

**4<sup>TH</sup> ASEAN PORTS AND  
SHIPPING EXHIBITION**

**7<sup>TH</sup> JUNE 2006**

**KUALA LUMPUR**

# DELIVERING THE BENEFITS OF A FREE ZONE WHAT ARE THE SUCCESS RATES ?



**Free Zones**

# **Types of Zone**

- **Trade Free Zone**
- **Special Economic Zone**
- **Export Processing Zone**
- **Licensed Manufacturing Warehouse**
- **Technoparks / Distriparks / Industrial Zone**

**Free Zones**

# **Definition**

- **Separated From Customs**
- **Duty Free and Low Tax**
- **Simplified Procedures**
- **Special Regulatory Framework**

# “Delivering Failure”

- **Public Sector Developments**
- **Uncompetitive Policies**
- **Bureaucratic Procedures and Controls**
- **Institutional Structure (Mandate)**
- **Isolated Development Approach**
- **Weak Administration**

# Practical Observations

- **Half Hearted efforts by governments & investors to generate new economic activity**
- **Governments are restricted by the concerns and jealousies of the local investors on the impact to their business**
- **Rules formulated to maintain controls & minimize local sensitivity which vary by location**

*‘Rules over time end up  
as a legacy of Compromise !!’*

# Free Zones “Delivering Success”

- **Authority** – Legal, Financial, Politically & Operationally
- **Business Friendly** - Streamlined Environment
- **Location**
- **Approval** Process
- **Government** Support
  - Outsourced Government Functions
  - Top Level And Integrated
- **Autonomy** – OFFSHORE Framework
- **Enforcement**

Free Zones

# Government's Role

*“Facilitate*

Rather Than

*Control”*

**Free Zones**

# **Benefits**

- **Infrastructure Investment**
- **Trade – Regional And Local**
- **Economic Activity – Multiplier Effect**
- **Foreign Direct Investment**
- **Employment Generated**
- **Fee Income**
  
- **Business Friendly Environment**

Free Zones

# Definition

- Separated From Customs
- Duty Free and Low Tax
- Simplified Procedures
- Special Regulatory Framework

**“No Control – Anything Goes !”**

**Free Zones**

**Reality**

➤ **Structured**

➤ **Regulated**

➤ **Supervised**

➤ **Enforced**

**Free Zones**

**And .....Success**

**3000 Zones – 116 Countries**

**Exports USD 600 Billion**

**Jobs 15 Million**

**Success - +1000 Zones**

**How do we Measure ?**

**Free Zones**

**Success .....**

## **Mexico – Maquiladora Program**

- **3500 Factories**
- **1 Million Jobs**
- **US \$80 Billion Exports**

**Criticized As Exploitative**

**Success .....Subjective**

Free Zones **“Objective ....Success ?”**

- ✓ **130 Square Kilometers**
- ✓ **+6,000 tenants**
- ✓ **107,000 Jobs**
- ✓ **Waiting List**
- ✓ **Continuing Expansion**
- ✓ **New Cargo Airport**
- ✓ **20 Years**

***“Jebel Ali Free Zone”***

# Why.....Success ?

- ✓ **Vision**
- ✓ **Infrastructure Investment Mentality**
- ✓ **Mandate and Commitment**
- ✓ **Will & Ability to Promote Change**
- ✓ **Resources**
- ✓ **Foresight - Long Term Goals & Benefits**

Free Zones

# Success - Incentives

- Inducements - e.g. Corporate Tax
- Mercenary Mentality – Economic Flight
- **Total Benefits - not just Financial**
- Benefits structured for the Long Term

## Free Zones

# Malaysia

- ✓ **Vision**
- ✓ **Location**
- ✓ **Infrastructure**
- ✓ **‘Real’ Facilities**
- ✓ **Cost Structure**
- ✓ **Government Support**
- **Business Model – ‘Jebel Ali’**

**“PORT KLANG FREE ZONE”**

PKFZ

# Success

- Measured against an Objective
- PKFZ - ***The Regional Trading & Logistics Hub of South East Asia.***

## **Port Klang Free Zone - Vision**

*Port Klang Free Zone Sdn Bhd will be the market leader providing world class facilities and service as an integrated industrial & commercial hub in South East Asia.*

# Port Klang Free Zone – **Mission**

*PKFZ will optimize the commercial & operating environment to facilitate trade as South East Asia's leading Free Zone using JAFZA as an operating & marketing benchmark.*

# THANK YOU

[www.pkfz.com](http://www.pkfz.com)



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