

Fourteenth Lok Sabha

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**Participants :** [Rao Shri Kavuru Samba Siva](#), [Dasgupta Shri Gurudas](#), [Ramadass Prof. M.](#), [Athawale Shri Ramdas](#), [Pal Shri Rupchand](#), [Mehta Shri Alok Kumar](#), [Kamal Nath Shri](#), [Mistry Shri Madhusudan Devram](#), [Kamal Nath Shri](#)

Title: Discussion on the Special Economic Zones Bill, 2005. ( Bill Passed ).

**16.48 hrs.**

**SPECIAL ECONOMIC ZONES BILL, 2005**

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH): Sir, I beg to move \* :

"That the Bill to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto, be taken into consideration."

The Government of India had announced a Special Economic Zone scheme in April, 2000 with a view to provide an internationally competitive environment for exports. The objectives of Special Economic Zones include making available goods and services free of taxes and duties supported by integrated infrastructure for export production, quick approval mechanisms, and a package of incentives to attract foreign and domestic investments for promoting exports.

There are at present 11 functioning Special Economic Zones. In addition, approvals have been given for setting up of 35 new Special Economic Zones in the private/joint/State sector.

While the policy relating to the Special Economic Zones is contained in the Foreign Trade Policy, incentives and other facilities offered to the Special Economic Zone developer and units are implemented through various notifications and circulars issued by the concerned Ministries/Departments. The present system, therefore, does not inspire enough confidence for investors to commit substantial funds for development of infrastructure. To provide a long-term and stable policy framework with a minimum regulatory regime and to provide expeditious single-window clearance facilities, a Central Act for Special Economic Zones has been found to be necessary in line with international practice.

\* Moved with the Recommendation of the President.

It is expected that introduction and passage of the Bill will provide confidence and stability to domestic and foreign investors and signal the Government's commitment to the SEZ policy framework. It is expected that many large formations, multi-product SEZs that have so far been

unable to achieve financial closure will now quickly move towards such closure. It is anticipated that the new law would trigger a large flow of Foreign Direct Investment as well as domestic investment in infrastructure and productive capacity, leading to creation of new employment opportunities.

The salient features of the Bill are as under:

Matters relating to establishment of Special Economic Zone and for setting up of units therein, including requirements, obligations and entitlements;

Matters relating to requirements for setting up of off-shore banking units in International Financial Service Centres, especially Economic Zones, including fiscal regime governing the operation of such units;

The fiscal regime for developers of Special Economic Zones and units set up therein;

Single window clearance mechanism at the Zone level;

Establishment of an Authority for each Special Economic Zone set up by the Central Government to impart greater administrative autonomy; and lastly

Designation of special courts and single enforcement agency to ensure speedy trial and investigation of notified offences committed in the Special Economic Zones.

Sir, I request the Members to consider the long-term and the short-term aspects of the Bill which will very largely drive and attract the investment, and consequently, employment.

MR. SPEAKER: Motion moved:

"That the Bill to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto, be taken into consideration."

SHRI RUPCHAND PAL (HOOGHLY): Mr. Speaker, Sir, at the outset, let me candidly express that barring a few areas of reservation, broadly I support the Bill.

When our hon. Speaker was the Chairman of WBIDC and doing other assignments, he had all along been associated with and promoting these ideas. If we look at the new global scenario, the attempt is to integrate the national economy with the world economy and to be competitive – internationally competitive. The governmental control in certain areas, particularly in the matter of clearance, in the matter of duty, in the matter of so many other things, Single Window Clearance has proved to be a very fruitful mechanism, particularly in areas where foreign investment and commitments to export and all these things are there.

As regards the economic philosophy, export-oriented growth is one concept to which I do not fully subscribe. But for a country like India to be too much dependent on exports for the growth, is a bad

idea. Many economists have subscribed to this concept that India being an agricultural country and our agriculture being subsistence agriculture only, we need not look forward to developed countries of the world where agriculture is industry and where the agricultural produces are mostly with export in mind. But, this is not so in India. We should come up in the manufacturing sector in a big way. Of course, we had a plus point in the service sector, particularly in certain limited areas of service. But, that is a different story. If we make a comparison between India and China, China has become the factory of the world, the manufacturing hub. Their FDI and the success in this particular practice of Special Economic Zones have been because of various things which are not being addressed by this Government.

**16.54 hrs.** (Shri Pawan Kumar Bansal *in the Chair*)

One is their FDI is limited to, if you look at the whole investment scenario, not more than three per cent of the total investment.

Second is, their FDI is also from the Non-Resident Chinese. But this is not so in the case of India. Our NRIs are putting their money elsewhere. They are putting their money here only to have a better margin in the interest rate. But it is not coming in the form of Foreign Direct Investment. We have no objection if our own people, if our own diaspora bring back their money for the infrastructure projects, for power, telecommunication and various other projects. But that is not happening in India. That has happened in China.

In China, the Special Economic Zone concept is for the faster growth of the export economy. The primary responsibility has been given to the local Government. This is not so here. Their FDI is export-oriented. The employment generation is being done because of the selective areas of export zones and all these things. Till today, they have their own zones in Shenzhen, Zhuhai, Shantou and Xiamen. They have been there since 1980. Today, 26 years have passed. For the last 26 years, they have become effective. The growth of the Chinese economy, of course, should be a lesson to us. We are selective in learning and learning only the concept, the scheme. The scheme is there from April, 2000. Let us put it into practice. We have to see how they are addressing the issues.

Without elaborating, I would like to say that I know, you know, Sir, and the country knows the differences of opinion between the Finance Ministry and the Commerce Ministry in this regard. The Group of Ministers has also been hesitating in certain areas. The hon. Prime Minister intervened. The intervention of the hon. Prime Minister is a different story. I am not going into the details of it. But what is being proposed today is only half-hearted. Why is it half-hearted? Firstly, we have to look at the policy statement, the Foreign Trade Policy. It incorporates the policy part of it. About the other part, it says about the export/import of goods, leasing of capital goods, banking, policy part, sub-contracting and all these things. In the Indian situation, what is our experience? Because of time constraint, I am not giving many examples. I could cite any number of examples. For example, once the Government of India had one concept of hundred per cent export-oriented zones. Once I had occasion to go as a Member of a particular Committee to examine things. We found that they had nothing with regard to export. There was no obligation to export. They were enjoying all the concessions and putting the whole products in the domestic market. This is what is happening today. What will happen in such cases of gross violation? Instead of exporting, they will go on marketing the products in the domestic market. What will be the outcome of it? Our domestic industry is already ailing, particularly the small industries and the medium industries. It is because of the

import liberalisation that our capital goods industry, the manufacturing industries are suffering. This is the scenario. Here and there, today or tomorrow, you can say that it is looking up. It is looking up at a very low level. That is also very much unstable. What will happen if, in the Special Economic Zones, instead of promoting the export growth, they market it in the domestic market? This is what is happening. The commitments made by the foreign direct investors that they would manufacture here for export are there. Our experience is that they are never doing it. But the Chinese experience is a mix up of it. They have taken into consideration that if they leave aside the large domestic market and only concentrate on the export market, it may not be a very fruitful proposition. But their concepts and our concepts are different. In our case, our industrialists, who have been enjoying all the concessions for export, instead of exporting, are exploiting the domestic market only.

**17.00 hrs.**

They are destroying the market, destroying the base of the domestic industry. What precautions does this Government propose to take in similar cases? It is because it is the case of flexibility and removing the Governmental control. It is about more regulation, more concessions and more incentives. What will be applicable elsewhere will not be applicable in the case of ACJ. In the case of gross violations, a sort of proposition is being made. I am making this reference because in India they can not come in overnight. I am giving only one example. In a hundred per cent Export-oriented Zone, not even one per cent was being exported. It was just exploiting the domestic market only. While the hon. Minister is replying, I think he may kindly address this issue.

Now, I would like to say something about banking. Will the foreign banks open their branches here? Maybe, yes. Will they be regulated in the same fashion as they are being done outside the Special Economic Zone? Even in this case, we do find that the foreign banks are not subscribing to the basic banking practices. They are functioning in the most immoral manner, and without naming, I can cite any number of examples. If you look at the JPC report on Harshad Mehta Scam or JPC report on the Ketan Parekh Security Scam, you will find how many foreign banks have been involved in the whole scam. Hand in glove in the matter of repatriation, neither they are paying the income tax, nor they are fulfilling the obligations of the Government of India in respect of the private sector lending. No punishment is there. There is a historic case between a public sector undertaking, a financial institution, housing bank and a foreign bank, multi-national bank. What happened? What is the outcome? I will take a little more time because... (*Interruptions*)

MR. CHAIRMAN : Please try to be brief.

SHRI RUPCHAND PAL : Please give me some more time. I was telling you about the foreign banks. How does the Government propose to take care of these unscrupulous operators with bad track record? They have not been punished till now.

Now, what we find is that the Indian money is going abroad. We have the story of the money-laundering cases. We had a discussion on these things also. Indian money is going through different routes. Coming back through the Hawala route, coming through the Mauritius route, it is being invested in the stock market, in the sub-account of FIIs. Even in the latest report of the CAG, what do we see about FIIs, role of the FIIs and role of the sub-accounts? How does the Government propose to control these unscrupulous operators? Who will be ruling the roost in the Special

Economic Zone? Special Economic Zone is taking all the advantages and not contributing to our main purpose, that is, Export-oriented Zone.

Then, let me come to several other provisions, that is, flexibility in labour laws. India is a Welfare State and we are committed to ILO Convention. There are some basic concepts. For example, all over the world, there is a concept that a worker must not work for more than eight hours a day. So much of blood has been flown on the rivers of different parts of the world. What is this May Day? I will illustrate an extreme case. If in the Special Economic Zone it is detected that some employers are asking the labourers to work for more than 20 hours a day, how does the Government propose to control it?

There are certain human rights. No one, leave alone Special Economic Zone (SEZ), in the world can deny the fundamental basic human rights. It has happened in India. It has happened in the case of certain employers. If we look at the bonded labour cases, the employers are taking the employees and using them as bonded labour. We have to free them. We know the history of 'Swamy Agnivesh'. Laudable work has been done even in India, and it has happened elsewhere also with Indian workers. How? Take, for instance, in a Special Economic Zone (SEZ), the workers have been confined in a particular place, not allowed to go out, not allowed to interact in a human manner with the family, with the friends and all these things, it is not correct. If you feel that I am giving a very extreme example, then I would say 'no'. We have seen it with our own eyes that investors have come. Dogs – trained dogs – are there instead of security. If the labour is trying to go out, the dog will jump on him, on a human being. It is happening in India. If the labour wants to flee, the goondas are there to bring him back. What will happen if there is a gross violation of the basic principle of labour rights, ILO Convention, human rights and basic rights of the labour, which are given in the Fundamental Rights of the Indian Constitution?

Flexibility is all right. Sometimes, Governmental control is there. It may be there. But, in the case of gross violation of the labour rights, the hon. Minister, I think, will address this issue, and I understand that he will also agree that such provision will not be there.

Clause 50 says:

"The State Government may, for the purposes of giving effect to the provisions of this Act, notify policies for Developers and Units and take suitable steps for enactment of any law granting exemption from the State taxes, levies and duties to the Developer or the entrepreneur... "

This is all right. Then it further says:

"directing that any of the provisions of any State Act relating to trade unions, industrial and labour disputes, welfare of labour including conditions of work... "

There is no oxygen. If he is asked to work in such conditions where carbon dioxide is coming, where there is full of pollution, he cannot even breathe. If unhygienic conditions are there, his respiratory system is being affected. It also includes conditions of work, provident fund, social security, employer's liability, payment of wages, workmen's compensation, etc. If someone working

somewhere falls down and dies, will there not be any responsibility of the employer towards his family?

It again says:

"...invalidity, old age pensions and maternity benefits or any other activity relating to the Special Economic Zones shall not apply..."

How can it happen? Can any one deprive a working woman from maternity benefit? I would like to request the hon. Minister of Commerce to address this issue. It is not acceptable. Even in a Special Economic Zone, these basic human rights, maternity benefit, compensation and all these things should not be denied. My plea will be rather – if you want our support – then you will have to remove the part, that is, denying the basic human rights.

If we look at clause 49 (1) ... (*Interruptions*)

MR. CHAIRMAN : You may kindly refer to the provisions briefly. Instead of 10 minutes, you have taken 20 minutes. Please be brief while referring to the points.

... (*Interruptions*)

SHRI RUPCHAND PAL : All right.

MR. CHAIRMAN : I do not want to intervene but kindly be brief in your points.

SHRI ANIL BASU (ARAMBAGH): One minute for each proposed economic zone may be given!

MR. CHAIRMAN : All that I am saying is please try to be brief.

SHRI RUPCHAND PAL : I am trying to be as brief as possible.

Now, I would like to make a very valid point.

Clause 49 says:

"The Central Government may, by notification, direct that any of the provision of this Act (other than sections 54 to 56) or any other Central Act or any rules or regulations made thereunder or any notification or order issued or direction given thereunder (other than the provisions relating to making of the rules or regulations) specified in the notification—

shall not apply to a Special Economic Zone..."

SHRI ANIL BASU : That means, it includes labour laws also.

SHRI RUPCHAND PAL : Yes, it includes labour laws also. So, I think, in conformity with the demand for removal of clause 50, 50 (b) etc., here also, the part that is affecting the basic labour rights should also be removed. We agree with the provisions relating to income tax, central excise and customs, but not those relating to labour rights. The subject of labour rights is in the Concurrent

List. The Government has mentioned about State Governments. But what about the basic labour rights and Central labour laws or other labour laws? So, an amendment should be there in order to protect the basic labour rights if the Government wants to have our sincere support.

Then, I now come to clause 3 (4). I do not know why this has been given here. It does not mean anything. It may mean something to the Government, to the Minister, but I am rather wondering as to why this has been incorporated. It says:

"In case a State Government intends to set up a Special Economic Zone, it may after identifying the area, forward the proposal directly to the Board for the purpose of setting up the Special Economic Zone..."

We agree with this. Then it continues to say:

"Provided that the Central Government may, after identifying the area, *suo motu* set up and notify a Special Economic Zone without referring the proposal to the State Government concerned or the Board."

How can it be done without making a reference, at least, to the State Government in a federal set up? I can visualise a situation where an individual has come, has made a proposal for investment, the matter has proceeded for long, meanwhile there is a change in the Government and the new Government is standing in the way. In such a situation, the sovereign Central Government has a role to play to protect the interest of that new investor. But, at least, the State Governments should be consulted and the matter should be referred to them. So, my plea is that the State Governments should not be ignored in this manner because 'land' is a State matter. Land, water etc., will be provided by the State Governments and the State Governments will have their representatives in the Board. So, why should they ignore the State Governments for nothing? This is a simple thing. They can mention that they would consult the State Governments.

Sir, I will refer to two or three things more and then I will conclude. Special Economic Zones Bill is a path-breaking legislation. I call it is a path-breaking legislation and it is on an experimental stage. When the national economy tries to integrate with the world economy, 'international competitiveness' is a very relative term. If we have to be competitive, for example, in certain areas, we have to work together, pool all the energies and resources together and only after that if you find that there are delays due to governmental control, then flexible measures can be taken. I have illustrated that 100 per cent export-oriented zones have been enjoying all the facilities and marketing all their products in the domestic product.

So, I conditionally support the Bill. We are the people who are looking forward eagerly as to whether the executive control would have a statutory structure. This piece of legislation is a welcome move, but the Government should look into the basic labour interests, the ILO Convention, basic human rights, fundamental rights etc. I have given some extreme cases and examples and these are happening in our country also.

I have stated that the Chinese success story is because of certain other factors which are not being addressed in the Indian situation.

I conclude with my support to this Bill and I believe that the Government or the hon. Minister will look into the issues and the points raised by me; that he will sympathetically consider all the points and positively respond so that it becomes very easy for us to support the Bill.

SHRI K.S. RAO (ELURU): Sir, I congratulate the hon. Minister, Shri Kamal Nath, for bringing this legislation, which is called by our CPI(M) Member, Shri Rupchand Pal, as a path-breaking legislation. It has not been stated by me, but by Shri Rupchand Pal.

I also feel the same way and I feel proud that in this UPA Government we are bringing a lot of such legislation. Just now, a legislation, The Right to Information Bill, has been brought, belongs to the same category. That was a legislation, which the earlier Government could not bring for five years. This Government could bring it immediately and this is an essential thing for the country's prosperity.

But, there is a little difference between my thinking and the thinking of Shri Rupchand Pal that I do not consider that this Special Economic Zone is meant only for exports. Actually, we have passed the stage where the country was in shortages and we had to import even food grains. Today we are not only producing food for our country but we have surplus also. This surplus produce, whether it is agro product or manufactured product, must face the global competition.

If we were not to agree to globalisation, open economy, WTO, patenting, then our position would be different. But now, having accepted that, unless we take this route of increasing the export, we cannot compete in the international market and even our local production or manufacturing will also suffer, including agriculturists.

For example, I take the case of tobacco. Till yesterday, in some of the districts of Andhra Pradesh, the farmers have got habituated only to produce tobacco. Today, there are no purchasers for that and all of them have become bankrupt. They resorted to committing suicide. Then, they have to change the crop. This is possible only when they know what is the product they can produce and sell it in the international market in an economical way, at a remunerative price. This is possible by these economic zones.

Even my friend, Shri Rupchand Pal was telling us that a country like India should not depend on export alone. But in his own statement he stated that the Chinese started...

MR. CHAIRMAN : Please address the Chair.

SHRI K.S. RAO : The Chinese have started this Special Economic Zone in 1980. Today, the product value of the export zone constitutes 44 per cent of the total export. A country like China has done this. I am also partly with him in securing the interest of the labour, though there can be flexibility. But certainly, in the present circumstances, we have to protect the labour laws to an extent where it should not affect the growth.

But since 1991, when I went with a delegation of AICC to China, the system of hire and fire was there in China. It is not coming to the surface possibly. So it need not be taken blindly that we must

go by this and all that. It must be a practical in comparison with the international situation. We are not limited to our own. If the product is made in our country, be it sugar, be it cement, if the international prices are low, there is every possibility of that getting dumped into our country. Then, our manufacturers will suffer, our industry will suffer, our farmers will suffer. So, naturally, he has to take a course where he can produce another item, which he can sell in the international market at a remunerative price.

So, the need for this Zone is very much there. I think, there are 3,000 SEZs in the world today. In our country, there are 11 Special Economic Zones (SEZs) functioning now, and 35 new Special Economic Zones are permitted. We are 16 per cent of the world population. As far as SEZs are concerned, we are not even one per cent of it. Naturally, we have to start more and more SEZs so that we can produce to suit the international competition. I wish, he must encourage as many private sector corporations as possible, and even State Governments to start more and more SEZs in their own area. Whatever incentives that can be given to them must also be given. In this context, I wish that he should not neglect to locate these zones in the areas like Andhra Pradesh where the opportunities of producing sugar, cotton, chillies, pulses, even vegetables and fruits are in abundance. Their value can be added to it and we can sell them in the international market. By that, we will be encouraging the farming community also to change their cropping pattern and to produce those items which have demand in the international market.

Today, the Internet has come. The IT industry has come into existence. The SEZs need not be restricted to only the coastal areas or to the areas where airports are there. SEZ can be in a place where local area needs it. For example, in certain areas there may be agro produce or IT or biotechnology or pharmaceuticals. So, the SEZs can be for any item that is economical in that particular area. The point of location also must be liberal.

As far as the Bill is concerned, I would like to raise some points. I appreciate the single window approval and giving so many benefits like exemptions in taxes and duties, incentives to attract foreign investment, promoting export-led growth and administrative autonomy to SEZs, which is more important. I have seen the provision. When you formed the Board, the Committee Members were nine. Now there are 11 Members. Out of the 11 Members, 10 are officers. Only one, the Developer, is a special invitee. That means, once again, the same red-tapism, the same negative thinking, the same bureaucratic set-up will be there. Then, in what manner are you liberalising the SEZs? Why do you not take some experts who are freelancers, who have got no vested interests, except the national interest, and who can advise properly? If you do so, your intention will be fulfilled. Otherwise, the same culture will continue. Similarly in SEZ, in the Approval Committee, you have kept nine Members. Out of them, once again, eight are Government officers. Then, where is the freedom for them to act? Where is the decision making? Why is the country suffering today? It is suffering only because of red-tapism, lack of decision-making, and negative attitude of the bureaucrats. You mentioned about so many people. In the SEZ, you can identify one good officer who is positive-minded, who is a man with proven integrity; you can give him autonomy or authority to him. He can decide the matter then and there. Your purpose or your intention will be solved. Then, more and more people will be attracted towards the SEZs to make large investments. By doing so, we will be helping our own local producers including the farming community. So, I would like to request my friend to think about it. I know that he is open-minded and dynamic, and he wants to succeed in his Ministry. More particularly, his success is his criteria. If these were to be his criteria, he should think of the provisions that he has made in his Bill.

Then, he has never mentioned anywhere about any time limit for giving the approval. With those officers there, they can play havoc once again. He would have said this is the time limit; it has to be approved or disapproved within this time from the date of application. But, no time limit has been mentioned. I would like to request for some time limit. I do not want that once again this Bill be delayed for any reason. It must be passed. If not today, you come out at the earliest with whatever amendments are required at the earliest so that those lacunae are taken care of.

Similarly, I come to the suspension and transfer approval of the Board. The approval is given to the unit holder by the Board. It is agreed but no provision is made for the erring officer either in the SEZ or in the Board. There is no provision at all. That means, the officer can go scot-free. He can make any decision depending upon his own personal interest or his whims and fancies or his likes and dislikes. I wish a provision must be made in regard to what kind of punishment should be given to an erring officer.

You have mentioned about the developer. But I could not really understand this. You have not mentioned anywhere what is the minimum investment the developer has to make or what is the size or what kind of developer you want. Tomorrow a real estate man can enter into your SEZ. If it is only a question of developing a land or providing infrastructure or even if it were to be a world class facility, still it becomes only limited to development of real estate. So, I wish you please make some guidelines for the developer also in regard to the amount of investment and the type of things that he has to do while making provisions for all the units which are going to do export-oriented business.

Similarly, my friend has raised a point about the guidelines to be given for the banking sector, for opening bank branches in that area. Under what guidelines will they have to function? Will they violate all our Indian laws? Or will they work under the international laws only? You please make some specific provision for that. You said rules would be prescribed. It should not be delayed too long and they must be made at the earliest.

Finally, I do not want to take more of your time and then disappoint you. The Minister is also interested in seeing that the Bill is passed at the earliest. I am also interested in this Bill. So, I do not want to take more time.

But my only request to the hon. Minister is that whatever provisions you have made in the Bill should encourage more and more people to start SEZ because you are giving opportunity to the corporate sector also. These are required essentially not only to earn foreign exchange but also to see that the local people's skills, talents and the resources—both natural and human resources—are put to use to compete in the international market, then import those items which are not available here and compensate it with those products which we are making through the SEZ.

MR. CHAIRMAN: Now, Shri Shailendra Kumar – Not present.

SHRI GURUDAS DASGUPTA (PANSKURA): Sir, let me at the beginning make it very clear that those who are in the Left are not against any economic step that will bring about rapid economic generation, re-generation or advance generation. We are not against that. We are also not against any reasonable step that the Government might take to improve India's economy. But all that should have been done is not being done. That is a separate issue. There should have been many more steps to revive, to improve, to augment the productive forces without increasing the rate of investment

which is today only 24 per cent, without improving the Government investment to bring about rapid economic growth. This additional step or artificial move that is being made may not give the desired result. We have serious differences with the economic line that is being pursued. Let us make it very clear and we do not agree that the prosperity of Indian economy largely depends on export.

India has a huge unexplored domestic market and the large domestic market to be explored needs to be taken care of by the Government by creating more employment, by creating better quality of life, by making access available to everybody.

If the purchasing power of the people does not improve throughout the country, if 30 per cent of the people live below the poverty line without having the purchasing power to purchase the minimum daily necessities, only by expanding the Special Economic Zones or only by augmenting our export, India will not make a progress. That is our basic difference with you, that is our basic difference with the Government, and that is our basic difference with the Budget. That apart, we have learnt to become pragmatic because we are not ready to be dubbed as obstructionists. We will not help Mr. Kamal Nath to say publicly that look here, these people are obstructionists in the process of setting up Special Economic Zones. We are not obstructionists. But we have a very deep suspicion. This suspicion arises out of the fact that there is a large scale violation of labour laws in the country. Let Mr. Kamal Nath take note of it, and let the Government take note of it that there are large scale violations of labour laws in the country. Minimum wage is not weighed, provident fund is denied, working hours are unduly extended in many so called new coming up industries in the country. There is no mechanism to find out the vitality which takes care of the problems of the labour throughout the country.

Only a few miles away from the Capital of India, New Delhi, there is a foreign company, Maruti, where people have been retrenched without charge sheet. Today morning, I met the Chief Minister. We met the Prime Minister. It appears that the rule of law does not apply to the foreign companies in India. Please accept that this is a genuine suspicion on our part. The foreign banks in this country are not run on the basis of the directives of RBI. If this is the given situation of India, is it wrong Mr. Minister of Commerce to raise doubts about the protection of labour? You cannot improve the country if the labourers are not given a fair deal. However justified may be your economic programme, if the labourers are given a raw deal and if the labourers are harassed and exploited to the limit, it should not be, there cannot be any success to any programme; least of all to the programme of Special Economic Zones.

Therefore, we really feel suspicious. We have our apprehension, and we believe that the Government should take our apprehension in good spirit. Of course, I have a reason to be satisfied because Mr. Kamal Nath, and the Government he represents had agreed to delete the paragraph in page 21 from 14 to 23 lines. They have agreed to delete. We had a long discussion. We had made it clear to them that if the labour laws of the country are not allowed to be operated in the Special Economic Zones, we shall not support. But responding to our suggestion, I thank my friend Mr. Kamal Nath, he appears to be a little soft now a days. Not the Kamal Nath we found him earlier. Little soft is good.... (*Interruptions*) Both of us are not soft. We are not soft. We are pragmatic. We are never soft. He appears to be a little soft. It may be due to special co-relation forces because we are 61, because we are together running a combination, because you cannot just brush us aside, because you feel that we have a role to play. Whatever may be the reasons, give devil its due. I do

not call Mr. Kamal Nath a devil but thank him for responding to our suggestion of deleting this portion.

This helps us to become a little more pragmatic. But while saying so, there are other doubts also which the hon. Minister, while speaking, should address.

Firstly, my friend from the Congress Party was very vocal. I do not find him now in the House. He was speaking for the liberalisation. After his sermons of liberalisation, he has left the House. I want to make one thing very clear here that liberalisation is not a licence. We do not accept liberalisation as a licence. ... (*Interruptions*) Many years ago on many issues, a number of parliamentary Committees, constituted by all political parties, had made this statement that during the period of liberalisation, the Government had not set up adequate monitoring system.

Now, Special Economic Zones are being set up. Who is going to monitor them? Developers are all very important. Please do not say that the State Governments will do it. No, it is your creature and it is your Bill. Special Economic Zones are your creature. Who is going to monitor them? I would like to know whether the people, who have been given the job, are doing the right thing or not. Who will monitor them? Foreigners are all very welcome. But the way in which the foreigners are behaving in this country, we have a sense of apprehension about them. They are being given all help. You do it. Shri Kamal Nath believes that by giving concessions, he can draw investments. We do not stand in the way. At the end of the day, we must find out how much of additional investment has come. He will have to tell the Parliament because we are giving them all sorts of exemptions. I do not mind. India has no fund. The Government believes that they do not have any internal resources. Therefore, they must look for additional funds from the foreign countries accepting their term. You can do it. But on the basis of economics I can tell you that no country in the world has ever developed by inviting only foreign capital. Nowhere in the history it has been proved. ... (*Interruptions*) My friend should update his knowledge that rate of investment in China is nearly 40 per cent. They are inviting money from outside after investing 40 per cent of money. ... (*Interruptions*) It may be three per cent, but 40 per cent is the generation of domestic resources. What about India? Twenty-four per cent investment is stagnating over a decade.

We do not blame the BJP Government alone because for ten years it was not in power. For ten years, the rate of investment did not improve. Therefore, the paucity of funds may not be made good only by alluring the foreign firms. This is a piece of legislation. The entire drive, the entire direction is to allure the foreign funds by giving them most generously all types of concessions. I wish Shri Kamal Nath the very best. But at the end of the day, he has to explain to the Parliament to what extent the mechanism that he has set up has benefited the country. I wish him all the best. But he has to explain. It cannot be a free for all in foreign zones. Foreign zones cannot be free for all. There has to be adequate monitoring system. But who will monitor them? Developers have been made to become the omnipotent. State Governments are too small to take care of them. Therefore, who will monitor the developers? While monitoring, will it be on the basis of protecting the national interests because the Government did not act always to serve the national interests? I do not blame him.

The C&AG Report has indicated how the Administration has acted. My friend from the Congress Party was saying do not give much power to the officers because they can make money, which means it should be free for all, a *laissez faire*, liberalised anarchy. Sir, there has to be a State, there has to be a State mechanism, there has to be law and there has to be a Government; otherwise the

people who will come to India to make special zone, their only interest will be to exploit the labour, to exploit the concessions and make easy money. That is capitalism. That is foreign capital. That is what is happening all over the world. Therefore, we want protection not for the labour only. We do not speak for the labour only. Do not believe that the Left is speaking only of the labour. We do not speak of the labour only. We speak of the national interest. Who will protect the national interest? Who will protect the labour? Who will see that the concessions, which are most generously given, are being properly used or not? We wish that Shri Kamal Nath gives a specific response to us.

We wish you best, Shri Kamal Nath, but please have caution. Our task is to caution you to see that while your concessions are made use of, there should be a monitoring system also and the condition of labour has also to be protected.

We do not oppose the Bill because we do not like to be dubbed as obstructionists. At the same time, we do not say that it is going to be a liberalised zone where Indian law will not be operated. We do not believe that the Government would like foreign capital to build up its own zone, without the pale of Indian law. If that is done, that will be suicidal for India. Therefore, with a note of caution, I give my qualified support to the Bill that has been proposed.

SHRI MADHUSUDAN MISTRY (SABARKANTHA): Sir, I have only two points to make. I welcome the Bill and hope that it would speed up the process of economic growth in the country besides generating employment on a larger scale. I hope that it will generate employment. I also have my two concerns. One concern has been expressed by my right, not left and that is on labour.

SHRI GURUDAS DASGUPTA : We are not right to you; we are Left to you.

SHRI MADHUSUDAN MISTRY : This is my right.

I also express my concern regarding the condition of labour in SEZ areas. Gujarat has vast potentialities because it has the longest sea coast, almost 1,600 kilometres. I hope that these SEZ areas declared annually do not become a State within the State. We have to see that the labours are not employed just on contract basis so that there is no exploitation, they are paid and their working conditions are according to the laws of this country. We have also to see that whatever the Constitution guarantees to be given to the citizens of this country and the labour of this country are implemented there or adhered to by the industries which are coming in the SEZ areas.

We have seen, especially in Gujarat, that even at the cost of this understanding, lot of labours is being brought from a number of other parts of the country. As a result, the local labour there has got tremendous resentment. So, something has to be worked out in that regard because there are certain areas in Gujarat where there is tension between local population and the population which comes in these areas to work. In fact, it has created a conflict in the industrial belt. Therefore, I hope that the local population, local people would be given priority in the matter of recruitment in the SEZ areas, but nevertheless, I strongly plead that the interest of labour as well as labour conditions are not being compromised and the laws will be fully enforced.

I would like to make one more suggestion with regard to this issue. A number of States -- including my own State -- are setting up hotel industries, hospitals, amusement parks, etc. on commercial basis in these Special Economic Zone areas. The film industry is also trying to go there, and the whole service area is becoming more and more prominent. The tax benefit is being given to only the goods manufacturing industries, but all these industries that are providing services there and the services that are being used by all the people coming from outside should also get the tax benefit in the Special Economic Zone. The benefit should not be restricted to the goods manufacturing industry alone.

My next contention is that some rules should be there while establishing the Special Economic Zone areas. I am saying this because there is competition between one State and another State in order to invite or attract industries in their Special Economic Zone areas. For example, somebody is giving land or other common property resources free of cost or the structure is being made by a number of States in such a way that certain industries are tempted to shift from one State to another State and so on. So, I hope that conditions would be laid down in the law, and by the hon. Minister to provide a fair ground in every State where the Special Economic Zones are to be set up. The provision of an equal opportunity should be created by the Bill, which is not mentioned in the Bill. It would avoid unnecessary competition between one State and another State. There are very few areas in Gujarat, and I hope that the hon. Minister will himself take special interest in the entire coastal belt of the country. I am saying this because it has a good potential of setting up the Special Economic Zone.

I hope that it would create more employment opportunities, and would not be just growth without employment opportunities. It should not be just capital intensive, but it should also create employment potential for the local people, poor people, and the unemployed people of the State. It should ensure that wealth is generated in the States, and the States flourish. This is all that I have got to say on this issue.

Thank you very much for giving me this opportunity.

**श्री आलोक कुमार मेहता (समस्तीपुर) :** माननीय सभापति जी, आज आपने मुझे विशो आर्थिक जोन विधेयक, 2005 पर बोलने का मौका दिया, उसके लिए मैं आपको धन्यवाद करता हूँ और आपके माध्यम से इस बिल के दो-तीन बिन्दुओं की ओर मंत्री जी का ध्यान आकर्षित करना चाहता हूँ।

सभापति महोदय, मैं सबसे पहले यह जानना चाहूंगा कि इस विधेयक में आर्थिक रूप से पिछड़े हुए इलाके, पिछड़े हुए लोगों और औद्योगिक रूप से पिछड़े हुए इलाके एवं लोगों के अपलिफ्टमेंट के लिए बातें चल रही हैं या फिर जो बहुत ही इकोनोमिकली, इंडस्ट्रियली अगली पंक्ति में खड़े जोन एवं इलाके हैं, उनके लिए चल रही है। मैं समझता हूँ कि सरकार की ओर से एक वेलफेयर पैकेज की तरह इसे होना चाहिए। देश के जो राज्य आर्थिक रूप से या औद्योगिक रूप से पिछड़े हैं, वैसे इलाकों में ऐसे प्राधिकरण और जोन बनाए जाने की आवश्यकता है।

सभापति महोदय, मैं आपका ध्यान बिहार, उड़ीसा और नार्थ-ईस्ट जैसे पिछड़े राज्यों की तरफ दिलाते हुए कहना चाहता हूँ कि विभिन्न तरह की प्राकृतिक आपदाओं के साथ-साथ कुछ ऐसी राजनीतिक परिस्थितियां पिछले कुछ वर्षों में बनीं कि उन राज्यों के हक एवं हिस्सों को पूरी तरह वहां पहुंचने नहीं दिया गया और विभिन्न विधियों से रोकने का काम किया। बिहार राज्य का बंटवारा हुआ, उसके बाद अधिकांश उद्योग, बंटवारे में झारखंड राज्य में चले गए और वहां वेट जैसी स्थिति बनी हुई है।

दूसरी तरफ जहां कृषि है, वहां पर प्राकृतिक आपदाओं के प्रकोप से कृषि उत्पादन भी धीरे-धीरे घटता जा रहा है। मैं बताना चाहता हूँ कि इस तरह के विशो आर्थिक जोन को वैसी जगह पर बनाये जाने की आवश्यकता है, जहां पर ह्यूमन रिसोर्स, मानव संसाधन बहुत बड़ी संख्या में उपलब्ध है। अभी माननीय मधुसूदन मिस्त्री जी ने एक बात कही कि गुजरात में बहुत सी जगहों से लेबरर्स

लोग आते हैं, जिससे वहां कन्फ्रंटेशन की स्थिति पैदा होती है। मैं आपसे कहना चाहता हूँ कि ये वैसे राज्य हैं, जो इकोनोमिकली बहुत बैकवर्ड रहे हैं, वैसे राज्य, जहां पर ह्यूमन रिसोर्स हैं, लेकिन उसके इस्तेमाल के संसाधन नहीं हैं, उनकी प्रोडक्टिविटी, उनकी उत्पादकता का पूरा-पूरा इस्तेमाल नहीं किया जा रहा है और लम्बे समय से पिछड़े राज्यों को पिछड़ा छोड़ देने की साजिश चल रही है। इसलिए हम आपके माध्यम से माननीय मंत्री जी से कहना चाहते हैं कि बिहार और बिहार जैसे राज्यों को... (व्यवधान)

**SHRI MADHUSUDAN MISTRY :** I just want to correct him. All that I have said is that it would only create tension. I never said that people from other States should not come to my State. Let him correct this misunderstanding that is there.

**श्री आलोक कुमार मेहता :** माननीय सदस्य की भावनाओं का सम्मान करते हुए मैं कहना चाहता हूँ कि ऐसी स्थिति बहुत सारे राज्यों में है। बहुत बड़ी संख्या में बिहार से मजदूरों का पलायन हो रहा है, सिर्फ इसलिए कि वहां हाथ को काम चाहिए और काम वहां मिलता नहीं है। वहां उद्योगों की कमी है, वहां उद्योग समाप्त हैं, एक भी पब्लिक सैक्टर यूनिट बिहार में नहीं है। मैं आपसे कहना चाहता हूँ कि यदि इस तरह की योजनाओं को डैवलपर्स के भरोसे आप छोड़ेंगे तो निश्चित रूप से डैवलपर्स बड़े-बड़े सिटीज़ में पड़े हुए हैं, कामर्शियल कैपिटल मुम्बई में पड़े हुए हैं और दिल्ली जैसे शहरों में पड़े हुए हैं। इसलिए सरकार को इस बात की ओर ध्यान देना होगा कि वहां के आर्थिक विकास के लिए ऐसे आर्थिक जोन बनाए जाने की जरूरत है और विशेष सहायता पहुंचाए जाने की जरूरत है।

टैक्स होलीडेज़ और डिफरेंट टाइप ऑफ टैक्स होलीडेज़, जो सरकार के द्वारा दिये जाते हैं, यह कोई बिजनेस डेवलपमेंट मात्र के लिए और किसी प्रोफिट ओरिएण्टेड इण्डस्ट्री को और प्रोफिटेबल होने के लिए नहीं दिये जाने चाहिए, यह वैसी इण्डस्ट्री को दिये जाने चाहिए, जहां पर नैचुरल रिसोर्सज़ ज्यादा इस्तेमाल किये जाते हैं, लेकिन इकोनोमिक वायबिलिटी उन्हें नहीं मिल पाती। उसकी इकोनोमिक वायबिलिटी को पूरा करने के लिए और आर्थिक उत्थान के लिए, उस इलाके से लेकर वहां के मजदूरों और किसानों के उत्थान के लिए उसका इस्तेमाल हो, अल्टीमेट इफैक्ट उन लोगों की आर्थिक स्थिति पर पड़े, उनके अपलिफ्टमेंट पर पड़े, इसके लिए इस तरह के जोन का इस्तेमाल होना चाहिए। इनके स्थापना की प्रक्रिया स्वाभाविक बनाई जानी चाहिए।

मैं माननीय मंत्री जी से चन्द शब्दों में यह कहना चाहता हूँ कि एग्रो एक्सपोर्ट जोन खुले, ये पूरे देश में चारों ओर खुले, लेकिन बिहार उससे अछूता रह गया। मैं जानना चाहता हूँ कि क्या बिहार कृषि उत्पादन में किसी राज्य से पीछे रह सकता है, यदि उसे थोड़ी सहायता मिले। एक्सपोर्ट की जब बात आती है, आलू की इतनी बड़ी मात्रा वहां उत्पादित होती है कि खेत में आलू सड़ने के लिए छोड़ दिया जाता है। किसानों को उसका मूल्य नहीं मिलता। यदि एग्रो एक्सपोर्ट जोन वहां खुल गया होता या वहां पर उसका इफेक्टिव कार्यक्षेत्र बनाया गया होता तो मैं नहीं समझता कि बिहार इतना पिछड़ा आज होता।

देश में सॉफ्टवेयर टेक्नोलोजी पार्क खोले गये, पूरे भारत में 6-6, 8-8 स्टेड्स में खोले गये, उनके बारे में राजनैतिक निर्णय लिया गया। वे ऐसी जगह पर खोले गये, मैं फिर उसके बारे में बताना चाहता हूँ कि पूरे देश में 15 प्रतिशत से ज्यादा सॉफ्टवेयर इंजीनियर्स बिहार से आते हैं और डिफरेंट स्टेड्स की डिफरेंट सॉफ्टवेयर कम्पनीज़ में और जहां भी सॉफ्टवेयर टेक्नोलोजी पार्क खुले हैं, वहां पर काम करते हैं, लेकिन बिहार में एक भी सॉफ्टवेयर टेक्नोलोजी पार्क और प्राइवेट टेक्नोलोजी पार्क नहीं खुला। हम आपसे विनती करना चाहते हैं कि आज मौका है और जितने भी होलीडेज़ की बात होती है, उन लोगों को होलीडे देने की जरूरत मैं नहीं समझता, जिन लोगों ने पहले ही बहुत होलीडेज़ पा लिए हैं, इसलिए अब बिहार की बारी है, बिहार जैसे पिछड़े राज्यों की बारी है। हम आपसे गुजारिश करना चाहते हैं, हमें आशा है कि यह विधेयक देश के विभिन्न राज्यों में आर्थिक बराबरी लाने में मास्टर प्लान की तरफ सिद्ध होगा।

इन्हीं शब्दों के साथ मैं इस विधेयक का समर्थन करता हूँ।

**PROF. M. RAMADASS (PONDICHERRY):** Sir, I welcome this Bill for various reasons; most importantly, this Bill is very comprehensive in character. It encompasses all the procedures that are required to set up Special Economic Zones -- from the start of one unit, to the operation, maintenance and to the monitoring of the units under the Special Economic Zones.

Hon. Member Gurudas Dasgupta was asking a question as to where is the mechanism for monitoring the Special Economic Zones. I would like to invite his attention to Chapter 7, Clause 34 which talks about the functions of the Special Economic Zones Authority. Clause 34, Subclause (c) says that this Authority will review the functioning and performance of the Special Economic Zone then and there. I think the Authority will act as a monitoring mechanism and, therefore, the Bill provides for that also.

The most important salutary aspect of this Bill is that it tries to promote exports in the country. We know that exports are engines of growth. Either you export or you perish, that is the condition in which we are living today. We have accepted, knowingly or unknowingly, a world globalised order in which we will have to be competitive. The best way to be competitive is to provide special incentives, create the infrastructure, provide all kinds of incentives for the development of those industries which would be able to contribute to foreign currency.

Today, in spite of all our efforts, the growth rate which we have contemplated has not reached the level of 20 per cent or even 22 per cent. If you are to achieve eight per cent growth rate of the GDP, we have to go to the level of 24 per cent. But the present rate is only 16 per cent with the total exports amounting to 75 billion dollars. We have to double this over a period of time. If we are to achieve this. We will have to provide special attention and special care for the development of exports and this Bill will take care of it and there will be a greater amount of dynamism in the growth of exports.

The third important advantage of this Bill would be that it will not open up the floodgates for the foreigners to come. But, in a competitive international environment we will have to provide for the inflow of Foreign Direct Investment also. No country in the world, for your information, has developed without foreign capital, foreign aid or foreign direct investment. This Bill provides a cautious approach to the entry of foreign direct investment into the country because we are providing an environment for the development industrial economy.

China is a shining example of a country which has developed through its Special Economic Zones. Various facilities given have attracted foreign direct investment and they have gone a greater extent in developing their economy. Therefore, we need not have unnecessary apprehensions or suspicions about the way in which the foreign direct investment is coming, provided we are able to take up the cause of labourers. It is true that we have not gone in for labour law reforms in this country. If the Special Economic Zones Bill has gone consistent with the labour reforms, it would have been a happy augury for this country also. We admit it. But the Special Economic Zones would provide a space for this growth also.

This Bill is consistent with the economic reforms that we have introduced in this country in terms of liberalisation, privatisation and globalisation. It has to be accepted that it is consistent with the international practice also. I can talk many things about the Bill and its merits. At the same time, I would like to bring to the notice of the hon. Minister of Commerce some of the shortcomings in the Bill so that at an appropriate time he would be able to take care of those shortcomings.

The first thing is that there are a large number of export-oriented units functioning in this country. Are we going to bring these export-oriented units into the Special Economic Zones, or are we going to allow them to develop themselves apart from these Special Economic Zones.

The Board for approval has got 19 members.

MR. CHAIRMAN : Prof. Ramadass, please take your seat for a while.

Do I have the sense of the House to continue till the completion of this item?

SEVERAL HON. MEMBERS: Let us continue.

MR. CHAIRMAN: I feel the sense of the House is that we continue.

**18.00 hrs.**

Let us please continue. We have only two more Members and then the Minister would reply.

... (*Interruptions*)

MR. CHAIRMAN : Only one Member is left after him and then the Minister would reply. Let us conclude this business today.

... (*Interruptions*)

MR. CHAIRMAN: Shri Dasgupta, I gave you enough time to expect from you that you would permit us to conclude the discussion on this.

SHRI GURUDAS DASGUPTA : While the hon. Members are making speeches, have you looked at the watch? ... (*Interruptions*)

MR. CHAIRMAN: That is exactly the reason why I have said that.

... (*Interruptions*)

श्री रामदास आठवले (पंढरपुर) : सभापति महोदय, इस बिल का समय बढ़ा दीजिए।

सभापति महोदय : आप सबकी इजाजत से पहले ही समय बढ़ा दिया गया है।

... (व्यवधान)

MR. CHAIRMAN: Shri Athawale, please sit down. You will be the next speaker.

PROF. M. RAMADASS : The constitution of committee has said that there will be 19 Members in the Board for Approval, out of which, 18 Members are the representatives of the Central Government and the State Government has got only one nominee.

The second fallacy of this Bill is that it ignores the role of State Governments. Sir, you know that the State Government will have to pay an active role in the development of industries and development of exports. But there is only one provision in the Bill which says that the State Government will have the power to give some exemption. There is nothing more, nothing less. They have got only one representative in the Board for Approval. Therefore, this needs to be changed

because without the support and cooperation of the State Governments, it is not possible to bring about much changes in the economic development of this country.

Now, with the liberal regime that is envisaged in the Bill, I still have an impression that there will be more of Government control in this.

MR. CHAIRMAN: Prof. Ramadas, please be very brief.

PROF. M. RAMADASS : The setting up of foreign banks must, as our hon. Member has said, abide by the rules of the Reserve Bank of India and they should not go according to what they think. I also have a lurking feeling that the country, industrially, will be divided into deemed foreign territories and other territories. The Special Economic Zones will become deemed foreign territories, and the other areas will become domestic territories.

Now, if you want to speak in terms of legal equity, why should we give special concession to some industries and why not to others? Having accepted the creation of Special Economic Zones, I would only urge upon the Government to provide the same momentum, same encouragement and initiative to the industries, which are lying outside the deemed foreign territory.

One more sphere is there. As a result of Special Economic Zones, the prosperous States would prosper further and the poor States will not have much of a benefit. Therefore, we should be able to think of special packages for the Special Economic Zones in the poorer States also. Special Economic zones will prove to be successful if only we are able to reap the economies of large scale production, and the economies can be produced only if we are able to increase the size of the units and create greater infrastructure.

Another pre-condition is, without the skill development, special units in the Special Economic Zones will not prove to be successful.

With these little apprehensions, I find more of merits in this Bill than of demerits. Therefore, I wholeheartedly support this Bill, on behalf of my Party, Pattali Makkal Katchi.

श्री रामदास आठवले (पंढरपुर) : सभापति महोदय, मैं अपनी पार्टी की ओर से विशेष आर्थिक जोन विधेयक, 2005 का समर्थन करने के लिए खड़ा हुआ हूँ। अप्रैल, 2000 में केन्द्र सरकार ने विशेष आर्थिक जोन स्कीम बनाने की घोषणा की थी। उसमें 11 जोन बनाना तय किया गया था जिसमें से 7 जोन केन्द्र सरकार द्वारा बनाने थे और 4 जोन प्राइवेट और राज्य सरकार द्वारा स्थापित करने थे। 33 नए जोन बनाने का संकल्प भी सरकार ने किया है। इम्पोर्ट-एक्सपोर्ट नीति को बढ़ावा देने के लिए विशेष आर्थिक जोन विधेयक लाया गया है। लेकिन अभी हम जो निर्यात करते हैं, पंढरपुर क्षेत्र में अनार की पैदाइश बहुत अच्छी होती है।

मेरे कहने का मतलब है कि किसान जो उत्पादन करते हैं, उसका फायदा उन्हें जरूर मिलना चाहिए। इस तरह की नीति आने की आवश्यकता है। इंडोनेशिया ने स्किल ट्रेनिंग सेंटर बनाकर काफी लोगों को ट्रेड किया है। भारत में भी इसी तरह की स्कीम बनाकर लोगों को ट्रेड करने की जरूरत है। इसके साथ-साथ हमें कामगारों के हकों का ध्यान भी इस बिल में रखना चाहिए। एस.सी. और एस.टी. के रिजर्वेशन के बारे में इस बिल में कुछ नहीं है। उस तरफ भी माननीय मंत्री जी को ध्यान देना चाहिए।

मैं ज्यादा वक्त न लेते हुए यही कहना चाहता हूँ कि हमारी जो आर्थिक नीति, निर्यात की नीति है, उसको मजबूत करने के लिए इस बिल का उपयोग हो। एनडीए सरकार द्वारा वर्ष 2000 में 33 नए जोन बनाये गये थे लेकिन उनका इम्प्लीमेंट करने का मौका हमें मिल रहा है इसलिए यह काम हमें करना है।

अंत में, मैं कहना चाहूंगा कि कामगारों के हकों पर हमें ध्यान देने की आवश्यकता है, विचार करने की आवश्यकता है। इन्हीं बातों के साथ, मैं इस बिल का समर्थन करता हूँ।

THE MINISTER OF COMMERCE & INDUSTRY (SHRI KAMAL NATH): Sir, I thank the hon. Members for participating in this discussion on the SEZ Bill. As my friend Shri Rupchand Pal mentioned, this is a path-breaking legislation.

Sir, the UPA Government set to itself certain goals. The UPA Government came into being with a mandate not from one section of society but from all sections of society. One of the prime objectives of the UPA Government -- I think, it is one of the biggest challenges today -- is the challenge of creating not only additional employment but additional avenues of employment. Today, we have 600 million people engaged in agriculture. We have agriculture which is not commerce, with one hectare or one and a half hectares of land holding. And, as rightly said, our agriculture cannot be equated with agriculture in the Western world. With a population of 600 million people being involved in agriculture, where are we to create employment? It was the biggest challenge not for this Government alone but for all Governments in India. It is and will remain the biggest challenge.

The SEZ Bill has been under preparation, formulation for quite some time. The question was, what kind of SEZ Bill should we have. What is this SEZ Bill? How will it not only drive investment but drive employment-driven investment? When we talk of exports, sitting in this House, all our friends here know that 14 years ago, we talked of exports because of foreign exchange. We talked of exports to ensure that we were able to pay our foreign exchange bill in 1991 when we did not have foreign exchange for more than 15 days. In this span of 14 years, we no more talk of exports to earn foreign exchange. The Foreign Trade Policy which was announced by the UPA Government -- which I announced -- had one sole intention. We kept the focus on how we would generate employment. Members will be happy to know that we initiated a study by the RIS to find out the number of jobs that would be generated by exports. Today, 80 billion dollars of exports in the year 2004-05 have generated employment.

These eighty billion dollars represent those merchandise exports which had not been absorbed in the Indian economy. They are incremental economic activity.

SHRI GURUDAS DASGUPTA : But, there is, of course, a point of controversy.

SHRI KAMAL NATH: Gurudasji, I will be happy to share with you the final report, which we have done on employment generation by exports.

In fact, exports today represent one of the most important employment-generating activities. That is a fact of life. So, while formulating the SEZ Bill, when we came into Government -- now it is almost a year ago -- I invited suggestions. I thought why to have a legislation which does not work; why to have a legislation which is not going to meet its objectives. This draft Bill was put on the net for suggestions. Suggestions were invited and I received about 140 suggestions. I held open-house meetings to understand as to what were the ingredients needed to frame an SEZ Bill which would meet the desired objectives and also meet the objectives of the Common Minimum Programme of the UPA Government. So, that is why it took this much of time. People were looking for investment opportunities. There are Special Economic Zones all over the world. Today, India is not the only country to have SEZs. There was a mention of SEZs of China also. Sir, we cannot go the Chinese

route. China is not a market economy. As we see, the difference between China and India is that in China, they sell what they produce, and in India, we produce what we can sell. Being a market economy, we cannot have an SEZ Bill driven on the Chinese pattern. On the other hand, SEZs are being set up in other countries also. So, if the format or the legislative structure of an SEZ Bill is not attractive enough, the foreign investment is not going to come to India. It will go to other countries having more attractive SEZ platforms. This really creates the structure or the platform not for foreign investments alone – they are only a part of it – but for domestic investments also. There are domestic investors who are looking at investment opportunities. There have been, as I said, a large number of proposals which have been approved. There are about 34 of them or something like that which have not yet materialised. It is because people worked to ensure that the SEZ structure in India is backed by a law passed by the Parliament of India. It is then that they get this confidence; it is then that they get the surety to invest. Today, if foreign investment is coming, it is not merely because we have a large population. There are countries with very large population. They are coming because we, this Parliament, pass a legislation which is credible. That is one of the strongest points of India. In the last one year, I had the opportunity to interact with investors and exporters. And I am happy to inform you all that today the world sees India as a credible country. Since they see it as a credible country, they are willing to invest here; they are willing to economically engage with us. People will buy and import from India if they see India as a reliable supplier; if they see India as an economy, which has credible laws and institutions.

A mention was made about FDI in China. The FDI in China is largely export-driven. For us, the pattern has been that the FDI, which has come here, also has a large domestic component. Now, that is the Indian pattern. So, we have to have a Bill which is India-specific. The most important aspect of the Bill is that we have considered as to what will work in India, and, at the same time, what will draw investments – both domestic and foreign – and yet be able to compete with the SEZs in other countries. There are SEZs in Thailand; there are SEZs in Philippines and Bangladesh also.

They have laws. Why would somebody come here to India, if we have a truncated SEZ structure? Why should, at this point of time, we miss out in unleashing our abilities – our entrepreneurial abilities, our intellectual abilities and our technical abilities? It is this route that we chose; that is, one of our vehicles to drive this investment has to be this SEZ Bill.

Some very important points have been made and I must say that I am thankful to the Members for going into the minute details of this Bill. Shri Rupchand Pal who has walked out has said that the proposal is half-hearted.

MR. CHAIRMAN : He has not walked out.

SHRI KAMAL NATH: Okay. He has gone out. He said that one EOU has not exported at all. There may be violation; let us remember that there will be delinquencies; and if there is a delinquency, it is for the Government to act. Isolated delinquencies cannot drive the whole legislation and cannot drive the manner in which it is done.

SHRI GURUDAS DASGUPTA : Basically this is the point. If there is a delinquency, will the Government act or fight shy?

SHRI KAMAL NATH: Shri Gurudas Ji, I will come to you. You charged me with having become soft. So, I need to tell you that we have not become soft.

It was said that these SEZs should be export-driven. SEZs are export-driven. SEZs have been and will be export-driven, and in the current SEZs that we have, 97 per cent is exported and only three per cent comes to the domestic market. So, it is not that it is going to the Indian market. There is a very large export-component to it.

MR. CHAIRMAN: Shri Rupchand Pal has walked in now!

SHRI KAMAL NATH: When Shri Rupchand Pal had gone out, I said that he had walked out. I correct myself that he had gone out.

SHRI RUPCHAND PAL : I have come back again!

SHRI KAMAL NATH: One of the concerns expressed by the hon. Members has been about labour laws. In our informal discussions which we had with various Members from the Left, they expressed apprehension about misuse or abuse of the provision of Section 50 which was there. I have accepted the amendment and I shall be moving it at the appropriate time, when we come to that Section, that is, Section 50 (b).

But I want to make one thing clear. At the outset I said that the UPA Government and the Parties supporting the UPA Government did not come to this House and did not come into the Government by the support of one section alone. When Shri Rupchand Pal and my friend Shri Gurudas Dasgupta raise this question of labour, let them remember that it is the Congress Party which came with these numbers and it is because of the support from the labour class. So, please do not attempt or try to oppose this.

SHRI GURUDAS DASGUPTA : Let us not go into the parliamentary rhetorics and let us confine ourselves to the Bill.

SHRI KAMAL NATH: I am responding to Shri Rupchand Pal.

SHRI GURUDAS DASGUPTA : That is all right. But you would like to prove how powerful you are! I called you soft; but I am correcting myself. You are what you are! Please do not engage in rhetorics and do not engage in vocabulary. Let us keep to the point.

SHRI KAMAL NATH: I am responding to Shri Rupchand Pal.

MR. CHAIRMAN: Shri Gurudas Ji, you have made your point; let him finish his speech now.

SHRI GURUDAS DASGUPTA : I know how Congress has come into existence! Let us not have a lecture on that. We know what we are; we do not believe that anybody has a monopolistic right to represent any section of the people. Let us not go into it; let us stick to the points on the Bill. What is the use of further enlarging it?

SHRI KAMAL NATH: Let me finish it with Shri Rupchand Pal.

SHRI GURUDAS DASGUPTA : But please do not say so.

SHRI KAMAL NATH: One of the apprehensions, which was expressed by Shri Rupchand Pal, was violation of labour laws. It has been said that their fundamental rights, human rights and even constitutional rights are violated. I want to assure Shri Pal that Special Economic Zones Bill does not and will not allow violation of any such right. We consider workers' rights to be supreme. They will be maintained.

SHRI GURUDAS DASGUPTA : Not sacrosanct!

SHRI KAMAL NATH: Well, I have said that they are supreme. You may use the word sacrosanct.

Another point, being raised by a couple of Members, is about clause 43. How does this Special Economic Zone work, we must look at this. Today, I think the largest player, the largest responsibility, the largest involvement will be that of the State Governments. Where the Central Government is being thought of, some phraseology is used that the Central Government can do something despite the State Governments. Today, if a Special Economic Zone has to come, it has to come in one of the States. It is the State Governments which are concerned with the taxes; the sales tax, octroi, land, municipality, panchayats, and so on. So, there is no intention... (*Interruptions*)

SHRI BASU DEB ACHARIA : What is the difficulty then in accepting our suggestion?

SHRI KAMAL NATH: Clause 34 does not aim at any particular State or at introduction of a new principle. This has been there all through these years and I want to assure you that no SEZ at the moment is even planned and if there is such a situation, the State Government shall always be consulted. Not only shall they always be consulted, they will have to be consulted. How will you get the land? Clause 13 says that two members of the State Government are involved. How will the State Government give the sales tax exemption? How will the State Government give octroi exemption? How will the municipality and panchayat operate? All this is going to be the role of the State Governments. Let me make it very clear that it is not humanly possible to set up a SEZ without a State Government's active support or participation.

SHRI RUPCHAND PAL : I do not know if there is anything wrong with the drafting but it says, "provided that the Central Government may after identifying the area *suo motu* set up and notify a Special Economic Zone without referring the proposal to the State Government concerned". What the Minister is saying now and what has been written in the draft is contradictory.

SHRI KAMAL NATH: What I have been trying to explain is that, while this is written, it is inherent, sovereign right, but one must look at this in terms of its objectives, its application and in terms of its practicality. Is it possible? Can you give me a single instance, even suggest an imaginary scenario where this would be possible? So, my submission to you is that while this section is there... (*Interruptions*)

SHRI RUPCHAND PAL : Why can you not delete it?

SHRI KAMAL NATH: I have adequately assured you that the State Governments will necessarily be consulted in this regard.

As far as Shri Dasgupta is concerned, I am very happy to have his support and even more happier that he is looking at this as a measure of economic growth. I understand that there would be some reservation with regard to the rule of law. He has made some apprehension that the rule of law does not apply to foreign companies in India. I think one of the prime considerations of MEA approval is that any country operating in India must conform on the basis of national treatment.

If there are such cases, they will be in gross violation of the law. They are not even minor violations of the law but certainly they are violations of the law. So, the apprehension that there may be violation of the rule of law, either by design or by default, does not apply. I do not think it is valid because that is not the intention of the Government. The rule of law in our country applies to everyone operating in this country, be it Indian or a foreigner. Our Government is ensuring this. One of the most important things is that we have a very vigilant Parliament. I think the vigilance of Parliament also has played a very active role – it is recognised the world over – in ensuring that there is a national treatment to all foreign investment which takes place in the country.

I have already elaborated on labour laws but I would like to tell the hon. Member that it is not that I have become soft or he has become soft. I think there is convergence taking place. While they may be becoming soft and practical on some things, we are also becoming soft and practical on some. So, at least, we are moving towards convergence, which I think is a happy note. Am I right?

SHRI GURUDAS DASGUPTA : Softness is not the basis of convergence. The political necessity and compulsion are the basis for convergence.

SHRI KAMAL NATH: If you go into that political rhetoric, I would also have to go into that. You said that we should avoid political rhetoric. I can also deal with this political rhetoric. I wish we could have started this discussion one hour earlier. Then, we both would have had a chance to deal with political rhetoric.

SHRI GURUDAS DASGUPTA : Will you inform the Parliament after a year how much foreign funds have flown in after passing of this Bill?

SHRI KAMAL NATH: We could say both foreign and domestic investment because one of the prime things which I think perhaps I have not been able to go into is the objective which is not just foreign investment. There is a large component of domestic investment also. It relates to total incremental investment objective which we would, of course, monitor critically. In fact, this is our first experience of bringing in such a Bill. This is not something we have been experienced with. As I said, we tried to get all kinds of suggestions and ideas. We tried to include them into this Bill. As we move along, if we find that there are difficulties and that we need to supplement something, certainly Parliament will consider this to make sure that the objectives of this Bill are met.

I would like to thank Prof. Ramadass for his very deep understanding on the necessity of exports. Sometimes it is thought that there is no necessity of exports. There is an issue which he raised about EOUs which are already there and how could the EOUs go to SEZs if they want to go. We have received suggestions from something called virtual EOUs because with some of the facilities which

will be with SEZs, I agree that there will not be a level playing field for the EOUs. We are looking into those matters to see that the existing EOUs are not disadvantaged. But we must understand one thing that SEZ is to attract new investment and the EOUs which are already there are not new in this. But at the same time, while dealing with this, we have to also see that they are not disadvantaged and that they have a level playing field. He mentioned about the Board and approval of members, I assure you that there is no intention of ignoring the State Governments.

Another suggestion which was received was about the time limit. It will be specified in the rules that there will be a time limit.

In conclusion, I would like to express my gratitude for the active participation. What we are considering today is perhaps one of the most important steps in stimulation of economic activity in our country. This is an incremental step for economic activity and the Government is taking many steps to increase the economic activity.

But here today we are considering a Bill which, for the first time, is a new avenue, by a legislative process, to create a structure for Special Economic Zones that will create economic activity and employment.

Sir, with these few words, I request the support for this Bill to start a new avenue for employment generation. ... (*Interruptions*)

SHRI RUPCHAND PAL : Sir, what has been written in the Bill and what has been stated by the hon. Minister here are contradictory. The hon. Minister has assured the House that there will be no interference with the rights and authority of the State Governments. But what is written in clause 3(4) of the Bill is different... (*Interruptions*)

MR. CHAIRMAN : You have already referred to that.

SHRI RUPCHAND PAL : Sir, I am insisting that the language should be changed, otherwise it would be difficult for us to support this Bill.

Secondly, in one place 'labour laws' have been deleted but in another place I insist that the words 'except the violation of labour laws' should be included. He has agreed to that while replying. But unless there is a change in the language to that effect, it does not mean anything. I am insisting on it... (*Interruptions*)

SHRI BASU DEB ACHARIA : Sir, unless the hon. Minister agrees to these two suggestions by way of bringing forward two small amendments to this effect, it would be difficult for us to support this Bill.

MR. CHAIRMAN: You are not moving any amendment. The rule stipulates that a formal amendment has to be moved according to the time schedule prescribed under the rules and only thereafter it can be admitted.

SHRI BASU DEB ACHARIA : Let the hon. Minister assure the House that he will move amendments to this effect in the Rajya Sabha. Otherwise we will have to object to it... (*Interruptions*)

SHRI GURUDAS DASGUPTA : Sir, there is a sense of apprehension regarding the role of the State Governments. What the hon. Minister is saying here is one part of the interpretation. There is also another part of interpretation. What is the difficulty on the part of the hon. Minister here to assure the hon. Members on the floor of the House that the State Governments would not be ignored and that they will be involved? Let him assure that... (*Interruptions*)

SHRI KAMAL NATH: Sir, I think, it is on record that I have assured that the State Governments shall be consulted. Now, as per the procedure, no amendment has been moved. I have not moved any amendment. My only submission is, that is an adequate assurance and it has been recorded in the proceedings of the House. But in the rules -- after all there will be rules framed -- we will build in provisions -- the hon. Members may have my assurance -- which will adequately keep their concerns in view.

MR. CHAIRMAN: I think that is a good proposition by the Minister.

Now the question is:

"That the Bill to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto, be taken into consideration."

*The motion was adopted.*

MR. CHAIRMAN: The House would now take up clause by clause consideration of the Bill.

The question is:

"That clauses 2 to 49 stand part of the Bill."

*The motion was adopted.*

*Clauses 2 to 49 were added to the Bill.*

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### **Clause 50**

*Amendment made:*

Page 21, *for* lines 14 to 23, *substitute-*

"(b) delegating the powers conferred upon any person or authority under any". (1)

( Shri Kamal Nath)

MR. CHAIRMAN: The question is:

"That clause 50, as amended, stand part of the Bill."

*The motion was adopted.*

*Clause 50, as amended, was added to the Bill.*

MR. CHAIRMAN: The question is:

"That clauses 51 to 58 stand part of the Bill."

*The motion was adopted.*

*Clauses 51 to 58 were added to the Bill.*

*The First, the Second and the Third Schedules were added to the Bill.*

*Clause 1, the Enacting Formula and the Title were added to the Bill.*

MR. CHAIRMAN: The Minister may now move that the Bill, as amended, be passed.

SHRI BASU DEB ACHARIA : Sir, when he has agreed to include it in the rules and when he is getting time, he can bring suitable amendment as it will go to Rajya Sabha only day after tomorrow.

MR. CHAIRMAN: You know the procedure. Making laws is a long and slow process. It goes to the Cabinet again and moreover, he has given you the assurance already.

SHRI BASU DEB ACHARIA : When one amendment was accepted in half an hour, then what is the difficulty in accepting two amendments?

MR. CHAIRMAN: Then, it will be deferred for long.

SHRI BASU DEB ACHARIA : Without Cabinet's approval, one amendment was accepted and one clause was deleted. What is the difficulty now when he is getting time also? He can give that much assurance now.

THE MINISTER OF STATE IN THE MINISTRY OF EXTERNAL AFFAIRS (SHRI E. AHAMED): From this House, how can a Minister give an assurance about the other House?

MR. CHAIRMAN: I am sure, you can discuss the matter with the hon. Minister and some mutually acceptable solution would be found out.

SHRI BASU DEB ACHARIA : Sir, since morning, we are discussing and impressing upon him. We are demanding only two small amendments and these also are not being accepted.

SHRI KAMAL NATH: I am going to bring it in the rules as part of the Act. What more do you want?

MR. CHAIRMAN: The Minister may now move that the Bill, as amended, be passed.

SHRI KAMAL NATH: I beg to move:

"That the Bill, as amended, be passed."

MR. CHAIRMAN: The question is:

"That the Bill, as amended, be passed."

*The motion was adopted.*

MR. CHAIRMAN: The House stands adjourned to meet at 11 a.m. on 11<sup>th</sup> May, 2005.

**18. 38 hrs.**

*The Lok Sabha then adjourned till Eleven of the Clock  
on Wednesday, May 11, 2005/Vaisakha 21, 1927 (Saka).*

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