

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

UNSTARRED QUESTION NO:6296

ANSWERED ON:06.05.2013

INVESTMENT IN SEZS

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

(a) whether Special Economic Zone (SEZ) units have been able to achieve a positive net foreign exchange through deemed exports rather than actual exports and if so, the details thereof;

(b) whether there is any proposal to restrict the share of deemed exports that SEZ units can use to achieve a positive net foreign exchange and if so, the details thereof including the percentage of total SEZ production that has been physically exported outside India during each of the last three years and the current year;

(c) whether there has been slow down in the investments in the SEZ units despite of the concessions and other attractive facilities provided to them and if so, the details thereof and the reasons therefor along with the steps taken/being taken by the Government for their revival;

(d) whether there has been cases of violation of tariff and tax concessions by the SEZ units and if so, the details thereof along with the action taken by the Government in this regard;and

(e) whether there has been any drop in business in the non-SEZ areas specially in traditional business hubs due to several SEZs in the country and if so, the details of the total loss of revenue from such areas?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. D. PURANDESWARI)

(a) & (b) As per Rule 53 of SEZ Rules 2006 the SEZ units are under an obligation to achieve positive Net Foreign Exchange (NFE) earnings to be calculated cumulatively for a period of 5 years from the commencement of production. Under Rule 53 certain categories of sales/supplies have also been permitted to be counted towards NFE earnings. Value of transactions under such categories are a very small percentage of the total exports made from SEZs. The total exports from the SEZs outside the country and sales to Domestic Tariff Area from SEZs, during the financial years 2009-10 to 2012-13 are as under:

Financial Value of Supplies which Years Export sare treated towards positive NFE earnings. column V	Sales to Total Domestic Exports Tariff Area over column III	Percentage shared of column III
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I II III IV V VI

2009-10 2,20,711.39 13,937.04 19,200.92 2,53,849.35 5.49%

2010-11 3,15,867.85 29,093.05 13,881.20 3,58,879.07 8.11%

2011-12 3,64,477.73 32,472.70 29,664.83 4,26,615 8%

2012-13 4,76,158.93 27,884.80 27,545.46 5,31,589 5%

(c) Requests for de-notification of notified SEZs and cancellation of approvals granted for setting up SEZs are received from time to time from the SEZ developers. The reasons for these requests, wherever indicated by the applicants, include global economic meltdown, poor market response, non-availability of skilled labour force and changed fiscal incentives regime for Special Economic Zones (SEZs) etc.

A statement showing cumulative investment made in SEZ during the financial years 2009-10 to 2012-13 is as under:-

Financial Years Total Investment Made (Rs in Crore)

2009-10 1,48,489

2010-11 2,02,810

2011-12 2,01,875

2012-13 2,36,717

After detailed stakeholders consultation the Government has recently announced a set of reform measures to revive investor interest in SEZs.

(d) The fiscal concessions and duty benefits allowed to SEZs are in built into the SEZ Act, 2005. The performances of SEZs are regularly monitored by the Unit Approval Committees of SEZs, headed by the Development Commissioner. In case of violation of fiscal concessions and duty benefits, Units are liable for penal action under the provisions of the Foreign Trade (Development and Regulation) Act, 1992.

(e) As on 31st March, 2013, an investment of Rs.2,36,717 crore approximately has been made in SEZs and the total direct employment in SEZs is over 10,74,904 persons. Physical exports from the SEZs has increased from Rs.3,64,477.73 crore in 2011-12 to Rs.4,76,159 crore in 2012-13, registering a growth of 31%. There is no reason to believe that these achievements are at the expense of business being carried on non-SEZ area. The GDP growth in recent years suggests that growth has been significant both within and outside SEZs.