

## Special Economic Zones

Special Economic Zone or **SEZ** is a comparatively new thing in India emerged after New Economic Order after 1991. The Special Economic Zone (SEZ) policy in India first came into inception on April 1, 2000. Special Economic Zone (SEZ) is a specifically delineated duty-free enclave and shall be deemed to be foreign territory for the purposes of trade operations and duties and tariffs. In other words, SEZ is a geographical region that has economic laws different from a country's typical economic laws. Usually the goal is to increase foreign investments. SEZs have been established in several countries, including China, India, Jordan, Poland, Kazakhstan, Philippines and Russia. North Korea has also attempted this to a degree.

The prime objective was to enhance foreign investment and provide an internationally competitive and hassle free environment for exports. The idea was to promote exports from the country and realizing the need that level playing field must be made available to the domestic enterprises and manufacturers to be competitive globally.

The objective of the SEZ Act, 2005 was to create a hassle-free regime and the rules would be formulated keeping this in mind. The ministry is also holding talks with state governments as they have to play an important role in the development of SEZs.

A legislation has been passed permitting SEZs to offer tax breaks to foreign investors. Over half a decade has passed since its inception, but the SEZ Bill has certain drawbacks due to the omission of key provisions that would have relaxed rigid labour rules. This has lessened India's chance of emulating the success of the Chinese SEZ model, through foreign direct investment (FDI) in export-oriented manufacturing.

The policy relating to SEZs, so far contained in the foreign trade policy, was originally implemented through piecemeal and ad hoc amendments to different laws, besides executive orders. In order to avoid these pitfalls and to give a long-term and stable policy framework with minimum regulation, the SEZ Act, '05, was enacted. The Act provides the umbrella legal framework, covering all important legal and regulatory aspects of SEZ development as well as for units operating in SEZs.

Since the rules will take care of many issues, the Special Economic Zone Act is likely to take some more time and the government is unlikely to notify them before September 1. The commerce and industry ministry is examining the domestic industry's comments on draft SEZ rules. A meeting of development commissioners of all SEZs will be convened soon to discuss the changes that need to be incorporated before they are notified to be placed before the parliament for final approval.

The main objectives of the SEZ Scheme is generation of additional economic activity, promotion of exports of goods and services, promotion of investment from domestic and foreign sources, creation of employment opportunities along with the development of infrastructure facilities. All laws of India are applicable in SEZs unless specifically exempted as per the SEZ Act/ Rules. Each Zone is headed by a Development Commissioner and is administered as per the SEZ Act, 2005 and SEZ Rules, 2006. Units may be set up in the SEZ for manufacturing, trading or for service activity. The units in the SEZ have to be net foreign exchange earners but they are not subjected to any predetermined value addition except (Gems & Jewellery Units) or minimum export performance requirements. Sales in the Domestic Tariff Area from the SEZ units are treated as if the goods are being imported and are subject to payment of applicable customs duties.

There were 7 Central Government Special Economic Zones (SEZs) and 12 State/Private Sector SEZs prior to the enactment of the SEZs Act, 2005. In addition to that 416 proposals for setting up of SEZs in the country have been accorded formal approvals. Presently, 351 SEZs are notified, out of which 232 SEZs are operational and many more under process.

**Source- 1.**<https://economictimes.indiatimes.com/news/economy/policy/what-is-special-economic-zone/articleshow/1164460.cms>.

**2.**<https://commerce.gov.in/InnerContent.aspx?Id=216>.