

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

STARRED QUESTION NO:351

ANSWERED ON:30.04.2012

BENEFITS OF SEZS

Agarwal Shri Jai Prakash;Alagiri Shri S.

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether any study has been conducted to assess the performance and overall impact of Special Economic Zones (SEZs) particularly on rural and agro industries across the country;
- (b) if so, the observations thereof in terms of the targets and actual growth in exports and foreign direct investments, total revenue generated vis-a-vis total relief provided to these SEZs in the form of concessions, rebates and exemptions etc. during each of the last three years and the current year;
- (c) whether the SEZs have been able to attain the objectives for which these were set up across the country;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor and the corrective steps taken by the Government including an increase in the overall export incentive particularly for castor oil business?

Answer

MINISTER OF COMMERCE AND INDUSTRY (SHRI ANAND SHARMA)

a) to e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF LOK SABHA STARRED QUESTION NO. 351 FOR ANSWER ON 30TH APRIL 2012 REGARDING "BENEFITS OF SEZS"

(a) & (b): While no specific studies to assess the performance and overall impact of Special Economic Zones (SEZs) on rural and agro industries across the country have been carried out, studies commissioned by the Department of Commerce on the socio-economic impact of SEZs have shown that SEZs have created a significant local area impact in terms of direct as well as indirect employment, emergence of new activities, changes in consumption pattern and social life, human development facilities such as education, healthcare etc. In a short span of about six years since SEZ Act and Rules were notified in February, 2006, formal approvals have been granted for setting up of 589 SEZs out of which 389 have been notified and 153 are already exporting. Out of the total employment provided to 8,44,916 persons in SEZs as a whole employment to 7,10,212 persons is incremental employment generated after February, 2006 when the SEZ Act came into force. This is apart from millions of man days of employment created by the developers for infrastructure activities. Physical exports from the SEZs have increased from Rs. 2,20,711.39 crore in 2009-10 to Rs. 3,15,867.85 crore in 2010-11, registering a growth of 43.11%. There has been an overall growth of export of 2531% over past nine years (2003-04 to 2011-12). The total physical exports from SEZs in 2011-12, as on 31st March, 2012, has been to the tune of Rs. 3,64,477.73 crore approximately registering a growth of 15.39% over the previous financial year. The total investment in SEZs till 31st March, 2012 is Rs. 2,01,874.76 crore approximately, including Rs. 1,82,750.74 crore in the newly notified SEZs.

(c) to (e): In order to impart stability to SEZ regime and to achieve generation of greater economic activity and employment through the establishment of SEZs, Special Economic Zone Act, 2005 had been enacted in February 2006 supported by SEZ Rules, 2006. The main objectives of the SEZ Act are:-

- a) generation of additional economic activity
- b) promotion of exports of goods and services
- c) promotion of investment from domestic and foreign sources
- d) creation of employment opportunities
- e) development of infrastructure facilities

In terms of SEZ Act, 2005 and Rules framed thereunder, no export or foreign direct investment (FDI) targets are set for SEZs. SEZ units are required to achieve positive Net Foreign Exchange earnings within a period of five years from the date of commencement of production. Data on actual growth in exports and foreign direct investment in SEZs during the last three years and the current year has

been given in the table below:-

Years	Value of exports (Rs. in crore)	% Growth	Value of FDI (Rs. in crore)	% Growth
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2008-2009	99,689	50%	10,983	49.72%
2009-2010	2,20,711	121%	16,778	52.77%
2010-2011	3,15,868	43.11%	22,790	35.83%
2011-2012	3,64,478	15.39%	11,466	-49.69%

Relief provided to SEZ developers and units in the form of concessions, rebates and exemptions are intrinsic to the SEZ policy and are specifically provided under the SEZ Act and Rules, and are in the nature of incentives to achieve SEZ objectives.

As the above figures would indicate the SEZs have by and large been able to attain the objectives for which these were set up. However, on-going review and reform, as necessary, of Government policy and procedure is inherent to Public Policy.