

Global Free Zones of the Future 2012/13 Winners

fDi MAGAZINE'S SECOND GLOBAL RANKING OF ECONOMIC ZONES HAS AWARDED DUBAI AIRPORT FREE ZONE THE TITLE OF GLOBAL FREE ZONE OF THE FUTURE 2012/13. **GRÁINNE BYRNE AND COURTNEY FINGAR** REPORT ON THE RESULTS





Dubai Airport Free Zone (Dafza), located in the United Arab Emirates, has been crowned fDi Magazine's Global Free Zone of the Future 2012/13. It has moved from second place in the ranking two years ago to be awarded the top spot. Dafza, which was established in 1996 and considers itself to be the fastest growing free zone in the Middle East, impressed the independent judging panel for a variety of reasons. It has excellent transportation links and a clear focus on attracting FDI. The zone only registers foreign companies, and has more than 1300 operational presently. Dafza has an increasing environmental awareness and is implementing 'green buildings' and an International Organisation for Standardisation energy management system.

Second position goes to UAE-based Dubai International Financial Centre, a newcomer to the ranking. China-based Shanghai Waigaoqiao Free Trade Zone (WFTZ), the champion from the 2010/11 ranking, moves into third place.

The remainder of the top 10 is made up by Iskandar (Malaysia), DuBiotech (UAE), Tanger Free Zone (Morocco), Freeport of Ventspils (Latvia), The Clark Freeport Zone (Philippines), Chittagong Export Processing Zone (Bangladesh) and Dubai Media City (UAE).

As well as being overall fDi Global Free Zone of the Future 2012/13, Dafza takes the top spot in the 'Best Airport Zone' category. It is followed by Tanger Free Zone and The Clark Freeport Zone.

The top three in the 'Best Port Zone' category is led by Tanger Free Zone, with Freeport of Ventspils placed second and Mauritius Freeport coming in third position.

Zones from the Middle East – in particular the UAE – dominated the rankings, with 23 of the top 50 zones coming from the Middle East region and 14 of them from the UAE alone.

This is the second such ranking produced by fDi Magazine, with the inaugural Global Free Zones of the Future biennial benchmark being published in June 2010. ►

TOP 50 FREE ZONES OF THE FUTURE 2012/13: OVERALL

| RANK | NAME OF ZONE | COUNTRY |
|------|---|-------------|
| 1 | Dubai Airport Free Zone | UAE |
| 2 | Dubai International Financial Centre | UAE |
| 3 | Shanghai Waigaoqiao Free Trade Zone | China |
| 4 | Iskandar | Malaysia |
| 5 | DuBiotech | UAE |
| 6 | Tanger Free Zone | Morocco |
| 7 | Freeport of Ventspils | Latvia |
| 8 | The Clark Freeport Zone | Philippines |
| 9 | Chittagong Export Processing Zone | Bangladesh |
| 10 | Dubai Media City | UAE |
| 11= | JLT Freezone | UAE |
| 11= | Katowice Special Economic Zone | Poland |
| 13 | Dubai Silicon Oasis | UAE |
| 14 | Mauritius Freeport | Mauritius |
| 15 | Bahrain International Investment Park | Bahrain |
| 16 | Khalifa Bin Salman Port | Bahrain |
| 17 | Salalah Free Zone | Oman |
| 18 | Lodz Special Economic Zone | Poland |
| 19 | Bahrain International Airport | Bahrain |
| 20 | Aqaba Special Economic Zone | Jordan |
| 21 | Twofour54 (Media Zone Authority, Abu Dhabi) | UAE |
| 22 | Walbrzych Special Economic Zone | Poland |
| 23 | Dubai International Academic City | UAE |
| 24 | Dubai Healthcare City | UAE |
| 25 | Rakia Economic Zone | UAE |
| 26 | Dahej Special Economic Zone | India |
| 27 | Dubai Studio City | UAE |
| 28 | El Paso International Airport | US |
| 29 | Dubai Knowledge Village | UAE |
| 30 | Bahrain Logistics Zone | Bahrain |
| 31 | Ras Al Khaimah Free Trade Zone | UAE |
| 32 | Montreal Port | Canada |
| 33 | Aqaba International Industrial Estate | Jordan |
| 34 | Astana New City Special Economic Zone | Kazakhstan |
| 35 | Pomeranian Special Economic Zone | Poland |
| 36 | Klaipeda Free Economic Zone | Lithuania |
| 37= | Starachowice Special Economic Zone | Poland |
| 37= | Sheffield City Region Enterprise Zone | UK |
| 39 | Industrial Free Zone – Togo | Togo |
| 40 | SEZ Alabuga | Russia |
| 41 | Free Zone Pirot | Serbia |
| 42 | International Media Production Zone | UAE |
| 43 | Zagreb Free Zone | Croatia |
| 44 | Dead Sea Development Zone & Jabal Ajloun Development Zone | Jordan |
| 45 | Polaris International Industrial Park | Egypt |
| 46 | Birmingham City Centre Enterprise Zone | UK |
| 47 | Technological Industrial Development Zone Skopje 1 & 2 | Macedonia |
| 48 | Southeast-Ecka, Zrenjanin | Serbia |
| 49 | Freeport of Riga | Latvia |
| 50 | Rezekne Special Economic Zone Authority | Latvia |

Secrets of success

The world-beating Dafza has set ambitious targets for expansion and diversification and made a point to hedge against potential challenges presented by the global economic climate in the short to medium term. It has also kept a careful eye on the long term.

Speaking to **fDi** in his Dubai offices in January 2012, the Dafza director-general outlined plans to offset the prospects of a slowdown in its core investor markets of Europe and the US, while also increasing the zone's status as a contributor to the emirate's GDP.

"The next expansion will be in the next year," Dr Mohammed Al Zarooni said. "We have made plans for expansion in the future, to [eventually] bring another 1500 companies to the Dubai Airport Free Zone, because we have space for that and we can expand."

In the nearer term, the goal is to attract 600 to 700 additional companies in the next five or six years – in line with Dafza's rate of growth in the 15 years since its inception, which has seen it average 100 new companies each year. With Dafza currently based on a 700,000-square-metre site, it is hoping to expand eastwards this year, with a view to occupying a 100,000-square-metre leasable area. "We have [already attracted] 1450 companies," said Mr Al Zarooni. The intention is to further increase that number, while keeping an eye on the quality of investments, he added.

While keen to uphold the important role of the European companies in Dafza, which account for 37% of the businesses present, Mr Al Zarooni remains aware of the need to diversify the free zone's economic partners as it expands. "The majority of our clients are from Europe and they are facing a lot of problems, but that doesn't mean we are going to stop," he said. "We are thankful we brought many companies in last year from Japan. This year our focus will be on the Far East: Singapore, South Korea, Hong Kong, ▶"

"WE HAVE MADE PLANS FOR EXPANSION IN THE FUTURE, TO [EVENTUALLY] BRING ANOTHER 1500 COMPANIES TO THE DUBAI AIRPORT FREE ZONE" DR MOHAMMED AL ZAROONI



Dubai International Airport is home to Dubai Airport Free Zone, which achieved first place in the Global Free Zones of the Future 2012/13 ranking, as well as the leading airport zone

TOP FIVE BEST AIRPORT ZONES

| RANK | NAME OF ZONE | COUNTRY |
|------|-------------------------------|-------------|
| 1 | Dubai Airport Free Zone | UAE |
| 2 | Tanger Free Zone | Morocco |
| 3 | The Clark Freeport Zone | Philippines |
| 4 | Mauritius Freeport | Mauritius |
| 5 | Salalah Free Zone | Oman |
| 5 | Bahrain International Airport | Bahrain |

Japan, China and even India, in case we face some difficulty in bringing in more companies from Europe, America and Australia."

Serving a variety

The push for diversification is a mark of many of the world's more successful zones, according to James Ku, managing director of Indev Partners, who served on the judging panel that helped assess the participating zones for the rankings.

"The most successful zones are either diversified zones with scale or highly specialised zones catering to a specific industry," he says. "Large diversified zones have been able to invest in infrastructure and offer a wide range of amenities, such as ready-built factories that provide flexibility to investors. The large size required to attain economies of scale for such developments have meant that most of the top zones are in the rapidly developing Middle

East and Asian countries where land is relatively easier to acquire. Specialised zones have been used most effectively in Dubai, where investors can have access to unique amenities such as laboratories or high-speed communications."

Mr Ku sees the free zone model continuing to have relevance, especially in the current economic climate. "Almost all of the zones continue to offer significant tax holidays and fiscal incentives. It highlights that even in a time when budgetary constraints and fiscal austerity are at the forefront, it will be hard for governments to scale back such incentives if they wish to remain globally competitive," he says.

Chairman of the World Free Zone Convention (WFZC) Graham Mather, who served on the judging panel, has also highlighted the vital role that free zones can play in helping the global economy through difficult times. Addressing the 11th►

"THE MOST SUCCESSFUL ZONES ARE EITHER DIVERSIFIED ZONES WITH SCALE OR HIGHLY SPECIALISED ZONES CATERING TO A SPECIFIC INDUSTRY" JAMES KU



Tanger Free Zone is strategically located near to the Tanger-Med port and is rated the best port zone and sixth best overall free zone

TOP FIVE BEST PORT ZONES

| RANK | NAME OF ZONE | COUNTRY |
|------|-------------------------|-----------|
| 1 | Tanger Free Zone | Morocco |
| 2 | Freeport of Ventspils | Latvia |
| 3 | Mauritius Freeport | Mauritius |
| 4 | Khalifa Bin Salman Port | Bahrain |
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WFZC event in Shanghai in November 2011, he said free zones "have much to offer" at a time when the world is desperately seeking job creation, economic growth and development ahead of an anticipated downturn amid a worsening eurozone crisis. "Free zones are key to the world's search for growth," he added.

Citing a World Bank study analysing the benefits of free zones, which include the ability to absorb unemployed labour, raise skills and productivity levels, and generate taxes from inception, Mr Mather said these are among the reasons why many countries are returning to the free zone model or newly embracing it as a way out of economic troubles. "All areas of the world could benefit from free zones and they all need them," he said.

Zonal marking

Eastern Europe was well represented in the rankings, and judge John Worthington of IBT Partners was among those bullish on the region's offerings. "Having worked closely with numerous European economic zones, IBT Partners can say from experience that the high quality of infrastructure and extensive network of all forms of transportation is something that sets European economic zones apart from those of other regions," he says. "With world-class airports, road, railway and port systems strategically clustered in various hubs across the continent, companies who are looking to expand their logistics network in Europe are consistently impressed with the efficiency and practicality of its transport systems. According to fDi's survey, all the European free zones featured in this list are highly ►

"ALL AREAS OF THE WORLD COULD BENEFIT FROM FREE ZONES AND THEY ALL NEED THEM" GRAHAM MATHER



The Waigaoqiao Free Trade Zone in Shanghai is ranked third best free zone of the future

accessible and possess well developed transport infrastructure."

Asia's zones are, of course, not to be overlooked. "With the highest average levels of education among emerging economies, Eastern economic zones have at their disposal a labour force with one of the highest skill-to-cost ratios, resulting in massive influxes of FDI into China and south-east Asia," says Mr Worthington. "At different stages of transition between primary, secondary and tertiary sectors, these are attractive regions for a wide range of industries. India, China, Singapore and the Philippines, in particular, are regarded as zones of fast growth and attraction, which is reflected by the huge increases in employment in

the past two years in their respective economic free zones."

African zones, many of which look to the successful Middle Eastern zones as models, have lagged behind but many are now showing promise. The Industrial Free Zone of Togo was the lone sub-Saharan mainland African zone to make the top 50.

"Due to their comprehensive list of fiscal and non-fiscal incentives, low levels of regulatory restrictions, and rapidly improving standards of living, African free zones are becoming increasingly attractive FDI destinations. Those in Morocco and Mauritius, in particular, couple this with a stable political and economic structure, making them highly desirable destinations. It is worth men-

tioning that the Tanger Economic Free Zone of Morocco boasts an impressive increase of 20,000 employees in the past two years," says Mr Worthington.

A booming region of the world, South America, has been far behind the curve in using free zones as a path to development, as well as in promoting the zones it does have to the world. This is reflected in the poor participation of zones from this region in the benchmarking study. None were cited in the top 50 list. Two North American zones, meanwhile, made the cut.

John Hanna, managing director of GDP Global Development, also served on the judging panel, along with **fDi** editor Courtney Fingar. ■

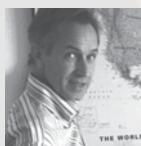


Iskandar in Johor, Malaysia, is ranked fourth in the Global Free Zones of the Future 2012/13

JUDGING PANEL



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JOHN HANNA
Managing director, GDP Global Development



JAMES KU
Managing director, Indev Partners



GRAHAM MATHER
Chairman, World Free Zone Convention



JOHN WORTHINGTON
Partner, IBT Partners

METHODOLOGY

More than 600 free zones across 120 countries were invited by fDi Magazine to complete a survey requesting both qualitative and

quantitative data regarding their free zones. The information collected was set under five categories: incentives, facilities, cost-effectiveness, transportation and

best FDI promotion. A total of 56 zones submitted details regarding many aspects of their zones and this was judged and scored by an independent judging panel.

JUDGING CRITERIA

GENERAL INFORMATION

- Total size
- Total land available for development
- Expansion in land area in the past two years; and/or plans for expansion in the next two years
- Total office space available
- Total employment
- Increase in employment in the past two years
- Number of businesses operating in the zone
- Total volume of goods processed in the zone
- Increase in total volume of goods processed in the past two years
- Percentage of investor companies that expand their presence in the zone
- Any restrictions for setting up in the zone

INCENTIVES

- Types of incentives offered
- Description of the incentives offered including any requirements for eligibility
- Administrative services offered to assist investors

FACILITIES

- Key economic and industrial sectors supported by the zone
- Range of warehouse facilities, industrial units, logistics and office spaces available
- Amenities offered to help investors

COSTS

- Annual average rental cost of industrial facilities, warehouse space, office space, undeveloped land, condominium and others (per m²)
- Average cost per unit of water costs (per m³), electricity costs (per kw/hr) and gas costs (per m³)
- Annual average cost of labour for unskilled worker, semi-skilled worker and highly skilled worker

TRANSPORTATION

- Presence within zone of airport, port, major motorways, railway or other
- Presence near zone of airport, port, major motorways, railway or other
- Description of any major planned infrastructure projects

PROMOTION STRATEGY

- Website
- Digital/web promotion activities undertaken to create interest in the zone
- Other marketing, communications or promotional activities undertaken
- Methods used to identify potential investors, and strategy for approaching and engaging them
- The zone's marketing slogan/brief summary of its appeal
- Statement from zone's chief executive, director or president on his or her vision for achieving the zone full FDI potential

SERVICES

- *asked of services zones
- Description of services offered by companies in the zone
- Telecommunication and technology infrastructure
- Disaster recovery services offered on site
- Internet speed offered
- Available labour pool and the % of which speak more than one language
- Office space availability
- Major planned projects

An additional set of information was sought from airport and port zones regarding their facilities and capacity