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Literature Review

2.1 Introduction

Several studies were undertaken with respect to Special Economic Zones covering many areas of economic development, rural development, impact on society and economy, pros and cons, problems and prospects, political issues, policies and others. This review of literature is undertaken to understand better the rationale and the practically manifest details about SEZs. The purpose of this literature is to glean a background relevant to the topic, to know about the theoretical concepts related to SEZs, and to get an idea of past research with a view to prioritize and structure the research. An attempt was made to compile the available literature from different articles in journals, books, government reports, websites, etc. The review and the inferences drawn from different studies are categorized in different dimensions as presented below:

I. SEZ – An International Perspective
II. SEZs and Economic Development
III. SEZ - Land and Regional Disparities
IV. SEZ and Policy Perspective

2.1.1 SEZ – An International Perspective

Francis Lok-Wing Yee (1986) in his research study *Economic and Urban Changes in the Shenzhen Special Economic Zone* has made an effort to study China’s adoption of the economic reform programme since 1979 to increase economic efficiency, upgrade technological structure, and improve living standards. He found that various reforms in the planning, pricing, enterprise management, and labour and wage systems were initiated in both the rural and the urban sectors. The new policy further encouraged regional comparative advantage and international cooperation, replacing the self-sufficiency policy under Mao. He observed that in the formulation of policy for Shenzhen and other SEZs, China took the view of the bargaining school that FDI could benefit both the host country and the investors. He opines that an
evaluation of Shenzhen's performance and shortfalls becomes critical, as it will have significant implications for the economic and spatial development of China.

Michael Oborne (1986) in his book *China's Special Economic Zone* narrates that the Special Economic Zones were part of the initial wave of enthusiasm for economic and political reforms that swept through China in the late 1970s. SEZs were conceived as an instrument – small, specialized, and limited in scope – to bring needed skills, technology, and foreign capital into China in order to achieve the ambitious programme of four modernizations. He describes in detail the parts of an on-going tradition of renewal and reform in modern China. He opines that the success or failure of SEZ was not to be the measure of the People’s Republic of China’s ability to confront the problems of the end of the century rather, the SEZs were to be laboratories in which different doses of market economy planning could be experimented upon and adapted and imported into the socialist economy of China.

Wu, Wai Man (1990) in his research work *China's Shenzhen Special Economic Zone - A Social Benefit-Cost Analysis* examines the Central Government permitted practice of liberal trade policies and the delegation of high level of administrative autonomy to the provincial government. Shenzhen Special Economic zone was given a special mission of expediting China's economic growth and modernization programme through its capability to attract foreign investment, to transfer foreign technologies, and to absorb scientific management skill. He makes an attempt to provide a theoretical framework in the context of social welfare economics in order to assess the net benefits of Shenzhen to the Chinese economy during its first nine-year operation. Benefits that could not be quantified such as demonstration effects and other economic linkages were analyzed qualitatively in his study. According to the author, quantitative analysis show that the welfare loss to China from running the development project of Shenzhen as part of its modernization programme will at least continue for the next 15 to 20 years, and the size of the net loss will be approximately 2.3 billion by 1995 and 627 million by year 2003 and predicts that the loss is even more pressing if the Chinese government were to abort the plan in the near future.

Karen I. McKenney (1993) in her research *An Assessment of China's Special Economic Zones* examines the contribution of the original four Special Economic
Zones – Shenzhen, Zhuhai, Shantou and Xiamen -- to China's economy, evaluates whether the SEZs have modernized and achieved original reform objectives. She assesses in light of the original progress of the SEZs in expectations, and considers possible future roles for the SEZs in China's continuing efforts to modernize its economy. She observes the institutionalized vision of China's country-wide expansion of economic potential with the achievements of the SEZ objectives. She also examines whether the SEZ concept will continue to grow from a "provincial" SEZ model to a national significant model depending on the challenges on how China faced SEZs in its economy.

Tian Li (1999) in his thesis *The Implications of Foreign Investment In Special Economic Zones And Pudong Development Zone (Pudong New Area) of Cedna* deals with international foreign direct investment and the rise of the Chinese economy since the late 1970s, China's open-door policy and how it has attracted foreign investment. He also discusses the advantages and disadvantages to foreign investment from the perspective of Pudong Development Zone (Pudong New Area) and international investors. He opines that foreign investors have come to China to explore its vast market and rich natural and human resources, bringing capital and technology that China needs for its monetization and development. He examines the description and analysis of the 'open-door' policy, its operation and impact, which is illustrated in his study of the Pudong Development Zone (Pudong New Area). In his paper, he analyzes China's approach to rapid development and the steps in economy taken towards a more open market-oriented economic system. His approach involves the designation of a number of specific coastal areas and cities as SEZs, and has then concentrated on structured reforms within those narrowly confined areas to facilitate change. His thesis outlines how Chinese policies towards the marketplace had to change to allow for PDZ (PNA); examine PDZ (PNA) itself and its impact on progress in economic reform and development and explores in-depth the characteristics of its approach to economic reform.

Wei Ge (1999) in his book *Special Economic Zones and Economic Transition in China* narrates in detail the Chinese economy in the pre-reform era until the establishment of the Special Economic Zones. He analyzes the performance of Special Economic Zones with their growth pattern and economic structure. He also studies the impact of Special Economic Zones on the Chinese economy by analyzing
the gains from SEZ through regional development, employment, resource utilization, capital formation, and technology formation. He opines that it is important to distinguish a specific zone that operates in a real world setting from the general concept of the SEZ. Once the economic structure is shaped and its function specified, the influence of a specific SEZ is tied to a given stage of development in the economy in question. As the economy matures, the SEZ may very well lose its impact over time, but the usefulness of the SEZ concept and the messages it carries may last much longer.

Ashok Kundra (2000) in his book *The Performance of India's Exports Zones: A Comparison with the Chinese Approach* studies the policy framework for EPZs/EOUs, their performance, problems, and prospects for the future. He also deals with the Chinese policy and strategy for external opening up, the rationale for setting up SEZs/Economic and Technological Development Zones and their policy design and performance. He examines the foreign investment policies pursued in India and China and assesses the relevance of Chinese macro-economic policies and the strategies for SEZs/ETDZs to explore their replicability in India. He analyzes that economic empowerment of state governments has not made much headway in India; besides, the Chinese bureaucracy is perceived to be far more receptive and sympathetic to reforms. He opines that the political will and commitment to implement external sector reforms has been much stronger in China than in India. Chinese experiments of export-led growth, area-specific development, and decentralization of economic powers through the instrumentality of Special Economic Zones offer many lessons for India.

Li Pang-Kwong (2002) in his article *China's Special Economic Areas: Provincial Competition and Institutional Change* explores the decentralization issue in the context of economic liberalization in China, and the introduction of Special Economic Areas and other Special Economic arrangements of China is examined. He also discusses on the controversy arisen by the special policies of the Special Economic Zone and the trend of regionalization of coastal-inner provincial conflicts.

suggest that zones in South Korea, Malaysia, Sri Lanka, China, and Indonesia are economically efficient and generate returns well above estimated opportunity costs. On the other hand, the heavy infrastructure costs involved in setting up the zone in the Philippines resulted in a negative net present value. The zones have been an important source of employment in all cases and have promoted local entrepreneurs. However, as industrial development proceeds, the gap between the market and opportunity costs of labour narrows and the interest in EPZs tends to disappear. He concludes that effective utilization of EPZs as instruments of industrialization requires linkages with the rest of the economy. He shows his anxiety that there may be the growing fear that, in the absence of guaranteed markets and cost advantages, firms may distance themselves from a number of new and recently established EPZs. He opines that the policy measures of EPZs will eventually result in lower rates of return and will be a possible threat to the existing and new EPZs.

Chang Woon Nam and Doina Maria Radulescu (2004) in their research study *Types of Tax Concessions for Attracting Foreign Direct Investment in Free Economic Zones* point out one important characteristic of the FEZ, which is the provision of generous investment promotion schemes solely allowed in this enclave. The measures in their study include profit tax exemption, free or accelerated depreciation, investment tax allowance, subsidy for investment costs, etc. From the point of view of the competitive firm that strives to maximize profits, their study, using net present value models, compares incentive effects of various tax concession under inflation. They found that tax exemption changes the condition of marginal acceptance in favour of investors, whereas cash investment subsidy means nothing but the additional profit for them. Apart from the general tax factors affecting foreign direct investment, they also mention that firms are strongly attracted to the size of the potential market of the country where the FEZ is located at relatively low costs with the availability of skilled labour. They also observe that some other factors like uncertainty in the policy stance of governments and the transitional state of the legal framework for a market economy have also impeded large-scale investments in the FEZ.

Edward M. Graham (2004) in his article *Do Export Processing Zones attract FDI and its benefits? The experience from China* opines that the SEZs were a necessary first step in China’s emergence as the largest developing nation host to FDI.
He explains the factors for China's huge success in attracting foreign direct investment. He also opines that the EPZs be established in a locale that already possesses attributes attractive to foreign investors, such that these investors might be expected to come to that locale were government policy is conducive to foreign direct investment and that the usefulness of the EPZs is most likely to be to create a demonstration effect for country-wide reforms based on the experience in China. He observes that SEZs were located in the coastal regions, mostly in or near thriving cities, that were the most attractive areas to foreign investors, and the early success of the SEZs did provide impetus for policy changes, both at national and provincial level, that reinforced the attractiveness of these areas to foreign investors. He observes the establishment of China SEZs during 1980s and opines that there were many SEZs and SEZ-like zones established in China, which competed with one another, enhancing the demonstration effects: in particular, measures adopted in one province or municipality that proved effective in attracting FDI were quickly copied by other provinces and municipalities.

Aradhna Aggarwal (2005) in her study *Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh* has made a comparative analysis of the evolution of the EPZ policy, governance, incentive package, and the provision of infrastructural facilities in the zones across the three countries. She has examines domestic and foreign investment trends in EPZs and analyzes the export performance of these zones using various indicators, and examines the determinants of export performance and investment in the zones across the three South Asian countries. She argues that companies are not attracted by incentives and that good infrastructure and cheap labour availability are much more important, but the results of her survey show that fiscal incentives are considered very important in determining the attractiveness of the zones, as most respondents rated tax benefits as much more important than any other factor. Around 90 per cent of the respondents in India and Sri Lanka and 100 per cent in Bangladesh regarded tax incentives very/most important factor. Exemption from other industrial laws was also considered very important in India and Bangladesh and exemption from labour laws was considered a very crucial factor in all the three countries according to her study. Good quality governance is another factor that merged crucial in determining the success of the zones. She opines that countries wishing to take advantage of the
opportunities provided by the zones would have to put together a co-ordinate package of incentives, infrastructure, and good governance.

Mayank Mishra (2005) in his article *Special Economic Zones in India, Compared with those in China* opines that the prudent step to fuel growth in Special Economic Zones is to deal with the infrastructure, preferably inside and outside the SEZ. It was China’s strategy to develop SEZ infrastructure, which would inspire confidence in a foreign investor and help in attracting local industries. He explains the national and international experience of SEZ, which shows that the private sector alone has limited knowledge and incentive to deal with the infrastructural aspect, and hence, there is a crucial need to develop these zones. He suggests that to develop these zones, the SEZ projects should be developed under public-private partnership format, where they can be benefited from expertise and resources and it would increase the comfort level of the locating industries.

Meng Guang-wen (2005) in his research work *Evolutionary Model of Free Economic Zones* narrates the different generations and structural features that Free Economic Zone (FEZ) had with its long history and says that FEZ plays a more and more important role in the world economy, and therefore, he gives attention to the evolution of FEZ. In his paper, he studies and put forward the structural and spatial evolutionary model of FEZ by analyzing the development of objectives, preferential policy, governance structure, industrial sectors, and location of FEZs based on the international economic and political development. He analyzes in his study that FEZ’s develop towards more comprehensive and macro objectives, more industry-oriented and multi-preferential policies. He says that FEZs are more cross-national and combination zones with administrative areas, more technology-intensive and multi-industries, more flexible location and larger spatial dimensions, more rapid evolution and typologies, and more economic integration to the host economy.

Christian Svensson (2007) in his paper *Dynamics of Special Economic Areas in South China Industrial Upgrading and Improving Working Conditions* reviews and found that the cities in the study that have been able to rapidly up-grade industry to include modern sectors and the use of skilled labour have become more important. The industrial advancement has brought stronger incentives to train and retain workers in the company through various incentives and industrial upgrading,
corporate codes of conduct, consumer pressure, national competition for workers, and rising prices in the coastal areas have contributed to some improvement of wages and working conditions in more traditional and labour-intensive industries. He observes that the huge flow of migrant labour to the SEZs has benefited industrialization by allowing rapid expansion, without imposing the social costs of labour reproduction on the host cities, as mainly temporary working residency has been granted for migrants.

Arunachalam P. (2008) in his edited book *Social Political, Economic and Environmental Concerns of Special Economic Zone in India: An International Experience* discusses the social, political, economic, and environmental concerns of Special Economic Zones in India from an international perspective. He observes that India borrowed SEZ ideology from China. Though SEZ was included in Government of India’s Export-Import policy of 2000, people had limited knowledge about this programme until the Government of India passed SEZ Act in the year 2005 and started implementing it from February 10, 2006 onwards. It was basically an industrialization scheme, but later on, it turned out to a political problem. He opines that a shift from an agricultural economy to an industrial one could cause some pain, but there is no other choice because there is no way agriculture can provide jobs to the satisfaction of the new generation. Therefore, industrialization is the only solution.

Peter Zashev (2008) in his study *Current State and Development Potential of Russian Special Economic Zones - Case study on the example of Saint Petersburg SEZ* has discussed on the Special Economic Zone principles in Russia, and opines that the recent attempt that started in 2005 to re-launch the introduction of the Special Economic Zones in Russia was welcomed with great hopes and expectations. The legislative measures carefully considered the past mistakes and the legislators defined several different types of zones with clear distinction in their aims and objectives. More importantly, the new zones were not equivalents of whole regions or vast territories as before. Instead, after some competition, several regions won the right to build special economic zones in well-defined places with adequate but limited area. He found that based on the example of SEZ Saint Petersburg it is possible to see some weaknesses in the current strategy mode in general and in its implementation in particular. These may result in serious decrease in the performance of SEZ and possibly even lead to the conclusion of yet another unsuccessful try in using them as
an economic tool for modernization of the economy. Therefore, such weaknesses should be addressed by policy makers as to refine the strategy and put it into more concrete dimensions.

Geeta Das (2009) in her book *Special Economic Zones (SEZs) in India: Lessons from China* discusses the strategies for development including industry, trade policy, and economic achievements with particular reference to the development of Special Economic Zones, their performance in terms of export, employment, investment, and growth potential. She outlines the political scenario of China, its economy, trade policy, and contribution of the Special Economic Zones in its economic development. She attempts to analyze various parameters of the development dimension, economic liberalization, free trade, technology, FDI, infrastructure, and the role of SEZs in the economic development of India and China. She presents a SWOT analysis in respect of the present Indian policy framework to identify the areas that need to be addressed and whether the Chinese development strategy of SEZs can be successfully adapted in India. From this view, she discusses analytically whether development of SEZs in India by emulating strategies adopted by China for the development, would help achieve faster growth.

Tong De, Feng Chang Chun, Li GuiCai and Chen Peng (2010) in their case study *Categories and Characteristics of Urban Villages by GIS-based analysis: A Case Study of the Shenzhen Special Economic Zone* introduces a mathematical model based on spatial analysis to deal with the categorization and characterization of urban villages. They explore the essential characteristics of urban villages and their spatial overlaying effects. They observe that, not only can the most important characteristics and difference among urban villages be summarized, but improvements in management and guidance policies be conducted on urban villages. They opine that the local government may focus on different aspects of urban villages while carrying out administrative practices, and have provided valuable references and recommendations for advancing and development, especially for the construction and development of a digital community.

Malini L. Tantri (2013) in her working paper *How Much do we Know about the Chinese SEZ Policy?* opines that though India’s SEZ policy owes its conceptual base to the successful model of China’s SEZs experience, hardly any attempt has been
made to explain what made them so successful. In her paper, she traces this phenomenal success to the well-articulated and executed SEZ policy in China. Apart from this, the success of SEZs in China is also attributed to the various supporting mechanisms, both internal and external. Hence, her contention is that SEZs cannot be expected to deliver optimum performance under ceteris paribus condition.

2.1.2 SEZs and Economic Development

Manoharan V. M. (1996) in his thesis *An Evaluation Of The Working Of The Export Processing Zones In India - A Case Study with reference to the Cochin Export Processing Zone*, analyzes the economic performance of EPZs in relation to the objectives set out in the complete socio-anthropological analysis of these zones. He has studies and examines the economic logic and welfare aspects of EPZs. He observes that the industrial units in EPZs are importing at concessional rates from the General Currency Area (GCA) and the goods produced using such facility are exported to the Rupee Payment Area (RPA). This results in net foreign exchange outgo, and hence, defeats the basic objectives of establishing the EPZs.

Seetapathi K. and Arindam Banerjee (2005) in their paper *Special Economic Zones* provide a commentary on the relevance of SEZ in the domestic domain and discuss the global scenario pertaining to the same. They also discuss the changing scenario of export processing zones and make a comparative study of SEZs in India versus China. They say that both China and India offer a host of services pertaining to tax holidays, duty free imports, and relaxation of several regulations, but China has always been able to generate better earning as compared to India in Exports and FDI's technology. They state that success of the zone primarily lies in the existence of a proper infrastructure, transport facility, liberal labour law, low level of tariff predictions, and stable administrative regime.

Aradhana Agarwal (2006) in her article SEZ's: Moving towards Exports, Growth and Employment highlights the growth of economy and explains the gradual move towards exports, employment opportunities, FDI, and infrastructural facility through SEZ. She explains that there will be a rapid development of Indian economy if more and more SEZs are established in India promoting exports.
Viswanadham N. (2006) in his research study *Infrastructure Strategies for Export Oriented Manufacturing and Service Zones in India*, discusses the SEZ evolution in India and summarizes the performance of existing SEZs in India. He also discusses the design of SEZs taking into account the logistical, informational and value chain requirements. He has highlighted the factors involved in project selection in SEZ. He discusses China’s experience of SEZ, which after a slow start started attracting foreign capital in a big way and were mostly responsible for the emergence of China as a manufacturing superpower. China ensured that the infrastructure was developed in an integrated manner, with sufficient room to expand, once these zones started attracting investments on a large scale. He opines that countries such as China and South Korea have pursued this strategy of uniting with the interior in developing their SEZs. This has contributed to rapid indigenization of production, technology absorption, and import substitution. Similarly, forward and backward linkages have been an important motivation for investors in SEZs, especially when the domestic market size is large and growing. The author studies the performance of Indian SEZs by analyzing the foreign exchange generation through FDI, employment creation, market attractiveness in Indian states, investment climate, resource management, economic integration through location selection, and project selection.

Amitendu Palit and Subhomyo Bhattachajee (2007) in their book *Special Economic Zones in India – Myths and Realities* reveal some of the myths and realities of the economic prospect of SEZs in India. They begin with the argument that the creation of new economic spaces is not a new phenomenon. The geographically delimited “enclaves” has existed since the medieval ages. Drawing reference from the World Bank study, their book suggests that till 2007, approximately 3000 zone projects taking place in 120 countries across the world. Most of the developing countries have taken to these economic enclaves, which carries the potential of creating more employment opportunities because of the fiscal incentives in the form of low or zero taxes on income and export profits and duty-free imports, which are essential to create more job opportunities and improving the quality of existing jobs. The book introduces the backdrop against which the SEZ came into existence through an account of the existing economic enclaves across the world, the exports generated in these regions, the viability of the already existing Export Processing Zones, and the increase in exports in the already functional SEZs in India.
Aradhna Aggarwal (2007) in her working paper *Impact of Special Economic Zones on Employment, Poverty and Human Development*, identifies three channels through which SEZs are addressed, and these channel or issues are employment generation, skill formation (human capital development), and technology and knowledge up-gradation. She examines how the impact of SEZs is processed through each of these channels. The study finds that the modality differs significantly according to the characteristics of the SEZs, in particular, the level of their development as reflected in the composition of economic activities. Within this framework, the study examines sectoral and economic composition of SEZ activities in India. She finds that labour intensive, skill intensive, and technology intensive firms co-exist in India's zones, and therefore, argue that all the three effects described above are likely to be important in the Indian context. Her analysis reveals that employment generation has been the most important channel through which SEZs lend themselves to human development concerns, in India. Her study argues that the zones' potential could not be exploited fully in India, but it could primarily be attributed to the limited success of SEZs in attracting investment and promoting exports. She opines that the new SEZ policy may give a major thrust to SEZs, but the creation of SEZs alone does not ensure the realization of their potential. In this regard, the government has to play a more pro-active role for effective realization of the full range of benefits from SEZs.

Nicolas Papadopoulos and Shavin Malhotra (2007) in their article *The Role of Export Processing Zones in Development and International Marketing Strategy* discuss the EPZs in two different paradoxes. The first paradox was EPZs are growing rapidly worldwide – yet this growth occurs in a context of a “global” reduction in the barriers, which they are designed to counter. This suggests that the phenomenon of falling barriers may not be nearly as “global” or occurring at the national level in all countries, as is commonly thought. Lower barriers are very real among the developed Triad nations, whose key features include broader and highly successful free trade agreements (European Union and NAFTA). However, in the context of developing nations, EPZs may in fact be “the”, or at least “one of the”, major instrument through which barriers are being reduced rather than being an add-on that offers perhaps minor and temporary freer trade advantages while the host countries’ national economies themselves are being broadly liberalized. The second paradox concerns the
virtually total silence of business researchers on the EPZ issue, when contrasted with
the growing perceived importance of EPZs on the part of business firms, host
countries, and researchers in economics, which leads to ever-increasing zone-based
trade and investments by the first EPZ programmes by the second, and research by the
third of these constituencies of interest.

Artur Usanov (2008) in his research paper, *Special Economic Zone in Kaliningrad as a Tool of Industrial Development: The Case of the Consumer Electronics Manufacturing* examines the Kaliningrad SEZs and remarks that the tariff incentives (under the special economic zone regime) were able to create in Kaliningrad a significant consumer electronics sector. He found that within few years Kaliningrad’s share in TV production in Russia rose from zero to almost 90% because of the package and the growth of the consumer electronics sector in Kaliningrad was impressive, but the economic rationale for the significant consumer electronics sector was unclear because the region was located quite far from the main consumption centres. He opines that Foreign Direct Investment in this sector was essentially absent and the recent changes in the Russian import tariff policy and expiration of the old SEZ transition period in 2016 could easily kill the sector. He suggests that realizing the potential of the SEZs in Kaliningrad to attract foreign investors with technological know-how is very important and the Government should make this as priority if it wants to ensure long-term future for the consumer electronics sector in Kaliningrad even in a reduced form.

Jigna Trivedi and Kajal Sharma (2008) in their article *Impact of Special Economic Zone on Indian Economy* analyze the impact of SEZs from FDI perspective and employment perspective. They found that investment to the tune of $ 3-5 billion has been committed, which accounts for 60-70% of the total FDI flow in India, and prospective companies are estimated to bring $20-25 billion in the next three years. From the employment perspective, they observe that in the last eleven months the investment is achieved was ₹ 11600 crore in the SEZ, which created 15000 jobs and it is anticipated to have ₹ 8.9 lakh jobs in the next three years, and create 2 to 3 times more jobs outside the SEZs. They also analyze the impact on the price of land around SEZs, which will be appreciate and opines that the farmers may earn handsome
revenues, and opines that SEZs indirectly create wealth for the people outside its territory.

Ghorude K. N. (2008) in his book *India’s Special Economic Zones: Role and Critical Success Factors* describes the theoretical framework of the Special Economic Zones. He discusses the profile of the functional SEZs of the Santa Cruz SEZ explaining its export growth, employment generation, and technology transfer. He discusses the backward and forward linkages of India’s Special Economic Zones and its critical success factors. He also discusses the administrative problems, infrastructural problems, Centre-State inter-ministerial co-ordination problems, foreign investment problem, labour problem, and problem on reimbursement of taxes on exports. He suggests that SEZs have contributed positively towards the social welfare in the economy. The forward and backward linkages with domestic tariff area and foreign as well as domestic private investments are limited. However, Indian SEZs require a bold and conscious policy to promote SEZs in general and its linkages with the backward and rural sector in particular.

Aditya P. Tripathi (2009) in his article *Relevance of Special Economic Zones for Developing Economies: A Study of Indian Perspective* examines the relevance of SEZ model for expediting industrial growth in developing economies with special reference to India by explaining the economics as well as the politics involved in it. He highlights the critical issues involved in the implementation of SEZs in the Indian context with the help of the implementation difficulties faced in the Singur case by the state government, and suggests appropriate functional strategy for the successful establishment of SEZs in the wake of Indian reality. He further suggests that the Indian government should first frame a well-equipped implementation strategy for SEZs keeping in mind all reasonable and practical implications of an SEZ policy in the Indian scenario, and ensure the absence or possibility of any type of nexus between political parties and industrialists.

Shobha Rani K.B.D. and Appa Rao B. (2009) in their study *Economic Evaluation of Special Economic Zones in India* focus on the geographical distribution of SEZs in India, and have attempted to show the extent of SEZ development in India.
They opine that the SEZs are not evenly distributed, but are concentrated mainly in urban and semi-urban areas.

Nicola A. V. Virgill (2009) in his dissertation *Export Processing Zones: Tools of Development or Reform Delay?* has observed that many developing countries have turned to export processing zones (EPZs) to promote growth and development through trade on the failure of the import substitution programmes. However, in many instances, the performance of the EPZ model has been disappointing leaving many to question whether EPZs are good for reform. The author in his dissertation examines first, the institutional factors related to EPZs emergence, and secondly, examines the importance of domestic entrepreneurship to economic development and the relationship between EPZs and domestic entrepreneurship. Thirdly, he examines the effects of EPZs on economic well-being controlling for factors, which affect entrepreneurship. He outlines the model of EPZ emergence and the relationship between export processing zones and entrepreneurship, and also examines the effects of market and non-market distortions on EPZ emergence and finds that EPZs emerge in countries with greater distortions and market failures. In his hypothetical study, he found that EPZ formation is a response to market and non-market failures, and also found that EPZs hamper domestic entrepreneurship and reforms, which support entrepreneurship in both the domestic sector and the export sector leading to strong growth and meaningful development.

Aradhana Aggarwal (2010) in her article *Economic impacts of SEZs: Theoretical Approaches and Analysis of Newly Notified SEZs in India* explains different approaches towards the concept of SEZ like The Neo Classical approach (Orthodox View), the Political and Economic approach, The Heterodox Approach, The Global Value Chain Approach, and the Agglomeration Economies Approach. She says that the rationale behind setting up of SEZs in India was for the growth of exports to offset the deterioration in balance of payments caused by import, the process of industrialization, growth, and employment generation. She further narrates the Indian experience in SEZs development, and states that though India was the first Asian country to take the free zone initiative and set up its first zone in Kandla in 1965. The share of SEZs in exports was a mere 5 per cent in 2004-05, and they accounted for only 1 per cent of manufacturing employment and 0.32 per cent of
manufacturing investment in the same year. She concludes by observing that the economic impacts of SEZs are stimulating direct investment and employment, their role appears to be more valuable in bringing about economic transformation, but the SEZ policy alone is not sufficient and calls for concerted efforts by the government to reap the maximum benefit of SEZs.

Fayaz Ahamed (2010) in his article *Special Economic Zones in India: A New Dawn of Modern Economy* aims to cover the functions necessary for the development of SEZs in India. He observes the performance of Indian SEZs and opines that there is overwhelming response to the SEZ scheme through flow of investment, creation of additional employment, export performance, and inflowing FDI in the country. In his article, the author opines that the SEZs are not only factual development engines for the economic development of the country, but also a new dawn of the modern economy. He suggests that SEZs need to be seen in the context of attempts by the Government of India, to launch second-generation reforms and a continuation of earlier initiatives to boost exports. He recommends that India should develop its own model of SEZ, keeping in view its own socio-cultural and economic imperatives and should be encouraged to come into the mainstream of development, by making use of the SEZ scheme. He suggests that the Central Government should take suitable initiatives in this regard, instead reforming the domestic economy while viewing SEZs as another avenue of development being the best way forward.

Malini L. Tantri (2010) in her working paper *Performance of Indian SEZs: A Disaggregated Level Analysis* analyzes the Performance Index within the framework of the Zone-Trade, taking seven conventional SEZs as reference for the period between 1986-87 and 2007-08. Her analysis reveals variations in performance across zones as well as within the zones over the reference period. Her variations in performance are found statistically significant. She found that zones specifically located in economically developed states perform better than the zones in other states. Her study reveals the pressing problem of regional disparities finding reflection in the SEZs, and thereby, demands policy attention on the same. Her analysis further finds that zones are equally sensitive to external economic fluctuations, and on the positive side, the introduction of the SEZs policy in 2000-01 had a favourable impact on the performance of these enclaves. She also found variations in performance across the
seven SEZs and observed that the zones performing relatively better than other zones are the one, which are placed in developed states than zones located in backward regions. This indicates that regional disparity is not only reflected in SEZs’ performance, but also hardly address such imbalance. She suggests that there is a pressing need to draw lessons from the varied performances across the zones as well as over time, and identify factors responsible for the success/failure of ventures and come up with policy prescriptions and guidelines for further improving the successful zones and also to boost the performance of zones that are lagging behind.

Anil Dhawan (2011) in his article *Special Economic Zones - An Indian Perspective*, has brought out the efficacy of Special Economic Zones Act, 2005 in the Indian economy, its current status, and the incremental growth of investments, employment, and exports in functional SEZs in India. He found that there were investment restrictions and entry route barriers in several sectors of significant investment potential and interests. Specific sectors include private banking where RBI approval is required for FDI beyond 5 per cent. Regulatory constraints are hitting the private equity and venture capital as much as the 26 per cent FDI cap in insurance. He found that the developers of the existing Special Economic Zones continue to face problems in accessing credit from banks because of the Reserve Bank of India's categorization of SEZ projects as a real estate activity, which invites stringent capital adequacy norms.

Vinit Kumar and Anshu Singh (2011), in their article *Employment and Export Through SEZs In India* suggested that SEZs need to be seen in context of the attempts by the Government of India, to launch second generation reforms and a continuation of the earlier initiatives to boost exports. They found that exports have risen marginally with the increase in the number of SEZs and so there are visible economic benefits for the nation by way of increased exports and improvement investment climate due to SEZ concept in India. They conclude that SEZs were meant to be growth engines of export and creation of employment, inflow of foreign direct investment, and development of infrastructure in the country.
2.1.3 SEZ - Land and Regional Disparities

Ashish Dole and others (2006) in their study *Demystifying India's Special Economic Zones* discuss the hurdles in attaining the desired benefits from the SEZs through loss of revenue, land acquisition problems, real estate activities of SEZs, and absence of labour laws. They suggest that there must be a proper supporting infrastructure facility and a regulatory body to oversee SEZ development and operation.

Maria John Kennedy and K. Vennila (2008) in their article Special Economic Zones: Problems and Prospects bring out the problems faced by the units in SEZs. They also list out the problems of regional disparities, country's food security due to development of SEZ in agricultural land, unfair compensation to agriculturists, and setting up of SEZs in states where there is more manufacturing and exporting activities. They hold the argument against SEZs and opine that the SEZ Act will lead to large-scale land acquisition by developers, displacement of farmers, meagre compensation, and no alternative livelihood for the farmers. They also argue that the development of SEZ on prime agricultural land is likely to produce very serious implications on the country's food security, which the country is already facing.

Neeraj Mishra (2008) in his article Special Economic Zones: Challenges and Future points out that the biggest challenge faced by SEZs is the scenario of taking away of agricultural land from the farmers by paying disproportionate monetary returns, which is not in lieu of the current land prices. He opines that the SEZs could drastically improve the economic activity in the country, make the country's export competitive and globally noticeable, be a net foreign exchange earner, and provide immense employment opportunities, provided it is done not at the cost of bringing down agricultural activities. Land grabbing and real estate mafia should be properly regulated so that the common man is not the net sufferer to get the net foreign exchange earner up and running. He suggests making a comparison to China in that majority of the SEZs should be setup by the government, if not fully it should be a public-private partnership and regulatory bodies should be properly managed. He also suggests that to be economically viable, SEZs should be approved over a particular
land area (greater than 1000 acres) for rapid economic growth in the area and for it to be profitable and self-sustainable.

Panduranga Reddy, A. Prasad and M. Sampath Kumar (2009) in their article *Balanced Regional Development of India through Special Economic Zones: An Empirical Study* opine that SEZs prove economically advantageous to the nation in general, and in particular, to other northern and central states that are industrially lagging behind. These clusters generate external economies also in the form of good roads, power, water, etc., which no manufacturing unit by itself would be inclined to provide. SEZs act as modern demo centres due to interface with the global markets. Owing to the economic activities generated by SEZs in the hinterland, the establishments will get backward linkages with local industrial clusters and forward linkages with the global markets. The authors point out in their study that in the total number of SEZs, the IT/ITES SEZs are 46 per cent and most of them are in the southern states, and the southern region dominates in the total SEZ establishments. Regarding the distribution of SEZ and land allotment to SEZ, the southern region occupies first place of about 32 per cent of SEZs, followed by the central region with 23 per cent SEZs. The other categories of SEZs are concentrated more in Maharashtra, Gujarat, and Karnataka because of the availability of product specific raw materials and manpower. They state that majority of the IT/ITES SEZs are confined to the vicinity of major urban areas since they are capable of overcoming the land limitation by resorting to vertical expansion, whereas it is true that the Multi Product/Services and Other Categories of SEZs by virtue of horizontal expansion require large extent of land. Owing to the SEZ developments, large part of agricultural land will be converted for non-agricultural purposes. Extravagant conversion of agricultural lands for non-agricultural purposes may worsen the situation and lead to drastic drain in foreign exchange reserves for importing food grains.

Honnappa H. C. and Ramakrishna K. G. (2009) in their article *SEZs: Some Critical Issues* critically analyze the extraordinary privileges enjoyed by SEZs in the use of land rehabilitation and re-settlement. They also point out that the government faces loss of revenue by providing more concessions, exemptions, and benefits to
EOUs in SEZs and identify that the SEZs approved by the government are in rich agricultural belts, which result in low agricultural production and food shortage.

Partha Mukhopadhyay (2009) in his paper *The Promised Land of SEZs* determines the expected benefits from SEZs and whether they are being achieved. For the analysis in his paper, he has not aggregated data but on projections made by the developers of individual SEZs he points our few items. He discusses what the data says about the promised land of SEZs, the exports, the nature of investment and employment, regional dispersion, and governance. He observes that while the SEZ costs appear very real, the benefits of SEZs appear to be a mirage, if at all, the subsidies in terms of land and tax benefits extended are only helping to support the existing economic structure.

Tarun Dhingra, Tripti Singh and Ambalika Sinha (2009) *Location Strategy for Competitiveness of Special Economic Zones: A Generic Framework For India* develop a framework for the firms located inside SEZs in India, to assess the effect of location on the competitiveness of the firm. They developed five sets of broad intermediate variables consisting of different sub-variables, like investment in competitive resources and capabilities- including consistence of quality practices, cost effective manufacturing capabilities, management capacity, branding, higher capacity utilization, and strategic planning, Linkages - with other firms, outside duty tariff area (DTA) firms and foreign firms, Government and institutional support-in terms of available infrastructure (roads, electricity, telecom, internet, and ports), Entrepreneurial ability- including vision, ability to organize, innovate, and take calculated risks, Factors of production- linked with economical labour, skilled manpower, technology management, access to cheap cost of capital, and procurement of goods. They found that a logical sequence exists among the location of a firm, five intermediate variables/functions (investment in competitive resources and capabilities, linkages, entrepreneurial ability, government and institutional support, and factors of production), and superior firm performance. They opine that the factors responsible for location strategy may be from the firms outside the SEZs and that the same factors will be responsible for the location of a firm inside the SEZ, and that location leads to intermediate variables and provide superior firm performance.
Nagayya D. and Rao T. V. (2010) in their paper *Special Economic Zones for Rapid Industrialization and Regional Development: Progress and Concerns* analyze the formally approved and notified SEZs in India and outline the differences in approaches of EPZs, EOUs, and SEZs. They also criticize the current issues of SEZs regarding geographical and sector-wise concentration of SEZs in India, large-scale acquisition of fertile farmland through forceful means, rehabilitation and resettlement policy, protection to the labour and environment as well as absence of relocation of enterprises from outside SEZs into SEZs.

Kesavachandran Chandrasekharan Nair et.al. (2010) in their research study *Respiratory health problems associated to infrastructural development among residents living near Special Economic Zones in India* assessed the lung function status of residents living in areas adjacent to the Noida Special Economic Zone (NSEZ). Their study shows a significantly high prevalence of lung function impairment (17.7%) amongst residents living adjacent to a Special Economic Zone (Bhangal) compared with residents of non-industrial zone. They criticized that it is the first report regarding ambient air quality and lung function status of residents living adjacent to SEZ/industrial zones in India and abroad during developmental phase, as no other reports could be found in the existing literature. They found that activities related to development of infrastructure in areas adjacent to NSEZ showed that higher concentration of PM existing in the air leading to decline in lung functions. The risks associated with variation in pollution levels are difficult to compute for lack of specific data. The data presented in this study could possibly help in framing policy guidelines for the development of other SEZs by government authorities vis-à-vis subjects living in the neighbourhood areas of coming-up SEZ projects in India.

Samantha Agarwal (2010) in her research *The Austerity of Neo Liberalism: Peasant [De] Mobilization and Special Economic Zones in South India* examines a specific manifestation of the post-1990 Indian neo-liberal regime, the Special Economic Zone (SEZ) and its impact on marginal farmers. She opines that the SEZ Act of 2005 encourages the establishment of single or multi-product export zones, each with a high minimum land requirement (12,500 acres for the latter). The geographically isolated area is comparable to the export enclave or the industrial park, where developers of the SEZ are aided by the government's power of eminent domain
in acquiring desirable land from tenants and landholders. She says that, what was once common or small to medium holder land then becomes a massive industrial township where its investors not beholden to local governance. Since neo-liberalism throughout the global south has been contested rigorously among the peasantry, the author aims to investigate why the SEZ, an austere tentacle of economic liberalism, was not being successfully challenged with collective action or organized rebellion. Her research reveals, counter-intuitively, that all but a dozen of the farmers initially favoured the land acquisition.

Devadas V. and Vaibhav Gupta (2011), in their paper *Planning for Special Economic Zone: A Regional Perspective* attempt to study the policy of Special Economic Zones and its role in the development process as these zones are responsible for employment generation through industrial development along with other objectives of reviving ancillary industries, resolving housing problems, accelerate economic growth, infrastructural development, etc. Systems dynamics approach is employed to understand the nexus between the system and the zone. They opine that a development plan is needed for the region with reference to the regional settlement system where the higher order settlements would be allowed to grow within sustainable limits, but there should be also a focus on small and medium towns in the region because such centres can play a role in supporting social and economic development in the rural areas by providing rural population with access to education and health facilities, agricultural extension services, service industries, and agro-industries linked to local products. They conclude by saying that Special Economic Zones could be planned for desired integrated development in a region rather than benefiting only developed cities, so that this economic policy can ultimately achieve economic growth of the country expected by the government.

Malini L. Tantri (2011) in her working paper *Special Economic Zones in India: Are these Enclaves Efficient?* debates on the contemporary issues of SEZ policy pertaining to the establishment, sanctioning procedures, land grabbing, and protests against the SEZ policy. She opines that the major issue of economic utility of SEZs is forgotten or not bothered about. The laudable objectives of the SEZ policy promise to improve the efficiency in trade and an increase in the production of tradable goods in order to attract foreign exchange. She feels that it is necessary to
question if these objectives have been achieved in respect of implementation. In this respect, in her paper, along with an analysis of the issue of efficiency of SEZs within the framework of stochastic production frontier technique, she has tried to address the questions raised above. She opines that although the efficiency scores of these enclaves have improved over the years, specifically with the introduction of the SEZ policy (2000-01), it is far below the threshold level as identified in the literature, thus, indicating a larger scope for improvement in the efficiency of the existing enclaves. She found that of the seven conventional SEZs, the Santa Cruz SEZ fared relatively better than others operating on the same production frontier in terms of performance. She observes the emerging contradiction between better export earning zones and efficient zones, which might as well prove a challenge to the policymakers. On the determinants side, besides policy intervention, large geographical areas accompanied by clustering of units is found to have affected positively the efficiency scores of these enclaves.

2.1.4 SEZ and Policy Perspective

Shail Singh (1995) in his book *Incentives and Export Promotion in India* explains that export incentives cover a wide range of measures and arrangements, which are made by the government and trade and industry associations, to induce exporters to achieve best possible export performance. He discusses that special incentives have been devised in some countries for removing hindrances in exports and to provide inducement to expansion and diversification of exports. These incentives may be of a fiscal or financial nature having a distinctive characteristic of serving purposes that are either promotional or to encourage the exporters. He opines that incentives do not provide direct measures to export, but help in creating better circumstances in export promotion, and thus, serve as indirect, but effective measures for export promotion. Incentives are mainly for building up and improving skills in export marketing. They also help to remove obstacles to increase export in new dimensions.

Albert G. Schweinberger (2003) in his paper, *Special Economic Zones and Quotas on Imported Intermediate Goods- A Policy Proposal* shows that the welfare effects of the actual establishment of a special economic zone can be decomposed into a partition gain (loss) and a production gain. The production gain must always be
positive, as there is no guarantee for a positive partition gain. The paper considers the role of quota policy (binding quotas on the imports of intermediate goods) in the establishment of a welfare improving special economic zone. His main contention is that the allocation of quotas on the imports of intermediate goods to the two zones can play a crucial role by either neutralizing a partition loss or turning a partition loss into a partition gain. He has analyzed the welfare effects of abolishing the binding quotas not only in the Special Economic Zone, but also in the domestic zone. He argues that the distinction between zone specific and interaction effects seems to be especially useful when smaller the interaction effects the more likely it is that abolishing the quotas only in the Special Economic Zone implies a welfare improvement.

Business India Intelligence and The Economist Intelligence Unit Limited (2005) in their paper *Special Economic Zones - Coming a Cropper?* highlights the companies’ setting up of operations in the tax-exempt environment of special economic zones, which need better infrastructure and easier labour laws if they are really to fly because Indian corporations and multinational companies are using the SEZ policy to set up operations in a tax-exempt environment. The report states that SEZs have a poor track record in India, the SEZs established may still be too small, and dependence on the private sector to fund the SEZs is likely to slow progress. It adds that even the government expects just US$2 bn to flow into these zones over the next three years. As the government dithers over building infrastructure that will promote migration to these SEZs, leading Indian companies have decided to use the incentives offered by the new SEZ Act, 2005. The latter promises single-window clearance that scraps bureaucratic red tape such as long-drawn environmental clearances and a 15-year tax holiday from even newly introduced levies like service tax, but the legislation has made little progress on India’s restrictive labour laws. Mahindra & Mahindra, Reliance Industries, Nokia, Wipro, and the Adani group are some of the blue-chip companies setting up SEZs in India.

Aradhana Agarwal (2006) in her article *SEZ: Revisiting the Policy Debate* describes the economic rationale for SEZs, examines India’s experience with EPZ/SEZ, discusses the context in which SEZ policy is being promoted in the country, reviews the arguments for and against SEZs, and analyzes what went wrong from the perspective of the promoters of the scheme. She argues for and against on
the SEZ issues relating to relocation of units to SEZs to take advantage of tax concessions on issues relating to revenue loss to the central government, on large-scale land acquisition by developers, displacement of farmers and meagre compensation, issues on loss of agricultural land, misuse of land for real estate, uneven growth of SEZs in different states, and inequities between SEZ and non-SEZ investors.

Narasimhan C.R.L. (2006) in his work, titled *SEZs: Many unanswered questions* discusses the sops for the developers of SEZs. He states that SEZs will distort resource allocation in the country and instead of new investments flowing into the SEZs, existing ones will be diverted. He also states that SEZs go against the well recognized canons of public finance that advocate uniformity.

Chythanya K.K, (2006) in his article *Special Economic Zone and Tax Incentives* has discusses about the SEZ Act and on the different exemptions from taxes, duties and cess leviable under various statutes. He states that the SEZ Act comprises income tax concessions for both SEZ units and SEZ developers, and while the SEZ Act and SEZ rules are steps in the right direction aimed at providing a momentum to growth in exports and employment, it is essential that the tax incentives provided for in the SEZ Act are fine-tuned with the present scheme of taxation. He opines that a proper understanding between the Commerce Ministry and the Finance Ministry would go a long way in ensuring the same.

Narayan S. (2006) in his working paper *The Special Economic Zones in India - An Update*, elaborates the salient features of the SEZ Act of India. The paper highlights the positive sides of investing in India, and raises some contentious issues such as land allocation, which could become a bottleneck in the smooth implementation of the SEZs. He describes the evolution and salient features of the Special Economic Zones (SEZ) Act of 2005, including the substantial benefits that accrue to these zones in the form of tax concessions, custom facilitation, and other regulatory concessions. The paper shows concerns about the loss of revenue to the government, relocation of existing industries inter-state disparities, and loss of prime agricultural land for building infrastructure. He points out that there are no clear benchmarks for developers in the Act for successful implementation. The paper also

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shows concerns that state level factors could affect the general competitive potential of the SEZ, as enabling state laws and permissions are important for the implementation of these projects.

Erlend Reigstad (2007) in his article *Special Economic Zones: Policy Review and Implications for India*, examines the SEZ policy and its implications from the country’s point of view and discusses on different aspects like Foreign Direct Investment, employment generation, clusters and increasing returns in infrastructure, technology transfer, and alternative cost of SEZ. He opines that ownership advantage has to do with the comparative advantages of the owners. Some firms have an outstanding culture of innovation, while others are known as safe steady performers. Locational advantages are the alpha and omega of SEZs. Better infrastructure, externalities of a cluster, easy access to cost-effective labour, et cetera – these are all common features that attract business. Some are costs to the host country, but many should benefit both the host and the firm in the long-run, even after taking the alternative cost into account.

Sebastian Morris (2007) analyzes the *Role of Trade and Macroeconomic Policies in the Performance of SEZs* and argues that the role SEZs, and more generally, special zones play vary widely depending upon the strategies of growth their hosting countries have followed and the special trade relationships they have with other countries. The roles have also varied over time depending upon the trade strategy, and more generally, the growth strategies pursued by the countries, especially when these are not already industrialized. It is useful to distinguish between laissez-faire, import-substitution, and export led growth as distinct types of industrialization to understand not only trade, investment, and growth, but also the role and success of SEZs across a wide variety of countries, and over time in the second half of the twentieth century. He explains that unless the policy turns sharply to favour exports (more correctly tradable over non-tradable) the success of Indian SEZs would be modest and nowhere near that registered in China.

Rajkumar S. Adukia (2008) in his book *Special Economic Zones* considers SEZs as growth engines that can boost manufacturing, augment exports, and generate employment. He concentrates mainly on the components of infrastructural facility for processing zone like roads, airports, ports, transport system, generation and
distribution of power, telecom and non-processing zone like hospitals, hotels, educational institutions, entertainment units, residential/industrial/commercial complexes, water supply system and other facility required for the development of the Special Economic Zones. He opines that SEZs enjoys a number of fiscal benefits including benefits under Income Tax, Customs, Excise, VAT, Service Tax, etc., and hence, are considered a very promising business destination. He has made an attempts to provide an insight to the concept of special economic zones and the recent developments since the enactment of the Special Economic Zones Act, 2005 and Special Economic Zones Rules, 2006.

Sandeep Chaufla (2008) in his book *International Investments and Acquisitions in India: Tax and Regulatory Aspects* reviews the rules and regulations including the tax aspects of making an investment in India. He has also analyzed the full range from Foreign Direct Investment to different forms of doing business with specific examples from the publishing industry, and also explores different literature to understand current policies and regulations of SEZs in the article.

Gupta K.R. (2009) in his book *Special Economic Zones: Issues, Laws and Procedures* studies the history of SEZs, various incentives and concessions, policies, rules and regulations, and discusses the procedure of establishment of export oriented units in SEZs, following the rules and regulations.

Partha Mukhopadhyay and Kanhu Charan Pradhan (2009) in their research work, *Location of SEZs and Policy Benefits: What Does the Data Say?* examine the district-wise data on SEZs and opine that pre-existing industrialization of a district is a major determinant of the number of SEZs in a district, especially for tiny SEZs and IT/ITES SEZs. They observe that the regional balance objectives of the SEZ policy are not being met as the tiny SEZs and IT/ITES SEZs appear to be concentrated more in the districts that are proximate to the megacities. They examine that the SEZ policy is not likely to create new infrastructure beyond buildings, since most of them are less than one sq. km. and are located in and around industrialized areas and especially around existing megacities, leading to the suspicion that they may free-ride on pre-existing infrastructure. Since the Tiny SEZs are not large enough to build their independent infrastructure, these concentrations of Tiny SEZs will then draw upon the physical infrastructure and social resources of the megacities. They opine from their
findings that the SEZ policy will exacerbate regional imbalance, since they are being disproportionately located in districts that already have high levels of industrialization. The SEZ policy is likely to generate costs (in lost fiscal revenue) without corresponding benefits (additional employment).

Ravi Jaiswal and Meera Singh (2009) in their article Performance and Effects of Special Economic Zones in India: A Socio-Economic Examination explore the Indian policy framework and performance of SEZs. They discuss the various incentives available to an SEZ and the recent legal, regulatory developments and issues pertaining to SEZs in India. They opine that the enactment of SEZ Act and its implementation should enable the Government of India to fulfil its agenda of economic reforms as the multiplier effects on the economic activities triggered by SEZ materialize. They suggest that there is strong future need of co-operation between industry – farmers and political view without any hidden motive.

Malini L. Tantri (2010) in her working paper Effectiveness of SEZs over EPZs Structure: The Performance at Aggregate Level reveals the introduction of SEZs in place of its predecessor and opines that EPZs are having a significant and positive impact on its performance at the aggregate level. She found that, in terms of contribution to national trade, Indian SEZs are lagging way beyond the expectations of policymakers. Further, the SEZ policy does not seem to be successful in diversifying exports basket, which in turn has affected the direction of exports by SEZs. Moreover, these zones were found to be highly susceptible to external shocks. She strongly argues in favour of a care in deciding the sectoral choice of SEZs and careful scrutiny of its approval across major Indian states. She has made an empirical evidence to analyze the effectiveness of the SEZs policy over the EPZs structure of the country put together. She observes that the introduction of the SEZs policy has had a positive and significant impact on the working structure of these enclaves. Her analysis of the trend of India’s exports, vis-à-vis with SEZs exports, reveals that changes enacted in the SEZs policy left its imprints on the total value of exports. At the same, she notices that the general macroeconomic structure and business environment of the economy significantly shapes the overall working of these zones, thus it establishing a bidirectional relation between SEZs and the rest of the economic scenario.
Pritesh Shah (2010) in his article *Incentives to SEZ* discusses the different income tax incentives for SEZ units as well as for the SEZ developers. He also discusses the indirect tax incentives given to both SEZ units and developers and the beneficial aspects of these incentives. He covers the other incentives in his discussion like FDI, benefits available for units as well as banking units in the zone. He discusses the different statutes applicable to the zones and the effects of Direct Tax Code proposed to apply to the SEZ.

Shaira Kadir (2010) in his Research paper *Zones of Exception*: *Constructing and contesting the spatial identity of Special Economic Zones (SEZs) in India* analyzes how two major political parties – the Indian National Congress and the Communist Party of India (Marxist) – have articulated and contested the spatial identity of SEZs in their economic discourses at the Centre and have demonstrated how both the Congress and the CPI(M) have constructed and contested Indian SEZs as spaces of exception – spaces created by the state which constitute an ‘extraordinary departure in policy’ and depend on the performance of practices of inclusion/exclusion. Indian SEZs are spaces of exception constructed during times of stability with a view to opening up new socio-economic possibilities. The paper examines how the two parties have constructed and contested key practices of inclusion and exclusion, which construct SEZs as spaces of exception, including land acquisition and the regulation of the SEZ labour force. He highlights the construction of key subject positions as privileged or marginalized or excluded and how certain practices have been endorsed and others rejected, and the effects of these practices. The significance of his analysis is to show the contradictory nature of Indian development, whereby a process aimed at ultimately eradicating poverty and providing prosperity for all, is currently excluding the majority and privileging the needs of a few.

Triyakshana Seshadri and Virgil Henry Storr (2010) in their paper, *Knowledge Problems associated with creating Export Zones*, point that although Export Processing Zones (EPZ) have been a part of India’s development strategy since the 1960s, they have not been as successful at promoting exports and job creation as might have been hoped. Most explanations of their shortcomings focus on the poor infrastructure and bureaucratic inefficiencies that typically plague these zones. Their
focus is on the knowledge problems that government administrators must overcome if they are to design and manage successful EPZs, and highlight their inevitable difficulties in overcoming these knowledge problems. Their paper offers a more fundamental and compelling explanation of the poor performance of Indian EPZs than is traditionally advanced and how Indian policies with big plans is not new. They opine that EPZ policy from 1965 and SEZ Act of 2005 is just one more in a series of efforts to articulate a centrally developed plan for Indian development. They criticize how official statistics may point to the potential job creation and export growth, but the promised successes have not materialized. Moreover, there is no accounting for the unseen opportunity costs of these zones, which if included would arguably make their failures more glaring. They opine that Indian export promotion policies did not fail because of bad design or implementation, but because of the knowledge problems associated with a government planning agency determining where to locate a zone, what industries to promote within a zone, and which firms to allow in the zone. They argue that, a better policy initiative would be to ease regulatory burdens and enable a better entrepreneurial climate throughout the country by removing the procedural bottlenecks to start a business enterprise.

Subbaiah Singala, Yamini Atmavilas and Ekta Singh (2011) in their journal article *Special Economic Zones in India: Policies, Performance and Problems*, discuss pertinent questions surrounding SEZs in India. The section that follows traces the evolution of the SEZ policy in India, and identifies the current policy focus and priorities, and highlights the role of SEZs in the economic transition and growth of nations. The study suggests that SEZs’ contribution towards regional development is arguable in the context of integration of countries into the global economy. Their study conducted on export processing zones in southern Africa found that EPZs are not successful in achieving self-sufficiency and sustainable development of the region; nor are they able to effectively support the socio-economic growth of the population. The study has attempted to examine in considerable detail the hypothesis that a majority of the SEZs in India are concentrated within a few states; and within these states, they are located in districts with industrialization and urbanization levels higher than the median for the country. The review of these studies reinforces the suspicion that while the investment both economic and social in the establishment of SEZs is substantially high, the benefits accruing from them are not appreciably
significant. The authors have made an attempt to evaluate the performance of SEZs in India in relation to three attributes—namely, exports, employment, and investment.

Rupa Chanda, Shovik Das and Ganesh J. in their article *Special Economic Zones (SEZs) in India: An Index-based Critical Perspective* highlight the issues in the approval processes and implementation of SEZs in India. The issues is either in the conceptualization, implementation or in the governance of the SEZ policies. Through a new state-wise index, their paper explores the key criteria for the success of an SEZ. They also try to answer some broad questions concerning SEZs such as the optimum size, location, and the role to be played by the state and the centre. Some observations, insights, and recommendations follow from the index-based analysis and interviews with experts. They observe that the SEZ policy seems to be a policy that has been forced on the country hastily without understanding the serious imperfections in the factor markets in our country. There are some success stories in India, of Centre-State coordination which took nine years to implement though there has been enough incentives for the states to enforce the Value Added Tax (VAT). They opine that the exemption incentives for the states will be short-lived with the enforcement of GST in India in the near future, as it is important to give them greater responsibilities like developing supporting infrastructure for SEZs to sustain their level of interest in setting up SEZs.

Malini L. Tantri (2013) in her working paper *India’s SEZ Policy – A Retrospective Analysis* provides a critical review of India’s SEZ policy over the last five decades (1960 to 2010). Her analysis reveals that some of the major factors that contribute to the poor performance of EPZs were the loopholes in the policy structure of the country of the pre-reform period. Specifically, the supply side factors were not strongly developed to meet the standards of the growing international market. She opines that the limitation of the Chinese model of trade policy in the country appears to be an improvement compared to conventional EPZs. Thereby, it fulfills the promise of promoting qualitative transformation of EPZs. Despite the numerous advantages in its favour, the SEZ policy in India needs a pragmatic re-visit. The most important argument in its favour stems from the various flaws in the policy formulation and execution, which is in conflict with other development objectives of the economy and calls for policy revision.
2.2 Conclusion

The review of the available literature shows that there are numerous works carried out on various aspects of special economic zones like import and exports, FDI, infrastructure, employment, and acquisition of land in India and other states. However, no specific study has yet been made on the impact of incentives and concessions in the development of Special Economic Zones in Karnataka. Therefore, the present study intends to examine the impact of incentives and concessions in the promotion of Special Economic Zones in Karnataka state and its contribution to the economic development, through exports and FDI.
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