

Global industrial issues: special economic zones in india



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India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ). The chief drawbacks of EPZ were multiplicity of controls and clearance, absence of world class infrastructure and instable fiscal regime. The Special Economic Zone Policy (SEZs) was announced in 2000 and it tried to look into the drawbacks of the EPZ policy.

SEZs are engine for economic growth supported by quality infrastructure, attractive fiscal package and minimum possible regulations. The main objectives of the policy are:

1. Generation of additional economic activity
2. Promotion of exports of goods and services
3. Promotion of investment from domestic and foreign sources
4. Creation of employment opportunities
5. Development of infrastructure facilities.

The SEZ rules provide for

1. Simplified procedures for development, operation and maintenance of the SEZs and for setting up units and conducting business in SEZs
2. Single window clearance for setting up an SEZ
3. Single window clearance for setting up a unit in a SEZ
4. Single window clearance on matters relating to central as well as state Governments
5. Simplified compliance procedures and documentation with an emphasis on self certification.

Incentives and Facilities Offered to the SEZs:

1. Duty free import/domestic procurement of goods development, operation and maintenance of SEZ units.
2. 100% income tax exemption on export income for SEZ units for the first 5 years, 50% for the next 5 years thereafter, and 50% of the ploughed back export profit for the next five years.
3. Exemption from minimum alternate tax, central sales tax and service tax.
4. External commercial _____ by SEZ units up to US \$ 500 million in a year without any maturity restriction through recognised banking channels.
5. Single window clearance for central and state level approvals.

Major Incentives and Facilities available to SEZ developers include:

1. Exemption from customs/excise duties for development of SEZs for authorised operations approved by Board of Approval (BOA)
2. Income tax exemption on export income for a block of 10 years in 15 years
3. Exemption from minimum alternate tax, dividend distributors tax, Central Sales Tax and Service Tax.

The SEZs trigger a large flow of foreign and domestic investment, resource utilisation and generate additional economic activity.

Newly Industrialising Countries

Newly Industrialising Countries (NICs) are those industries whose economics have not yet reached first world status but are more developed than their developing counterparts. The other characteristics of NIC's is rapid

economic growth (usually export oriented), optimal resource utilisation, rapid pace of industrialisation and a pool of labourers. Hongkong, South Korea, Singapore, Taiwan rose to global prominence with rapid industrial growth since 1960's. This was possible with optimal resource utilisation. These countries can be considered as first generation of NIC's. Organisation of Economic Cooperation and Development (OECD) and UNCTAD have helped in the development of NIC's. NIC's usually benefit from comparatively low labour costs and larger market. Currently the following countries are considered as NIC's China, India, Malaysia, Philippines, Thailand (Asia) South Africa (Africa); Mexico (North America) Brazil (South America) and Turkey (Europe).

Organisation for Economic Cooperation and Development

The organisation for Economic Cooperation and Development (OECD) is an international organisation of thirty countries that accept the principles of representative democracy and free market economy. It originated in 1948 as Organisation for European Economic Cooperation (OEEC) and was reformed into organisation for Economic Cooperation and Development in 1961.

The OECD covers all economic, environmental and social issues. It identifies common problems and good practice and coordinates domestic and international policies. The organisation collects data, monitors trends and forecasts economic developments. It also analyses the patterns in trade, environment, agriculture, technology, taxation and other areas the secretariat of OECD looks into entrepreneurship, tax policy, employment, labour, trade, agriculture, financial and enterprise affairs etc. The organisation further looks into the development of nuclear and energy

resources. Most of the countries of Europe are part of it – Austria, Belgium, Denmark, France, United Kingdom etc. Besides it Japan and South Korea (Asia) and United States of America and Canada are also a member of OCED.

G8:

The Group of Eight (G8) is an international forum for the governments of Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States. The concept of the forum for the world industrialised democracies emerged after the 1973 oil crisis and subsequent global recession. The G8 countries discuss the topics of labour, economic and social development, energy, environment, trade etc. The forum discusses the global issues in an informal manner.

New Post W W II trends in Industrial Resource

The post world II period observed many changes in the utilisation of resources for industrial development. Some of the following trends were observed:

1. De industrialisation and restructuration as a result of changing industrial policies of linearization and globalisation.
2. The phase of deindustrialisation and restructuration was followed by the renewed programmes and changes in location and structure of plants was observed. The plants were reallocated and many multi functional companies became more functional.
3. The structure of industries shifted from fordism to Neo-fordism & post fordism.

4. The lower order industrial regions termed as dusters and complexes came into existence.

These phenomena are the phase of rejuvenations in manufacturing systems. These are a result of newer innovations and technologies. Thus, the resource are utilised in a more appropriate manner. The improvements in means of transport and communication has encouraged the process of industrialisation. Further, the rational and planned formulative policy for manufacturing give rise to inter-national companies (MNC's). The location and reallocation of resources and industries have created decongestion of industries and thus lower order clusters and complexes have come up in existence. These are well equipped with newer technologies. OCED's , NIC's, G8, BRICS, SEZ's have accelerated the process of resource allocation.

Thus, the combination of spatial dispersal and global integration has created new centres as

1. Highly concentrated command points in the organisation of the world economy
2. Key locations for finance and for specialised service firms
3. Sites of production, including the production of innovation in these leading industries and
4. Markets for the products and innovations produced.

High Tech Manufacturing Development Foci:

A number of specialised high technology centres (also termed as footloose industries) have developed in the world. These units are largely located nearer to universities and research institutions. Silicon Valley in California

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near Stanford Unweisily and ' Boston Route 128' near Massachusetts

Institute of Technology (MIT) are one of the centres which have developed

Many IT industries like IBM are engaged in research around here.

Subsequently, the research and industry partnership hubs have developed all over the world-many countries of Europe, Japan, South Korea, Mexico, India etc. Foot loose industries are highly flexible and are largely dependent on highly literate young entrepreneurs, with little cash and space. The high tech industries are functionally discrete by nature and look into design, development and fabrication.

The re-industrialisation restructures the national and economic landscape and there is a development of three lower order industrial developments.

1. Industrial districts at a comparatively higher spatio functional level
2. Flexible specialisation at international level
3. _____ at local level.

Utilisation of resources underwent a transformation with a change in the approach of establishment of industries and subsequently utilisation of resources. Neo-fordism evolved for the continently of fordist, labour process but post fordism stressed complete break.

Global Industrialisation & Related Problems:

Globally, differential development of industries is observed. Thus, differences in utilisation is also observed imbalances are visible in developing and developed regions of the world. Different issues are observed in developed and developing countries. Some industrial products whose demands have

been increasing since Industrial Revolution might now experience a decrease in demand. The growth rates are either stagnant or have decreased in the already developed regions which these rates have accelerated in the developing countries.

Since mid 1970's the demand for many consumer goods have established in Developed countries because of the changes observed in population growth rate has become negligible. Besides, world recession, average personnel disposable income, changing technology, increased durability of the products are some of the factors responsible for the decrease in demands for industrial products in mid 1990's.

Although, the demand for goods declined in 1990's but on the other hand, worldwide capacity has increased because of the following factors:

1. The diffusion of industrial revolution and basic level of technology for commonly demanded items such as textiles, iron and steel, automobile, etc from developed to the less developed world.
2. Increased output capacity by developed nations as a result of technological inventions and innovations and change in the structure of resource utilisation.
3. The shifts of hubs of industries. The early concentration (followed by Industrial Revolution) was in UK in 19th century followed by USA, USSR; Germany and Japan. China, Mexico and Indonesia followed the above countries and the industrial production increased. In the 21st century many Asian countries (Newly Industrialising countries), South Africa (BRICS), Taiwan, Singapore and.

Industrialisation plays an important role in national economy:

1. Through industrialisation the country sustains itself and provides indigenous goods and products. Thus also helps in improving the economy of the nation.
2. The process of industrialisation helps in promoting the development of essential infrastructure of a region. Thus, the process of industrialisation helps in developing the various pockets of the country.
3. As the process of industrialisation proceeds various under-developed pockets also are benefitted as the diversification of industrialisation becomes more and more strong.
4. The employment opportunities are generated. Thus, helps in improving the economy of the country.
5. The resource exploration is done as per the needs and over exploitation can be avoided. On the other hand, industries can be developed in the resource endowed regions.

Industrial Problems in Developed Countries:

The largest challenge which the developed countries face is of change in structure of production - from fordism to neo fordism and post fordism, enhanced cost of labour, decline in the market with new market areas developing and procurement of resources.

1. Earlier the industrialised grants of the world relied on international market for their products as well as they procured the resources globally 20th century witnessed the development of industries in many other parts of the world. The competition of markets has led to the

grouping of countries. Such as European Common Market (ECM) Association of South East Asian Nations (ASEAN), North American Free Trade Association (NAFTA), Asia Pacific Economic Cooperation (APEC) Etc. These grouping helped in reducing trade barriers and the hubs of industrial regions are adversely affected.

2. The countries which industrialised early, immediately in the post industrial revolution era because of the advancement in innovations and technology procured the raw material from the countries which were devoid of it from late 19th century and beginning of 20th century these countries started developing industries in their own parts. Thus, the already existing industrial hubs suffered from the availability of resources.
3. The early industrialised countries suffered a setback of accelerating cost of labour. This was largely because of the low population availability. This promoted the change in structure of industries. Multinational companies came in instead of integrated industries. The multinational corporations helped in deindustrialisation and reindustrialisation. This helped in the development of new regions and few already industrialisation regions suffered a setback.

Industrial Problems in Developing Countries:

The problems of the developing are largely related to the availability of capital, latest technology, adequate infrastructure and proper management skills. These countries have entered the production late and are still in the infancy stage.

1. Largely the developing countries are in their infancy stage and thus are facing problems of technological advancement and Automations and application of upgraded technology is essential for the increase in the production.
2. The developing countries are not well equipped with trained managers, professionals and other supporting staff. This restricts the optimum utilisation of resources.
3. Lack of basic infrastructure and amenities is another major constraint of the developing countries.
4. Many developing countries are accelerating the process of industrialisation and ignoring the proper controls towards environmental protection which can harm human ecology.

Industrial Problems in under developed Countries:

Capital scarcity, poor labour asset, lack of latest technology and automation political instability economic recession and under developed infrastructure are some of the problems faced by under developed countries.