Special Economic Zones (SEZs) in India and Gujarat: A Policy and Performance Perspective

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The current paper discusses Special Economic Zones (SEZs) in general level at world and, then the Indian situation is discussed and compared with that of Gujarat. The article discusses SEZ units in a macro environment where SEZ policy is a major part. Thus, the SEZ policy of the Central Government and the Gujarat State Government is discussed in detail followed with the organization, structure and export performance of SEZs in India and Gujarat. Finally, the initiatives taken by the Central Government in the form of schemes and other steps taken for boosting the growth of SEZs in India are identified and gaps in policy at central and state level are discovered.

Keywords: Special Economic Zones, Central Government SEZ policy, Gujarat State SEZ policy, sectoral performance, economic performance

Introduction
During the last decade, Indian economy has witnessed a lot of changes that have shown major effect on its export-import (EXIM) policy. After the introduction of SEZ (Special Economic Zone) scheme in the EXIM Policy from 01.04.2000, all existing FTZ/EPZ have been converted to SEZ. From all the Indian states, Gujarat emerged as a leader in SEZ led industrial development for boosting exports with around 58 SEZ present in Gujarat. Gujarat’s export share in India is highest contributing to an average over 14% share in India. Therefore, the main objective of this paper is to study the status of special economic zones in Gujarat vis-a-vis India. The article strives to study SEZ units in a macro environment where SEZ policy is a major part. Thus, the SEZ policy of the Central Government and the Gujarat State Government is discussed in detail followed with the organization, structure and export performance of SEZs in India and Gujarat. Finally, the initiatives taken by the Central Government in the form of schemes and other steps taken for boosting the growth of SEZs in India are identified and gaps in policy at central and state level are discovered.

Review of Literature
A lot of work related to role of special economic zones in the economic development of the region or the state they are located has been done. However, there is no conclusive evidence regarding the role of these zones in the development processes of that state or country. The literature review indicates that while some countries have been able to capture the dynamic and static gains from zone operations, many others have not [Aggarwal 2006a]. A micro level analysis of the zones' contribution to industrialization efforts in India reveals that EPZs have had a catalytic effect in promoting new production sectors, exporting new products and in building up the country's image in certain products in international markets [Aggarwal 2006b]. The success stories notwithstanding, the economic contribution of SEZs remained minuscule at the national level. Though India was the first Asian country to take the free zone initiative and set up the first zone in Kandla as early as in 1965, the share of SEZs in exports was a mere 5 per cent in 2004-05. Furthermore, they accounted for only 1 per cent of factory sector employment and 0.32 per cent of factory investment in the same year [Aggarwal 2006b]. Although they have had a positive impact on regional employment and human development by creating economic opportunities, especially for those without high levels of schooling, their potential in contributing to human development has not been fully exploited due to their failure in attracting investment and promoting economic activities in the region [Aggarwal 2006c].
Thus, though a lot of work has been done related to special economic zones in general and benefits of special economic zone in specific, there is no such work that gives a conclusive evidence of economic contribution of special economic zones to the region in which they are located. Therefore, there is a need to study the benefits proposed by the SEZ policy in India, and then a need to find whether these policy benefits attract the establishment of SEZ or not and further to find whether the operation of SEZ in a region has made an economic contribution in the growth of that state or country or not.

Special Economic Zones – Policy

This section gives a summary of the current export promotion and SEZ policy of India and Gujarat.

Current Export Promotion Policy in India

The export promotion efforts of the Indian government have been described in the Foreign Trade Policy (FTP) 2009-14 and EXIM Policy 2002-07 (adopted from FTP). For implementation of policy measures, Export Promotion Schemes were introduced under which separate Export Promotion Councils have been set up for each sector that prevails in India. Since the current study is related to the textile sector, the policy measures and efforts related to only this sector have been studied.

Foreign Trade Policy 2009-14

The main objectives of the FTP were to bring the country back on high export growth path with atleast 25% of export growth per annum. To meet this objective the government has followed a mix of policy measures that includes

(a) Fiscal incentives like income tax exemption to 100% EOUs and STPI units
(b) Institutional changes
(c) Support for procedural rationalization for enhanced market access across the globe and diversification of export markets
(d) Improvement in infrastructure related to exports
(e) Technological Upgradation through EPCG scheme at zero duty for textile and apparels including other sectors.
(f) Recognition of “Towns of Export Excellence”
(g) Duty Credit Scrips given for procurement of capital goods with actual user condition for textile and apparel including other sectors.
(h) 90% of production can be sold in DTA
(i) EOUs allowed CENVAT Credit Facility for the component of SAD and Education Cess on DTA sale
(j) More flexibility provided to exporters in relation to customs duty, import of restricted items, reimports and transit loss claims
(k) Simplification of procedures related to samples, shipping bills and payment of excise duty
(l) Reduction in transaction cost by making procedures online through EDI implementation programme and
(m) Provision of full refund of all indirect taxes and levies on exports.

The thrust areas of the Foreign Trade Policy 2009-14 have been textile, leather and handicrafts.

EXIM Policy

The EXIM Policy 2002-07 that has been adopted on the basis of FTP of India executes all the initiatives of the FTP. Over and above these, it has initiated the following export promotion measures specifically for the textile and apparel sector.

(a) Duty free import facility for service sector.
(b) Annual Advance Licence Facility and Duty free import entitlement for status holders having incremental growth of more than 25% in free foreign exchange.
(c) Removal of quantitative restrictions related to import and export item ceiling.
(d) Upgradation of infrastructure in existing clusters or industrial locations under the Department of Industrial Policy and Promotion (DIPP) Scheme to increase overall competitiveness of export clusters.
(e) Supplemental efforts made under ASIDE Scheme to bridge technology and productivity gaps in identified clusters.

(f) Rehabilitation of sick units under BIFR Scheme.

(g) Special Economic Zone (SEZ) Scheme with special benefits to exporters located in these zones.

(h) Export Oriented Units (EOU) Scheme with special benefits to 100% export oriented units situated anywhere in India.

(i) Export Promotion Capital Goods (EPCG) Scheme where imports of capital goods for certain sectors are promoted at zero percent duty.

(j) Duty Entitlement Pass Book (DEPB) Scheme to encourage diversification and promotion of exports of new products.

(k) Duty Free Replenishment Certificate (DFRC) Scheme extended to deemed exports.

(l) Advance license for deemed exports for supplies to EOU/SEZ/EHTP/STP.

SEZ ACT 2005

Amidst WTO and GATT, special economic zones have attained a centre stage. Though SEZs emerged out of the attempt to improve the EPZ policy, in the year 2000, a separate policy was announced for SEZs as a part of one of the chapters of the General Foreign Trade Policy or Scheme of EXIM Policy. Later there was an enactment of the SEZ ACT 2005. This ACT extends to the whole of India. The SEZ Act 2005 and the Rules were enacted with the key objectives of (1) generation of additional economic activity (2) promotion of exports of goods and services (3) promotion of investment from domestic and foreign sources (4) creation of employment opportunities and (5) development of infrastructure facilities. The SEZs require special fiscal and regulatory regime in order to impart a hassle free operational regime encompassing the state of the art infrastructure and support services. Therefore, legislation on SEZs covered the concepts of the developer and co-developer, labor policy flexibility, simplified documentation and provided for Offshore Banking Units (OBUs). Over and above of these, the following non-fiscal incentives and fiscal incentives (fiscal concessions under the Income Tax and Customs Act) have been extended to the units operating in SEZs.

Non fiscal Incentives

(a) Ready infrastructure benefits are gained as it is the responsibility of the developer of a Zone to develop, construct, install, operate, manage and maintain all the infrastructural facilities, amenities and services in the Zone.

(b) Ready availability of basic facilities like facilities of water, road, bridges, gas distribution network etc. in the area of the Zone.

(c) Single Window clearance advantage to the unit holders by way of getting a common application form for approval, clearance, license, registration and no objection certificate under the various laws and to submit single return for two or more laws.

(d) Application of flexible labor policy in the Zone.

(e) Exemption from industrial licensing for manufacture of items reserved for SSIs and no cap on foreign investment for these items.

(f) 100 percent FDI investment through automatic route to manufacturing SEZ units (barring a handful of sensitive industries).

(g) FDI upto 100% is allowed for: the ISPs not providing gateways (both for satellite and submarine cables), Infrastructure Providers providing dark fibre (IP Category – I), electronic Mail and Voice Mail in the telecom sector.

(h) Facility to retain 100% foreign exchange receipts in EEFC Account. Facility to realize and repatriate export proceeds within 12 months.

(i) Re-export of imported goods found defective, goods imported from foreign suppliers on loan basis etc. without G.R. Waiver under intimation to the Development Commissioner.

(j) "Write-off" of unrealised export bills upto 5%.

(k) Commodity hedging by SEZ units permitted.
Capitilization of import payables.

Profits allowed to be repatriated freely without any dividend balancing requirement.

No fixed wastage norms.

Full freedom for subcontracting including subcontracting abroad and taking up job-work on behalf of other units in the same SEZ.

Duty free goods to be utilized in 5 years.

**Fiscal Incentives**

With a view to attract the industrialists and entrepreneurs to establish industrial units in the Zone, the Government of India has proposed to grant the following fiscal benefits under SEZ Act 2005.

(a) 100% income tax exemption for a block of five years, 50% tax exemptions for two years and upto 50% of the Profits ploughed back for next 3 years under section 10-A of Income tax Act 1961.

(b) 100% Income-tax exemption for 3 years & 50% for 2 years under section 80-LA of the Income-tax Act for off-shore banking units.

(c) Supplies from DTA to SEZ to be treated as exports under 80HHC of the IT Act and exemption from excise duty, sales tax and other taxes like cess under the State laws given on such goods.

(d) Drawback or other such benefits on goods brought or services provided from DTA in SEZ or services provided in SEZ by service providers located outside India.

(e) Reimbursement of Central Sales Tax paid on domestic purchases.

(f) Provision of carry forward of losses.

(g) Exemption from Central Excise duty on procurement of capital goods, raw materials, consumable spares etc. from the domestic market.

(h) The unit which intends to set up captive power plant in the Zone exempted from payment of electricity duty for a period of ten years.

(i) The stamp duty and registration fee payable on transfer of land in the Zone exempted and no registration fee or stamp duty leviable on loan agreement, credit deeds, mortgages executed by the unit in the processing area of Zone.

(j) The sales tax, purchase tax, motor spirit tax, luxury tax, entertainment tax and other taxes and cess payable on sales and transactions exempted.

(k) Every developer and entrepreneur entitled to exemption from duty of customs on imported goods.

(l) Every developer and entrepreneur entitled to exemption from duty of customs on goods exported from SEZ outside India.

(m) Exemption from service tax on taxable services to developer and units of SEZ.

(n) Exemption from the securities transaction tax leviable in case the taxable securities transactions are entered into by a non-resident through the international financial services centre.

(o) Exemption from the levy of taxes on the sale or purchase of goods other than newspaper.

Thus, export promotion and SEZ policy of India reflects that 1978 onwards, the Government of India changed the focus from an inward looking policy to an outward looking policy.

### 3.2 Special Economic Zones Policy in Gujarat

The Central Government has offered various incentives and facilities both to developer of SEZ as well as the industrial units coming up in SEZ. All kind of units namely manufacturing, trading or service activities are permitted in SEZ. All approvals are to be given by the Development Commissioner for establishment of the unit in SEZ. The State Governments are required under the scheme to offer specified facilities and concessions for promotion of units in SEZs.

In the context of Government of India guidelines for the establishment of SEZs, the matter of formulating a policy regarding the dispensations which the State Government would accord to promote the development of SEZs, had been under consideration of the State Government since quite some time. Therefore, as a part of developing infrastructure in Gujarat, the State Government had enacted...
the Special Economic Zones Act 2004 in order to provide a hassle free operational regime and encompassing state of the art infrastructure and support services.

3.2.1 Gujarat State SEZ Act 2004

Gujarat SEZ ACT 2004 was commenced to provide for the operation, maintenance, management and administration of a Special Economic Zone in the state of Gujarat and to constitute an Authority and for matters connected therewith or incidental thereto. This Act was applied to all SEZs in the State namely Kandla SEZ, Surat SEZ and proposed SEZ at Positara, Mundra and Dahej and at any other locations where SEZ came up in Gujarat, subject to the framework for SEZ determined by Government of India from time to time. The Gujarat Special Economic Zone Act 2004 approves establishment of SEZs with the objectives of:
(a) generation of additional economic activity
(b) promotion of exports of goods and services;
(c) promotion of investment from domestic and foreign sources;
(d) creation of employment opportunities;
(e) development of infrastructure facilities;

The resolution of Gujarat State SEZ Act 2004 includes the areas of management of zones, power, environment, water, labor regulations, sales tax and other levies and law and order. Full detail of the Act is given in annexure number VI.

3.2.2 Gujarat State SEZ Rules 2006

On the basis of this ACT, certain amendments were made and later in the year 2006, SEZ Rules 2006 were announced by the government of Gujarat. Chapter II of SEZ Rules 2006 adopted from SEZ Act 2004 describes the process of establishment of special economic zone and appointment of developer. As per these Rules every Special Economic Zone shall be under the administrative control of a Development Commissioner. These Rules provide Fiscal as well as non-fiscal benefits. The following section throws light on both these types of benefits provided for by the Rules.

a. Non-Fiscal Benefits

The following non-fiscal benefits are provided for in SEZ Rules 2006.

(i) Single window clearance prescribed a common application for approval, clearance, license, registration and no objection certificate under one or more laws

(ii) Infrastructure facilities and services that include generation and supply of electricity; water extraction, treatment, transmission and distribution; waste water treatment and solid waste management; provision of minor port and related services; provision of roads and bridges; provision for gas distribution network; provision for communication and data network transmission; and any other services as may be prescribed by the regulations.

(iii) Supply of electricity

(iv) Water, road, gas and other facilities

(v) Delegation of powers of Labour Commissioner to Development Commissioner in which powers, duties and functions conferred on Commissioner of Labour or any officer under those Acts shall be exercised by the Development Commissioner or any officer authorised by him in this behalf.

b. Fiscal Benefits

Chapter 8 of SEZ Rules states the fiscal benefits that the developer and the unit-holder in the zone can avail of.

(i) State Taxes and Levies- All sales and transactions within the processing area of the Zone shall be exempt from all taxes, cess, duties, fees or any other levies under any State law to the extent specified below:

(a) Stamp duty and registration fees payable on transfer of land meant for approved Units in the Zone.

(b) Levy of Stamp duty and registration fees on loan agreements, credit deeds and mortgages executed by the Unit, industry or establishment set up in the processing area of the Zone.
(c) Sales Tax, Purchase Tax, Motor Spirit Tax, Luxury Tax, Entertainment Tax and other taxes and cess payable on sales and transactions.

(d) Inputs (goods and services) made to Zone Units from Domestic Tariff Area shall be exempted from sales tax and other taxes under the State laws.

(e) The Developer shall also be entitled to the benefits of exemption provided in subsections (1) and (2) for the entire Zone.

c. Over and above of the fiscal and non-fiscal benefits, the Rules mention norms related to
   a. Processing area
   b. Non-processing area
   c. Concession to contracts in SEZs (All Exemptions and concessions are allowed to Contractor appointed by a Developer or Co-developer)
   d. Exemptions for infrastructure for social purposes in non-processing area of the Zone
   e. Norms related to minimum area requirement for setting up of SEZ.
   f. Norm for the Developer or Co-Developer to have at least 26% of the equity in the entity proposing to create business, residential or recreational facilities in an SEZ
   g. Clearance to be given by State Government because while recommending a proposal for setting up of an SEZ to the Board, the State Government indicates whether the proposed area falls under reserved or ecologically fragile area
   h. The State Government certifies details of land area

Thus, the industry friendly SEZ policy of Gujarat has taken Gujarat from traditional industrial clusters to industrial estates and has further advanced to establish 60 SEZs by the end of 2009-10.

4 Special Economic Zones - Present Organization, Structure

The following section lists the classification of SEZs in India that further leads to details of state-wise and sector-wise establishment of SEZs. Establishment of SEZs related to textile sector have been listed in detail and comparison has been made of export performance of SEZs on the basis of difference in activity and governance. This section also highlights the growth trend of export performance of SEZS and their share in total economy exports.

4.1 Classification of SEZs in India

SEZ Policy highlights that in India, the normal procedure of establishing a textile special economic zone (or any other SEZ) is getting approval on the basis of fulfillment of SEZ ACT 2005 and SEZ rules 2006. The normal procedure for approval of SEZ is divided in three steps. Firstly, they get a formal approval when land is available to set up an SEZ. Then the SEZ receives an in-Principal approval when the land has not yet been secured but all other criteria are fulfilled. The SEZ is then notified when the land is also secured and it is all ready for beginning the physical development of work. Majority of SEZs in India are of less than 49 hectares in area. Finally, the SEZ completes with development of required infrastructure and allots plots to unit holders. When the production work is finally started by the unit-holders, the SEZ gains the title of being operational.

SEZs in India can be categorized on the basis of four categories namely, on the basis of sector, on the basis of function or location, on the basis of governance and on the basis of requirement of having processing as well as non-processing areas.

A detailed classification can be seen in the table 1 given below:
### Table 1: Classification of SEZs in India

<table>
<thead>
<tr>
<th>SECTOR SPECIFIC SEZ</th>
<th>FUNCTION OR LOCATION</th>
<th>GOVERNANCE</th>
<th>REQUIREMENT OF HAVING PROCESSING OR NON-PROCESSING AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Manufacture one or more goods in a particular sector</td>
<td>Multi-product SEZ in a port or airport</td>
<td>Governance</td>
<td>Processing Area</td>
</tr>
<tr>
<td>1. Establish and run by Central Government</td>
<td>Processing area is the demarcated area in SEZ where units can be located for manufacture of goods or rendering of services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Established jointly by State Government or Private Developers prior to SEZ ACT 2005</td>
<td>Non-processing area is intended to provide support facilities to SEZ processing area and may include:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Render one or more services in a particular sector</td>
<td>(i) Trading and Warehousing, (ii) Render two or more services in a sector or multiple sectors</td>
<td>(i) Educational institutions, (ii) Hospitals, (iii) Hotels, (iv) Recreation and entertainment facilities, (v) Residential and business complexes</td>
<td></td>
</tr>
</tbody>
</table>

#### 4.2 Classification and Distribution of SEZs in Gujarat

Gujarat has emerged as a leader in SEZ led industrial development for boosting exports. There are around 58 SEZ at present in Gujarat, covering an area of approximately 20,858 hectares. These can be classified as under,
15 out of 58 are functional SEZs at present, covering an area of 6,201 hectares and 13 out of 58 are formally approved SEZs in Gujarat. These formally approved SEZs are involved in several sectors such as, Biotechnology, Power, Handicraft/Artisan, Gems & Jewellery and Port based multiproduct. Following graph 1 shows sector-wise classification of functional SEZs in Gujarat.

Graph 1: Sector-wise Classification of Functional SEZs in Gujarat

Graph 1 shows that textile and apparel SEZs comprise of 13% of the total functioning SEZs in Gujarat. This is a significant percentage considering the requirement and establishment of a dedicated industry specific special economic zone. Considering the fact that there are more than 10 industrial sectors prevailing in India, export of textile and apparel is promoted through a special scheme called special economic zones is commendable.

Moreover, instead of including these products as a part of multi-product zone, the government has shown interest in establishing a dedicated textile special economic zone is even more noteworthy.

4.3 State-wise and Activity-wise Functional SEZs in India

A total of 130 SEZs was exporting in India, which include seven central government SEZs and 12 state/private SEZs, set up prior to enactment of SEZ ACT 2005. However, since 2006, in addition to the seven SEZs that preceded the SEZ Act 2005, a large number of SEZs have been established and many more are in the pipeline. As of 31st October 2011, 583 formal approvals have been granted for setting up SEZs, of which 381 have been notified and 143 are exporting. Their distribution across States and Sectors is described in Table 4.2 and Table 4.3, respectively:
**Table 2: Distribution of SEZs across States in India**

<table>
<thead>
<tr>
<th>Name of the State</th>
<th>SEZs Established by Central Government</th>
<th>SEZs Established by State Government or Private Developers Prior to SEZ ACT</th>
<th>SEZs Notified Under SEZ ACT 2005, State Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>AndraPradesh</td>
<td>1</td>
<td>−</td>
<td>35</td>
</tr>
<tr>
<td>Kerala</td>
<td>1</td>
<td>−</td>
<td>6</td>
</tr>
<tr>
<td>Karnataka</td>
<td>−</td>
<td>−</td>
<td>20</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>1</td>
<td>4</td>
<td>23</td>
</tr>
<tr>
<td>Gujarat</td>
<td>1</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Haryana</td>
<td>−</td>
<td>−</td>
<td>3</td>
</tr>
<tr>
<td>West Bengal</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>−</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>−</td>
<td>−</td>
<td>1</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>−</td>
<td>1</td>
<td>−</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>1</td>
<td>−</td>
<td>17</td>
</tr>
<tr>
<td>Orissa</td>
<td>−</td>
<td>−</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>12</td>
<td>124</td>
</tr>
</tbody>
</table>

Source: http://sezindia.nic.in/writereaddata/pdf/ListofoperationalSEZs.pdf downloaded on 5 May 2010

**Table 3: Activity-wise Functional SEZs in India**

<table>
<thead>
<tr>
<th>Business Activity of SEZ</th>
<th>SEZs Established By Central Government</th>
<th>SEZs Established by State Government or Private Developers Prior to SEZ ACT</th>
<th>SEZs Notified Under SEZ ACT 2005, State Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT/ITES</td>
<td>−</td>
<td>2</td>
<td>78</td>
</tr>
<tr>
<td>Pharma</td>
<td>−</td>
<td>−</td>
<td>6</td>
</tr>
<tr>
<td>Multi-Product</td>
<td>6</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Electronics</td>
<td>1</td>
<td>−</td>
<td>0</td>
</tr>
<tr>
<td>Engineering</td>
<td>−</td>
<td>−</td>
<td>8</td>
</tr>
<tr>
<td>Jems and Jewellery</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Apparel</td>
<td>−</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Textile</td>
<td>−</td>
<td>−</td>
<td>2</td>
</tr>
<tr>
<td>Handicrafts</td>
<td>−</td>
<td>2</td>
<td>−</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>−</td>
<td>−</td>
<td>2</td>
</tr>
<tr>
<td>Food Processing</td>
<td>−</td>
<td>−</td>
<td>3</td>
</tr>
<tr>
<td>Footwear</td>
<td>−</td>
<td>−</td>
<td>2</td>
</tr>
<tr>
<td>Auto Ancillary</td>
<td>−</td>
<td>1</td>
<td>−</td>
</tr>
<tr>
<td>Animation and Gaming</td>
<td>−</td>
<td>−</td>
<td>1</td>
</tr>
<tr>
<td>Aviation</td>
<td>−</td>
<td>−</td>
<td>3</td>
</tr>
<tr>
<td>Building Products</td>
<td>−</td>
<td>−</td>
<td>2</td>
</tr>
<tr>
<td>Conventional Energy</td>
<td>−</td>
<td>−</td>
<td>1</td>
</tr>
</tbody>
</table>
Non-Conventional Energy | Port Based | Power | Telecom Equipments | Transport Equipments | Total
---|---|---|---|---|---
2 | 2 | 1 | 1 | 12

Source: [http://sezindia.nic.in/writereaddata/pdf/ListofoperationalSEZs.pdf](http://sezindia.nic.in/writereaddata/pdf/ListofoperationalSEZs.pdf) downloaded on 5 May 2010

Graph 2 below shows the distribution of SEZ exports across sectors in 2010-11.

Out of these 143 SEZs, almost 53 are textile related SEZs in India. The graph 3 below shows the classification of legal status of textile related SEZs in India. It highlights that notified and operational SEZs comprise a very small proportion of textile SEZs in India.

Source: [http://www.sezindia.nic.in/writereaddata/updates/sez_review.pdf](http://www.sezindia.nic.in/writereaddata/updates/sez_review.pdf) downloaded on 10 January 2012

**Graph 3: Legal Status of Textile SEZs in India**

However, out of these operational textile related SEZs, Gujarat stands fifth in the list of states with highest number of SEZs followed by Andra Pradesh, Tamil Nadu, Karnataka and Maharashtra (Source: DNA Money, 17-3-2011). This can also be seen proved from the table number 4.4 related to Location of Textile SEZs in India.

Source: [http://sezindia.nic.in/writereaddata/pdf/ListofoperationalSEZs.pdf](http://sezindia.nic.in/writereaddata/pdf/ListofoperationalSEZs.pdf) downloaded on 5 May 2010

**4.4 District-wise Classification of SEZs in Gujarat**

The distribution and localization of SEZs in Gujarat seen in the below table and graph 4 reflects the fact that more SEZs are situated near sea ports or places where export becomes easy and there is availability of established transportation facility.
Table 4: District-wise Classification of SEZs in Gujarat

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>NO. OF SEZs</th>
<th>SEZ ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahmedabad</td>
<td>12</td>
<td>Apparel and Textile, Pharma, IT/ITES, Industrial Machinery &amp; Ancillary</td>
</tr>
<tr>
<td>Amreli</td>
<td>2</td>
<td>Engineering, Alternative Energy &amp; Ancillaries</td>
</tr>
<tr>
<td>Bharuch</td>
<td>8</td>
<td>Multi-product, Ceramic &amp; Glass, Chemicals, Pharmaceuticals, Hydrocarbon</td>
</tr>
<tr>
<td>Gandhinagar</td>
<td>7</td>
<td>Electronics, IT/ITES</td>
</tr>
<tr>
<td>Jamnagar</td>
<td>2</td>
<td>Multi-product</td>
</tr>
<tr>
<td>Kutch</td>
<td>12</td>
<td>Port based Multi-product, Power, Textile &amp; Garments, Handicraft &amp; Artisan, Polymer based, Flat Steel, Engineering, FTWZ</td>
</tr>
<tr>
<td>Surat</td>
<td>5</td>
<td>Gems and Jewellery, Apparel, Engineering, Power</td>
</tr>
<tr>
<td>Vadodara</td>
<td>3</td>
<td>Engineering, Biotech, IT/ITES</td>
</tr>
</tbody>
</table>


Graph 4: Location-wise classification of SEZs in Gujarat

Special Economic Zones – Exports
Export performance is the main objective of SEZs. Moreover it is the only way to judge the effectiveness of SEZ in a country. Therefore it is important to see the growth rate in exports of SEZs in India and Gujarat since their legal formation.

5.1 Export Performance of SEZs in India
Exports from SEZs in 2010-2011 registered a growth of 43.11% over 2009-2010.

Table 5: Export Performance of SEZs in India

<table>
<thead>
<tr>
<th>Establishment Type of SEZ</th>
<th>Export Value (Rupees in Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009-10</td>
</tr>
<tr>
<td>Central Govt SEZs</td>
<td>58036.86</td>
</tr>
<tr>
<td>State Govt/pvt. SEZs established prior to SEZ Act, 2005</td>
<td>44728.93</td>
</tr>
<tr>
<td>SEZs notified under SEZ Act, 2005</td>
<td>117945.6</td>
</tr>
<tr>
<td>Total</td>
<td>220711.39</td>
</tr>
</tbody>
</table>


Highest value of SEZ export performance is obviously from SEZs notified under SEZ Act, 2005 because highest numbers of SEZs are also established under the same governance. The following table highlights the export performance, growth trend of Indian SEZs and their share in total economy exports for the last eight years.
Table 6: Contribution of SEZs in India’s Export Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Economy Exports Of India (in crores of rupees)</th>
<th>Growth Rate (over previous year)</th>
<th>SEZ Exports Value (in crores of rupees)</th>
<th>Growth Rate (over previous year)</th>
<th>Share of SEZs in Total Exports of India (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>293367</td>
<td>15%</td>
<td>13854</td>
<td>39%</td>
<td>4.7</td>
</tr>
<tr>
<td>2004-2005</td>
<td>375340</td>
<td>23%</td>
<td>18314</td>
<td>32%</td>
<td>4.9</td>
</tr>
<tr>
<td>2005-2006</td>
<td>456418</td>
<td>26%</td>
<td>22840</td>
<td>25%</td>
<td>5.0</td>
</tr>
<tr>
<td>2006-2007</td>
<td>571779</td>
<td>25%</td>
<td>34787</td>
<td>52%</td>
<td>6.1</td>
</tr>
<tr>
<td>2007-2008</td>
<td>655864</td>
<td>15%</td>
<td>66638</td>
<td>93%</td>
<td>10.4</td>
</tr>
<tr>
<td>2008-2009</td>
<td>840755</td>
<td>28%</td>
<td>99689</td>
<td>50%</td>
<td>11.9</td>
</tr>
<tr>
<td>2009-2010</td>
<td>845534</td>
<td>0.6%</td>
<td>220712</td>
<td>121.40%</td>
<td>26.1</td>
</tr>
<tr>
<td>2010-2011</td>
<td>1065488</td>
<td>26.01%</td>
<td>315868</td>
<td>43.11%</td>
<td>30.0</td>
</tr>
</tbody>
</table>

Source: http://www.sezindia.nic.in/about-ep.asp downloaded on 5 January 2012

Graph 5 below shows the distribution of SEZ exports across sectors in 2010-11.

Table 5 shows that after the implementation of SEZ ACT 2005, the export growth rate of SEZs had gone up in the following two years and then equally went down in the year after that. However, in 2009-10 it once again shot up. Moreover, it can be seen in the above table that the trend of SEZ export growth rate performance is much higher than that of total economy exports. Further, share of SEZs in total economy exports has also increased consistently.

Source: http://www.sezindia.nic.in/writereaddata/updates/SEZ_REVIEW.pdf downloaded on 10 January 2012

Therefore, it can be clearly said that, with the efforts of the government, the exports from SEZs have also grown. But this effort has not been even for sectors and states. Only those states have high export performance of SEZs where the State Government has shown a proactive interest and only those sectors have performed in SEZ export growth which either have government assistance or strong historical base.

Conclusion

Comparison of SEZ policy and a detailed comparison of performance of SEZs between India and Gujarat draws attention to the speed at which industrial growth and exports have differently risen in India and Gujarat. Though Gujarat is just one of the 28 states of India, if looked at it as an independent entity, its pace of industrial growth is far more than most of the Indian states. Further, India’s growth is the end-result of the contribution of all its states put together. Therefore, percentage share of contribution of each state also plays a role in the overall growth of the country. In fact, usually it is the country policy, the 5 year Plan and the budgetary dispensations that help the states of a country to grow. However, in a democratic set up like India, the attitude towards growth and vision of the people and the minister of the state acts as a catalyst to take the advantage of the policies framed at the Centre level and push its region to grow economically. Analysis in section 6 highlights that SEZs in Gujarat...
are not just spread strategically near ports and industrial regions but also covers most of the districts of Gujarat. Therefore, the phenomenal role of Gujarat in growth of India (shown in the table below) explains the need for facilitating and assisting policy driven as well as non-policy measures towards proportionately higher contributing states.

**Table 7: Gujarat's Share in Economic Performance of India**

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Particulars</th>
<th>Year</th>
<th>Gujarat</th>
<th>India</th>
<th>% share of Gujarat</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Income GDP (At Current Prices, in crores)</td>
<td>2011-12</td>
<td>611767</td>
<td>8353495</td>
<td>7.32</td>
</tr>
<tr>
<td>2</td>
<td>State Income GDP (At Constant Prices, 2004-05, in crores)</td>
<td>2011-12</td>
<td>398884</td>
<td>5243582</td>
<td>7.61</td>
</tr>
<tr>
<td>3</td>
<td>State Income NDP (At Current Prices, in crores)</td>
<td>2011-12</td>
<td>533390</td>
<td>7476764</td>
<td>7.13</td>
</tr>
<tr>
<td>4</td>
<td>State Income NDP (At Constant Prices, 2004-05, in crores)</td>
<td>2011-12</td>
<td>342088</td>
<td>4618809</td>
<td>7.41</td>
</tr>
<tr>
<td>5</td>
<td>No of Factories</td>
<td>2010-11</td>
<td>21282</td>
<td>211660</td>
<td>10.05</td>
</tr>
<tr>
<td>6</td>
<td>Total persons engaged (in thousands)</td>
<td>2010-11</td>
<td>1290</td>
<td>12716</td>
<td>10.14</td>
</tr>
<tr>
<td>7</td>
<td>Value of output, in crores</td>
<td>2010-11</td>
<td>806783</td>
<td>4685213</td>
<td>17.22</td>
</tr>
<tr>
<td>8</td>
<td>Net value added, in crores</td>
<td>2010-11</td>
<td>89448</td>
<td>712640</td>
<td>12.55</td>
</tr>
<tr>
<td>9</td>
<td>No of Approved as well as Notified SEZs</td>
<td>As on December 2008</td>
<td>24</td>
<td>141</td>
<td>17.02</td>
</tr>
<tr>
<td>10</td>
<td>Investment in SEZ (rupees in crores)</td>
<td>March 2008</td>
<td>41733</td>
<td>69,350</td>
<td>60.2</td>
</tr>
<tr>
<td>11</td>
<td>Land Area Approved for SEZs (Formal Approvals)</td>
<td>December 2008</td>
<td>20,731</td>
<td>70,037</td>
<td>29.6</td>
</tr>
<tr>
<td></td>
<td>Total Land Area (in HA)</td>
<td>December 2008</td>
<td>9990</td>
<td>32,435</td>
<td>30.8</td>
</tr>
</tbody>
</table>

**Source:** Socio-Economic Review Gujarat 2011-12

A noteworthy fact that analysis of SEZs highlight is, though India conceived an idea of an export processing zone way back in 1965, it could come with a full-fledged special economic zone policy only in the year 2000. Further, even after a policy was introduced, India enacted a Special Economic Zone Act only in 2005. Thus it almost took 40 years for India to chisel out a shape from its ideas related to promotion of exports. But surprisingly, the state of Gujarat has been too agile with respect to international competitiveness in industries, exports and commerce. Not only did Gujarat enact its own Gujarat State SEZ Act 2004 (based on India’s SEZ Policy 2000) but also the only state to have India’s (as well as Asia’s) first export processing zone at Kandla. In a span of three years in 2007, after enacting the SEZ Act 2004, Gujarat had in its basket, approvals of 51 SEZs in Gujarat, which increased to 60 in another three years in 2010. Thus, Gujarat has out sped most of the other states of India as far as SEZ policy framing and implementation is concerned with respect to infrastructure investment, number of approvals and number of notified SEZs. Although data related to SEZ specific exports is not clear, it can be said that Gujarat contributes significantly to Indian exports too as the sectors contributing to exports in India (chemical and pharmaceuticals, gems and jewellery and textiles and garments) form the part of major industries of Gujarat. Further, it is these three major sectors which comprise of maximum number of SEZs in Gujarat (SURSEZ related to gems and jewelry, SAP related to apparel, AAP related to apparel and Reliance infrastructure). Remaining multiproduct SEZs...
(Kandla SEZ, MPSEZ or Adani Port SEZ and Dahej SEZ to name a few) have also a significant contribution to the exports from Gujarat. Similar to policy development and implementation, there is a glaring difference in the growth rate of SEZs in Gujarat and other states of India. Out of all the 28 states, Gujarat ranks 5th following Andra Pradesh, TamilNadu, Karnataka and Maharashtra with respect to SEZ approvals. However, review of literature highlights that only 14 states of India have notified and fully-functional SEZs. And as far as notification is concerned, Gujarat lags behind almost 8 to 9 states (West Bengal, Karnataka, Jharkahand, Chattisgargh, UP, Punjab, Kerala, Goa, MP) out of the 14 states.

Since no documentation of exports from Gujarat is available, it was difficult to compare economic activity performance of SEZs in Gujarat and other states with notified SEZs. However, it is very logical to say that states with more number of notified SEZs will end up investing more amount of money totally to build infrastructure and related facilities. Therefore, inorder to catch-up, Gujarat needs to have more notified and fully functioning SEZs which will automatically result in larger investment and production activity and thus outsized exports or profits.

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