



Enhancing India's Export Competitiveness

The Role of Special Economic Zones



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Chapter 1

Introduction

1.1 Introduction

Special Economic Zones (SEZs) are designated areas within a country where unique economic regulations apply, differing from those in the rest of the nation. These zones aim to foster a favourable trade environment, attract both local and international investments, create employment opportunities, and streamline administrative processes. SEZs have played a crucial role in driving economic growth globally, benefiting both emerging economies and established nations. They facilitate technology transfer, boost export capacity, generate jobs, and attract investment, all contributing to economic development.

In India, the SEZ framework is a key component of the government's industrial strategy. It aims to attract foreign direct investment (FDI), support manufacturing and service industries, and spur economic growth and development. The establishment of SEZs aligns with the government's primary objectives, such as enhancing infrastructure, reducing bureaucratic red tape, and accelerating economic integration with global markets. The creation of SEZs in India is vital for achieving these goals and driving overall economic progress.

1.2 Historical Context of SEZs in India

Early Policies and Foundational Steps Toward Economic Zones (1947-2001)

The establishment of Asia's first Export Processing Zone (EPZ) in Kandla in 1965 is widely recognized as the beginning of Special Economic Zones (SEZs) in India. This initiative marked India's early efforts to create zones dedicated to exports, a significant aspect of the country's economic strategy post-independence. These zones were designed to simplify global business operations and were part of a broader industrialization program focusing on import substitution.

Following independence, India embarked on this program to boost industrialization, but the real regulatory framework for SEZs was not