PREFACE

Special Economic Zones are grown engines that can boost manufacturing, augment exports and generate employment. They require fiscal and regulatory regime in order to impart a hassle free operational regime encompassing the state of the art infrastructure and support services.

The focus of SEZ policy of government of India is to provide an internationally competitive and hassle-free environment for exports. A SEZ may be setup in the public, private or joint sector and/or by a state government. The special Economic Zone Bill 2005 was passed by Lok Sabha in May 10, 2005.

The units to be setup in SEZ may be for manufacture, re-conditioning, re-services activities, hospitality etc. Each unit in SEZ shall be import/export based setup, positive foreign currency earner (after payment of full duty and as per import policy in force) with in three years. However, no set mark has been defined the amount of foreign currency to be earned.

SEZs are delineated duty free zones, integrating all requirements for creating a conductive environment for exports. They will provide quality infrastructure attracting companies to invest. Fiscal benefits provided to both the developer and units of the SEZ under the enactment, will reduce the operating costs and also prevent export of taxes. The integrated environment provided by SEZs assist manufacturers/ service providers to achieve economies of scale resulting in price reduction. Reduced prices of products will give India competitive advantages in
the global export market, thereby increasing forex earnings. This competitive advantage would be accessible to manufacturers/ service providers across all industries and not be limited to select sectors of Indian market. When tax benefits for the technology and manufacturing industry phasing out gradually, SEZs offer the next logical alternative to these industries with large export turnovers.

Additionally, benefits extended to SEZ units should attract foreign investment resulting in the infusion of advanced technology, thereby improving standard of quality and efficiency in products offered in the export market.

The importance of infrastructure for sustained economic development is well recognized. High transactions costs arising from inadequate and inefficient infrastructure can prevent the Indian economy from realizing its full growth potential regardless of the progress on other fronts. Physical infrastructure covering transportation, power and communication through its backward and forward linkages facilities growth; social infrastructure including water supply, sanitation, sewage disposal, education and health, which are in the nature of primary services, has a direct impact on the quality of life.

Export is the lifeblood of a developed economy. World-class export infrastructure is required to boost up the exports. Special Economic Zones (SEZs) are recognized very effective throughout Asia in creating world-class export infrastructure model. The policy of government of India intended to make SEZs an engine for economic growth supported by quality infrastructure complemented
by an attractive fiscal package, both at the centre and the state level, with the minimum possible regulations.

Origin of the research problem

Sustainable growth depends upon the availability of efficient infrastructure. The government of India is committed to remove the inadequacies in infrastructure facilities through a mixed policy and fiscal measures. In developing infrastructure, there is a need to encourage public-private partnership, so that public funds are leveraged, and the quality of service delivery improved, thus yielding better value of money. After suffering ceaseless bashing from skeptics for years, special economic zones have finally caught the fancy of India inc. Investment of thousands crore of rupees have been lined up for the next three years, and the special economic zone fever has caught all categories including private sector companies, public sector undertakings, state governments and foreign investors. Investments are flowing into various areas including telecom, information technology, software, auto ancillaries, gems and jewellery, handicrafts and electronics. Even industry associations are making sure that they are not left behind in the race; export promotion council, chamber of commerce and industry etc. are making bee line for setting up Special Economic Zones in various parts of the country.

Commerce and Industry Minister of India honourable Kamal Nath narrated that the simplified procedures and tax breaks provided by the government would enable Special Economic Zones to attract investments to the tune of Rs1,00,000
crore and to create five lakh new jobs in the next three years

Investors from several countries including Japan and Singapore are looking at this new window. Foreign investment could flow into specialized Special Economic Zones covering services sector areas like hospitals and entertainment. International finance centre are also expected to come up in big way to boost world-class export infrastructure through the Special Economic Zones.