EXPORT PROMOTION COUNCILS, SPECIAL ECONOMIC ZONES AND EXPORT ORIENTED UNITS IN INDIA

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ABSTRACT

Export promotion has been a significant component of India's economic policy, aimed at enhancing international competitiveness, generating employment, attracting investment and strengthening the country's position in global trade. Among the major institutional and policy mechanisms supporting export growth are **Export Promotion Councils (EPCs), Special Economic Zones (SEZs), and Export Oriented Units (EOUs)**. These mechanisms provide institutional support, infrastructure, fiscal incentives and regulatory facilitation to exporters and contribute to the expansion and diversification of India's export sector.

Export Promotion Councils function as sector-specific bodies that assist exporters through market intelligence, trade promotion, participation in international exhibitions, dissemination of information and facilitation of access to foreign markets. Special Economic Zones provide designated areas with developed infrastructure and a business-friendly regulatory framework to promote exports, attract foreign and domestic investment and facilitate manufacturing and service activities. Export Oriented Units, on the other hand, are enterprises established primarily for producing goods or providing services for export and are supported through various policy incentives and simplified procedures.

This study examines the legal and institutional framework governing EPCs, SEZs and EOUs in India, with particular emphasis on their objectives, functions, incentives, regulatory mechanisms and contribution to export promotion. It also analyses the challenges associated with their implementation, including regulatory compliance, infrastructure limitations, procedural complexities and changing international trade conditions. The study evaluates the effectiveness of these mechanisms in promoting exports and identifies measures necessary to improve their efficiency and competitiveness. It concludes that coordinated institutional support, simplified regulations and stable export policies are essential for strengthening India's export-oriented growth and integration into the global economy.

Keywords: Export Promotion Councils (EPCs), Special Economic Zones (SEZs), Export Oriented Units (EOUs), Export Promotion, Foreign Trade Policy, International Trade

1.INTRODUCTION

International trade plays a vital role in the economic development of a country by facilitating the movement of goods and services across national borders, generating foreign exchange, creating employment opportunities and promoting industrial growth. For a developing economy such as India, the expansion of exports is particularly important for achieving sustainable economic growth, improving global competitiveness and strengthening its integration with the international economy. Recognising the importance of exports, the Government of India has introduced several institutional and policy mechanisms to encourage export-oriented production and facilitate access to international markets. Among these mechanisms, Export Promotion Councils (EPCs), Special Economic Zones (SEZs), and Export Oriented Units (EOUs) occupy an important position.

Export Promotion Councils are sector-specific organisations established to promote and develop India's exports. They provide exporters with information regarding foreign markets, organise trade fairs and exhibitions, facilitate buyer-seller interactions and assist in addressing various difficulties faced by exporters. Their activities contribute to increasing the visibility and competitiveness of Indian products and services in international markets.

Special Economic Zones represent another important instrument of export promotion. SEZs are specifically designated geographical areas where businesses are provided with infrastructure, simplified procedures and various fiscal and regulatory incentives to encourage export-oriented activities. The Special Economic Zones Act, 2005 provides the principal legal framework for the establishment, development and administration of SEZs in India. The SEZ framework seeks to attract domestic and foreign investment, generate employment, develop infrastructure and enhance exports.

Export Oriented Units are enterprises established with the primary objective of producing goods or providing services for export. The EOU scheme provides various benefits and procedural facilities to encourage export-oriented manufacturing and service activities. EOUs have contributed to the diversification of India's export base and have enabled enterprises to participate more effectively in global supply chains.

The functioning of EPCs, SEZs and EOUs is closely connected with India's broader foreign trade policy and the legal framework governing international commerce. Their effectiveness, however, depends upon factors such as regulatory stability, infrastructure, ease of doing business, access to finance, technological advancement and changing international market conditions.

Against this background, the present study examines the legal framework, functions and significance of Export Promotion Councils, Special Economic Zones and Export Oriented Units in India. It also analyses their contribution to export growth, employment generation and investment promotion, while identifying the major challenges affecting their effective implementation. The study seeks to assess whether these mechanisms continue to provide an effective framework for strengthening India's export competitiveness and achieving greater integration with the global trading system.

2. OBJECTIVES

1. **To examine the legal and institutional framework** governing Export Promotion Councils (EPCs), Special Economic Zones (SEZs), and Export Oriented Units (EOUs) in India.
2. **To analyse the role and functions of Export Promotion Councils** in promoting Indian goods and services in international markets and supporting exporters.
3. **To examine the objectives, incentives and regulatory framework of Special Economic Zones** and assess their contribution to export growth, investment and employment generation.
4. **To study the Export Oriented Unit scheme** and evaluate its role in encouraging export-oriented manufacturing and service activities in India.
5. **To identify the major challenges and regulatory issues** faced by EPCs, SEZs and EOUs in promoting exports and maintaining international competitiveness.
6. **To assess the effectiveness of EPCs, SEZs and EOUs** in strengthening India's export sector and suggest appropriate measures for improving their functioning and contribution to India's foreign trade.

3. RESEARCH QUESTIONS

1. What is the legal and institutional framework governing Export Promotion Councils (EPCs), Special Economic Zones (SEZs), and Export Oriented Units (EOUs) in India?
2. How effectively do Export Promotion Councils contribute to the promotion and facilitation of India's exports?
3. To what extent have Special Economic Zones contributed to export growth, foreign investment, employment generation, and economic development in India?
4. How effective is the Export Oriented Unit scheme in encouraging export-oriented production and improving India's international competitiveness?
5. What are the major legal, regulatory, administrative and infrastructural challenges faced by EPCs, SEZs and EOUs in India?
6. What legal and policy measures can be adopted to improve the effectiveness of EPCs, SEZs and EOUs and strengthen India's export promotion framework?

4. LEGAL FRAMEWORK GOVERNING EXPORT PROMOTION COUNCILS, SPECIAL ECONOMIC ZONES AND EXPORT ORIENTED UNITS IN INDIA

The promotion of exports constitutes an important component of India's economic and trade policy. Exports contribute to foreign exchange earnings, industrial development, employment generation, technological advancement and integration with global value chains. In order to facilitate international trade and strengthen the competitiveness of Indian enterprises, the Government of India has created a multilayered legal and institutional framework consisting of statutes, rules, foreign trade policies, administrative procedures and specialised export promotion institutions. The framework governing Export Promotion Councils (EPCs), Special Economic Zones (SEZs) and Export Oriented Units (EOUs) forms an important part of this larger system.

The legal framework is not contained in one comprehensive legislation. Instead, it operates through the interaction of the **Foreign Trade (Development and Regulation) Act, 1992 (FTDR Act)**, the **Foreign Trade Policy, 2023**, the Handbook of Procedures, the **Special Economic Zones Act, 2005**, the **Special Economic Zones Rules, 2006**, customs legislation, taxation laws and other sector-specific regulations. The Foreign Trade Policy 2023 specifically provides the policy framework for export promotion and is implemented through procedures and notifications issued by the Directorate General of Foreign Trade (DGFT).[1] The SEZ framework operates principally under the SEZ Act and Rules, while the EOU scheme is primarily governed through Chapter 6 of the Foreign Trade Policy and corresponding provisions of the Handbook of Procedures.

The three mechanisms perform different but complementary functions. EPCs provide institutional and sector-specific assistance to exporters; SEZs establish designated areas with specialised regulatory and infrastructural arrangements for export-oriented activities; and EOUs provide a scheme-based framework for enterprises primarily engaged in the production of goods or provision of services for export. Their legal significance therefore lies not only in the incentives offered to exporters but also in the creation of an institutional structure through which India's export policy is implemented.

Foreign Trade (Development and Regulation) Act, 1992

The **Foreign Trade (Development and Regulation) Act, 1992 (FTDR Act)** constitutes the principal statutory foundation for India's foreign trade regime. The long title of the Act expressly states that it is enacted to provide for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from, India.[1]The Act replaced the earlier Imports and Exports (Control) Act, 1947 and introduced a framework more consistent with the liberalisation of India's economy and the increasing importance of international trade.

Section 3 of the FTDR Act confers powers upon the Central Government to make provisions for the development and regulation of foreign trade by facilitating imports and increasing exports. It further permits the Government to prohibit, restrict or otherwise regulate the import or export of goods, services or technology, subject to the conditions specified by law.[2]Thus, the Act combines two objectives: **facilitation of trade and regulation of trade**. Export

[1] Foreign Trade Policy 2023, ch 6; Special Economic Zones Act 2005.

[2] Foreign Trade (Development and Regulation) Act 1992, s 3.

promotion schemes must therefore operate within the regulatory limits established under the Act.

Section 5 of the FTDR Act provides the statutory basis for the formulation and amendment of the Foreign Trade Policy.[3]This provision is particularly significant because the various export promotion schemes, including the EOU scheme, operate within the policy framework notified under the Act. The Foreign Trade Policy consequently has a statutory foundation rather than being merely an administrative statement of governmental intention.

The FTDR Act also provides for the Importer Exporter Code, licensing and authorisation requirements, penalties, confiscation, adjudication and appeals. These provisions ensure that export promotion benefits are accompanied by appropriate compliance obligations. Where exporters violate the conditions of the policy or misuse facilities provided under export promotion schemes, enforcement provisions may be invoked against them.[4]

The Act therefore establishes the fundamental legal relationship between the legislature, the Central Government and the DGFT in the field of international trade. Parliament establishes the statutory framework, the Central Government formulates the Foreign Trade Policy, and the DGFT administers the policy and associated procedures.

Foreign Trade Policy, 2023

The **Foreign Trade Policy, 2023 (FTP 2023)** is the principal policy instrument governing India's current export-import framework. It was notified under Section 5 of the FTDR Act and came into force on 1 April 2023.[5]The policy seeks to provide a facilitative framework for India's international trade and includes provisions relating to authorisations, export promotion, trade facilitation, remission and exemption schemes, export-oriented units and institutional mechanisms for export development.

The FTP 2023 is supported by the **Handbook of Procedures (HBP)**. While the Foreign Trade Policy establishes the broad legal and policy framework, the Handbook of Procedures provides detailed procedures for implementing the policy. The DGFT is also empowered to issue notifications, public notices and other directions for implementing the policy.This structure allows the Government to respond to changing international trade conditions without requiring amendments to the primary legislation for every procedural change.

The importance of FTP 2023 to EPCs, SEZs and EOUs is considerable. EPCs are recognised within the policy framework, while EOUs are specifically regulated under Chapter 6. SEZs, although principally governed by a separate statute, interact with the FTP framework in matters concerning exports, imports and trade procedures.

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[3] Foreign Trade (Development and Regulation) Act 1992, s 5.
[4] Foreign Trade (Development and Regulation) Act 1992, ss 11–14, 15 and 16.
[5] Foreign Trade Policy 2023, para 1.00.

4.1 Legal Framework of Export Promotion Councils

Recognition and Nature of EPCs

Export Promotion Councils are specialised organisations established to promote and develop India's exports in particular sectors. FTP 2023 recognises EPCs as organisations of exporters responsible for promoting particular groups of products, projects or services.[6]The relevant product and service jurisdictions of EPCs are identified in the appendices to the Foreign Trade Policy framework.

The legal significance of EPCs lies in their sector-specific character. Instead of adopting a uniform promotional mechanism for every commodity and service, the Government relies on specialised organisations having knowledge of particular industries and international markets. This allows export promotion measures to take account of the specific requirements of sectors such as textiles, engineering goods, chemicals, pharmaceuticals, services and other products.

EPCs therefore act as an institutional link between exporters and the Government. They communicate difficulties experienced by exporters, provide market information and participate in activities designed to expand India's presence in international markets.

Functions of Export Promotion Councils

The principal function of an EPC is the promotion and development of exports relating to its designated sector. This includes dissemination of information concerning foreign markets, participation in trade fairs and exhibitions, organisation of buyer-seller meetings and assistance in developing international business contacts.

EPCs also provide exporters with information concerning international standards, market requirements, foreign regulations and commercial opportunities. Such assistance is particularly important for small and medium-sized exporters that may not possess the financial or institutional capacity to independently undertake extensive international market research.

Another important function is representation. EPCs may bring sector-specific problems to the attention of the Government and make suggestions regarding customs procedures, export documentation, market access and foreign trade policy. In this respect, EPCs contribute to the formulation of an export policy that is informed by industry experience.

Registration-cum-Membership Certificate

One of the important legal functions associated with recognised EPCs is the issue of the **Registration-cum-Membership Certificate (RCMC)**. FTP 2023 provides for recognised

[6] Foreign Trade Policy 2023, para 2.56(a).

EPCs to function as registering authorities for issuing RCMCs to their members in accordance with the prescribed procedure.[7]

The RCMC establishes the formal relationship between an exporter and the relevant export promotion organisation. Under the Foreign Trade Policy framework, a person seeking certain authorisations or benefits may be required to furnish the RCMC issued by the competent authority, subject to specified exemptions.[8]

The RCMC system is therefore not merely a membership arrangement. It also enables the Government and export promotion organisations to maintain sectoral information concerning exporters. Such information can assist in understanding the size, composition and requirements of particular export industries.

The increasing digitalisation of DGFT procedures has also facilitated online processing of registration and export-related applications. This reflects the broader objective of reducing paperwork, increasing transparency and improving the ease of conducting international trade.

4.2 Special Economic Zones Act, 2005

Statutory Foundation

The **Special Economic Zones Act, 2005** provides the principal statutory framework for the establishment, development and management of Special Economic Zones in India. The long title of the Act specifically identifies the promotion of exports as one of its principal objectives. The Act came into force on 10 February 2006 and replaced the earlier predominantly policy-based SEZ framework with a comprehensive statutory structure.

The SEZ Act seeks to promote exports by providing a specialised economic environment for manufacturing and services. Its broader objectives include the promotion of investment, generation of employment, development of infrastructure and creation of an environment conducive to international business.

The enactment of the SEZ Act was therefore significant because it transformed SEZs from primarily administrative policy instruments into institutions governed by a comprehensive statutory framework.

Establishment of Special Economic Zones

Section 3 of the SEZ Act provides for the procedure for making proposals to establish an SEZ. An SEZ may be established by the Central Government, State Government or a private person,

[7] Foreign Trade Policy 2023, para 2.56(b).

[8] Foreign Trade Policy 2023, para 2.57.

either individually or jointly, for the manufacture of goods, rendering of services or both, including the establishment of a Free Trade and Warehousing Zone.[9]

The Act provides different routes through which a proposal may be submitted. A person intending to establish an SEZ may make a proposal to the concerned State Government or, in the circumstances permitted by the Act, directly to the Board of Approval.[10]The procedure demonstrates the cooperative nature of the SEZ framework, in which both Central and State authorities have important roles.

Once the proposal is considered and approved in accordance with the Act, the Central Government may issue a letter of approval to the developer subject to specified terms and conditions. The approval process is therefore legally significant because the rights and obligations of the developer arise within a statutory framework rather than solely through contractual arrangements.

Board of Approval

The **Board of Approval (BoA)** is one of the most important authorities under the SEZ Act. Section 9 provides that the Board has the duty to promote and ensure the orderly development of Special Economic Zones.[11]

Its functions include granting or rejecting proposals for establishing SEZs, approving authorised operations, considering infrastructure proposals and dealing with specified matters concerning foreign collaboration and foreign investment in SEZs.[12]The Board may also delegate certain powers to Development Commissioners for effective administration.

The Board is therefore not merely an approval body. It constitutes an important part of the governance structure of the SEZ system and is responsible for ensuring that SEZ development remains consistent with the objectives of the legislation.

Development Commissioner

The SEZ Act provides for the appointment of a **Development Commissioner** for one or more Special Economic Zones. The Development Commissioner plays a significant administrative and facilitative role in the functioning of SEZs.

The Development Commissioner is responsible for implementing the provisions of the SEZ Act and Rules, facilitating exports and coordinating with various authorities. The office also acts as an important point of contact for developers and units operating within the zone.

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[9] Special Economic Zones Act 2005, s 3(1).
[10] Special Economic Zones Act 2005, s 3(2)–(3).
[11] Special Economic Zones Act 2005, s 9(1).
[12] Special Economic Zones Act 2005, s 9(2)(a)–(e).

The existence of a specialised Development Commissioner is intended to reduce administrative fragmentation. Since export-oriented enterprises may otherwise have to deal with multiple authorities, the Development Commissioner provides an institutional mechanism for coordination and facilitation.

Approval of Units in SEZs

The SEZ Act also establishes a specific mechanism for approving individual units operating within a zone. Section 15 provides that a person intending to establish a unit for carrying out authorised operations in an SEZ may submit a proposal to the concerned Development Commissioner.[13]

The proposal is subsequently placed before the **Approval Committee**, which may approve the proposal, approve it subject to modifications and conditions, or reject it in accordance with the Act.[14]This statutory approval process ensures that units operating in SEZs satisfy the requirements of the SEZ framework.

The Approval Committee mechanism also reflects the objective of decentralising administrative decision-making. Instead of requiring every individual unit to obtain approval directly from the Central Government, decisions can be taken through the specialised authorities established under the Act.

Single-Window Clearance

One of the significant features of the SEZ framework is its emphasis on administrative facilitation and single-window clearance. The SEZ Act contains a separate chapter dealing with **single-window clearance for the establishment and operation of SEZs and units**.[19]

The rationale behind this mechanism is to reduce the procedural burden associated with obtaining multiple regulatory approvals. Export-oriented businesses operate in a highly competitive international environment, and delays in obtaining approvals can increase transaction costs and affect international competitiveness.

The single-window concept therefore seeks to improve the ease of doing business by coordinating various regulatory requirements. However, its practical effectiveness depends upon cooperation between Central Government authorities, State Government departments and local regulatory bodies.

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[13] Special Economic Zones Act 2005, s 15(1).
[14] Special Economic Zones Act 2005, s 15(3).

SEZs and Customs Territory

One of the most distinctive provisions of the SEZ Act is **Section 53**, which provides that an SEZ shall, from the appointed day, be deemed to be a territory outside the customs territory of India for the purpose of undertaking authorised operations.[15]

This provision creates a legal fiction for customs purposes. An SEZ does not physically cease to be part of India; rather, it receives a special legal status for the treatment of goods entering and leaving the zone.

The provision is significant because it enables SEZ units to operate under a specialised customs regime. Imported goods and inputs required for authorised operations can receive the treatment prescribed under the SEZ framework, thereby reducing the costs associated with export-oriented production.

Section 53 also provides that an SEZ may be deemed to be a port, airport, inland container depot or land customs station for specified purposes from dates notified by the Central Government. This facilitates the movement and clearance of goods and contributes to the operational efficiency of SEZs.

Fiscal Provisions Relating to SEZs

The SEZ Act contains a separate chapter dealing with **special fiscal provisions for SEZs**.These provisions were intended to create an attractive fiscal environment for export-oriented enterprises and developers.

However, the fiscal treatment of SEZs must be examined in conjunction with subsequent amendments to tax laws and the introduction of the Goods and Services Tax regime. Consequently, the incentives available to a particular SEZ developer or unit cannot be determined solely by reading the original provisions of the SEZ Act.

The present framework consists of the SEZ Act, SEZ Rules, customs law, GST legislation and applicable tax notifications. The availability of any particular concession depends upon the relevant statutory provision, notification and conditions applicable to the transaction.

The conditional nature of these benefits is important. Export promotion incentives are intended to encourage legitimate export activity and are therefore generally accompanied by record-keeping, authorised-operation and compliance requirements.

Special Economic Zones Rules, 2006

The **Special Economic Zones Rules, 2006** were framed to give effect to the provisions of the SEZ Act. The Rules provide detailed procedures relating to applications, approval,

[15] Special Economic Zones Act 2005, s 53(1).

development, operation of units, infrastructure, authorised operations and other matters connected with SEZ administration.[16]

The Rules perform an important delegated-legislation function because the SEZ Act establishes the broad statutory framework while the Rules provide the technical and procedural details required for its implementation.

The SEZ Rules have been amended from time to time to respond to changes in the economic environment and operational requirements of SEZs. The continuing amendment of the Rules demonstrates that the legal framework is dynamic and must adapt to emerging forms of international trade and investment.

4.3 Legal Framework of Export Oriented Units

EOU Scheme under FTP 2023

The **Export Oriented Unit (EOU) Scheme** is primarily governed by Chapter 6 of the Foreign Trade Policy, 2023 and the corresponding provisions of the Handbook of Procedures.[17]The scheme is intended to promote exports by encouraging enterprises to establish production and service facilities primarily directed towards international markets.

EOUs differ from SEZ units because an EOU does not necessarily have to be situated within a geographically notified Special Economic Zone. Instead, the enterprise obtains approval to operate under the EOU scheme and receives the facilities available under the relevant policy framework.

The scheme covers manufacturing and service activities and is designed to increase exports, generate foreign exchange earnings, attract investment and create employment.

Approval of EOUs

The establishment of an EOU requires approval under the prescribed procedure. Applications are submitted in the prescribed form and considered by the competent authority, including the **Units Approval Committee** under the EOU framework.

The approval process enables the authorities to assess the proposed activity and ensure that the applicant satisfies the requirements of the scheme. Once approval is granted, the unit operates under the conditions contained in its Letter of Permission and the applicable provisions of the Foreign Trade Policy and Handbook of Procedures.

[16] Special Economic Zones Rules 2006, notified by the Central Government under s 55 of the Special Economic Zones Act 2005.
[17] Foreign Trade Policy 2023, ch 6, 'Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs)'.

The approval mechanism is particularly important because EOUs receive special facilities in relation to imports, procurement and export-oriented operations. The Government therefore retains supervisory authority to ensure that such facilities are used for legitimate export purposes.

Import and Procurement Facilities for EOUs

A major feature of the EOU scheme is the availability of facilities for importing or procuring goods required for authorised activities. Chapter 6 of FTP 2023 provides for the import and procurement of eligible goods, including capital goods and inputs, subject to the conditions prescribed by the policy and applicable laws.

The objective is to reduce the cost of export production and allow Indian enterprises to obtain machinery, technology and inputs required to manufacture products meeting international standards.

However, the benefit is not unconditional. EOUs must use imported or procured goods for authorised activities and comply with the applicable customs, tax and procedural requirements. The scheme therefore attempts to strike a balance between trade facilitation and protection of government revenue.

Positive Net Foreign Exchange Requirement

The export-oriented nature of the EOU scheme is reflected in the requirement relating to **positive Net Foreign Exchange (NFE)**. The scheme links the continued operation of an EOU with the achievement of the prescribed export-performance requirements.

The NFE requirement is economically significant because it ensures that an enterprise receiving special facilities contributes positively to India's foreign exchange earnings. The requirement prevents the EOU scheme from becoming merely a mechanism for obtaining duty-related concessions without corresponding export performance.

Failure to satisfy applicable conditions may result in action under the FTDR Act, Rules and Orders, including consequences relating to the continuation or cancellation of the unit's approval.[18]

Domestic Tariff Area Sales by EOUs

The EOU scheme is primarily export-oriented, but FTP 2023 permits certain sales of EOU products into the **Domestic Tariff Area (DTA)** subject to prescribed conditions. This provides limited flexibility to EOUs while preserving the basic export orientation of the scheme.

[18] Foreign Trade Policy 2023, ch 6, provisions relating to compliance with positive NFE and conditions of LoP/LoI/IL/LUT.

The policy regulates DTA sales because unrestricted domestic sales could undermine the rationale behind granting special facilities to export-oriented units. Accordingly, conditions relating to export performance, payment of applicable duties and taxes, and reversal of certain benefits may apply.

The treatment of DTA sales demonstrates the conditional nature of export promotion incentives. The EOU is provided special facilities because of its export commitment, and the legal framework therefore seeks to ensure that the benefits are not converted into unrestricted domestic-market advantages.

Compliance and Enforcement Relating to EOUs

The EOU framework imposes various compliance obligations upon units. These include maintaining appropriate records, complying with customs requirements, fulfilling export-related obligations and adhering to the conditions contained in the Letter of Permission.

FTP 2023 specifically provides that failure to ensure positive NFE or comply with the terms and conditions of the Letter of Permission, Letter of Intent or other authorisation may render the unit liable to penal action under the FTDR Act and the rules and orders made thereunder, in addition to other applicable legal consequences.[19]

This enforcement mechanism is important because export promotion schemes involve significant economic benefits. Effective monitoring is therefore necessary to ensure that concessions are used only for their intended purpose.

Relationship Between EPCs, SEZs and EOUs

EPCs, SEZs and EOUs should be understood as interconnected elements of India's export promotion framework rather than isolated mechanisms.

EPCs primarily perform the **market promotion and facilitation function**. They help exporters identify foreign markets, obtain market intelligence, participate in international exhibitions and communicate industry concerns to the Government.

SEZs primarily address the **infrastructure and regulatory environment** for export-oriented activities. Their special customs treatment, dedicated infrastructure and specialised administrative mechanisms seek to reduce the costs and procedural barriers associated with international trade.

[19] Foreign Trade Policy 2023, ch 6, provisions relating to failure to ensure positive NFE and compliance with LoP/LoI/IL/LUT.

EOUs primarily address the **enterprise and production dimension**. They provide an export-oriented framework for enterprises that may operate outside SEZs while seeking access to facilities designed to encourage export production.

The three mechanisms therefore operate at different levels of the export ecosystem. EPCs facilitate access to markets, SEZs create an enabling environment for export-oriented economic activity, and EOUs provide a specialised export-production framework.

Role of DGFT

The **Directorate General of Foreign Trade (DGFT)** plays a central role in administering India's foreign trade framework. The DGFT operates under the Ministry of Commerce and Industry and is responsible for implementing the Foreign Trade Policy and associated procedures.

The importance of DGFT extends to the administration of export authorisations, registration mechanisms and various export promotion schemes. It also issues notifications and public notices for implementing and modifying the policy framework.

The role of DGFT is particularly important in the context of EPCs because the policy identifies recognised councils and their sectoral jurisdictions. For example, DGFT has issued public notices amending **Appendix 2T**, which contains the list of Export Promotion Councils, Commodity Boards and Export Development Authorities recognised within the FTP framework.[20]

The digitalisation of DGFT services has also contributed to the simplification of export procedures. Online applications, electronic documentation and digital authorisations have reduced dependence on physical processes and can improve transparency.

Interaction with Customs Law

The export promotion framework operates in close interaction with the **Customs Act, 1962**. Customs authorities regulate the movement of goods across India's customs frontier and play an important role in preventing misuse of exemptions and concessions.

SEZs receive special customs treatment under the SEZ Act, while EOUs receive specified facilities under the foreign trade and customs framework. Nevertheless, these units remain subject to prescribed customs procedures, documentation and compliance requirements.

The customs framework is therefore an essential part of the legal structure because many export promotion benefits involve exemptions, concessions or special treatment relating to imported inputs and capital goods.

[20] Directorate General of Foreign Trade, Public Notice No 18/2023, 23 June 2023, amending Appendix 2T of FTP 2023.

Interaction with Foreign Exchange Law

Export transactions also involve the movement and realisation of foreign currency. Consequently, the **Foreign Exchange Management Act, 1999 (FEMA)** and regulations framed thereunder form another component of India's export law.

The foreign exchange framework regulates matters relating to receipt and repatriation of export proceeds and other cross-border financial transactions. The Reserve Bank of India plays an important role in administering these requirements.

Thus, exporters operating under EPC, SEZ or EOU frameworks must comply with more than one legal regime. Their obligations may arise under the FTDR Act, FTP, customs legislation, FEMA, taxation laws and sector-specific legislation.

5. ANALYSIS

Export promotion has remained an important component of India's economic and trade policy. Exports contribute to foreign exchange earnings, employment generation, industrial development, technological advancement and integration with global markets. Recognising these objectives, India has developed several institutional and legal mechanisms to facilitate exports. Among the important mechanisms are **Export Promotion Councils (EPCs), Special Economic Zones (SEZs), and Export Oriented Units (EOUs)**. Although these three mechanisms have a common objective of strengthening India's export performance, their legal structures, institutional functions and methods of operation are substantially different.

The legal framework governing these mechanisms is spread across several statutes and policy instruments. The **Foreign Trade (Development and Regulation) Act, 1992** provides the basic statutory foundation for the regulation and development of foreign trade, while the **Foreign Trade Policy, 2023** provides the current policy framework for export promotion. The **Special Economic Zones Act, 2005** and the **Special Economic Zones Rules, 2006** provide the statutory and procedural framework governing SEZs. The EOU scheme is primarily administered under Chapter 6 of the Foreign Trade Policy and the corresponding provisions of the Handbook of Procedures.[21]

The significance of these mechanisms extends beyond the provision of financial or fiscal incentives. They seek to address different obstacles faced by exporters. EPCs primarily address **information, market-access and institutional barriers**; SEZs seek to overcome **infrastructure, customs and regulatory barriers**; and EOUs seek to facilitate **export-oriented production and services**. Their effectiveness must therefore be examined in terms of their contribution to export growth, investment, employment, technological development, competitiveness and ease of doing business.

[21] Foreign Trade (Development and Regulation) Act 1992; Foreign Trade Policy 2023; Special Economic Zones Act 2005; Special Economic Zones Rules 2006

5.1 Legal and Policy Foundation of Export Promotion in India

The Foreign Trade (Development and Regulation) Act, 1992 constitutes the principal legislation governing India's foreign trade regime. Section 3 empowers the Central Government to make provisions for the development and regulation of foreign trade by facilitating imports and increasing exports. Section 5 provides the statutory basis for the formulation and amendment of the Foreign Trade Policy.[22]

The significance of this statutory structure is that export promotion measures are not merely isolated administrative programmes. They operate within a legally recognised framework. The Central Government possesses the authority to formulate policies, while the Directorate General of Foreign Trade (DGFT) administers and implements the foreign trade framework.

The Foreign Trade Policy, 2023 adopts a facilitative approach towards international trade. Instead of viewing exports merely as transactions requiring government control, the policy seeks to create an environment in which businesses can participate more effectively in global markets. The policy also emphasises trade facilitation, reduction of transaction costs, digitalisation and greater integration of Indian businesses with international supply chains.

However, policy flexibility also creates a potential problem. Exporters make long-term investment decisions and therefore require predictability. Frequent changes in export restrictions, procedures, duties or incentives may increase business uncertainty. A successful export policy should therefore balance the Government's need to respond to changing economic circumstances with the business community's need for regulatory stability.

5.2 Export Promotion Councils: Nature and Significance

Export Promotion Councils constitute an important institutional component of India's export promotion system. They are sector-specific organisations established to promote exports of particular products, projects or services. The Foreign Trade Policy recognises EPCs and assigns them an important role in promoting India's exports and assisting exporters in their respective sectors.

The principal strength of EPCs lies in their **specialised knowledge**. Different sectors face different international market conditions. For example, exporters of pharmaceutical products face regulatory and quality requirements that are substantially different from those applicable to textile exporters or engineering goods manufacturers. A sector-specific institution can therefore provide more targeted assistance.

EPCs also function as an important communication channel between exporters and the Government. Exporters may face difficulties relating to customs procedures, foreign technical standards, transportation costs, market-access restrictions or changes in foreign regulations.

[22] Foreign Trade (Development and Regulation) Act 1992, ss 3 and 5.

EPCs can communicate these sector-specific problems to the Government and contribute to policy development.

Thus, EPCs have both a **promotional role and a representative role**.

5.3 EPCs and International Market Development

One of the major challenges faced by Indian exporters is access to reliable information concerning international markets. A small or medium-sized enterprise may have a commercially viable product but lack sufficient knowledge about foreign buyers, market conditions, regulatory requirements and consumer preferences.

EPCs can help overcome this information gap by organising international trade fairs, exhibitions, buyer-seller meetings, trade delegations and market-development programmes. They can also disseminate information relating to foreign markets and international standards.

This function has particular importance for MSMEs. Large corporations may have their own international marketing divisions and legal teams, whereas smaller exporters may depend substantially on institutional support.

However, EPCs cannot themselves create international competitiveness. Market promotion can introduce an Indian exporter to a foreign buyer, but the exporter must still satisfy requirements relating to price, quality, delivery, technology and after-sales service. Consequently, the role of EPCs should increasingly move from conventional trade promotion towards **strategic market intelligence, branding, digital marketing and assistance in complying with international regulatory standards**.

5.4 Registration-cum-Membership Certificate and EPCs

The **Registration-cum-Membership Certificate (RCMC)** represents an important connection between exporters and EPCs. Under the Foreign Trade Policy, recognised EPCs function as registering authorities for issuing RCMCs to exporters belonging to their respective sectors.[23]

The RCMC system has institutional advantages because it enables export promotion organisations to maintain information about exporters and their sectors. It also facilitates communication between exporters and the relevant EPC.

Nevertheless, registration mechanisms must be carefully designed. If registration becomes merely an additional procedural requirement, it can increase compliance costs without producing corresponding benefits. With the increasing digitalisation of foreign trade

[23] Foreign Trade Policy 2023, paras 2.56–2.57.

procedures, the RCMC system should increasingly operate through integrated electronic databases.

Therefore, the future role of EPCs should not be limited to issuing certificates. They should function as **knowledge, market-access and policy-support institutions**.

5.5 Special Economic Zones: Concept and Legal Framework

Special Economic Zones represent a different model of export promotion. Rather than focusing on individual exporters or particular industries, SEZs create a **special geographical and regulatory environment** for manufacturing and service activities.

The Special Economic Zones Act, 2005 provides the statutory framework for the establishment, development and administration of SEZs. One of the principal objectives of the legislation is the promotion of exports, investment and employment.[24]

The underlying economic rationale of SEZs is that exporters often face high transaction costs within the general domestic regulatory environment. These may include infrastructure deficiencies, customs delays, complicated approvals and difficulties in obtaining specialised facilities.

An SEZ attempts to address these problems by creating a concentrated environment with dedicated infrastructure and specialised administrative mechanisms.

5.6 Institutional Structure of SEZs

The SEZ framework establishes several specialised institutions, including the **Board of Approval, Development Commissioner and Approval Committee**.

The Board of Approval plays a central role in approving proposals for establishing SEZs and performing functions relating to their development.[25] The Development Commissioner performs an important administrative and facilitative role in the functioning of the zone, while the Approval Committee deals with the establishment and operation of individual units.

This institutional structure is significant because export-oriented businesses require coordination between several regulatory authorities. The SEZ framework attempts to create specialised administrative institutions capable of dealing with these requirements.

However, the existence of specialised authorities does not automatically eliminate regulatory complexity. SEZ units may still have to comply with laws administered by Central, State and

[24] Special Economic Zones Act 2005, Long Title and s 3
[25] Special Economic Zones Act 2005, s 9

local authorities. Consequently, the effectiveness of the SEZ framework depends substantially on inter-agency coordination.

5.7 Customs Advantages of SEZs

One of the most distinctive characteristics of SEZs is their special customs treatment. Section 53 of the SEZ Act provides that an SEZ is deemed to be outside the customs territory of India for the purpose of undertaking authorised operations.

This is a legal fiction created for customs purposes. It does not mean that an SEZ is physically outside India. Rather, it provides a special legal treatment for the movement of goods into and out of the zone.

The provision is economically important because manufacturing enterprises increasingly depend upon international supply chains. An Indian manufacturer may import components from one country, process them in India and export the finished product to another country. Excessive customs costs or delays could make such production commercially unviable.

The special customs treatment of SEZs therefore seeks to make India more attractive as a location for export-oriented production.

At the same time, the Government must ensure that customs concessions are not misused. Effective record-keeping, monitoring and auditing are therefore essential components of the SEZ framework.

5.8 Single-Window Clearance and Ease of Doing Business

The SEZ Act incorporates the principle of **single-window clearance** for establishing and operating SEZs and units.[26]

The rationale is to reduce the administrative burden imposed on businesses. In the absence of coordination, an investor may need to approach several departments separately for permissions and approvals. Such fragmentation increases transaction costs and may discourage investment.

The single-window concept is therefore legally and economically significant. However, its effectiveness depends upon actual administrative coordination. Merely designating an authority as a single-window agency does not guarantee that all regulatory requirements will be processed through that authority.

For the SEZ framework to achieve its full potential, there should be greater integration between Central and State authorities, particularly in areas such as land, labour, environmental regulation, electricity, local infrastructure and municipal approvals.

[26] Special Economic Zones Act 2005, ch V, ss 18-22.

Thus, the effectiveness of single-window clearance should be measured by the **actual reduction in approval time and compliance costs**, rather than merely by the existence of a statutory provision.

5.9 SEZs and Investment

SEZs have been designed partly to attract domestic and foreign investment. Investors are generally attracted by the combination of infrastructure, export facilities, customs treatment and administrative support.

Foreign investment in SEZs can also have wider economic benefits. Multinational enterprises may introduce advanced technology, managerial practices and international production standards. Domestic suppliers may then become integrated into global supply chains.

However, incentives alone cannot determine investment decisions. Investors also consider infrastructure quality, labour availability, energy costs, logistics, taxation, political stability, intellectual property protection and access to markets.

Therefore, the future SEZ policy should focus increasingly on **productive investment rather than incentive-driven investment**.

An SEZ should ideally become a centre of technological and industrial development rather than merely a location offering regulatory concessions.

5.10 SEZs and Employment Generation

Employment generation is another important objective of SEZ policy. SEZs can create direct employment within manufacturing and service units and indirect employment through logistics, transportation, warehousing, construction and other supporting services.

The employment impact of SEZs can also extend beyond their geographical boundaries. When businesses establish production facilities, suppliers and service providers may develop around them, generating a broader industrial ecosystem.

However, the employment impact differs considerably depending upon the nature of the industries located in the zone. Labour-intensive industries can generate large numbers of jobs, whereas highly automated manufacturing may generate fewer direct jobs but require more skilled workers.

Consequently, SEZ policy should not focus exclusively on the number of jobs created. It should also consider **skill development, wage quality, technological exposure and long-term employment sustainability**.

5.11 Export Oriented Units: Concept and Purpose

The EOU scheme represents an enterprise-based approach to export promotion. It allows eligible enterprises to operate as export-oriented units subject to prescribed conditions.

The principal policy framework for EOUs is contained in Chapter 6 of the Foreign Trade Policy, 2023. The scheme covers manufacturing and certain service activities and seeks to increase exports by providing specified facilities to export-oriented enterprises.[27]

The principal distinction between an EOU and an SEZ unit is geographical. An SEZ is a specifically designated area, whereas an EOU can operate outside an SEZ if it satisfies the requirements of the EOU scheme.

This makes EOUs particularly relevant for businesses that cannot conveniently relocate to an SEZ. Industries dependent on particular raw materials, agricultural resources or existing industrial infrastructure may benefit from this flexibility.

5.12 Import and Procurement Facilities under the EOU Scheme

A major attraction of the EOU scheme is the availability of specified facilities relating to imports and procurement of goods required for authorised activities.[28]

For export-oriented manufacturing, the cost of inputs can significantly affect international competitiveness. If Indian manufacturers have to bear higher input costs than competitors in other countries, their products may become less competitive in international markets.

The EOU scheme attempts to address this problem by facilitating access to eligible inputs and capital goods under the conditions specified in the policy.

However, such benefits also create compliance responsibilities. The Government must ensure that imported or procured goods are actually used for authorised export-oriented activities.

The challenge is therefore to maintain an appropriate balance between **trade facilitation and revenue protection**.

5.13 Positive Net Foreign Exchange Requirement

A particularly important feature of the EOU scheme is the requirement relating to **positive Net Foreign Exchange (NFE)**.

[27] Foreign Trade Policy 2023, ch 6.
[28] Foreign Trade Policy 2023, para 6.01 and related provisions of Chapter 6.

The basic principle is that an enterprise benefiting from the EOU scheme should contribute positively to India's foreign exchange earnings over the prescribed period.

This requirement provides an important performance-based element to export promotion. Instead of granting benefits merely because an enterprise describes itself as export-oriented, the legal framework links the continuation of benefits with actual export performance.

However, strict performance requirements can sometimes create difficulties where exporters face circumstances beyond their control. International recessions, supply-chain disruptions, geopolitical conflicts, sudden changes in foreign demand and fluctuations in commodity prices can adversely affect exports.

Therefore, regulatory authorities should apply performance requirements in a manner that distinguishes **wilful non-compliance from genuine commercial difficulties**.

5.14 Domestic Tariff Area Sales

Although EOUs are primarily intended for exports, the policy permits certain sales in the **Domestic Tariff Area (DTA)**subject to prescribed conditions.[29]

This provision gives EOUs a degree of commercial flexibility. For example, when international demand declines, an enterprise may be able to sell a portion of its production domestically rather than completely shutting down production.

At the same time, unrestricted domestic sales could undermine the rationale of the EOU scheme. EOUs receive special facilities because they undertake export-oriented activities. Allowing unlimited domestic sales could therefore provide them with an unfair advantage over ordinary domestic manufacturers.

The restrictions on DTA sales can consequently be justified as a means of maintaining the **export-oriented character of the scheme**.

Nevertheless, the Government should periodically review these restrictions to ensure that they remain commercially realistic.

5.15 Comparative Analysis of EPCs, SEZs and EOUs

The three mechanisms can be viewed as addressing three different stages of the export process.

EPCs – Market and Institutional Support

[29] Foreign Trade Policy 2023, para 6.07.

EPCs primarily help exporters find and develop markets. Their contribution is therefore strongest at the **market-access level**.

SEZs provide a favourable geographical environment with infrastructure, customs facilities and specialised administrative mechanisms. Their primary contribution is at the **business-environment level**.

5.16 EOUs – Production and Export Performance

EOUs focus on individual enterprises engaged in export-oriented manufacturing or services. Their principal contribution is at the **production level**.

This complementary relationship can be represented as:

EPCs → Market Access → SEZs → Business Environment → EOUs → Export Production → Increased Exports

However, these mechanisms should not operate independently. Greater coordination between them could produce better results.

For example, EPCs can identify international demand, while SEZs and EOUs can provide production capacity to satisfy that demand. Such coordination could strengthen the entire export ecosystem.

5.17 Contribution to MSME Exporters

Small and medium enterprises are particularly important to India's industrial and employment structure, but they face significant barriers to international trade.

The major difficulties include limited access to finance, inadequate market information, insufficient technological capacity, lack of international certification and limited bargaining power.

EPCs can assist MSMEs through market information and trade promotion. SEZs can provide common infrastructure, while EOUs can provide a framework for export-oriented production.

However, compliance requirements may themselves become a barrier for smaller enterprises. A large company may have dedicated legal, customs and compliance departments, whereas a small exporter may depend on external consultants.

Accordingly, export promotion policy should introduce **simplified and proportionate compliance requirements for MSMEs** without compromising regulatory accountability.

5.18 Technology and Global Value Chains

The nature of international trade has changed significantly. Countries no longer compete merely on the basis of low-cost labour. Modern competitiveness increasingly depends on technology, quality, innovation, logistics and integration into global value chains.

SEZs can play an important role in attracting multinational companies and facilitating technology transfer. EOUs can also obtain technology and capital goods required for export production.

EPCs can complement this process by informing exporters about technological and regulatory requirements in foreign markets.

However, technology transfer does not occur automatically. India must also invest in research and development, vocational education, skill development and domestic supplier networks.

Therefore, export promotion should focus on creating **high-value exports rather than merely increasing export volumes**.

5.19 WTO Considerations

India's export promotion measures must operate consistently with its international trade obligations. The WTO Agreement on Subsidies and Countervailing Measures places disciplines on certain forms of subsidies, particularly export-contingent subsidies.[30]

This creates an important policy challenge. India must encourage exports while ensuring that its promotional measures do not conflict with international obligations.

The future direction of export promotion should therefore increasingly emphasise **infrastructure, logistics, skill development, technological development, trade facilitation and market intelligence** rather than relying exclusively on export-linked financial benefits.

This would make India's export policy more sustainable and internationally defensible

6. IMPORTANT CASELAWS AND POLICY EXAMPLES RELATING TO EXPORT PROMOTION COUNCILS, SEZs AND EOUs IN INDIA

6.1 *Ferro Alloys Corporation Ltd. v. Union of India*

The Supreme Court's decision in ***Ferro Alloys Corporation Ltd. v. Union of India*** is one of the important cases for understanding the legal character of the **100% Export Oriented Unit**

[30] World Trade Organization, Agreement on Subsidies and Countervailing Measures, arts 1-3

(EOU) scheme. The appellant was an export-oriented unit established pursuant to the Government's 1980 policy, under which 100% EOUs were given concessions to enable them to meet international requirements concerning price, quality and precision. The unit had undertaken to export its entire production, subject to permitted domestic sales of rejects. The dispute concerned the treatment of electricity duty and the statutory benefits available to the EOU. The case is significant because it demonstrates that an EOU is not merely an ordinary industrial undertaking receiving a general subsidy; it operates within a specific policy framework and its rights and obligations must be examined with reference to the conditions attached to its export-oriented status. The judgment is therefore useful in analysing the principle that **export promotion benefits are conditional upon compliance with the legal and policy requirements governing the particular scheme**.[31]

6.2 *Microcomm India Ltd. v. Union of India*

The decision in ***Microcomm India Ltd. v. Union of India*** provides an important judicial example concerning the cancellation and extension of permission granted to an export-oriented unit. The petitioner sought to establish an EOU at the Noida Special Economic Zone and challenged the cancellation of its Letter of Approval/Letter of Permission and refusal to extend its validity. The case demonstrates that an exporter does not acquire an unrestricted or permanent right to continue under an export promotion scheme merely because permission was initially granted. The continuation of the benefit remains subject to compliance with the conditions of the approval and the applicable foreign trade policy. This case is particularly relevant to the **regulatory and enforcement dimension of EOUs and SEZs**, because export promotion benefits must be accompanied by effective monitoring of the conditions under which those benefits are granted.[32]

6.3 Judicial significance of the EOU framework

The above cases collectively demonstrate an important principle: the EOU scheme involves a **statutory-policy relationship between incentives and export obligations**. The Government provides facilities because the enterprise undertakes to perform export-oriented activities. Therefore, when an EOU fails to comply with the conditions of its approval, the authorities may take appropriate regulatory action in accordance with the governing legislation and policy. At the same time, administrative authorities must exercise their powers consistently with principles of fairness, legality and the specific terms of the approval granted to the enterprise. This balance between **trade facilitation and regulatory supervision** is central to the legal character of India's EOU framework.

[31] . Ferro Alloys Corporation Ltd. v. Union of India, (1999) 4 SCC 149

[32] Microcomm India Ltd. v. Union of India, Writ Petition No. 36602 of 2006, decided by the Allahabad High Court on 11 April 2008.

6.4 *Eon Kharadi Infrastructure Pvt. Ltd. v. State of Maharashtra*

A more recent judicial example concerning the SEZ framework is ***Eon Kharadi Infrastructure Pvt. Ltd. v. State of Maharashtra***. The Bombay High Court considered the statutory framework of the Special Economic Zones Act, 2005 and recognised that thelegislation was enacted to provide an internationally competitive environment for exports, supported by infrastructure, incentives and an expeditious approval mechanism. The case is useful because it illustrates the continuing importance of the SEZ Act as a **special regulatory framework designed to promote export-led economic activity**. It also highlights the relationship between the SEZ Act and State-level regulatory powers.

The significance of this case for your article is that SEZs cannot be understood only in terms of tax or customs concessions. They represent a broader institutional framework involving developers, units, the Board of Approval, Development Commissioners and State authorities. The case therefore supports the argument that successful SEZ policy requires **coordination between Central and State Governments**, particularly because many practical matters relating to land, infrastructure and local regulation fall within State jurisdiction.

6.5 SEZs and the principle of overriding effect

The SEZ Act contains an important provision giving the Act overriding effect over inconsistent provisions contained in other laws. This legal structure becomes particularly significant when a dispute arises between an SEZ unit claiming a statutory concession and another authority seeking to impose a conflicting requirement. Courts have consequently been required to examine the relationship between the SEZ Act and other fiscal or regulatory statutes.[33]

This illustrates an important feature of SEZ law: the special status granted to SEZs does not mean that units are completely outside the Indian legal system. Rather, the SEZ Act creates a **special statutory environment** within which specified exemptions, concessions and procedures operate. The extent of any exemption must therefore be determined by examining the language of the SEZ Act, the relevant rules and the legislation imposing the particular levy or obligation.

6.6 Recent example: SEZ and tax-regulatory conflict

A useful contemporary example is the dispute involving **R R Exports**, a pan masala manufacturer operating in the Kandla Special Economic Zone. In 2026, the Gujarat High Court granted interim relief in proceedings concerning notices issued by the GST authorities in relation to the levy of a cess on manufacturing machinery. The petitioner relied upon the special statutory treatment of SEZ units under the SEZ Act, while the Government relied upon the

[33] Special Economic Zones Act 2005, ss 26 and 51.

provisions of the relevant cess legislation. The Court found prima facie merit in the petitioner's submissions and granted interim relief pending further proceedings.

This example is important for an analytical article because it demonstrates that **SEZ incentives may generate complex questions concerning the interaction between special economic legislation and subsequent taxation legislation**. It also shows why the interpretation of Sections 26 and 51 of the SEZ Act can become significant in determining the extent to which other fiscal legislation applies to SEZ units.

6.7 Kandla Export Processing Zone – historical policy example

The history of India's SEZ policy can be traced to the establishment of the **Kandla Export Processing Zone (EPZ) in 1965**, which the Government describes as Asia's first EPZ. The EPZ model was initially designed to facilitate export-oriented production by creating an enclave where exporters could receive facilities that were not generally available under India's broader economic regime.[34]

The Kandla experiment is particularly significant because it predates the 1991 economic reforms. At that time, India's economic policy was substantially influenced by import substitution and greater governmental regulation. The EPZ model represented an early recognition that export-oriented enterprises required a different regulatory environment.

However, the early EPZ experience also revealed limitations concerning infrastructure, administrative controls and the availability of incentives. These limitations contributed to the eventual evolution from the EPZ model towards the more comprehensive **SEZ Policy of 2000** and ultimately the **SEZ Act, 2005**.

6.8 Special Economic Zones Policy, 2000

The **SEZ Policy of April 2000** represented a major change in India's export promotion strategy. The Government sought to overcome problems associated with multiple controls and clearances, inadequate infrastructure and an unstable fiscal environment. The policy envisioned SEZs as engines of economic growth supported by quality infrastructure, attractive fiscal packages and minimum possible regulation.

The significance of the 2000 policy lies in its movement away from the earlier EPZ approach towards a broader development model. The objective was not simply to create export enclaves but to establish internationally competitive locations capable of attracting investment and generating employment.

The policy eventually led to the enactment of the **Special Economic Zones Act, 2005**, which provided statutory certainty to the SEZ framework. This demonstrates the evolution of Indian

[34] Department of Commerce, Government of India, Special Economic Zones in India - Introduction, noting establishment of the Kandla Export Processing Zone in 1965.

export promotion law from an administrative policy model towards a **legislatively supported institutional framework**.

6.9 Special Economic Zones Act, 2005 – policy transformation

The enactment of the **SEZ Act, 2005** marked a significant transformation in India's export promotion policy. The Act identifies several objectives, including the generation of additional economic activity, promotion of exports of goods and services, promotion of domestic and foreign investment, creation of employment opportunities and development of infrastructure.

The Act also introduced a formal institutional structure involving the **Board of Approval, Development Commissioners and Approval Committees**. This was intended to reduce administrative fragmentation and establish specialised authorities for SEZ development and operation.

From a legal-policy perspective, the SEZ Act demonstrates that India's approach to export promotion has increasingly shifted from simply granting concessions to creating an **institutional ecosystem for international business**.

6.10 SEZ fiscal and customs incentives

The Government's official SEZ framework provides several facilities intended to make SEZs attractive to investors. These include duty-free import or domestic procurement of goods for authorised operations and zero-rating of supplies to SEZs under the GST framework, subject to applicable conditions.[35]

Historically, SEZ units also benefited from income-tax incentives, including benefits under Section 10AA of the Income Tax Act, although the relevant sunset provisions mean that these incentives must be distinguished between eligible existing units and new units established after the applicable dates.

This policy history is important for critical analysis. Fiscal incentives can attract investment, but they can also create concerns regarding revenue loss, unequal treatment between SEZ and non-SEZ enterprises and dependence upon government concessions. Therefore, the modern justification for SEZs should increasingly rest on **infrastructure, logistics, regulatory efficiency and global competitiveness**, rather than tax benefits alone.

6.11 Baba Kalyani Committee and SEZ reform

An important policy development was the establishment of the **Baba Kalyani-led Committee on SEZ Policy**, which reviewed India's SEZ framework and recommended reforms aimed at

[35] Department of Commerce, Government of India, SEZ Facilities and Incentives, including duty-free import/domestic procurement and GST zero-rating of supplies to SEZs, subject to applicable conditions.

making SEZs more WTO-compatible, maximising the utilisation of vacant land, improving competitiveness and integrating SEZs with broader industrial-development initiatives.[36]

The Committee's recommendations reflected a recognition that the traditional SEZ model faced new challenges. India's export environment had changed considerably due to WTO disciplines, the introduction of GST, increasing competition from other Asian economies and the emergence of global value chains.

The policy lesson is that SEZs cannot remain static. Their legal framework must evolve with changes in international trade. The focus should increasingly be on **manufacturing competitiveness, services, technology, infrastructure and global value-chain integration**.

6.12 Export Promotion Councils as policy institutions

The Government's recognition of EPCs under the Foreign Trade Policy represents another important policy example. EPCs are sector-specific bodies intended to promote exports of particular products and services. Their functions include market development, trade promotion, participation in international exhibitions and facilitation of exporter-government interaction.

The importance of EPCs has increased as international markets have become more regulated. Exporters must now comply with increasingly complex standards relating to product quality, packaging, environmental sustainability, technical regulations and consumer protection.

Consequently, EPCs should not be viewed merely as organisations that arrange trade fairs. Their future role should include **international regulatory intelligence, market research, branding, certification assistance and digital trade facilitation**.

6.13 RCMC as an example of institutional regulation

The **Registration-cum-Membership Certificate (RCMC)** system provides a practical example of how EPCs are incorporated into India's export administration. Recognised EPCs function as registering authorities for exporters in their respective sectors under the Foreign Trade Policy.

The RCMC system has two purposes. First, it provides a formal institutional relationship between exporters and their relevant sectoral organisation. Secondly, it enables EPCs to maintain sector-specific information and facilitate access to certain export-related benefits and services.

However, from a critical perspective, registration should not become an unnecessary procedural burden. Digitalisation should allow exporters to complete registration and

[36] Government of India, Baba Kalyani Committee on SEZ Policy, recommendations concerning WTO compatibility, utilisation of vacant land, competitiveness and integration with broader industrial policies.

compliance processes electronically and avoid repetitive submission of information already available with government authorities.

6.14 EOU Scheme under Foreign Trade Policy

The **Export Oriented Unit Scheme** represents another significant policy example. Chapter 6 of the Foreign Trade Policy, 2023 provides the policy framework for EOUs and seeks to promote export-oriented manufacturing and services. The scheme provides specified facilities for eligible units while imposing conditions relating to authorised activities and export performance.[37]

The EOU model is particularly important because it provides an alternative to geographical SEZ participation. An enterprise can operate as an EOU without necessarily being located inside an SEZ, subject to the prescribed requirements.

This makes the EOU scheme useful for industries that depend upon location-specific resources or existing industrial infrastructure. However, its effectiveness depends upon whether the benefits provided justify the compliance costs associated with the scheme.

7. FINDINGS

1. **Export Promotion Councils (EPCs) play an important sector-specific promotional role.** They provide exporters with market information, facilitate participation in trade fairs and buyer-seller meetings, and act as a link between exporters and the Government. The sectoral structure of EPCs is useful because different industries face different international market requirements. The DGFT continues to recognise and update the list of EPCs under FTP 2023.
2. **EPCs have particular importance for MSME exporters.** Small exporters often lack adequate information about foreign markets, international standards and potential buyers. EPCs can reduce these information barriers; however, their role should increasingly extend beyond traditional promotional activities towards market intelligence, branding, certification and digital export assistance.
3. **SEZs have developed into an important institutional mechanism for export-oriented investment.** The SEZ framework was introduced to overcome problems such as multiple clearances, inadequate infrastructure and an unstable fiscal environment. The SEZ Act, 2005 specifically aims at promoting exports, investment, employment and infrastructure.
4. **SEZs have contributed to the creation of a specialised business environment.** Duty-free import/domestic procurement for authorised operations, GST zero-rating of supplies to SEZs and single-window clearance are among the facilities available subject to applicable conditions.

[37] Foreign Trade Policy 2023, Chapter 6, Export Oriented Units (EOUs).

5. **The effectiveness of SEZs is not uniform.** The success of an SEZ depends upon its location, infrastructure, connectivity, availability of skilled labour and industrial composition. Therefore, merely establishing an SEZ does not automatically guarantee increased exports or investment.
6. **The EOU scheme provides useful flexibility to export-oriented enterprises.** Unlike SEZ units, EOUs are not necessarily required to operate within a designated geographical SEZ. This makes the scheme useful for enterprises whose production is dependent upon particular raw materials, resources or existing industrial locations.
7. **Export incentives are necessarily accompanied by regulatory obligations.** EOUs and SEZ units receiving special facilities must comply with the conditions prescribed under the relevant foreign trade and SEZ framework. Thus, there is a continuing need to balance export facilitation with effective monitoring and prevention of misuse.
8. **Regulatory complexity remains a significant challenge.** Exporters may have to interact with several authorities and comply with different legal requirements. Although digitalisation has reduced some procedural difficulties, further integration of approvals, registrations and compliance systems is required.
9. **India's export promotion framework is gradually shifting from an incentive-based approach towards a competitiveness-based approach.** This is particularly important because international competitiveness increasingly depends on technology, logistics, quality, skilled labour, sustainability and integration into global value chains rather than fiscal incentives alone.
10. **Policy stability is essential for long-term export investment.** Export-oriented businesses make investment decisions over several years. Frequent changes in incentives, procedures or export restrictions can create uncertainty and discourage investment.

8. SUGGESTIONS

1. **Strengthen the role of EPCs:** EPCs should be developed into specialised export knowledge centres providing market intelligence, information on foreign regulations, international certification assistance, branding support and digital marketing facilities.
2. **Create an integrated digital export platform:** DGFT, EPCs, customs, SEZ authorities and other relevant agencies should be better integrated digitally so that exporters do not have to repeatedly submit the same information to different authorities.
3. **Improve SEZ infrastructure:** SEZs should provide high-quality roads, ports, logistics, electricity, telecommunications, warehousing and other facilities. The Government's original objective of creating quality infrastructure remains central to the success of the SEZ model.
4. **Promote high-value and technology-intensive exports:** SEZs and EOUs should increasingly focus on advanced manufacturing, pharmaceuticals, electronics, renewable-energy products, information technology and other high-value sectors instead of concentrating mainly on low-value exports.

5. **Reduce compliance burden for EOUs:** EOU procedures should be simplified while retaining adequate safeguards for revenue protection and export-performance monitoring. Compliance requirements should be proportionate to the size and nature of the enterprise.
6. **Give greater support to MSME exporters:** Special assistance should be provided for access to finance, international certification, packaging, quality standards, e-commerce platforms and foreign market information.
7. **Ensure policy stability:** Export promotion schemes should operate under predictable and transparent rules. Where policy changes are unavoidable, reasonable transition periods should be provided to protect legitimate business expectations.
8. **Promote global value-chain integration:** SEZs and EOUs should be connected with domestic supplier networks and multinational enterprises so that Indian businesses can become part of international production chains rather than merely exporting finished goods.
9. **Make sustainability part of export promotion:** Exporters should be assisted in complying with emerging environmental, carbon, labour and traceability requirements in international markets. This will become increasingly important for maintaining access to developed markets.
10. **Evaluate schemes based on outcomes:** The success of EPCs, SEZs and EOUs should be measured not merely by the number of registrations or incentives granted, but by **export growth, employment generation, investment, productivity, technology transfer, MSME participation and sustainable foreign exchange earnings**.
11. **Strengthen coordination between Central and State Governments:** Since infrastructure, land, electricity and several other requirements involve State authorities, effective coordination is essential for achieving the intended single-window and ease-of-doing-business objectives of SEZs. The SEZ framework itself envisages an important role for State Governments in export promotion and related infrastructure.
12. **Regularly review the legal framework:** The Government should periodically assess the functioning of EPCs, SEZs and EOUs and amend the regulatory framework according to changes in WTO rules, digital trade, global supply chains, taxation and international market conditions. The continuing amendments to the SEZ Rules demonstrate that the framework is already evolving in response to changing requirements

9. CONCLUSION

Export Promotion Councils (EPCs), Special Economic Zones (SEZs) and Export Oriented Units (EOUs) constitute three important pillars of India's export promotion framework. Although they operate through different mechanisms, all three are directed towards a common objective of strengthening India's position in international trade. EPCs primarily provide **sector-specific promotional and institutional support**, SEZs create a **specialised infrastructure and regulatory environment**, while EOUs facilitate **export-oriented production and services**. Together, they seek to increase exports, attract investment, generate employment and improve the competitiveness of Indian enterprises.

The legal framework governing these mechanisms has developed considerably over time. The Foreign Trade (Development and Regulation) Act, 1992 and the Foreign Trade Policy provide the broader framework for foreign trade and export promotion, while the Special Economic Zones Act, 2005 and the Special Economic Zones Rules, 2006 establish a comprehensive statutory framework for SEZs. The EOU scheme under the Foreign Trade Policy provides enterprises with facilities for undertaking export-oriented activities subject to prescribed conditions. These legal measures demonstrate India's gradual transition from a highly controlled trade regime towards a more **facilitative and export-oriented framework**.

At the same time, the effectiveness of these mechanisms cannot be determined merely by the availability of incentives and concessions. Regulatory complexity, compliance costs, infrastructure deficiencies, policy uncertainty and uneven utilisation of SEZs continue to present challenges. EPCs also need to evolve beyond traditional trade promotion and provide sophisticated market intelligence, technological assistance and support for compliance with international standards. Similarly, SEZs and EOUs must increasingly focus on high-value manufacturing, innovation and integration with global value chains.

Therefore, the future of India's export promotion policy should move from an **incentive-dependent approach towards a competitiveness-oriented approach**. Greater emphasis should be placed on infrastructure, logistics, digitalisation, technology, skill development, sustainability and ease of doing business. The Government should also ensure greater support for MSME exporters and better coordination among Central and State authorities.

Ultimately, EPCs, SEZs and EOUs should not be viewed merely as separate export incentive mechanisms. They should function as **interconnected components of a comprehensive national export strategy**. If supported by stable policies, efficient administration, modern infrastructure and technological development, these mechanisms can significantly contribute to India's export growth, employment generation, foreign exchange earnings and integration into the global economy. The long-term objective should be to create an environment where Indian enterprises become internationally competitive through **productivity, innovation and quality**, thereby making India's export growth sustainable and globally resilient.

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