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# Special Economic Zones and Their Impacts on Human Rights

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## PREFACE

The Indian government is facing political heat from the farmers, opposition, and even from its own allies on setting up of special economic zones. The policy that aims to emulate China's success with SEZ by establishing a tax & customs free zones to encourage exports is now under fire on land acquisition. The controversy has prompted the Prime Minister to put on hold further approvals of SEZs.

The SEZs have always been marred by controversies — earlier by the Finance Ministry's fear on tax exemptions offered to these zones and now by the land acquisition.

There is not much doubt, that the SEZ concept will definitely help India succeed in a big way. The domestic manufacturers will be able to compete in the global markets. The SEZs will bring technology and manufacturing skills to India, create number of employment opportunities, attract Foreign Direct Investment (FDI), increase exports etc.

In a year, the government approved 237 SEZs, gave "in principle approval" to another 162 and received proposals from state governments for 304 more. All but 63 of those projects have been put on hold since protests erupted. Too many SEZ's with not serve the purpose, we should develop sound infrastructure and offer better facilities for foreign investors. If we look at China, it has few SEZ's but large ones. The paper attempts to throw light on the major issues involving evolution and performance of Indian SEZs and human values.

## OBJECTIVES OF RESEARCH STUDY

- To study the present situation of Indian SEZs with relation to human rights.

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- Present the current situation of SEZs in Maharashtra.
- To suggest practicable solutions to remove problems related to SEZs.

## BACKGROUND

Under the new industrial policy announced in 2002 and the export-import policy announced thereafter, SEZs have been sought to be created in several parts of the country for promoting industrial production and export growth. Their strategic view was -

- Looking to target foreign investors in combination with domestic suppliers,
- In order to make major inroads into world markets.

SEZ Act, 2005 was passed by Parliament in May 2005 and received Presidential assent on 23rd June 2005. A large number SEZs have been given in-principle approvals, in different parts of India.

## Meaning of SEZs

Special Economic Zone (SEZ) is a specifically delineated duty free enclave that is treated as a foreign territory for the purposes of trade operations. It's exempt from income tax, sales tax, service tax and there is no examination of export/import cargo by customs.

## Indian SEZ policy has following distinguishing features

(a) The zones are proposed to setup by private sector or by state Govt. in association with Private sector. Private sector is also invited to develop infrastructure facilities in the existing SEZs

(b) State Government have a lead role in the setting up of SEZ.

(c) A framework is being developed by creating special windows under existing rules and regulations of the Central Govt. and State Govt. for SEZ.

## Concept of proposed SEZs

The Act provides for drastic simplification of procedures and for single window clearance on matters relating to central as well as state governments for generating additional economic activity; promoting exports of goods and services, investment for domestic and foreign sources; creating employment opportunities; and developing infrastructure facilities. Single Window SEZ approval mechanism is provided through a 19 member inter-ministerial SEZ Board of Approval (BoA).

The Board of Approval is the apex body. The powers & function of BoA is granting of approvals, rejecting or modifying proposals submitted for establishment of Special Economic Zones and provision of infrastructure. Once approved the Central Government notifies the area of the SEZ and units are allowed to be set up in the SEZ. Each SEZ is headed by a Development Commissioner. The first SEZ creation proposal came from Gujarat State to set up SEZ in Kandla. Subsequently, the proposal came from other states of India.

As many as 439 SEZs have been approved in principle, out of which 198 have been notified till 08$^{th}$ March, 2008. The highest approvals were accorded to state of Maharashtra followed by Andhra Pradesh and Tamil Nadu Most of these is located in coastal areas where transportation and other supporting infrastructure facilities are available for export processing.

As can be seen from the details of the 439 SEZs in India, the smaller ones constitutes major proportion of SEZs. 19 SEZs have area more than 1000 hectares and covering more than half of the total area under SEZs. Only 26 SEZs have area between 200 and 500 hectares.

**Table-1: Area-wise SEZs Distribution**

| Area (ha) | Number | Total Area (ha) |
|---|---|---|
| Up to 49 | 279 | 5352.8 |
| 50-100 | 39 | 3159.9 |
| 101-200 | 74 | 9021.2 |
| 201-500 | 26 | 7313.1 |
| 501-1000 | 2 | 1228.0 |
| 1000+ | 19 | 28432.6 |
| **Total** | **439** | **54507.6** |

Source: SEZ India, NIC

**Table 2: Distribution of Medium & Large Size by Major District**

| | DISTRICT | 50-100 ha | 101-200 ha. | 201-500 ha. | 501-1000 ha. | 1000+ ha. | TOTAL Nos |
|---|---|---|---|---|---|---|---|
| MAHARASTRA | Pune | 2 | 1 | 1 | | | 4 |
| | Aurangabad | 2 | 2 | | | | 4 |
| | Raigarh | 1 | 2 | 2 | | | 5 |
| | Thane | 2 | | 1 | | | 3 |
| | Navi-Mumbai | 1 | 2 | | | | 3 |
| | Others Distt. | 1 | 8 | 2 | | 5 | 16 |
| | | | | | | | 35 |

Source : SEZ India, NIC

## Impact on Regional Development

The distribution of medium and large SEZs (50 hectares and above) by major districts shows that nearly three-quarters of all approved SEZs are located in four States - Andhra Pradesh, Gujarat, Maharashtra and Tamil Nadu. These states are all relatively well developed States with high industrial capacity. These are also highly urbanized. Obviously, investment is channelized to areas of high levels of industry and investment which further propels these states to showcase their success further.

## CONCLUSIONS AND SUGGESTIONS

- To achieve 10 percent GDP and make India a global manufacturing hub, we have to move towards industrialization but not at the expense of forcing farmers to give their arable land.
- The government should come up with proper land acquiring policy, make financial reforms rather than making cosmetic changes to a globally successful model.
- For industrialization, land is needed, but those who are losing their land must be adequately compensated.
- They must be paid market value of the land, offer jobs, regular income, home etc.

## The Pros

- SEZs are boosting agents for economic growth of India.
- SEZs help to generate the employment.
- Rise in exports from Indian market.
- SEZs attract foreign investors to India.
- Make Indian and foreign firms more competitive in rest of world competition.
- SEZs attract global technology and manufacturing skills to India.

## The Cons

- Loss in revenue due to special incentives offered
- May result in land scams
- Too many small SEZs, even China has few, large SEZs
- May force non-SEZs units to shift to SEZs.
- Create powerful and regional private monopolies
- Shift focus on exports from serving the local markets.

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