



WORLD FREE ZONES
ORGANIZATION

Best Practices & Practical Approaches to SEZ Development in Asian Region

Forum on

Developing Sustainable Economic Zones in the Central Asia
Regional Economic Cooperation (CAREC) Region

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Best Practices of SEZs in Asian Region

- SEZs have contributed 22% of China's GDP, 45% of total national foreign direct investment, and 60% of exports creating 30mn jobs, increasing farmer income by 30% and accelerated industrialization, agricultural modernization, and urbanization.
- The success of China's SEZs is due to free market-oriented economic policies and flexible governmental measures.
- China implemented decentralization of government resources along regional lines, thus coastal regions experienced an increase in privatization of resources and subsequently large, manufacturing based zones for better economies of scale.
- South Korea's SEZs are driven by smart industrial zones, utilizing high-end information and communication technologies to improve productivity of businesses.
- The country gave importance to exports during its industrialization phase. Government measures such as good policy tools to facilitate exports through SEZs is a notable example that could be replicated.
- SEZs in Korea provide not only facilities for economic activities such as manufacturing facilities, but also supporting facilities not directly involved in economic activities, such as education, residential and recreational facilities, hotels and a tourism district.

Best Practices of SEZs in Asian Region

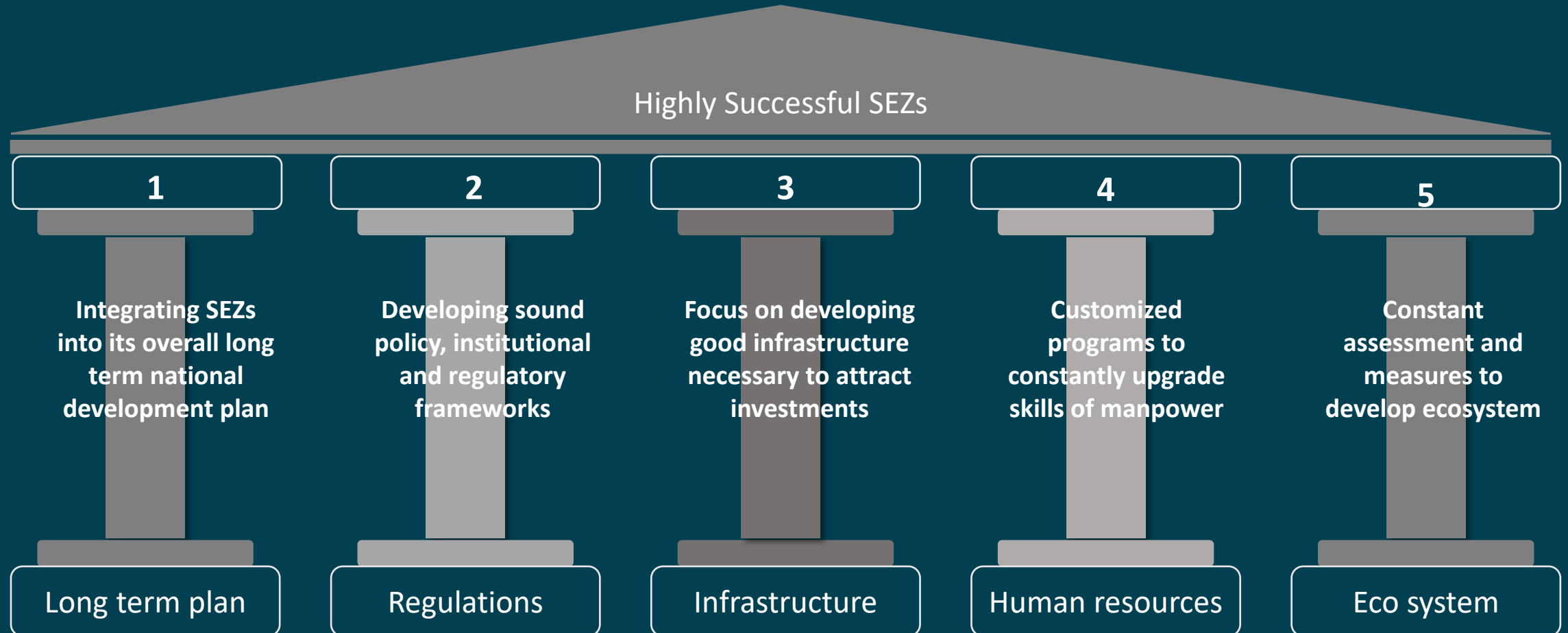
- Singapore, a small island country, there is no restriction on land area for a SEZ
- FTZs in Singapore are primarily for transshipment cargoes, and the key characteristic of Singapore is that the whole country is similar to FTZs.
- Regardless of their industry or the size of their operations, companies with headquarters based in Singapore for some time, and which have displayed significant investment commitment, stand to be rewarded in due course with the International Headquarters Award.
- Singapore is now in plans to become a physical and virtual hub through integrated logistics hub due to increasing competition from its neighbouring countries.

Best Practices of SEZs in India

- SEZs contribute around 30% of India's total exports.
- SEZs in India have been on the whole, partly successful driven by IT/ ITES service zones with around 60% of total operating zones compared to their manufacturing counterparts.
- However, in order to further boost its SEZs, the government is currently revamping its policy framework to better fit its position in the global trade arena, to tap post pandemic opportunities and improve its enhance its value chains.
- Certain fiscal benefits such as direct tax benefits in the form of income tax exemption etc. were provided to the units and developers for a limited time frame to attract investments.
- Benefits include external commercial borrowing by SEZ units without any maturity restrictions through recognised banking channels; treating supplies from the DTA to SEZ at par with physical exports; exemption from Central Sales Tax on sales made from the DTA to SEZs; exemption from Service Tax for SEZ units and developers and exemption from State taxes and levies
- The country is now focused on improving its infrastructural base, connectivity, transportation through several programs such as 'Make in India', 'Self-reliant India' etc.
- India has started 261 acre 'International Financial Services Centre' in GIFT city, to encourage foreign capital. GIFT enables global businesses to set up wide variety of business verticals in Banking, Insurance, Fund/Asset management, Capital Markets and Trading, IT services and ITeS/BPO services.

Practical Approaches Develop Successful SEZs

The success of SEZs rests on the five key pillars



Undertaking a holistic approach based on hard and soft factors

Applying Success Stories to the Mongolian Context

Long term plan

When developing SEZs, government to consider its fitment into overall growth plan based on national priorities

- E.g. SEZs to be made a part of achieving regional, local development strategies

Regulations

Stable, transparent regulatory policies form the key to boost investor confidence especially FDI growth. Coordinated efforts of federal and local level authorities will support SEZs

- E.g. Policy continuity measures for a minimum number of years

Infrastructure

Multimodal transportation network development to the nearest Airports, Seaports, and business and social infrastructure support for industrial park development

- E.g. Good water, power, access roads, digital and physical connectivity to and between SEZs

Human resources

Upgrading skills of SEZ employees from trained international experts

- E.g. Specialized skill development centers providing comprehensive working skills within SEZs

Eco system development

Government support mapping its local competitive advantage vis a vis in market demand

- E.g. Market access initiatives in international expos etc.

Opportunities for SEZs in Mongolia

- Development of Dry Ports, Logistics hubs
- Service based zones focused on human capital skills
- Aero-zones or Airport Economic Zones making use of aviating transportation network to connect to global supply chains
- R&D service based zones focused on providing scientific, technical / technological, innovation research services
- Financial service centers
- Commodity trading service exchanges etc.
- Use of FTAs

Thank you!