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SEZ A Bane to the Economy

Prof. Allan D'souza: Research Scholar, J J T University, Rajasthan
Dr. Nishikant Jha :Research Supervisor, J J T University, Rajasthan

Abstract

Special Economic Zone Problems and Prospects

This paper is a critical commentary on the unplanned, short sighted, partisan and selfish motive in the establishment of SEZ. The paper besides highlighting a few specific areas of economic concern, throws light on possible solutions in implementing and making S.E.Z. successful.

It questions the need of S.E.Z. when its twins E.P.Z. and I.D.C.'s are already in existence and working successfully towards the same economic objectives for which S.E.Z. has been established. The need of establishing S.E.Z. is not felt since it is concerned with the revenue losses and diversion of funds from less developed areas to more profitable ones. It opposes the monopolistic and detrimental role that F.D.I.'s can play with the economic stability that the country has been able to achieve through its long and ardent pursuit of economic growth through increased production, quantitatively and qualitatively.

Introduction

The establishment of S.E.Z. was to provide an environment of internationally competitive and hassle free export zones. E.P.Z's are already in existence and supplemented by I.D.C's a state corporate body, already in place and working profitably as available financial data suggest.

The argument against S.E.Z. is not based on any irrational ideology but realistic thinking. I.D.C a government run body is already executing the development theory that S.E.Z. proposes with social, regional and infrastructural development as its mission and that to, very successfully!, passing over the benefits to the people of the region for whose welfare it was initiated, in terms of generating employment and infrastructure without being a revenue drainer for the country that S.E.Z. is and will continue to be.

The conviction is based on the presume, that any development, that is a revenue drainer for the country, is not in the interest of any Indian citizen, except for those who proposed and executed the same. This group is represented by a handful of a so called dignified front referred as F.D.I's inclusive of black marketers and profiteers wanting to transfer their ill gotten wealth into government backed profitable schemes originating from them.

Is this acceptable?

Well if the intent of starting S.E.Z. is really noble, then a balanced growth strategy where all sectors of the economy, are developed simultaneously, can be acceptable provided they are planned; if not they will be forced to use, the unbalanced growth strategy that will have detrimental effect on the country's economy.

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If we really want S.E.Z. to succeed then the benefits should be reaped by all, for whom it has been initiated. The major problem comes at the time of land acquisition which needs to be transparent and not translucent. Compensation to land owners needs to be reasonable and economically viable for the loss of their hereditary work culture; otherwise we will be sowing seeds of discontentment, to repeat the French revolution but named the 'Indian revolution' by our future historians. The symptom of Nandigram is a wake up call, for the cancerous effect that S.E.Z. could possibly result into.

Let us now understand I.D.C, E.P.Z. and S.E.Z. by a brief but limited comparison of the incentives enjoyed by each of them, the conclusion would be how different is S.E.Z. from I.D.C and E.P.Z.

Sr.No.	INCENTIVES	I.D.C	E.P.Z.	S.E.Z.
1	100% FOREIGN DIRECT INVESTMENT	No	No	Yes
2	TAX HOLIDAY	Yes	Yes	Yes
3	DUTY FREE IMPORTS	No	Yes	Yes
4	Freedom in allocation of space FSI	No	No	Yes
5	Provision and maintenance of services like water, electricity etc.	Yes	Yes	Yes

The proponents of S.E.Z. are harping on the importance of FDI and trying to ape the success that China has been able to achieve with FDI in S.E.Z. We need to remind ourselves that the Chinese administration is highhanded and strengthened by the fist of a dictatorial regime; where as India is a democracy free for all caparisoned to that of a class room without a teacher.

Well we need not lay back and wonder, but steam ahead in corporatizing the I.D.C and E.P.Z. where the ownership can be offered for public subscription, with a minority share offered to F.D.I's. This will reduce the monopoly that the policy makers and industrialist who act as cohorts to selfishly enjoy the spoils of their endeavors at public cost.

Differences of opinion have now surfaced between the finance ministry and the commerce ministry with the RBI extending its support in opposing the S.E.Z. culture expressing its concern about revenue losses and its diversion from the less developed areas without creating a link that could benefit from them.

On the other hand we have the commerce ministry stoutly defending the policy with concocted data of minimal losses and the eventual gains in terms of revenue and employment which are all notional .

The popularity and the interest generated in the concept of S.E.Z. can be seen from the large number of applications received by the commerce ministry and this

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number is growing. The view point of the applicants is that S.E.Z. is a sure money spinner but the perspective of the economy gaining is doubtful and cannot be guaranteed.

E.P.Z. with all tax exemptions have generated fewer jobs then projected and there is nothing new to suggest, that S.E.Z. can achieve the goals of generating employment with liberal laws and productivity concerns.

S.E.Z. may encourage existing resources to be relocated but what guarantee does it offer that they may succeed if the States offer duty/tax exemptions which have been hurt in the relocation process as was evidenced by the Gujarat government offering tax holidays and concessions causing a massive shift of industries from MIDC to GIDC in the late 1990's.

In conclusion it can be argued that S.E.Z. is an economic time bomb, ticking along to disrupt the economic stability, as they are islands of privileges, unacceptable in a globalised economy, that insist on competition and fair play. Malaysia's growth and prosperity of more then a decade, was all washed out thanks to full convertibility and the BOSS known as FDI.

As the proverb goes slow and steady wins the race.

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