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NOTES ON THE TRAINING WORKSHOP IN INDUSTRIAL FREE ZONES AS INCENTIVES TO PROMOTE EXPORT-ORIENTED INDUSTRIES ORGANIZED BY THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION (UNIDO), IN CO-OPERATION WITH THE DEPARTMENT OF INDUSTRY AND COMMERCE OF THE REPUBLIC OF IRELAND, THE IRISH INDUSTRIAL DEVELOPMENT AUTHORITY AND THE SHANNON FREE AIRPORT DEVELOPMENT COMPANY (SFADCO), AND HELD AT SHANNON INTERNATIONAL FREE AIRPORT, CO CLARE, REPUBLIC OF IRELAND FROM 5 TO 16 MARCH 1972.

The Training Workshop was officially opened by the Minister for Justice, Mr. Desmond O'Malley, T.D. (deputising for the Minister for Industry and Commerce) on March 6th, 1972 and closed by Mr. Brendan O'Regan, Chairman, SFADCO, on March 15th, 1972. On its final day the Training Workshop was also addressed by the Minister for Transport and Power, Mr. Brian Lenihan, T.D.

1. INTRODUCTION

The objective of the Training Workshop has been to give the participants from different countries full information on the problems involved in the development and successful operation of Free Industrial Zones (FIZ).

It is recognized that the concept of an FIZ has many advantages to offer to developing countries in the way of:

- (a) improving export performance
- (b) attracting foreign investment
- (c) reducing unemployment, and
- (d) adding to the technological base of the country.

In the following paragraphs a general account is given of the broad lines of training provided at the Workshop. All problems and important points were discussed in detail, and the participants had an opportunity to review all relevant aspects of the subject under discussion.

2. TERMS OF REFERENCE

The aim of the Training Workshop was three-fold, viz.:

- (i) To analyze the role which a FIZ could play in the development of export-oriented industries.
- (ii) To introduce all participants on all the problems, aspects, and difficulties which may arise in the development of a Free Industrial Zone.
- (iii) To discuss the experience of each country, the problem it faced and the achievement it made, in the widest possible way and to compare such experience with those available at the Shannon Free Industrial Zone.

3. PARTICIPATION

The countries and their representatives participating in the Training Workshop were as follows:

- (i) British Honduras.....Mr. R.A. Fuller
- (ii) Colombia.....Mr. H. Barreto-Gonzalez
- (iii) Greece.....Mr. M. Assimakos
- (iv) Haiti.....Mr. B. Patton
- (v) Indonesia.....Mr. S.S.A Nawawi
- (vi) Iran.....Mr. I. Fakhrieh
- (vii) Israel.....Mr. H. Rabinowitz
- (viii) Korea.....Mr. Kwang Ho Lee
- (ix) Malaysia.....Mr. Zakaria Bin Omar
- (x) Mauritius.....Mr. P. Mohith
- (xi) Panama.....Mr. A.G. Suarez-Munoz
- (xii) Philippines.....Mr. R.R. Agustin
- (xiii) Senegal.....Mr. L.C.A. Alexandrenne
- (xiv) Thailand.....Mr. S. Thamagasorn
- (xv) Trinidad.....Mr. R. Parris

Also present at the Training Workshop were the following:

UNIDO Lecturers

- (i) Mr. John J. DaPonte, Jr. (United States of America)
- (ii) Professor M. Tamaoki (Japan)
- (iii) Mr. A.W. Weil (United States of America)

Observers

- (i) Mrs. Usha Naht, First Secretary, Indian Embassy
Republic of Ireland
- (ii) Mr. Abbas, Chief, Export Policies Section, United Nations
Conference on Trade and Development (UNCTAD)

SFADCO

- (i) Mr. P. Quigley, General Manager
- (ii) Mr. T.A. Dunne, Staff and Services Manager

UNIDO

- (i) Mr. W.H. Tanaka
- (ii) Mr. E. Hoesch
- (iii) Mrs. Y. Schwarz

4. SHANNON INDUSTRIAL FREE ZONE EXPERIENCE

Shannon Industrial Free Zone is located within the Shannon Customs-free Airport, which was established by legislation in 1947. Although it facilitated air traffic and led to the creation of duty-free shopping facilities, the free-port status of Shannon did not immediately succeed in attracting industry. It was not until the late 1950's that, faced with a threat to the future of Shannon as a major Airport, a planned programme to attract export-oriented industries was introduced. A range of fiscal and other incentives was enacted, and a special Government Agency (SFADCO) was set up to promote and administer the development of industry at Shannon.

Satisfactory progress has been made to date in the achievement of the main objectives of the programme which are to maintain and enhance Shannon as a major international Airport and as an important center of employment and economic activity. Passenger and freight through the Airport have increased considerably. Over 1.5 million square feet of factory and warehouse space have been leased or sold to 26 manufacturing and 20 commercial undertakings which between them employ over 4,000 workers and carry an overseas trade in excess of £60 million annually. Total investment in industry at Shannon is about £25 million of which £11 million has been invested by the State and £14 million by private enterprises.

5. ANALYSIS OF THE TRAINING

5.1. (a) Lectures by experts on the following subjects:

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| (i) | Paper: "Shannon Industrial Free Zone and Region" | Mr. P. Quigley
General Manager
SFADCO |
| (ii) | Paper: "Industrial Free Zones as Incentives to the Promotion of Export-oriented Industries" | Mr. W.H. Tanaka
UNIDO |
| (iii) | Paper: "Promotion Measures for an Industrial Free Zone" | Mr. A.W. Weil
US Representative
of Colon Free
Zone |
| (iv) | Paper: "Legislation and Promotional Measures for the Development of Export-oriented Industry, Including Reference to the Selection of Suitable Industries - the Irish Experience" | Mr. D. MacCarvill
Industrial
Development
Authority |
| (v) | Paper: "Physical Planning, Including Investment Planning, for an Industrial Free Zone" | Mr. D.J. MacNeill
SFADCO |
| (vi) | Paper: "Industrial Free Zone in the context of Regional Development Planning" | Mr. W.B. Moloney
SFADCO |
| (vii) | Paper: "Organisation for the Management and Promotion of an Industrial Free Zone" | Mr. A.C. O'Keefe
SFADCO |
| (viii) | Paper: "Ancillary Services Operative within an Industrial Free Zone" | Mr. C. O'Carroll
SFADCO |

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| (ix) | Paper: "Customs Legislation and Procedures for an Industrial Free Zone - the Experience at Shannon" | Mr. A. Kiernan
Customs and Excise |
| (x) | Paper: "General Development of Industrial Free Zone on a Global Basis" | Mr. J.J. DaPonte Jr.
US Department of
Commerce |
| (xi) | Paper: "Trade Policy Aspects of an Industrial Free Zone" | Mr. Abbas, Chief
Export Policies
Section, UNCTAD |
| (xii) | Paper: "Incentives for the Attraction and Promotion of Investment of an Industrial Free Zone" | Mr. E. Hoesch
UNIDO |
| (xiii) | Paper: "Case Studies of Industrial Free Zones in Asia" | Professor M. Tamaoki
Asia University
Tokyo, Japan |
| (xiv) | Paper: "Possibilities of Technical Assistance by UNIDO to Developing Countries in the Fields of Development of Industrial Free Zones and Promotion of Export-oriented Industry" | Mr. W.H. Tanaka
UNIDO |

(b) Presentation of country's paper, discussion and their analysis

The outcome of these country papers presentations had brought to light various points considered necessary in the planning for the establishment of a FIZ, some of which could be identified as follows:

- (i) Establishment of clear objectives for the creation of FIZ.
- (ii) Natural advantages the country can offer.
- (iii) Incentives, both fiscal and physical, the country can provide.
- (iv) Availability of labour force.
- (v) Training facilities for skilled labour.
- (vi) Appropriate legislation to facilitate easy operation of a FIZ.
- (vii) Creation of independent administrative authority to act on all governmental procedures and laws of the country, so as to speed up action in dealing with investors.
- (viii) Availability of marketing opportunities within the surrounding area and also easy reach of supply of raw materials.
- (ix) Security and stability atmosphere for investors in order to offset any possible chances or risks.
- (x) Establishment of an effective promotional mechanism both in the host country and in the countries where potential investors are likely to be interested.
- (xi) Appointment of appropriate expertise for the publicity, promotional and sales activities.

5.2. The above factors were extensively covered by the lectures and the discussions followed had provided a deep understanding and knowledge to the participants of the set-up of an industrial free zone. Arising out of these sessions, new factors had developed among which was perhaps the necessity to establish unified terminology for the identification of the various zones. It was felt that in the interest of all participating countries, suggestions should be introduced as to define the various industrial zones.

5.3. Panel Meetings were organized by SFADCO, on the following subjects:

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| (i) | "The Experience of Industrialists at Shannon" | Mr. W. Jones, Lep.
Mr. R. O'Dowd,
Lana-Knit
Mr. D. Whelan, SPS
Mr. J.C. Lynch |
| (ii) | "Labour recruitment, training and industrial relations, and the place of advisory services" | SFADCO panel of
Messrs.: P. Sheahan
T. Sheedy
S. Barron
Mr. P.R. Donnelly |
| (iii) | "Shannon Free Zone and Industrial Free Zones generally" | Mr. P. Quigley
General Manager
SFADCO |

5.4. Visits were organized to the following:

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| (i) | Shannon Industrial Zone | Mr. T. Sheedy, SFADCO |
| (ii) | Rahcen Industrial Estate, Limerick | Mr. J. Clancy, SFADCO |
| (iii) | Shannon Duty Free Shops, Shannon Airport | Mr. W. Moloney
Duty Free Shop |
| (iv) | Shannon Housing Complex, Shannon | Mr. J. Beary, SFADCO |
| (v) | Industrial Training Center, Shannon | Mr. D. Lahiff,
Manager |

6. SUGGESTED TERMINOLOGY FOR THE VARIOUS TRADE ZONES

During the Training Workshop it was the general opinion of the participants that a uniform terminology for describing the various types of customs-privileged zones should be adopted on an international basis.

There appeared to be a general agreement that the terms "freeport" "free perimeter" and "entrepot" already have a rather specific generally accepted meaning that is adequate for the type of zones they describe.

The main concept was with the inadequacy of the term "free trade zones" because of its too-general meaning. While there appears to be no objection to continued use of this word to refer to an enclosed and guarded customs free area in a generic sense, it is felt that the term is not sufficiently specific for describing many of the zones that have emerged for use in connection with economic development programmes. Specifically, it would be desirable to have uniform terms which would indicate whether a zone is solely or primarily:

1. commercial in nature
2. industrial in nature
3. for imports
4. for exports
5. concerned only with customs privileges
6. concerned with non-customs privileges such as tax exemptions.

It was suggested that the following factors be taken into account in adopting more specific terminology under the "free trade zone" category:

- a. the term should not be misleading: it should relate either to actual activity or to the primary activity sought;
- b. the term should take into account the nuances of various languages including the sound which some terms might have upon translation;
- c. the term should be useful in a promotional sense;
- d. consideration should be given to existing terms and the difficulties there might be in changing them because of legislation or other reasons.

Some of the terms which have been suggested for consideration as sub-categories under the term "free trade zone" are:

- industrial free zone
- commercial free zone
- industrial free trade zone
- commercial zone
- commercial trade zone
- free export zone
- free (manufacturing) zone
- free (processing) zone
- free export (processing) zone
- free distribution zone
- export processing zone

In attempting to arrive at a consensus based upon the comments submitted by participants in writing it appears that there is a preference in using, as a basic term, the word "free zone", and having it modified by the addition of appropriate descriptive words to indicate whether it is essential for: industrial, commercial, or processing operations; and further, whether it is mainly for imports or exports.

Another factor to be covered would be a word to indicate whether there are benefits available in addition to customs privileges.

Thus, in order to accomplish the purpose suggested by the participants, it appears that the following terms might be considered:

- "export industrial free zone" this would indicate a zone offering both customs and non-customs benefits for operations that are primarily for export industrial operations;
- "industrial free zone" all of the foregoing except that both imports and exports are equally permitted and emphasised;
- "export processing free zone" this would indicate that the zone is used for assembly and manufacturing type operations
- "processing free zone"

To describe a zone that is limited to customs benefits the term "(customs)" could be appropriately added to the above terms; absence of this reference would indicate that the non-customs benefits, such as tax exemptions, have equal or more importance than the available customs benefits.

One additional point that is not covered in the above terminology is an indication whether the facilities are within an area with a well developed infrastructure including roads, drainage, utilities, buildings, services, etc. Usually such facilities are called "industrial estates (or parks)" and they do not necessarily, within a national or local economic development programme, have anything to do with customs privileges. It is felt that using the term "estate" as part of any of the terms enumerated above would make them cumbersome. Therefore, if a free zone consists of or is located in an industrial estate it is desired to publicize this fact, this should be done through promotional literature.

7. CONCLUSIONS

The Workshop provided an invaluable experience in examining and evaluating the opportunities and success of the Shannon Free Zone - the pioneer in the activities of trading and industrial development through the instrument of free zones. Although some concern was expressed of the relevancy of certain aspects of the developments and programmes of the Shannon Free Trade Zone to developing countries, the Workshop was impressed with the present level of development of the Shannon FTZ and with the efficiency and co-ordinated efforts of its administration. The participants would wish to record their appreciation for the wonderful arrangements made by the SFADCO Authorities in particular Mr. Quigley for the hospitality which has made the Workshop an unqualified success.

The Workshop being only the first of its kind on such an important topic provided an important starting point in identifying and tackling the number of important and fundamental issues involved in the development and operation of FIZ. The Workshop clearly recognized the need for future meetings at a technical level and other training workshops in order to develop realistic policies and programmes on a global basis. The Workshop felt that all international agencies having the required expertise and interests, for example UNIDO and UNCTAD, in free trade zones should co-ordinate their efforts in order to achieve optimum results with UNIDO providing the co-ordinating role.

The Workshop, however, noted and made general comments on the various valuable contributions of the guest speakers and participants' country papers. The Workshop would particularly wish to record its appreciation

for the useful presentation put forward by the staff of SFADCO, Mr. A.W. Weil of Warren and Weil Public Relations, New York, Mr. D. Mac Carvill of the Industrial Development Authority, Dublin, Mr. A. Kiernan, Customs and Excise, Mr. John DaPonte Jr., United States Department of Commerce, Washington, Professor M. Tamaoki of the University of Asia, Tokyo and Mr. Abbas, Chief, Export Policies Section, Geneva UNCTAD. The Workshop would especially wish to express its unqualified appreciation for the impressive work done by the UNIDO staff in arranging and servicing the Workshop and would wish to make special mention of the efficiency with which the co-ordinators Mr. W.H. Tanaka of UNIDO and Mr. T. Dunne of SFADCO discharged their responsibilities. The Workshop felt that the record must indicate the satisfaction of the participants with the work of Mrs. Yvonne Schwarz and Mr. E. Hoesch of UNIDO and Miss M. Gleeson of SFADCO.

The Workshop noted that FIZ can be used for different purposes including warehousing, distribution, commercial trading centres, processing zones, and manufacturing zones. The Workshop identified special aspects of the deliberations for continued consideration by national governments, wishing to establish FIZ including the need for care and selectivity in establishing the FIZ and taking full account of:

1. The quantifiable and non-quantifiable costs and benefits from both commercial and social viewpoint and the opportunity cost of allocating national resources.
2. The physical, economic, social, political and psychological advantages and disadvantages in designing a FIZ, the need to relate to national development policies, and to clearly reconcile and give weights to the various possibly conflicting objectives where they occur, for example export earning, employment, value-added linkages, national participation.
3. The realities of the international market situation with respect to FIZ including the trading policies of the importing countries, regional economic grouping, international preference schemes available to developing countries. The international competition by developing countries themselves in establishing FIZ, the need to maintain strict international competitiveness and the influence of international alignments.
4. To devise a realistic and flexible scheme of incentives bearing in mind international competition, the short-term and long-term effects on the national economy and to relate incentives package to meet the objectives of FIZ.
5. To make judicious use of resources available to developing countries in framing a well-co-ordinated and professional promotional programme highlighting "targets of opportunities" and avoiding giving inaccurate information.
6. To develop an efficient well co-ordinating administering agency for the FIZ which will represent the national interests and gain the confidence of the investors. It was recognized that different forms would emerge dependent on the political environment and philosophy of each country. It was noted, however, that a central agency to administer the FIZ was desirable.

7. The Workshop considered that UNIDO should give priority attention in its programme of work to FIZ activities and suggests the following, not as an exhaustive list, but as some of the work which could be undertaken in this respect, namely:
 - a. A study on the possibilities and realities of harmonizing the development and operation of FIZ on an international level.
 - b. The development of an information centre to provide the required data to member countries of the United Nations including market intelligence information.
 - c. To undertake an evaluation of the economic soundness of FIZ in co-operation with national governments.
 - d. To develop regular and meaningful seminars, expert group meetings and training programmes.
8. The participants expressed a strong interest in the continuation of the UNIDO programme concerning FIZ because of the clear need for study, uniformity and the exchange of ideas on an international basis. In order that this be realized, this was the specific and unanimous recommendation that UNIDO take appropriate action to provide for such continuity of this most important aspect of international industrial development co-operation.