

## Special Economic Zones in India – An Introduction

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### Summary

This introductory article describes the salient features of the Indian embodiment of the model Chinese SEZ, how it evolved and what the various steps are in making an Indian SEZ function: from submitting an application and receiving a Letter of Approval for the establishment of an SEZ to getting the authorised operations and particular units sanctioned. The SEZs are tax-free enclaves for investors from India and abroad. As the Prime Minister of India, Dr. Manmohan Singh, said: “SEZs are here to stay”. The Indian government and the state governments are now finding that it is not enough to promulgate modern laws luring foreign direct investment into India, but that they also have to provide for the concerns and the livelihoods of those affected by the establishment of SEZs.

“The current promotion of SEZs is unjust and would act as a trigger for massive social unrest, which may even take the form of armed struggle.”

*Vishwanath Pratap Singh, former Prime of India, in: Frontline, 20 October 2006*

### 1 Introduction

Lately, India, or at least its economic growth, seems to be on everybody’s agenda the world over. Its economic development particularly fires the imagination of Indian and foreign investors. This has led to books being published with titles like “Global Power India” or slogans like “China was yesterday, India is today”. Many institutions such as the Indo-German Chamber of Commerce or various consulting companies in Germany sing the Indian tune and recommend doing business in the subcontinent. What to companies and investors may seem to be a vast new horizon for investment offering a plethora of opportunities, is not necessarily welcomed unanimously in India. The development of Special Economic Zones (SEZs) is one element in this vein which is currently leading to a great deal of conflict between various actors, be they political or societal. This is all the more interesting as India was certainly not known as a country that inspired foreign investors. After India’s independence in 1947, the Indian government under the leadership of its first prime minister, Jawaharlal Nehru, and with the help of the planning skills of one now forgotten Prasanta Chandra Mahalanobis, a Cambridge-trained physicist and statistician, ushered a planned economy in where the “commanding heights” were to be occupied by the government. Liberalisation was a far cry and not the demand of the day, not even for the industrialists who drew up the so-called “Bombay Plan”. In