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Special Economic Zones: A Comparative Study of India and China

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Abstract
Ralph Waldo Emerson, an American poet of the last century, warned Americans against imitation. In his classic work "Self-Reliance," Ralph Waldo Emerson wrote, "Imitation is suicide." It might not be out of place to remember the good things said about India copying China's economic policies. In India, China is known for its imitations. We always have a poor opinion of China and its innovation. Chinese goods in the Indian market have a low rating. A "China bazaar," in the Indian sense, a " China bazaar" is where cheap goods are sold. But India has failed to imitate China as far as the global market is concerned. Now the world is wondering why India failed to copy China. The failure of the Special Economic Zones (SEZs) experiment raises many questions about the social and political economies of the two systems. Though the concept of SEZs came from western capitalist countries, China, being a Communist nation, recorded its success in attracting massive capital into the country. In contrast, India, being a democratic nation, failed to achieve its target. Indian SEZs, though they came up twenty-five years later, attracted more criticism than investments from the world community. Conversely, China has become the best place worldwide for foreign direct investment. This paper is a preliminary policy study of the Special Economic Zones of India and China. Indian policy appears to imitate China's, which is dangerous.

I. Introduction

The acronym SEZ spells out the whole concept of the economic transaction zone. It could mean any place with a unique financial model. The dictionary meaning of the word "special" is "of a distinct or particular kind or character," having a specific function, purpose, etc. Further, "special" means distinguished or different from what is ordinary or usual. Special Economic Zones (SEZs) are distinct areas of the country that deal with specific and diverse economic and geographical regions. The term "SEZ" is now being used loosely to denote a particular meaning wracked by vested interests, hemmed in by a surfeit of laws and rules, and generally rendered dry-as-dust by the raging debate surrounding the concept. But in current economic terms, the SEZ will primarily be duty-free zones. Some inducements include exemptions from excise duty, customs duty, sales tax, octroi, mandi tax, turnover tax, and an income tax holiday for ten years. Provisions for 100% foreign direct investment, an exemption from income tax on infrastructure capital funds and individual investors, and round-the-clock electricity and water supply are also outlined. The SEZ promoters have also been given a waiver from implementing an Environmental Impact Assessment. In a way, these zones are "unique," "special," and different from the rest of the country's "regular" rules and regulations.

The government intends to attract foreign direct investment (FDI) to expand the economy and generate employment. Contesting the policy, the opposition voices are pointing out the damage and destruction aspects of the social fabric of Indian villages, agriculture, and other negative implications of the policy. This paper attempts to understand the procedure, practical issues, and experiences of SEZs in India and China. It also examines the successful aspects of Chinese SEZs, their practical implications, and public concerns about the Indian situation. In a way, it tells the story of how two countries compete in the world market.

The idea of SEZs was not originally a Chinese one. As the government of India officially claims, it is an innovative Indian economic model. India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 19651. To overcome the shortcomings experienced on account of the multiplicity of controls and clearances, the absence of world-class infrastructure, and an unstable fiscal regime, and to attract more significant foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. The SEZ Act, 2005, supported by the SEZ Rules, went into effect on February 10, 2006, after a lot of debate and protests. It made procedures much more accessible and gave the central and state governments a single point to clear things up.

The Ministry of Commerce and Industry of the Indian government says that the main goals of the SEZ Act are:

Generation of additional economic activity.
Promotion of exports of goods and services
Encouragement of both domestic and foreign investment
creation of employment opportunities.
Development of infrastructure facilities

In the policy document made by the Ministry, it is expected that this will lead to a large influx of foreign and domestic investments in SEZs, in infrastructure and productive capacity, which will create more economic activity and jobs. The SEZ Act 2005 envisages a vital role for the state governments in export promotion and the creation of related infrastructure. A Single Window SEZ approval mechanism has been provided through a 19-member inter-ministerial SEZ Board of Approval (BoA). The applications, duly recommended by the respective state governments/UT Administrations, are considered by this BoA periodically. All decisions of the Board of Approvals are by consensus. The SEZ Rules provide different minimum land requirements for other classes of SEZs. Every SEZ is divided into a processing area where the SEZ units would be set up and a non-processing area where the supporting infrastructure is to be created.

The SEZ Rules provide for:

Creating, running, and keeping special economic zones (SEZs), setting up units, and doing business in SEZs have never been easier.

1. Single window clearance for the setting up of an SEZ
2. Single window clearance for setting up a unit in a Special Economic Zone
3. Support via a single point of contact for the Central and State governments
4. Simplified compliance procedures and documentation with an emphasis on self-certification

SEZ: Structure

The developer submits the proposal for establishing an SEZ to the concerned state government. The State Government has to forward the proposal with its recommendation within 45 days from the date of receipt of such proposal to the Board of Approval. The applicant also has the option to submit the proposal directly to the Board of Approval. The Central Government has constituted the Board of Approval, a three-tier administrative setup that governs the SEZs' functioning in exercising the powers conferred under the SEZ Act. A three-tier organizational arrangement regulates the functioning of the SEZs. The Board of Approval is the apex body headed by the Secretary of Commerce. The Approval Committee at the Zone level deals with the approval of units in the SEZs and other related issues. Each zone is headed by a Development Commissioner, the ex-officio chairperson of the Approval Committee. Once an SEZ has been approved by the Board of Approval and the Central Government has notified the area of the SEZ, units are allowed to be set up in the SEZ. All the proposals for the setting up of branches in the SEZ are approved at the zone level by the Approval Committee, consisting of the Development Commissioner, Customs Authorities, and representatives of the State Government. The Development Commissioner grants all post-approval clearances, such as the grant of an importer-exporter code number, a change in the company's name or implementing agency, broad banding diversification, and so on, at the Zone level. The Approval Committee regularly checks on the SEZ units to see how they are doing. If an SEZ unit breaks the conditions of its approval, it can be punished under the Foreign Trade (Development and Regulation) Act.

The incentives and facilities that SEZs offer to units to get investments, including foreign investments, are as follows:

Under Section 10AA of the Income Tax Act, there is no income tax on export income for the first five years, 50% for the next five years, and 50% of the export profit that is put back into the business for the next five years.Exemption from the minimum alternate tax under section 115JB of the Income Tax Act. External commercial borrowing by SEZ units is allowed up to USD 500 million yearly without any maturity restriction through recognized banking channels.Service tax approvals at the central and state levels can be done through a single window. State sales tax and other fees the state government decides to pay. The significant incentives and facilities available to SEZ developers include:

1. For developing SEZs, which the BOA has approved, there are no customs or excise duties.
2. Income Tax exemption on export income for a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.
3. Section 115 JB of the Income Tax Act says you don't have to pay the alternative minimum tax.

4. Exemption from dividend distribution tax under Section 115O of the Income Tax Act.
5. Exemption from Central Sales Tax (CST)
6. Exemption from Service Tax (Section 7, 26, and Second Schedule of the SEZ Act).

Based on the size and nature of the business, the SEZs of India are of three types: multi-product SEZs occupying a minimum of 1000 hectares of land and may produce anything from garments to automobiles; sector-specific SEZs occupying a minimum of 100 hectares of land, primarily for garments, leather, electronics, industrial products, and gems & jewelry; IT-ITeS-BPO & biotech; and service sector SEZs occupying a minimum of 10 hectares of land. In some cases, the land size may be reduced to 4 hectares. For instance, backward states can relax the minimum criteria for land.

The country is divided into two territories, one of which is SEZ and the other is "Domestic Tariff Areas (DTAs). The area outside of the SEZs is the DTAs, where the country's laws will apply. In contrast, the laws and courts of the country may only be partially applicable in SEZs. The SEZs will enjoy special laws. Private developers can build SEZs, and great incentives will be provided for them. Even the local contractors/promoters can enjoy the same benefits. "Processing units" in the SEZs will also enjoy several incentives and concessions. The state governments can build SEZs themselves according to their wishes. A minimum of 35% of SEZs must be "processing area." The remaining 65% area will be provided for developing housing complexes, hotels, restaurants, hospitals, shopping malls, entertainment centers, theaters, playgrounds, golf courses, etc. Each SEZ will be built as a "township" in Maha Mumbai, Navi Mumbai, or Haryana near Gurgaon.

The present SEZs in India result from reforms in four different phases.The first phase was an experimental phase between 1965 and 1985. The first zone was set up in Kandla in a highly backward region of Kutchh in Gujarat as early as 1965. It was followed by the Santacruz Export Processing Zone (EPZ) in Mumbai, which began operation in 1973. There was no single window facility within the zone. Entrepreneurs had to acquire individual clearances from various state and central government departments. Day-to-day operations were subjected to rigorous control. Customs procedures for bonding, bank guarantees, and the movement of goods were rigid. The FDI policy was also highly restrictive. The government of India appointed various committees during this period to review the working of these zones. The committees pointed out that the growth of EPZs during this phase was slowed by several things, such as the lack of a policy and a central authority to coordinate and control the zones, as well as procedural restrictions, lousy infrastructure, few concessions, and the zone authorities' inability to act on the spot, which caused long delays.

These committees made several concrete recommendations to improve the functioning of these zones. The policy regime, however, remained virtually static. In 1980, the government introduced the Export Oriented Units Scheme (EOU). This scheme facilitates the setting up of EOUs beyond the boundaries of EPZs. The responsibility of administering these units was also entrusted to the zone administration.The second phase between 1985 and 1991 was expansionary. Towards the end of the 1970s, India’s failure to significantly increase the volume of its manufactured exports in the background of the Second Oil Price Shock began to worry policymakers. To provide a fillip to exports, the government established four more zones in 1984. These were in Noida (Uttar Pradesh), Falta (West Bengal), Cochin (Kerala), and Chennai (Tamil Nadu). The Visakhapatnam EPZ in Andhra Pradesh was established in 1989, though it could not become operational before 1994. All these zones, except Chennai, were set up in industrially backward regions. The main goals of the zones were still unclear, and other laws and procedures related to the EPZs didn't change much either.

The third phase (1991–2000) was a consolidating phase in which the Indian economy received a massive dose of liberalization. In this context, the government initiated broad-based measures to revamp and restructure EPZs (see Kundra 2000 for more information). This phase was thus marked by progressive liberalization of policy provisions, a relaxation in the severity of controls, and simplification of procedures. The focus has been on delegating powers to zone authorities, providing additional fiscal incentives, simplifying policy provisions, and providing more excellent facilities. The scope and coverage of the EPZ/EOU scheme were enlarged in 1992 by permitting the agriculture, horticulture, and aquaculture sector units also. In 1994, trading, re-engineering, and re-conditioning teams were also set up.

The final and significant emergence phase has begun from 2000 onwards, which has shifted the direction, thrust, and approach. The EXIM Policy (1997-2002) introduced a new scheme on April 1, 2000, for establishing Special Economic Zones (SEZs) in different parts of the country. The government of India also launched the second-generation reforms a few years ago, with SEZs being a vital initiative. While 8 of the existing export processing zones were converted into Special Economic Zones, the new initiative also called for the setting up new SEZs in the public, private, joint, or state sectors. The present shape of the SEZs is no doubt a Chinese imitation. After the Chinese SEZ's success led to economic growth, the Indian government tried to make its policies even more open by creating the EXIM policy.

It is reported that almost 45 percent of the exports in the world's major economies are channelized through SEZs. World-over, there are about 750 SEZs, with China being the leader, with over $300 billion in exports out of their SEZs. Total SEZ global trade was worth $950 billion in 2004. To promote Indian exports and earn foreign exchange, the government of India too launched the second-generation reforms a few years ago, with SEZs being a vital initiative in that direction. While 8 of the existing Export Processing Zones were converted into Special Economic Zones, the new initiative also called for the setting up new SEZs in the public, private, joint sector, or by state governments. As a result, approval has been given for the set up of over 117 SEZs in various parts of the country. According to the annual report of the Ministry of Commerce and Industry, Government of India (2006–07), there are 234 valid formal approvals and 162 in-principle approvals for setting up SEZs in India. In light of this, it might be a good idea to look at how much the essential policy parameters that led to the success of SEZs in China have been added to the policy framework in India.

China: A Success Story

Since the late 1970s, especially since 1978, the PRC government has decided to reform the national economic structure. The basic state policy has focused on formulating and implementing overall reform and opening the Chinese economy to the outside world. During the 1980s, the PRC passed several stages, from establishing special economic zones and opening up coastal cities and areas to designating open inland and coastal economic and technology development zones. Since 1980, the PRC has established special economic zones in Shenzhen, Zhuhai, and Shantou in Guangdong Province; Xiamen in Fujian Province; and has designated the entire province of Hainan as a special economic zone. In August 1980, the National People's Congress (NPC) passed "Regulations for the Special Economy Zone of Guangdong P." Vince." It officially designated a portion of Shenzhen as the Shenzhen Special Economy Zone (SSEZ). In 1984, the PRC further opened 14 coastal cities to overseas investment. After their success since 19885, mainland China's opening to the outside world has been extended to its border areas, areas along the Yangtze River, and inland areas. First, the state decided to turn Hainan Island into mainland China's most significant special economic zone and to enlarge the other four special economic zones. Shortly afterward, the State Council expanded the open coastal areas, extending into an available coastal belt the available economic zones of the Yangtze River Delta, Pearl River Delta, Xiamen-Zhangzhou-Quanzhou Triangle in south Fujian, Shandong Peninsula, Liaodong Peninsula (Liaoning Province), Hebei, and Guangxi. The PRC government opened the Pudong New Area in Shanghai to overseas investment and built additional cities along the Yangtze River valley, with Shanghai's Pudong New Area as its "dragon head." The State Council opened several border cities in 1992. It has also opened up all of the capital cities of provinces and autonomous regions in the interior.

In addition, 15 free trade zones, 32 state-level economic and technological development zones, and 53 new and high-tech industrial development zones have been established in large and medium-sized cities. As these open areas adopt different preferential policies, they play the dual roles of "windows" in developing the foreign-oriented economy, generating foreign exchange through exporting products and importing advanced technologies, and "radiators" in accelerating inland economic development. Primarily geared to exporting processed goods, the five special economic zones are foreign-oriented areas that integrate science and industry with trade and benefit from preferential policies and unique managerial systems. Shenzhen's new and high-tech sectors became the ones with the best prospects, and the output value of new and high-tech products reached 81.98 billion yuan, making up 40.5% of the city's total industrial output value. Since its founding in 1992, the Shanghai Pudong New Zone has made significant progress in both absorbing foreign capital and accelerating the economic development of the Yangtze River valley. The state has extended particular preferential policies to the Pudong New Zone that are not yet enjoyed by the special economic zones. For instance, in addition to the preferential policies of reducing or eliminating customs duties and income tax common to the economic and technological development zones, the state permits the zone to allow foreign businesspeople to open financial institutions and run tertiary industries. The SEZs in China are genuinely export-driven, capital-intensive, and limited in number but very large. For instance, the famous Shenzhen SEZ is around 32,700 hectares. Ultimately, all the SEZs in China are controlled and closely monitored by the government.

Though the Indian SEZ policy is not a true copy of China's model, India was undoubtedly inspired by China's success. The key to inspiration is nothing but foreign capital. Over the last ten years, aggregate inflows of FDI to India averaged roughly $45 billion, compared to over $150 billion to China in new agreements. India firmly believes that the model will lead the country in the world capital market. The Indian Commerce and Industry ministry strongly feels that "they are engines of growth that lead to job creation" and "It is high time we did something about it. He points out that "until we provide a single window clearance for FDI, we will not be able to keep pace with the investments taking place in Asia, more so in China. We are emphasizing the special economic zones (SEZs) 8. " Even the Prime Minister of India says that is the only way to lead. " The Indian government is sure that the Special Economic Zones (SEZs) are the best way for the country's economy to grow.

It may be true that for China, the SEZs may be the real growth engines as far as the economy is concerned. At the same time, this would not be true for India because the two nations emerged from different historical, political, and sociological contexts. In the 1940s, India and China, two countries, entered into two separate political frameworks and development paths. India gained independence in 1947 and chose democracy as its way of life. China gained independence in 1949 and kept its revolutionary spirit and communist philosophy until the 1970s.It is well known to all that, in economic terms, China was well behind India in 1947 when India gained its "independence." China and countries like South Korea and Taiwan were well behind India at that time. Even though China's "export-led" growth, which began in the late 1970s, was a great "success," it's important to remember that the Chinese people gave up at least three critical decades to even out social differences after they got their freedom.During this period, China initiated basic land reform, though revolutionary. It is a fact that because of accomplishing land reforms in a new-democratic revolutionary path, China overtook India and surged far ahead of India. The Chinese SEZ initiative is government-driven; the private sector drives Indian SEZs. Most of the foreign direct investment (FDI) in these zones came from people who did not live in Hong Kong.

The primary motivation of this FDI coming from Hong Kong and Taiwan firms was to sub-contract the products in the Chinese SEZs to re-export them and sell them in fast-developing Chinese markets. Hence, the geographic locations of the Chinese SEZs acted as a booster for their "development." China SEZs are not open for sale like Indian SEZs. They have gradually opened up to attract foreign direct investment (FDI). Most of them are in joint ventures, but autonomous provincial governments run some of them, and the local governments were given the freedom to attract FDI.In China, most of the SEZs were established near the coastline and near Hong Kong and Taiwan, enabling easy access to capital, information, technology, modern communication, and transport facilities. Contrary to this, Indian SEZs are mainly concentrated near major cities. Real estate companies are developing more than half a quick buck by grabbing land at low prices under the lowest land acquisition act, which is a scam.

Another secret of Chinese SEZs' success is their size. In China, SEZs are spread over thousands of hectares at a stretch. For instance, Shenzhen is the largest SEZ in China and is spread over 493 sq. km. (49,300 hectares). The largest SEZs in India are Reliance-Navi Mumbai and Maha Mumbai SEZ, which are a mere 14,000 hectares. Exports from Shenzhen SEZ reached $100 billion in 2005. In 2005, China exported around $700 billion of goods, meaning exports came from Shenzhen.

The main targets for Chinese FDI growth are tax and labor law flexibility. Though China appears to have lost control over SEZs' functioning and management, there is more freedom for companies regarding labor regulations and environmental laws. In China, SEZs have got exemptions from export and import duties and after-tax profit remittance. Other tax rates were 15%, which was withdrawn totally in the later phase. The main attraction in China is cheap labor. Without labor laws, Chinese laborers were paid meager wages. The workers' wages were 75–80% lower than in Hong Kong. The free movement of labor from other regions was fully opened. Strikes were banned in mainland China in 1982, and this ban was later extended to SEZs. Labor laws about minimum wages and eight-hour days are often broken, and temporary contracts are made with workers for specific export orders.

The main factors contributing to the success of China SEZs are the flexible labor conditions and the flexible environmental clauses; easy access to substantial raw materials; low costs of c; instruction; solid internal markets, etc. The Indian situation is not similar on this front. Though India offers more freedom and flexibility to SEZ management, the labor part is not in their hands. The Indian labor force has emerged as an organized and, at times, militant lot over a six-decade democratic political process. The MNCs and foreign companies are scared about Indian trade unions after the Hero Honda episode in Gurgaon11.

Moreover, Chinese foreign investments are not alien or unfamiliar to foreigners. Non-resident Chinese, Taiwanese, and Taipei contributed to the majority of FDI. Since the mid-1990s, FDI has poured in from Japan, the United States, and European countries. Between 1979 and 2005, China received $633 billion in FDI. The leading investors were Japan, the USA, Taiwan, and South Korea, investing $53.3 bn, $51.1 bn, $41.8 bn, and $31.8 bn, respectively. Interestingly, the share of NRIs in Indian foreign investment is minimal. It was $ 2.6 billion in 2005. India lags far behind China in other business areas, such as exports and manufacturing, where FDIs play a more significant role. In 1979, primary products were the main component of China's exports. By 1990, manufacturing accounted for 80% of Chinese exports. By 2005, it had grown further to 93%. On the other hand, the share of manufacturing in the total merchandise exports of India has reduced from 74.7% in 1995-96 to 70% in 2005-0614.

In the meantime, drastic changes occurred in China's manufacturing export composition. In 1990, the manufacturing exports of China were composed of low-tech toys, shoes, garments, leather products, etc. By the end of the 1990s, these manufacturing exports overwhelmingly became high-tech electronic goods and chips, computer parts, automobiles, spares, etc. On the other hand, the manufacturing exports of India are predominantly low-tech: gems and jewelry, apparel, etc. As a result, China is not only far ahead of India in manufacturing, exports, FDI, and so on, but it has also transformed its industrial products from low-tech to high-tech.

Cost-benefit analysis

While the gross benefits of SEZs are still open to debate, there is already much concern about this strategy's aggregate social and economic costs, making the net benefits even more uncertain. So far, a vital problem has emerged in three significant areas: land transfer and displacement, employment; environmental rights; and financial costs and benefits. A report prepared by Citizens' Research Collective 16, Marcon h 007 Estimates show that close to 114,000 farming households (each household on average comprising five members) and an additional 82,000 farm worker families dependent on these farms for their livelihoods will be displaced. In other words, at least 10 lakh (1,000,000) people who primarily depend on agriculture for their survival will face eviction. Experts calculate that the total loss of income to farming and farm worker families is at least Rs 212 crore a year. This doesn't include money lost by other people, like artists, because rural economies are dying.

The government promises "humane" displacement followed by relief and rehabilitation. However, historical records do not offer much hope on this count: an estimated 40 million people (of whom nearly 40% are Adivasis and 25% are Dalits) have lost their land since 1950 due to displacement due to large development projects. At least 75% of them still await rehabilitation. Almost 80% of the agricultural population owns only about 17% of the total agricultural land, making them nearly landless farmers. Many families and communities depend on a piece of land (for work, grazing, etc.) more than those who own it. However, compensation is only paid to those who hold titles to land. No payment has been planned for those who don't.

The growth of employment in the entire organized sector since the reforms in 1991 has been negligible. Total organized employment is still less than three hundred thousand. In IT and ITeS, boom areas of the economy, employment is less than 0.15 crore (60% of SEZs are for IT). The Indian labor force is estimated to be 45–55 crore. Thanks to growing automation, modern manufacturing has created jobs worldwide (in India, automobile production has increased while employing less labor than before). With more automation, organized services also require a limited supply of work. To that end, SEZ labor attracts modern industry and services, but they are unlikely to generate many jobs. Moreover, the few jobs generated will be for highly skilled labor, usually available in the countryside—where working people are displaced to make room for SEZs. The government of India's claim that SEZs will create lakhs of jobs within a few years is a fantasy, says the Citizen report. Many jobs have not been made in total since the inception of the reforms in 1991. Suppose the experience of existing SEZs in places like Noida (or Shenzhen, China) is any indication. In that case, the working conditions in which people will be employed (low wages, no benefits, long hours, risks at work, discrimination, etc.) will violate human rights and keep the poor from getting the benefits of growth.

Many SEZs, like the Maha Mumbai SEZ (to be built by Reliance Industries), will be like mid-sized cities, over 100 sq km in area (the size of Chandigarh). There will be no elected local government. A government-appointed development commissioner will govern the SEZ with the main aim of facilitating economic growth. SEZs have been declared "public utilities" under the Industrial Disputes Act, making collective bargaining and strikes illegal. Infrastructure like power, roads, and water supply is guaranteed to investors and developers, not the region's people. Several thousand people may live or work within the SEZ. Sometimes, the developer may have the right to tax the population to provide essential services. The constitutional tenability of private monopolies running local governments (for a sizeable segment of the urban population) without being elected is questionable. All the non-economic laws of the land under the IPC and the CrPC would apply to SEZs. However, internal security will be the responsibility of the developer. Concerned people are afraid that SEZs will one day become independent states and treasure islands of wealth in a sea of poverty and misery, and that they will not have to answer to most people in the area.

Thanks to exemptions from customs duties, income tax, sales tax, excise duties, and service tax, and even on luxury hotel facilities, shopping malls, health clubs, and recreation centers given to SEZs, the Finance Ministry estimates a loss of Rs 160,000 crore in revenue till 2010. The Finance Minister, P Chidambaram, wrote to Cabinet colleagues: "SEZs per se will distort land, capital, and labor costs, which will encourage relocation or shifting of industries in clever ways that can't be stopped. This will be further aggravated by the relatively large number of SEZs in and around metros. The critical issue is what SEZs will likely become in a few years. According to a clause in the SEZ Act (Section 5(2)), as much as 75% of the area under large SEZs (above 1,000 hectares) can be used for non-industrial purposes. Private developers will almost certainly use this gap in the law to build up land banks for real estate speculation, which is why so many of them have been buying up areas. The rationale for the above clause in the SEZ Act may well be the case because of the uncertainty surrounding SEZs' economic attractiveness (and ultimate viability). If the adequate productive investment is not forthcoming, the SEZ developer can at least cash in on the land value. Conglomerates like Reliance own over 100,000 acres of land in the countryside.

Apart from the several losses, the people striving for their livelihoods are severe challenges to constitutionally framed laws and legal violations arising from the SEZ Act, 2005. To sum up, briefly, the SEZ act violates the letter and spirit of the Indian Constitution by infringing upon the fundamental rights of citizens guaranteed in Part III of the Constitution. It encourages violations of workers' rights by making many labor laws, including those under the Industrial Disputes Act, Contract Labor Act, Factories Act, Minimum Wages Act, and Trade Union Act, inapplicable in the special zones. The Environment (Protection) Act will be the most severe violation unrelated to SEZs. No environmental clearance is needed to establish an SEZ now. It violates the Panchayati Raj Act (1996), which gave power to the people for local self-government. The Act also goes against laws that give Adivasi communities rights and control over their land. Because of this, the SEZs go against many international human rights conventions about land, work, life, living, and making a living.

II. Conclusion

The SEZ policy exposes the market interests of the government. Though people say it is an imitation of the Chinese model, there is a clear contrast between the two nations on several fronts, like size, location, nature of ownership, and management of the SEZs. Considering the need to boost the export sector and attract FDI, the government announced this policy, but ironically, the performance of SEZs in exports highlights the failure. While the government should liberalize the overall approach, it has decided to focus on one or two areas. The social implications include the consequences of changing land usage and the impact on agriculture and other related sectors, particularly on the people and their livelihoods. The second aspect is the issue of losses and benefits. Indian experience grows throughout the game. To compete with China, a package of fiscal and non-fiscal incentives is being given to still; it has been overlooked that tax benefits in China’s SEZ are available only to foreign investments, not exports. All exemptions and fiscal incentives should be eliminated in the overall tax and labor reform process. Giving treatment to any particular area in the name of exports can’t be justified in the democratic setup. Democracy is, after all, a matter of "general will" and "tive choice," and it should be.

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