



CASE – Center for Social
and Economic Research

The Political Economy
of Place-Based Policies
with a Focus
on Special Economic Zones

SEZ-led Growth Strategy in India

Dr. Harpreet Kaur
Jaswal, University of
Delhi

Warsaw | April 23-24, 2015

Partners:



Sponsors:



Media partners:



SEZ-led growth strategy- spur employment, exports, investments, cost minimisation, technological upgradation, industrial & regional development.

Objective- Potential of cluster-based industrialization- origin, evolution, present status and future directions. Case study of Noida Special Economic Zone (NSEZ)

Methodology- Descriptive and Field-based surveys administered in the zones to management, officials and labourers.

Trajectory- EPZ, no legislative framework till 2000. Culmination- SEZ Act, 2005. Prior to the Act, there were 1141 units, employment to 1.99 lakh persons, 35% were women.

Financial Year(s)	Total Exports of the Country** (Rs. Crore)	Total SEZ Exports (Rs. Crore)	% share of SEZ exports in the total exports of the country	Employment in SEZs*
2011-2012	14,65,959	3,64,478	24.86	8,44,916
2012-2013	16,35,261	4,76,159	29.12	10,74,904
2013-2014	18,92,892	4,94,077	26.10	12,83,309

* calculated on cumulative basis.

** Data source: DGCIS, Kolkata.

Present SEZ Status in India till September, 2014		
Formal approvals	Notified	Operational
564	388 and 7 Cental Government & 11 State/Pvt. SEZs.	192

Indian experience

Private sector-led model along with government-developed SEZs, small- 10 hectares to 1000 hectares, expanding, large nos. across length & breadth of the country, labour-skill-technology intensive.

Debate:

Too many, non-performing & underperforming nos. far outnumber successful ones, denotification.

CAG Report, November, 2014- Lacuna in SEZ Policy- Tax concessions availed of Rs. 83,104 cr. between 2007-2013, IT loss of Rs. 55,158 cr. & indirect taxes of Rs. 27,946, Tax fraud of Rs. 1150 cr. by ineligible companies availing benefits, diversion of land acquired for other purposes. Related concessions like, Vat, Stamp Duty cannot be quantified in absence of monitoring mechanism.

Massive land acquisitions.

Increase in real estate.

Inflexible labour laws.

Ineffective single window clearance.

Not conceptualized as world-class cities.

Predominance of IT/ITES SEZs- 56.64% approvals, 60% notified & 60% operational.

Multiproduct & labour/ capital intensive are 9.60% approvals, 6.37% notified & 8.55% operational.

Misuse, non-use and diversion of land allocated for SEZ purpose especially by the developers-lying idle in the 392 SEZs covering 45635.63 hectares notified till March 2014. 152 operational SEZ encompass in 28488.49 hectares while 'the land allocated to the remaining 424 SEZs (31886.27 hectares) was not put to use.



CASE - Center for Social and Economic Research

Partners:



Sponsors:



Media partners:



Conclusions and Future Directions

Indian SEZs still have to recreate magic. 238 Notified Indian SEZs are in IT sector & **manufacturing** (1/3 of approvals) is neglected due to:

- i) labour discipline for output & rewarding & penalising labour on performance basis,
- ii) World-class infrastructure within SEZ like, residential facilities, education not available,
- ii) Set up at a distance from cities, and iv) lack of access to ports.

* Emphasis on Food & Agro Industry in our agriculture-based country and creating '**Kisan SEZs**'. At present, 5 Notified SEZs are in Agro sector.

* **Strategic Refocusing & Limit number.** Operational to notified zones is only 38.78%.

* **Regional development** should be emphasized. Of 392 notified SEZs in India, 301(77 percent) are located in the infrastructural developed states. Also, facilitates wealth creation by the rich industrialists and results in uneven growth.

* Pro active policies promoting **sustainable development** should be endorsed.

* Emphasis on **linking SEZ with social infrastructure** like, health, education etc.

* **Traditional handicrafts** like brassware in Moradabad SEZ or Gems & Jewellery units of Jaipur & NSEZ providing employment to traditional jewellery-makers provide impetus to **indigenous industries and diversify our export basket.**

* **Land Acquisition Policy** devised carefully to satisfy relevant stakeholders.

However, our SEZ policy presents tremendous potential, needs a more realistic implementation.

Noida Special Economic Zone (NSEZ)

Unique location, preponderance of non-traditional industries- gems and jewellery & electronics software, export data in manufacturing, trading & IT/ITES & private players highest, succesful insertion of local units into global value chains, regional development.

Suggestions-The scope for *unskilled workers* needs to be enhanced in creating and maintaining infrastructure, *semi-skilled workers* in low skilled assembly-type operations and *skilled workers* will be required if factories go in for automation.

Women are employed in assembly-type or administrative jobs, Receptionists etc. should be encouraged at top-management levels.

Commuting to workplace difficult, no housing facilities within, nearby areas unaffordable. *Land acquisition issues* settled offering adequate compensation, resettlement, rehabilitation and employment to displaced families who were not successful should be given adequate training to fit into SEZ units. Rest with good compensation packages, have purchased business and housing land, opened shops vicinity, earning well or living on rental income and did not seek jobs in SEZ units.

Exports from NSEZ from 1.4.2012-31.03.2013 are 8177.95 cr.- IT/ITES units are 1445.59, manufacturing-6732.36. This marginal decline witnessed should be reversed.

'*Green Drive*' campaign should passionately followed. Not only due to strict norms of exporters and zone but pro-active policies under CSR practices.