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978-1-107-10954-4 - Special Economic Zones in India: Policy, Performance and Prospects

Malini L. Tantri

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## Special Economic Zones in India

This book systematically evaluates the trajectories of SEZs policymaking in India and its performance. The findings of the study are the result of a detailed fieldwork conducted by the author in India and China at different points in time. Exploring China's SEZs policy and performance the book discusses whether the Indian policymakers were aware of the nuances of the China's SEZs policy and the various facets of performance before replicating it for India. Performance analyses of Indian SEZs are carried out using both conventional set of performance indicators and new framework such as zone trade performance index, resource cost framework and efficiency analysis. The book offers a balanced view to rate the performance of Indian SEZs. In absolute terms, though performance of Indian SEZs scores better, this becomes questionable on the ground of fiscal viability of SEZs projects and efficiency in the production process. Variations in performance across zones explored with the help of zone trade performance index highlight the need to attend zone and sector specific problems and prospects. The significance of this study lies in its quest for providing a holistic appraisal of the various unexplored issues in the literature pertaining to SEZs in India. Through providing methodological contributions, the book suggests a new set of framework to analyse the performance of SEZs and appropriate policy directives for shaping SEZs as engines of growth.

**Malini L. Tantri** is Assistant Professor at the Centre for Economic Studies and Policy, Institute for Social and Economic Change (ISEC), Bangalore, India. Her areas of specialization include international trade and development – trade facilitation, India China studies, trade and gender, special economic zones and food security. Dr Tantri had previously worked at the Indian Institute of Technology Ropar, and also had assignments to assist the Government of Lao PDR to review the Draft of Prime Minister's Decree on SEZs.

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## Preface

The study has been conceived, designed and carried out in the context of debates and discussions over the introduction of special economic zone (SEZ) policy in the country. The SEZ policy in India, based on the experience of China's SEZs, has been operating in the place of conventional export processing zones (EPZs) in pursuance of the recommendations of the EXIM Policy Statement of 1997–2002. This, in the present context, is considered a powerful instrument for export promotion and therefore, an alternative development strategy. Currently, SEZs have witnessed more than a decade in terms of their expansion in the country while receiving both appreciation and apprehension from different quarters. In this context it is quite necessary to find out whether China's SEZs are as promising as claimed by Indian policymakers or whether there are any issues overlooked while imitating China's model in the Indian context; whether the current SEZ policy merely represents old wine in a new bottle or whether there any new functionalities; how far the existing SEZs have been able to meet the expectations of policymakers; whether there are any basic loopholes still persisting in the current SEZ policy and the way forward. Against this background, this book attempts to evaluate the trajectories of the SEZ policy and its performance in India. Therefore, the main objectives of the study are as follows: first, to look at the Chinese SEZ policy and its varied experience from India's perspective; in particular, to probe whether the Indian policymakers were aware of the nuances of the China's SEZs policy and the various facets of its performance before replicating the same in the Indian context; and second, to understand the different dimensions of the policy and its performance.

The book spreads over seven chapters, starting with an 'Introduction'. Chapter 2 presents a discussion on the trajectories of the SEZ policy in India. The underpinnings of China's SEZ policy and its growth trajectories are discussed in chapter 3. The issue to what extent the existing SEZs have been able to meet the expectations of the policymakers, both at the aggregate and disaggregate levels, has been explored in chapter 4. While questioning the conventional parameters of performance, chapters 5 and 6 provide

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alternative techniques for evaluating the performance of SEZs. In particular, chapter 5 deals with the issue of fiscal implications of SEZs expansion in India. The issue of efficiency of SEZs as part of the trade policy as well as factors contributing to it, is discussed in chapter 6. Chapter 7 sums up the major findings along with empirical evidence based suggestions for policy revision.

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## Abbreviations

AE	Allocative Efficiency
ANOVA	Analysis of Variance
AP	Andhra Pradesh
APO	Asian Productive Organization
APR	Annual Performance Report
BCA	Benefit Costs Analysis
BGMEA	Bangladesh Garments Manufacturer Exporters Association
BoA	Board of Approval
BoPs	Balance of Payments
CAGR	Compound Annual Growth Rate
CAGR	Compound Annual Growth Rate
CASS	Chinese Academy of Social Science
CBDT	Central Board of Direct Taxes
CBEC	Central Board of Excise and Customs
CG	Capital Goods
CRR	Cash Reserve Ratio
CSEZ	Cochin Special Economic Zone
CST	Central Sales Tax
CSY	China Statistical Year Book
DC	Development Commissioner
DDT	Dividend Distribution Tax
DEA	Data Envelopment Technique
DRC	Domestic Resource Cost
DTA	Domestic Trade Zone
EHTP	Electronic Hardware Technology Park
EOI	Export Oriented Industrialization

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EOUs	Export Oriented Units
EP	Exports Promotion
EPC	Export Promotion Council
EPZ	Export Processing Zone
ETDZ	Economic and Technological Development Zones
EXIM	Export Import Policy
FDI	Foreign Direct Investment
FERA	Foreign Exchange Regulation Act
FIAS	Foreign Investment Advisory Service
FSEZ	Falta Special Economic Zone
FTP	Foreign Trade Policy
FTZ	Free Trade Zone
G & J	Gems and Jewellery
GDP	Gross Domestic Product
GoI	Government of India
GP	General Profile
GVOI	Gross Value Output of Industrial Sector
HDI	Human Development Index
HRS	Household Registration System
ICEC	India China Economic and Cultural Change
ICRIER	Indian Council for Research on International Economic Relation
II	Import Intensity
IID	Independently and Identically Distributed
IIE	Import Intensity of Exports
IIFT	Indian Institute of Foreign Trade
ILO	International Labour Organization
IMF	International Monetary Fund
ISI	Import Substitution Industrialization
IT	Information Technology
ITC	International Trade Centre



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J&K	Jammu and Kashmir
KM	Kilometre
KAFTZ	Kandla Free Trade Zone
KSEZ	Kandla Special Economic Zone
MAT	Minimum Alternative Tax
MoCI	Ministry of Commerce and Industry
MRTTP	Monopolies and Restrictive Trade Practices
MSEZ	Madras/Chennai Special Economic Zone
NDA	National Democratic Alliance
NEP	New Economic Policy
NFE	Net Foreign Exchange
NRI	Non-Resident Indian
NSEZ	Noida Special economic Zone
NTB	Non-Tariff Barriers
NTM	Non-Tariff Measures
OBU	Off Shore Banking Units
OECD	Organisation for Economic Co-operation and Development
OGL	Open General License
OLS	Ordinary Least Square
PCI	Per Capita Income
PRC	People Republic of China
R&D	Research and Development
R&R	Rehabilitation and Resettlement
RBI	Reserve Bank of India
RC	Resource Costs
RM	Raw Material
Rs	Rupees
SAP	Structural Adjustment Programme
SCM	Subsidies and Countervailing Measures
SDF	Standard Design Factory

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SEZ Rule	Special Economic Zone Rule
SEZ	Special Economic Zone
SEZs Act	Special Economic Zone Act
SOE	State Owned Enterprises
SSEPZ	Santacruz Export Processing Zone
SSEZ	Santacruz Special Economic Zone
SSI	Small-Scale Industries
STPI	Software Technology Park of India
SZSEZ	Shenzhen Special Economic Zone
SZSY	Shenzhen Statistical Year Book
TDA	Trade Development Authority
TE	Technical Efficiency
TP	Trade Performance
TPI	Trade Performance Index
UAE	United Arab Emirates
UNCTAD	United Nation Conference on Trade and Development
UNCTC	United Nation Centre on Transitional Corporation
UNDP	United Nations Development Programme
UNIDO	United Nation Industrial Development Organization
UPA	United Progressive Alliance
USA	Unites States of America
USAID	United State Agency for Industrial Development
USSR	Union of Soviet Socialistic Republic
VAT	Value Added Tax
VSEZ	Vizag Special Economic Zone
WB	World Bank
WEPZA	World Exports Processing Zones Association Zones
WTO	World Trade Organization
Z-TPI	Zone-Trade Performance Index