

Special economic zone

A special economic zone (SEZ) is an area in which the business and trade laws are different from the rest of the country. SEZs are located within a country's national borders, and their aims include increased trade balance, employment, increased investment, job creation and effective administration. To encourage businesses to set up in the zone, financial policies are introduced. These policies typically encompass investing, taxation, trading, quotas, customs and labour regulations. Additionally, companies may be offered tax holidays, where upon establishing themselves in a zone, they are granted a period of lower taxation.

The creation of special economic zones by the host country may be motivated by the desire to attract foreign direct investment (FDI). [1][2]
The benefits a company gains by being in a special economic zone may mean that it can produce and trade goods at a lower price, aimed at being globally competitive. In some

countries, the zones have been criticized for being little more than labor camps, with workers denied fundamental labor rights.

Definition

The definition of an SEZ is determined individually by each country. According to the World Bank in 2008, the modern-day special economic zone typically includes a "geographically limited area, usually physically secured (fenced-in); single management or administration; eligibility for benefits based upon physical location within the zone; separate customs area (duty-free benefits) and streamlined procedures

History

Free zones and entrepôts have been used for centuries to guarantee free storage and exchange along trade routes. [citation needed]

Modern SEZs appeared from the late-1950s in industrial countries. The first was in Shannon

Airport in Clare, Ireland.[7]

From the 1970s onward, zones providing labour intensive manufacturing have been established, starting in Latin America and East Asia. The first in China following the opening of China in 1979 by Deng Xiaoping was the Shenzhen Special Economic Zone, which encouraged foreign investment and simultaneously accelerated industrialization in this region. These zones attracted investment from multinational corporations.
[1]

A recent trend has been for African countries to set up SEZs in partnership with China.[2]