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1. Introduction

This report has been prepared as requested by the U.N. to be presented at the workshop to be held in Shannon, Ireland. It deals with the possibility of establishing a free industrial zone in Iran. Although effort has been taken to prepare a study of this matter, the views presented in this report are not those of the government of Iran. Establishing an industrial free zone is related to national policies and can be executed only by the government as determined by national interests.

With this in mind I would like to present some of the factors relevant to possible benefits of administering industrial free zones.

2. The possible benefits which may be gained from developing an industrial free zone in Iran.

The philosophy of levying taxes on imports goes as far back as the creation of a national state. Through this method many countries obtained benefits among which are income for the country, protection

of national industries, encouragement of investment, protection of foreign exchange and increasing employment and skilled labor. However, even with the benefits of levying taxes, as mentioned above, some countries have also made free zones.

Establishing an industrial free zone can only be accomplished by a national government. Although benefits may occur to private individuals a final determination of the value of a free zone has to be made in terms of whether the benefits outweigh the cost to the nation.

A. Examination of local benefits in relation to development of an industrial free zone.

It is possible to take advantage of cheap local labor to produce labor-intensive commodities. This not only provides work for local people but also encourages the development of skills. Skilled workers in turn enjoy a higher income and eventually raise the general standard of living.

Producing commodities which can be sold at com-

petitive prices and can be delivered immediately are other advantages of the free zone concept.

Lower taxes or temporary tax exemption should be granted to industries operating in the free zone in order to attract producers from many countries.

Other benefits are encouragement of local people to take an active role in production of raw materials, control of prices, maintenance of labor force, providing low cost housing, participating in wage board activities, maintaining health facilities and low rate insurance. These are necessary for the success of such a project.

Best utilization of water and power resources, as well as zoning of land for different industries are prime responsibilities of local administrators. This is due to the fact that an industrial free zone has its own particular problems which should be solved at a local level.

B. Examination of national benefits (economic and

social)

For the establishment of an industrial free zone, the national govt., has some responsibilities to fulfil and many benefits to gain.

The government should provide a Well-equipped port to handle large ocean going ships. This port should be capable of loading and unloading any ship in the least time. Also the government should provide needed electricity and water at a low rate. Low taxes or tax exemptions are needed to attract industries.

The benefits obtained by the nation by a free port are as follows:

- a. Production of cheap and readily available commodities for export and domestic use.
- b. Full employment and development of various skills.
- c. Attraction of foreign investment.
- d. Earning of foreign currencies.

- e. Creation of a free port in conjunction with a free industrial zone. These free ports could be the main ports for ocean going ships to unload their cargo which then can be distributed to other countries by smaller vessels.
- f. Development of commercial airports and transit highways for transport of goods.
- g. Development of tourism from two points of view. A free zone attracts shoppers and tourists.

### 3. Conclusion

Development of free zones solely depends on national government's policy. Availability of reasonable labor force, adequate ports, required water and power as well as raw material are essential elements for such projects.

Although some of Iranian coastal cities of Per-

sian Gulf seem quite adequate for this purpose, an extensive study by well qualified experts are essential to allocate a suitable sights.

Considering all these factors in general a well planned projects such as free zones could help commerce both on national and international scale.