

SEZ SCENARIO IN INDIA

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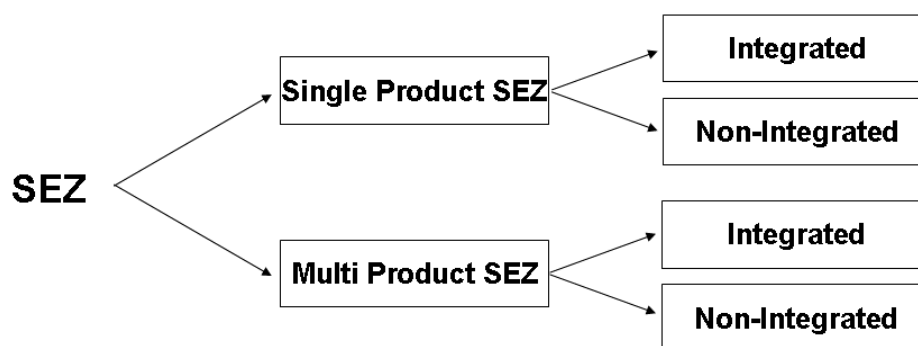
Executive Summary

Special Economic Zones (SEZs) were established in many countries as testing grounds for implementation of liberal market economy principles. SEZs are viewed as instruments enhancing the acceptability and credibility of transformation policies, attracting domestic and foreign investment and also for the opening up of the economy. SEZs in India seek to promote the value addition component in exports, generate employment as well as mobilise foreign exchange.

Globally, many countries initiated Free Trade Agreements (FTAs) which eventually led to a spurt in investments in infrastructure developments for Free Trade Zones (FTZs) and SEZs. A close examination of the evolution of SEZs in countries with similar economies as India eg; China, Iran, UAE and Jordan, will help us to understand their success stories and thereby implement those factors, in order to curb the SEZ bottlenecks faced by India today. The Shenzhen SEZ in China is a perfect example of a SEZ success story.

In India, the government has been proactive in the development of SEZs. They have formulated policies, reviewed them occasionally and also ensured that ample facilities are provided to the SEZ developers as well as the companies setting up units in SEZs. These favourable conditions resulted in the biggest ever corporate rush for the development of SEZs in India. Over 234 companies received formal approval, 162 companies received in-principle approval and 100 companies received notification to set up SEZs. The Indian government is expecting an investment to the tune of Rs.53,561 crore (USD 13274 million) and an additional job creation for 15,75,452 individuals in SEZs by December 2009.

Despite all the efforts, SEZ development has become the most controversial issue for India today. It is very important to understand all aspects of SEZs such as basic concepts, its various models and the life cycle of its business before initiating any policy or investments for these projects. Despite the fact that the existing SEZ Act and FDI Policies for SEZs are very lucrative; the rationale behind the rapid economic and industrial growth of the Indian SEZ policy is being questioned. The diagram below is a snapshot of the different types of SEZs.



With the unending list of trouble-shooting problems in India, it becomes very important to understand the business of SEZs in India. The report emphasizes on certain issues which brings clarity to the SEZ issue. The report helps you answer questions like:

- What is a SEZ?

- What is the approximate capital expenditure required for a SEZ?
- Big SEZ investments announced in India?
- Turnover of existing SEZs in India over the past three years?
- Future government projections for SEZs?
- Pros and Cons in the existing SEZ policy setup?
- Major Events and Debates in SEZs?

The answers to the above not only concerns those companies willing to leverage the SEZ facilities but also the investors and their stakeholders. The study will help in the better understanding of the SEZ concept, clarify the SEZ policies in India, the bottlenecks faced by India as well as elaborate the steps the government must adopt to make SEZ a hassle free issue.

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