# S.E.Zs in India – New Avtaar of Globalization
# An Analytical Perspective

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**Abstract**

This paper tries to examine *what* are the hopes and fears associated with such huge infrastructure and industry development. An analytical perspective of the SEZ framework has been conceptualized that weather S.E.Zs is really going to enhance the nation's competitiveness at the global level, under the following aspects;

Financial Aspect: The World Bank is worried at proliferation of S.E.Zs that it is not a short-cut to development and the large number of S.E.Zs planned across India were not 'sustainable' or 'viable' options. One fundamental question has been lost: can S.E.Zs be a viable, profitable and sustainable business venture? Can they earn a decent return on the thousands of crores about to be invested at the global level? This paper attempts to capture the Break-even and risk – return trade offs in the four phases (life cycle) of S.E.Zs - Launching, Ramp-up, Payback and Annuity Phase, respectively.

Economic Connotations: In the SEZ game , the Union commerce minister and the state governments would like to go all out for SEZ as panacea for FDI , investment-employment booster while , the Finance Minster is worried about the government revenues that could suffer due to tax sops. And of course, S.E.Zs are generally blamed to create imbalances in the economy and thus uneven income distribution. This paper critically examines upon the macro economic aspects of S.E.Zs in reference to the economic development of the country. Further, an attempt has been made to check the efficacy of sprawling S.E.Zs as a sustainable economic entity to enhance global competitiveness and not as a bubble but as a reality with a different flavor and economic connotations.

Social Aspect: Whatever the intentions of SEZ builders – they are all finding land acquisition to be extremely difficult, thereby leading to escalation in the project cost, due to delays. To an extent, the diversity in the objectivity between industry and agriculture has complicated the issue of conversion of green zones into the industrial activity. At this juncture, Govt as a regulatory body is ensuring checks, inorder to rectify the imbalance so that the profitability of developers and livelihood of the farmers is met in tandem. This paper tries to examine the socio-economic impact assessment of S.E.Zs and also presents a critical appraisal of the policy interventions made by the Govt of India, in this regard.

Legal Aspect: The question is what happens when large S.E.Zs eventually become townships whose population could run into millions. There is the constitutional tenability of private monopolies running local government for the sizable clusters of the urban population without being elected. Would the S.E.Zs, thus, turn into sovereign states accountable to none? Or would there be some check and balances? This paper illustrates out the issue relating to above threats, backed up by some probable solutions.

Environmental Aspect: The SEZ units are exempted from environmental impact analysis under the provision of the Environment (Protection) Act. Development of the SEZ would involve a large amount of construction activity that is expected to have adverse impact on the environment albeit temporarily during the construction phase. However if the environmental issues are not

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addressed during the construction phase, it could lead to irreversible damage to the environment, at the global level.

**Introduction**

In the year 1991 Govt introduced the various liberalization policies reforms in order to boost up the industrialization process in India. From last 15 years we have seen huge flow of investments from foreign companies / institutions, which has initatited the country on the path of globalization. But, it is only in 2005 with the advent of SEZ act, an observation and need could be felt of real globalization. It is only after SEZ act Govt has provided level playing fields, whose ultimate aim is not only to boost the exports, inflow of FDI but also to bring along with enormous flow of world class latest technology inside the country. In order to cater and capture the export markets, the major foreign players (deemed) working in S.E.Zs have to ensure the best quality of their products and services .This quality consciousness will further enhance the technological and R&D competitiveness of the firms in hinterland. Now, with the introduction of SEZ one can visualize the real benefits i.e. flow of latest -state of the art technology, quality employment, enhanced exports and thereby to unleash the vision of 2050

Thirty years ago, 80 special economic zones (S.E.Zs) in 30 countries generated barely $6 billion in exports and employed about 1 million people. Today, 3,000 S.E.Zs operate in 120 countries and account for $600+ billion in exports and 50 million direct jobs. SEZ has lately been a much talked about issue across the nation. Considering the need to enhance foreign investment and promote exports from the country and realizing the fact that level playing field must be made available to the domestic enterprises to be competitive globally, The Government of India had in April 2000 announced the introduction of Special Economic Zones policy in the country. The S.E.Zs are deemed to be foreign territory for the purposes of trade operations, duties and tariffs. Within these zones, units may be set-up for the manufacturing goods, provisioning of services, and other activities including processing, assembling, trading, repairing, reconditioning. The reasons why suddenly so many S.E.Zs have mushroomed in India are easy to see. SEZ tax concessions are generous: a 100 percent tax holiday for five years, a 50 percent tax-break for another five years, and a further five-year tax-break on production based on reinvested profits. SEZ developers will enjoy a tax holiday for a straight 10 years. Another feature that makes S.E.Zs attractive to corporate is that the existing tax exemptions for export-oriented units set up in non-SEZ areas such as software technology parks are due to expire in financial year 2009, while S.E.Zs will enjoy the same till 2015. By offering privileged trading terms for manufacturing-based exports, S.E.Zs can attract investment and foreign exchange, spur employment, boost the development of improved technologies and infrastructure, and lead to tremendous economic growth of India. Considering the immense opportunities available, states are witnessing frantic SEZ development.

Despite their appeal, critics claim that S.E.Zs attract investment only by offering distortionary incentives rather than building underlying competitive conditions. They also argue that these incentives create a fiscal burden on the taxpayer and hurt environmental and labor standards. In addition, critics believe that the direct and indirect costs of maintaining zone privileges do not benefit the rest of the economy and, instead, lead to enclaves of prosperity. There is a growing feeling among various segments of business and industry that so many S.E.Zs might not see the light of the day and most of these projects will end up being mere “real estate deals” for realtors or big industrial houses promoting them. There is no doubt that so many S.E.Zs in the region will invite industry from not only within the country, but also multi-nationals from overseas. But the real apprehension is that will so many S.E.Zs actually come into existence? Or will some companies take this opportunity to get land at cheap prices and later use or sell it for purpose other than for which it has been allotted. The issue of misuse of S.E.Zs status apart, even if half the numbers of S.E.Zs come into existence, this will emerge as a tremendous opportunity in terms of growth for real estate in the region. It is increasingly being felt that an effective compensation, resettlement and rehabilitation policy should be in place for land ousters of industrial projects.

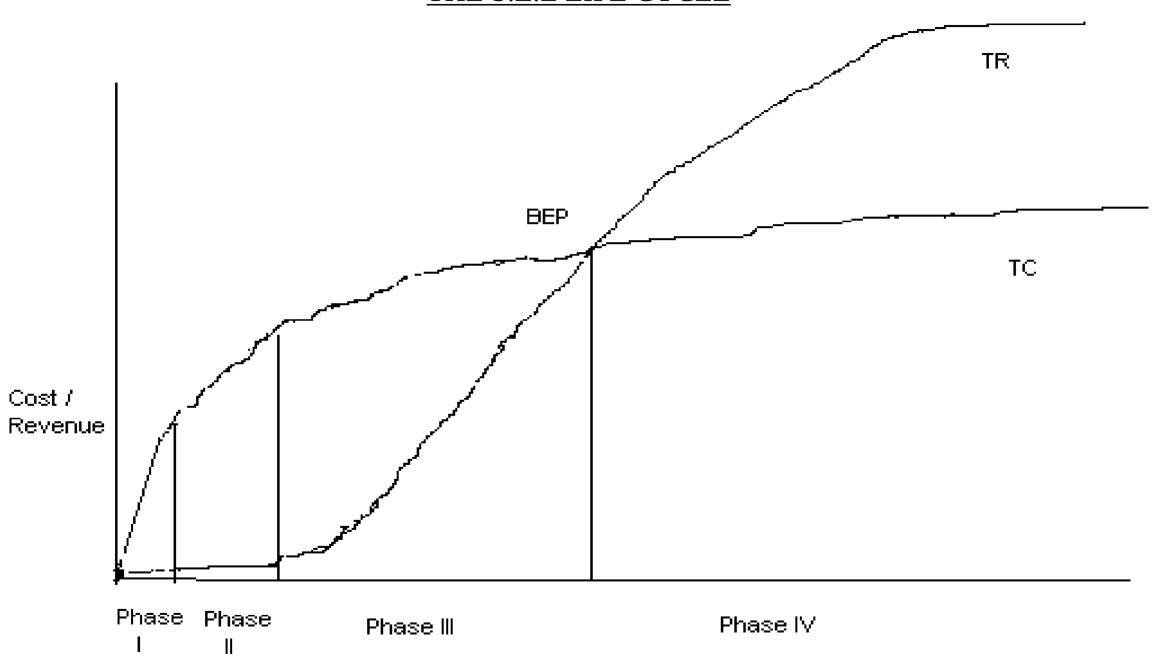
**Financial Issues**

This will be perhaps corporate India's biggest investment rush. At the moment, over 400 SEZ projects are ready to take off. Reliance Industry is pumping in Rs 30000 crore into two SEZ in Maharastra and Rs 40000 crore into a third in Harayana; DLF is investing over Rs 31000 crore in four units in Amritsar, Ambala, Ludhiana and Gurgaon; and DS group has a Rs 12000 crore plan for two SEZ in Harayana and HP. Together they hope to buy, develop and lease out over 300000 hectares of land. These SEZ will house factories, IT parks, Office space, warehouses, Residential apartments and malls. All that will call for a cumulative investment of Rs 330000 crore. Some Infrastructure consulting firms put this figure at Rs 550000 crore. But amidst all that hype, one fundamental question has been lost: can S.E.Zs be a viable, profitable and sustainable business venture? Can they earn a decent return on the thousands of crores about to be invested? Let's take a look at the financial issues involved in setting up a SEZ.

Finance requirement for a World scale SEZ:
Land: At least 5000 hectares

| Heads | Cost ( Rs Crore ) |
|---|---|
| Land acquisition and development | 9325 |
| 2000 MW Power Plant | 8000 |
| Desalination Plant | 800 |
| Small Air Port with one runway | 200 |
| Port with one jetty and two berths | 500 |
| Total cost | 18825 |

THE S.E.Z LIFE CYCLE




The life cycle of a SEZ is just like the life cycle of any product. SEZ life cycle has four phases comprising of Launching Phase, Ramp-up Phase, Payback Phase and Annuity Phase.

**Phase 1 .Launching Phase**

The Launching phase is where SEZ developers begin the construction and show the little infrastructure to woo customers. This phase requires huge fund and the land is sold at a throwaway prices or even at loss so that they can bring big manufacturing units to the SEZ. Funding is generally taken care of by promoters as debt is not available easily. This phase contains high business risk and low returns.

Highlights:

# Huge upfront development cost

# Show infrastructure on the ground to woo customers

# High initial discount needed to woo anchor tenants

# Land is sold at loss

# Expensive proposition to bring in co-developers at this stage

# Little social infrastructure is likely to be developed at this stage

Funding Option:

# Promoters have to fund mostly through equity

# Bank loans tough to get

# Bond issues possible

# In a market like Mumbai, 20 per cent of the project cost can be met through advances from prospective tenants.

**Phase 2. Ramp-up Phase**

The Ramp phase is a growth phase for SEZ, Wherein additional infrastructure is added and clients also show significant interest in setting up there business in the SEZ. Land is sold at premium at this stage because of large scale built up infrastructure. In order to fund the operation, the debt is relatively easier to access and some part of it is done through clients advances. This phase also has higher risk but return is relatively high.

Highlights:

# Additional infrastructure will be added

# More customers show interest

# Higher premium for Land

# Co-developers become interested in participating in development process

# Large scale addition of social infrastructure like malls, housing, hotels etc

Funding Option:

# Debt is easier to access

# Some internal accruals start kicking in and help service debts

# Co-developers could bring in 20-3- per cent of project cost

# Client advances could fund 40 per cent of cost.

# Cheap dollar funds from offshore banking units become available

**Phase 3. Payback Phase**

Pay Back phase is like a cash cow for the SEZ developers. At this stage the SEZ brand becomes well known in the market and land is sold almost 20 times the cost. SEZ developers can make huge profit if more land is left for sale. Out side funding is not required as it is done through internal accruals.

Project Highlights:

# Land prices shoot up on the back of huge demand from the customers.

# Land sells 20 times the cost

# Brand of SEZ becomes well known

# The more land you have left to sell, the bigger your profit

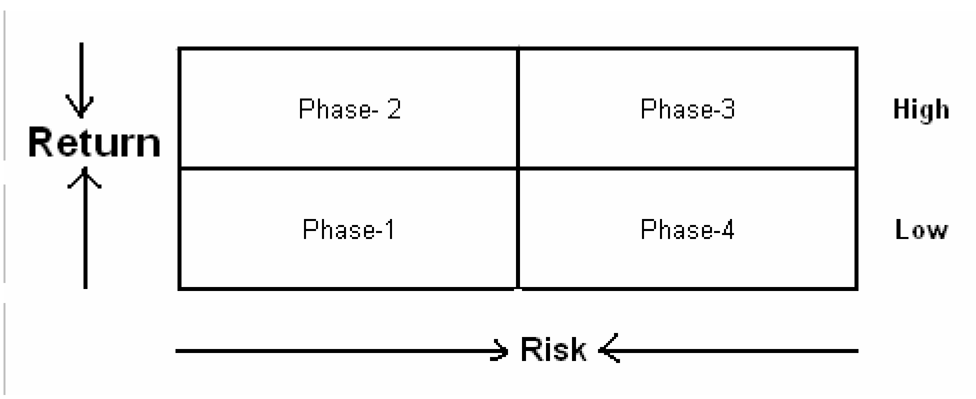
Funding Option:

# No equity or debt needed

# Project can be funded through internal accruals
# Big profits

**Phase 4. Annuity Phase:**
Annuity phase is where almost all the land is sold and the development process is completed. Only administrative and maintenance cost is required which is met through internal accruals.
Highlights:
# Development and sale of land is almost over
# Only Administration and maintenance required
Funding Option:
# Minimum funding is needed and met through accruals
SEZ builders must have the capacity to inject the capital early and wait for returns – it takes a minimum of 8 years to take the project into the payback stage. Relative appreciation of land value will be higher than the holding cost of capital. If developers can achieve this they will make money. This is where the serious player will score over the speculators. Their returns will be far higher than those who parceled out there land earlier. Here an average 20-25 per cent of IRR could easily be achieved. Factors affecting Returns: Reputation of SEZ developers, Size, Location (i.e. Near port), Financial Back-up.

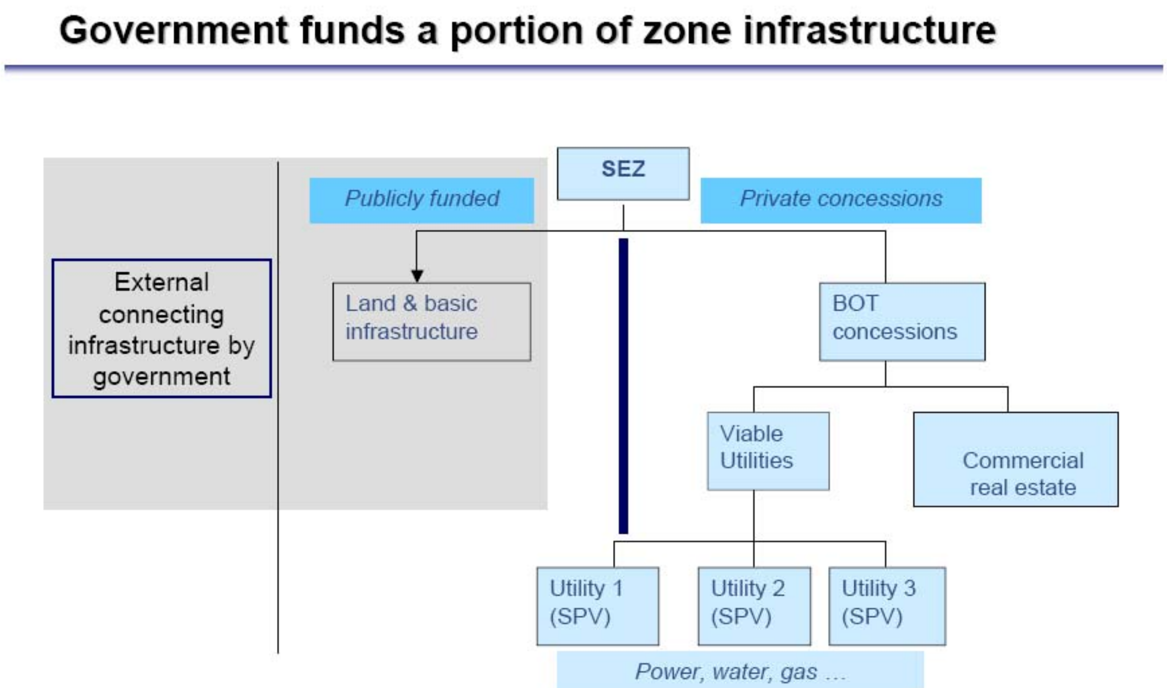
**Risk Return Trade off In a Matrix Form**




**Economic Connotations of SEZ**
In the SEZ game the Union commerce minister and the state governments would like to go all out for SEZ as panacea for FDI and investment-employment booster and the Finance Minster is worried about the government revenues that could suffer due to tax sops. S.E.Zs are again in the news and this time not as a bubble but as a reality with a different flavor and economic connotations. The renewed interest of corporate houses in setting up SEZ has thrown the need of getting insight about S.E.Zs and sustainable economic value created by such zones. The purpose of the special economic zones is conceived to be acceleration of economic development in a part of the country, mainly owing to external strategic investors, particularly by the realization of any one or all of the following objectives: Development of a certain field of economic activity, Development of new technological solutions and their use in national economy, Development of export base, Increasing competitiveness of products and services, Making use of already existing industrial and economic infrastructure, Creating new jobs, Making use of natural resources with respect to natural environment.

The specified objectives of special economic zones suggest that the zones should be, on the one hand, an instrument of industrial policy and, on the other hand, a significant instrument of regional policy. One of the main objectives of the S.E.Zs is to restructure the old industrial set up of the hinterland and to attract new entrepreneur with liberal laws. The above objectives indicate towards the creation of sustainable economic value in the economy in order to achieve higher levels of development and human welfare.

Special Economic Zones in India can be interpreted as possible catalysts for transition from a planned to market economy. The catalytic role of S.E.Zs has two facets. First, S.E.Zs positively contribute in achieving the objective of export led growth by facilitating the inflow of foreign direct investment (FDI) in the country. As one of the central problems of developing economies is lower level of investment, today, in their pursuit to pick up the investment in the economy, these countries are trying to lure the foreign direct investors through various incentives.




SEZ is a concept in this direction. SEZ being conceptualized on an integrated format helps in attracting large amounts of FDI. Simultaneously, domestic investment also gets attracted to the S.E.Zs. The renewed interest of big business houses of India in S.E.Zs is an indication to it. Increased investment activity results in more economic value addition and output in the economy upfront as well as through multiplier mechanism.

Second, for the Northern and Central States of India that are lagging behind the coastal states in terms of industrialization as well as investment (including domestic and FDI) and resulting low growth in State Domestic Product, S.E.Zs may play the role of catalyst to reverse this trend of economic slugging in these States.S.E.Zs are conceptualized to have a diversified bundle of economic activities spanning from services to various industry verticals and even more diversified individual activity components in each industry vertical having strong linkages with the existing industrial clusters in the hinterland. Such a conceptualization of SEZ fetches the following potential benefits:

Speeding up the slugging economic activity in the hinterland through strong backward linkages with local industrial clusters and forward linkages with the global markets. S.E.Zs prove economically advantageous to all stakeholders involved- workers, firms and the region as a whole. The local industrial clusters become good places for skilled workers. With the growth of industrial activity (induces by SEZ) in these clusters workers with relevant skills will have more opportunities to change employers and to pick jobs that suit their professional aspirations. Thus

S.E.Zs by speeding up the economic activity and resulting increase in employment opportunities leads to welfare of the workforce in the hinterland.
S.E.Zs having interface with the global markets benefits the firms in existing industrial clusters in the hinterland in two ways. First, they generate the demand for the produce of these firms as an export plank and thus help them to benefit from the external economies emanating from the regional industrial clusters in terms of availability of a large pool of trained workers, the circulation of information through face-to-face contacts, and the existence of supporting industries. Second, they play the role of a gateway for flow of information and knowledge between global markets and local industry in the region.The fallback of activation of S.E.Zs and hinterland specific linkages translates in to benefits to the regional economy. Regions with industrial clusters often prosper because they attract companies from outside the region also and promote entrepreneurial activity.
S.E.Zs are generally blamed to create imbalances in the economy and thus uneven income distribution. On the face, it may seem logical in the short run, but in the long run the development process that is speeded up by S.E.Zs through their role as catalysts ultimately results in increased incomes and economic well-being leading to elimination of mass poverty. S.E.Zs benefit the society in various ways. The investment potential for S.E.Zs is expected to create new jobs within S.E.Zs plus the hinterland. Although, the S.E.Zs are conceptualized as an entirely market oriented business proposition, but the economic activities in the SEZ having strong backward and forward hinterland linkages, provide an impetus to the investment and thus employment in the hinterland through investment and employment multiplier mechanism. Increased economic activity in the domestic tariff area leads to an increase in the earning per capita and thus well-being of the masses.
S.E.Zs, having interface with the global markets, attract latest technology and business know-how. This inward flow of knowledge ultimately, percolates to the locals of the hinterland; and thus, widening their sphere of knowledge and capability that in turn translates to improved economic and social well being.
Keeping in view the increasing concerns about the sustainability of the existing production systems and the likely course of economic development on the earth, S.E.Zs may generate sustainable value if conceptualized and planned comprehensively as a system based on sound sustainability principles encompassing economic, social and environmental sustainability. The economic activities proposed within the zones should have minimum adverse impact on the local environment and society. On the other hand, they should benefit the society in tremendous quantum. Thus, S.E.Zs should be envisaged as a self-sustaining value creation proposition.

**Social Issues**
The 432 SEZ builders together hope to acquire over 300,000 hectares (1 hectare = 2.5 acre). But on the ground, very little progress is being made. The issue of conversion of green zones into the industrial activity may pose a problem. Whatever the intentions of SEZ builders – some of these see this as a long term infrastructure business, but many see it as a quick-return realty play- they are all finding land acquisition to be extremely difficult, leading to escalation in the project cost , on account of delays. Moreover now farmers have launched an angry agitation seeking a market price for their land during the acquisition process of proposed S.E.Zs, further leading to land procurement costs. The Centre would be ill-advised to underplay farmer's agitation in Singur and Nandigram against their land appropriation for SEZ, or for that matter similar protests for like purpose in other states like Punjab and Maharashtra as localized issues involving some groups and political parties that would like to fish in troubled waters.

The present SEZ hiccup is a fall-out of bad land acquisition policy and politics. What Now, this is likely to change as the wisdom has dawned on the government for the need to study all ramifications, including land survey, rehabilitation of affected families, and a broader social/environment impact assessment before the S.E.Zs are approved. This could affect some 166 SEZ proposals that have received in-principle approvals and 86 that were to be deliberated by the Board of Approvals (BoA). All the same, the corrections in the policy are a welcome reflection of the imperative for wider popular support that is driven by the inevitability of facing the multitude of electorate every five years. One way to achieve this is to let the displaced reap some benefits of the development and this can be done by giving them developed land for agriculture. For instance, 2 per cent of all land acquired should be kept aside to be developed by the SEZ developer and allotted as residential / commercial land on a proportional basis to the persons from whom the land has been acquired and other displaced persons. This can be done alongside the physical displacement so that resettlement is immediate. The values of such allotted commercial / residential developed land would rise with the value of the SEZ development resulting in appropriate compensation — truly a win-win situation

Secondly, behind this façade there is the larger issue of neglect of agriculture and allied activities, which support over three-fifth of the population. If real investment in agriculture grows at a pathetic 1-2 per cent, that too largely at the inefficient government instance, the sector is fated to grow at 2-3 per cent (barring some volatility) only, a poor match to 9-10 per cent growth of industry or services that is at the centre of all policy matters, be it in FDI, investment or enabling environment. But then, it is also theorised that in development, agriculture that conceptually finances investment in industry and services is destined to play a marginal role as growth driver. And this would per se lead to widening income disparities.

Lastly, the present National Policy for resettlement and rehabilitation of Project Affected Families (NPRR-2003) has been in force since February 2004, much before the enactment of the SEZ Act in 2005. Moreover, several states like Orissa, MP, Maharashtra and so on have their own rehabilitation policies offering better benefit levels to the affected families. Is it, therefore, justified to put on hold all SEZ applications pending a new rehabilitation policy? Rehabilitation of the affected families, no doubt, should be the top priority and responsibility of the SEZ developer and the respective state governments. But we need also to be careful that we do not continuously send wrong messages to global investors. We must break the pattern of sending out messages of a in conducive policy environment, which in the past has often deprived the country of great opportunities. Once bitten twice shy. MIDC has appointed the Karve Institute of Social Sciences to carry out a social impact report for the area identified for SEZ development by Pune-based Bharat Forge. The institute will suggest rehabilitation packages for farmers, up gradation of existing industrial training institutes (ITIs), and job opportunities for farmers. A core team is being formed at the MIDC to supervise timely implementation of the packages for farmers and the SEZ project. Similar studies will be carried out for other SEZ projects to do a comprehensive social assessment study and suggest appropriate rehabilitation packages.

**Legal Implications**

There is an old proverb-"cross the river by feeling the stones" which means it carefully. As we gingerly tread the path to economic prosperity, our democracy is what is holding us together. We do have a system of check and balance- however inefficient it may seem to an outsider or a layman. Almost 60 years ago, India persuaded 565 princely states, most of them medieval era kingdoms, to join the young nation in a federal structure that would be governed by the constitution. Off late reverse appears to be taking place. The country is being carved up into new sultanates, replete with the trapping of the modern state but run by corporate pashas more powerful than the democratically elected representative of the Indian Republic.

It can be criticized that SEZ being protected by powerful legislation, violate the sprit and guiding principles of the Indian constitution and hence the S.E.Zs herald a paradigm shift. Scan the SEZ act of 2005 and it becomes clear that the S.E.Zs are a class apart. Their exalted status is guaranteed in clear terms by both the central and state governments but more so by the later, which has fleshed out in bold terms what the central law only hints at (see 'worries').

Thus on a number of critical matters(environment, labor and electricity among others) that are state subjects or fall in the concurrent list of powers shared by the central and state governments, the states give free reign to developers of S.E.Zs. States such as Maharashtra, Andhra Prade3sh and Uttar Pradesh have their own S.E.Zs policies and different set of rules governing their pieces of legislation. For example: while the Congress dropped the initial provision for granting flexibility in labor laws and thus bought piece with its left allies, the states went ahead and amended various laws such as the contract act, Industrial Dispute Act etc, since labor is a state subject.

**Worries**

Section 49 of the SEZ act 2005 empowers the government to exempt any or all S.E.Zs from the operation of any central law through a notification. It puts S.E.Zs, theoretically at least, out side the pale of the constitution.A wide range of services from water supply to disease control and vital certification (birth, deaths) will be provided by private companies, which are not accountable to the people.Several provision of the Industrial Disputes Act, Contract Labor Act etc amended by the states have put labor on notice. Maharashtra has declared all units in S.E.Zs as public utility services.In the SEZ, none of the laws pertaining to minimum wages, provident fund, contract labor and employees' State insurance will be implemented.No environmental Impact assessment for industries in S.E.Zs, wich are also exempt from the environmental public hearing. Power supply can get messy as generating companies in S.E.Zs can bypass the state electricity regulatory commission.No mechanism for de notifying unsuccessful S.E.Zs, which leaves units located in such zones in a limbo and large tracts of land locked in.

The question is what happens when large S.E.Zs eventually become townships whose population could run into millions. There is the constitutional tenability of private monopolies running local government for the sizable clusters of the urban population without being elected.

Would the S.E.Zs, thus, turn into sovereign states accountable to none? Or would there be some check and balances?

But first, a little light on how these zones will function.

What the law lays down is an SEZ development authority (SDA) headed by the developer's representative and run by a development commissioner (DC) appointed by the state government-A super bureaucrat vested with enormous power. Since SEZ are being designated industrial townships by the states, the DC would work independently with no municipality or the third rung of governance to oversee his functioning.

Clearly, there is an urgent national economic imperative especially given our demographics, and what seems like an opportunity to capitalize on the current momentum. But we are also beginning to slowly rip apart into countries, with the naxalite movement spreading across more than 30 percent of the districts. There is an 85 km. barrier fence with check points that separates Shenzhen SEZ from the rest of the Shenzhen municipality. Is this what we want our city to look like? These boundaries will become the contested terrain of conflict between the two India, one globalizes and competitive, other left behind, with no tools to participate and only the rage of dissatisfaction.

**Environmental Impact assessment**

The SEZ units are exempted from environmental impact analysis under the provision of the Environment (Protection) Act. Further, the development commissioner will be empowered to issue consent and no objection letters in consultation with the officers of the state pollution control board. The units, which are classified as non-polluting industries, do not require a consent letter. The development commissioner can give clearance without consulting the pollution control board. The units are permitted to submit a compliance report for maintaining prescribed pollution standards. Although the development commissioner has powers for a random check, the units within the SEZ are free to follow their own methods to maintain environmental standards. The quality and quantity of electricity, an important and crucial public utility, has been given top priority in the SEZ. The SEZ can have its own captive power plant to generate and distribute power. The water supply and solid and sewage waste management is the responsibility of the SEZ authority. An overview of the industries located in other S.E.Zs in the country reveals that there are all types of industries such as software, electronics and hardware, ready-made garments, engineering, leather products, chemicals and allied products. Development of the SEZ would involve a large amount of construction activity that is expected to have adverse impact on the environment albeit temporarily during the construction phase. However if the environmental issues are not addressed during the construction phase, it could lead to irreversible damage to the environment. The water body is expected to be sensitive to changes in quality due to proposed disposal of treated effluent and sewage. It will therefore be required that treated effluent and sewage be disposed off by means of a marine outfall. Apart from pollution generated from industrial operations, increased traffic in the area would give rise to air emissions. The levels of SPM, SO2, NO2, and CO are expected to rise. However as seen from the baseline data, the levels of these pollutants are generally well below the prescribed AAQ standards. Increase in vehicular traffic is not expected to significantly add to the ambient levels. Noise levels are expected to rise in the area due to increased movement of heavy vehicles.

There are also a few units of gems and jewellery. Industries such as defense goods, explosives, atomic substances, narcotic and hazardous chemicals are not permitted in S.E.Zs. Environmental impact analysis (EIA) and compliance basically determines the potential environmental, social and health impacts of a development project. It suggests how to minimise the adverse environmental impact of implementing a project. The non-polluting units within S.E.Zs such as information technology and service industries, desalination plants, and beach resorts would be permitted without EIA. However, EIA is required for the SEZ as a whole. The development commissioner will act on behalf of the pollution control board to grant consent letters and no-objection certificates with respect to polluting industries, after consultations with the officers of the state pollution control board. The units within S.E.Zs are not required to undergo a public hearing process It is important to note that a private developer who wants to build infrastructure for an SEZ is expected to invest in EIA. If he is not sure of getting approval he may not come forward to invest in EIA itself. Further, in the absence of information on the type of industries that are to be established within the SEZ, what will be the basis for conducting EIA? The maintenance of ecological balance along with industrial development is required.

## Conclusion

Active linkage programs, adequate social and environmental safeguards, and private sector involvement in zone development and operation can go a long way in ensuring that the benefits of S.E.Zs are maximized. Moreover, S.E.Zs must be seen in the context of an overall strategy to promote private sector-led growth, rather than as a substitute for a good investment climate. The obvious lesson for India is that we cannot simply invest in S.E.Zs and expect the benefits to automatically trickle down to the rest of the economy. There would have to be an effort to simultaneously remove bottlenecks that prevent the less developed parts of the economy from tapping the benefits of globalization.

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Appendix -1

Exports from Special Economic Zones:

| Zone | 2003-2004 (Rs. in crores) | 2004-2005 (Rs. in crores) |
|---|---|---|
| Kandla SEZ | 1018.82 | 1060.14 |
| SEEPZ-SEZ | 7832.81 | 8298.59 |
| Noida SEZ | 1534.17 | 4266.00 |
| Madras SEZ | 1037.96 | 1376.91 |
| Cochin SEZ | 298.91 | 462.99 |
| Falta SEZ | 825.34 | 569.15 |
| Visakhapatnam SEZ | 435.67 | 579.27 |
| Surat SEZ | 869.90 | 1539.72 |
| Manikanchan SEZ | --- | 95.54 |
| Jaipur SEZ | --- | 5.27 |
| Indore SEZ | --- | 55.02 |
| Total : | 13853.58 | 18309.00 |

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