Concerns with Sagarmala project

Why in news?

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The government has approved creating 14 coastal economic zones (CEZs) in JNPT, Maharashtra under Sagarmala Project.

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What is the Sagarmala project?

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- Sagarmala project is a strategic and customer-oriented Rs 8,000,000 million investment initiative.
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- It aims to modernize India's Ports so that port-led development can be augmented and coastlines can be developed to contribute in India's growth.
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- It also aims for transforming the existing Ports into modern world class Ports and integrate the development of the Ports and efficient evacuation systems.
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- Development of mines, industrial corridors, rail, road and airport linkages with these water ports are also part of the project.
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What is the recent announcement about?

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- The Jawaharlal Nehru Port Trust in Maharashtra has approved for the creation of 14 CEZs.
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- Reports suggest that 45 companies from the telecom, technology, and automobile industries are expected to bid for them.
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- Since the JNPT accounts for 40% of India’s trade, the zone expects to attract investment worth Rs 15,000 crore and create 1,50,000 jobs in the first phase.

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What is the lesson from SEZs?

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- The SEZ policy appeared to have largely been a success as evident from accounting for a third of the country's exports.
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- However, it is to be noted that much of this was on account of the IT and ITeS sectors which merely shifted location when the sunset clause on their sector-specific tax breaks kicked in.
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- The enthusiasm for SEZs waned considerably once the government imposed the minimum alternate tax and the dividend distribution tax.
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- It is thus difficult to gauge the real performance of SEZs, and they highlight the risk of creating islands of “Doing business”.
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- The model’s excellence is less likely to generate the kind of all-round economic development that India urgently needs.
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- Also, political and social dynamics differ significantly making this Chinese developmental model a least optimum solution for India.
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Is CEZ model effective for Sagarmala?

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- Sagarmala project which is based on CEZ seems to have become a casualty of the chronic problem of land acquisition.
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- For Sagarmala project, the land requirement could extend from 300 km to 500 km adjacent to deep-water ports.
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- Reports suggest that several projects have hit roadblocks either on account of high prices or limited land availability.
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- Investors are very cautious of investing in CEZs because they do not attract the provisions of “Eminent domain”.
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- This provides for some 13 exceptions such as railways and coal-bearing tracts from the requirement of prior consent.
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- In all, the feasibility of these economic models for infrastructure projects is uncertain without tax concessions and relaxations in labour laws that investor community expects.
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Quick Facts

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SEZ

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- Special economic zone (SEZ) refers to designated areas with special economic regulations that differ from other areas.
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- These regulations are especially conducive to foreign direct investment.
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- A company doing business in an SEZ usually receives tax incentives and the opportunity to pay lower tariffs.
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CEZ

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- Similar to SEZ, the CEZ focuses on coastal development.
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- CEZs are aimed at promoting development of port-proximate industrial clusters, encouraging port-led development, reduction of logistics cost and time for movement goods.
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Source: Business Standard

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