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OCCASION

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INTRODUCTION

Since 1971 the United Nations Industrial Development Organization (UNIDO) has been approached by developing countries seeking various forms of technical assistance in establishing or reorganizing export processing zones.

Export processing zones have been found to be a successful and dynamic form of export-oriented industrial development, and they are an important activity in the work programme of UNIDO. They are being organized by more developing countries partly because there is an increasing international demand for lower cost labour, mainly from small- and medium-sized manufacturers whose products are highly competitive, and partly because manufacturers wish increasingly to distribute their plants geographically. The reasons for wanting the geographic distribution of plants vary with the industry, but countries that are properly organized to take advantage of this trend and that are skilled in negotiating derive maximum benefit from the relocation of plant and the establishment of new plant.

In response to this demand UNIDO has sought the help of existing zone authorities or their staffs, consultant engineers and management consultant firms and has co-operated with the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD) and the World Bank in providing assistance.

Such assistance has taken various forms. A training programme, usually biannual and held in Ireland, has been financed by UNDP, UNIDO and the Government of Ireland. A series of expert working groups has been held: in 1972 in Ireland; in 1974 in Columbia; in 1975 in Austria; in 1977 in the Arab Republic of Egypt and in 1978 in the Philippines.

Some 30 projects have been implemented in the period 1971-1978 ranging from pre-feasibility studies to major feasibility studies to planning and management studies. Altogether over \$US 1 million has been expended on forms of technical assistance, the major work being subcontracted to consultant firms.

Eight pre-feasibility studies indicated that an export processing zone was not advisable for the developing country concerned at that stage of its development.

UNIDO has taken considerable care to ensure that the best interests of developing countries should be served and safeguarded in this field, and it has pointed out the consequences of failure to control the activities of large investors, whose budgets sometimes exceed those of the smaller developing countries.

Several developing countries have established export processing zones or export-oriented industrial estates completely independently with no recourse to United Nations assistance, although all those concerned have availed themselves of the services of UNIDO in the training field. Some, after establishing such zones, have requested and received technical assistance.

UNIDO was requested at an expert working group meeting in Colombia in 1974 to assist in establishing some form of international association to help developing countries to exchange experience and to co-operate in the development of export processing zones. As a first step, UNIDO organized an expert working group of consultants involved in export processing zones. This group drafted statutes and by-laws for such an association in December 1975.

At a seminar on export processing zones for countries in the Arab region, held in the Arab Republic of Egypt in March 1977, UNIDO was urged to proceed with the formation of an international association of export processing zone authorities. Its initial task was to seek a developing country that would be prepared to host a meeting to establish an association.

The Government of the Philippines then offered to host such a meeting in February 1978, and interested countries were invited to participate.

Thirty-five developing countries expressed interest in participating, some at their own expense. Three were unable to attend, and twelve sent an observer at their own expense. Thirty observers attended the meeting. (Annex I contains the work programme of the meeting; annex II gives the list of participants.)

I. ORGANIZATION OF THE MEETING

UNIDO engaged six consultants to examine the proposed statutes and by-laws of the association and to write papers on the following subjects:

Type of secretariat and its location

Conditions of membership in the World Export Processing Zones Association (WEPZA)

Proposed finance for WEPZA

Common service facilities to be provided by WEPZA

Practical co-operation and ethics

Publicity and promotion

Mr. T.O. Peña served as Chairman of the meeting. Mr. P.F. Ryan, staff member of UNIDO, was Officer-in-Charge. A list of papers presented to the meeting appears in annex III.

II. AGREEMENT ON STATUTES AND BY-LAWS

The statutes and by-laws were discussed in two sessions on 2 February and finalized by a subcommittee. They provide for a President, a Secretary-General and a Council of 10 members, distributed geographically.

It is foreseen that a general assembly shall be convened once every two years, but that, exceptionally, it will meet in 1979 (probably in March).

III. FINANCE

The Association will be financed from an entrance fee of \$US 1,000, annual subscriptions of \$US 1,000 and the sale of publications and possibility of consultant services.

On 3 February 1978 at a meeting in Bataan, representatives of 33 countries voted unanimously in favour of establishing WEPZA.

On 4 February the first general assembly of WEPZA was convened. The assembly elected as President of WEPZA Gamal El Sahrawi, Under-Secretary for the Free Zones Authority of the Arab Republic of Egypt. Theodore Q. Peña, Chairman, Bataan Export Processing Zone Authority (BEPZA) was elected Secretary-General for the three-year period 1978-1980. The secretariat of WEPZA will be located in Mr. T.Q. Peña's office for this period.

The general assembly elected the following countries to constitute the Council of WEPZA:

Colombia, represented by J.G. Comelin
India, represented by S. Rajgopal
Ireland, represented by P.R. Donnelly
Liberia, represented by J.G. Richards
Malaysia, represented by A. Bin Kacharuddin
Mexico, represented by G. Teutli Otero
Panama, represented by H. Castro (for J. Montenegro)
Philippines, represented by R. Villa
Sri Lanka, represented by S. Ratwatte
Syrian Arab Republic, represented by Taha Bali

IV. AIMS AND OBJECTIVES OF WEPZA

The objectives of WEPZA are to encourage common action and mutual assistance among its members by various means such as gathering statistics on export processing zone operations, exchanging information on incentives and investors and exchanging trainees.

The establishment of WEPZA will strengthen the negotiating power of export processing zone authorities when arranging terms with investors, and it will assist them in establishing common standards of ethics in such fields as incentives. It will enable export processing zone (EPZ) authorities to exchange information on investors and to alternate staff for training purposes.

Its establishment comes at a time when the economies of production, chiefly the wage costs, are causing more developed countries to transfer some processes to lower wage cost countries. This trend is increasing rapidly and is expected to continue in the foreseeable future. Developing countries that are prepared to receive such new investments will therefore have a considerable advantage.

The existence of WEPZA will enable EPZ authorities to undertake joint publicity to clarify the aims and objectives of EPZ, their costs and benefits, and to demonstrate that EPZ are a cost effective tool for industrial development.

A budget of \$US 50,000 per annum is the target.

V. THE ROLE OF UNIDO IN ESTABLISHING WEPZA

UNIDO had agreed to assist in establishing WEPZA because it was clear from technical assistance projects carried out between 1971 and 1975 that export processing zones provided an effective means for developing countries of introducing a course of industrial development based on fresh legislation, and of encouraging new investment in export-oriented manufacturing.

Studies proved that the benefits to the economy as a whole far exceeded the annual operating cost of EPZ, since they stimulated exports, created new employment and ancillary industries, transferred technology in the form of new skills, stimulated regional development, and provided a general stimulus to the whole economy of a developing country. The existence of a successful EPZ attracted further investment in the host country at large, and enabled host countries to build up their industrial reputation.

UNIDO emphasized that the main purpose of assisting in the establishment of WEPZA was to assist developing countries in presenting a consistent set of investment policies to potential investors and also to encourage means of safeguarding employee interests against possible exploitation.

Members of WEPZA would in future be able to refer potential investors to its policy framework, thus preventing investors from using their extensive powers, particularly of employment, to extract inequitable terms from host developing countries.

WEPZA members would also be able to agree on policies regarding wage levels, hours of work, holidays and other terms of employment.

WEPZA would, possibly with United Nations assistance, undertake studies to establish a factual basis on such matters as wage rates, hours of work, rentals of factories, import-export, quota problems, protectionist trends and cost benefits of EPZ vis-à-vis total state investment.

One perceived need is to analyse the real benefits of EPZ to developing countries in view of the many misconceptions surrounding the subject. Such misunderstandings have resulted largely from the natural reluctance of manufacturers to disclose that many products are made partly or wholly in developing countries with little industrial reputation. The publication of the facts would therefore clarify the true economic situation and illustrate the contribution made to developing countries in terms of employment, value added, foreign exchange, local

and national taxation, transfer of technology and the general encouragement given by forward and backward linkages to the creation of new industries in the host country.

The Expert Working Group decided to avoid the phrase "free zones" which frequently leads to confusion with such different non-industrial institutions as free ports, bonded warehouses, tax havens or diplomatic stores.

Annex I

WORK PROGRAMME

<u>Date and time</u>	<u>Event</u>	<u>Speaker</u>
Monday 30 January	17.00 Registration at Hotel 18.00 Silahis International	
Tuesday 31 January	09.00 Opening ceremony Philippine International Convention Centre	T.Q. Peña, Acting Chairman and Administrator of Bataan Export-Processing Zone Association (BEPZA)
		R.P. Villa, Deputy Administrator of BEPZA
		V.T. Paterno, Secretary of the Department of Industry
		Representative of UNIDO
	Adoption of Agenda	
	Election of Expert Working Group officers	
	10.00 Agenda item I	E. Lim Fat
	11.15 "Type of secretariat of WEPZA and its location"	
	11.30 Agenda item II	H.M. Pascual
	13.00 "Conditions of membership of WEPZA"	
	14.30 Agenda item III	J. da Ponte
	15.45 "Finance of WEPZA"	
	15.45 Paper by Industrial 16.45 Development Centre of the European Economic Commission	M. O'Hagan
Wednesday 1 February	08.30 Agenda item IV	S. Rajgopal
	10.00 "Common service facilities to be provided by WEPZA"	
	10.30 Agenda item V	N. O'Brien
	12.30 "Practical co-operation and ethics"	
	14.00 Agenda item VI	A. Weil
	16.00 "Publicity and promotion"	
	16.15 "Paper on production sharing"	R. Bolin, Director, Flagstaff Institute, Arizona, United States of America

<u>Date and time</u>	<u>Event</u>	<u>Speaker</u>
Thursday 2 February	08.30 10.00	Consideration of by-laws and statutes of WEPZA
	10.30 12.30	Consideration of by-laws and statutes of WEPZA
	14.00 15.00	Drafting of decision regarding formation of WEPZA
	15.00 16.00	Consideration of procedures if WEPZA to be formed - proposals regarding officers, Council members and secretary - draft of announcement
Friday 3 February	08.00 09.45	Transfer to Bataan
	10.30 12.30	Tour of Bataan Export-Processing Zone
	14.00 17.00	Time reserved for election of WEPZA officials, discussion of outstanding problems, drafting of meeting conclusions and official announcement by WEPZA Secretary-General at first general assembly
Saturday 4 February	09.00 10.30	Closing ceremony Headquarters of WEPZA
		T.T. Quiazon Jr., Secretary of the Department of Trade T.Q. Peña

Annex II

LIST OF PARTICIPANTS

Bangladesh	Al Hussainy
Colombia	J.G. Comelin
Egypt	G. El Sahrawi
Greece	Spyros Papageorgiou
Honduras	G.E. Padilla
India	N.K. Bharadwaj
Indonesia	F.G. Tumbelaka
Iran	Roushan Shams
Ireland	P.R. Donnelly
Ivory Coast	Aka Bogui T.
Jamaica	Byron Lewis
Jordan	Ali H. Makahleh
Lebanon	E. Smine
Liberia	J.G. Richards
Libyan Arab Jamahiriya	M. Abu Bakr
Malaysia	Amirrudin Bin Kacharuddin
Mexico	Guillermo Teutli Otero
Pakistan	Z.A. Shah
Panama	H. Castro
People's Democratic Republic of Yemen	Taher Bin Yahya
Philippines	Roberto P. Villa
Republic of Korea	Jin Wook Choi
Samoa	Hans Kruse
Senegal	P.M. Diouf
Somalia	A.H.Y. Ayoon
Sri Lanka	Sivali Ratwatte
Sudan	M. El Mannan
Syrian Arab Republic	T. Bali
Thailand	C. Vajrabhaja
United Arab Emirates	Labib Al Sadoon

Consultants

India	S. Rajgopal
Ireland	Niall O'Brien
Mauritius	E.L. Lim Fat
Philippines	Horacio Pascual
United States of America	John Da Ponte
United States of America	A. Weil

Observers

S. Abbas, United Nations Conference on Trade and Development	Kyung Ho Kim
Nahum Benzeevi	O. Kreye
Ismael Bin Hamzah	Mohd. Nuri Latiff
R. Bolin	Nordin Kamaruddin
Teek Lai Chong	Uni Nayar, International Labour Organisation
W.M. Curtis	M. O'Hagan, European Economic Community
Mabeye Dvory	K. Sathirakol
Jorge Dupovy	Adnan Shams EL Din
Abdul el Fattah	Mohd. Nuri San
Kalyananda Godage	John Sy
Carl D. Goderez	W.H. Tanaka
Abbas EL Hosseiny	A.M. El Tahir
George Jereos	M. Watanabe
Brajovic Jokas, Ambassador of Yugoslavia	D. Wood-Gaines

Annex III

LIST OF DOCUMENTS

- ID/WG. 266/1 Practical co-operation and ethics
N.A. O'Brien
- ID/WG. 266/2 Type and location of the proposed WIFZA secretariat
E. L. Lim Fat
- ID/WG. 266/3 Proposed finance for the World Industrial Free
Zone Association
J. Da Ponte
- ID/WG. 266/4 Organizing for maximum public relations and
publicity at minimum cost to membership
A. Weil
- ID/WG. 266/5 Common service facilities to be provided by the
WEPZA
S. Rajgopal
- ID/WG. 266/6 Statutes of the World Export Processing Zones
Association (as drafted by the Expert Working
Group, Manila, Republic of Philippines, 30 January -
4 February 1978)
- ID/WG. 266/7 By-laws of the World Export Processing Zones
Association (as drafted by the Expert Working
Group, Manila, Republic of Philippines, 30 January -
4 February 1978)



ID/205/Corr.1
(ID/WG.266/3/Corr.1)

2 May 1978

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United Nations Industrial Development Organization

ESTABLISHMENT OF A WORLD EXPORT PROCESSING
ZONE ASSOCIATION (WEPZA)

Report of an Expert Working Group
Manila, Philippines, 30 January-4 February 1978

Corrigendum

Page 7, third paragraph

The second sentence should read The assembly elected as President of WEPZA Gamal El Sahrawi, Under-Secretary of State for the Free Zones, General Authority for Investment and Free Zones of Egypt; his address is 8, Adly Street, P.O. Box 1007, Cairo.

Page 7, fourth paragraph

In the list of countries delete Malaysia, represented by A. Bin Kacharuddin and add Mauritius, represented by E. Lim Fat.