

EXPORT INFRASTRUCTURE IN SPECIAL ECONOMIC ZONES SEZS AND OTHER EXPORT UNITS IN AMARWATI DISTRICT

Dr. Neeraj Chaudhary

Assistant Professor

Institute of Business Studies

Ch. Charan Singh University Campus, Meerut

ABSTRACT

India is predicted to become one of the world's leading economic powers. This poses new challenges for international firms and others willing to take advantage of India's development. It also increases the need for proper knowledge about India's corporate environment – its strengths, constraints and the implications for Sweden, Europe and the rest of the industrialized world. India's share of the world's population is 17 percent, but it accounts for less than two percent of the global GDP and only one percent of world trade. It lags behind China and other emerging East Asian economies in key indicators such as per capita income, adult literacy rates, quality of infrastructure endowment and volume of foreign trade and investment. The Indian economy is expected to grow at a rapid rate of 6–10 percent between 2007 and 2012 and beyond. By the year 2032, China will have the world's largest economy, followed by the U.S. and India. In terms of purchasing power parity (PPP), even today India's GDP is already the third largest in the world after the U.S. and China. While much of the country is likely to remain poor and industrially backward, other parts have the potential to grow as fast as China or other East Asian economies

KEYWORDS: *Economies, population, infrastructure*

INTRODUCTION

Currently SEZ models have been implemented in more than 100 countries around the globe accounting for 1000+ free trade zone projects. 80% of these initiatives have come in private sector. The table below indicates the current distribution of Economic Zones on global scale.

Table 1
Distribution of SEZs on Global Scale

Country	No of Zones
North America	320
Asia	225
Europe	81
Caribbean	51
Africa	47
South America	41
Central America	41
Middle East	39
Pacific	2
Total	847

Source: WEPZA (World Export Processing Zone Association)

From the above Table-1, it can be seen that, there are quite a good number of export zones in North America & Asia. Most SEZ.s in the world sure has delivered, but there are pre conditions for that to happen. Primarily these involve, legislative support, disciplined labour, and a high degree of local human resources support, a sound investment policy and matching investment vehicles, good infrastructure and above all government that is stable and proactive to needs of this SEZ.s.

THE GLOBAL DEBATE ON SEZs

Traditionally SEZs are created as open markets within an economy that is dominated by distortionary trade, macro and exchange regulation and other regulatory governmental controls. A long-held view of development economics is that investment, in particular foreign investment, in enclaves such as SEZ, pushes forward the process of industrial development by creating horizontal and vertical spillovers. Horizontal spillovers are technology leakages and management know-how from multinational firms to local industry competitors. Vertical spillovers are also known as forward and backward linkages. Horizontal spillovers emerge from incentives for a corporation to develop the supply chain through technology transfers to suppliers of the MNC as well as those to whom these MNCs are suppliers. Such transfers include management knowhow, staff training, and improved production efficiency. However, global evidence reveals that horizontal spillovers are insignificant as MNCs are not willing to set up business where technology leakages benefits competitors. On the other hand there is evidence from developing countries like Indonesia and China that shows the significant positive spillovers of vertical linkages. In particular the MNCs try developing local supply chains that in turn help develop local industries in other areas.

Thirty years ago, 80 special economic zones (SEZs) in 30 countries generated barely US \$6 billion in exports and employed about 1 million people. Today, 3,000 SEZs operate in 120 countries and account for US \$600+ billion in exports and 50 million direct jobs. After the success of the first SEZ when it appeared in Taiwan's Kaohsiung harbor 40 years ago, some economists thought that greater trade liberalization around the world would soon make these zones obsolete. That was especially true after 1995, when the founding of the WTO promised to bring trade barriers crashing down and usher in a new golden age of globalization. Such "special" zones were to be expanded to entire countries, regions and ultimately, the world. Instead, zones have had an enduring appeal—even in mostly open economies such as Taiwan's. In fact, their numbers are booming: In 1995, there were 500 in 242 countries; by 2012, there were 3,240 in 126 countries. A large number of them are operating in developing countries.

GEM AND JEWELLERY**MARKET SIZE AND EXPORT POTENTIAL**

The gems and jewellery industry occupies an important position in the Indian economy. It is a leading foreign exchange earner and also one of the fastest growing industries in the country. The two major segments of the sector in India are gold jewellery and diamonds. Gold jewellery forms around 80 per cent of the Indian jewellery market, with the balance comprising fabricated studded jewellery that includes diamond studded as well as gemstone studded jewellery. The current Jewellery market size in the country is estimated at US\$ 13 billion out of which diamond jewellery is about \$ 1.2 bn. The market for gold jewellery is growing at about 15% pa whereas the diamond jewellery is growing at almost 27% pa. Gems and Jewellery Industry is one of the fastest growing industries in the country and contributes 15% to India's total exports.

It also has strong presence in the international market due to its considerable competitive advantages. The global market for gems and jewellery today is pegged at USD 85 billion with an average Compounded Annual Growth Rate (CAGR) of 5-10 percent in the last decade. India's exports in 2005 for GJ has been estimated at about \$ 15.6 billion (up by 26% from the previous year) which accounts for 18.3% of the world market. Majority of the Indian exports is in cut and polished diamond accounting for almost 71% of the total exports from the country. Exports in India have increased phenomenally in the last three years with Jewellery exports growing by 49% in the year 2004-05 and diamond exports growing by 35 % in the year 2017-18.

The factors leading to the Indian gems and jewellery industries growth are many. A near dominance in diamonds and colored stones, manufacturing excellence, forward looking entrepreneurs, liberalized

government policies and an extensive international marketing network has helped India establish itself as one of the leading jewellery centres in the world.

COUNTRY ADVANTAGE

India offers tremendous advantages for setting up gem and jewellery units to cater to world market. The Indian gems and jewellery industry is competitive in the world market due to its low cost of production and availability of skilled labour.

- In addition, the industry has a worldwide distribution network, which has been established over a period of time. India has set up more than 3,000 offices worldwide for promotion and marketing of Indian diamonds.
- The Indian diamond industry has acquired leadership position in cutting and polishing of rough diamonds. India has the world's largest cutting and polishing industry, employing around 800,000 people (constituting 94 percent of global workers) with more than 500 hi-tech laser machines. India is therefore a significant player in the world gems and jewellery market both as a source of processed diamonds as well as a large consuming market.
- India has a comparative advantage in terms of cost as well. It has one of the lowest costs in diamond cutting - the cost per carat for cutting diamond was US\$ 10 in India in 2004 as compared to US\$ 17 in China and US\$ 150 in USA. This makes diamonds sourced from India much more profitable. For example, diamond jewellery, which costs between US\$ 60 and US\$ 90, can be sold in the overseas market for US\$ 180. Low cost skilled labour coupled with advanced technical capabilities provides the right platform for the Indian gems and jewellery sector to grow and become globally competitive.

RELEVANCE FOR SEZ

Exports of gems and jewellery from India primarily happen out of units based in the Special Economic Zones (SEZs) and Export Promotion Zones (EPZs). Examples include Santacruz Electronics Export Processing Zone (SEEPZ, Mumbai), Madras Export Processing Zone (MEPZ, Chennai) and Noida Export Processing Zone (NEPZ, Noida). Majority of the exports from these zones is that of Gem and Jewellery. Today the majority of the exports taking place from existing SEZs are for gems and jewellery items.

SUITABILITY OF AMRAVATI SEZ FOR THE SECTOR

Even though the sector is very important from the export potential point of view, the sector does not hold much of an attraction for Amravati SEZ. On location issues it scores low mostly on account of lower investment proposals in the region, availability of skilled manpower, lack of proper user response and the impending competition from product specific SEZs which exist and those that are coming up in Maharashtra and Gujarat. The overall score are comparatively low compared to other sectors competing for consideration within the SEZ.

Table 2
Total Composite Scores* for Gem and Jewellery Sector on its suitability-Amravati SEZ

Parameters	Max Scores	Total scores
Domestic Market	15	11
Export Potential	20	15
Country Competitiveness	15	13
Area competitiveness	20	4
Value addition	15	10
Investment/User interest	10	2
Environmental compatibility	5	3
Total	100	58

* Scores are relative

The sector is not a high priority area in the case of Amravati SEZ compared to other sectors which score higher.

SOME IMPORTANT PLACES IN AMRAVATI

The major places of interest in Amravati and around are depicted in table.

Table 3
Places of attraction around Amravati (Catchment area)

District	Area (in sq.km.)	(in Rs. '000)	Tehsil	Village	Literacy	Some Places of Interest
Maharashtra	307,690	78,706	356	38,839	63.4	
Akola/Washim	10,574	2,214	13	1546	47.13	Akola, Alot, Balapur, Barsi Takli, Naruala, Washim
Amravati	12,210	2,200	14	1698	68.8	Amravati, Achalpur, Ellora, Daulatabad, Paithan
Buldhana	9,661	1,886	13	1273	58.17	Buldhana, Khamgaon, Malkapur, Mehekar, Nandura
Nagpur	9,892	3,237	14	1658	73.13	Bhivagarh, Nagpur, Ramtek Umred
Wardha	6,309	1,067	8	1015	70.2	Arvi, Himganghat, Paunar, Sevagram Wardha
Yavatmal	13,582	2,077	16	1751	55.93	Darwha, Digras, Umarkhed, Yavatmal
Catchment Area	62,228	12,681	78	8,941		

CONCLUSION

The SEZ policy in India underwent gradual relaxation of procedural and operational rigidities. The changes effected in this policy since 1991 have been far reaching and significant. It is believed that the overall and EPZ investment climate has an overwhelming bearing on the SEZ performance. In India, however, a conducive policy framework has had only a limited impact on the zone performance. Though the gross exports, foreign exchange earning and employment increased phenomenally in absolute terms, their growth rates declined substantially. Growth in exports per unit of employment also slowed down indicating deterioration in the export performance. Net value addition performance compares favourably with other Asian countries but it has not been consistent and the trend growth rate in value addition had not been statistically different from zero. Furthermore, zones also failed to promote non-traditional exports. Traditional sectors namely electronics and gems and jewellery dominate the zones. This could be due to the piecemeal nature of the policy changes. Various committees were set up to examine the performance of the zones. These committees made far reaching recommendations regarding incentive package, development of infrastructure and improvement in governance.

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