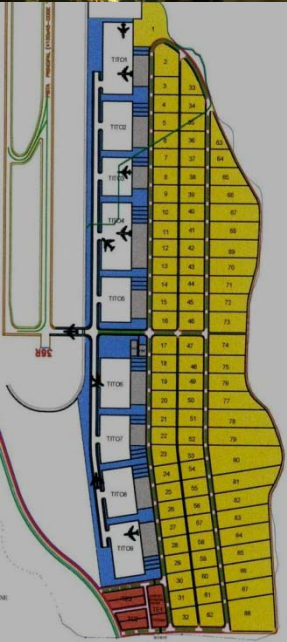




# 10<sup>th</sup> World Free Zone Convention



## Free Zones In The Changing World

Ras Al Khaimah, UAE

November 1-4, 2010

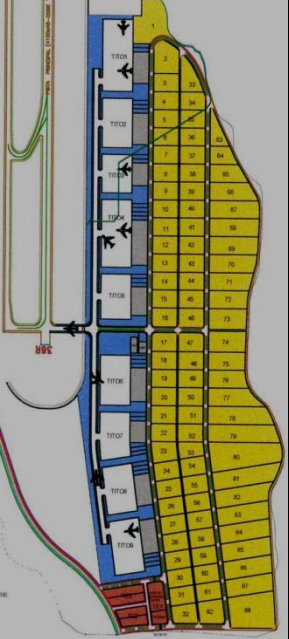
**Bill Tolbert, Chairman**

The Meneren Corporation, Denver, Colorado, USA



# Historically

- Free Zones =
  - Economic development
  - Increased flow of goods and services
  - Lower cost of goods in the host regions
  - Small local footprints with simple security (“customs controls”)
  - Most were “seaport-linked”

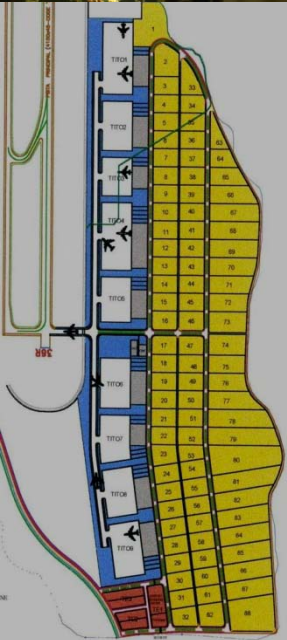




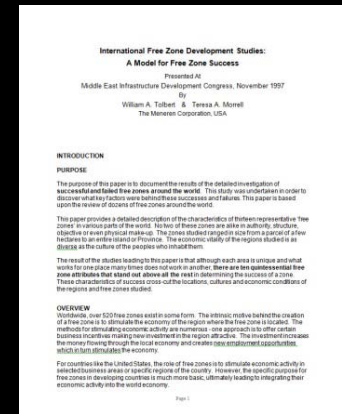
# Characteristics of Success

In 1997, UNDP/OPS commissioned a study of successful & failed FZ's \*

- Identify characteristics of Success & Failure
- Provide a guideline for new FZ development
  - *Legal framework parameters*
  - *Financial/Tax framework*
  - *Infrastructure profiles*



## Study -- 10 Characteristics of Success



\* International Free Zone Development Study: A Model for Free Zone Success  
 Middle East Infrastructure Development Congress, November 1997  
 Meneren Corporation, William A. Tolbert & Teresa A. Morrell





# Characteristics of Success

## 1. Gov't Commitment; Country Support

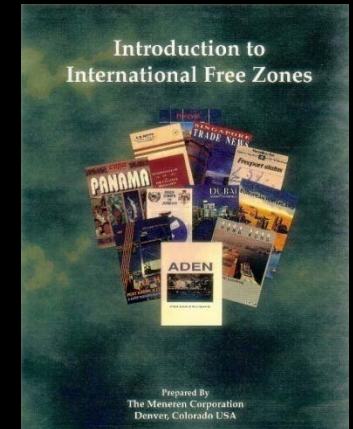
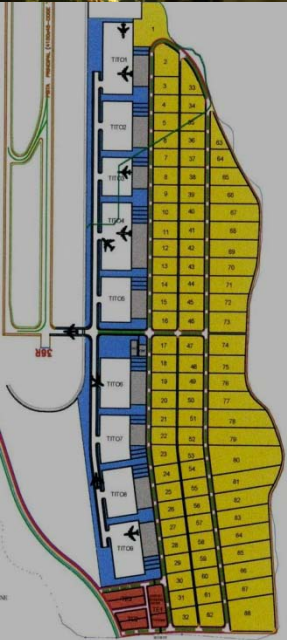
- How the FZ fits into scheme of Gov't
- FZ relationship to Gov't Institutions/Agencies

## 2. Suitable Infrastructure

- Land, Transportation, Communications, Power

## 3. Streamlined Customs Procedures

- Including transfer from sea/air





# Characteristics of Success

## 4. Maximized Use of Natural Resources

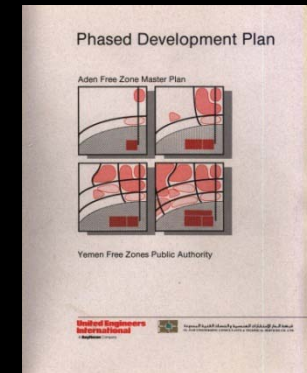
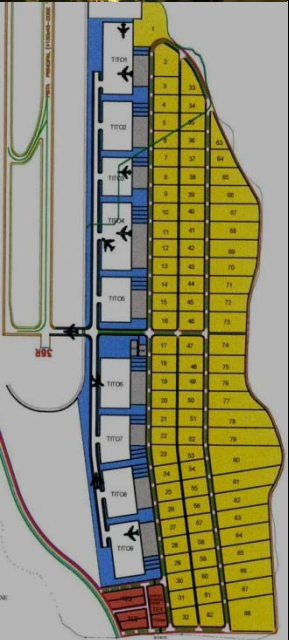
- “Natural Ports”; Underutilized Facilities
- People; education and skills; labor intensity

## 5. Plan for the Future/Far-Sighted

- Jebel Ali, Bremerhaven, Singapore, Hong Kong

## 6. Flexibility in Development

- Adapt to change; shifting markets; economy



# Characteristics of Success

## 7. Selective Specialization

- Automobiles to Bananas; Transshipment

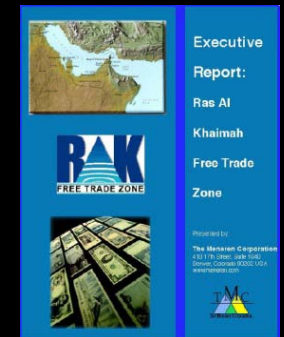
## 8. Understanding Int'l Markets and Donors

- Understand world market forces
- Understand donor orgs (UN, World Bank)

## 9. Willingness to Take Risk

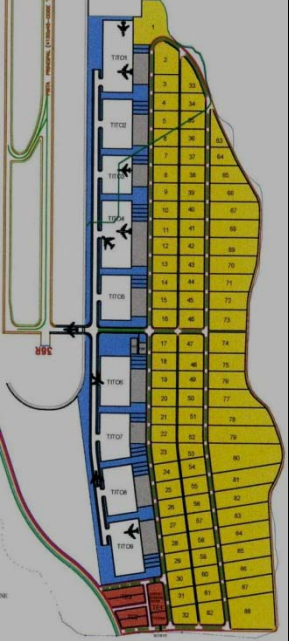
- Risk breeds innovation (i.e. RAK Business Incubators)

## 10. Favorable Social Climate (Expatriate acceptance)





# FZ's Exist in a Changing World



infrastructure  
investing is down



Demographics are  
changing



Global markets are  
shifting



Investment fears are  
impacting capital



Security risks







# Free Zone Dilemma

There are two sides to a FZ proposition/operation

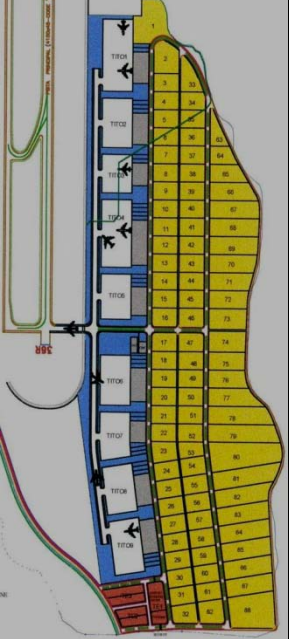
It is a Gov't-Gov't-Private Sector Transaction

- A form of PPP

Goals can be very different

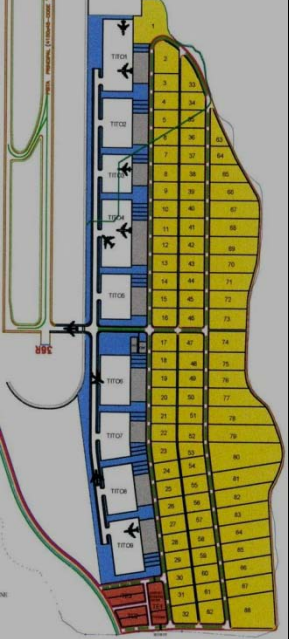
- Political, Economic, Social
- Conflicting Metrics

Global economic and security changes impact all parties differently





# Infrastructure



Who pays for power, water, waste treatment?

Who is responsible for environmental remediation?

What are the FZs independent “communications” rights?

Who ensures (pays for) new security obligations?





# Money and Metrics



Major infrastructure funding has declined

Gov't "monetizing" everything

- Searching for revenue sources
- Taxes, Transaction Fee's, etc.

Risk of currency conversions

Who "makes money" dilemma

- Can't spend a dollar to earn a quarter"
- Higher risk = higher profit?





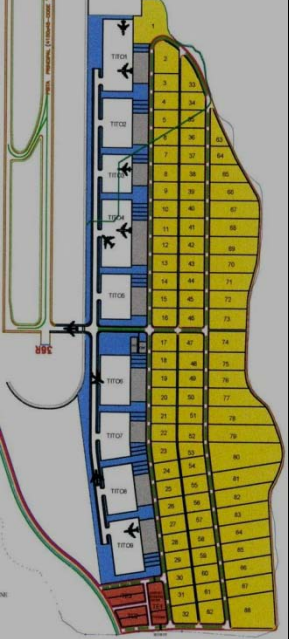
# Security

## Financial Security

- Lack of financial transparency
- Money laundering

## Physical Security

- Increased threats
- Geographic location
- Overlapping oversight
- Risk Management controls and costs





# What is Needed in a Changing World?

*Have a clear understanding of the changing environment for FZ's (Globally and Locally)*

*Recognize there are two sides to every FZ transaction or issue (Seek the Right Balance!)*

*Start with the right Partner and have the right Agreement*

- Decree, Concession Agreement, Special FZ Law, Contract
- Allocates and shares Risks



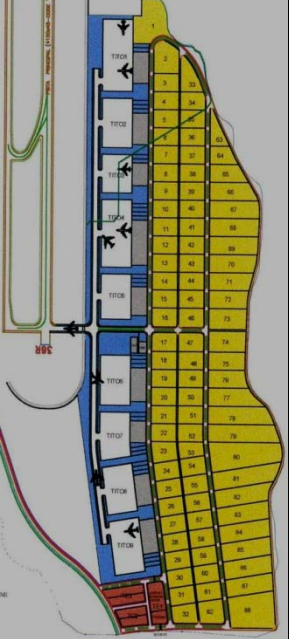


# What is Needed in a Changing World?

Maintain clear communications lines between all of the Stakeholders:

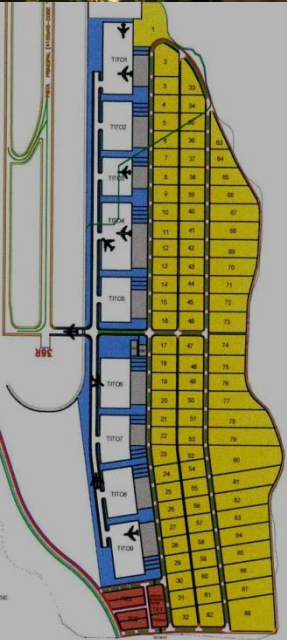
- *Gov't, the FZ Authority*
- *FZ Operators, Tenants, & Investors*

Be flexible and willing to modify business models and metrics to remain Successful!





# For More Information, Contact



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