

Shining Examples of Free Trade Zones in Developing Countries

أمثلة مبهرة على مناطق التجارة الحرة في البلدان النامية

Mr. Ali Bouchemal

Higher School of Commerce, Algiers

ali.bouchemal@nslservices.co.uk

Received: 23/10/2018

Pr. Keddi Abdelmadjid

University of Algiers 3

phdkeddi@yahoo.com

Accepted: 01/12/2019

الملخص: إن النظرية التي طورت من هذه الدراسة تتميز نفسها عن نظريات عملية التدويل الأخرى، من حيث أنها تعترف بالتأثير المتزامن للموقع الجغرافي لمناطق التجارة الحرة، وتأثير الهيئات المسيرة لها، وكذا تأثير البنية التحتية، والمعطيات الاجتماعية والاقتصادية، والعلاقة المتبادلة بين هذه العوامل. على عكس النظريات الموجودة التي طورتها المدرسة البيئية، والتي تعتمد فقط على التأثير المحتمل للعوامل الخارجية، فإن هذه النظرية تدمج العوامل الداخلية والخارجية في تفسيرها. إعتمدت الدراسة على المنهج التحليلي والمقارن للإجابة على السؤال التالي: ما سر النجاح المبهز لتجارب كل من الامارات، كازاخستان و شانغهاي بالصين الشعبية، وماهي الاثار التي تركها هذا النظام على اقتصاديات تلك الدول؟

قامت الدراسة بتحليل وتشخيص تجارب الدول الثلاث كل على حدى، مركزة على أسباب النجاح والنتائج التي خلفها على إقتصاديات تلك الدول. وخلصت الدراسة الى إعطاء مفهوم جديد للمقومات الأساسية الواجب توفيرها قبل وأثناء وبعد بدأ النشاط في أي منطقة حرة، وكذا الدور الذي تلعبه تلك المناطق في حل بعض المشكلات الاقتصادية والاجتماعية وتنويع الاقتصاد.

الكلمات المفتاحية: التجارة الدولية، التبادل، المناطق الحرة، التعريفات الجمركية، البلدان النامية.

Abstract : The theory developed from this study distinguishes itself from other Internationalisation process theories in that it acknowledges the concurrent influence of Free Trade Zones' geographic locations, managing authorities, socio-economic infrastructure and the interrelationship of these factors. Unlike the existing theories developed by the ecological school, which only account for the potential influence of external factors, this theory incorporates both internal and external factors into its explanation. Both, analytical and comparative approaches have been utilised to answer one question: Why FTZs succeeded in the UAE, Kazakhstan, and China, and how they contributed to the hosting countries' economy?

The study analyses the success factors of the chosed cases, and the results show that adopting such a system without putting in place the basic requirements for successful FTZ will determine its faith from the beginning, and concluded that FTZ can play a major role in the economic development by boosting economic diversifications.

Key Words: : International trade, Exchange, Free trade zones , Customs tariffs, developing countries.

JEL Classification: F13, F15

*Corresponding author: Ali Bouchemal (Ali.Bouchemal@nslservices.co.uk).

Introduction:

A nation's prosperity depends, to a great extent, on the role that foreign trade plays when it comes to that country's economy, mainly because of its significant impact on the value of the national income. Therefore, most countries work hard to improve their chances of global trading by increasing export. Free trade zones FTZ are being developed across the world to enhance the economic activity in the hosting country by offering various incentives to local as well as foreign entities operating in that zone. The questions are: what is a FTZ, how can they contribute to the economic development? And what made them so successful?

The Free Trade Zone (FTZ) is part of special economic zone (SEZ). Where goods can be stored, processed, manufactured or re-configured and re-exported according to specific customs regulations in a specific geographical area is considered as Free Trade Zone (FTZ) and most cases FTZ are exempt from the normal customs duties. While, some studies have assessed the economic performance of FTZs, other social critiques reject their economic contributions and emphasized on the social and environmental impact of the FTZ. This study will focus on the macroeconomic benefits of FTZ and how they can be a good way of economic diversifications.

1. Jebel Ali Free Economic Zone:**1.1 Jafza General Overview:**

Jebel Ali Free Economic Zone (Also known as Jafza) was established by Emirates of Dubai at the Western fringes of the state in 1985 (Jafza, 2019) and has been gradually expanding the ranges and variety of services / facilities being provided to its clients to become one of the largest free zone in the world. (The Economist, 2015)

Fig. 1: picture of Dubai Jabel Ali FTZ



Source: <https://www.google.co.uk/search>

Jafza has been turned into one of the most valued business destinations in the world (Shayah & Qifeng, 2015). From the modest figure of 19 companies, today Jafza houses an astounding number of companies (more than 7000) operating within its localities. As of now, Jafza acts as a hub of numerous businesses owned and operated by citizens more than 100 countries. With a fabulous value for trade amounting to 87.6 billion dollars, its accounts for over 32% of FDI and 50% of total exports of Dubai (Jafza, 2019). It holds the unique distinction of being the

first free zone qualifying for ISO certification in 1996. It implemented online communication in 1998, whereas Jafza introduced the largest Customer Relationship Management (CRM) system in the region in 2007. Owing to its productivity, Jafza has been earning acclaim at various international platforms. (Jafza, 2019). Jafza spans over an area 140 km² and offers purpose-built office spaces, warehouses and dedicated areas for other commercial activities. Being situated in Dubai, which holds a huge customer base being global hub for trade and business, state of the art logistics infrastructure is considered as Jafza's main source of attraction. Besides, Jafza has the unique distinction of being located between two largest international logistic enablers i.e. World's 8th largest port and biggest Cargo airfield. Connected by a six-lane highway, Jafza enables transportation of custom bound goods from one place to another within one hour. Cutting edge facilities like custom built office spaces, warehouses, office spaces and land for large-scale manufacturing / extensive warehousing, distinguish it from other zones in the region. (FIDFINVEST, 2018)

1.2 Salient Features of JAFZA:

According to the official brochure of the Dubai Port (DP) World, Jebel Ali Port is the most important infrastructural feature of Jafza. It has played a significant role in bringing Jafza to its current stature. Possessing state of the art cargo and other related facilities, Jebel Ali port is one of the most sophisticated and most productive ports in the world, which has been accepted by the Journal of Commerce (JOC) due to its quality management, safety and security features. Salient characteristics of the port have been discussed in this part of the study to enable us to understand the causes behind success of Jafza.

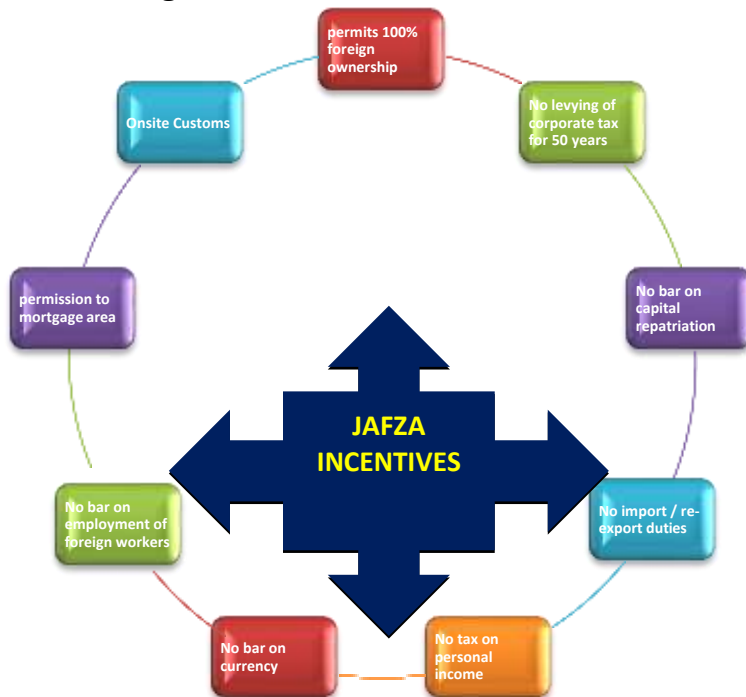
Table 1: Salient Features Jebel Ali Port

Container Terminal	
Capacity - 19.5 million TEU	Details - 28 berths ; 94 quay cranes
General Cargo	
Capacity - Over 1.4 million sqm	Details - 27 berths
Roll on / Roll Off	
Capacity - Over 360,000 sqm	Details - Handling capacity of over 750,000 units
CFS/Warehousing	
Capacity - Over 200,000 sqm	Details - Open & Covered storage facilities
Temperature Controlled Storage	
Capacity - Approx 10,000 sqm	Details - -29°C to +20°C
Tank Terminal	
Capacity - Over 2.0 million sqm	Details - 11 berths

Source: DP World Official Brochure, 2017

One other major reason behind such great success of Jafza lies in its policies, rules and regulations aimed at facilitating and incentivizing the companies doing business in it. Jafza acts as a customized platform for global connectivity providing connections with a network of highly skilled and successful business leaders. Its operations are characterized by a simplified functioning environment shaped around streamlining overall operations (Jing and Yong, 2014).

Fig. 2: Jafza Incentives Framework



Source: Jing and Yong, 2014

As per the law in vogue, foreigners can establish a business in UAE only with the partnership of local citizens with minimum share of 51%. However, Jafza has its peculiar regulations wherein foreigners are allowed to establish a business with 100% ownership / funding, without the requirement of any local guarantor or joint venture. This helps a great deal in attracting Foreign Direct Investment by making it a favourite investment destination. Few of such preferential, incentive-oriented policies applied in Jafza are discussed below (Jing and Yong, 2014)

- 100% foreign ownership and investment is allowed.
- Any international company commencing business in Jafza is exempted from income tax for 50 years; the period is extendable to 65 years on request.
- There are no restrictions on remittances of capital and the profit.
- No income tax is levied on import and export goods.
- Registration and other documentary formalities and procedures for commencing business are simplified and facilitated by efficient management.
- There are no restrictions on minimum capital investment.
- Processes entailing staffing / recruitment of employees for the companies have been simplified with minimal restrictions / limitations on the employers.

An efficient mechanism of economical, cost effective supply of energy has been also put in place.

1.3 JAFZA'S Contribution to the National Economy:

According to the official prospectus of Jafza Sukuk (2019), owing to its inherent advantages like location, state of the art customized facilities suiting various businesses both at global as well as regional level, provision of value driven solutions suiting the customer requirements, Jafza has paid a pivotal role towards the economic growth of Dubai. Consistent investment friendly policies of the government have made it one of the most preferred investment destinations, across the globe. Its contributions are discussed below:

- Non-oil exports from JAFZA alone, amount to more than 50% of the total Non-Oil exports of Dubai.
- Similarly, Imports from JAFZA amount to more than 31% of total Non-Oil imports of Dubai.
- Business activities by JAFZA companies have contributed towards employment creation for more than 0.16 million individuals, which is a considerable figure.
- Jafza has also been instrumental in the immense growth of cargo / commercial activities at also immensely participated to the unbelievable overall development of Dubai's ports.
- Apart from the direct contribution, Jafza companies have made meaningful contributions in the indirect sectors like transportation, hospitality and tourism.
- Another major contribution of Jafza is in relation with enhancement and augmentation of human capital of the local citizens. Working with the best business outfits, managers and mentors within the country and abroad, broaden the overall horizon and performance landscape of the local workers. Whole range of varied experiences and expertise brought about by the foreign businessmen plays a significant role towards performance enhancement of youth, thus making immense contribution towards Dubai's economy on long term basis.

Fig. 3: Highlights of Jafza's Success



Source: DP World Official Brochure, 2017

2. SEZs in Kazakhstan:

2.1 SEZ General Overview:

Kazakhstan has a special economic zone that hosts a part of innovative technologies. The development of this economic zone has been recognized globally and was awarded for being the category winner in the International Free Zones in 2017 (Ansaldò, 2017). Some of the key attributes that have been recognized by economic experts include the availability of preferential tax rates such as the zero charges on the property. Other benefits include higher corporate income, alongside better social taxes. As an active participant in the Eurasian Economic Union, Kazakhstan uses its membership alongside the special economic zones to increase its trading activities in this economic region (ADB, 2018). It enacted special legislation in 2011 that provides clear definitions for the role of these economic zones with marked borders. This law applies to the operations of the imperative activities of the zone.

Fig. 4: Image of SEZ in Kazakhstan



Source : <https://www.adrianoplegroup.com/post/10-commandments-of-special-economic-zones>

Furthermore, the economic zone offers investors the appropriate conditions needed to carry out business. For instance, it gets rid of the administrative and bureaucratic barriers alongside providing better access to the market in Kazakhstan. The strategic location also fosters faster delivery of products and services to European markets and other markets in the Middle East and the Asia Pacific region. Recently, the SEZ developed a new strategy that can be used by local companies to improve their exporting strategies. The new strategy considers the requirements needed to effectively target foreign markets. Through the implementation of this strategy, the zone has assisted at least 30 companies in joining the free one based on the guidance and the leadership processes outlined in the strategy. This strategy was used to double the revenues of the start-ups to reach USD 398 million (Seleznova, 2018). The Kazakhstan government participated in the growth of the special zone by launching the IT sector in SEZ Almaty alone. The objective of this sector is to unite the new companies to ensure that they optimize the benefits of Synergy and joint collaborations. It is expected that by the end of 2019, at least ten more companies will be included in the IT sector and up to 40 companies are projected to be part of the sector by 2020 (Adilet, 2011). These start-up companies are expected to participate in accelerating the growth of the zone both locally and internationally. The investments of each start-up are USD 100,000 (Adilet, 2011). Currently, up to 221 start-up companies run their business operations in the park and produce an estimated 5,000 different goods and services (Khazak Invest, 2017). The park is located in a strategic geographical position that

is a natural crossroad for transit from all sides of the city. As an active participant in the Eurasian Economic Union, Kazakhstan uses its membership alongside the special economic zones to increase its trading activities in this economic region (ADB, 2018). It enacted special legislation in 2011 that provides clear definitions for the role of these economic zones with marked borders. This law applies to the operations of the imperative activities of the zone. Furthermore, the economic zone offers investors the appropriate conditions needed to carry out business. For instance, it gets rid of the administrative and bureaucratic barriers alongside providing better access to the market in Kazakhstan. The strategic location also fosters faster delivery of products and services to European markets and other markets in the Middle East and the Asia Pacific region. Recently, the park developed a new strategy that can be used by local companies to improve their exporting strategies. The new strategy considers the requirements needed to effectively target foreign markets. Through the implementation of this strategy, the zone has assisted at least 30 companies in joining the free one based on the guidance and the leadership processes outlined in the strategy. This strategy was used to double the revenues of the start-ups to reach USD 398 million (Seleznova, 2018). The Kazakhstan government participated in the growth of the special zone by launching the IT sector in Almaty. The objective of this sector is to unite the new companies to ensure that they optimize the benefits of Synergy and joint collaborations. It is expected that by the end of 2019, at least ten more companies will be included in the IT sector and up to 40 companies are projected to be part of the sector by 2020 (Adilet, 2011). These start-up companies are expected to participate in accelerating the growth of the zone both locally and internationally. The investments of each start-up are USD 100,000 (Adilet, 2011). The objective of the special economic zones is to provide finance for up to 500 innovative companies in two years. The plan entails the incubation of 50 techs and exporting companies. This is the suggested approach for attracting more investors to Kazakhstan. The data shows that an increasing number of foreign companies are venturing into Kazakhstan and seeking to hire local workers. This is expected to foster development and the introduction of the entrepreneurial culture in return for the experience and knowledge offered by the investors. The focus of the centre remains the support and development of new companies using the assistance of foreign companies. Concept of economic zones in Kazakhstan dates back to late 1990's. These zones were established to ensure social as well as economic development of the regions in general and country, in particular. However, these zones remained unproductive and thus gradually rolled back (Kazhyken, 2008). Significant reasons regarding the failure of SEZs in the earlier years included corruption, misuse of development funds, errors in the planning process, infrastructural development programs, suitability of the selected areas / regions in terms of location and size, insufficient logistical infrastructure (Kazhyken, 2008). A number of regulatory as well as legislative frameworks were gradually and systematically introduced till 2011 to make these zones as investment friendly. The latest step in this regard is the SEZ law of 2011 which ascertains the basis of state regulation of the establishment and functioning of the zones (The SEZ Act, 2011).

There is a total of 10 Special Economic Zones in Kazakhstan. Each SEZ has been established under a special presidential decree and having peculiar purposes.

Fig. 5: SEZs in Kazakhstan



Source: ADB & CAREC, 2018

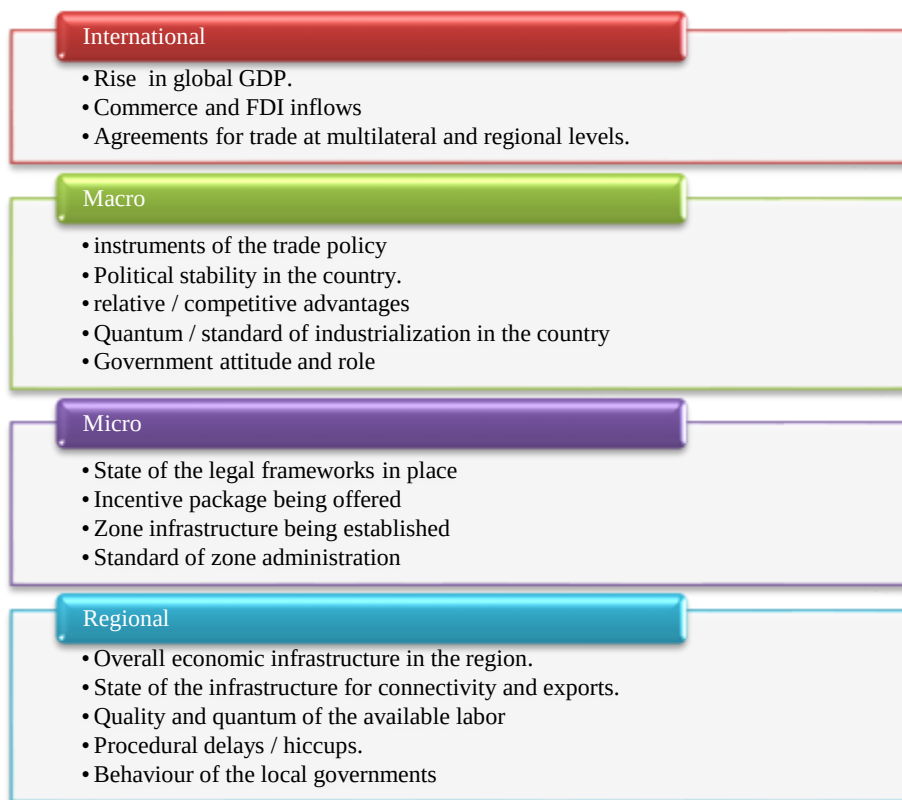
All types of entrepreneurial activity in the SEZ are divided into the priority and auxiliary activities. Basic distinction between the two is that agents of auxiliary activity not covered by the special economic zone regime. Priority activity types are that answer the purpose of creation of these zones.

2.2 Success Factors of SEZS

Kazakhstan has adopted first-generation EPZs type SEZs with public ownership, small size, and fenced-in boundaries. In what follows, the investment climate in these SEZs is analyzed. A dig into the literature reveals that the performance of SEZs and IZs is influenced by several factors, which can be seen as a four-level hierarchy (Akinci and Crittle 2008, Madani 1999, Yuan and Lorraine 1992, Sit 1988).

Fig. 6: Critical Success Factors for Attracting Investments in SEZs

Source: CAREC and ADB, 2018



It can be accrued that the Government of Kazakhstan is making all out efforts to make the country as one of the most investment friendly countries in the world. A huge amount of capital has been invested for the development and subsequent processing, functioning of the SEZs and IZs.

Dedicated companies for the establishment and operation of the zones, supported by the federal as well as the local governments are playing pivotal role for enhancing the productivity and attracting FDI in the country. Investment friendly policies, remodeling of relevant rules and regulations, measures to enhance protection for the investors, simplified and quick legal procedures for dispute resolution are the highlights of the Kazakhstan model of the SEZs.

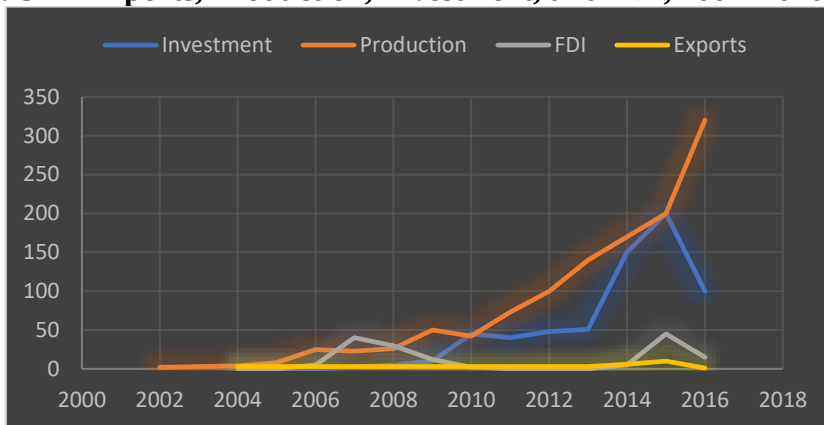
2.3 Contribution of the SEZS to Kazakhstan's Economy:

The SEZ Act 2011 has the following objectives for SEZs:

- Attract investments and increase employment.
- Introduce new technologies into sectors of economy and to regions.
- Accelerate the development of modern, high productive, competitive industries.

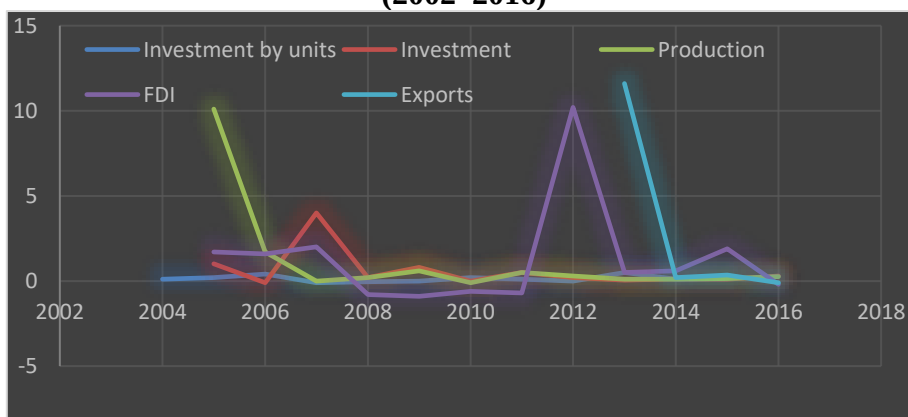
The performance of SEZs against the backdrop of these three objectives has been assessed in succeeding paragraphs.

2.3.1 Investment and Employment :

Fig. 7: SEZ Exports, Production, Investment, and FDI, 2002–2016 (T bn)

Source: CAREC and ADB, 2018

Figure 7 presents a comprehensive picture of investment, production, FDI, and exports in the context of SEZs. It shows that investment in SEZs increased more than 10 times from T40 billion in 2003 to around T470 billion in 2015. Production also increased from less than 1 billion in 2004 to over 339 billion in 2016. However, increased investment and production have not been accompanied by increased exports. Since 2011, there has been consistent reporting of exports; their share has remained between 3% and 6% of total production (OECD, 2018). Similarly, FDI inflows have been insignificant and inconsistent, with only 2 years (2007 and 2015) showing substantial FDI inflows. However, SEZs have been instrumental in generating employment, which grew from a mere 29 to around 11,527 in 2016, at an average annual rate of 30.4% (OECD, 2018).

Fig. 8: Annual Growth Rates in Exports, Production, Investment, and FDI, (2002–2016)

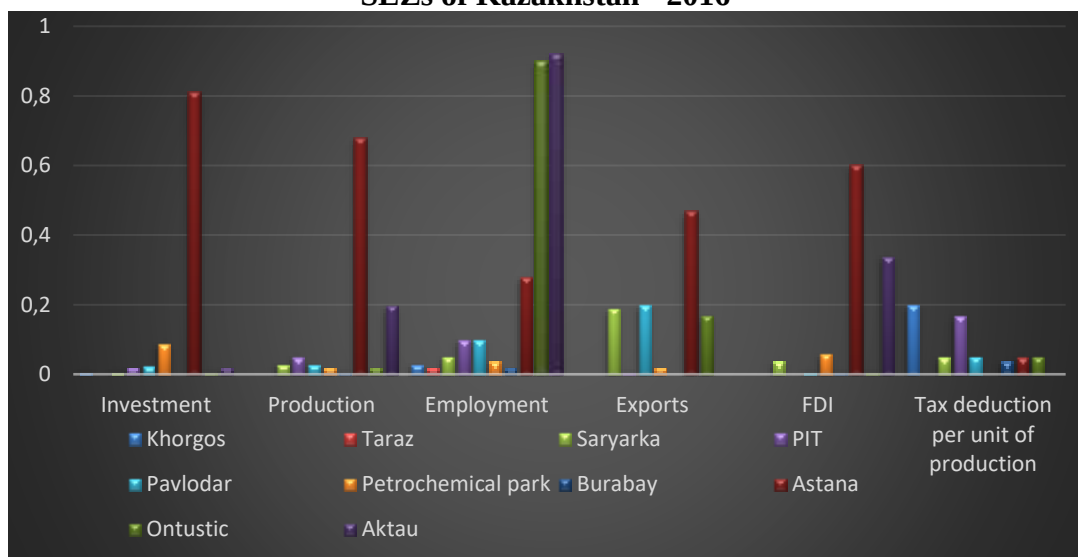
Source: CAREC and ADB, 2018

Figure 8 presents the annual growth rates in exports, production, investment, and FDI. The rates of growth have been close to zero. High initial growth rates can be attributed to low bases. It is worth noting that the SEZ Act 2011 did not impact on the growth of production, FDI, or even total investment. Even while production and investment grew, the growth rates do not show acceleration. SEZs are set up mainly to promote private investment, in particular

FDI. However, the growth rate of FDI inflows have been hovering around zero. More worrisome is the fact that even private domestic investment does not have substantial presence in the zones. In fact, interviews with officials revealed that most investment in SEZs comes from state owned companies, either directly or through daughter companies. Thus, the government itself is a major beneficiary of lucrative incentives offered in the zones. It is not clear if this investment is additional in the sense that it is induced by the presence of SEZs (OECD, 2018).

Of the 10 SEZs, 3 have started their operations recently: Khorgos-Eastern Gate, National Industrial Petroleum Park, and Saryarka. No data is available on Taraz SEZ. Of the operational SEZs, Astana emerges the leader in terms of key indicators of investment, production, exports, and FDI; PIT is the leader in employment generation. FDI inflows are small in all SEZs, except for Astana and Aktau. The National Industrial Petroleum Park, Pavlodar, and Saryarka have also been constantly attracting FDI. These SEZs are also reporting exports, along with Astana and Ontustik. It must be noted that only three SEZs—Chemical Park Taraz, Ontustik, and Pavlodar—have export requirements (ADB 2017). Astana emerges as the leader in exports, and Technopark did not report any FDI or exports. It is also noted that tax deduction per unit is inversely related to production. This is an important observation, which implies that as production increases, the fiscal cost falls (OECD, 2018).

Fig. 9: Share of Exports, Production, Investment, FDI, and Tax Deduction of SEZs of Kazakhstan - 2016



Source: CAREC and ADB, 2018

Figure 9 summarizes the growth in production and employment of the six SEZs operating in 2011. The two fastest-growing SEZs were Ontustik and Pavlodar, followed by Astana and PIT. Of the remaining two, Aktau showed a decline in production but a rise in employment, while Burabay was declining in both production and employment. While the average growth rates in production look impressive, the base figures are rather small. These figures also hide annual volatility (OECD, 2018).

3. Shanghai Pilot Free Trade Zone (SHPFTZ), China:

3.1 SHPFTZ General Overview:

The Shanghai Pilot Free Trade Zone also known as SHPFTZ is termed as the first modern free trade zone developed by China in the famous city of Shanghai.

Fig. 10: Symbol of SHPFTZ China's opening



Source: <http://www.shanghaifreetradezone.org/en/framework.htm>

The zone symbolizes efforts of the modern Chinese leadership to open up its economy for the global arena. Unlike traditional economic zones Shanghai Pilot Free Trade Zone which are aimed at enhancing economic activity at domestic and international level, SHPFTZ has been developed while considering more far reaching aspects. Apart from the features similar than normal FTZs, SHPFTZ presents three glaringly distinguishing aspects, which are peculiar to China (Björkgren, 2015).

Fig. 11: Distinguishing Aspects of SHPFTZ



Source: Björkgren, 2015

Shanghai Free Trade Zone (SHPFTZ) was launched in 2013 and hosts over 50,000 member companies (Jaye, 2018). One of the most significant features of SFTZ is to contribute to the development of open trade in China. This opportunity

implies that the country can open its economy to a substantial number of foreign investors in critical services industry sectors (Palmioli & Heal, 2014).

As Jaye (2018) indicates, SFTZ is a type of service platform dominated by the consolidation of diverse government systems. It has been demonstrated that the adoption of this one-stop service platform supports the activities of different companies by ensuring a high level of synchronization to achieve optimal efficiency. This new zone in China shows the government's intention to make sustainable economic reforms (BBC News, 2013).

The parallel development of a competitive services sector and a well-balanced financial sector is an essential feature of SFTZ (Palmioli & Heal, 2014). From this perspective, it should be noted that services are perceived as a crucial driver of innovation. The focus is on bringing sufficient expertise to different services industries, which can lead to high value-added manufacturing (Palmioli & Heal, 2014). With regards to the innovations promoted in the model of SFTZ, the use of a 'negative list' for attaining liberalisation objectives is adequately emphasised (Palmioli & Heal, 2014). The list provides comprehensive information about the specific industry sectors in which foreign investment is restricted. By providing relevant administrative guidelines and financial requirements to potential foreign investors, experts from the companies included in SHPFTZ aim at alleviating unnecessary burdens that might impede the process of economic development.

3.2 Causes of Success of Shanghai Free Trade Zone

In determining whether SHPFTZ lived up to its promise, Lockett (2015) discusses foreign investors' expectations related to the reforms assumed with the introduction of SFTZ. It has been indicated that the list covered all areas of interest to foreign investors, implying the use of adequate strategic planning mechanisms to achieve optimal results with the development of SHPFTZ. In addition, Lockett (2015) provides relevant information about the measures of success pertaining to the functioning of SHPFTZ. One such measure has been identified as a persistent move toward greater internationalisation of the Chinese economy. After introducing SFTZ, the country's economy has boosted rapidly and has become rather open to various international influences. Yet it has been observed that more progress is expected in relation to liberalisation objectives. This implies that China still practices caution with regards to capital account openness (Lockett, 2015).

It should be noted that since the number of businesses operating in SFTZ increased to 20,000, this can be used as a source of competitive advantage and a relevant indicator of success of SHPFTZ (Lockett, 2015). This can be explained with the initial rush of companies to the respective zone, which resulted in the emergence of a cluster effect. Another factor contributing to the success of SFTZ is described as the feasibility of registration and administration systems. This shows that barriers to entry to the zone remained quite low, which has led to intensifying the force of competition.

It is vital to indicate that Shanghai's logistics sector has improved its performance since the introduction of SHPFTZ. The constantly expanding warehouse space illustrates the focus on enhancing the country's logistics

infrastructure in the long term (Lockett, 2015). One of the advantages associated with improved logistics is that products can be shipped prior to going through customs, which contributes to higher levels of transparency, efficiency, and productivity of the companies involved in the operations. These companies are able to decrease operational costs and processing time, which results in optimal customer satisfaction (Huang, Van, Hossain, & He, 2017). Such information implies that SHPFTZ has been perceived as a rather successful initiative. The number of industries that can benefit from the policies and principles applicable to the zone is constantly increasing to include the healthcare and entertainment sectors (Lockett, 2015). A similar aspect illustrates how the Chinese economy has become more flexible, considering that the respective government has opened up to the possibility of foreign ownership. The gradual economic reform occurring in China is in line with the optimal functioning of SHPFTZ, which implies that the zone's national prominence should not be disregarded (Lockett, 2015). In fact, discussing the causes of success of SFTZ can help professionals in the field become adequately informed about the future potential of the zone and how they could avail opportunities associated with economic growth.

3.3 Contributions of SHFTZ to the Chinese Economy:

3.3.1 Economic Activity in Various Components of SHPFTZ:

In 2010, the Jinqiao Economic and Technological Development Zone, Jinqiao Economic and Technological Development Zone (South Park) and Nanhui Industrial Park gained positive momentum of economic growth and various economic indicators achieved rapid growth year-on-year and set a record high. Achievements / contribution of these two zones towards the economy are mentioned in the table below (SHPFTZ, 2018)

Table 2: Contribution of SHPFTZ to Chinese Economy

Area of Economy	Contribution
Total industrial value	218.813 billion yuan (\$34.1 billion)
Contracted foreign investment	738 million U.S. dollars
Actual received foreign investment	314 million U.S. dollars
Domestic registered capital	1.643 billion yuan
Tax revenue	8.361 billion yuan
Local fiscal revenue	2.095 billion yuan
Fixed-assets investment	7.51 billion

Source: SHPFTZ, 2018

Similarly, contributions by the Pudong Airport Industrial Park towards the economy are mentioned in the table below:

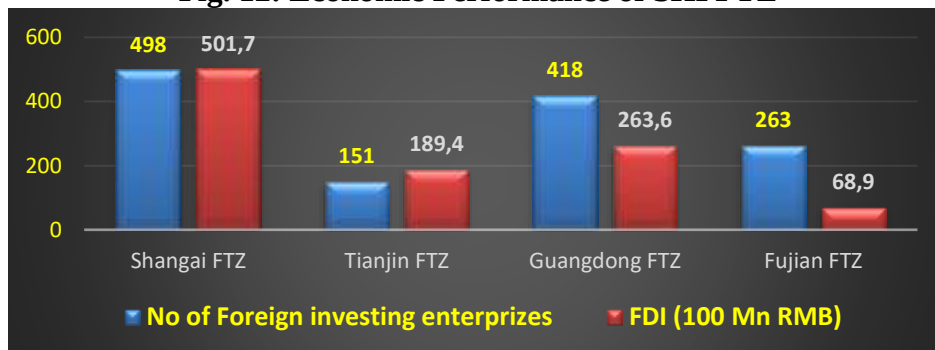
Table 3: Contribution of SHFTZ to Chinese Economy

Area of Economy	Contribution
Total industrial value	16.438 billion yuan (\$34.1 billion)
Contracted foreign investment	245 million U.S. dollars
Actual received foreign investment	255 million U.S. dollars
Domestic registered capital	1.034 billion U.S. dollars
Tax revenue	1.111 billion yuan
Fixed-assets investment	2.488 billion yuan

Source: SHPFTZ, 2018

3.3.2 SHPFTZ - The Best Performer in Attracting FDI in FTZS of China :

Almost all FTZs in China have received high rates of FDI along with a greater number of foreign investors and enterprises. However, SHPFTZ has been the top performer in both the departments i.e. it has attracted the greatest number of foreign investors and maximum amount of FDI. Details are shown on the chart below (Shira, 2016).

Fig. 12: Economic Performance of SHPFTZ

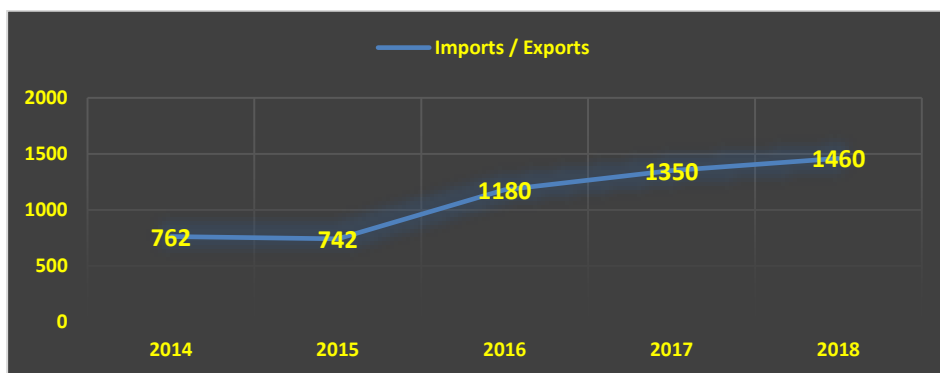
Source: Shira, 2016

3.3.3 Capital Flows since the SHPFTZ :

According to the data described in the figure below, it can be ascertained that the capital flows of China have risen since the introduction of the SHPFTZ. Before commencement of the SHPFTZ, the volumes of inflows and outflows used to be approximately 300 to 400 billion USD. It can be observed that beginning from the fourth quarter of 2013 (i.e. after SHPFTZ), the capital outflows have gradually raised to 620 billion USD. Far sharper rise is observed in the capital inflows, which have raised from 402 to 636 billion USD (Yao & Whalley, 2015).

Similarly, imports and exports of SHPFTZ have always been on a gradual rise, which is playing a positive role in Chinese economy.

Fig. 13: Imports / Exports of SHPFTZ (Billion Yuan)



Source: SHPFTZ, 2018

SHPFTZ emerges as one of the most successful Free Trade Zones of the Modern eras. As reflected from its title, it was established as a “Pilot” FTZ, where the Chinese government wanted to experiment reforms of various types and at various tiers.

The reforms at the governance, administration, management along with the steps taken to open up Chinese economy by offering numerous facilitates and incentives to local as well as foreign businesses have paid off. China has offered similar incentives in its other FTZs which is a good omen, not for the Chinese economy alone, rather for the Global economy in general.

Conclusion:

The study has been able to provide us with an ample number of important and factual evidence regarding three of the most successful FTZs in the developing countries. It is apparent from this study that even though tax exemptions have provided a huge motivation for investment and funds runoff to FTZs, the provision and availability of infrastructure will always be a greater motivational factor. Likewise, the actual success of any FTZ relays on the extent to which the authorities in charge of their management are able to follow up and monitor project activities, whilst addressing any shortcoming or non-compliance as well as observing and monitoring execution rates and readiness to impose strict sanctions on investors who may not be willing to abide by the set rules and regulations

This study concluded that the most important factors contributing to the financial success of any FTZ is its geographic location. FTZ should be well located, well equipped, and well administered. And any country trying to adopt this kind of special customs system must answer one fundamental question: do we have all elements needed for a successful FTZ? This is a must before even thinking to start any this kind of initiatives.

The discussion was also been able to provide with the requirement of understanding as to how the free trades zones can benefit the economy of any country regardless if it is part of any free trade agreement or even a member of the world trade organisation WTO should not stop it from adopting the FTZs .

To sum up, the success or efficacy of the concept is evident from the fact that number of countries adopting and introducing these zones are increasing with each passing day. Senses of competition amongst the contemporary zones have led to introduction of innovative incentive packages linked with state-of-the-art

facilities to be offered for the investors. The concept, therefore, is a successful one. However, the degree of success and quantum of investment / economic activities is linked with the factors like geographical location, rules regulations and fiscal policies and overall economic environment of the peculiar country.

References:

- ADB. (2018). A Diagnostic Study of Kazakhstan's Special Economic Zones and Industrial Zones. Retrieved April 17, 2019, from <https://www.carecprogram.org/uploads/Diagnostics-Study-of-Kazakhstan-SEZs-and-Industrial-Zones-en.pdf>
- ADB. 2015. Asian Economic Integration Report 2015: How Can Special Economic Zones Catalyze Economic Development. Manila. p. 30; and A. Karzhaubayeva. 2013. Special Economic Zones in Kazakhstan. SEZ World Tracker. October. pp. 58–62.
- Adilet. (2011). On special economic zones in the Republic of Kazakhstan. Retrieved April 17, 2019, from <http://adilet.zan.kz/eng/docs/Z1100000469>.
- Akinci, G., and J. Crittle. 2008. Special Economic Zone: Performance, Lessons Learned and Implications for Zone Development. Washington, DC: World Bank.
- Ansaldo, P. (2017). Kazakhstan: Special Economic Zones. Studio Legale, 1(1), 1-8.
- April, F.I.A.S., 2008. Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development. FIAS, Washington, DC.
- Arabian Business (2017). Dubai's DMCC named the world's top free zone for third year. [online] ArabianBusiness.com. Available at: <https://www.arabianbusiness.com/politics-economics/380763-dubais-dmcc-named-the-worlds-top-free-zone-for-third-year> [Accessed 28 Jun. 2018].
- Björkgren, K. (2015). Free trade zones in China: A guide.
- Central Asia Regional Economic Cooperation (CAREC) Secretariat and the Asian Development Bank (ADB), A Diagnostic Study of Kazakhstans Special Economic Zones and Industrial zones, April 2018
- Huang, D., Van, V., Hossain, M. and He, Z. (2017). Shanghai Pilot Free Trade Zone and Its Effect on Economic Growth: A Counter-Factual Approach. *Open Journal of Social Sciences*, 05(09), pp.73-91.
- Jafza. (2019). Our History, Vision & Promise | Jafza. [online] Available at: <http://jafza.ae/about-us/history-vision-promise> [Accessed 15 Jan. 2019].
- Kazhyken, M.Z., 2008. Regional infrastructures of Kazakhstan: economic zones. *Innovations*, 7: 18-22.
- Law of the Republic of Kazakhstan 2011 about Special Economic Zones in the Republic of Kazakhstan” of July 21, Volume 469-IV.
- Lockett, H. (2015). Has the Shanghai Free Trade Zone lived up to its promise? CKGSB Knowledge. Retrieved from <http://knowledge.ckgsb.edu.cn/2015/01/20/finance-and-investment/has-the-shanghai-free-trade-zone-lived-up-to-its-promise/>

- Madani, D. 1999. A Review of the Role and Impact of Export Processing Zones. Washington, DC: World Bank.
- OECD (2018), Reforming Kazakhstan, Progress, Challenges and Opportunities, OECD publishing <http://dx.doi.org/10.1787/9789264269606-en>.
- Official prospectus of Jafza Sukuk (2019) Limited, 2012
- Palmioli, G., & Heal, A. (2014). Structural economic reform in China: The role of the
- Shanghai Free Trade Zone. *United Nations, Economic and Social Commission for Asia and the Pacific*. Retrieved from <https://www.unescap.org/sites/default/files/Trade%20Insights%20-%20Issue%20No.%203.pdf>
- Shira, Dezen (2016), A guide to China's Free Trade Zones, China Briefing
- SHPFTZ, report 2018
- Yang Jinglei. Study on the strategy of port economy into the global industrial network -- Enlightenment from the port city of Dubai port economy, (April 2010).
- Yao, D., & Whalley, J. (2015). The Yuan and Shanghai Pilot Free Trade Zone. *Journal of Economic Integration*, 591-615.
- Yuan, J. D., and E. Lorraine. 1992. Export Processing Zones in Asia: A Comparative Study. *Asian Survey*. 32 (11). pp. 1026-1045.
- Shayah, M.H. and Qifeng, Y., 2014, October. Development of free zones in United Arab Emirates. In *First Middle East Conference on Global Business, Economics, Finance and Banking, Dubai*.
- "Dubai's economy: Growing up". *The Economist. Dubai. 6 June 2015*. Retrieved 26 January 2019
- 28-OnLine: www.jafza.ae (Accessed 16/01/2019).
- OnLine: <http://www.fidfinvest.com/> (Accessed 17/01/2019).
- OnLine: www.dpworl.com (Accessed 17/01/2019).