



Performance Evaluation of Special Economic Zones

KEYWORDS

Intellectual property Rights, Trademark, Infringement, Passing-off

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ABSTRACT

The Globalised era has created waves of impact on the world trading community. The impacts have compelled the world countries to blend their policies to the needs of the current international trade. On the innovative front there are many policies tested out to promote the international trade of each country. One such policy introduced was the Special Economic Zones. These zones enabled the world countries to promote their exports and Foreign Direct Investment (FDI). To testify the performance of the Special Economic Zones, this research paper has taken an attempt to study one of the Special Economic Zones (SEZ) operating in India. The SEZ, Chennai was established as an Export Processing Zone on 1983 and later converted into Special Processing Zone in 2003. This research paper evaluated the performance of this zone by using the secondary data over a period of 10 years. The percentage analysis has been used to analyse the data. The SEZ, Chennai has been performing well and the trend during the study period to an certain extent has been fluctuating and study remarked that it has been due to agriculture and granite sector which has no exports in the last two financial years. The research paper concluded on the note that with the implementation of the suggestions and stringent laws on FDI will help to still improve the performance of the SEZ, Chennai.

Introduction

Revolution is not biggest change; it is the stature of consistent evolution that gets past continuous intransigence. As such was the growth of international trade from the period of start of civilization to the current period of globalised era. It started from even before the period of Silk route and survived to the current forms of international trade of direct and indirect forms of exports and imports. Through the period the global trade has attained different elevations. Finally it has reached this globalised era with exquisite finesse that adapt to the varying proviso.

This all-inclusive policy of international economy has provided the space for the global trade to spread its branches in the global economy in the structure of exports and imports. Exports have proved to be formidable weapon in the arsenal of the country's economy to improve the international liquidity. The foreign exchange reserves of the country are dependent on the foreign trade for its sustainable economic development.

The importance of the foreign trade has been rightly recognized in the post-liberalisation era. Realising this significance of the global trade it was necessary for the involving country to have favourable balance of trade which is necessary for the economic development. Exports acts as the catalyst in the measuring the International trade of the country that explains the economic development. Exports form the major part of the international liquidity of a country which revolves around the Balance of Payments (BOP).

The BOP throws down many challenges to the growth of an economy. For sustainable economic development of the country, it should reap favourable balance of payments consistently. The favourable balance of payments extensively depends on the favourable balance of trade which implies that the total exports from the country should be always higher than the total imports. Exports help to trade off the deficit caused by the imports. Exports aims at the accumulation and maintenance of the foreign exchange reserves which plays vital role in the economic development of the country.

This role played by the exports in the economic development

attracted the regulations and constitutional law makers to lay down specific rules and regulations that increase exports. One such provision was the Special Economic Zones (SEZ) introduced in this exporting and globalised world. This SEZ were first introduced in Ireland in the year 1959¹. Following which many countries started establishing SEZ for developing the foreign trade. China is the highly successful country to adapt to this SEZ to its strengths and started having significant increase in their global trade.

In India, the SEZ was first introduced in Kandla in the year 1965². The first attempt on SEZ made by the country started yielding returns but those were not significant but marginal as it was in the introductory stage. Gradually the SEZ started to take its shape and spread to the regional levels of the country. It drastically made a significant impact on the global trade of the country. In this transition phase, the government of India laid down separate Act for maintaining and regulating SEZ which known to become the Special Economic Zones Act (2005)³. This Act laid down crystal clear provisions to start SEZ which lead the current stature and growth of SEZ in a short span of time after the introduction of the SEZ Act. The SEZ was introduced to self-regulate itself and other exports forms to increase the balance of trade and export performance of the country.

Statement of the Problem

The main objective behind the introduction of SEZ is to improve the balance of trade and increase the export performance of the country by providing some tax benefits and relief measures from government regulations. Even though the SEZ was introduced in 1965 but it started to take concrete shape and strides only after the introduction of the SEZ Act (2005). The SEZ are availing tax exemptions, subsidies etc., that are exclusively available for them according to the provisions laid down in the Act. The SEZ are given prime importance and benefits when considered to their normal exporters.

Importance of the Study

In a developing country foreign trade holds the bottleneck for its development which is determined by major economic indicators and foreign exchange reserves. The foreign

exchange reserves can be attained only with the external investment and trade of the country. The external trade affairs are given the prime importance when it comes to earning foreign exchange. The external trade will improve only if export forms its major share. The SEZ were formed with the prime objective of promoting the external trade of the country. Realising this, the government of India has started establishing number of SEZ's in the country. As on February 2012, there are 143 SEZ's all over India⁴. All these SEZ have their own rules and regulations which put forward special exemptions, subsidies, incentives etc. the special exemptions are in the form of:

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units,
- 100% Income Tax exemption on export income for SEZ units under Section 10AA of 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,
- Exemption from minimum alternate tax under section 115JB of the Income Tax Act,
- External commercial borrowing by SEZ units up to US \$ 500 million in a year without any maturity restriction through recognized banking channels,
- Exemption from Central Sales Tax,
- Exemption from Service Tax,
- Single window clearance for Central and State level approvals and
- Exemption from State sales tax and other levies as extended by the respective State Governments⁵.

Even though they avail all the above exemptions there has not been a major attempt to know the contribution made by the SEZ. The SEZ plays a vital role in the export performance of the country with the resources and specific regulations rendered to them. But there have been no initiatives to measure their export performances. Even though they contribute towards the global trade of the country without the knowing the level of contribution made, it is tough to lay down the importance of SEZ in the economic development of the country. The lack of yardstick lets the economic and export contribution made by the SEZ goes unnoticed. To address the above mentioned problem, this research paper made an attempt to study the export performance made by the SEZ, Chennai at a regional level as a critical study which brings out the quantum of economic contribution made towards the export performance made by SEZ, Chennai.

Objectives of the Study

- To analyse export performance of the Special Economic

Zone, Chennai.

- To illuminate the contribution towards the Balance of trade.
- To examine sector wise export contribution and Sector wise growth of the Special Economic Zone, Chennai.
- To critically explain contribution of the Special Economic Zone, Chennai towards Tamil Nadu State Exports.

Methodology

The study aims at bringing out the export contribution made by the SEZ,

Chennai. The SEZ, Chennai is chosen for the study because it has largest number classified sub sectors with diversified products when compared to the other SEZ. The total exports and imports made were main concentration of the study. Further the exports made were classified into pre-specified sector and the countries to which they are exported are also discussed. The study period is from 2001-2002 to 2010-2011. The study is carried out from using the secondary data collected from the Special Economic Zone, Chennai, Reports of EXIM data bank and other secondary data sources. Percentage analysis is used to analyse the data.

Limitations

The study is based on only secondary data. The researcher has taken enough measures to neutralize the effects created by secondary data wherever possible.

2002 which increased to 2865.00 crores in the year 2010-2011. The total of imports was 15,575 crores and the balance of trade was favourable from the SEZ, Chennai which stood at 11043.00 crores for the study period.

The growth percentage of exports revealed it increased to the tune of 622 percent and imports increased by 716 percent. Even though analysis reveals imports were increased largely than exports when considering the quantum of trade exports are higher than imports. An in-depth view reveals that the imports show a more fluctuating trend and exports reveals a stabilised economic growth.

The SEZ, Chennai explained the sector into ten specific categories, which is clearly indicated in the table. The table explains the contribution made by the different categories to the total exports made by the SEZ, Chennai. The following reveals the highest contribution from a classified sector to the total exports from the SEZ.

Table: 2 Sector wise Contribution to the Total Exports of the SEZ, Chennai

Year/ Industry	2001-2002	Percent To T.E.	2002-2003	Percent To T.E.	2003-2004	Percent To T.E.	2004-2005	Percent To T.E.	2005-2006	Percent To T.E.
Engineering Industry	187.75	24.58	195.61	23.80	221.14	21.31	352.25	25.60	523.45	28.15
Electronics and Software	234.66	30.72	260.83	31.73	291.67	28.11	394.44	28.67	532.69	28.65
Chemical, Plastic and Allied Activities	66.09	8.65	73.94	8.99	91.22	8.79	110.88	8.06	131.11	7.05
Leather and Sports goods	75.38	9.87	79.45	9.66	76.75	7.40	110.28	8.02	106.62	5.73
Food, Agriculture and Forest Products	3.04	0.40	5.91	0.72	2.93	0.28	1.53	0.11	7.44	0.40
Garments and Textile	162.77	21.31	172.85	21.03	309.65	29.84	326.45	23.73	405.70	21.82
Granites	0.32	0.04	0.67	0.08	2.22	0.21	2.33	0.17	0.12	0.01
Gems and Jewellery	9.71	1.27	14.07	1.71	17.51	1.69	21.83	1.59	105.96	5.70
Miscellaneous	17.91	0.34	17.27	2.10	19.54	1.88	34.21	2.49	31.90	1.72
Trading and Service units	6.27	0.82	1.46	0.18	5.12	0.49	21.59	1.57	14.53	0.78
TOTAL	763.90		822.06		1037.75		1375.79		1859.52	

Source: Secondary Data, Official records of SEZ, Chennai

Year/ Industry	2006-2007	Percent To T.E.	2007-2008	Percent To T.E.	2008-2009	Percent To T.E.	2009-2010	Percent To T.E.	2010-2011	Percent To T.E.

Engineering Industry	677.03	28.42	753.38	24.73	1001.42	24.90	779.73	13.47	373.91	6.77
Electronics and Software	634.01	26.61	720.09	23.64	1088.25	27.06	1497.05	25.86	2216.29	40.15
Chemical, Plastic and Allied Activities	204.80	8.60	238.80	7.84	270.50	6.73	287.78	4.97	133.84	2.42
Leather and Sports goods	131.54	5.52	152.31	5.00	144.23	3.59	147.27	2.54	56.81	1.03
Food, Agriculture and Forest Products	18.00	0.76	64.85	2.13	80.78	2.01	0.00	0.00	0.00	0.00
Garments and Textile	349.27	14.66	376.74	12.37	330.39	8.21	446.68	7.72	223.71	4.05
Granites	0.38	0.02	0.52	0.02	0.33	0.01	0.00	0.00	0.00	0.00
Gems and Jewellery	321.77	13.51	685.44	22.50	1040.43	25.87	2561.25	44.25	2460.60	44.58
Miscellaneous	36.78	1.54	41.37	1.36	52.48	1.30	48.85	0.92	34.43	0.76
Trading and Service units	9.01	0.38	12.66	0.42	13.21	0.33	12.26	0.30	7.00	0.26
TOTAL	2382.59		3046.16		4022.02		5780.87		5506.59	

Source: Secondary Data, Official records of SEZ, Chennai

The highest contribution during the study period was from Electronics and Software which has contributed seven years out of the 10 years. The Electronics and Software category has utilized the available resources to its maximum potential to contribute highly towards the total exports of the SEZ, Chennai. During the years 2009-2010 and 2010-2011 the sector of Gem and Jew-

ellery has taken over as the highest contributor toward the total exports. **ic Zone, Chennai**

Table: 3 Year-wise Sectoral Growth of the Special Econom-

Year/ Industry	I	Growth	II	Growth	III	Growth	IV	Growth	V	Growth
2001-2002	187.75	100.00	234.66	100.00	66.09	100.00	75.38	100.00	3.04	100.00
2002-2003	195.61	104.19	260.83	111.15	73.94	111.88	79.45	105.40	5.91	194.41
2003-2004	221.14	117.78	291.67	124.29	91.22	138.02	76.75	101.82	2.93	96.38
2004-2005	352.25	187.62	394.44	168.09	110.88	167.77	110.28	146.30	1.53	50.33
2005-2006	523.45	278.80	532.69	227.01	131.11	198.38	106.62	141.44	7.44	244.74
2006-2007	677.03	360.60	634.01	270.18	204.80	309.88	131.54	174.50	18.00	592.11
2007-2008	753.38	401.27	720.09	306.87	270.50	361.33	152.31	202.06	64.85	2133.22
2008-2009	1001.42	533.38	1088.25	463.76	287.78	409.29	144.23	191.34	80.78	2657.24
2009-2010	779.73	415.30	1497.05	637.97	133.84	435.44	147.27	195.37	0.00	0.00
2010-2011	373.91	199.15	2216.29	944.47	1608.96	202.51	56.81	75.36	0.00	0.00
TOTAL	5065.67		7869.98		2979.12		1080.64		184.48	

Source: Secondary Data, Official records of SEZ, Chennai

Year/ Industry	VI	Growth	VII	Growth	VIII	Growth	IX	Growth	X	Growth
2001-2002	162.77	100.00	0.32	100.00	9.71	100.00	17.91	100.00	6.27	100.00
2002-2003	172.85	106.19	0.67	209.38	14.07	144.90	17.27	96.43	1.46	23.29
2003-2004	309.65	190.24	2.22	693.75	17.51	180.33	19.54	109.10	5.12	81.66
2004-2005	326.45	200.56	2.33	728.13	21.83	224.82	34.21	191.01	21.59	344.34
2005-2006	405.70	249.25	0.12	37.50	105.96	1091.25	31.90	178.11	14.53	231.74
2006-2007	349.27	214.58	0.38	118.75	321.77	3313.80	36.78	205.36	9.01	143.70
2007-2008	376.74	231.46	0.52	162.50	685.44	7059.11	41.37	230.99	12.66	201.91
2008-2009	330.39	202.98	0.33	103.13	1040.43	10715.04	52.48	293.02	13.21	210.69
2009-2010	446.68	274.42	0.00	0.00	2561.25	26377.45	48.85	272.75	12.26	195.53
2010-2011	223.71	137.44	0.00	0.00	2460.60	25340.89	34.43	192.24	7.00	111.64
TOTAL	3104.21		6.89		7238.57		334.74		103.11	

Source: Secondary Data, Official records of SEZ, Chennai

The above table explains the percentage growth that has been made by the different sectors of SEZ, Chennai. For all the sectors the base year has been 2001-2002 (100 percent) for calculating the growth percent over the study period.

Engineering Industry

The engineering industry has shown a fluctuating trend which has increased to 523.28 percent in the year 2008-2009 which has declined to 415.30 percent and it further declined to 199.15 percent. It reveals that the growth percent has decreased largely during the study period even though it has shown 99 percent growth from the base year 2001-2002.

Electronics and Software

The electronics and software is the sector that contributed highly towards the total exports for 7 years during the study period. The growth percent also supports the fact that it has stabilized and increased growth during the study period. The growth percent reveals that it has attained 844 percent growth during the study period.

Chemicals, Plastic and Allied activities

This sector has also utilized its resources to the potential to have risen to 435.44 percent in the year 2009-2010 which declined to 202.51 percent in the following year. Even though it has steadily increased during the study period, the decline in the last year has reduced the growth percent to 103 percent.

Leather and Sports Goods

Leather and sports goods has shown an growth percent of 202.06 percent in the year 2007-2008 which has declined to 191.34 percent in the following year. Further it declined to 75.38 percent in the year 2010-2011 which decreased lower than the base year indicates that the trade declined by 24.64 percent during the study period.

Food

Food, Agriculture and forest products growth analysis reveals that it has steadily increased throughout the study period but during the last couple of years i.e., 2009-2010 and 2010-2011 there has been no contribution from this sector.

Garments and Textiles

This sector has been on fluctuating trend during the study period. The growth has increased to 162.77 percent in the year 2001-2002 to 405.70 percent in the year 2005-2006. But from that year it declined to 330.39 percent in the year 2008-2009 and increased to 466.68 crores in the year 2009-

2010. The last year 2010-2011 of the study period saw the exports decreased to 223.71 crores. All of above explains it has shown growth of only 37.44 percent.

Granites

Granites sector which is on the growth path has not been able to attain stabilized growth. The export from the granites in the year 2001-2002 was 0.32 crores and it increased to 2.33 crores in the year 2004-2005. But in the following year it declined to 0.12 crores. Again it increased to 0.52 crores in the year 2007-2008 and it further declined to 0.33 crores in the year 2008-2009. But during the last two years of the study period there has been no contribution from this sector.

Gems and Jewellery

The exports of this sector have been on stabilised trend. The exports were 9.71 crores in the year 2001-2002 which steadily increased to 1040.43 crores in the year 2008-2009. The exports suddenly further increase to 2460.60 crores in the year 2010-2011. The analysis clearly depicts the sustained growth trend in the sector throughout the study period.

Trading and Service Units

The exports of this sector from the SEZ, Chennai illuminates the steady growing trend in the first half of the study period and gradually started fluctuating during the second half of the study period. The exports started from 6.27 crores in the year 2001-2002 and it declined to 1.46 crores in the following year. From there it increased to 21.59 crores in the year 2004-2005. It decreased to 9.01 crores in the year 2006-2007. It further declined to 7.00 crores in the year 2010-2011 even though the trend was fluctuating between 2007-2009.

Miscellaneous

This sector consists of all those products that cannot be categorized in all the specified

category of SEZ, Chennai. The miscellaneous exports have been on the fluctuating trend. It started from 17.91 crores in the year 2001-2001 which increased to 52.48 crores in the year 2008-2009. It decreased to 34.43 crores in the year 2010-2011. This sector has revealed declining trend during the final end of the study period.

TABLE : 4 - EXPORTS AND IMPORTS FROM THE STATE OF TAMIL NADU FROM 2001-2002 to 2009-2010

Year	Exports	Exports of SEZ, Chennai	Contribution to Exports (%)	Imports	Imports of SEZ, Chennai	Contribution to Imports (%)
2001-2002	12,631.24	764.00	6.05	18,628.05	351.00	1.88
2002-2003	25,039.00	822.00	3.28	35,697.00	387.00	1.08
2003-2004	33,068.00	1038.00	3.14	43,798.000	484.00	1.11
2004-2005	34,782.00	1376.00	3.96	78,740.00	687.00	0.87
2005-2006	51,298.00	1860.00	3.63	1,12,983.00	992.00	0.88
2006-2007	67,759.00	2383.00	3.52	1,59,035.00	1218.00	0.77
2007-2008	91,672.00	3046.00	3.32	1,90,161.00	2518.00	1.32
2008-2009	90,603.00	4022.00	4.44	2,30,987.00	2481.00	1.07
2009-2010	1,13,093.00	5788.00	5.12	2,89,066.00	3592.00	1.24

Source: Department of Economics and Statistics, Chennai.

The above table presents the contribution made by the SEZ, Chennai to the total exports and imports made in the state where it exists. The percentage analysis reveals that there is marginal contribution by the SEZ in the state to its total exports and the surprising point is that the SEZ are able to contribute with lowest of the imports. The imports are meager and the contribution made to the exports in this view is that it adds positively to the state's balance of trade.

Findings:

- The exports from the SEZ, Chennai has increased steadily during the study period. The Balance of Trade from this zone is favourable and also on the upward trend which helps to earn foreign reserves.
- In the sector wise contribution to the total exports of the SEZ, Chennai, the Electronics and Software sector tops the list for five years during the study period followed by Gems and Jewellery in the concluding phase of the study period.

- The sector wise contribution reveals that the agriculture and granites sectors have not contributed to the exports during the last two years with unspecified details in the official records of the SEZ, Chennai.
- The year wise growth of the sectors illuminates the fact that the electronics and software sector has seen inclining trend which is equally caught up by the Gems and Jewellery sector during the study period.
- The analysis discloses that all the sectors suffered a decline in the exports during and succeeding period of the global financial crisis.
- The export contribution made by the SEZ, Chennai, to the total exports of the Tamil nadu state has been encouraging when compared to the imports that it has made.
- It has helped to contribute to the state's Balance of Trade in a Favorable manner.

Suggestions

- The tariff concessions should be provided on the basis of the problems faced by the sectors in its working rather than equal and full concessions to all the sectors for the

initial period.

- The rules that govern the foreign investment and withdrawals in the SEZ should be made stiff which acts as the prime key behind triggering decline in exports.

Conclusion

The SEZ, Chennai has played vital in the development of the exports community in the southern India. It has made significant contribution towards the foreign trade in the state of Tamil nadu. This study has substantiated the foreign trade contribution made by the SEZ, Chennai as well as the growth of different sectors during the last decade. With the implementation of the above said suggestions which will help to improve the efficiency of the SEZ, Chennai further. This facilitates to establish a view point that the working of SEZ, Chennai augurs well for the economic development of the state as well as the foreign trade in the present as well as in the future.

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