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## NEW INDUSTRIAL POLICY AND SPECIAL ECONOMIC ZONES

Manjunath S. Hosgur

### Abstract:

*We can accept that till now economic policies are implemented carefully. Because implementations of these new economic politics Indian is attaining average 5.5% to 06% annual economic growth. For the first time national achieving more economic growth compare to past. So Indian foreign trade is becoming free from previous complex commerce because of extant liberalization, Internal Liberalization and globalization which resulted in increase the foreign trade by India.*

### KEYWORDS:

Economic Zones, International Trade, Purpose, Development, Taxes

### INTRODUCTION:

In the general election of 1991, the congress party won the polls and set up government with its alliances on 24th July 1991 the government with its announced new industrial policy. It had brought rapid growth in industrial sector Revolutionary comprehensive changes and also development were witnessed. Except 18 industries the license giving policy was canceled. Investment limit for large scale industries was canceled too and also foreign investment limit was raised from 40 per cent to 51 per cent.

### OBJECTIVES OF NEW ECONOMIC POLICY (INTENSIONS)

The following are the objectives of New Policies.

- 1). To increase in the efficiency of Industrial products and jackal international competition.
- 2). To use Foreign investment & technology with more efficiency and compressively compare to past.
- 3). To widen the execution and scope of the public sector industries.
- 4). To being improvements in financial sector by modernization and thought this to fulfill the economic need efficiently.
- 5). To control the monopoly in public sector particular in major and minor fields of economy. To allow indigenous and foreign private industries in these fields.
- 6). To liberal the foreign business being more profit.
- 7). By using appropriate merits measures to encourage producers and exportees to enter market (Business) developed nations.
- 8). As per Foreign liberal economic policy liberise the Foreign exchange rate system.
- 9). According to the expectations of globalization is define the role of the government to give more opportunities for the private sector.
- 10). Profitable public fields to be given liberty in tries execution.
- 11). To attain the purposes of globalization being employments in labour related fields. To avoid the

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threat of strike technique by the labours more liberal working period will be implemented.  
12). To implement the globalization such that poverty and unemployment to be reduced.

#### DIMENSIONS OF NEW ECONOMIC POLICY

NEP has got the following dimensions.

- a). Globalization
- b). Liberalization.
- c). Privatization.
- d). Market favour government.
- e). Investment based technology.

A). **Globalization:** Here we talk about economic globalization foreign business would be freed from tariff, quota and control of foreign exchange and International market sources are made competitive is called globalization. It means capitalism system is being international stage according to liberal economic policies is nothing but globalization process. Through liberal business all the purposes by globalization are binded reciprocally. The purposes will be attained with different ways. During the period of 1991-2005, Indian govt has globalized the economy as per following procedures.

#### TO RECOGNIZE AND BIND INDIA WITH GLOBALIZING WORLD ECONOMY.

Compulsions over Goods Service capital (investment) and technology extent to be canceled among nations, doing so encourage the trade. This 1). Called business liberalization. (commerce).

Major Indian economic sectors like agriculture, industry, sales of agri related products, Banking, telecommunication and other fundamental services are open up to foreign investment not delaying in allowing them in these fields.  
Translating of currency rupee over Indian Credit is implemented.

#### Canceling the compulsion over the import of agri related products.

##### B) Liberalization:

Economic Liberalization is main dimension and feature of the new economic policy. In the economic sector decisive unit/agents to be given economic Liberty is the major property of the capitalism. Allowing the source different kinds of producers and agents liberty, according to market source procedure is caused economic liberty. The following policies are found in many countries including India.

- a). To reduce the main role of government in the execution of economic field.
- b). To give freedom and encouragement to develop for the private industry.
- c). Sources of product are transected from one place to other and one industry to another in the country.
- d). Government licensing and control are canceled.
- e). Compulsion over movement of good internally and internationally to be canceled.
- f). Compulsion over import and export one to be cancelled.

##### C) Privatization:

Privatization is one of the dimensions and features of new economic policy. Ultimately globalization is the goal to attain the liberalization and globalization are the tools.

Privatization means ownership of private over economic sources and economic opportunities. Other hand giving complete liberty to the liberal industry (Private owned industrial units). The product ownership of private and corporate property law is going to be implemented. Privatization has got the following forms.

- a). Industries are given to private ownership means to allow private persons to establish and execute the industries.
- b). Public Sector shares are privatized in particulars quantity (extent) means to sell to private sector.

## NEW INDUSTRIAL POLICY AND SPECIAL ECONOMIC ZONES



This measure from 5 per cent to 90 or 95. But actually it is limited to 49%.

- c). The ownership by public sector is completely transferred to private sector.
- d). Compulsion are binded to start industries in public sector in future.
- e). Almost economics activity are opened to private sector.

### **D) Market favour government:**

In economy government role is completely transferred to private sector. The role of government is direct to production and control is transferred to the encouragement sector economic Liberalization and privatization executions reduce government role immensely. Government role is market favour.

### **E) Capital based technology:**

Globalization, Liberalization and privatization execution give importance in production process. This turns industries and service industry into the technical forms. In reality creation of capital is more than other sources of production. Its management is easy also. Therefore globalization gives importance to capital based technology.

## SPECIAL ECONOMIC ZONES

Now a days government is discussing to implement second stage. Economic improvement policies as soon as. In 1991 first stage policies were implemented. Therefore development was achieved in many activities. But it is opened that second stage improvement live economic improvement, consistency in agricultural developments, and establishment of special economic zones to increase export etc are implemented only when first stage improvement are achieved. In these days discussion is going on the impact of establishment of economic zones (SEZ) over, the life of people and particularly over agriculture.

During the period of 1970 and 1980 China and other Dutch eastern states groups established. (Export encouragement Zones) to increase export, that was refused in set up of special economic zones. Gradually these export encouragement zones. Transferred in to SPECIAL ECONOMIC ZONES. These export encouragement zones highly successful in China and other north eastern states groups and it has transferred those nation export centered nations. In accordance with this scope foreign investment, income level and opportunities for employment were increased. After words many other states will interested in establishing such zones. At that time govt of India OAM sent its officials to visit China about for study these zones. Then govt of OAM took step to establish such zones now govt of GKAO also put forward to establish economic zones in 2005 and passed the law. According to this from 26th Feb, 2006 this law is implemented. According to this law 300 economic zones are planed to established in 1.6 lakh acre land with this crore to go their foreign exchange is expected.

## SPECIAL ECONOMIC ZONES AND ITS PURPOSES

Special economic zones means many export encouragement industries established area. In our country government has provided special scope and studies are given to these zones in orders to export rapid to these zones in order to expect rapid growth of industry and attain profit in foreign exchange rate. Therefore the government is ready to provide all kinds of special zones to encourage export encouragement industries.

### **The aid and encouragement given by Indian Government to these zones are as below,**

1. up to 5 years 100% discount on tax.
  2. For next 5 years took will be up to 50%.
  3. For 10 years a complete discount on 100% tax free for the development purposes.
  4. No tax on the usage of electricity, means nothing on production transformation, share and usage of electricity.
  5. No tax is put on the goods taken for the development of special economic zones.
  6. No import and export tax.
  7. No excise tax.
  8. No state and central selling taxes.
  9. No service tax.
  10. Without any permission or special permission raw materials, spare parts, invested things and other needed materials are taken from indigenous sources that of tax free.
  11. Those who start industry here will be given foreign colony establishment status.
- It is clear on the basis of studying conducted on regional reasons over industrialization in India is that there

are many disparity in India. It is big question who tries these special economic zones remove as decrease this disparity?. But known thing is that these zones are established only in few places. The result is that the regional disparately will increase for much extent.

In our country balance (equal) regional development it not possible through these economic zones.

Because only few rich businessmen will get the profit out of these and they may transform their units into special economic zones. Accordingly it is predicted that about one lakh crore loss will be on the part of the government. But the excepted foreign exchange profit is a out 1.6 crore rupees only. And how many will get employed out of crore to go there? No exact calculation is found out. Even though the discussion over impact of special economic zones is going on between commerce and finance minister.

The notes presented in the meeting of approval council on 10th October, 2006 is as follow,

| Sl No. | State          | Total SEZs | Area (In hector) |
|--------|----------------|------------|------------------|
| 01.    | Andhra Pradesh | 30         | 5697.703         |
| 02.    | Assam          | 01         | 170              |
| 03.    | Chattisgarh    | 02         | 2100             |
| 04.    | Karnataka      | 41         | 5442.576         |
| 05.    | Kerala         | 05         | 1098.989         |
| Total  |                | 79         | 14508.989        |

#### IMPORTANT ASPECTS OF SPECIAL ECONOMIC ZONES

- 1). According to section 49 of the law, special economic zones are free from control of central government.
- 2). 74 rule of the constitution is not applicable to these special Economic zones.
- 3). Internet clashes as industrial laws and labour laws are not applicable to these zones.
- 4). Electricity law and related law doesn't applicable under these zones.
- 5). Government can't get back land from under developed special zones.

#### EXPLANATION

From the above explanation it can be understood the establishment, importance and encouragement of our government to the special economic zones. One thing that is clear that special economic zones under the monopoly private sector. Because these are free from all the laws and are not under control by Government country. In that case one question arises who is that for whose development these zones are established? If this is in favour of agriculture why agriculture land is snatched away forcefully from the farmers? Why not these zones asked to purchase its own land from barren land? It is because government is acting agent of these large industries.

Government is arguing that development is possible only of these special zones as per example of China, but the real story of these special zones in China is different. Further explained aspects will make us understand how far these zones reason for development in China.

According to China media year 2006 report of UNO and United Bank report there is little bit development in China because of these zones. But more ever these are reason for bad impact on nature which resulted in the death of lakh together people". For example In the year 2005 there were 2.60 crore people were living under poverty line, the government had planned to provide food for one crore people. But for the period of 1996-2005, 21% of the agricultural land was used for non-agriculture purposes like



construction of bridges, roads and special economic zones. The government of China failed to reach the target. According to United Bank Report rapid industrialization which was the result of special economic zones resulted in the death of 3 lakh people. Therefore India should learn lesson from what happened in China.

Along with this we have also seen how state government faced protest of farmers while capturing land in singur, Nandigram and Dadri. At present we are not producing needed food grains. In that getting land for zones is like committing suicide. Not only this we have created agriculture labour which was the backbone of our nation. At present 14508.989 hector land was taken for special zones and had made agriculture season orphan.

Relevant to this, 2006 economic survey has expressed its dissatisfaction to this. According to survey,

- 1). To get discount on taxes, re sharing of industry has been taken place but not creation buy new economic activated.
- 2). To get huge quantity of land for special economic zones, the agriculture sector is given confession and resulted in making it orphan.
- 3). Capturing agriculture land for these zones affects self sufficiency in the field of food grains.
- 4). Captured land may be misused as it may be used for real estate.
- 5). It results in regional imbalance.

Therefore 2006 economy survey tells that government should make appropriate, extensive laws for these special economic zones.

#### INSTRUCTION

- 1). Unused, barren land must be given to SEZ.
- 2). In case land purchased from farmers in needed places, appropriate compensation and equalant land in other places must be given.
- 3). Land must be given on lease not for real estate purposes. If land is used for other reasons then it must be taken back.
- 4). Labour laws must be followed & implemented in SEZ.

#### CONCLUSION

We can accept that till new economic policies are implemented carefully. The advantages of these efforts in India can be listed out as follows,

- 1). Because of implementations of these new economic policies India is attaining average 5.5% to 6% annual economic growth. For the first time national achieving more economic growth compare to past.
- 2). Because of new economic policies, government aid to the public based industries has been reduced, which resulted in decrease the difficult to the treasure of the state. The result is that India can control the rising inflation.
- 3). Indian foreign trade is becoming free from previous complex commerce, because of extant liberalization, internal liberalization and globalization which resulted in increase the foreign trade by India.
- 4). Nation is able to attract huge foreign investment. By 2005 June our foreign exchange reserve is 130 billion dollars.

Above all the fact to be instructed that If government desire to bring development in the rural India, importance should be given to public opinion. Further steps to be taken in that was. If not second stage economic policies also being dissatisfaction among people as in the case of first stage economic policies. The result of this would be increase in unemployment and poverty. Then it will become clear that special economic zones will become "Special harassment Zones".

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