

BOOK REVIEW

Title : Special Economic Zones in India: Challenges & Prospects
Author : Nidheesh K.B.
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Reviewer : Dipavali Debroy¹

This book is likely to be useful to academicians, researchers and students for gaining information on special economic zones. It may also be beneficial for planners and policy makers in this field.

In this slim yet hardbound volume, the reader will find a plethora of information about the Special Economic Zones (SEZs). An academic from the Department of Commerce, Pondicherry University, Puducherry, the author Dr Nidheesh K.B. has provided a cost-benefit analysis of a subject that has received so much attention from industrialists, farmers, wage-earners, activists, policy-makers, academics and economic journalists, especially after the SEZ Act of 2005 (in force from February, 2006).

In the introductory chapter, the book traces the evolution of SEZs to 1547, when in Leghorn in north-west Italy a 'Free Port' was set up where there were no customs duties. Emerging gradually in the next three centuries, SEZs came to be set up in 1979 by China, followed by Malaysia, Philippines, South Korea, Kazakhstan, Russia and UAE. The first Export Processing Zone in India was set up in Kandla in Gujarat in 1965. Subsequent such Zones were established in Cochin, Chennai, Visakhapatnam, Falta and Noida.

After this historical background, the book, in its second chapter, discusses Social Cost Benefit Analysis as an investigative tool for evaluating SEZ, spanning studies ranging from those by UNIDO (1972) and Little and Mirrlees , unfortunately spelt Mirrless in p 23 (1974), to those by Jayanthakumaran (1997, 2003).

The third chapter is a round-up of the various types of SEZs in India - multi-product, sector-specific, agro-based and so on. The fourth chapter details their administrative set-up. The

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approval mechanism differs between private party-owned SEZs to government-owned ones. Two flow diagrams (pp 52-53) clarify the process.

The fifth chapter begins an assessment of the performance of SEZs in India. It contains seven tables in providing information "computed from the secondary data available from <http://sezindia.nic.in>". One wishes the data had been specified better, sourced more primarily and been more recent. The book is, after all, a publication of 2016. Anyway, we learn that the number of units in Indian SEZs have risen from 697 in 2000-01 to 2485 in 2010-11. SEZ exports as a percentage of total exports have gone up from 4.2 to 27.64 in 2010-11. The employment created per unit of SEZ has risen from 117 to 352 between 2000-01 and 2010-11. There is a lot of sectoral and regional difference, though.

The sixth chapter, social cost benefit analysis of Indian SEZs, presents the substantive research work done by Dr Nidheesh after studying the procedure of stalwarts such as Little and Mirrlees, Warr, Wei, Wong, and Wu. The 'model' that he describes as "adaptive" (p 95) culminated in the formula. The thirteen tables provided in this chapter reveal interesting results. Between 2000-01 and 2010-11, the value of real value of foreign exchange earnings from SEZ was Rs 168056.82crores, the net wages generated from SEZ by way of employment opportunities created was 4,365.52 (Rs crores). The rental receipts came to 269.64 (Rs crores). The net profits were however minus 17406.17 (Rs crores). Total social benefits amounted to 151356.80 (Rs crores). The various cost components added up to total social costs 46932.20(Rs crores).

The difference, that is, net social benefit, came to 104424.60(Rs crores). This is a positive figure, and Dr Nidheesh concludes that "The result clearly shows that SEZ one is a feasible project for generating economic benefits to the country in general and region in particular" (p 105).

It must be mentioned here that the fifth and the sixth chapters provide 'case studies' of China and Cochin respectively followed by a set of thought-provoking questions for the reader (the student-reader?).

The next chapter, the seventh, is entitled 'Issues and Sustainability of SEZs in India'. It lists ten issues on the matter, beginning with that of compulsory acquisition of land. For example, in West Bengal, when the state government acquired land for the Tata Group at Singur and the Salim Group of Indonesia at Nandigram, there was sharp political opposition. Tax concessions given in the SEZs may also cause revenue losses to the government. The seventh chapter also contains a section on the 'sustainability' of SEZs, where several suggestions are provided by way of acquiring barren or even single-crop land, or developing low-carbon

zones. It is as though this carries on into the eighth and last chapter, which is entitled 'Challenges and Policy Suggestions.' The author ends, saying that the concept SEZ "which was once acclaimed as imaginative and growth -oriented, faced rough weather in the recent years in the form of objections for land acquisition and vast amount of incentives and subsidies given in the form of tax concessions" (p 128).

The Glossary, references and the index are useful but could have done with some trimming and one more round of proof-reading. "World bank" causes a jarring note at the end (p 145). It is heartening to note that the book refers to academics beyond the northern capital region, such as Sulabha Brahme and Dhanmanjari Sathe of Gokhale Institute of Politics and Economics, and to activists such as Vandana Shiva and Medha Patkar. However, the references to them (pp 114, 117) are not precise enough. Nor does the 'Acknowledgement' (p 120) meet scholarly standards.

The real limitation of the book lies in ignoring issues wider than those a cost-benefit analysis can answer. In an environment of rapid and general liberalization, are SEZs at all relevant? In a federal structure struggling with diversity, aren't they going to aggravate regional inequality? There is a growing body of literature on this, academic as well as journalistic, that could have been included in a book published in 2016.