



Special Economic Zones

Why in News

Special Economic Zones (SEZ) have touched **new heights in terms of performance in Exports, Investment and Employment** in the last three years.

Key Points

▪ About:

- An SEZ is a **territory within a country that is typically duty-free** (Fiscal Concession) and has different business and commercial laws chiefly **to encourage investment and create employment**.
- SEZs are created also to better administer these areas, thereby **increasing the ease of doing business**.

▪ SEZs in India:

- Asia's **first EPZ** (Export Processing Zones) was established **in 1965 at Kandla, Gujarat**.
- While **these EPZs had a similar structure to SEZs**, the government began to establish **SEZs in 2000** under the [Foreign Trade Policy](#) to redress the infrastructural and bureaucratic challenges that were seen to have limited the success of EPZs.
- The Special Economic Zones **Act was passed in 2005**. The Act came into force along with the **SEZ Rules in 2006**.
- However, SEZs were **operational in India from 2000 to 2006** (under the Foreign Trade Policy).
- India's SEZs **were structured closely with China's** successful model.
- Presently, **379 SEZs are notified**, out of which 265 are operational. About 64% of the SEZs are located in five states - Tamil Nadu, Telangana, Karnataka, Andhra Pradesh and Maharashtra.
- The **Board of Approval is the apex body** and is headed by the Secretary, Department of Commerce (**Ministry of Commerce and Industry**).
- The **Baba Kalyani led committee** was constituted by the Ministry of Commerce and Industry to study the existing SEZ policy of India and had submitted its recommendations in November 2018.
 - It was set up with a broad objective to evaluate the SEZ policy towards making it **WTO (World Trade Organisation)** -compatible and to bring in global best practices to maximise capacity utilisation and to maximise potential output of the SEZs.

▪ Objectives of the SEZ Act:

- To **create additional economic activity**.
- To **boost the export** of goods and services.
- To **generate employment**.
- To **boost domestic and foreign** investments.
- To develop **infrastructure facilities**.

▪ Major Incentives and Facilities Available to SEZ:

- **Duty free import/domestic procurement** of goods for development, operation and maintenance of SEZ units.
- **Exemption from various taxes** like Income Tax, minimum alternate tax, etc.
- **External commercial borrowing** by SEZ units upto US \$ 500 million in a year without any maturity restriction through recognized banking channels.
- **Single window clearance** for Central and State level approvals.
- **Performance so far:**
 - **Exports:** Exports of Rs. 22,840 Crore (2005-06) has **increased to Rs. 7,59,524 Crore** (2020-21).
 - **Investment:** Investment of Rs. 4,035.51 Crore (2005-06) has **increased to Rs. 6,17,499 Crore** (2020-21).
 - **Employment:** Employment from 1,34,704 persons (2005-06) has **increased to 23,58,136 persons** (2020-21).
- **Challenges:**
 - **Unutilized Land in SEZs:**
 - Due to lack of demand for SEZ space and disruptions caused by the pandemic.
 - **Existence of Multiple Models:**
 - There are multiple models of economic zones such as **SEZ, coastal economic zone, Delhi-Mumbai Industrial Corridor, National Investment and Manufacturing Zone, food park and textile park** which pose challenges in integrating the various models.
 - **Competition from ASEAN Countries:**
 - In the past few years, many of the **ASEAN countries** have tweaked their policies to attract global players to invest into their SEZs and have also worked on a developmental set of their skilling initiatives.
 - Consequently, **Indian SEZs have lost some of their competitive advantages globally** and hence need to have fresher policies.

Way Forward

- **Promotion of MSME investments in SEZs** by linking with MSME schemes and allowing alternate sectors to invest in sector-specific SEZs is among the recommendations by the Baba Kalyani Committee on SEZs.
- It had also batted for **additional enablers and procedural relaxations as well as granting SEZs infrastructure status** to improve their access to finance and enable long-term borrowings.

Source: PIB