

## Book Review

### **THE PERFORMANCE OF INDIA'S EXPORT ZONES: A COMPARISON WITH THE CHINESE APPROACH**

ASHOK KUNDRA (Sage Publications, New Delhi - 2000)

Reviewed by: W. Wimalaratana

A number of alternative development strategies have been implemented in developing countries over the last fifty years or so, to achieve the esteemed goal of economic development. Export promotion has become the passionate alternative strategy to import substitution in recent times. As a result, the setting up of export zones or similar ventures became a style in the recent past in order to attract foreign investment and modern technology, to create jobs as a solution to the growing unemployment problem, to earn much-needed foreign exchange to ease the external imbalance etc. Ashok Kundra makes an excellent effort to examine the Chinese and Indian approaches and experiences regarding the export promotion strategies of these two countries. The book is basically based on his PhD thesis although some changes have been effected to the original work.

The book, apparently for the convenience of analysis, has been divided into three major parts. The first part deals with the policy framework for Export Processing Zones (EPZ) and Export Oriented Units (EOU), their problems, performance and future prospects in general. In the second part, the discussion concentrates on the Chinese experience with the export processing zones paying special attention to its policy strategies in this respect, the rationale for setting up of special economic zones, economic and technological development zones and their policy designs and performances. The third part examines the foreign investment policies pursued by China and India and the relevance of macro economic policies in this regard.

India and China are the most populous countries in the world, though their respective shares in the world economy are still

comparatively small. Since India's political independence in the late 1940s and the communist revolution in China in the late 1950s, both countries had mainly concentrated on inward looking economic policies rather than the exploitation of the opportunities offered by the world economy, mainly international trade and investment. Accordingly long term macroeconomic planning and import substitution had become major components of their economic development strategies. The marked difference in political expression - where China has had a one party communist system while India has had a multi party democratic system - had little or no effect in dealing with their external economic relations.

The two slumbering giants seem to have been awakened by the introduction of an export promotion industrialization strategy, firstly by China since the late 1970s and later by India since the early 1980s. Kundra initiates a broad discussion on the policies, practices and experiences related to the export promotion zones in India and China. As an economic development approach, export promotion policy has penetrated all geographical zones of the world with varieties of cultural, political and economic systems. The book pays due attention to finding implications of all these areas when and where necessary. In addition to the Chinese experience, the author compares and contrasts Indian experiences with other countries such as Brazil, Dominican Republic, Kenya, Malaysia, the Philippines, South Korea, Singapore and Sri Lanka.

The success or failure of the export promotion strategy depends on the availability of several favourable factors propping up production and distribution at competitive prices. The provision of efficient infrastructure such as transport, communication networks and educated and skilled manpower are essential in this regard. However, such bottlenecks as infrastructural weaknesses, operational and procedural problems in a host country like India hinder export promotion strategy as discussed in the book. In addition to the role of the policy framework, the rationality of the policies and policy performances are highlighted. Expatriates can play a vital role in providing capital, technology and management expertise and in this respect China is more successful as compared to India.

Indian experiences show that exports in Export Promotion Zones (EPZs) as a percentage of total exports have always been low and stagnant. These zones have also concentrated on electronics, gems and jewellery and garment production and exports, which have poor linkages with the domestic economy. However, the productions are labour intensive so that they permit employment generation at reasonable levels. In contrast to this, Export Oriented Units (EOUs) have been dynamic – number of units as well as export earnings have increased, products are broad based and diversified and production ranges from yarn, agro-based industries and mineral ore to textiles.

The book examines the evolution of policy regimes from restrictive policies to liberalized policies and from centralized policies to decentralized policies. It establishes a positive correlation between the nature of policies and success of performance. The author's previous experiences as a Development Commissioner of export processing zones and his publication of various articles in this field seem to have greatly benefited this research work.

The book contains three annexures in addition to seventy-one tables spread throughout the main text and appendices. Annexure one provides profiles of five export processing zones representing different geographical and cultural localities of India. The second appendix gives the basic essential information about the different categories of industries located in these zones while annexure three gives an insight into the Chinese law for foreign investment. The book also contains a fairly wide subject index making the reader's journey comfortable.

The author highlights that when compared to India, Chinese Special Economic Zones (SEZs) and Economic and Technological Development Zones (ETDZs) have definitely been a success story due to their strategic location and investor-friendly economic, social and political factors. In addition it suggests that conducive macroeconomic policy, political commitment and administrative supports have been instrumental in this regard.

The cost of pursuing export promotion policy by the government involving large amounts of public funds at the expense of basic amenities of the vast poor in a country like India has not been tackled sufficiently by the author. Another major shortcoming is the lack of maps, as is the omission of an authors' index.