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SPECIAL ECONOMIC ZONES

A Special Economic Zone or SEZ is a specially marked territory or enclave within the national borders of a country that has more liberal economic laws than the rest of the country. An SEZ is an enclave within a country that is typically duty-free and has different business and commercial laws chiefly to encourage investment and create employment. Apart from generating employment opportunities and promoting investment, SEZs are created also to better administer these areas, thereby increasing the ease of doing business. A special economic zone (SEZ) is an area in which the business and trade laws are different from the rest of the country. SEZs are located within a country's national borders, and their aims include increased trade balance, employment, increased investment, job creation and effective administration. To encourage businesses to set up in the zone, financial policies are introduced. These policies typically encompass investing, taxation, trading, quotas, customs and labour regulations. Additionally, companies may be offered tax holidays, where upon establishing themselves in a zone, they are granted a period of lower taxation. The creation of special economic zones by the host country may be motivated by the desire to attract foreign direct investment (FDI). The benefits a company gains by being in a special economic zone may mean that it can produce and trade goods at a lower price, aimed at being globally competitive. In some countries, the zones have been criticized for being little more than labour camps, with workers denied fundamental labour rights.

SEZ Background

An SEZ Policy was announced for the very first time in 2000 in order to overcome the obstacles businesses faced.

- There were multiple controls and many clearances to be obtained before starting a venture.
- Infrastructure facilities were shoddy and well below world standards in India.
- The fiscal regime was unstable as well.
- In order to attract huge foreign investments into the country, the government announced the Policy.
- The Parliament passed the Special Economic Zones Act in 2005 after many consultations and deliberations.
- The Act came into force along with the SEZ Rules in 2006.
- However, SEZs were operational in India from 2000 to 2006 (under the Foreign Trade Policy).
- **Note:-** A precursor to the SEZs, the Export Processing Zones were set up in India well before. The first EPZ came up in Kandla in 1965 to promote exports. This was the first EPZ not only in India but in all of Asia as well.

Special Economic Zones Act, 2005

"It is defined as an Act to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto."

The chief objectives of the SEZ Act are:

1. To create additional economic activity.
2. To boost the export of goods and services.
3. To generate employment.
4. To boost domestic and foreign investments.
5. To develop infrastructure facilities.

SEZ Rules

The Rules provide for:

1. Simplified procedures to develop, operate and maintain SEZs and also to set up units and conduct businesses in the SEZs.
2. Single-window clearance to set up a Special Economic Zone, and also to set up a unit in an SEZ.
3. Single-window clearance for matters connected to the Central and State governments.
4. Simplified compliance procedures and documentation with a focus on self-certification.
5. Different minimum land requirements for different classes of Special Economic Zones.

Types

The term special economic zone can include:

- Free-trade zones (FTZ)
- Export processing zones (EPZ)
- Free zones/ Free economic zones (FZ/ FEZ)
- Industrial parks/ industrial estates (IE)
- Free ports
- Bonded logistics parks (BLP)
- Urban enterprise zones

The World Bank created the following table to clarify distinctions between types of special economic zones:

SEZ Approval Mechanism

The SEZ approval mechanism is a single-window process provided by a 19-member inter-ministerial SEZ Board of Approval (BoA).

- The developer has to submit the proposal to the state government.
- The state government forwards this proposal to the BoA along with its recommendation within forty-five days.
- The developer or applicant can also directly submit the proposal to the BoA.
- The Board, which has been constituted by the Central Government, and is a 19-member Board takes the decision considering the merits of the proposal. All decisions taken by the Board are by consensus.
    - The Board is chaired by the Secretary of the Dept. of Commerce, Ministry of Commerce and Industry.
    - The other members are from various bodies and ministries such as the Central Board of Excise and Customs (CBEC), the Central Board of Direct Taxes (CBDT), Department of Economic Affairs, Dept. of Commerce, Ministry of Science and Technology, Ministry of Home Affairs, Ministry of Law and Justice, Ministry of Urban Development, etc.

Once the BoA gives its approval, and the central government notifies the area of the SEZ, units are allowed to be established inside the SEZ.

Approval mechanism and Administrative set up of SEZs in India

Approval mechanism: The developer submits the proposal for establishment of 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 Board of Approval has been constituted by the Central Government in exercise of the powers conferred under the SEZ Act. All the decisions are taken in the Board of Approval by consensus. The Board of Approval has 19 Members. Its constitution is as follows:

List of Members

S.No.	Department	Members
(1)	Secretary, Department of Commerce	Chairman
(2)	Member, CBEC	Member
(3)	Member, IT, CBDT	Member
(4)	Joint Secretary (Banking Division), Department of Economic Affairs, Ministry of Finance	
(5)	Joint Secretary (SEZ), Department of Commerce	Member
(6)	Joint Secretary, DIPP	Member
(7)	Joint Secretary, Ministry of Science and Technology	Member
(8)	Joint Secretary, Ministry of Small Scale Industries and Agro and Rural Industries	Member
(9)	Joint Secretary, Ministry of Home Affairs	Member
(10)	Joint Secretary, Ministry of Defence	Member
(11)	Joint Secretary, Ministry of Environment and Forests	Member
(12)	Joint Secretary, Ministry of Law and Justice	Member
(13)	Joint Secretary, Ministry of Overseas Indian Affairs	Member
(14)	Joint Secretary, Ministry of Urban Development	Member
(15)	A nominee of the State Government concerned	Member
(16)	Director General of Foreign Trade or his nominee	Member
(17)	Development Commissioner concerned	Member
(18)	A professor in the Indian Institute of Management or the Indian Institute of Foreign Trade	Member
(19)	Director or Deputy Sectary, Ministry of Commerce and Industry, Department of Commerce	Member Secretary

Administrative set up*:* The functioning of the SEZs is governed by a three tier administrative set up. The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce. The Approval Committee at the Zone level deals with approval of units in the SEZs and other related issues. Each Zone is headed by a Development Commissioner, who is ex-officio chairperson of the Approval Committee.

Once an SEZ has been approved by the Board of Approval and Central Government has notified the area of the SEZ, units are allowed to be set up in the SEZ. All the proposals for setting up of units in the SEZ are approved at the Zone level by the Approval Committee consisting of Development Commissioner, Customs Authorities and representatives of State Government. All post approval clearances including grant of importer-exporter code number, change in the name of the company or implementing agency; broad banding diversification,

etc. are given at the Zone level by the Development Commissioner. The performance of the SEZ units is periodically monitored by the Approval Committee and units are liable for penal action under the provision of Foreign Trade (Development and Regulation) Act, in case of violation of the conditions of the approval.

SEZs Facilities & Incentives

The government offers many incentives for companies and businesses established in SEZs. some of the important ones are:

- Duty-free import or domestic procurement of goods for developing, operating and maintaining SEZ units.
- 100% Income tax exemption on export income for SEZ units under the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years. (Sunset Clause for Units will become effective from 2020).
- Units are exempted from Minimum Alternate Tax (MAT).
- They were exempted from Central Sales Tax, Service Tax and State sales tax. These have now subsumed into GST and supplies to SEZs are zero-rated under the IGST Act, 2017.
- Single window clearance for Central and State level approvals.
- There is no need for a license for import.
- In the manufacturing sector, barring a few segments, 100% FDI is allowed.
- Profits earned are permitted to be repatriated freely with no need for any dividend balancing.
- There is no need for separate documentation for customs and export-import policy.
- Many SEZs offer developed plots and ready-to-use space.

Apart from the firms operating in SEZs, developers of SEZs also receive many benefits and incentives from the government.

SEZs in India

Currently, about 230 are operational in the country. About 64% of the SEZs are located in five states – Tamil Nadu, Telangana, Karnataka, Andhra Pradesh and Maharashtra. In 2018 – 19, about 20 lakh jobs were created through SEZs. Most of the SEZs being set up are primarily private investment-driven. In the financial year 2017 – 18, the exports from SEZs have grown by about 13% when compared to the previous financial year. Examples: SEEPZ Special Economic Zone (Mumbai), Kandla SEZ, Cochin SEZ, Madras SEZ, Visakhapatnam SEZ, NOIDA Export Processing Zone, Falta SEZ, etc.

Challenges

- Since SEZs offer a wide range of incentives and tax benefits, it is believed that many existing domestic firms may just shift base to SEZs.
- There is a fear that the promotion of SEZs may be at the cost of fertile agricultural land affecting food security, loss of revenue to the exchequer and cause uneven growth with adverse effects.
- Apart from food security, water security is also affected because of the diversion of water use for SEZs.
- SEZs also cause pollution, especially with the release of untreated effluents. There has been a huge destruction of mangrove in Gujarat affecting fisheries and dairy sectors.
- SEZs have to be promoted but not at the cost of the agricultural sector of the country. It should also not affect the environment adversely.

TECHNOLOGY PARK

A technology park is defined as being a property-based development that accommodates and fosters the growth of tenant firms and that is affiliated with a university (or a government and private research bodies) based on proximity, ownership, and/or governance. This is so that knowledge can be shared; innovation promoted, and research outcomes progressed to viable commercial products. Science parks are also often perceived as contributing to national economic development, stimulating the formation of new high-technology firms, attracting foreign investment and promoting exports.

Background

The world's first university research park, Stanford Research Park started in the early 1950s as a cooperative venture between Stanford University and City of Palo Alto. Another early university research park was Research Triangle Park in North Carolina. In 1969, Pierre Laffitte founded the Sophia Antipolis Science Park in France. Laffitte had travelled widely and developed a theory of "cross-fertilisation" where individuals could benefit mutually by the exchange of thoughts in many fields including culture, science and the arts. Science parks are elements of the infrastructure of the global "knowledge economy". They provide locations that foster innovation and the development and commercialisation of technology and where governments, universities and private companies may collaborate. The developers work in fields such as information technology, pharmaceuticals, science and engineering. Science parks may also offer a number of shared resources, such as incubators, programs and collaboration activities, uninterruptible power supply, telecommunications hubs, reception and security, management offices, bank offices, convention centre, parking, and internal transportation.

Technology parks also aim to bring together people who assist the developers of technology to bring their work to commercial fruition, for example, experts in intellectual property law. They can be attractive to university students who may interact with prospective employers and encourage students to remain in the local area. They may be designed to enhance the quality of life of the workers. For example, they might be built with sports facilities, restaurants, crèches or pleasant outdoor areas. Apart from tenants, science parks create jobs for the local community. Science parks differ from high-technology business districts in that they are more organized, planned, and managed. They differ from science centres in that they lead to commercialized products from research. They differ from industrial parks which focus on manufacturing and from business parks which focus on administration.

Science parks or technology parks are found worldwide. They are most common in developed countries. In North America there are over 170 science parks. For example, in the 1980s, North Carolina State University, Raleigh lacked space. New possible sites included the state mental-health property and the Diocese of Raleigh property on 1,000 acres (4.0 km^2) surrounding the Lake Raleigh Reservoir. The university's Centennial Campus was developed. Sandia Science and Technology Park, NASA Research Park at Ames and the East Tennessee Technology Park at Oak Ridge National Laboratory are examples of research parks that have been developed by or adjacent to US Federal government laboratories.

Science and technology park (STP) activity across the European Union has approximately doubled over the last 11-12 years, driven by the growth of the longer standing parks and the emergence of new parks. There are now an estimated 366 STPs in the EU member states that manage about 28 million m2 of completed building floor space, hosting circa 40,000

organisations that employ approximately 750,000 people, mostly in high value added jobs. In the period from 2000 – 2012, total capital investment into EU STPs was circa €11.7 billion (central estimate). During the same period, STPs spent circa €3 billion on the professional business support and innovation services they either deliver or finance to assist both their tenants and other similar knowledge based businesses in their locality. Increasingly, the reasons why STPs are sound investments for public sector support are becoming better understood and articulated. The evidence base shows that better STPs are not simply the landlords of attractive and well specified office style buildings. Rather, they are complex organisations, often with multiple owners having objectives aligned with important elements of economic development public policy as well as an imperative to be financially self-sustaining in the longer term.

Definitions

The Association of University Research Parks (AURP), is a non-profit association consisting of university-affiliated science parks. It defines "university research and science parks" as "property-based ventures with certain characteristics, including master planned property and buildings designed primarily for private/public research and development facilities, high technology and science based companies and support services; contractual, formal or operational relationships with one or more science or research institutions of higher education; roles in promoting the university's research and development through industry partnerships, assisting in the growth of new ventures and promoting economic development; roles in aiding the transfer of technology and business skills between university and industry teams and roles in promoting technology-led economic development for the community or region."

The International Association of Science Parks (IASP), the worldwide network of science parks and areas of innovation, defines a science park as "an organisation managed by specialised professionals, whose main aim is to increase the wealth of its community by promoting the culture of innovation and the competitiveness of its associated businesses and knowledge-based institutions. To enable these goals to be met, a Science Park stimulates and manages the flow of knowledge and technology amongst universities, R&D institutions, companies and markets; it facilitates the creation and growth of innovation-based companies through incubation and spin-off processes; and provides other value-added services together with high quality space and facilities."

The Cabral-Dahab Science Park Management Paradigm, was first presented by Regis Cabral in ten points in 1990. According to this management paradigm, a science park must: "have access to qualified research and development personnel in the areas of knowledge in which the park has its identity; be able to market its high valued products and services; have the capability to provide marketing expertise and managerial skills to firms, particularly small and medium-sized enterprises, lacking such a resource; be inserted in a society that allows for the protection of product or process secrets, via patents, security or any other means; be able to select or reject which firms enter the park". A science park should: "have a clear identity, quite often expressed symbolically, as the park's name choice, its logo or the management discourse; have a management with established or recognized expertise in financial matters, and which has presented long-term economic development plans; have the backing of powerful, dynamic and stable economic actors, such as a funding agency, political institution or local university; include in its management an active person of vision, with the power of decision and with the high and visible profile, who is perceived by relevant actors in society as embodying the interface between academia and industry, long-term plans and good management; and include a prominent percentage of consultancy firms, as well as technical service firms, including laboratories and quality control firms".

Examples

Some science parks include:

- National Science and Technology Park (NSTP), Islamabad, Pakistan
- Abuja Technology Village, Abuja, Nigeria
- Accra Digital Centre, Accra, Ghana
- Birmingham Science Park Aston, Birmingham, UK
- Catalyst, Northern Ireland
- Plymouth Science Park, Plymouth, UK
- Haasrode Research Park, Leuven, Belgium
- Johanneberg Science Park, Gothenburg, Sweden
- Turku Science Park, Turku, Finland
- Hong Kong Science Park, Tai Po, Hong Kong
- Hsinchu Science Park, Taiwan
- Research Triangle Park, North Carolina
- Cambridge Science Park
- Skolkovo Innovation Center, Moscow
- Nazarbayev University Research and Innovation System
- Innopolis, Kazan, Russia
- Daedeok Innopolis, South Korea
- Technopark Zürich, Switzerland
- Technopark, Trivandrum, Kerala, India
- University of Wisconsin Research Park, Madison, Wisconsin
- Gateway University Research Park, Greensboro, North Carolina
- Amsterdam Science Park, Amsterdam, Netherlands
- WISTA Science and Technology Park, Berlin, Germany
- Singapore Science Park, Singapore