Syllabus subtopic: Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Prelims and Mains focus: about the recent amendment and its objective; about SEZs and its significance in boosting India’s economy

News: The Ministry of Commerce and Industry on Friday amended the existing legal framework for special economic zones (SEZ) in India, in a move expected to make it easier to attract investments and boost exports.

About the amendment

- The amendments simplify and relax the minimum land area requirement to set up an SEZ and their categorization.

- Consequent to three recent amendments, the minimum land area required for setting up a multi-product SEZ has been revised to 50 hectares (ha) from 500 ha earlier.

- In case an SEZ is to be set up in Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Himachal Pradesh, Uttarakhand, Sikkim, Goa or in a union territory, area shall be 25 ha or more.

- Minimum built-up area requirements for services have also been significantly reduced.

- Following the amendments, all existing and new SEZs become multi-sector SEZs, thereby enabling coexistence of a SEZ unit from any sector along with any other SEZ unit.

Background

- The Parliament passed the Special Economic Zones (Amendment) Bill, 2019 earlier this year.
- It amends the Special Economic Zones Act, 2005 and replaces an
Ordinance that was promulgated on March 2, 2019.

- The Act provides for the establishment, development and management of Special Economic Zones for the promotion of exports.
- **Definition of person:** Under the Act, the definition of a person includes an individual, a Hindu undivided family, a company, a co-operative society, a firm, or an association of persons. The Bill adds two more categories to this definition by including a trust, or any other entity which may be notified by the central government.

**About SEZs**

- Special Economic Zones (SEZs) are *geographically delineated ‘enclaves’* in which regulations and practices related to business and trade differ from the rest of the country and therefore all the units therein *enjoy special privileges*.

- The basic idea of SEZs emerges from the fact that, while it might be very difficult to dramatically improve infrastructure and business environment of the overall economy ‘overnight’, SEZs can be built in a much shorter time, and they can work as efficient enclaves to solve these problems.

- The SEZ Act, 2005, provides the legal framework for establishment of SEZs and also for units operating in such zones.

- The Special Economic Zone (SEZ) policy in India first came into inception on April 1, 2000. The *prime objective was to enhance foreign investment and provide an internationally competitive and hassle free environment for exports*. The idea was to promote exports from the country and realising the need that level playing field must be made available to the domestic enterprises and manufacturers to be competitive globally.