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FREE ZONES IN THE SYRIAN ARAB REPUBLIC IN
THE LIGHT OF CO-OPERATION AND CO-ORDINATION BETWEEN
FREE ZONES IN ARAB COUNTRIES^{1/}

by

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INTRODUCTION

Ladies and Gentlemen!

It gives me pleasure, at this meeting about the co-operation between Industrial Free Zones in Arab Countries, to present my thanks to Egypt, the host country and to all the organizations which took part in the preparation of that seminar, mainly UNIDO and the General Organizations for Investment and Free Zones in Egypt as well as to all participants. This I do in my own name and in the name of the General Authority for Free Zones in the Syrian Arab Republic as well as in the name of the Syrian/Jordanian Industrial Free Zone Company.

This Seminar, which is the first of its kind, I consider as a turning point in the history of the Arab Free Zones. We attach big hopes to this Seminar and wish for it a complete success, not only in solving the problems of Free Zones as newly formed young economic entities, but also in directing these Zones along the right path of serving progress and development and raising the standard of living in Arab Countries, as well as in playing a role in the integration and unification of Arab Economies and also in strengthening the economic relation between Arab Countries on one side and other countries, advanced and developing, on the other side, and finally in establishing new economic relations based on equality between Advanced and Developing Countries.

The objectives and topics of this Seminar are the co-operation and co-ordination between Free Zones avoiding non-fruitful competition between them in the frame of legislation as well as administrative and technical organisational structures in the frame of tax and duty exemption, as well as in the frame of other incentives such as the planning of services, co-ordination of investments, exchange of goods produced in these zones, and the transfer of these goods in the markets of the host country or in the markets of other foreign countries, rendering special privileges to these goods and solving problems encountered in their transfer or exchange.

Here, we must stress the role of the Free Zones in the industrialisation process as well as in the socio-economic development in the host country as well as making available required capital and technical capacities.

Free Zones in the Arab Countries, like Free Zones in other countries, advanced or developing, are newly formed economic establishments still seeking their way towards final stability. These Free Zones in the Arab Countries, are still lacking clarity of the principle on which they should be based. They are still seeking the systems and procedures of their functioning as well as the objectives required to be achieved and the economic and social dimensions, local and global, they should take. These Free Zones, until now, do not possess a unified nomenclature. In short, the formulation of Free Zones in the Arab Countries and their final forms are not crystallised yet. They are still wavering between Free Ports, Industrial Focal Points, Free Land Areas in Ports or far from Ports, Trade Warehouses, Export Industries with required services, banking and administrative facilities, privately owned industries and state owned. In spite of all this, the Free Zones in Arab Countries develop quickly and pass from one form to

other more developed forms to suit the requirements of the social and economic development which takes place locally, regionally and internationally. They also expand gradually with respect to their objectives and methods in some cases - as in the case of the Syrian Arab Republic - to the stage of economy parallel to the national economy on the local level or on the regional and international levels. This can be said with respect to the multitude of economic activity in the development process in industry, commerce, banking services, international exchanges of goods, technological development and many other sections.

On the other hand, Arab Countries that adopt the system of Free Zones are all basically countries aiming at common objectives and going together along the path of co-operation, co-ordination and integration, upto unification especially in the economic sphere. Joint economic organisations play a role in the rapid realisation of these objectives such as the Arab Economic Unity, the Arab Common Market and the Arab Economic Council as well as many secondary Arab Organizations and establishments which work along the same lines and in all development aspects, industrial, commercial, banking and others.

These unification endeavours are also typified by the Industrial Free Zone areas as represented in the joint Syrian/Jordanian Free Zone which is the property of two Governments and which exists in two countries. We shall talk about this Free Zone later as an unique example of a joint Free Zone in the Arab World and also in non-Arab world.

Thus in the frame of the special conditions of the Free Zones in the Arab Countries which are again a reflection of the special conditions in the Arab Countries themselves, we can handle the topic of co-operation and co-ordination between the Free Zones in the Arab Countries.

This study is a humble participation in that direction. It has been prepared at the request of my two dear friends, Dr. A.S. Salem, the Senior Industrial Development Field Adviser and Mr. P. Ryan, Industrial Development Officer, UNIDO as a response to their efforts in assisting industrial free zones especially in the Syrian Arab Republic.

The Study shall consist of three sections:

First Section: Co-operation and co-ordination in the legislative, duty and tax areas as well as avoiding non-fruitful competition.

Second Section: The Syrian Free Zones, their development, the stages of such development and their role in the co-operation and co-ordination efforts.

Third Section: The joint Syrian-Jordanian Industrial Free Zone.

FIRST SECTION:

We already said that the Free Zones in the Arab countries are still new economic establishments or organizations trying to find their proper way towards development and stability. At the same time they are all subject to problems of development and childhood. In order to understand the problems encountered in these free zones and in order to solve these problems, this should be done in the light of the requirements of social and economic development in these countries as well as the specific geographic potential endowed to these countries. Thus, we can trace a great similarity in the problems, objectives and activities of existing free zones in Arab countries. We must, anyhow, admit that this study merely deals with the general lines of the required cooperation and co-ordination giving some relevant suggestions and solutions, leaving to other colleagues and other studies the possibility of handling the matter in more detail.

1. Free Zones in all their forms, as free parts or free export industrial zones, or free commercial or industrial areas, started to be merely defined and isolated areas where no customs procedures hamper the movement of goods to and out of the free zone as well as the conversion process and industrialisation process without being subject to customs duties or other tariffs. The free zones are not only considered to be safe areas for investments and export industries which are activated to make use of the incentives, facilities and exemptions added to the low cost of labour, but they also become tools of industrialisation, economic and social development, tools of construction and progress in the Arab countries.

2. In establishing Free Zones in the Arab countries and in deciding about their objectives and activities, consideration should be given to the plans; economic, development and industrial parameters in the countries where such zones are established on the national, regional and international levels. At the same time the characteristics of the free zones should be kept and all facilities, services and incentives should be made available on the widest scale possible. As an example, some priority system may be elaborated for investments and the types of incentives to be permitted with preferential incentives for some in accordance with the following degrees of priority.

- (a) Large scale industries with developed technology;
- (b) Export oriented industries;
- (c) Import substitution industries;
- (d) Industries which can be integrated with local industries and which can give them strength;
- (e) For countries with over unemployment, industries which give more labour opportunities should be preferentially considered;

- (f) An important parameter is, to which extent the industries in the free zones compete with local industries especially with respect to export industries. Of course some competition can be useful to the local industries as an impetus for technological progress and for lowering the cost of production because over-production can lead to deterioration and high cost of local industries;
- (g) Encouragement of foreign and Arab investment especially in joint venture projects. Here, it should be stated that surplus Arab capital from petroleum is now utilized in Europe and USA in banking and service activities which may entail much risk especially inflation, whereas the owners of this surplus capital can use it in development projects and industries with relatively high returns.

The surplus capital in oil producing countries in the Arab world was estimated in 1976 as US \$ 40 billion, whereas the estimates of the USA Ministry of Finance amount to about US \$ 60 billion. The Arab income from oil in 1975 amounted to US \$ 72 billion out of which about US \$ 42 billion are deposited in the USA (9.2 billion), in the international banks (28.8 billion), and in the Petroleum Arab Fund (about 4 billion). In the last year this amount increased to about US \$ 72 billion. It goes without saying that utilising this capital in Arab Development Projects, especially in free zones is more beneficial than depositing it in banks or buying land or participation in risky service projects. This can be done in the frame of a financial strategy which avoids difficulties and constraints which may be met during investments inside the Arab countries, and which permits confronting the policies of advanced countries to hamper the utilization of such surplus capital in favour of developing countries.

3. The main privileges and positive factors available in the Arab Free Zones are:

- (a) The geographic position of the Arab World as a bridge between the three continents, and a meeting point between these continents and production and consumption markets especially with respect to commercial warehousing and bilateral and trilateral commercial exchange activities.
- (b) The low cost of industrial production and the availability of low cost skilled and intelligent labour in the area as well as the availability of a variety of raw materials required for many conversion and consumption export industries.
- (c) The vast areas of land equipped with services at a relatively low cost.
- (d) The availability of means of transport by land, sea and air.
- (e) The availability of other services as water and energy at low cost.

4. Making use of the international division of labour through which some advanced countries gave up establishing some consumption and conversion industries in the homeland especially those industries which depend on imported raw materials. It became apparent for these countries that establishing such industries in the developing countries which produce the required raw materials and then exporting the finished products to advanced countries can be more beneficial for them.

5. Free Zones can be considered as safety valves in the countries with

planned economy or socialist tendencies in the Arab world. Such free zones can attract foreign technical abilities which otherwise may hesitate to invest inside countries of such systems because Free Zones are safe and in the Free Zones they shall find the facilities, guarantees and incentives required.

6. Proper legislations and procedures should be made available in the Free Zones in Arab countries with respect to the following points:

(a) Tax exemptions especially in relation to income taxes as well as taxes on profit etc.

(b) Feasibility in labour legislation which permits owners of enterprises to deal easily with labour in relation to hiring and firing as well as applying foreign labour, keeping in line, of course, with the basic rights of workers with respect to medical insurance, vocational training and the level of wages.

(c) Freedom of movement of capital and profits to and out of the respective free zone as well as making available the required banking services.

(d) Considering goods produced in the Free Zones local products if 40% or more of the cost of production is local expenditure. Such goods should be given a local certificate of origin and can thus be given exemption from Customs duties or lower duties as well as other relevant facilities.

(e) Giving sufficient guarantees that the investments in the Free Zones would not be subject to confiscation or nationalisation or other similar procedures related to national sovereignty of the concerned country.

In the following we give a short comparison of the different incentive systems as applied in a number of Arab Countries.

1. The new incentive law as drafted for the Free Zones in Syria:

The incentives stated in the draft law, which are considered as the minimum required to attract capital to establish commercial and industrial enterprises in the Syrian Free Zones can be summarised as follows:

- (i) Tax exemption:
 - (a) Exemption from income tax for a period of 7 years for industrial projects and 5 years for commercial projects.
 - (b) Exemption from tax on estates income and other financial taxes.
- (ii) Non-application of the rules of employment and over-time, sharing and participation in profits keeping, though, the basic rights of workers.
- (iii) Non-application of rules of entry and consumption of basic building materials required for the establishment of the enterprises.
- (iv) Issuing a system of certificates of origin for the exports from the Free Zone if 40% or more local content go into the production of such products.
- (v) Permitting banking transactions under the control of the authority of the Free Zones and accepting deposits from non-residents in foreign currency and also giving the right for moving out such deposits.

This draft law shall soon be issued.

2. Laws in force now in Syria with respect to these incentives:

- (i) Tax exemption: Law 103 related to establishing industrial enterprises inside the country contains:
 - (a) Incometax exemption for new industries for a period of three years plus two years on reserve profits for expansion.
 - (b) Exemption for 6 years from the tax of utilisation or enjoyment and for five years from estate tax.
 - (c) Added to this exemption from duties on machinery and equipment. This is decided upon by a Presidential Decree.

Items 2, 3 and 5 are subject to the laws applicable in the country. As for item 4 related to certificate of origin, it is in accordance with the rules of the Arab Common Market.

3. Incentives applied in other Arab Countries are given below:

UNITED ARAB REPUBLIC:

Commercial, industrial and financial enterprises in the Free Zones are exempted from prevailing and future tax laws applicable in Egypt as well as a possible exemption from taxes on salaries and heritage.

YEMEN DEMOCRATIC REPUBLIC:

Foreign investments are exempted from all taxes. Regulations on control on currency are not applied in the Free Zone.

LEBANON:

All taxes applied inside the country are not applied in the Free Zones. As there are no labour laws or financial control laws, there is virtually no problem in that concern,

For Iraq, there are no Free Zones as such. A study is being carried out for establishing such zones. They are requesting big areas in Lattaquia and Tartous in Syria for their commercial transactions. Jordan had the intention to establish Free Zones in Akaba and Amman but they are not executed until now. In Algiers and Tunisia, there are industrial focal points and Port Free Zones as well as free shops in major airports.

7. Rendering technical, promotional and financial assistance to investments in the Free Zones as far as :

- (a) making available vocational training for the workers;
- (b) carrying out the feasibility studies, market studies as well as advertisements,
- (c) giving assistance in the area of financing and credit facilities with reasonable burden in order to assist ~~in~~ in the success of these projects. We believe that the matter of such assistance requires a special study.

8. Making available more ready buildings for industry and warehouse for storage with encouraging fees not much more than cost.

9. Rendering procedures and formal constraints as easy as possible evading bureaucracy and placing the control in the hands of Public Organisations, not private ones. This is applied in Syria and Egypt.

10. These are the basic principles of possible cooperation and coordination between Free Zones in the Arab world which lead to avoiding destructive competition and which ensure, at the same time, the availability of similar services

and the integrity of activities and investments between them.

In order to achieve these aims it is proposed that the Seminar adopts the following recommendations:

1. The formation of a co-operation committee which carries out a comparative study of the systems adopted in the different Free Zones with respect to legislations, incentives and procedures as a step towards their gradual unification.

2. Looking into the possibility of establishing the principles and parameters of specialisation and distribution of investments or industrial and commercial enterprises between the different zones in accordance with their characteristics and potentialities.

3. Facilitating the movement of finished goods between the different zones and defining the conditions under which such goods may be considered as national products in the frame of the rules of the Arab Common Market.

4. Carrying out regular meetings to exchange experience and information and to follow up co-ordination problems. These meetings should take place between representatives in the free zones. It is also proposed to convene Seminars with investors to attract them.

5. Striving, at a later stage, to create a Free Zone Arab Organisation along the lines of other Arab Organisations. The organisation should be given the job of ensuring co-operation and co-ordination between the free zones in the Arab countries on one hand and between these Arab Free Zones and other Arab International Organisations as the Arab Common Market, UNIDO, etc.

These as we see them are the general lines of co-operation and co-ordination between Free Zones in Arab countries. They are, of course, only general lines or principles.

SECOND SECTION

FREE ZONES IN THE SYRIAN ARAB REPUBLIC
THEIR AIMS AND DEVELOPMENT

The General Establishment for Free Zones was created pursuant to Legislative Decree No. 18 of 18/2/1971. This decree determined the main duties of the establishment as follows:

1. Management and exploitation of free zones, creation of warehouses necessary thereto and developing them so as to assure the growth of these zones and prosperity thereof.
2. Proposing projects for creating new free zones or cancelling them.
3. Organising the operation of free zones, co-ordinating their activities so as to serve the economy and develop international commercial exchange.
4. Performing all attributions that were performed by parties operating free zones, with the exception of what is related to customs control.
5. In general, dealing with everything related to management and operation of free zones.

Free zones are usually defined as parts of the national territory, bounded and enclosed, and considered as a neutral customs area, so that goods entering them from abroad are not subject to customs duties and economic regulations and restrictions are not applied thereto, nor regulations applicable within the country. Industrial operations can be performed on the goods and articles introduced therein and all such operations are exempted from taxes, except fees due to the General Establishment for Free Zones. In principle, the Customs administration does not carry out any control inside free zones and performs such control only outside them.

Many advanced and developing countries in the world have lately manifested an interest and enthusiasm for free zones and have created many such zones, after they had found in free zones a means of achieving economic and social development in their countries and creating industrial and banking projects and investments in addition to transit and commercial storage operations, through:

1. Attracting foreign capitals and potentials of any kind for investment into free zones.
2. Erecting export-oriented industries in free zones and making profit of their foreign currency resources.
3. Employing local man-power and using domestic raw materials in industries erected in the free zones.
4. Helping to create and train technical staff which will participate in covering the needs of the country.
5. Increasing national income and raising living standards.

Before the creation of the General Establishment for Free Zones there was practically only one free zone which was the Damascus Free Zone, created pursuant to Legislative Decree No.20 of 12/5/1952. The management of this zone was then in the hands of the Customs Directorate. As for other zones created between 1952 and 1969, in Aleppo, Latakia and Tartous, and in the Damascus International Airport, they remained on paper without any implementation except for the airport free zone which was till 25/8/1971 used as a shop for the sale of oriental artifacts and domestic products without any special regime to act in accordance with.

After the General Establishment for Free Zones was created, Administrative Order No.166 dated 15/1/1972 issued by the Presidency of the Council of Ministers, transferred the existing free zones to the General Establishment for Free Zones so that it will start operating them in accordance with new principles and bases. The establishment deemed that the free zones then existing were insufficient and their areas did not fit the volume of activities expected of free zones, especially after the Establishment had completed the promulgation of the new regulations. Consequently, and in accordance with the directives of higher authorities of the State, an integrated development plan was elaborated for the erection of new free zones and the extension of existing old free zones, so that the free zones throughout the country became six, disseminated in Damascus, Adra, Aleppo, Latakia, Tartous and the Damascus International Airport.

The General Establishment for Free Zones was created after the publication of the third five-year Plan for the years 1971-1975. But yearly investment credits were added to this plan for the erection of free zones. These credits amounted to 53 million Syrian pounds approximately during the mentioned year of the plan.

As for the fourth five-year plan - 1976-1980 - an amount of 62,100,000 Syrian pounds was appropriated for expenditure on the projects of the Establishment, in order to complete its construction and outfitting and put it into exploitation, so as to make it able to fulfill the aims for which it was created.

INCENTIVES AND PRIVILEGES PROVIDED
IN SYRIAN FREE ZONES TO INVESTMENTS
AND PROJECTS CREATED THEREIN

Activity of free zones in the Syrian Arab Republic is based on both industrial and commercial operations. The establishment endeavours now to introduce banking activity to the industrial and commercial ones and necessary thereto.

The free zones make available to Syrian, Arab and foreign investors the opportunity to profit from the lots/zones the general establishment for Free Zones puts at their disposal and which are provided with all services and utilities, such as roads, sidewalks, sewers, electric and telephone installations and networks, etc. to erect their factories and warehouses thereon, on long period lease contracts (15 years for commercial operation and 20 years for industrial operation) against very low yearly rentals (12 Syr. Pds/m²), in addition to taking profit of the important position of the Syrian Arab Republic, ways of communication available therein, the experience of the Syrian manpower and low costs of production, in addition to number of incentives.

The exploitation regime of free zones enables investors to import goods from inside and outside the country in order to store them and sell them in suitable time after subjecting them to some minor operations in the warehouses. Such operations concern the shape of the goods without touching their essence, such as sorting, repacking, wrapping, mixing, blending, etc. Operators are also allowed to create factories to avail themselves of the facilities afforded to them by the free zone regime. Industrial operations include essential transformations such as transformation, completion, etc. Among the most important industries created or under creation in Syrian Free Zones are the pharmaceutical, detergent, chemicals, cosmetics, confectioneries, garment, radiator, carpet, velvet, salted casings, printing and binding industries, in addition to the fruit juice, preserve and goat hair spinning and weaving industries.

Among the most important incentives and privileges presently available in Syrian Free Zones, we may notice the following:

1. Authorized entry of foreign goods of any kind and any origin into free zones and markets and their exit therefrom to elsewhere than the customs area without being subject to foreign trade regulations or customs duties and taxes.
2. Authorized entry of domestic goods or goods that acquired this quality by putting into domestic consumption into free zones and markets and application of provisions in force in this respect thereon.
3. Authorized entry of goods existing in free zones and markets into the customs area to be put into domestic consumption in accordance with laws and regulations in force.
4. Possibility of authorising the entry of a percentage of products of industries erected in free zones in exception from some restrictions imposed on imports into the host country.

5. Delivery of ex-officio import licences to the products of the industries mentioned in the foregoing paragraph without transfer of the value abroad.
6. Exemption of the mentioned industrial products from Customs duties in proportion with the rate of domestic products entering into manufacture.
7. Possibility of authorising the erection of banking establishments in free zone premises to perform their activities in financing the various commercial and industrial projects and providing all banking services required by the business of investors in these areas.
8. The regime of banking investment fulfils the aims of erection of free zones and conforms with the nature of investment therein, without being bound by the provisions of regulations governing banking activity in the country
9. Possibility of supplying and outfitting ships, both national and foreign, from free zones in accordance with regulations special thereto, as specified in the exploitation regulations.

All goods, machines and equipment deposited in Syrian free zones and originally brought on from their country of origin directly through Syrian ports, airports or parcel posts, or by land into Syria, are excepted from the regulations providing direct import from the country of origin and are not submitted to the approval of the Presidency of the Council of Ministers. It is also possible, with the approval of the Ministry of Economy and Foreign Trade, following the suggestion of the General Establishment for Free Zones, to authorise the owners of industrial projects in Syrian free zones to introduce a maximum of 20% of their products exported into Syrian markets in exception from restrictions imposed on imports with the exception of special restrictions reserving import or restricting it to a public sector establishment, and the provisions of Arab boycott. This will be done through ex-officio import licences delivered without any transfer of value abroad and on the strength of customs certificates delivered by the competent customs authorities.

INVESTMENT ACTIVITY OF FREE ZONES

In spite of the fact that the new free zones have not been all completed in a definite way till now, however investment activity is developing and increasing at high rhythms because of the completion of the first stage of construction in a number of new free zones, such as Aleppo, Latakia, Tartous, Damascus International Airport, and their putting in direct exploitation while carrying on the operations of construction and equipping.

Herebelow is an exposé of the present situation of the exploitation activity in the various free zones, whether in relation to public or private occupation in its two forms, both industrial and commercial, as per information available till the end of June 1976.

1. The Damascus Free Zone:

The area of this zone is 88,500 m². Area of the three general roofed warehouses is 8000 m². It has been put in exploitation since 12/7/1952. It contains 9 industrial plants with an area of 1788 m² and 22 private commercial enterprises with an area of 4920 m². Acceptance of applications for private commercial and industrial occupation was stopped following the instructions of the Presidency of the Council of Ministers, and the car storage yard was transferred to the Adra Free Zone.

2. The Adra Free Zone:

Its total area is 2 million square meters. The area of the first stage under execution amounts to 600,000 m² and it is now under construction. A car storage yard was created in it for storing various vehicles and machinery and is used as an annex store to the old Damascus Free Zone.

3. The Aleppo Free Zone:

Its total area is 1,100,000 m², and the area of the first stage under execution with the extension stage amounts to 300,000 m². The area of the general stores is 9600 m² and open yards account for 7000 m². The area earmarked for industrial and commercial occupation amounts to 33,000 m². There presently exists 17 industrial plants with an area of 8628 m² and 31 commercial warehouses with an area of 11,645 m² and 4 general occupation stores with an area of 10,400 m². This area was put into exploitation since 16/11/1975.

4. The Latakia Free Zone:

Its total area is 7,65,000 m². The area of the first stage is 300,000 m², the area of the general stores is 8000 m², the area of general sheds is 4000 m² and open areas account for 22,000 m², while the area allocated for industrial occupation is 27,000 m². There is an approval for 4 industrial occupation applications for an area of 5780 m², of which two already started work on an area of 2440 m². Five applications for private commercial occupation have been approved for a total area of 3800 m², the contracts of which have not been signed yet. This area was put into exploitation on 23/5/1976.

5. The Tartous Free Zone:

A. Port Free Zone: Total area is 34000 m² and the open area is 25,000 m². It was put in exploitation on 1/8/1974. It contains general commercial occupation warehouses with an area of 4000 m², but does not contain any area for private occupation because of its small area and the forthcoming transfer to the new area under construction outside the port premises.

B. The new Free Zone (outside the port): The total area under execution is 300000 m²; the three general warehouses existing therein amount to 4000 m² and the open areas account for 26000 m². The area earmarked for industrial occupation

accounts for 1,000 m² and for private occupation 20,000 m². This zone is now still under construction and outfitting.

6. The Damascus International Airport Free Zone: The total area is 30,000 m². The area of the first stage amounts to 12,000 m², the area of the roofed warehouses in the last stage amounts to 7200 m² and the open area amounts to 1700 m². It contains presently three general warehouses with an area of 1008 m². This zone was put in exploitation on 2/5/1976, and the construction of the remaining warehouse is now under completion.

7. In the field of private exploitation:

Despite that few years have elapsed since the General Establishment for Free Zones was created, and the insufficient incentives and privileges provided for the time being, private industrial and commercial investment in Syrian Free Zones are developing continuously.

In the Damascus, Aleppo and Latakia Free Zones, there are 30 private industrial plants with a total area of 16,196 m². They produce ready-made garments, pharmaceuticals, toothpastes, perfumes, automobile radiators, carpets, salted casings, preserves and agricultural products. 9 of these are in Damascus, 17 in Aleppo and 4 in Latakia.

There exists 53 commercial warehouses (private) in Damascus and Aleppo with a total area of 16,565 m². 22 of these are in Damascus and 31 in Aleppo. They are used for storing garments, electric appliances, oils and spare parts. Many applications for industrial and commercial occupation have been approved and contracts are now undergoing the final stage of conclusion, as well as construction and start of work by the investors.

8. In the field of entry of cars, machinery and goods:

During the past years, entry and exit of cars into and from free zones has noticeably developed. The following table shows this evolution and the rate of increase from 1973 to September 1976:

	1973 basic year	1974	rate of	1975	rate of	1976 till September
	Number	Number	increase	Number	Increase	Number
Car entry	6164	11927	193%	21704	352%	22524
Car exit	5693	11413	201%	19593	344%	18170

The following table shows also the evolution of the movement of goods into and out of free zones and the rate of increase since 1973 to September 1976:

	1973 basic year (Tons)	1974		1975		1976 till September (tons)
		weight (tons)	rate of increase	weight (tons)	rate of increase	
Entry of goods	14121	76381	540%	127513	903%	119516
Exit of goods	13870	41511	299%	87977	634%	98274

9. Increase of the Proceeds of the Establishment:

The proceeds of the General Establishment for Free Zones consist mainly in entrance fees, handling, stevedorage, storage, private occupation, insurance and other services fees which are collected by the Establishment from investors and people dealing with it against providing these services.

The following table shows the evolution of the proceeds of the Establishment and rates of increase thereof from 1971 to October 1976:

Year	Proceeds in '000 Syrian £	Rate of increase
1971/1972	105835	-
1973n	888676	Basic year
1974	1506393	169%
1975	3001547	337%
1976 till October	4582272	-
Total	10084723	-

In order to support the activities of the General Establishment for Free Zones, through providing more securities and suitable privileges to investors, the Establishment has prepared a project for organizing banking activity in free zones and providing incentives and exceptions to be enjoyed by owners of industrial and commercial projects. The project is composed of two parts:

PART I: concerns the method of creating banks in free zones, operations they are authorised to perform, methods of controlling them, currency matters and dealing with foreign currencies, privileges granted to people dealing with free zones, etc.

PART II: Deals with some financial, fiscal and customs exceptions, which may be summarised as follows:

1. Exemption of income tax on profits for a period of seven years for industrial projects and five years for commercial projects, as well as exemption from the estate revenue tax and other fiscal taxes.
2. Exception from provisions relative to labour, overtime work, dismissal, participation in profits stipulated by labour legislations, while maintaining the legitimate rights of workers in accordance with special contracts.
3. Exception of the entry and possession of the requisites of buildings, such as essential building materials, from provisions prohibiting, restricting or reserving imports, under supervision of the technical services in Establishment.
4. Delivery of a Syrian certificate of origin to free zone exports if the proportion of domestic manufacturing costs reach 40%.
5. Authorisation of banking operations under control of the establishment, and freedom of acceptance and exit of non-resident deposits in foreign currencies in order to encourage the disposition of Arab and foreign funds and holdings to erect projects that need large capital outlays or high experience and techniques, as well as to enable the industries erected by Syrian Arab nationals and others to face competition in foreign markets.
6. Extension of contacts with the outer and western world and entry into dialogues with industrial investment companies and banking and financial institutions and inciting them to invest their capitals and erect their industrial export projects in free zones and to profit of the facilities, exemptions, simplicity of procedures and formalities provided to such investments through:
 - (i) Elaboration of an information and publicity plan to advertise free zones by means of all media.
 - (ii) Holding joint symposia in various places.
 - (iii) Sending delegations to visit these establishments and companies abroad and in the Arab world.

At the light of all the above, the Establishment has found that the exploitation regime presently applied shows some gaps and impediments. Consequently, it has prepared a bill for new regulations based on new provisions foreseen by the Act on additional labour incentives pending ratification and adoption by the competent authorities in order to give a new impetus and a new incentive for attracting more investments in Syrian Free Zones.

THIRD SECTION

THE JOINT SYRIAN-JORDANIAN INDUSTRIAL FREE ZONE COMPANY

In accordance with the agreement on Co-operation signed on 4 March 1975 between the Syrian Arab Republic and the Jordan Hashemite Kingdom, it was agreed, in principle, to establish a joint Free Industrial Zone in the border line between the two countries.

During the period 23 - 26 July 1975 a meeting was held in Amman to take the necessary steps for the execution of that project. After looking into many sites one site was chosen between Jordanian Gaber village and Syrian Nasib village. This very site was chosen for the following reasons:

1. The geography of the area permits economic establishment of buildings;
2. The area lies along the axis of the international road (auto-strod) which links the two countries with the Gulf countries;
3. The Hejaz railway line passes here, a fact which assists the transportation of transit goods to and from the area economically;
4. Underground water is available;
5. Low cost of land in the area;
6. The wish to develop this area and create employment opportunities there; and
7. The possibility of utilizing water after treatment in agriculture.

The preliminary cost for the project was estimated to be about J.D. 5 million or about S.P. 60 million.

The meeting came out with the following recommendations:

- the quick execution of the new international road;
- requesting the Hejaz railroad authority to study the possibility of making a link between the mainline and the new proposed area;
- carrying out a study about establishing a living area with the necessary services for the workers in the new Free Zone.

Thus it was decided to establish an Industrial Free Zone on this site with an area of 4 million square meters. Half of this area belongs to each country. The first stage shall utilize half a million square meters. The two countries shall participate on equal basis in paying the required J.D. 5 million. It was also decided to establish a founding committee composed of responsible in both countries to formulate the legal status of the new Industrial Free Zone and propose the executional proceedings required to draw the required designs and technical and economic studies.

The Founding Committee convened and sanctioned to the following-draft documents:

- The foundation contract

- The basic rules
- The system of investment.

The following points were agreed upon:

- (a) The exact site for the zone.
- (b) The drawing out of the topographic designs.
- (c) The drawing out of the preliminary designs for construction and services.
- (d) Carrying out a visit to two well advanced I.F.Zs to get acquainted with their design, organisational structure and method of operation in these zones as well as the services rendered by them, the problems encountered and means to solve them.
- (e) Asking for bids from technical offices and consultants to carry out the final plans and technical and engineering designs in the light of the work of local engineers and the accumulated information gathered during the visits mentioned above.
- (f) Proper authorities in both countries should carry out hydrological survey and sources of underground water.

These recommendations were put in front of the High Syrian - Jordanian Committee as decisions were taken to establish a Company called "The Syrian-Jordanian Industrial Free Zone Company".

The contract for founding this company includes :-

Objectives of the Company:

1. Establishment and investment of a Joint Industrial Free Zone on the border line between the two countries;
2. Playing a role in realising the industrial integration between the two countries;
3. The Company shall own the land, estate and all money in both countries.

The main site of the Company shall be in Daraa in Syria. The Company, though, has the right to establish branches in Jordan and any other place outside the two countries.

Capital of the Company shall be S.P. 60 millions paid equally by both countries and apt to be increased if necessary. Both countries have the right to transfer their money and profits as well as the rights to any third party. It is not permissible to nationalise, confiscate or seize the company or any branch of it or any enterprise belonging to it.

The Company shall be managed by a Board of Directors of 6 members, three from each side. Chairmanship shall be revolving each two years. The Deputy Chairman shall be from the other side.

The Company exempted from all taxes and duties.

The contract for founding the company, the basic rules of the company and the system of investment in the Free Zone shall be adopted. Otherwise, the applicable laws in the country of the main site shall be enforced.

The contract for founding the Company was sanctioned by the Syrian side by the law No.21 for the year 1975.

The two countries paid their shares and deposited the money in the Central Bank of Syria.

The Company was registered and proclaimed.

The Board of Directors was formed.

Many steps were taken in the practical realisation of the project such as the topographic survey, the final choice of the site, the general design plan, digging several wells etc.

The Board of Directors sanctioned the principle of considering the products produced in the Free Zone as local products if 40% or more of the cost originates from local sources.

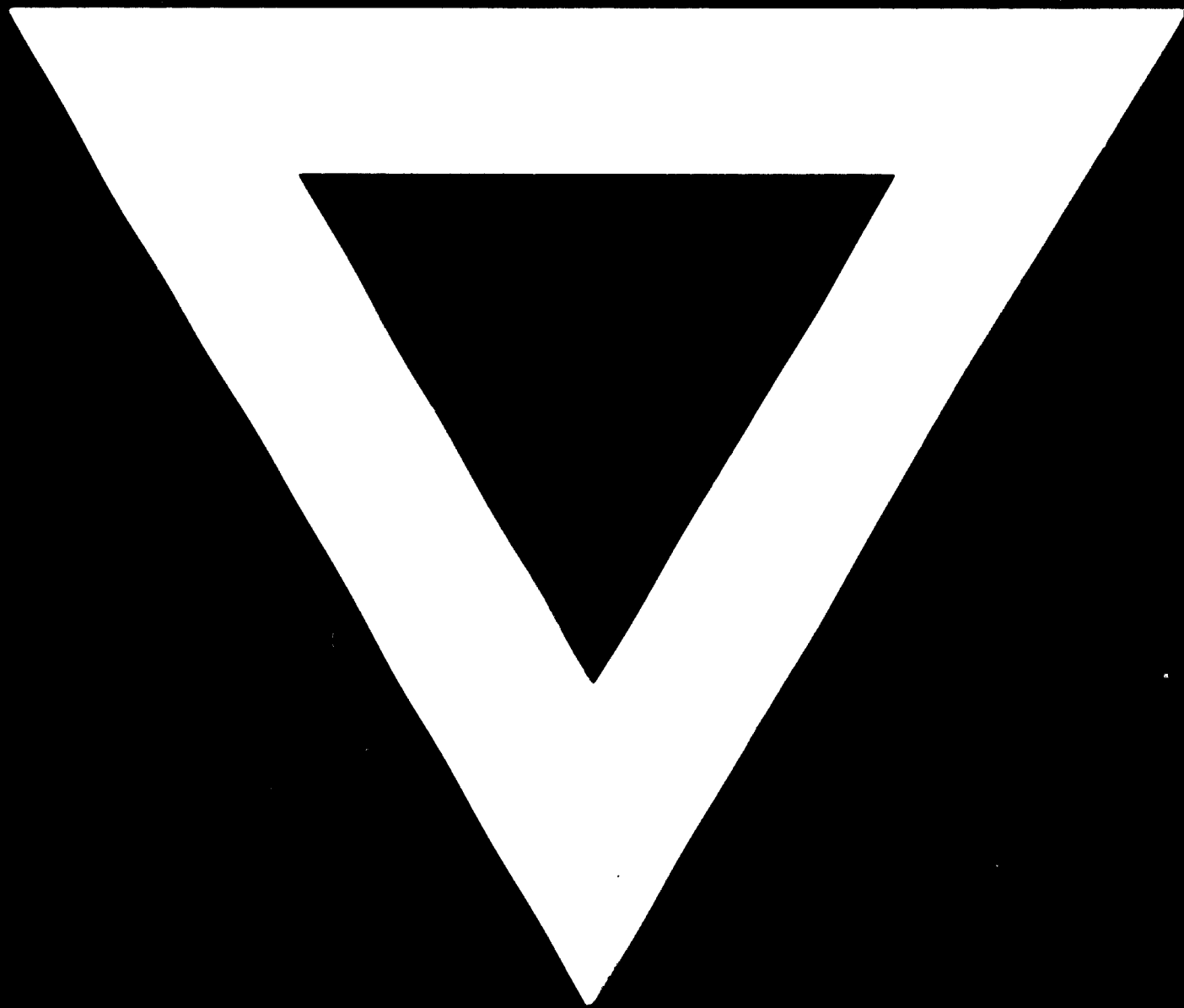
Thus, a new Industrial Free Zone, with specific characteristics, shall play its role in strengthening the efforts of integration between the two countries.

Lastly, it should be emphasised that the Free Zones are long-range development projects which require efforts and perseverance. The returns should not be expected in short-terms, but rather in long-terms. It is also emphasised that such Seminars as the present one should be regularly convened in order to exchange experiences and follow up the efforts towards co-operation and co-ordination between Free Zones in the Arab Countries in all respects.

Thank you.



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