PREFACE

In these days of growing trade deficits and Balance of Payments (BoP) disequilibria, every country, more so every developing country like India is preoccupied with all-out efforts to increase its exports to meet the growing import bill and debt servicing and repayment obligations and is deeply engrossed in pursuing such trade policies which are aimed at improving exports, pruning unnecessary fats in imports and reducing trade deficits. The crying necessity to generate and find fresh avenues, instruments, and sources of earning foreign exchange gave rise to the Export Processing Zones (EPZs) movement.

Starting and successfully maintaining EPZs is widely accepted as one of the important measures of export promotion and expansion. These free trade enclaves separated from the Domestic Tariff Area (DTA) provide duty free environment for export production at low and competitive costs and thereby they earn valuable foreign exchange. The units in EPZs operate under a custom bond. They are expected to generate a targeted net foreign exchange earnings and/or to attain a prescribed percentage of Value Addition (VA). The units engage themselves in producing or processing goods for export purpose only.

As on today, there are seven EPZs in India: Kandla Free Trade Zone (KAFTZ), India’s first EPZ established in 1965 in Gujarat and is more than 30 years old. The second one is Santacruz Electronics Export Processing Zone (SEEPZ) established in Maharashtra at Mumbai in 1974. In 1984, four EPZs were started at Noida (Uttar Pradesh), Falta (West Bengal), Cochin (Kerala), and Chennai (Madras) in Tamilnadu. In 1989, the seventh and the last EPZ at Visakhapatnam in Andhra Pradesh was established.

The curiosity to know about these seven Indian EPZs (IEPZs) under the administrative control of the Ministry of Commerce (MoC), Government of India and to examine and analyse their export performance and their contribution to India’s exports was the motivation to select the present topic for research and to test the hypothesis: “IEPZs are the effective instruments of increasing India’s Exports”.

Though there were a few studies on the individual IEPZs here and there in the form of articles and monographs covering certain aspects and certain periods of the past, there is yet no comprehensive study made on the export performance of all the seven IEPZs and their contribution to India’s total exports, that too during the latest
decade under study (1985-86 to 1994-95). A study in this area has been a felt need. This study is an attempt to fill the vacuum in this area of knowledge.

This study is based on the primary data collected during the field survey visiting all the seven IEPZs and the secondary data collected from the records of the seven IEPZs (Published and Unpublished) and material/data collected from different origin, mainly from the MoC, statistical data published by the DGCI & S, CSO, IIIFT, several Export Promotion Councils etc. The other sources of international importance being WEPZA, UNIDO, UNCTAD etc.

The present study is made in four phases: (1) Securing and studying the existing literature on India's foreign trade in general and EPZs in particular (2) Collection of data from primary and secondary sources visiting all the seven IEPZs and processing it with appropriate statistical tools/techniques, which are used to test the accuracy of results and to evaluate the export performance of the seven IEPZs. (3) Fruitful discussions with different authorities on the IEPZs and (4) Writing the thesis, supported by the processed data.

The present study is divided into five parts and in all into nine chapters. Part one consists of the first two chapters. The first chapter devotes to introduction, importance of foreign trade, concept of EPZs, detailed survey of literature, need for the present study, objectives, hypothesis, the detailed methodology and the technical format. The second chapter presents a macro view of India's foreign trade during the period 1950-95 in general and the decade of 1985-86 - 1994-95 in particular. Part two consists of the third and fourth chapters. Chapter three gives an overview of the IEPZs and their total export performance at macro level during the decade under study. The fourth chapter deals with the empirical analysis at micro level of the export performance of each and every individual seven IEPZs. Part three consists of the fifth and sixth chapters. The fifth chapter makes an assessment of Government of India's policy on the IEPZs. The sixth chapter throws light on the aspect of foreign direct investment in the IEPZs. Part four consists of the seventh and eighth chapters. Chapter seven deals with the constraints of the IEPZs and the general problems faced by the constituent units in the IEPZs. Chapter eight attempts to make suggestions for the improved export performance of the IEPZs and their constituent units. The fifth part consisting of chapter nine presents the summary and concluding observations of the present study and future prospects of the IEPZs.