. Zydus exported medicines worth Rs. 245 crore and services worth Rs. 102 crore for the year 2011-2012.

### **3.7 Larsen & Toubro Ltd., Vadodara**

Larsen & Toubro Ltd., Mumbai set up sector specific SEZ for IT/ITES industry in Vadodara notified in November 2008. It is spread over area of 20.51 hectares. L & T Ltd deals in technology, engineering, construction, manufacturing, power, financial service existing for more than seven decades. It is having large number of subsidiaries (137) and associate companies (16) across the world. L & T featured in Forbes 'Global 2000' list of World's Most Powerful Companies.

L&T Chennai Projects Pvt. Ltd. has requested for de-notification of the SEZ on the grounds of global recession in IT/ITES sector, general slowdown in macroeconomic scenario and introduction of minimum alternate tax and dividend distribution tax.<sup>19</sup>

### **3.8 Sterling SEZ Infra Pvt. Ltd., Bharuch**

Sterling SEZ Infra Pvt. Ltd. has been set up at Bharuch district in southern part of the Gujarat. It is multi-product SEZ, spread over 1263 hectares. It was notified in January 2008. It is part of multibillion Sandesara Group having over 25 years of experience engaged in Pharmaceuticals, Healthcare, Oil & Gas, Infrastructure,

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<sup>19</sup>----- (2013), "L & T approaches Govt. to surrender SEZ; 16 companies seek more time", *The Economic Times*, March 7, 2013 retrieved from [http://articles.economicstimes.indiatimes.com/2013-03-07/news/37531917\\_1\\_19-member-inter-ministerial-body-tax-free-enclaves-sez-units](http://articles.economicstimes.indiatimes.com/2013-03-07/news/37531917_1_19-member-inter-ministerial-body-tax-free-enclaves-sez-units) on May 8, 2014

Onshore rigs, Seismic studies & Oil trading. Sterling SEZ is special purpose company created for implementing the SEZ part.

SEZ is well accessible by road, rail, air & sea. It's having good infrastructure facilities including power, water, natural gas, central effluent treatment plant, in land container depot, financial centre etc. Industries like Chemical, Ceramic, Petrochemical, Dyes, Pharmaceuticals, Beverages, Engineering, Plastic, Textile, Packaging, Apparel Agro Food, Gems & Jewels etc. will be set up there.

### **3.9 Euro Multivision Ltd., Kutchch**

Euro Multivision Ltd., Mumbai set up sector specific SEZ in Kutchch district for non-conventional energy sectors including solar energy equipments/cells. It was notified in April 2009 and having area of 11-63-47 hectares. Euro Multivision Ltd. is part of Euro Group and it is one of the leading companies in manufacturing & trading of Solar products in India. This group is leading in manufacturing and trading of various interior and exterior building materials, FMCG products. M/s. Euro Multivision Ltd. SEZ Photovoltaic Cell Unit spread over 2 hectares which will make the Crystalline Solar Cells having annual capacity of 40 MW.

### **3.10 Synefra Engineering & Construction Ltd., Vadodara**

Synefra SEZ notified in year 2007 at Vadodara having area of around 101 hectares. It is sector specific SEZ for Engineering products. Synefra formerly known as Suzlon Infrastructure Ltd. which was set up in year 1998 with an aim to develop hi-tech industrial infrastructure globally. It offers services in Excellence in Project Management, Engineering, Procurement & Construction, Special

Economic Zone development. Synefra has set up two more SEZs at Coimbatore (Tamil Nadu) and Padubidri (Karnataka). Synefra which has developed around 1400 acres of SEZs in three different states with an investment of approx. USD 200 million.

### **3.11 Aqualine Properties Pvt. Ltd., Gandhinagar**

Aqualine Properties Pvt. Ltd. established in year 2006 which is the part of Raheja Group, a Mumbai based top of the reality company. Company established sector specific IT/ITES SEZ spread over 27.85 hectares in Gandhinagar which was notified in year 2008. Raheja group decided not to go with 13.74 hectares SEZ at Vadodara due to global downturn and withdrawal of SEZ benefits to under the Direct Tax Code.<sup>20</sup>

### **3.12 Dahej SEZ, Bharuch**

Dahej SEZ Limited (DSL) notified in year 2006 in Bharuch district of southern part of Gujarat. It is multi-product SEZ spread over net area of 1487 hectares (1803 - 316 ha Costal Regulation Zone).<sup>21</sup> DSL is a company registered under the Companies Act, 1956 and it is promoted jointly by Gujarat Industrial Development Corporation (GIDC) and Oil & Natural Gas Corporation Ltd. (ONGC) for development of SEZ. It is having its registered office at Gandhinagar, Gujarat. 78 companies are on processing area and 2 companies of hospitality sector are on

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<sup>20</sup> Darji Himanshu (2010), "Reality giant Rahejas withdraw Vadodara IT SEZ", *The Economic Times*, September 27, 2010 retrieved from [http://articles.economictimes.indiatimes.com/2010-09-27/news/27572829\\_1\\_raheja-group-sez-proposal-approval](http://articles.economictimes.indiatimes.com/2010-09-27/news/27572829_1_raheja-group-sez-proposal-approval) on May 8, 2014

<sup>21</sup> Environment Clearance from Ministry of Environment and Forest, Govt. of India, dated March 17, 2010 retrieved from <http://www.dahejsez.com/ENV-CLEARANCE.pdf> on May 8, 2014

non-processing area. DSL's export was Rs. 4937 crore as on May 1, 2014. 118 hectares of area in SEZ is lying vacant.

DSL ranked 26 among the top 50 free zones of the future 2012/13 survey done by FDI Magazine of FDI intelligence, a division of the Financial Times Ltd. DSL was only one SEZ from India which featured in the list.

### **3.13 Reliance SEZ, Jamnagar**

Reliance Industries Ltd (RIL) set up SEZ in Jamnagar district of Northern part Gujarat. It is multi-product SEZ spread over 4494 hectares. Reliance Group founded by Dhirubhai Ambani in year 1966. It is India's largest private sector enterprise which is Fortune Global 500 companies. RIL deals in the business of exploration and production of oil and gas, petroleum refining, marketing, petrochemicals, textiles, retail, infotel and SEZ. RIL is having 121 major subsidiaries and 1 major associate. RIL's Jamnagar SEZ contributes 83% to the Gujarat's exports that account for 55% of total SEZ exports from the country.<sup>22</sup>

### **3.14 E-Complex Pvt. Ltd., Amreli**

E-Complex Pvt. Ltd. set up sector specific SEZ for Engineering and engineering related products at Amreli district in northern Gujarat. It was notified in year 2008 and spread over 156 hectares. E-Complex is wholly owned subsidiary of Pipavav Shipyard Ltd (PSL) now known as Pipavav Defence and Offshore Engineering Company Ltd (PDOECL). On June 1, 2010, Hon'ble PM of India, Dr. Manmohan

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<sup>22</sup>----- (2012), "RIL's Jamnagar SEZ contributes 83% to the state's SEZ exports", *The Economic Times*, June 23, 2012 retrieved from [http://articles.economictimes.indiatimes.com/2012-06-23/news/32382266\\_1\\_sez-exports-physical-exports-dahej-sez](http://articles.economictimes.indiatimes.com/2012-06-23/news/32382266_1_sez-exports-physical-exports-dahej-sez) on May 8, 2014

Singh dedicated Pipavav Shipyards to the nation. On October 6, 2010, the Secretariat for Industrial Assistance (SIA), Ministry of Industry, Government of India granted Industrial License to the Company, allowing it to build inter alia Strategic/Defence Vessels. PSL changed its name to PDOECL to emphasize its focus on defence shipbuilding and offshore activities in June 2011.

### **3.15 Adani Port & SEZ Ltd., Kutchch**

Adani Port & Special Economic Zone Ltd. (APSEZ) set up SEZ in Kutchch District having area of 6472 hectares. It is a multi-product SEZ and it was notified in year 2009. It is part of Adani Group, Ahmedabad which was founded in year 1988. Group mainly deals in power, gas, infrastructure, mining etc. The zone has Free Trade and Warehousing Zone spread over 168 hectares. APSEZ is India's largest, port based, notified and functional zone. It is very well connected with port, rail, road, air for facilitating business. It has excellent power, water, gas, effluent treatment facility alongwith business support facilities like Central Business District for offices and other commercial activities, national, private sectors banks, post office, telephone exchange, office of development commissioner and custom offices.<sup>23</sup>

APSEZ is in controversy for last couple of year. In January 2014, Gujarat HC ordered a closure of the 12 units in the premises of the SEZ as they violated environmental norms. Company approached SC and it has granted interim stay on an order of Gujarat HC. In its interim order, the Supreme Court has allowed all the units to continue function, but restrained them from carrying out further

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<sup>23</sup>Retrieved from Adani Ports, [http://www.adaniports.com/sez\\_facilities\\_utilities.aspx](http://www.adaniports.com/sez_facilities_utilities.aspx) accessed on March 10, 2014

construction, APSEZ said in a statement.<sup>24</sup> In April 2014, Finance Ministry red flags Adani- Gujarat Govt. venture for SEZ as they started project work without getting any permission from Board of Approval.<sup>25</sup>

### **3.16 Jubilant Infrastructure Ltd., Bharuch**

Jubilant Infrastructure Ltd. (JIL) is a sector specific Pharma SEZ set up in Bharuch district. It is spread over area of 130 hectares notified in year 2009. JIL is a wholly owned subsidiary of Jubilant Life Science Ltd., a leading integrated Pharmaceuticals and Life Sciences company engaged in manufacture and supply of APIs, Solid Dosage Formulations, Radiopharmaceuticals, Allergy Therapy Products and Life Science Ingredients. It also provides services in Contract Manufacturing of Sterile Injectables and Drug Discovery and Development. The Company's strength lies in its unique offerings of Pharmaceuticals and Life Sciences products and services across the value chain. It has manufacturing facilities in India in UP, Maharashtra, Karnataka, Gujarat, and also in USA and Canada.<sup>26</sup>

### **3.17 Tata Consultancy Services Ltd., Gandhinagar**

Tata Consultancy Services Ltd. (TCS) set up IT/ITES SEZ in Infocity at Gandhinagar. TCS is part of hundred year old giant Tata Group. It is spread over

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<sup>24</sup> Pathak Maulik (2014), "Adani Ports gets interim relief over Mundra SEZ", *live mint & The Wall Street Journal*, January 27, 2014 retrieved from <http://www.livemint.com/Companies/v4XdGCLUepteDxyO38TzoI/Adani-Ports-gets-Supreme-Court-relief-over-Mundra-SEZ-in-Guj.html> on May 8, 2014

<sup>25</sup> Appu Esthose Suresh (2014), "FinMin red flags Adani- Gujarat govt venture for SEZ", *The Indian Express*, New Delhi, April 16, 2014 retrieved from <http://indianexpress.com/article/business/business-others/finmin-red-flags-adani-gujarat-govt-venture-for-sez/> on May 8, 2014

<sup>26</sup> Retrieved from Jubilant Life Sciences, <http://www.jubl.com/sez/jubilant-sez-aboutus.html> on May 2, 2014

10.31 hectares notified in year 2008. TCS is a multinational information technology service, consulting and business solution company. It is part of Tata Group established in the year 1968. As of March 2013, TCS had 199 offices across 44 countries and 124 delivery centres in 21 countries. TCS had a total of 58 subsidiary companies.

## CHAPTER 4

### DATA ANALYSIS AND INTERPRETATION

Present chapter deals with data analysis and interpretation of it. The researcher has collected data regarding economic and legal aspects of SEZs from various sources. Quantitative & Qualitative analysis have been done and data have been interpreted accordingly. Economic & Legal aspects analysis has been shown together as both are interconnected and interdependent. Basic statistical tools have been used to analyze the data.

#### 4.1 Economic & Legal Aspects

##### *Investment (Domestic, FDI)*

##### **Surat SEZ, Surat**

Year	Investment (In Cr)	Growth %
2009-10	57.19	-
2010-11	59.08	3.20
2011-12	63.00	6.22
2012-13	63.99	1.55
2013-14	66.82	4.24
Average	-	3.80



## Investment in SEZs in Gujarat

(In Crore)

Sr. No.	Sector	Investment in SEZ Sector-wise (FDI & Domestic)			
		Yearwise			
		2012-13	2011-12	2010-11	2009-10
1	Multi-product	93333.47	84271.77	71174.65	66375.15
2	Pharmaceuticals	1333.545	1170.42	1013.47	966.29
3	Apparel	225.002	163.11	158.62	160.51
4	Gems & Jewellery	103.86	71.93	71.93	71.93
5	Hi-tech Engineering products & related services	628.575	610.59	573.55	565.365
6	Chemicals	505.23	476.61	173.81	143.25
7	IT/ITES	1263.149	791.13	579.96	321.259
8	Non-conventional energy	174.12	174.12	167.50	165.50
9	Sector Specific, Multi Service	9.722	0	0	0
10	Engineering	791.644	8951.56	8912.47	8889.24
11	Biotech	3.90	3.62	0	0
Total		98372.22	96684.86	82825.96	77658.49
Growth (%)		1.72	14.33	6.23	-

Information received under RTI Application from KASEZ, Kutchch

## *Analysis & Interpretation*

Only SurSEZ, investment data is available with us which shows unattractiveness of the zone towards investment in the zone. Other functional SEZs have not provided information under RTI thus no analysis can be done for particular SEZ.

Investment in Multi-Product SEZs tops for obvious reason as it requires huge amount of investment. Pharma SEZ comes on second position followed by IT/ITES SEZs. Multi-product SEZ had 29% growth in investment followed by 27% growth in pharma sector since year 2009. There is almost 4 time growth in IT/ITES industry as it is easier investment in this sector without much hassle. As per the information received under RTI, FDI constitute less than 1 percent of the total investment in SEZs of Gujarat. Thus it can be concluded that Gujarat has failed to attract FDI in the SEZs of Gujarat.

Looking at the overall SEZ scenario in the country, data from the Directorate General of Commercial Intelligence and Statistics (DGCI&S) shows that India had 185 operational (exporting) special economic zones (SEZs) as of July4, 2014. The country had another 388 notified SEZs and another 565 projects having formal approvals. The cumulative investments in the SEZs grew to Rs2,96,663 crore in 2013-2014 compared to Rs2,36,717 crore in 2012-2013 claiming growth of 20%. The number of jobs created rose to 12,83,309 from 10,74,904 leading growth of 16%. However, the share of SEZs in the country's total exports declined to 26.10 percent from 29.12 percent.<sup>27</sup>

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<sup>27</sup>----- (2014), "Special Treatment for SEZ", *Business Standard*, August 17, 2014 retrieved from <http://indiabusinessinsight.com/ibi/searchResult/?q=special+economic+zone+india> on September 8, 2014

## *Exports-Imports*

### **Kandla SEZ, Kutchch**

Year	Export (In Cr)	Growth %	Import (In Cr)	Growth %	Net 2-4
1	2	3	4	5	6
2009-10	2205.78	-8.87	1316.95	5.77	888.83
2010-11	2628.51	16.08	1384.60	4.89	1243.91
2011-12	2960.81	11.21	1717.45	19.38	1243.36
2012-13	2961.66	0.03	1869.45	8.13	1092.21
2013-14	3636.07	22.77	2665.14	29.87	970.93
Average	-	8.24%	-	13.61%	-

We can see average growth in export and import is 8.24 % and 13.61% respectively means import growth exceeded export growth but it is pertinent to note that import figure did not exceed export one showing positive net revenue.

### **Surat SEZ, Surat**

Year	Export (In Cr)	Growth %	Import (In Cr)	Growth %	Net 2-4
1	2	3	4	5	6
2009-10	23981.00	36	22464.00	34.95	1517.00
2010-11	38156.00	37	36524.00	38.50	1632.00
2011-12	27468.57	-38.91	24856.00	46.94	2612.57

2012-13	47305.64	41.93	46075.02	46.05	1230.62
2013-14	26851.78	-43.23	25436.00	81.14	1415.78
Average	-	32.79%	-	49.52%	-

We can see average growth in export and import is 32.79 % and 49.52% respectively showing net growth of import (17%) than export. Reason behind this is, significant decline in export growth for year 2011-12 and 2013-14.

### **Synefra Engineering & Construction Ltd., Vadodara**

Year	Export (In Cr)	Growth %	Import (In Cr)	Growth %	Net 2-4
1	2	3	4	5	6
2009-10	14.42	97.30	57.57	-269.08	-43.15
2010-11	51.2	71.84	97.76	41.11	-46.56
2011-12	49.74	-2.94	87.93	-11.18	-38.19
2012-13	86.93	42.78	61.85	-42.17	25.08
2013-14	142.47	38.98	30.50	-102.79	111.97
Average	-	49.59%	-	-384.11	-

There is a growth of around 50% in export figures and great decline in import marking -384.11%. This shows that Synefra SEZ is less dependent on import which is very good sign in terms of net revenue earning. Still export figure is not significant but there is hope to grow in coming days.

**Dahej SEZ Ltd., Bharuch**

Year	Export (In Cr)	Growth %	Import (In Cr)	Growth %	Net 2-4
1	2	3	4	5	6
2009-10	83.60	-	216.05	-	-132.45
2010-11	399.14	79.05	2795.13	92.27	-2395.99
2011-12	832.24	52.04	3252.08	14.05	-2419.84
2012-13	1404.69	40.75	2680.06	-21.34	-1275.37
2013-14	2067.71	32.06	2202.01	-21.71	-134.30
Average	-	50.98%	-	15.82	-

There is more than three fold growth in export than import but we can see that the net revenue earning which is in negative. This shows that Dahej SEZ is heavily dependent on imports. In year 2013-14 net negative revenue figure has come down significantly and hope it will turn in positive one in near future.

**Reliance SEZ Ltd, Jamnagar**

Year	Export (In Cr)	Growth %	Import (In Cr)	Growth %	Net 2-4
1	2	3	4	5	6
2009-10	69390	95.68	72730	80.00	-3340
2010-11	103505	32.96	94206	22.80	9299
2011-12	148764	30.42	130074	27.56	18690

2012-13	171729	13.37	148034	12.13	23695
2013-14	186924	8.13	171572	13.72	15352
Average	-	36.11%	-	31.24%	-

Reliance SEZ is leading SEZ in India and in Gujarat having largest share in export bucket. There is no significant difference in growth rate between export and import. Reliance is having share of 83% in total exports from Gujarat SEZ and 37% in total export from India's SEZ. Though net export earning is positive but we can see that the SEZ is heavily dependent on import.

#### **Adani Port & SEZ Ltd., Kutchch**

Year	Export (In Cr)	Growth %	Import (In Cr)	Growth %	Net 2-4
1	2	3	4	5	6
2009-10	1284.49	40.17	8095.33	69.95	-6810.84
2010-11	1530.61	16.08	6274.13	29.03	-4743.52
2011-12	1706.19	10.29	5160.50	-21.58	-3454.31
2012-13	1626.78	-4.88	7874.19	34.46	-6247.41
2013-14	1889.24	13.89	7096.37	-10.96	-5207.13
Average	-	15.11%	-	20.18%	-

We can see that net exports earning is considerably in negative for all five years as heavy dependency on imports even though there is decline in import. Adani SEZ

was not able to exports significantly; one of the main reason may be the ongoing environmental issue.

### Consolidated Figures of Exports from Selected Functional SEZs in Gujarat

(In Crores)

Sr. No.	Zone	2013-14	2012-13	2011-12	2010-11	2009-10
1	Kandla SEZ, Kutchch	3636.07	2961.66	2960.81	2628.51	2205.78
2	Surat SEZ, Surat	26851.78	47305.64	27468.57	38156.00	23981.00
3	Surat Apparel Park, Surat	*	*	*	*	*
4	Ahmedabad Apparel Park, Ahmedabad	*	*	*	*	*
5	Electronic SEZ, GIDC, Gandhinagar	*	*	*	*	*
6	Zydus Infra. Pvt. Ltd., Ahmedabad	*	*	*	*	*
7	Larsen & Tubro Ltd., Vadodara	*	*	*	*	*
8	Sterling SEZ	*	*	*	*	*

	Infra Pvt. Ltd., Bharuch					
9	Euro Multivision Ltd., Kutchch	*	*	*	*	*
10	Synefra Engineering & Construction Ltd., Vadodara	*	*	*	*	*
11	Aqualine Properties Pvt. Ltd., Gandhinagar	*	*	*	*	*
12	Dahej SEZ Ltd., Bharuch	2067.71	1404.69	832.24	399.14	83.60
13	Reliance SEZ. Jamnagar	186924	171729	148764	103505	69390
14	E-Complex Pvt. Ltd., Amreli	*	*	*	*	*
15	Adani Port & SEZ Ltd., Kutchch	1889.24	1626.78	1706.19	1530.61	1284.49
16	Jubliant Infrastructure Ltd.,	*	*	*	*	*



	Bharuch					
17	Tata Consultancy Services Ltd., Gandhinagar	*	*	*	*	*
<b>Total</b>		<b>221346.8</b>	<b>225027.77</b>	<b>181731.81</b>	<b>146219.26</b>	<b>96944.87</b>
<b>Growth %</b>		<b>-1.66</b>	<b>19.24</b>	<b>19.54</b>	<b>33.70</b>	<b>-</b>

\* Information not received under RTI Application

### *Analysis & Interpretation*

Gujarat SEZ's average growth rate of exports in last five years is 17.71% against the national of average 25% which is considerably good. SEZs' in India are having around 25% of average share in total exports in last five years which is quite significant.

Gujarat has grabbed a lion's share 45% of the country's total exports that were made from SEZs during the year 2013-2014. However, it is also one of the four states to register a de-growth in exports during the last fiscal year. Total 192 functional SEZs in India have together made exports of over Rs. 4,94,000 crore during 2013-14 and out of this Gujarat registered exports of Rs.2,25,042 crore. Maharashtra with Rs 56,399 crore and Karnataka with Rs 51,372 crore stood second and third, respectively, among the states. Though Gujarat does not have the highest number of functional SEZs in the country, it has still managed to grab a lion's share in terms of overall exports from SEZs. The state with 18 SEZs, currently exports different products and services and is placed fifth among 15 states that have functional SEZs (as on June 2014). Andhra Pradesh (42 SEZs includes

those in Telengana), Tamil Nadu (34), Maharashtra (25) and Karnataka (25) have more SEZs than Gujarat.<sup>28</sup>

### Consolidated Figures of Imports of All Functional SEZs in Gujarat

(In Crores)

Sr. No.	Zone	2013-14	2012-13	2011-12	2010-11	2009-10
1	Kandla SEZ, Kutchch	2665.14	1869.46	1717.46	1384.61	1316.50
2	Surat SEZ, Surat	25436.00	46075.02	24856.00	36524.00	22461.00
3	Surat Apparel Park, Surat	*	*	*	*	*
4	Ahmedabad Apparel Park, Ahmedabad	*	*	*	*	*
5	Electronic SEZ, GIDC, Gandhinagar	*	*	*	*	*
6	Zydus Infra. Pvt. Ltd., Ahmedabad	*	*	*	*	*
7	Larsen	*	*	*	*	*

<sup>28</sup> Nair Avinash (2014), "At 45 pct, Gujarat grabs lion's share of country's total SEZ exports", *The Financial Express*, August 26, 2014 retrieved from <http://www.financialexpress.com/news/at-45-pct-gujarat-grabs-lions-share-of-countrys-total-sez-exports/1282516> on September 8, 2014

	&Tubro Ltd., Vadodara					
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	*	*	*	*	*
9	Euro Multivision Ltd., Kutchch	*	*	*	*	*
10	Synefra Engineering & Construction Ltd., Vadodara	*	*	*	*	*
11	Aqualine Properties Pvt. Ltd., Gandhinagar	*	*	*	*	*
12	Dahej SEZ Ltd., Bharuch	2202.01	2680.06	3252.08	2795.13	216.05
13	Reliance SEZ. Jamnagar	171572	148034	130074	94206	70730
14	E-Complex Pvt. Ltd.,	*	*	*	*	*

	Amreli					
15	Adani Port & SEZ Ltd., Kutchch	7096.37	7874.19	5160.5	6274.13	8095.33
16	Jubliant Infrastructure Ltd., Bharuch	*	*	*	*	*
17	Tata Consultancy Services Ltd., Gandhinagar	*	*	*	*	*
<b>Total</b>		<b>208971.52</b>	<b>206532.73</b>	<b>165060.04</b>	<b>141183.87</b>	<b>102818.88</b>
<b>Growth %</b>		<b>1.17</b>	<b>20.08</b>	<b>14.47</b>	<b>27.17</b>	<b>-</b>

\* Information not received under RTI Application

### *Analysis & Interpretation*

Average growth rate of import is 15.72% against the export which is 17.71% showing insignificant difference in growth. In other words, SEZs are exporting as much as they are importing. Import figure has doubled in last five years. Gujarat need to focus more on exports so that it can have better net export earnings.

## Net Export - Import from SEZs of India and Gujarat

(In Crores)

Year	Export (In Cr)	Import (In Cr)	Net 2-3	Export from SEZ	Import by SEZ	Net 5-6	Export from SEZ in Gujarat
1	2	3	4	5	6	7	
2009-10	845533	1363735	-518202	220711 26%	*	*	101747
2010-11	1142921	1683466	-540545	315868 27%	*	*	146877
2011-12	1465959	2345463	-879504	364478 25%	*	*	@
2012-13	1634318	2669161	-1034843	353195* 21.61%	*	*	@
2013-14	1892892	2719206	-826314	494000^ 26.10%	*	*	225042^

Source :-www.indiastat.com, \*Upto December 2012 , ^The Financial Express, August 26, 2014  
@ Data not available

### *Analysis & Interpretation*

In above table we can see that SEZ is having one fourth of the share in total exports from India. Gujarat is having share of 45% in total exports from SEZs in India. Main reason behind this is Reliance's huge share of 83% in Gujarat's total exports from SEZs and 37% of total exports from all India's SEZ. It is not possible to get

net export earnings as data of import by SEZ is not available. Import data of SEZ could have given clear picture about performance of SEZs in Gujarat.

### Export-Import by SEZs established by Central Government

(In Crores)

Year	KASEZ	SEEPZ	NSEZ	MEPZ SEZ	CSEZ	FSEZ	VSEZ
1	2	3	4	5	6	7	8
2009-	2205.78	9995	*	5783.78	*	*	5710.68
10	<i>1316.95</i>	*	*	<i>358.86</i>	*	*	<i>2585.91</i>
2010-	2628.50	11582	*	6926.44	*	*	13335.69
11	<i>1384.60</i>	*	*	<i>5511.28</i>	*	*	<i>6770.00</i>
2011-	2960.81	12608	*	11177.26	*	*	19072.93
12	<i>1717.45</i>	*	*	<i>7418.95</i>	*	*	<i>6394.95</i>
2012-	2961.66	14399	*	10808.59	*	*	26147.39
13	<i>1869.45</i>	*	*	<i>6561.26</i>	*	*	<i>7379.68</i>
2013-	3636.06	16989	*	10080.86	*	*	31794.32
14	<i>2665.14</i>	*	*	<i>2577.81</i>	*	*	<i>7337.90</i>
<b>Average</b>	<b>7.37</b>	<b>9.74</b>	<b>-</b>	<b>14.67</b>	<b>-</b>	<b>-</b>	<b>43.16</b>
<b>Growth</b>							
<b>%</b>	<b><i>13.60</i></b>	<b>-</b>	<b>-</b>	<b><i>-639.00</i></b>	<b>-</b>	<b>-</b>	<b><i>23.18</i></b>

*Italic* – Imports figures, \* Information not provided under RTI

## *Analysis & Interpretation*

We can see in above table that all SEZs are having net positive revenue but differ in terms of growth in export import performance. KASEZ's growth in import is almost double of the export on the contrary VSEZ's growth in export is double of the import which is the good sign in terms of net revenue earning. MEPZ SEZ contributing in export well and most importantly its growth in import is significantly lower.

### *Net Foreign Exchange Earning (NFEE)<sup>29</sup>*

#### **KASEZ, Kutchch**

<b>Year</b>	<b>Exports (In Cr)</b>	<b>Imports (In Cr)</b>	<b>NFE 2-3</b>	<b>NFE in %</b>	<b>Duty Forgone</b>	<b>Duty Collected</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
2009-10	2205.78	1316.95	888.83	40.30	*	#
2010-11	2628.51	1384.60	1243.91	47.32	*	#
2011-12	2960.81	1717.45	1243.36	41.99	*	#
2012-13	2961.66	1869.45	1092.21	36.87	*	#
2013-14	3636.07	2665.14	970.93	26.70	*	#
<b>Average</b>	-	-	-	<b>38.63</b>	-	-

\* Information not received under RTI, # Data not available

<sup>29</sup>Adopted from "Surat SEZ, India's First Private Sector Special Economic Zone, Achieves Phenomenal Growth; Exports Jump to Rs. 381 Billion during 2010-11, Is expected to cross Rs. 500 Billion in 2011-12" *Business Times*, Washington DC, June 2011 Issue, Volume XXIX No 4, retrieved from <http://businesstimesusa.com/WebsiteIssuesofBtimes/BtimesJune2011Issue.pdf> on May 8, 2014

### Surat SEZ, Surat

Year	Exports (In Cr)	Imports (In Cr)	NFE 2-3	NFE in %	Duty Forgone	Duty Collected
1	2	3	4	5	6	7
2009-10	23981.00	22464.00	1517.00	6.33	872.3	46.9
2010-11	38156.00	36524.00	1632	4.27	*	#
2011-12	27468.57	24856.00	2612.57	9.51	*	#
2012-13	47305.64	46075.02	1230.62	2.60	*	#
2013-14	26851.78	25436.00	1415.78	5.27	*	#
<b>Average</b>	-	-	-	<b>5.60</b>	-	-

\* Information not received under RTI, # Data not available

### Synefra Engineering & Construction Ltd., Vadodara

Year	Exports (In Cr)	Imports (In Cr)	NFE 2-3	NFE in %	Duty Forgone	Duty Collected
1	2	3	4	5	6	7
2009-10	14.42	57.57	-43.15	-299.24	*	#
2010-11	51.2	97.76	-46.56	-90.94	*	#
2011-12	49.74	87.93	-38.19	-76.78	*	#
2012-13	86.93	61.85	25.08	28.85	*	#
2013-14	142.47	30.50	111.97	78.59	*	#
<b>Average</b>	-	-	-	<b>-71.90</b>	-	-

\* Information not received under RTI, # Data not available



**Dahej SEZ Ltd., Bharuch**

<b>Year</b>	<b>Exports (In Cr)</b>	<b>Imports (In Cr)</b>	<b>NFE 2-3</b>	<b>NFE in %</b>	<b>Duty Forgone</b>	<b>Duty Collected</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
2009-10	83.60	216.05	-132.45	-158.43	*	#
2010-11	399.14	2795.13	-2395.99	-600.28	*	#
2011-12	832.24	3252.08	-2419.84	-290.76	*	#
2012-13	1404.69	2680.06	-1275.37	-90.79	*	#
2013-14	2067.71	2202.01	-134.3	-6.50	*	#
<b>Average</b>	-	-	-	<b>-229.35</b>	-	-

\* Information not received under RTI, # Data not available

**Reliance SEZ Ltd, Jamnagar**

<b>Year</b>	<b>Exports (In Cr)</b>	<b>Imports (In Cr)</b>	<b>NFE 2-3</b>	<b>NFE in %</b>	<b>Duty Forgone</b>	<b>Duty Collected</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
2009-10	69390	72730	-3340	-4.81	*	#
2010-11	103505	94206	9299	8.98	*	#
2011-12	148764	130074	18690	12.56	*	#
2012-13	171729	148034	23695	13.80	*	#
2013-14	186924	171572	15352	8.21	*	#
<b>Average</b>	-	-	-	<b>7.75</b>	-	-

\* Information not received under RTI, # Data not available

## Adani Port & SEZ Ltd., Kutchch

Year	Exports (In Cr)	Imports (In Cr)	NFE 2-3	NFE in %	Duty Forgone	Duty Collected
1	2	3	4	5	6	7
2009-10	1284.49	8095.33	-6810.84	-530.24	*	#
2010-11	1530.61	6274.13	-4743.52	-309.91	*	#
2011-12	1706.19	5160.50	-3454.31	-202.46	*	#
2012-13	1626.78	7874.19	-6247.41	-384.03	*	#
2013-14	1889.24	7096.37	5207.13	-275.62	*	#
<b>Average</b>	-	-	-	<b>-340.45</b>	-	-

\* Information not received under RTI, # Data not available

### *Analysis & Interpretation*

NFEE is most important tool to measure performance of any SEZ. There is no legal requirement for any SEZ as a whole to achieve positive Net Foreign Exchange but the unit shall achieve positive Net Foreign Exchange Earning to be calculated cumulatively for a period of five years from the commencement of production accordingly to the formula specified in Rule 53 of SEZ Rules, 2006. Duty forgone and duty collected is one of the main components to calculate NFEE for SEZ. None of the SEZ has provided information regarding duty forgone and duty collected data is not available. In absence of this we can calculate NFEE as per table adopted above.

From above table we can see that out of six SEZs, half are showing negative average NFEE for last five years. In terms of NFEE, KASEZ has shown remarkable growth. NFEE earned by SurSEZ and Reliance is positive but not significant one

compared to KASEZ. Negative NFEE shows the tendency towards the imports from other country.

Above discussion refers to NFEE but for net earning one should follow following formula to arrive at correct net earnings.

Export (FOB Value) - Import (CIF Value) - Duty Foregone + Duty collected

In our case it is not possible to calculate correct net earnings as data on duty forgone and duty collected have not been provided by SEZs under RTI applications. It is pertinent to note that Director General of System & Data Management, New Delhi provided details for duty forgone (Central Excise + Customs) for all SEZs in India which can be helpful to calculate net earnings from all SEZs in India.

***Domestic Procurement/Deemed Exports***

**Consolidated Figures of Domestic Procurement of Selected Functional  
SEZs in Gujarat**

(In Crores)

Sr. No.	Zone	2013-14	2012-13	2011-12	2010-11	2009-10
1	Kandla SEZ, Kutchch	3.16	4.06	36.20	22.12	*
2	Surat SEZ, Surat	*	*	*	*	*
3	Surat Apparel Park, Surat	*	*	*	*	*
4	Ahmedabad	*	*	*	*	*

	Apparel Park, Ahmedabad					
5	Electronic SEZ, GIDC, Gandhinagar	*	*	*	*	*
6	Zydus Infra. Pvt. Ltd., Ahmedabad	*	*	*	*	*
7	Larsen & Tubro Ltd., Vadodara	*	*	*	*	*
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	*	*	*	*	*
9	Euro Multivision Ltd., Kutchch	*	*	*	*	*
10	Synefra Engineering & Construction Ltd., Vadodara	*	*	*	*	*
11	Aqualine Properties Pvt. Ltd., Gandhinagar	*	*	*	*	*
12	Dahej SEZ Ltd., Bharuch	51.22	101.26	60.40	36.45	-
13	Reliance SEZ.	18381	17115	17944	14094	7815

	Jamnagar					
14	E-Complex Pvt. Ltd., Amreli	*	*	*	*	*
15	Adani Port &SEZ Ltd., Kutchch	*	*	*	*	*
16	Jubliant Infrastructure Ltd., Bharuch	*	*	*	*	*
17	Tata Consultancy Services Ltd., Gandhinagar	*	*	*	*	*
<b>Total</b>		<b>18435.38</b>	<b>17220.32</b>	<b>18040.60</b>	<b>14152.57</b>	<b>-</b>
<b>Growth %</b>		<b>6.59</b>	<b>-4.76</b>	<b>21.55</b>	<b>-</b>	<b>-</b>

### *Analysis & Interpretation*

Domestic procurement data shows the domestic linkages which is utmost necessary for overall growth of the country. Many authors have suggested SEZ's linkages with rest of the country's economy, in other words linkages with domestic companies for procurement of capital goods, inputs. As per available information, it can be said that there is insignificant growth in domestic procurement. Moreover in our case most of the SEZs have not provided information under RTI Act regarding

domestic procurement so it is not possible to arrive at any conclusion regarding domestic linkages.

***Domestic Tariff Area (DTA) Sales***

**Consolidated Figures of DTA Sales of Selected Functional SEZs in Gujarat**

(In Crores)

Sr. No.	Zone	2013-14	2012-13	2011-12	2010-11	2009-10
1	Kandla SEZ, Kutchch	11122.4	912.96	651.11	808.23	687.69
2	Surat SEZ, Surat	48.37	40.63	236.15	333.51	423.11
3	Surat Apparel Park, Surat	*	*	*	*	*
4	Ahmedabad Apparel Park, Ahmedabad	*	*	*	*	*
5	Electronic SEZ, GIDC, Gandhinagar	*	*	*	*	*
6	Zydus Infra. Pvt. Ltd., Ahmedabad	*	*	*	*	*
7	Larsen & Tubro Ltd., Vadodara	*	*	*	*	*
8	Sterling SEZ Infra Pvt. Ltd.,	*	*	*	*	*

	Bharuch					
9	Euro Multivision Ltd., Kutchch	*	*	*	*	*
10	Synefra Engineering & Construction Ltd., Vadodara	46.73	49.13	107.26	136.43	38.40
11	Aqualine Properties Pvt. Ltd., Gandhinagar	*	*	*	*	*
12	Dahej SEZ Ltd., Bharuch	33.17	32.40	91.49	158.58	194.37
13	Reliance SEZ. Jamnagar	2369	4949	3103	2931	2939
14	E-Complex Pvt. Ltd., Amreli	*	*	*	*	*
15	Adani Port & SEZ Ltd., Kutchch	555.12	2218.98	3891.47	5906.65	7696.59
16	Jubliant Infrastructure Ltd., Bharuch	*	*	*	*	*
17	Tata Consultancy Services Ltd., Gandhinagar	*	*	*	*	*
<b>Total</b>		<b>14174.79</b>	<b>8203.10</b>	<b>8080.48</b>	<b>10274.40</b>	<b>11979.16</b>
<b>Growth %</b>		<b>42.13</b>	<b>1.49</b>	<b>-27.15</b>	<b>-16.59</b>	<b>-</b>

## *Analysis & Interpretation*

SEZs are allowed to sell goods in domestic tariff area provided that they have achieved net foreign exchange earnings. Main objective of setting up SEZ is to boost actual exports and not selling goods in the domestic tariff area. Selling goods in DTA to the some extent is fine with the policy but significant growth in DTA sale is not healthy sign for economy. In other words country are not getting any foreign exchange by selling goods in DTA. In our case many SEZs have not provided the information regarding DTA sales but with the available data we can see that there is average growth of (-0.42) in DTA sales in last 4-5 years which is quite good scenario. For the financial year 2013-14, there is significant growth in DTA sales which is not desirable situation. Sometimes SEZs are considering DTA sales towards the calculating net foreign exchange earnings which Comptroller & Auditor General of India (CAG) has pointed out in its report. It has been mentioned in the report that 8% and 5% of total production considered while calculating NFE for the financial year 2011-2012 and 2012-2013 respectively.

### ***Revenue Loss***

For collecting data on revenue loss of direct and indirect taxes, The researcher filed a RTI Application in Department of Revenue, Ministry of Finance, Govt. of India at New Delhi on May 8, 2014. Department of Revenue transferred the said application to CPIO, O/o Directorate General of Income Tax (Exemption), CBDT, Aaykar Bhawan, New Delhi 110092 and CPIO, Directorate General of System & Data Management, CBEC, New Delhi 110 021 on June 5, 2014.



Followings were the information asked under RTI Application

1. Loss under Income-Tax exemption. Estimated-Actual. Statewise-Yearwise from Year 2000 to 2013.
2. Lose of Custom, Excise, Service tax. Sales Tax/VAT. Estimated-Actual Statewise-Yearwise from Year 2000 to 2013.
3. Yearwise-Statewise Minimum Alternate Tax (MAT) collected from year 2011 to 2014.

### **Director General of Income Tax (Exemption)**

This office does not have data or compile the data so it transferred application to The CPIO, All Principal Chief Commissioners of Income Tax (Bhopal, Bhubaneswar, Chandigarh, Guwahati, Jaipur, Kanpur, Lucknow, Kochi, Nagpur, Patna, Pune, Ahmedabad, Bangaluru, Chennai, Delhi, Hyderabad, Kolkatta, Mumbai) and to The CPIO Director of Income Tax (Exemptions) (Ahmedabad, Bangaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai). These offices again transferred application to respective Circles in region, Circle transferred to Range and lastly to Ward level i.e. Income Tax Officer. So far researcher has received more than 1000+ replies from all over the India. Followings are the some replies received in RTI reply. Some of them are very common.

1. Information sought does not pertain to this office.
2. There is no unit of SEZ has claimed tax exemption in this office.
3. Information asked to be considered as NIL.
4. Information asked not applicable
5. No such details are maintained in the office. The Public Authority under the RTI Act is not supposed to create information or to interpret information or to furnish replies to hypothetical questions. Only such information may be given under the act which already exists with the PA (Guide for information seeker's enclosed with DOP&T, OM No. 1/8/2007-IR)

6. The office is submitting various statistical reports to higher authorities. However, the data as required by the applicant is not part of such statistical reports compiled or sent. It is also not possible to cull out the data as requested for from the existing reports available with this office, under these circumstances, it is not possible to provide the information sought by the applicant.
7. Order given on relying notification CBDT F. N. 225/208/2010/IVA II dated 21/1/2011 where in it is mentioned that as per the directions of Ministry of Personnel, Public Grievances & Pensions in office memorandum No. 10/2/2008-IR dated 12/06/2008, in case the required details are scattered with more than one public authorities offices, separate applications should have been made with every PIO.

“Para 3(iii) – if no part of the information sought is available with it but scattered with more than one other public authorities, the PIO should inform the applicant that information is not available with the public authorities and that the applicant should make separate applications to the concerned public authorities for obtaining informations from them. It may be noted that the act requires supply of such information only which already exists and is held by the public authority held under the control of the public authority. It is beyond the scope of the act for a public authority to create information, collection of information, partly of which are available with different public authorities would amount to creation of information which is public authority under the act is not required to do.

8. The information sought is not a part of the record of this public authority/not required to be maintained under any law or the rules or regulations of this public authority. It may be kindly noted that the Hon'ble SC in the case of *CBSE & Ors v/s. Aditya Bandopadhyay & Ors (2011) 8 SCC 497* had hold that "where the information sought is not a part of the record of a public authority and where such information is not required to be maintained under any law or the rules or regulations of the public authorities, the Act does not cast an obligation upon the public authority to collect or collate such, non-available information and then furnish it to an applicant. A public authority is also not required to furnish information which require drawing of inferences and/or making of assumption.
9. The information sought for is not maintained in the form in which it is sought for by the applicant and such information cannot be retrieved without deploying considerable amount of resource which will disproportionately divert the resource of public authority. There the information cannot be disclosed. Reliance in this regard is placed on the order of the CIC dated 7/04/2006 in Appeal No. 26/IC(A)/OC wherein it was held that

"an information is to be provided in the form in which it is sought for it exist with the information provider, unless it would disproportionately divert the revenue of the public authority u/s 7(9). The info sought by the applicant is voluminous...the appellatant may also indicate the bonafide public interest in disclosure of information sought by him, as considerable amount of resource would have to be deployed by the bank for providing the information asked by him.

Researcher's observations upon receiving reply from Income tax offices.

1. They have not compiled or maintained the data for SEZ Scheme as maintained by the Director General of System & Data Management.
2. Higher Income tax Authority forwarded the application to lower tax authority stating that the information asked in the application is self-explicit, inspite of this they are not able to understand the information asked and replied to me that information is NIL, Not applicable, required information does not maintained by the office.
3. Higher Income tax offices transferred application to income tax offices which have nothing to do with SEZ operation.
4. Some offices understood the application properly and replied that no such information is available with this office, not such data maintained by office.
5. Very few offices provided information for MAT collected.

Looking at unavailability of data it is not possible to do any analysis based on revenue loss due to operation of SEZ.

Office of Director General of System & Data Management, New Delhi provided data without forwarding application to single other offices; they maintain all data related to SEZ Scheme. Following is the data received from the office.

<b>Duty foregone Under SEZ Scheme</b>			
Rs. in Crore			
YEAR	As per FMR- ANN.IV (Excise)	As per FMR ANNE-III (Customs)	Total
2000-01	3.49	909.57	913.06
2001-02	3.56	1265.49	1269.05

2002-03	12.07	1070.10	1082.17
2003-04	67.48	1108.73	1176.21
2004-05	20.19	1057.12	1077.31
2005-06	31.09	1631.99	1663.08
2006-07	220.92	1642.35	1863.27
2007-08	851.76	1803.95	2655.71
2008-09	804.73	2324.29	3129.02
2009-10	1547.04	3987.06	5534.10
2010-11	2548.14	8630.16	11178.30
2011-12	3591.00	4559.87	8150.87
2012-13	4873.16	4490.58	9363.74
2013-14	4242.50	6197.87	10440.37

### *Analysis & Interpretation*

Revenue Loss is a major concern for SEZs. Finance Ministry and Commerce Ministry are fighting on the very same issue for long. Finance Ministry contends that SEZs are causing and will cause huge loss to the exchequer. On the contrary, Commerce Ministry defends saying that SEZs will boost exports, fetch foreign exchange, attract investments, and create employment. No proper mechanism has been developed to assess actual revenue loss due to SEZ operation. Major part of revenue is Custom, Central Excise and Income Tax. CAG in its report mentioned that despite a huge growth in exports from SEZ after the Act came into force, there is still no revenue outcome analysis at the economic and Government levels. In our case, no information has been provided regarding revenue loss at the Gujarat state level due

to SEZ operation. Director General of System & Data Management, New Delhi provided data of duty forgone which will be helpful to assess national level SEZ operation efficiency. Revenue loss will actually give clear picture of net earnings from SEZ operation i.e. Export (FOB Value) - Import (CIF Value) - Revenue Loss = Net Earnings.

### ***De-notification of SEZs***

#### De-notified SEZs in Gujarat

Sr. No.	Name of SEZ	Type of SEZ
1	M/s. DLF Ltd., Gandhinagar	IT/ITES
2	M/s. Essar SEZ Pvt. Ltd., Surat	Multi-product
3	M/s. N G Realty Pvt. Ltd., Ahmedabad	Engineering

#### Under process of De-notification

Sr. No.	Name of SEZ	Type of SEZ
1	Gujarat Hira Bourse, Surat	Gems & Jewellery
2	M/s. Welspun Anjar SEZ Ltd., Kutchch	Engineering
3	M/s. City Gold Pvt. Ltd., Ahmedabad	IT/ITES
4	M/s. Gujarat Hydrocarbon Limited, Bharuch	Hydrocarbon
5	M/s. Shivganga Real Estate Pvt. Ltd., Gandhinagar	IT/ITES

### Partly De-notified SEZ

Sr. No.	Name of SEZ	Type of SEZ
1	M/s. Reliance Industries Ltd., Jamnagar	Multi-product
2	M/s. Larsen and Turbo Ltd., Vadodara	IT/ITES
3	M/s. Dahej SEZ Ltd., Bharuch	Multi-product
4	M/s. Syenfra Pvt. Ltd., Vadodara	Engineering

### *Analysis & Interpretation*

De-notification of SEZs shows that SEZs are no longer attractive. This happens because of change in government policy. Many SEZs in India and various part of the country have been de-notified and many have applied for it. Mainly change in taxation policy in budget of year 2011-12 i.e. imposition of Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) is reason behind these de-notification. In Gujarat so far 3 SEZs have been de-notified and 5 have applied for de-notification mainly IT/ITES, Engineering SEZs. Industries have requested Finance Minister Arun Jaitly to exempt SEZ and units from the levy of MAT. This exempt will restore the confidence of industries and they will stop applying for de-notification of their SEZs. As many as 33 developers surrendered their SEZ projects between December, 2008, and July, 2011. The reasons given by applicants for de-notification of their projects range from the economic meltdown, poor market response, non-availability of a skilled labour force, lack of demand for IT/ITES space and the imposition of MAT and DDT on SEZs, Minister of State for

Commerce and Industry Jyotiraditya Scindia said in a written reply to the Rajya Sabha.<sup>30</sup>

*Existed SEZ Unit (Year 2006-07 to 2013-14)*

**Consolidated figure on no of units closed down in  
selected functional SEZs in Gujarat**

Sr. No.	Zone	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
1	Kandla SEZ, Kutchch	Nil	1	1	6	6	2	6	6
2	Surat SEZ, Surat	15	21	21	29	8	9	1	--
3	Surat Apparel Park, Surat	*	*	*	*	*	*	*	*
4	Ahmedabad Apparel Park, Ahmedabad	*	*	*	*	*	*	*	*
5	Electronic SEZ, GIDC,	*	*	*	*	*	*	*	*

<sup>30</sup>----- (2011), "33 SEZs de-notified between Dec 2008 and July 2011: Government", *The Economics Times*, retrieved from [http://articles.economicstimes.indiatimes.com/2011-08-17/news/29896652\\_1\\_tax-free-enclaves-cent-income-tax-exemption-sez-acton](http://articles.economicstimes.indiatimes.com/2011-08-17/news/29896652_1_tax-free-enclaves-cent-income-tax-exemption-sez-acton) July 5, 2014



	Gandhinagar								
6	Zydus Infra. Pvt. Ltd., Ahmedabad	*	*	*	*	*	*	*	*
7	Larsen & Tubro Ltd., Vadodara	*	*	*	*	*	*	*	*
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	*	*	*	*	*	*	*	*
9	Euro Multivision Ltd., Kutchch	*	*	*	*	*	*	*	*
10	Syenfra Engineering & Construction Ltd., Vadodara	0	0	0	0	0	0	0	0
11	Aqualine Properties Pvt. Ltd., Gandhinagar	*	*	*	*	*	*	*	*

12	Dahej SEZ Ltd., Bharuch	1	-	-	1	-			
13	Reliance SEZ. Jamnagar					1 Reliance Pharma. Pvt. Ltd.			
14	E-Complex Pvt. Ltd., Amreli	*	*	*	*	*	*	*	*
15	Adani Port &SEZ Ltd., Kutchch	*	*	*	*	*	*	*	*
16	Jubliant Infrastructure Ltd., Bharuch	*	*	*	*	*	*	*	*
17	Tata Consultancy Services Ltd., Gandhinagar	*	*	*	*	*	*	*	*
<b>Total</b>		<b>16</b>	<b>22</b>	<b>22</b>	<b>36</b>	<b>15</b>	<b>11</b>	<b>7</b>	<b>6</b>

\* Information not provided under RTI

### *Analysis & Interpretation*

In some of the SEZs, units were closed down because of their operational difficulties. We can see in last eight years total 135 units closed down. Significant no of units closed down in Surat Special Economic Zone. In year 2010 Apparel manufacturers requested for de-notification of Surat Apparel Park. Unit owners wanted to close down their manufacturing facility due to decline in export market. In spite of above scenario Surat Apparel Park still surviving. Many SEZs have not provided data regarding closing down of units under RTI application so it is not possible to give clear picture of SEZ operation in the state.

### *CAG Findings*

Gist of the report (No. 12 of 2014) of the Comptroller and Auditor General of India for the year ended March 2013. (The Report has been laid on the table of the Parliament house on 1-08-2014)

Despite a huge growth in exports from SEZ after the Act came into force there is still no revenue outcome analysis at the economic and the Government levels. Most of the quoted performance figures when de-trended may indicate exogenous influences including changes in taxation policy with respect to SEZ and SEZ units.

#### Performance of SEZs in FY 12 to FY 13

<b>Exports in 2011-12</b>	Rs. 364477.73 Crore (Growth of 15.39% over 2010-11)
DTA Sale (Counted for +ve NFE)	Rs. 32472.70 Crore (8% of total production)

DTA Sale (Not counted for +ve NFE)	Rs. 13881.20 Crore (3.87% of total production)
<b>Exports in 2012-13</b>	Rs. 476159 Crore (Growth of 31% over 2011-12)
DTA Sale (Counted for +ve NFE)	Rs. 27884.80 Crore (5% of total production)
DTA Sale (Not counted for +ve NFE)	Rs. 27545.46 Crore (5% of total production)

#### *Analysis & Interpretation*

The researcher filed RTI application in office of CAG asking details about observation about SEZ in India and Gujarat but I did not get the reply. Thereafter he filed first appeal in the office. First Appellate Authority replied that there is no specific report about special economic zones and audit observation relating to SEZs are spread over various audit reports placed in parliament. They further added that the information requested by me amounts to collation of information which is not within the scope of the RTI Act. All audit reports since 2000 are already in public domain and available in the official website of CAG.

Above figure suggest that no proper mechanism has been developed to assess Net Foreign Exchange Earnings. DTA sales figures have been considered while calculating NFEE. With the proper mechanism only, Finance Ministry can claim that SEZs are causing big losses to country's exchequer. Proper cost benefit analysis should be carried out to assess real impact/performance of SEZ operation.

*Single Enforcement Officer / Agency for notified offences set up u/s 21 of SEZ Act,2005.*

**Status of Single Enforcement Officer/Agency u/s 21 of SEZ Act, 2005**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Status</b>
1	Kandla SEZ, Kutchch	No information provided under RTI Application
2	Surat SEZ, Surat	-do-
3	Surat Apparel Park, Surat	-do-
4	Ahmedabad Apparel Park, Ahmedabad	-do-
5	Electronic SEZ, GIDC, Gandhinagar	-do-
6	Zydus Infra. Pvt. Ltd., Ahmedabad	-do-
7	Larsen & Tubro Ltd., Vadodara	-do-
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	-do-
9	Euro Multivision Ltd., Kutchch	-do-
10	Syenfra Engineering &	Replied as Policy Matter

	Construction Ltd., Vadodara	
11	Aqualine Properties Pvt. Ltd., Gandhinagar	-do-
12	Dahej SEZ Ltd., Bharuch	-do-
13	Reliance SEZ. Jamnagar	-do-
14	E-Complex Pvt. Ltd., Amreli	-do-
15	Adani Port & SEZ Ltd., Kutchch	-do-
16	Jubliant Infrastructure Ltd., Bharuch	-do-
17	Tata Consultancy Services Ltd., Gandhinagar	-do-

### *Analysis & Interpretation*

Development Commissioner (DC) of the respective zone has been notified as Enforcement officer in year 2010. All of the SEZs have not provided any information regarding any single enforcement officer/agency. Now DC apart from administrating job of SEZ, he/she will be an enforcement officer in respect of any

notified offence or offences committed in a SEZ. The Central Government may, by notification, specify any act or omission made punishable under any Central Act, as notified offences for the purposes of this Act. Central Government has notified all offences mentioned under Foreign Trade (Development & Regulation) Act, 1992 as notified offences.

***Penal Action under Rule 54 (Monitoring of Performance) of SEZ Rules, 2006(Year 2006-07 to 2013-14)***

**Status of Penal Action under SEZ Rule 54**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Status</b>	
1	Kandla SEZ, Kutchch	Year	No of Incident
		2006-07	NA
		2007-08	1
		2008-09	3
		2009-10	Nil
		2010-11	3
		2011-12	9
		2012-13	6
2013-14	1		
2	Surat SEZ, Surat	Year	No of Incident
		2006-07	Nil
		2007-08	Nil
		2008-09	Nil
		2009-10	Nil
		2010-11	Nil
		2011-12	Nil
		2012-13	Nil
2013-14	Nil		
3	Surat Apparel Park, Surat	No information provided under RTI Application	

4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI Application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI Application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI Application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI Application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No information provided under RTI Application
9	Euro Multivision Ltd., Kutchch	No information provided under RTI Application
10	Syenfra Engineering & Construction Ltd., Vadodara	Nil
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI Application
12	Dahej SEZ Ltd., Bharuch	Nil
13	Reliance SEZ. Jamnagar	Nil
14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI Application



15	Adani Port & SEZ Ltd., Kutchch	Penal action was taken M/s. Thermax Pvt. Ltd. in the year 2013 only for not attaining positive Net Foreign Exchange Earning. Penalty of Rs. 50, 000/- was imposed and recovered.
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI Application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI Application

***Analysis & Interpretation***

11 SEZs have not provided information under RTI application regarding penal actions taken. In 4 SEZs case of penal action taken is Nil. In KASEZ there are few cases of penal action taken followed by one in Adani Port & SEZ Ltd. So far there are not any major incidents of penal action taken.

***Cases of revival of sick units under Rule72 of SEZ Rules, 2006 (Year 2006-07 to 2013-14)***

**Status of Cases of Revival of Sick Units under SEZ Rule 72**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Status</b>
1	Kandla SEZ,	Nil

	Kutchch	
2	Surat SEZ, Surat	Nil
3	Surat Apparel Park, Surat	No information provided under RTI Application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI Application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI Application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI Application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI Application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No information provided under RTI Application
9	Euro Multivision Ltd., Kutchch	No information provided under RTI Application
10	Syenfra Engineering & Construction Ltd., Vadodara	Nil
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI Application
12	Dahej SEZ Ltd., Bharuch	Nil

13	Reliance SEZ. Jamnagar	Nil
14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI Application
15	Adani Port & SEZ Ltd., Kutchch	Nil
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI Application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI Application

### *Analysis & Interpretation*

Some of the SEZs have provided the information regarding revival of sick units and found that there are no cases of revival of sick units. Again most of SEZs have not provided the information regarding revival sick of units.

### *Employment*

#### **Consolidated Figures on Direct Employment in Selected Functional SEZs in Gujarat**

<b>Sr. No.</b>	<b>Zone</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
1	Kandla SEZ,	*	*	*	*	*

	Kutchch					
2	Surat SEZ, Surat	11871 (10510) M-7892 F-3979	11251 (10300) M-7544 F-3707	8505 (10300) M-5564 F-2941	6405 (10300) M- 3995 F-2410	4267 (9500) M-2779 F-1488
3	Surat Apparel Park, Surat	*	*	*	*	*
4	Ahmedabad Apparel Park, Ahmedabad	*	*	*	*	*
5	Electronic SEZ, GIDC, Gandhinagar	*	*	*	*	*
6	Zydus Infra. Pvt. Ltd., Ahmedabad	*	*	*	*	*
7	Larsen & Tubro Ltd., Vadodara	*	*	*	*	*
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	1553 (50000) M-1133 F-390	192 (50000) M-144 F-48	126 (50000) M-123 F-3	202 (50000) M-200 F-2	183 (50000) M-182 F-1
9	Euro Multivision Ltd., Kutchch	*	*	*	*	*
10	Syenfra Engineering & Construction Ltd., Vadodara	331 (586) M-331				

		F-0				
11	Aqualine Properties Pvt. Ltd., Gandhinagar	*	*	*	*	*
12	Dahej SEZ Ltd., Bharuch	*	*	*	*	*
13	Reliance SEZ. Jamnagar	4008	3722	3101	2840	2155
14	E-Complex Pvt. Ltd., Amreli	*	*	*	*	*
15	Adani Port & SEZ Ltd., Kutchch	3469 (223755) M-3409 F-60				
16	Jubliant Infrastructure Ltd., Bharuch	*	*	*	*	*
17	Tata Consultancy Services Ltd., Gandhinagar	*	*	*	*	*

( ) Proposed Employment, M - Male, F - Female, \* Information not provided under RTI Application

### Total Employment in SEZs in Gujarat

Sr. No.	Year	Direct Employment				Indirect Employment	
		Proposed	Men	Women	Total	Proposed	Current
1	2009-10	182553	24865	11679	36544 20.02%	61049	18337 30.04%
2	2010-11	589060	27753	12373	40126 6.82%	438786	41319 9.42%
3	2011-12	557791	30579	12521	43100 7.73%	447428	45412 10.14%
4	2012-13	815608	36694	14486	51180 0.06%	730278	46989 6.43%
5	2013-14	848353	59297	16289	75586 8.92%	744075	39015 5.24

Source :- Information received under RTI Application from DC KASEZ Zone

#### *Analysis & Interpretation*

Average employment in last five year 8.71% for direct employment and 12.25% for indirect employment. This figure shows slow pace of employment generation by SEZs in the Gujarat. Most of the SEZs have not provided the information under RTI application. SEZs which have provided the information, we can see that they have failed to generate desired employment opportunities. SurSEZ have surpassed proposed employment generation. In SurSEZ one third of the employees are women which is the positive sign for human development. Sterling SEZ also moving towards the more women employment in the SEZ, presently it is one fourth of the

total employment. It has to go far to achieve proposed employment figure. Reliance is major exporter at central and state level but it has not generated large employment opportunities as other SEZs have done and proposed. Adani SEZ has so far employed women which is less than two percent of the total workforce, moreover it has proposed 2.23 lakhs to be generated which will be challenging for them amidst recent operational controversy. Syenfra also created 57% of the proposed jobs but there is not a single women in the workforce.

As far as employment in SEZs is considered, Gujarat stands at a lowly sixth position with 75,586 persons employed in it's SEZs. States like Maharashtra (3.39 lakh), Karnataka (1.93 lakh) and Tamil Nadu (2.68 lakh) Andhra Pradesh (1.57 lakh) and Uttar Pradesh (83,900) had provided employment to more people in their respective SEZs. Compared to 2012-13, states like Maharashtra (68,785 persons), Karnataka (52,320) and Tamil Nadu (30,455) have provided more new jobs in 2013-14, compared to 24,396 persons employed by SEZs in Gujarat.<sup>31</sup>

### ***Labour Laws compliance***

#### **Status of Labour Laws Compliance**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Instances</b>
1	Kandla SEZ, Kutchch	No information provided under RTI application
2	Surat SEZ,	No information provided under RTI

<sup>31</sup> Nair Avinash (2014), "At 45 pct, Gujarat grabs lion's share of country's total SEZ exports", *The Financial Express*, August 26, 2014 retrieved from <http://www.financialexpress.com/news/at-45-pct-gujarat-grabs-lions-share-of-countrys-total-sez-exports/1282516> on September 8, 2014

	Surat	application
3	Surat Apparel Park, Surat	No information provided under RTI application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No case of violation of Labour Laws noticed.
9	Euro Multivision Ltd., Kutchch	No information provided under RTI application
10	Syenfra Engineering & Construction Ltd., Vadodara	No information provided under RTI application
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI application
12	Dahej SEZ Ltd., Bharuch	No information provided under RTI application
13	Reliance SEZ, Jamnagar	No information provided under RTI application



14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI application
15	Adani Port & SEZ Ltd., Kutchch	No case of labour laws violation reported so far.
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI application

### *Analysis & Interpretation*

All labour laws are applicable to SEZs. Most of the SEZs have not provided information under RTI application. As per Sterling SEZ & Adani SEZ information, no case of labour laws violation noticed. As per information received under RTI application even in FALTA SEZ, MEPZ, VSEZ no case of labour laws violation noticed. Looking at this scenario we can conclude that there are not cases of labour laws violation.

### *Labour dispute*

#### **Status of Labour Dispute**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Instances</b>
1	Kandla SEZ, Kutchch	No information provided under RTI application

2	Surat SEZ, Surat	No information provided under RTI application
3	Surat Apparel Park, Surat	No information provided under RTI application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No labour dispute noticed so far.
9	Euro Multivision Ltd., Kutchch	No information provided under RTI application
10	Syenfra Engineering & Construction Ltd., Vadodara	No information provided under RTI application
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI application
12	Dahej SEZ Ltd., Bharuch	No information provided under RTI application
13	Reliance SEZ.	No information provided under RTI application

	Jamnagar	application
14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI application
15	Adani Port & SEZ Ltd., Kutchch	No labour dispute has been reported so far.
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI application

***Analysis & Interpretation***

Out of 17, only one SEZ, Adani has provided information under RTI application and in that no case of labour dispute has been reported so far. It is not possible to arrive at any conclusion regarding labour dispute position in absence of any information.

***Agency/Officer nominated u/s 20 of SEZ Act, 2005 (For compliance of any Central Acts)***

**Status of nominated Agency/Officer u/s 20 of SEZ Act, 2005**

Sr. No.	SEZ	Status
1	Kandla SEZ, Kutchch	No information provided under RTI application

2	Surat SEZ, Surat	No information provided under RTI application
3	Surat Apparel Park, Surat	No information provided under RTI application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No information provided under RTI application
9	Euro Multivision Ltd., Kutchch	No information provided under RTI application
10	Syenfra Engineering & Construction Ltd., Vadodara	Replied as Policy matter
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI application
12	Dahej SEZ Ltd., Bharuch	No information provided under RTI application
13	Reliance SEZ. Jamnagar	No information provided under RTI application

14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI application
15	Adani Port & SEZ Ltd., Kutchch	No information provided under RTI application
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI application

***Analysis & Interpretation***

No information has been provided under RTI application. There is no information regarding circular for appointment of officer/agency on official website of SEZ unlike appointment of single enforcement agency u/s 21 of SEZ Act, 2005 issued in January 2010 that too after five years of enactment of SEZ Act. It can be concluded that so far no officer/agency has been notified under the act to see compliance of any central acts.

***Designated Courts set up u/s 23 of SEZ Act, 2005***

**Status of Establishment of Designated Courts u/s 23 of SEZ Act, 2005**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Status</b>
1	Kandla SEZ, Kutchch	No information provided under RTI application

2	Surat SEZ, Surat	No information provided under RTI application
3	Surat Apparel Park, Surat	No information provided under RTI application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No information provided under RTI application
9	Euro Multivision Ltd., Kutchch	No information provided under RTI application
10	Syenfra Engineering & Construction Ltd., Vadodara	No Courts
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI application
12	Dahej SEZ Ltd., Bharuch	No information provided under RTI application
13	Reliance SEZ. Jamnagar	No information provided under RTI application

14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI application
15	Adani Port & SEZ Ltd., Kutchch	No designated court has been set up till date.
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI application

***Analysis & Interpretation***

Out of 17 SEZs, 2 SEZs replied stating that no court has been established under the SEZ Act so far. RTI application has revealed that no court has been established even in old centrally established SEZs namely Noida SEZ, MEPZ SEZ, Falta SEZ. Even after nine years of SEZ Act, none of the State Government in the country has not established a court/courts to try all suits of a civil nature and notified offences.

***Reference of Dispute u/s 42 of SEZ Act, 2005***

**Details of reference of dispute u/s 42 of SEZ Act, 2005**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Status</b>
1	Kandla SEZ, Kutchch	There is one case of dispute of partners of M/s. Jindal International.
2	Surat SEZ,	Nil

	Surat	
3	Surat Apparel Park, Surat	No information provided under RTI application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No information provided under RTI application
9	Euro Multivision Ltd., Kutchch	No information provided under RTI application
10	Syenfra Engineering & Construction Ltd., Vadodara	Nil
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI application
12	Dahej SEZ Ltd., Bharuch	No information provided under RTI application
13	Reliance SEZ, Jamnagar	Nil
14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI application



15	Adani Port & SEZ Ltd., Kutchch	Nil
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI application

### *Analysis & Interpretation*

Most of the SEZs have not provided information under RTI application. As per available information we can see that no significant no of cases have arisen so far and have been referred under the law. As per information received under RTI application, no case of reference has been noticed in MEPZ SEZ, VSEZ, Falta SEZ. Section 42 refers to any dispute of civil nature arises among two or more entrepreneurs or two or more developers or between an entrepreneur and a developer in the SEZ and the court or the courts to try suits in respect of such dispute had not been designated under Section 23, such dispute shall be referred to arbitration. Central Government will make an appointment of the arbitrator.

### *Implementation of guidelines for Green SEZ*

#### **Status of implementation of guidelines for Green SEZ**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Status</b>
1	Kandla SEZ,	Guidelines for Green SEZ is being

	Kutchch	implemented by KASEZ Units
2	Surat SEZ, Surat	SurSEZ is already a non-polluting SEZ allowing only non-polluting units.
3	Surat Apparel Park, Surat	No information provided under RTI application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No information provided under RTI application
9	Euro Multivision Ltd., Kutchch	No information provided under RTI application
10	Syenfra Engineering & Construction Ltd., Vadodara	Replied as Policy Matter
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI application
12	Dahej SEZ Ltd., Bharuch	No information provided under RTI application

13	Reliance SEZ. Jamnagar	<ul style="list-style-type: none"> <li>- Established nursery activity on 5 acres with 3 Nos Green house (wire net shade houses) for plant propagation</li> <li>- Established nursery for captive consumption, capacity 1 lakh saplings of shrubs, trees &amp; flowering plants</li> <li>- Total area under plantation including landscape &amp; greenbelt is 302 Acres</li> <li>- Species selection- perennial, woody, salt &amp; drought varieties</li> </ul>
14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI application
15	Adani Port & SEZ Ltd., Kutchch	No information provided under RTI application
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI application

### *Analysis & Interpretation*

Most of the SEZs have not provided information with regards to implementation of guidelines for Green SEZ. Looking at the other SEZs we can assume that policy is under the nascent stage of implementation.

## *Training facilities in SEZs*

### **Status of Training Facilities in SEZs**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Status</b>
1	Kandla SEZ, Kutchch	No information provided under RTI application
2	Surat SEZ, Surat	SurSEZ has established jewellery training institute.
3	Surat Apparel Park, Surat	No information provided under RTI application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI application
7	Larsen & Tubro Ltd., Vadodara	No information provided under RTI application
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No information provided under RTI application
9	Euro Multivision Ltd., Kutchch	No information provided under RTI application
10	Syenfra Engineering & Construction Ltd.,	No information provided under RTI application

	Vadodara	
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI application
12	Dahej SEZ Ltd., Bharuch	No information provided under RTI application
13	Reliance SEZ. Jamnagar	No information provided under RTI application
14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI application
15	Adani Port & SEZ Ltd., Kutchch	No information provided under RTI application
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI application

### *Analysis & Interpretation*

None of the SEZs have provided information regarding training facilities for the SEZ units employees. As per website resource, SurSEZ has set up jewellery training centre in the SEZ so that manpower can be trained working in the gems and jewellery units of the SEZ.

## *Facilities in SEZ*

### **Status of Facilities in SEZs**

<b>Sr. No.</b>	<b>SEZ</b>	<b>Status</b>
1	Kandla SEZ, Kutchch	Custom, Bank, Inland Container Depot facilities
2	Surat SEZ, Surat	All infrastructural facilities are provided. Inland Container Depot equipped with latest material handling equipments. SurSEZ is ISO 9001:2000 certified company. Custom and Bank facilities is available. Earlier Development Commissioner of KASEZ also looking after administration of SurSEZ, now it has its full time DC and other required staff.
3	Surat Apparel Park, Surat	No information provided under RTI application
4	Ahmedabad Apparel Park, Ahmedabad	No information provided under RTI application
5	Electronic SEZ, GIDC, Gandhinagar	No information provided under RTI application
6	Zydus Infra. Pvt. Ltd., Ahmedabad	No information provided under RTI application
7	Larsen & Tubro Ltd.,	No information provided under RTI application

	Vadodara	
8	Sterling SEZ Infra Pvt. Ltd., Bharuch	No information provided under RTI application
9	Euro Multivision Ltd., Kutchch	No information provided under RTI application
10	Syenfra Engineering & Construction Ltd., Vadodara	No information provided under RTI application
11	Aqualine Properties Pvt. Ltd., Gandhinagar	No information provided under RTI application
12	Dahej SEZ Ltd., Bharuch	No information provided under RTI application
13	Reliance SEZ. Jamnagar	No information provided under RTI application
14	E-Complex Pvt. Ltd., Amreli	No information provided under RTI application
15	Adani Port & SEZ Ltd., Kutchch	No information provided under RTI application
16	Jubliant Infrastructure Ltd., Bharuch	No information provided under RTI application
17	Tata Consultancy Services Ltd., Gandhinagar	No information provided under RTI application

### *Analysis & Interpretation*

Various types of facilities are needed for smooth operation of SEZ. None of the SEZs have provided information regarding facilities available in SEZs. For KASEZ and SurSEZ, some information available on their websites. It is not possible to arrive at any conclusion regarding training facilities provided in SEZ. For proper investigation of this matter, field visit is utmost necessary which could not happen in absence of permission issue.

### *Land Acquisition / Environmental Issues*

#### *Analysis & Interpretation*

Due to permission issue the researcher could not visited SEZs area and have idea about land acquisition issue. As per the secondary data available no adverse incident happened during setting up SEZs in Gujarat except Adani SEZ issue. In January 2014, High Court of Gujarat held that APSEZ did not have valid environmental clearance and ordered for shutting up of 12 units in the zone. These units approached Supreme Court and which allowed them to continue operation but restricted expansion and directed Ministry of Environment to decide clearance of APSEZ. Finally in July 2014, MoE cleared 8,481 hectares in Mundra Taluka of Kutchch district and laid down 21 conditions for APSEZ.<sup>32</sup> However as per the latest report titled “Best Practices to Improve the Business Environment across India” released in May 2014 by the Department of Industrial Policy and Promotion,

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<sup>32</sup>----- (2014), “Environment clearance for Adani’s Mundra SEZ”, *Business Standard*, July 17, 2014 retrieved from [http://www.business-standard.com/article/companies/environment-clearance-for-adani-s-mundra-sez-114071600823\\_1.html](http://www.business-standard.com/article/companies/environment-clearance-for-adani-s-mundra-sez-114071600823_1.html) on August 10, 2014



a wing of Ministry of Commerce and Industry, Gujarat scored high on its land acquisition practices.

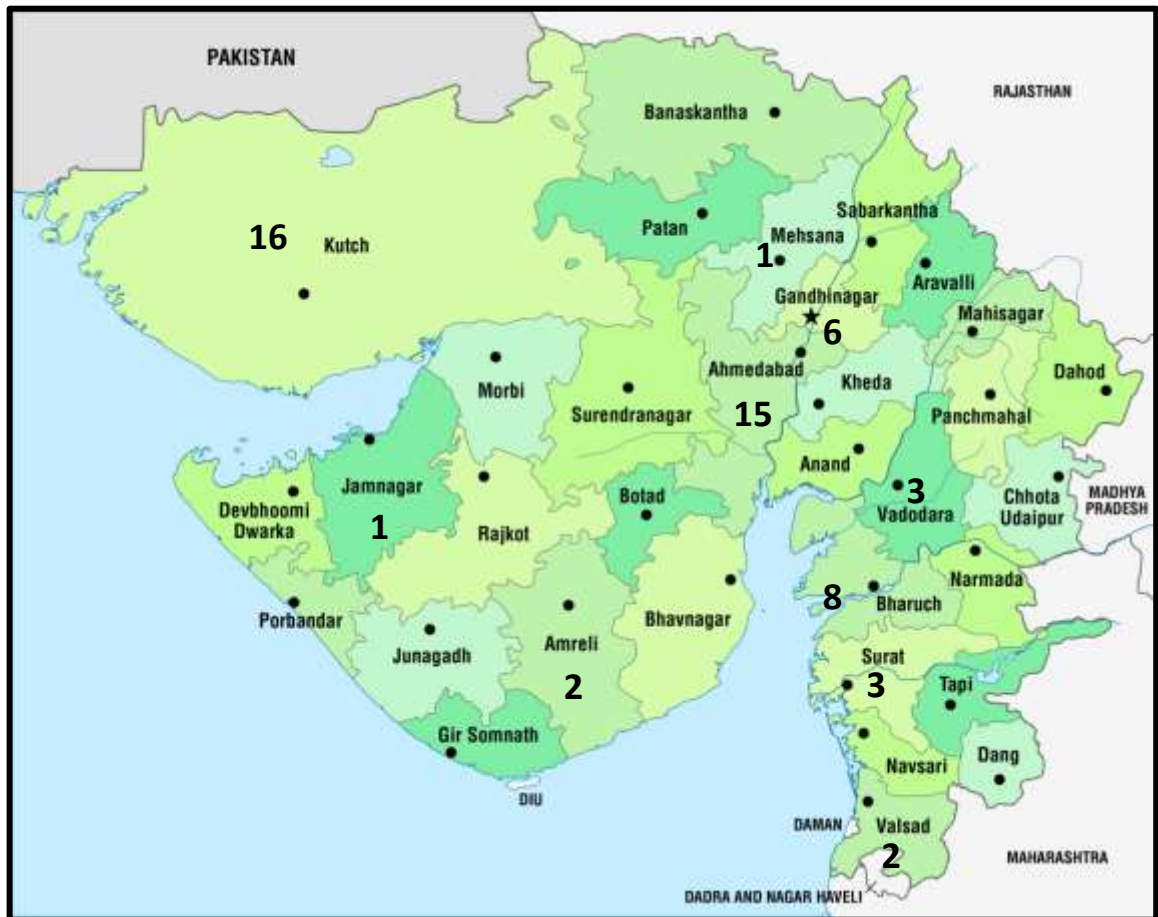
*Locational difference*

**District wise SEZs in Gujarat**

<b>Region</b>	<b>SEZ approved by Govt. of India</b>	<b>% of approved SEZs</b>
North	22	39
South	13	23
East	3	5
West	19	33
<b>Total</b>	<b>57</b>	<b>100</b>

Source :- Industries Commissionerate, Govt. of Gujarat,

[http://ic.gujarat.gov.in/?page\\_id=719](http://ic.gujarat.gov.in/?page_id=719) as on May 15, 2013



### *Analysis & Interpretation*

By looking at the setup of SEZs in Gujarat, we can say that SEZs have been established in four regions very well to the larger extent. Kutch, Ahmedabad, Bharuch have huge potential for better growth for SEZ thus it rightly having bigger proportion of total SEZs in Gujarat. Govt. should have set up few SEZs in Dahod, Banaskantha, Rajkot region also so that these districts also grow with other districts of Gujarat.

## CHAPTER 5

### CONCLUSION & RECOMMENDATIONS

#### 5.1 Conclusion

The researcher would like to conclude present research work in context of the objectives and hypotheses set.

##### *Promotion of economy in Gujarat*

- There is insignificant growth in overall investment. Multi-product SEZs and IT/ITES SEZs are leading in attracting investment. Investment in IT/ITES has achieved four folds growth. Investment in Gujarat is very low in comparison to national average.
- Gujarat constitutes significant part in exports from SEZs in India. In year 2013-2014, Gujarat had 45% share in total exports from SEZ in India. Gujarat's average growth rate of exports in last five years is 17.71% against national average of around 25% which is considerably good. It is pertinent to note that Gujarat is leading in exports because of only one SEZ namely Reliance SEZ at Jamnagar district which is having 83% share in Gujarat's total exports from SEZs. It raises question against performance of other functional SEZs in Gujarat. Data also reveals that Reliance is heavily dependent on imports.
- There is considerable growth in imports which shows higher dependency on imports. Average growth rate of import is 15.72% against the exports which is 17.71%. There are not significant net exports earnings from SEZs.

- Some SEZs are having huge imports than exports showing negative earnings. Except KASEZ other SEZs are showing insignificant or negative foreign exchange earnings.
- Domestic procurement data have not been provided under RTI application which would have helped us to understand domestic industry linkages resulting in overall economic growth indicator.
- In last six to seven years significant no of units existed from SurSEZ due to operational and policy level difficulties. Other SEZs have not provided any information regarding existed units under RTI application thus it is difficult to arrive at any conclusion for this part.
- As per the report of Comptroller and Auditor General of India, despite a huge growth in exports from SEZ after the Act came into force there is still no revenue outcome analysis at the economic and the Government levels. DTA sales are considered towards calculating Net Foreign Exchange Earnings. Goods sold to DTA do not fetch any foreign exchange ultimately defeating purpose of setting up of SEZs in country.
- In last five years SEZs created employment of average 8.74% for direct employment and 12.25% indirect employment. This shows slow pace of employment generation. SurSEZ and Syenfra have created significant no of jobs surpassing their proposed figures for employment generation. Some SEZs have not provided information regarding employment generation. No proper bifurcation is available for male and female employee. Some SEZs have employed very less or negligible no of female worker in the SEZs.

Looking at present situation, SEZs in Gujarat is not meeting the expectation set. So we can say that SEZs in contributing significantly in economy of Gujarat.

### ***Compliance of legal requirements***

- After five years of SEZ Act, 2005 central government notified Development Commissioner as enforcement officer in respect of any notified offence or offences committed in SEZ. Now DC will be acting as enforcement officer in addition to administrative duties which is not a desirable scenario.
- Till date no officer/agency has been nominated u/s 20 of SEZ Act, 2005 to see compliance of any central acts. None of the SEZs have provided information regarding this. There is no notification available for notifying officer/agency to see compliance of central acts as notified for enforcement u/s 21 of SEZ Act, 2005.
- No designated court has been established u/s 23 of SEZ Act, 2005 to try all suits of a civil nature and notified offences. Many SEZs have not provided information regarding this matter. Some provided information and stated that no court has been established so far. It is pertinent to note that even in centrally established SEZs, no court has been established till date.

SEZs in Gujarat complying law & regulation barring some which is relevant for SEZs in other states also.

### ***Performance compared to other states***

- Good numbers of SEZs have been de-notified and some are under process of de-notification which shows SEZs being unattractive destination for investors. Some functional SEZs are also requesting for de-notification like Surat Apparel Park, Ahmedabad Apparel Park.
- Gujarat is leading in terms of total exports from SEZs in India but reason behind this is Reliance's SEZ big share. This raises question before the other SEZs in Gujarat.
- Case of reference of dispute u/s 42 is nil. No case has also been noticed in centrally established SEZ namely MEPZ SEZ, VSEZ, Falta SEZ.

Gujarat is having major role in total exports from SEZs in India but that is because of only one SEZ viz. Reliance. This leads to uncertainty about performance of other SEZs in the state. De-notification of SEZs raises big question about its future.

### ***Government's policy to support SEZ***

- No information provided by Office of the Industries Commissionerate, Gandhinagar Govt. of Gujarat which shows reluctance in sharing information regarding SEZs operation in the state.
- No information is available regarding total revenue loss due to SEZ operation. Ministry of Finance transferred the RTI application to all over the Income Tax offices in the country which itself not provided proper information or rejected the same. Ministry of Finance does not have proper mechanism to calculate revenue losses due to SEZ

operation. The researcher has received information regarding duty forgone viz. Custom and Central Excise for India SEZs which is not helpful to calculate state level analysis.

- Govt. of India does not have proper mechanism to carry out cost benefit analysis of SEZs operation in the country which can be implemented at state level.
- In last six to seven years significant no of units existed from SurSEZ due to operational and policy level difficulties. Other SEZs have not provided any information regarding existed units under RTI application thus it is difficult to arrive at any conclusion for this part.
- There is less number of cases under penal action taken under Rule 54 of SEZ Rules, 2006 which deals with monitoring of performance of SEZs. Many SEZs have not provided information regarding this thus no conclusion can be derived.
- No cases of revival of sick units reported under Rule 72 of SEZ Rules, 2006. Some SEZs have not provided information under RTI application.
- All labour laws are applicable to SEZs. SEZs have not provided information regarding labour laws violation. As per information received under RTI, in some of the old centrally established, no case of labour laws violation noticed.

- Many SEZs have not provided information regarding labour dispute in the SEZs so no further analysis can be done. In two SEZs no case of labour dispute has arisen.
- Most of SEZs have not replied regarding implementation of Green SEZ guidelines in SEZ. Reliance has very well planned to implement this policy. Even India's oldest SEZ, KASEZ is in nascent state in implementing the policy.
- None of SEZs have provided information regarding training facilities provided in the SEZs. SurSEZ is having Jewellery Training Centre which will help to train manpower for gems and jewellery units in the SEZ.
- None of the SEZs have provided information regarding facilities available in the SEZs.
- There are not major issues regarding land acquisition for setting up of SEZs in the state except Adani SEZ in Kutchch. As per the latest report titled "Best Practices to Improve the Business Environment across India" release in May 2014 by the Department of Industrial Policy and Promotion, a wing of Ministry of Commerce and Industry, Gujarat scored high on its land acquisition practices.
- There are not much environmental issues arisen because of SEZ operation except Adani SEZ issue which has recently got the clearance from the Ministry of Environment & Forest with certain conditions.



- SEZs in Gujarat are very well geographically located covering all major part of the state except few districts/region where SEZs should have been set up.
- Above all there is no transparency in operation of SEZs in the state.

It seems that present government policy is not favourable for proper and speedy development of SEZs in the state as well as in the country. Progress is completely stagnant and discouraging.

## **5.2 Recommendations**

Followings are some recommendations regarding further development of SEZs in the Gujarat. These are also rightly applicable to SEZs in other states also.

- Though Gujarat is having huge share in total exports from India's SEZ but main effort behind this scenario is only one SEZ i.e. Reliance SEZ. Performance of other SEZs needs to be evaluated timely to avoid any future failure which will cost the economy greatly.
- There are SEZs which are highly dependent on Imports to make their final product which results in negative net export earnings. Government should make all effort to support domestic industries with which SEZs can have good linkages for making final products. If there will be strong linkages then SEZs will have to rely less on imports and they can procure capital goods/raw material locally and help the economy to grow in true sense. Domestic Industry Linkages will ultimately help to achieve have positive net foreign exchange earnings.

- SEZs in Gujarat have marked average growth of 8.71% in generation of direct employment in last five years. SEZs are not able to carry out project in full-fledged manner due to operational and government policy issues resulting in low employment generation. Government should intervene in this matter and assist SEZ developer, units by way of liberalizing the policy esp. fiscal policy.
- Central Government should come out with a sound mechanism to assess the net benefit coming out of operation of SEZs. CAG in its report stated that despite a huge growth in exports from SEZ after the Act came into force there is still no revenue outcome analysis at the economic and the Government levels.
- Each Zonal Development Commissioner of SEZ should compile all important data and send it to Department of Commerce, Ministry of Commerce, Govt. of India periodically. It has been found through the RTI application that Department of Commerce itself not maintaining crucial data which they are supposed to maintain and to be disseminated to the public at large at regular interval. Department of Commerce's dedicated website for SEZ, [www.sezindia.nic.in](http://www.sezindia.nic.in) itself not updated and not containing any kind of important data.
- Some legal provisions have not been implemented even after ten years of implementation of act and rules regarding SEZ. Followings are the few.
  - a. Agency/Officer has not been nominated u/s. 20 (Agency to Inspect) of SEZ Act, 2005. Nominated Agency/Office will see that SEZs are complying with the central government's laws or not. It will prepare the compliance report and submit it to government.

b. Designated Courts have not been set up u/s. 23 of SEZ Act, 2005.

Designated Courts will hear the cases of civil nature and notified offences. Reply of RTI Application reveals that no court has been established by any of the states in India. If it is not feasible to establish court for each SEZ in the state, then geographic area wise i.e. North, South, East, West, court can be established.

- Central Government should appoint independent person/agency as single enforcement officer/agency u/s 21 of SEZ Act, 2005 rather than giving power to Development Commissioner who is overall incharge of administration of SEZ.
- Central govt. should come up with concrete steps to promote the SEZs esp. in terms of providing fiscal benefits. Many companies discontinued the SEZs projects because of applicability of Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) under Income Tax Act. Govt. should restore the benefits again to SEZ so that they can carry on their abandoned projects at the earliest. Till date 3 SEZs have been de-notified and 5 SEZs are under process to be de-notified mainly because of fiscal benefit issues. Over 90 percent SEZ's land are lying vacant: Govt.<sup>33</sup> Commerce Ministry working out policy initiative to revitalize SEZs.<sup>34</sup>
- There should be proper tuning between Ministry of Commerce & Industry and Ministry of Finance for development of SEZs in the state and all over the India. Both ministries should do periodic cost-benefit analysis so that

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<sup>33</sup> ----- (2015), "Over 90 percent SEZ's land are lying vacant: Govt.", *The Economic Times*, December 10, 2015

<sup>34</sup>----- (2015), "Commerce Ministry working out policy initiative to revitalize SEZs", *The Economic Times*, December 7, 2015

we can have proper picture of growth of SEZs. As we have seen that Ministry of Finance is not maintaining any type of proper data pertaining to loss occurred due to SEZs operation. On the contrary, they are claiming that there will be big revenue loss due to SEZs operation on the basis of sheer assumption. They should come out with proper mechanism to assess revenue loss occurred to due to SEZs operation and then have words with Ministry of Commerce with regards to profitability of SEZs.

- Gujarat SEZ Act, 2004 should be scrapped to follow one single central law SEZ Act, 2005 and SEZ Rules, 2006. Gujarat SEZ law has been challenged by the person named Shabbir Ali Khalifa from Kutchch district of Gujarat. Khalifa's lawyer said that the state government was incompetent to enact such legislation that would govern the activities and exempts customs and other duties on import/export in non-domestic tariff areas. The state government cannot make legislation to govern foreign trade and foreign exchange, he argues, adding that since the centre came out with legislation, the state's law becomes infructuous. Parliament holds exclusive authority to form laws on this subject. The petition contended that after the Centre came up with a law, its law, its law prevails uniformly across the country and all SEZs are under the supervision of the Union government. But the state government's SEZ laws are still in existence, which is 'gross encroachment on central government's legislation.'<sup>35</sup>
- It has been noticed that there is not much transparency in operation of SEZs. They don't disclose even basic information of export, import,

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<sup>35</sup> ----- (2013), "Gujarat's SEZ laws challenged in HC", *The Times of India*, January 19, 2013 retrieved from <http://timesofindia.indiatimes.com/city/ahmedabad/Gujarats-SEZ-laws-challenged-in-HC/articleshow/18082205.cms> on March 2, 2014

investment, employment figures. Only whenever there is growth in Export, they will highlight the figure. To bring the transparency in working on SEZs, every SEZs should have separate website for their SEZs and put all information on that on regular interval. Only few SEZs are having their websites. Many SEZs are having its details on its parent company's website and information available is very limited and not useful for any kind of analysis. Each SEZs must publish important information like export, import, investment, employment, foreign exchange, DTA Sales, sub-contracting, training details, labour disputes details etc. on quarterly and annual basis.

### **5.3 Limitations of the study**

No study can be without any limitations; this present study is also having followings limitations.

- Updated information is not available with various governments' websites, offices. There is mismatch regarding information available with central and state government. As per study done by Nicola A. V. Virgill (2009) Data on EPZ is scant. The International Labour Organization is the organization which currently and systematically collects data on export processing zones. Additionally, because there are different ways allowed under international trade and national statistics rules for accounting for EPZ exports, no consistent measure exists for EPZ exports. This analysis could be improved however through case study methodology.

- The researcher could not visit specified SEZs taken as sample size for his study in absence of permission from Industries Commissionerate (IC), Govt. of Gujarat. The researcher planned interview with SEZ Developers, SEZ Unit holder and personnel of the units. He requested IC to issue recommendation letter in favour of him so that he could visit SEZs in Gujarat without any trouble and get co-operation from the organizations. One cannot enter in SEZ without due permission from the authority mainly from Industry Department of State, Development Commissioner of SEZs. Malhotra Shavin (2008) during his Ph.D. thesis found that zone officials and tenants reluctant to respond the surveys. First zone official showed interest in the survey but suddenly they changed their views having knowledge of scope of the study. The administrators seemed unwilling to share any financial information on the zone and refused to offer any help in carrying out the survey.
- Labour conditions have not been studied properly due to permission issues for visit. The researcher tried to study some aspects of human development with the help of information obtained under RTI Act. Personal interview in SEZ with various stakeholders would have helped him to understand the impact of SEZ on human development.
- The researcher filed RTI Applications in state and central government departments asking various information regarding SEZs as shown in RTI applications but unfortunately they are not maintaining most of the information which they are supposed to have/maintain. They just transferred his application from one office to other office and that office to another one as per the procedure laid down in the RTI Act. He

received some information about SEZs due to Ministry of Commerce's effort. He has not received any kind of information from the Office of the Industries Commissioner, Gandhinagar, Govt. of Gujarat under RTI application and he has filed second appeal under the RTI Act but no reply has come yet. Till date he is waiting for reply from other govt. offices which would have helped him greatly to evaluate performance of SEZs in the state. This entire exercise helped him to the certain extent but not in significant way.

- Major statistical tools could not be applied as required data for that not available and have not been provided by the concerned government.

#### **5.4 Future Scope of the study**

As we seen in the above discussion that there are various economic and legal aspects of SEZ in India and Gujarat, which can be studied accordingly. The researcher has outlined almost all economic & legal aspects of SEZs with the help of extensive literature review. Researcher emphasized on secondary data for the present study which can be enhanced by empirical study in future. So far no significant study has been done with regards to SEZ in Gujarat, so there is a very wide scope to do further study the impact of SEZs in Gujarat by looking at different aspects.