

SPECIAL ECONOMIC ZONES: A SMOOTH SAILING IN A.P.

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ABSTRACT

INTRODUCTION:

A Special Economic Zone (SEZ) is a region that has economic laws that are more liberal than a country's typical economic laws. The goal of a SEZ is to increase foreign investment. One of the earliest and the most famous SEZs was founded by the government of the people's Republic of China under Deng Xiaoping in the early 1980s. The most successful SEZ in China is in Shenzhen. Following this example, SEZs have been established in several countries, including Brazil, India, Iran, Jordan, Kazakhstan, Pakistan, Philippines, Poland, Russia and Ukraine.

CONCLUSION:

SEZs promise employment for all the Land surrendered familiar. But in practice either they provide part time or temporary jobs thereby creating disguised employments in the society. SEZs are successful in China and Singapur that does not mean, they will be successful in India context also. Because the economic structure and systems in China, Singapur and India differ on several parameters. The concessional packages offered to SC and ST entrepreneurs are encouraging. SEZs is a controversial and most dynamic concept in India. In every state, some or other kind of unrest is seen, criticizing the SEZ. But there is no such controversy (or) aggression in A.P. Therefore, A.P. appears to be a place of smooth sailing for Special Economic Zone in India

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OBJECTIVE:

The basis objective of paper is review the pros. and cons. in Indian perspective. However, the following are the sub objectives of the paper:

- a) Trace the origin and growth of SEZ's in India.
- b) Discuss the role of SEZ's in Indian scenario.
- c) To present the SC & ST's policy of Govt. of A.P. on SEZ's.

INDIAN SCENARIO:

Special Economic Zone (SEZ), which was mooted as driver for future growth in facing a tough time following ghastly incident in Nandigram in West Bengal, in which 12 farmers lost their life.

The government's latest decision to make the developer responsible for the rehabilitation of the displaced farmers will be a dampener, said a developer involved in developing a SEZ. He said that those SEZs, which are being developed by real estate developers would find it difficult to give guarantee to absorb all the displaced people through, most of them would get some or the other jobs. When a township comes in that area in due course. But, this would not be a problem when an industrial house develops a SEZ as he could give guarantee to absorb the displaced people.

A senior consultant argued that the development of SEZ might make some farmers landless, but it would lead to much more economic benefit than what farming used to provide. However, the government must ensure that farmers should be properly rehabilitated. The present opposition to developing SEZ on agricultural land is not justified he said.

Developers and consultants feel that the events in Nandigram would slowdown the development of SEZ as land acquisition would become difficult. A senior banker said that political leadership of the country must support the concept as SEZ is important to sustain high growth in the nation. Consultants and developers feel that the concept is the only answer of the poor infrastructure, which is affecting the economic growth in the country.

INDIA'S POLICY ON SEZ's:

- i) According to a global consultancy firm Cushman and Wakefield (C&W) the latest and one of the most significant efforts in this direction is the enactment of the SEZ Act, 2005. Essentially, the Act aims at positioning India as the business destination choice for the world. Various provisions of the Act aim at helping business, reduce cost and improve efficiency, thereby making them more competitive in the international areas. SEZs are generally defined as specially demarcated zones that are exempt from various duties and tariffs by virtue of their treatment as a foreign territory for the purposes of trade operations.
- ii) It covers large geographical area to facilitate integrated development and propose to provide high-quality, world-class industrial, social and civic infrastructure.
- iii) The government has laid minimum area norms for multiproduct and sector specific zones. The development of SEZs, allowing 100% foreign direct investment (FDI) is a tremendous opportunity for foreign developers to participate, in creating world class infrastructure and showcase their capabilities. India's exports have been growing progressively each year and the establishment of special economic zones would further provide a fillip to exports from India.
- iv) Many large SEZs on area over 10,000 acres of land has been planned. This would lead to development of new cities, which would become a new centre of growth in that region. This would also offer a host of opportunities to urban planners, architects and other service providers. The announcement of this Act has witnessed a rush of corporate houses and developers to establish these zones.

SOPS FOR SC's. ST's SETTING UP SHOPS IN SEZ's:

The state government, as part of the industrial investment promotion policy, has decided to give the following special incentives to SC and ST entrepreneurs if they set up their units in SEZs:

- i) It issued two new GOs 161 and 267 on Monday offering the incentive. Industries Minister J. Geeta Reddy told the media that as per the GO, scheduled tribe entrepreneurs will get an incentive of 25 percent discount on land cost not exceeding Rs.5 Lakh.
- ii) ST entrepreneurs will be reimbursed power cost at the rate of Rs. 0.75 per unit and SCs Rs one per unit during the first year of the policy. For the next four years, the reimbursement rate would be regulated on yearly basis.
- iii) The minister said SC entrepreneurs will get 35 percent subsidy on fixed capital investment and SC women five percent additional subsidy with a maximum limit of Rs.50 lakh per unit.
- iv) To empower women, the government has decided to reserve 16 percent of plots in every industrial area for SC women entrepreneurs. Efforts are on to ensure that companies like Brandix and Apache fulfill the promise of providing jobs to the people who have been displaced from the SEZs, the minister observed. So far, Apache has employed only 3,000 as against a promised 30,000 while Brandix has trained 2,000 against a promise to employ 60,000 people.

SEZ ADVANTAGES:

The following points will explain the role of SEZ in Indian Economic Development.

- i) Lower Costs: Capital costs of infrastructure are substantially lower in SEZs as they get distributed over a large number of units. Further operating costs for SEZ units as well as developers are also low owing to exemptions and recurring benefits on taxes and duties thereby lowering operating costs as well.
- ii): Infrastructure: SEZ developers are mandated to provide a high level of industrial as well as civic infrastructure within the SEZs. Further, owing to logistical advantages and other strategic reasons, many SEZs are being developed along the coast. This has ensured good connectivity for international cargo traffic. Inland SEZs are also located along the major transportation corridors and close to airports. In some cases, SEZ themselves have planned to develop airports.
- iii) Wide range of business activities: A large range of business activities including manufacturing, trading and services, reconditioning, labeling / repacking and warehousing, among others, will be carried out in SEZs. This allows better integration in various business processes that would operate in SEZ
 - a) As SEZs are being planned from scratch, it will be done in such fashion that products line will complement each other. This will not only help them in reducing cost but also in attracting buyers.
 - b) C&W said SEZs are based on the principle of clustering whereby large manufacturing units and their ancillaries and suppliers tend to set up operations in proximity to each other to benefit from common facilities and synergies in terms of negligible transportation costs, common resources and infrastructure, among others.
- iv) Flexible labour norms: The limited geographical expanse of SEZs permits the governments to allow greater flexibility in labour laws and norms without facing undue political pressures. This enhances the operational flexibility and hence long term sustainability of business.

v) Job opportunity: With the increased economic activities SEZS will create jobs in both manufacturing and service sectors. A Senior banker said that SEZS will lead to flow of investment, which would not only propel growth but also create job, Industrial infrastructure. The most important aspect of SEZS is that they provide ready industrial, social and civic infrastructure. Most SEZS are providing value added amenities like waste management, common effluent treatment plants, etc in addition to ensuring water, power, roads, sewage and telephone communication at the doorstep of the units. These, when combined with the specific benefits arising from carefully considered locations, can lead to highly favourable combinations for various types of business activities.

SMOOTH SAILING IN A.P.

The reaction in A.P. so starkly different from that in West Bengal? Did the farmers care less for their land here or was the compensation unbelievably good?

If proud officials sifting through documents and signing them hastily are to be believed then the whole exercise has been rather hassle free, compared to the turn of events that almost shelved a nano dream.

In A.P. the (land) acquisition has been much more mindless, "says human rights activists, Balagopal wonders whether the state has lost the capacity to struggle. But he himself explains that how the government in every village identified the few 'willing persons,' the dominate people' in the form of a sarpanch or a community leader, promised them some petty contracts and won them on their side and used them to convince villagers to part with their land.

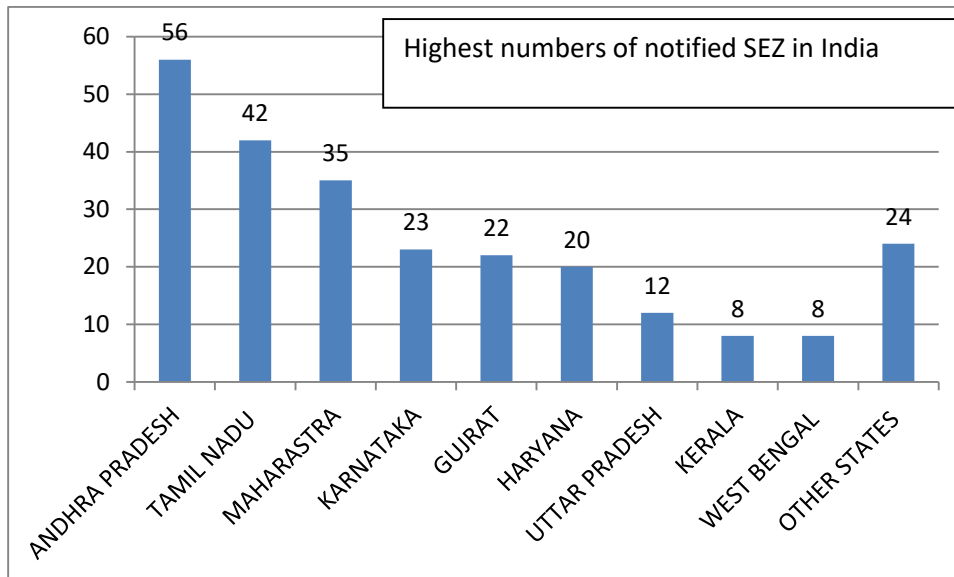
"These contracts are promised to the rural elite," he says, explaining how this 10 percent of the total villagers who do not entirely depend on land for their livelihood are prepared to give their land and start coaxing others to do the same. They also do the haggling on the government's behalf for compensation. They would usually cite the compensation given to a neighbour as half of what the unwilling farmer is demanding. Then there is the underlying threat that once an industry comes up, it would be impossible to hold any land adjacent to it.

An agricultural scientist, however, sees this inaction rooted in the feudal nature of society in A.P. "It is a very feudalistic society where some people are so subjugated. They are nice but too docile," the senior scientist says, further noting that there is a tendency to abuse power and the affected rarely question it.

But it is primarily the absence of a political leader a la 'didi' in A.P. that has made land acquisitions fairly easy. "In Bengal, the land is very fertile. But (one has to see) what is the protest about and who is doing it. Are they poor farmers or (political) parties? Or is there a third factor," asks Aradhna Agarwal, head of department, department of business economics, University of Delhi, who has authored a study on 'Impact of SEZ on employment, poverty and human development for Indian Council for Research on International Economic Relations.

Highest nos. of notified SEZ in India A.P. No.1

But with 56 SEZS notified and a total of 96 planned in the state, whether these many SEZs would be sustainable may appear doubtful. But officials say they have no reason for concern. Private developers of such zones of industrial activity say that Andhra Pradesh remains their first choice to develop an SEZ



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- The concessional packages offered to SC and ST entrepreneurs are encouraging.
- SEZS is a controversial and most dynamic concept in India. In every state, some or other kind of unrest is seen, criticizing the SEZ. But there is no such controversy (or) aggression in A.P. Therefore, A.P. to be a place of smooth sailing for Special Economic Zone in appears to India.

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