

Export-Oriented FDI, FTAs, and GST in India Issues and Impact on SEZs and EOUs

Background

Recognising the importance of foreign investment, trade agreements, and taxation reforms in triggering economic growth, the Government of India has taken many initiatives in recent years such as relaxing Foreign Direct Investment (FDI) norms across sectors, has negotiated several free trade agreements (FTAs), and has introduced goods and services tax (GST). The introduction of Special Economic Zones (SEZs) and Export Oriented Units (EOUs) in India, to fuel rapid economic growth, promote exports, increase foreign exchange reserves and attract more FDI, act as a catalyst role in economic development of the country.

Given the strong factor endowments and demographic profile, India has huge potential to attract export-oriented FDI in the manufacturing sector. India has the potential to emerge as a centre of global manufacturing as it has already made long strides in the service sector. Therefore, it is important for India to consider manufacturing and services as two equally important pillars of its production.

In order to achieve this objective, India has to undertake bold structural reforms in areas such as trade and investment, competition, education, skill development, labour market policies, infrastructure, institutional and regulatory reforms and other such areas. Furthermore, there is also need to develop a greater degree of coherence while undertaking such reforms, for instance, export and FDI related policies need to be coherent. This can be achieved by allowing greater FDI into export-oriented industries such as electronics, gems and jewellery, light and heavy engineering goods, textiles, among others.

Further, considering the importance and objective of SEZs and EOUs, it is important to examine the issues involved in export-oriented FDI, and impact of FTAs and GST on their production, employment, and trade performance.

Objective

Given this Background and Context, the broad objective this study is to examine the issues in attracting export-oriented FDI especially in the context of SEZs and EOUs, along with assessing the impact of FTAs and GST on production, employment, and export performance of SEZs and EOUs.

Methodology and Timeline

Against this backdrop, the study requires primary and secondary data analyses to achieve the desired research objectives. Primary survey is expected to cover the four states of India, viz. Maharashtra, Gujarat, Tamil Nadu, Rajasthan and Andhra Pradesh across four sectors (textiles, automobile, pharmaceuticals and multi-product).

The required data set will be compiled from different secondary sources such as Indiastat, annual reports of Ministries/Departments of the Government of India and authorized databases. Appropriate quantitative and econometric techniques will be employed in analyzing the data to achieve the objectives of the study. The project is envisaged for duration of 6 months (February, 2018 – July, 2018)

Expected Outcomes

The study will provide a specific set of policy recommendations for boosting the flow of export-oriented FDI into India, especially in SEZs. It will also generate substantial understanding on the impact of FTAs and GST on production, employment, and export performance of SEZs and EOUs, which can be used for making necessary changes in while implementing FTAs and GST in SEZs and EOUs.

Project Partner

The project is supported by Department of Economic Affairs, Ministry of Finance, Government of India and CUTS International is the principle implementer.

