

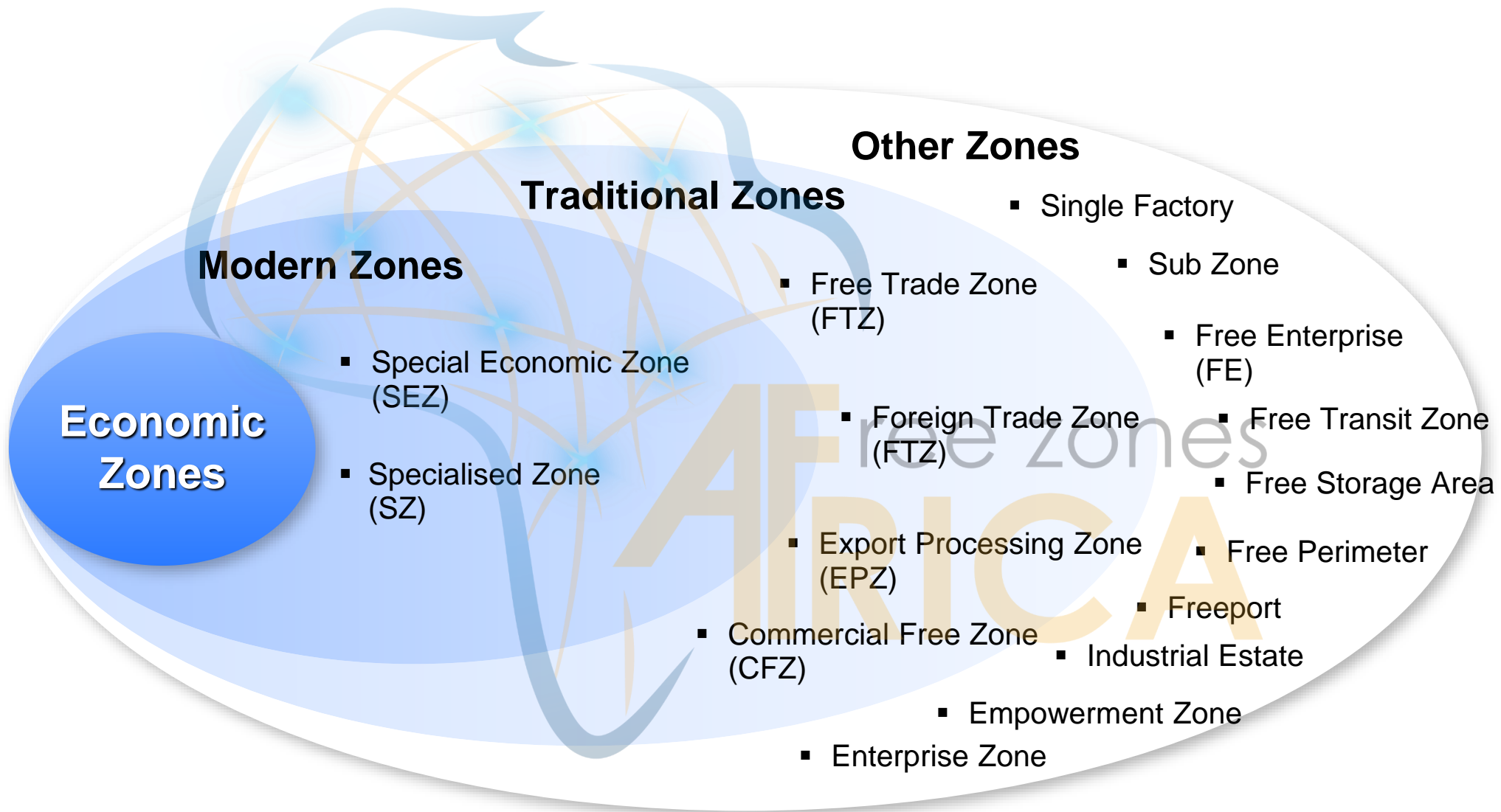


**Effective Management and Development of Economic and Free Zones**  
*Bases for Competitive Facilitation Framework*

## Economic Zones and Free Zones : Key Instruments for FDI attractiveness and industrial development

- Free Zones & Economic Zones – different terminologies & concepts
- Changing international context & emerging trends
- Key Instruments for FDI attractiveness
  - A corporate perspective
  - A government perspective
  - Nxtzones
  - Integrating Industry 4.0 into Free Zone Management
  - Sustainability

**Aftercare, Facility Management and Security Flow Management within Economic and Free Zones**



# ELEMENTS OF “ECONOMIC ZONES” OR “FREE ZONES”



## What elements typically constitute “Economic Zones” and “Free Zones”?

1

**Demarcated**

**Demarcated portions of the national territory and/or legal spaces**

2

**Regulatory**

**... with liberal and administrative-friendly investment and trade rules**

3

**Governance**

**... and a dedicated governance structure for efficient management**

4

**Amenities**

**... offering physical infrastructure, incentives, services and provisions.**



# FREE ZONE STAKEHOLDERS



# CHANGING INTERNATIONAL CONTEXT



1970s-1990s



Globalization



Liberalization



Expanding Global Value Chains

2000s



Regionalization



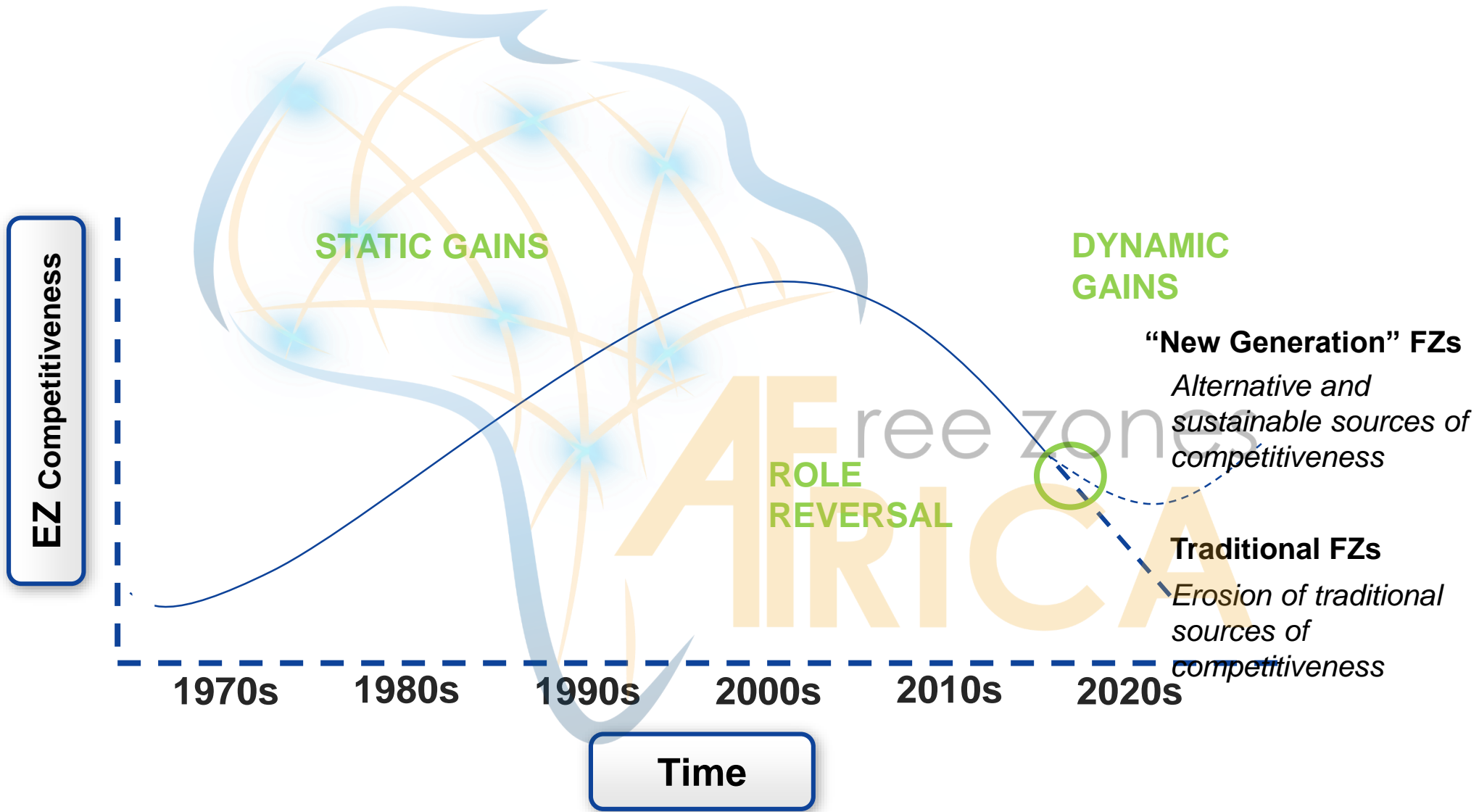
Economic Crises



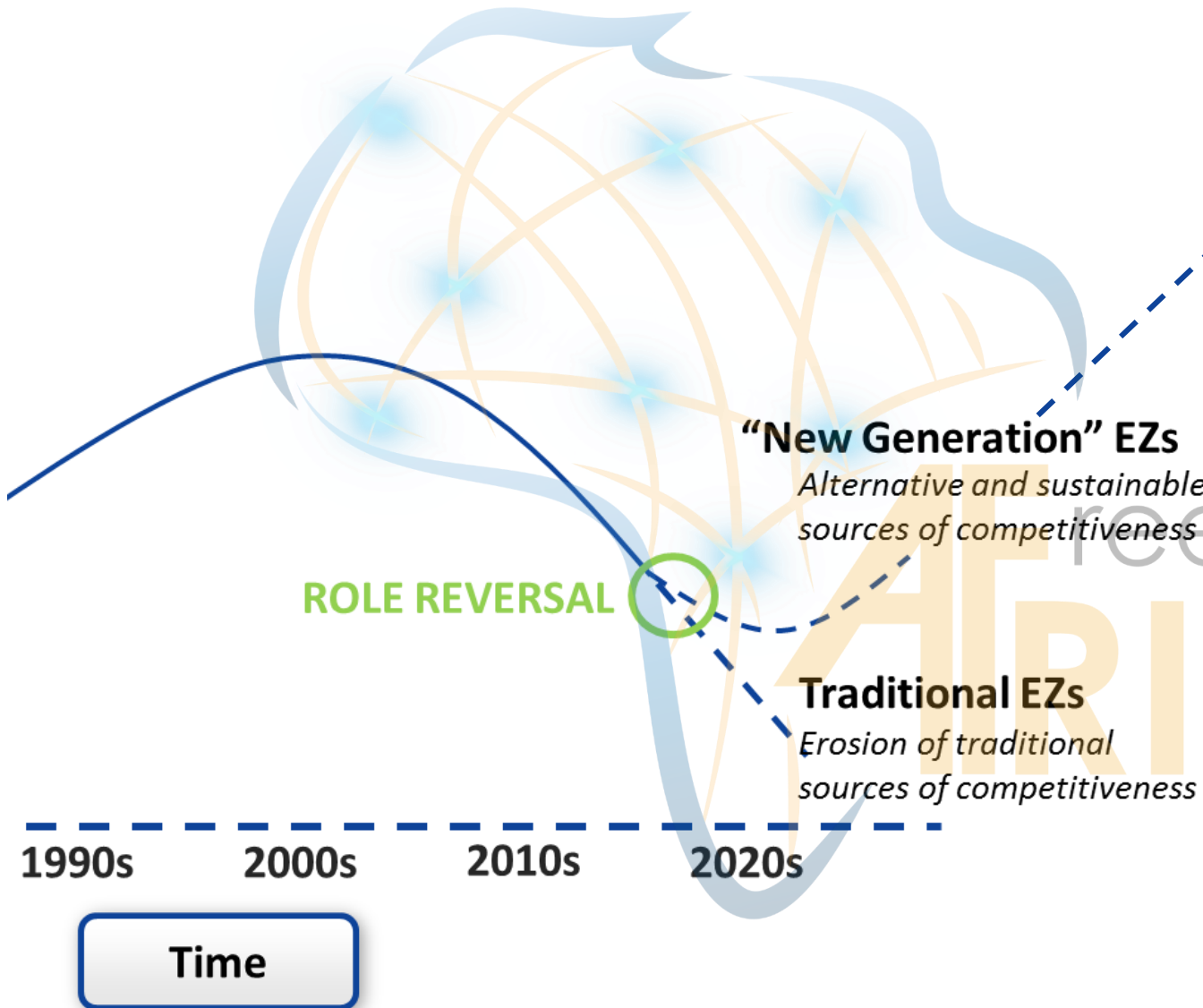
Consolidating Global Value Chains



# IMPACT OF CHANGING INTERNATIONAL CONTEXT



# ROLE REVERSAL & FZ POLICIES



## NEW GENERATION INVESTMENT POLICIES

1. Respond to changing global market

*Quality infrastructure*  
*Soft incentives*

2. Provide cost-effective and good support enabling socio-environmental practices and compliance

*Socio-environmental infrastructure*  
*Socio-environmental policy pilots*







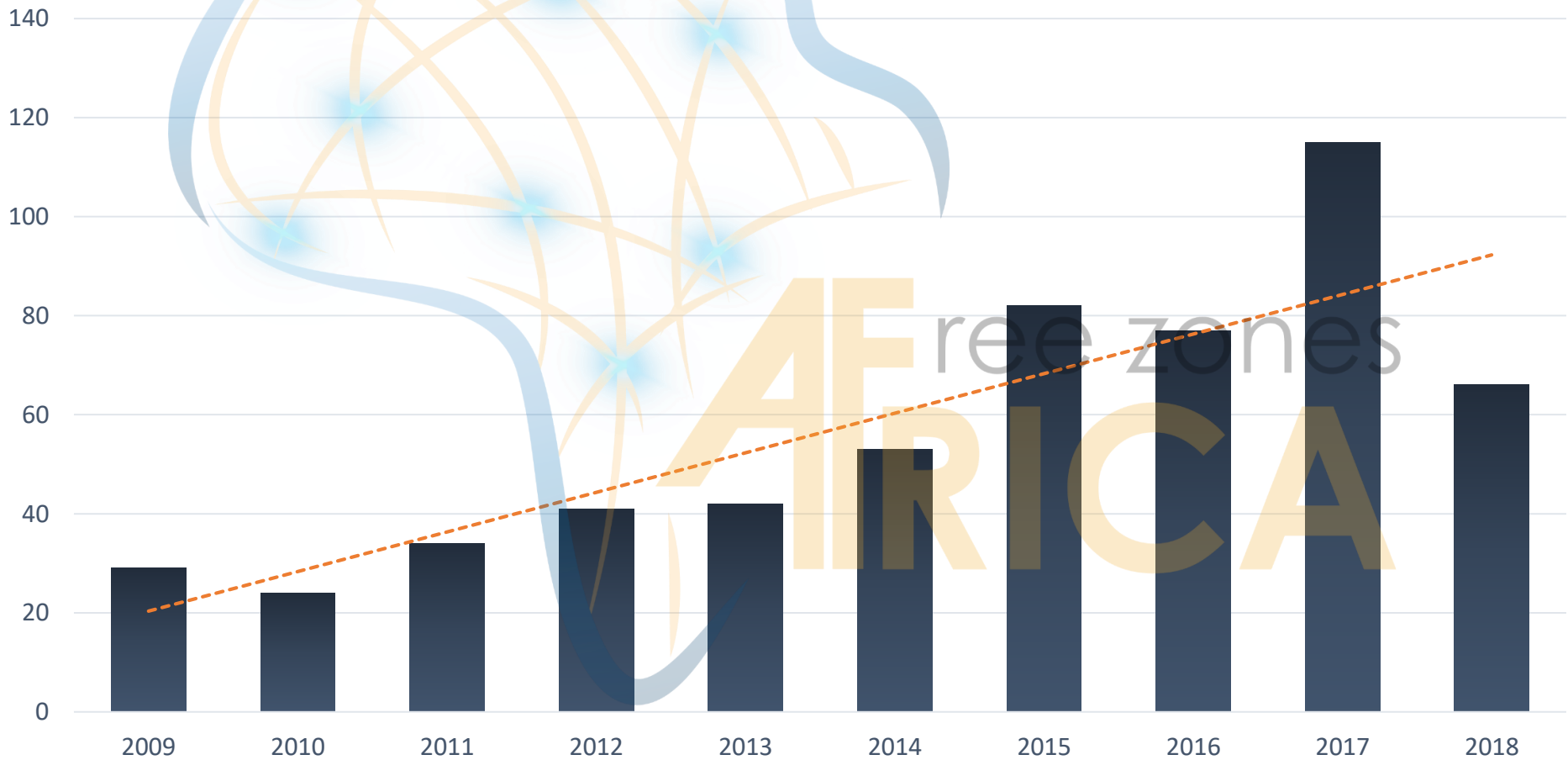
# 1 | Free Zones and FDI Trends



# FREE ZONES FDI TRENDS 2009 – 2018



## Number of FDI projects - Global



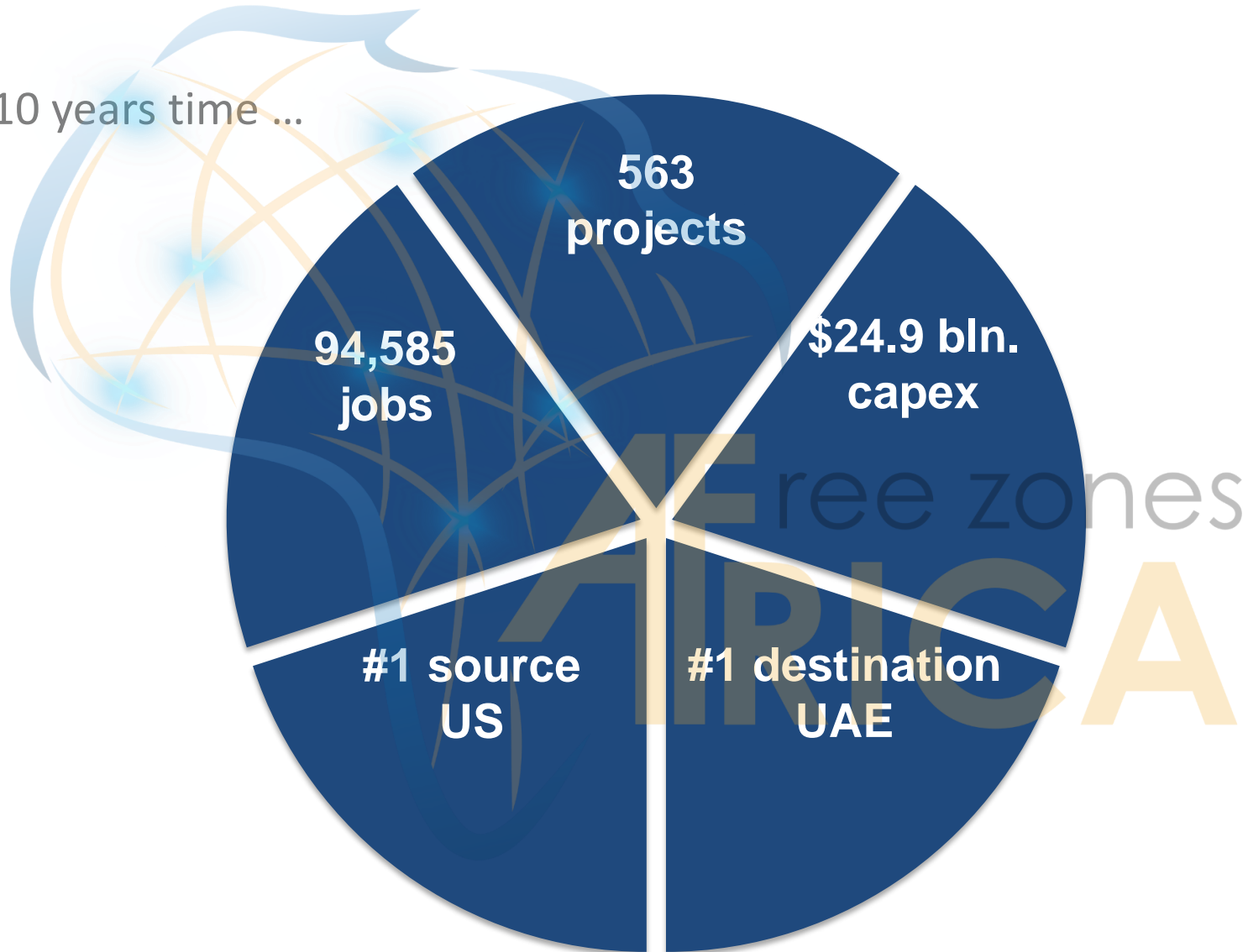
Source: fDi Markets from FT Ltd. Date range: 2009-2018



# FREE ZONES FDI TRENDS 2009 – 2018



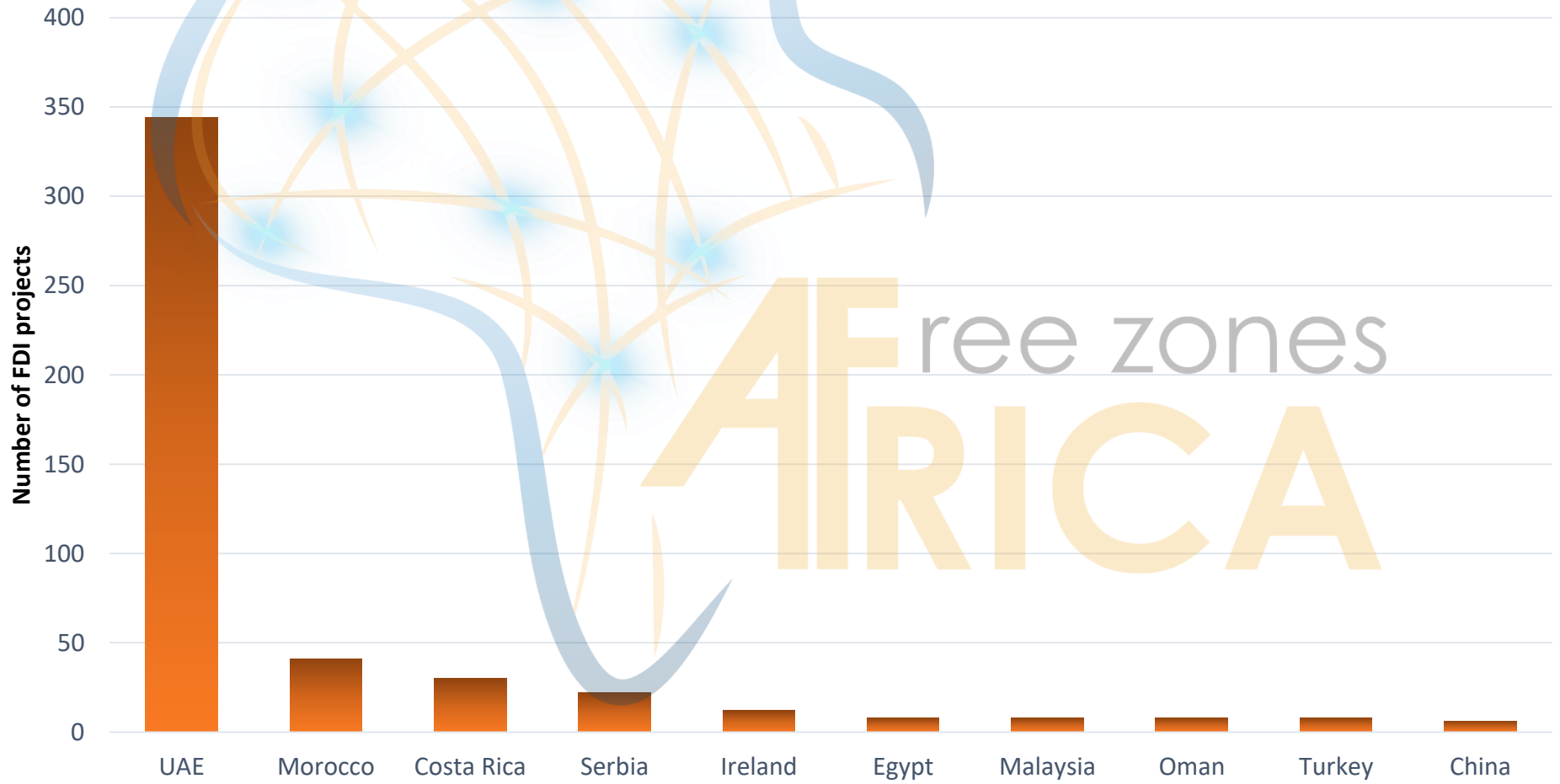
- In 10 years time ...



# FREE ZONES FDI TRENDS 2009 – 2018



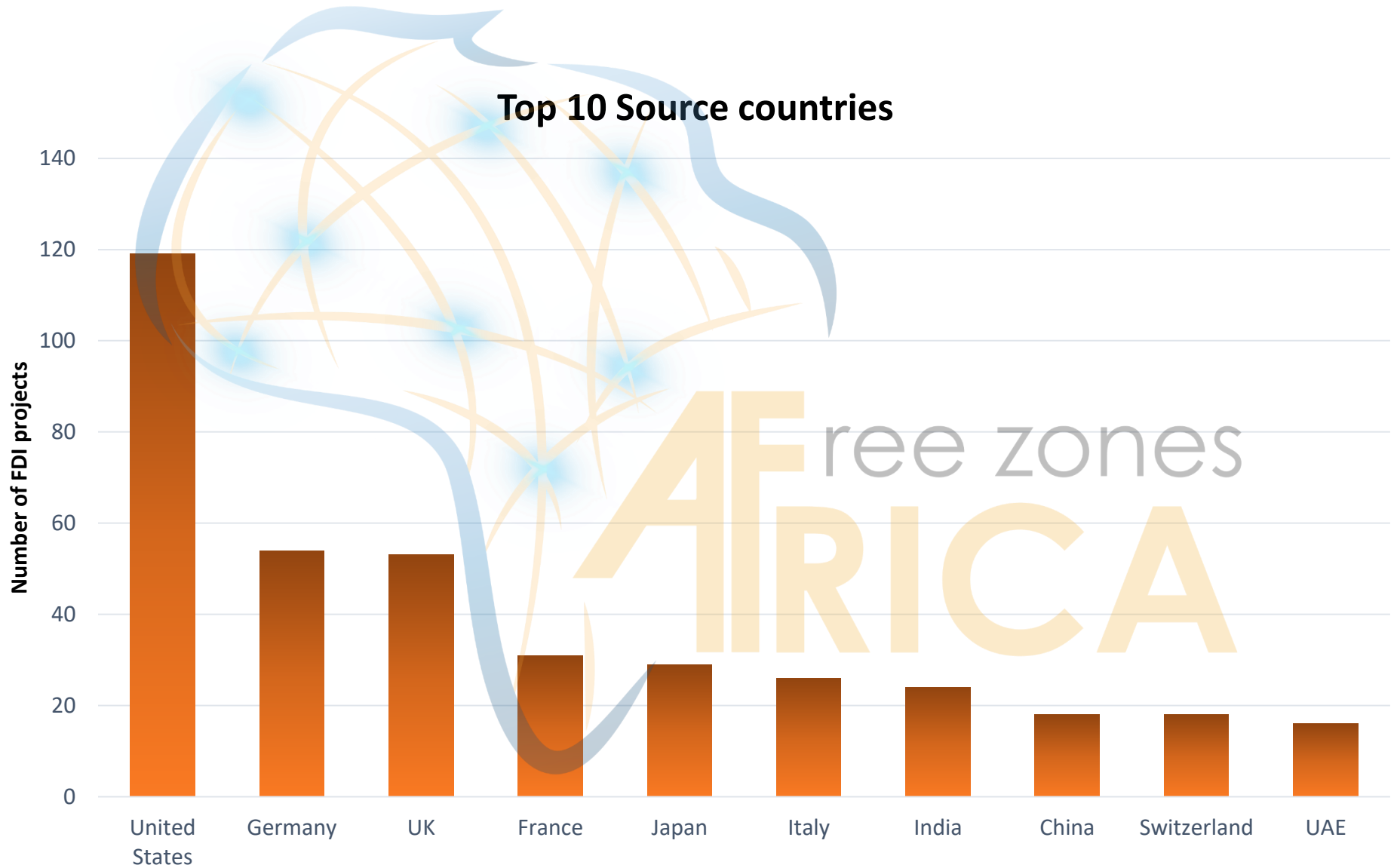
## Top 10 Destination countries



Source: fDi Markets from FT Ltd. Date range: 2009-2018



# FREE ZONES FDI TRENDS 2009 – 2018



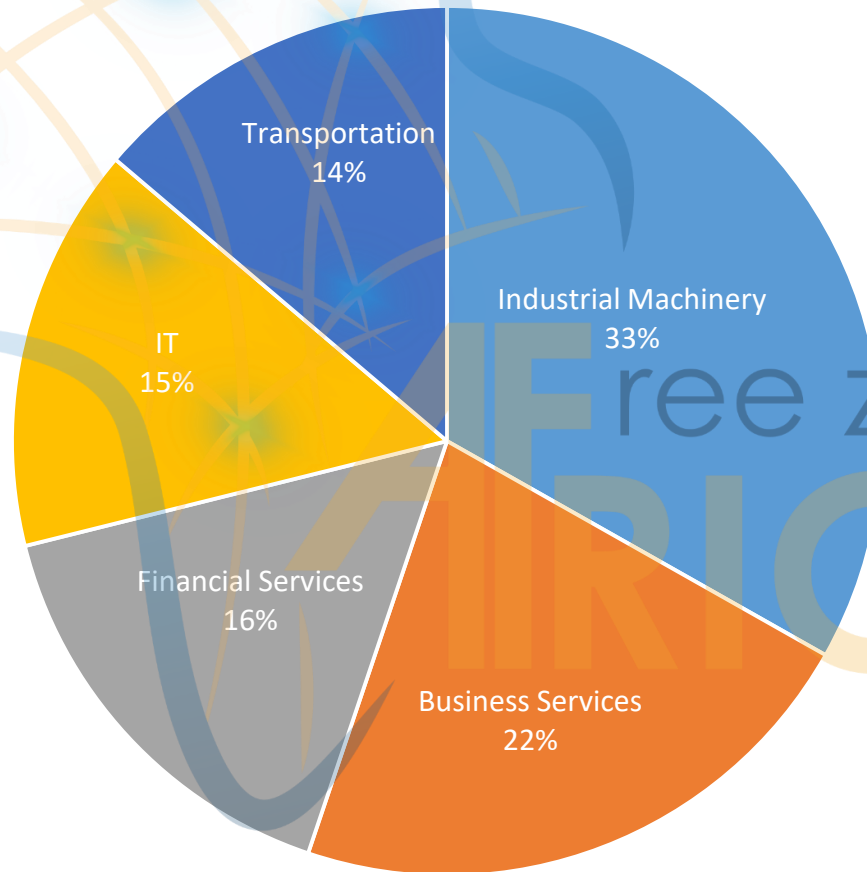
Source: fDi Markets from FT Ltd. Date range: 2009-2018



# FREE ZONES FDI TRENDS 2009 – 2018



Top 5 Most invested sectors



■ Industrial Machinery ■ Business Services ■ Financial Services ■ IT ■ Transportation





## 2 | Free Zones: A Corporate Perspective

# FREE ZONES: A CORPORATE PERSPECTIVE



Utilities



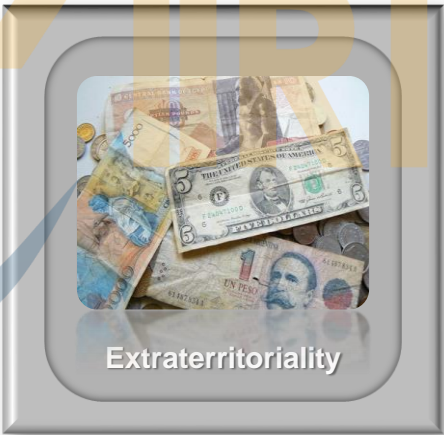
Administration



Incentives



Transport



Extraterritoriality



Flexibility

free zones  
AFRICA





# FREE ZONES: A CORPORATE PERSPECTIVE



## Noida Special Economic Zone

Ministry of Commerce and Industry, Department of Commerce, Government of India  
(NSEZ Authority, an ISO 9001:2008 Certified Organization)



## SAIF ZONE

المنطقة الحرة لمطار الشارقة الدولي  
SHARJAH AIRPORT INTERNATIONAL FREE ZONE



Comprises of 103 sqm of storage area and 22 sqm office space.



Comprises of 190 sqm of storage area and 60 sqm office space.



Comprises of 340 sqm of storage area and 60 sqm office space.



# FREE ZONES: A CORPORATE PERSPECTIVE



Free zones  
AFRICA



# FREE ZONES: A CORPORATE PERSPECTIVE



free zones  
AFRICA



# FREE ZONES: A CORPORATE PERSPECTIVE



- 1 Gate No. 4
- 2 DP World Building
- 3 Cargo Gate No.3
- 4 Gate 3 Complex
- 5 DP World Documentation and HR
- 6 T1 Technical Building
- 7 Empties Yard
- 8 T1 Container Yard
- 9 Gate No.2
- 10 CFS (Container Freight Station)
- 11 Gate No. 1
- 12 T2 Operations Building
- 13 T2 Technical Building
- 14 Ship-To-Shore Quay Cranes
- 15 Gate Automation Portals
- 16 Petroleum Storage
- 17 Sugar Storage
- 18 Control Tower
- 19 General Cargo
- 20 RO-RO (Vehicle Handling)
- 21 Cool Store
- 22 T1 Operations Building (Includes The Wheelhouse)
- 23 Cold Store

[www.dpworld.com](http://www.dpworld.com)



# FREE ZONES: A CORPORATE PERSPECTIVE



Utilities



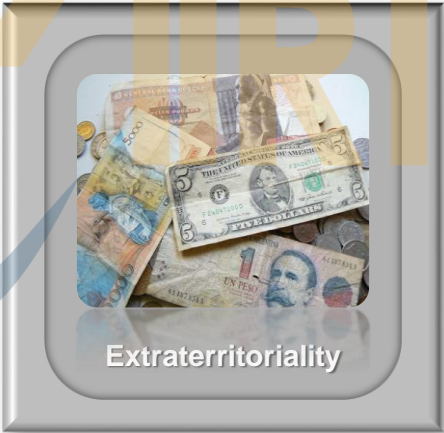
Administration



Incentives



Transport



Extraterritoriality



Flexibility

free zones  
AFRICA



# FREE ZONES: A CORPORATE PERSPECTIVE



## One Stop Shop

Our Customers are at the heart of everything we do, so it is with their needs in mind that we offer them registration and licensing, visa processing, and other related services to ease the process of setting up a business in Abu Dhabi Airport Business City. Through our specialised staff we provide for all your business needs in One Stop Shop (OSS), all aimed to help your business grow.

In addition to all the excellent services the OSS provides you will be able to enjoy free zone incentives, including:

- 100% foreign ownership
- 0% corporate tax
- 0% personal income tax
- 0% import or re-export duties
- No restriction on capital repatriation
- No currency restrictions.
- Full range of business activities license



### REGISTRATION & LICENCING

We are able to take care of all your registration and licencing requirements



### VISA SERVICES

We will ensure that all your staff receive their visas promptly



### EMPLOYEE SERVICES

We offer many other associated services



### TELEPHONE AND BROADBAND SERVICES

We offer property management services to tenants wanting to lease a facility

## Our one stop shop

**Do you see potential in the business opportunities offered by the Free Zone of Aruba? Our team is ready to help you start up your free zone business.**

As a client, you will be referred to an account executive who will assist, guide and support you through the various procedures. We are proud of our One-Stop Shop approach to get your company up and running in the Free Zone.

The account executive will make a preliminary assessment of the type of business activities you wish to start in the Free Zone and how your requirements (such as location, public utilities and operational support) can be met. The exchange of preliminary information can take place in person, by phone, fax or email. All information will remain confidential.

After having gone through the basic information exchange, you can incorporate your free zone company at a local notary. We have close contact with the notaries and can help you setting up an appointment.

Upon acceptance of admission to the Free Zone, we will issue the admissions license. After signing the contract, your company is ready to start!

Please [contact us](#) for detailed information regarding the admission procedure.

## One Stop Shop

Cargo smooth transfer

■ [Download \(0.22MB\)](#)

Customer Facilities at SOHAR Freezone

■ [Download \(0.88MB\)](#)

Guidance Note: Environmental

■ [Download \(4.7MB\)](#)

Renewed Guidance Note: Environmental

■ [Download \(4.51MB\)](#)



# FREE ZONES: A CORPORATE PERSPECTIVE



Utilities



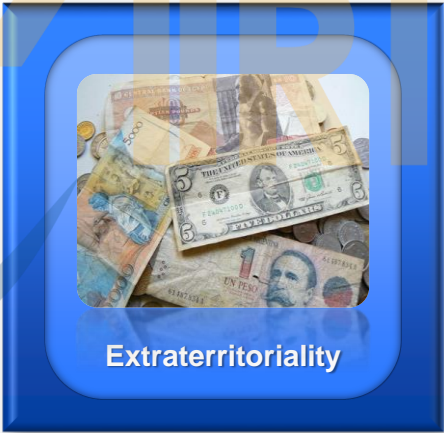
Administration



Incentives



Transport



Extraterritoriality



Flexibility

free zones  
AFRICA



# FREE ZONES: A CORPORATE PERSPECTIVE



## Benefits of Using a Foreign-Trade Zone

The FTZ program provides unique customs relief and support for U.S. businesses whose operations include import and export activities. Georgia Foreign-Trade Zone can help you take advantage of this unique program, improving your ability to do business in Georgia while participating in the global economy. Whether you are importing finished goods for sale in the U.S. or international markets, or importing components for use in the production of a finished product, the following FTZ benefits might be just what you need to improve your competitive position and grow your Georgia operations.

### Duty Reduction

If the duty rate on imported goods used in the production of a finished product is higher than the duty rate of the finished product, then the lower rate is applied to the imported merchandise. The "inverted tariff" benefit results in lower duty payments to U.S. Customs. There are also certain duty reduction benefits to production equipment admitted to the FTZ for assembly and testing prior to use in production.

### Duty Deferral

Duty is not owed on imported products admitted to an FTZ facility until they actually "enter" into the commerce of the U.S. In other words, when they are withdrawn from the FTZ facility. Importers can therefore delay payment of duties until the merchandise leaves the FTZ for consumption in the U.S. Duty payment is delayed even further if the merchandise moves in a ZONE-TO-ZONE TRANSFER – from one FTZ facility directly to another in Georgia or anywhere in the U.S. This benefit can be implemented up and down the supply chain by incorporating the activities of both suppliers and customers.

### Duty Elimination

No duties are paid on merchandise exported from a FTZ. This includes the elimination of duty on imported materials used in the production of a finished product that is exported from the FTZ. **This benefit alone can create new export market opportunities and increase production because the duty that was being paid on inputs is eliminated entirely on those products destined for international markets. Therefore, the production cost of goods being made for export is lower.** Generally, duties are also eliminated for





# FREE ZONES: A CORPORATE PERSPECTIVE



Utilities



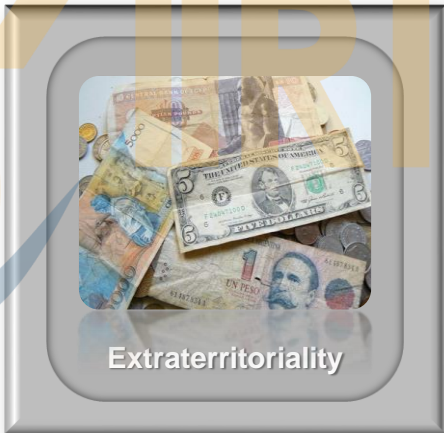
Administration



Incentives



Transport



Extraterritoriality



Flexibility

free zones  
AFRICA



# FREE ZONES: A CORPORATE PERSPECTIVE



Comparison						
Description	Colon Free Zone	Panama Pacifico		City of Knowledge		Free Zone
		All activities	Specific Activities	Affiliated Users	Affiliated with ITP (7)	
<b>1 - Fiscal Regime (38 Items)</b>						
Exempt from Income Tax	✓		✓		✓	✓ (9)
Exempt from Dividends Tax / Complementary Tax			✓			
Dividends Tax (discounted at 5%)	✓					✓ (9)
Complementary Tax (discounted at 2%)	✓					✓ (9)
Annual Tax (1% of company's accumulated capital)	✓	✓	✓			✓ (9)
Exempt from tax on remittances or withholding	✓		✓		✓	
Exempt from import taxes, tariffs or any fees	✓	✓ (1) (2)	✓ (1) (2)	✓ (8)	✓ (8)	✓ (10)
Exempt from export taxes	✓	✓	✓		✓	✓
Exempt from reexport taxes	✓	✓	✓			
Exempt from invoicing, selling and production taxes	✓	✓	✓			✓ (10)
Exempt from ITBMS	✓	✓ (1)	✓ (1)	✓	✓	✓ (9)
Exempt from tax, tariff, fees or any charges to the movement of hydrocarbons		✓	✓			
Free from commercial or industrial license		✓	✓		✓	
Exempt from Registration Tax (Notice of Operation)		✓	✓		✓	✓
Exempt from Stamp Duty		✓	✓		✓	✓
Exempt from Property Taxes		✓	✓		✓	✓

free zones  
AFRICA



# FREE ZONES: A CORPORATE PERSPECTIVE



Utilities



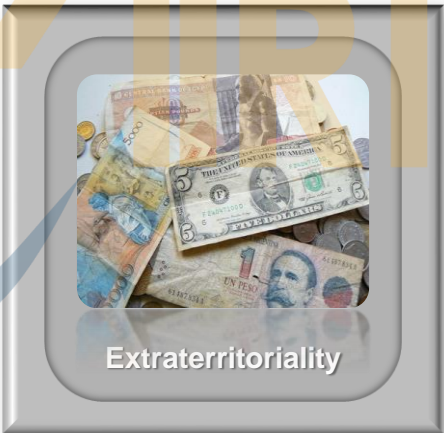
Administration



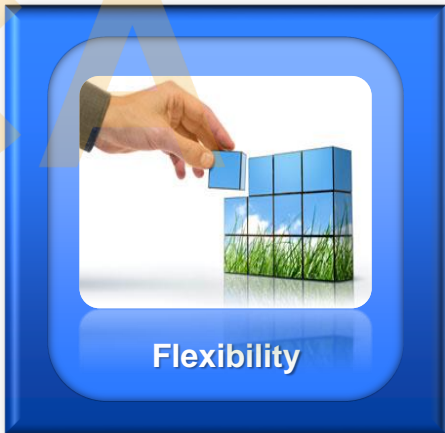
Incentives



Transport



Extraterritoriality



Flexibility

free zones  
AFRICA



# FREE ZONES: A CORPORATE PERSPECTIVE



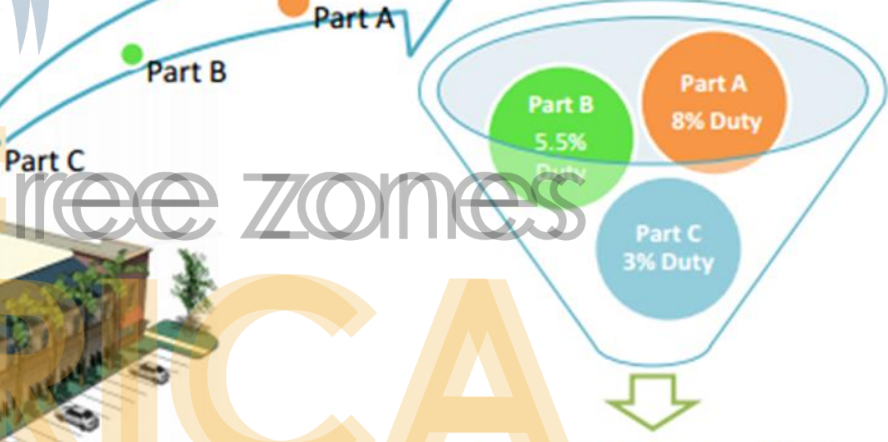
**Air Freight: Bulk cameras only**

**Sea Freight: Box components + accessories**

Import Product Flow to FTZ  
Duty Free



Component parts received in FTZ inventory with no duty payable to US Customs. Parts are assembled into finished good (e.g. manufacturing process). Duty is payable at the finished good rate upon entering US commerce through order fulfillment.



Finished Camera = 0%!!





# 3 | Free Zones: A Government Perspective

# FREE ZONES: A GOVERNMENT PERSPECTIVE

Zones are created to **contribute** to and/or **transform** the economy of the host country

Contribute = *Static Gains*



Foreign Direct Investment



Employment Generation

Transform = *Dynamic Gains*



Economic Diversification



Policy Pilots

# ROLE REVERSAL & FZ POLICIES



## Upholding CSR Standards:

- Regulatory Infrastructure
- Physical Infrastructure
- But costly....

## EZs can mitigate this:

- Pooled Resources
- Clustering
- Cost-Effective Compliance
- Synergy Effects

Source: UNCTAD review of public information on 100 EPZs (2015)

	Policies/Standards	Infrastructure assistance	Administrative assistance
<b>General Approach</b>	Create multi-stakeholder partnerships to identify opportunities and develop an action plan		
<b>Labour</b>	Maintains and enforces policies and standards, including: <ul style="list-style-type: none"> <li>• minimum wage</li> <li>• working hours and benefits</li> <li>• respecting right of unions to be active within the zone</li> <li>• gender equality and related issues</li> <li>• incentives for third-party certifications</li> </ul>	Provides services or specialists to insure compliance/offer assistance, including: <ul style="list-style-type: none"> <li>• labour inspectors</li> <li>• conflict resolution specialists</li> <li>• reporting hotlines</li> <li>• gender focal points</li> </ul>	Provides guidance and training to companies, covering how to: <ul style="list-style-type: none"> <li>• improve labour conditions</li> <li>• engage in social dialogue</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• emissions</li> <li>• waste disposal</li> <li>• energy use</li> <li>• incentives for third-party certifications</li> <li>• promoting circular economy</li> </ul>	<ul style="list-style-type: none"> <li>• centralized effluent treatment</li> <li>• water reclamation systems</li> <li>• recycling services</li> <li>• hazardous waste management services</li> <li>• alternative energy sources</li> <li>• reporting hotlines</li> <li>• enabling circular economy</li> </ul>	<ul style="list-style-type: none"> <li>• further reduce natural resource use</li> <li>• reduce waste</li> <li>• increase recycling</li> <li>• improve energy efficiency</li> <li>• adopt renewable energy</li> </ul>
<b>Health &amp; Safety</b>	<ul style="list-style-type: none"> <li>• employee health and safety protection</li> <li>• incentives for third-party certifications</li> </ul>	<ul style="list-style-type: none"> <li>• medical clinic</li> <li>• fire brigade</li> <li>• reporting hotlines</li> </ul>	<ul style="list-style-type: none"> <li>• prevent health and safety emergencies</li> </ul>
<b>Corruption</b>	<ul style="list-style-type: none"> <li>• anti-corruption standards and policies</li> </ul>	<ul style="list-style-type: none"> <li>• hotlines</li> <li>• information on reporting corruption</li> </ul>	<ul style="list-style-type: none"> <li>• build capacity to detect and avoid corrupt business practices</li> </ul>
<b>Economic Linkages</b>	<ul style="list-style-type: none"> <li>• employer support for staff training and development</li> </ul>	<ul style="list-style-type: none"> <li>• assistance with local sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• identify and upgrade local suppliers</li> </ul>

Aspects of Socio-Economic Sustainability & CSR



# ROLE REVERSAL & FZ POLICIES



- Nevertheless, most types of Zones are characterized by low levels of innovation...

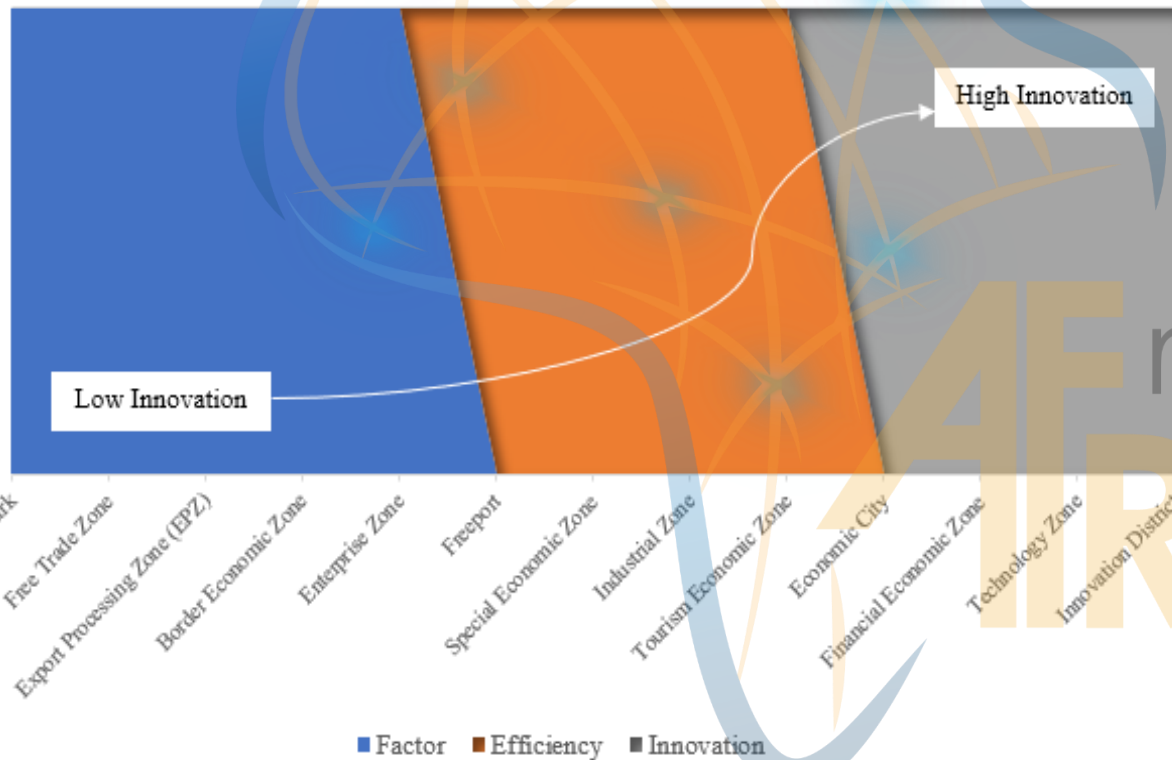


Figure 5: Types of Economic Zone based on the stage of economic development and level of innovation



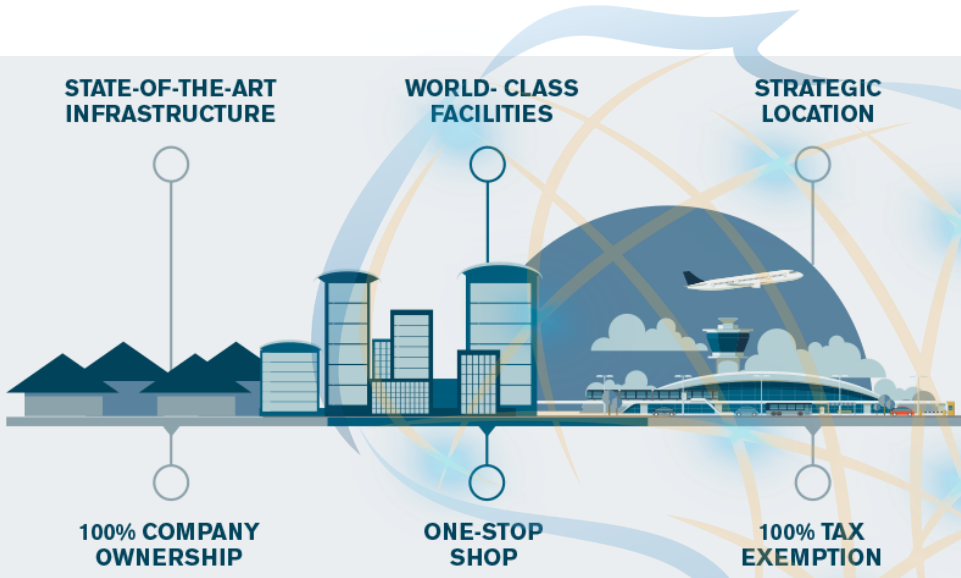
Figure 4: Typical spread of economic zones (globally)

Source: Pasha (2018), "Economic zones – classification, diversity, and learnings"





# DESPITE THE CHANGING ECONOMIC CONTEXT...



## Free Zone Law

Incentives	Free trade zone
Import duties on raw materials, components, and others	100% exemption
Export tax	100% exemption
Local sales and excise taxes	100% exemption
Taxes on profits	100% exemption
Capital repatriation	100% exemption
Taxes on profit repatriation	100% exemption
Currency conversion	Unrestricted
Customs	Cleared on site
Sales to local market	5% of total production, paying custom duties
Eligibility requirements	Product must undergo substantial transformation
Park ownership	Public/private

### Fiscal Incentives

1. Exemption from taxes and duties on all export processing zone imported inputs that are for the exclusive use in the development and production output of the business enterprise (raw materials, machinery and spare parts)
2. Unrestricted remittance of profit after tax
3. Tax holiday for 10 years on exportation of finished Consumer and Capital goods
4. Exemption from tax on income from agro-processing
5. Exemption from capital gains tax on plant and machinery used in the Free Zones for 5 years and 1 day upon disposal
6. Exemption from all taxes, levies and rates on exports from the Free Zones
7. Exemption on personal income of a person offering Technical Assistance under a Technical Assistance Agreement
8. VAT exemption on selected services and supplies
9. A deduction of 50% off the cost base of the property is allowed on eligible property put into service for the first time outside a radius of 50km from the boundaries of Kampala.

### Duty Reduction

If the duty rate on imported goods used in the production of a finished product is higher than the duty rate of the finished product, then the lower rate is applied to the imported merchandise. The "inverted tariff" benefit results in lower duty payments to U.S. Customs. There are also certain duty reduction benefits to production equipment admitted to the FTZ for assembly and testing prior to use in production.

### Duty Deferral

Duty is not owed on imported products admitted to an FTZ facility until they actually "enter" into the commerce of the U.S. In other words, when they are withdrawn from the FTZ facility. Importers can therefore delay payment of duties until the merchandise leaves the FTZ for consumption in the U.S. Duty payment is delayed even further if the merchandise moves in a ZONE-TO-ZONE TRANSFER – from one FTZ facility directly to another in Georgia or anywhere in the U.S. This benefit can be implemented up and down the supply chain by incorporating the activities of both suppliers and customers.

### Duty Elimination

No duties are paid on merchandise exported from a FTZ. This includes the elimination of duty on imported materials used in the production of a finished product that is exported from the FTZ. This benefit alone can create new export market opportunities and increase production because the duty that was being paid on inputs is eliminated entirely on those products destined for international markets. Therefore, the production cost of goods being made for export is lower. Generally, duties are also eliminated for merchandise that is scrapped, wasted, destroyed or consumed in a zone.

### Tax benefits

The KFEZs offer exemptions or reductions in corporate tax, income tax, tariffs, acquisition tax and property tax for foreign-invested resident firms and developers, based on Special Act on Designation and Management of FEZs and Restriction of Special Taxation Act.



### Foreign-invested companies in an KFEZs

Category Benefits Investment Requirements



## Traditional Free Zone Incentives

- Investment Incentives
- Land & Infrastructure Incentives
- Training and Employment Incentives
- R&D Incentives



## New Generation Free Zone Incentives

- Regulatory and Administrative Incentives & Services
- Technical Incentives & Services



# INNOVATION IN FREE ZONE SERVICES



**Zone Infrastructure & Real Estate**



**Economy & Investment**



**Services & Governance**



**Monitoring & Evaluation**



free zones  
**AFRICA**



# INNOVATION IN FREE ZONE SERVICES



## WORKFORCE INCENTIVES



Recruitment & HR Support

An illustration showing a large hand reaching down to assist a group of business professionals in a meeting.

Training & Education

An illustration of a person presenting at a whiteboard to an audience in a classroom or training session.

University Partnerships

An illustration of a classical university building with columns and a pediment, flanked by books.

Thought Leadership

An illustration of several hands holding up glowing lightbulbs, symbolizing ideas and innovation.

free zones  
**AFRICA**




06

## Workforce Training as Incentive

# TALENT SERVICES

Uruguay has some of the best human resources in the region, and Zonamerica is a strong attraction and aspirational workplace for those talents. The positive environment of collaboration on the Campus has proven to reduce turnover rates, promote professional development, and benefit the growth of the businesses installed here.

Zonamerica offers solutions tailored to your business for everything from the recruitment of talent to orienting and training new employees, as well as in creating a motivational environment for your team.



PUBLISHING JOB OPENINGS




RECRUITMENT, SELECTION AND INTERVIEWS




APTITUDE TESTS

+60.000 TALENT SERVICES DATA BASE | STUDENTS & PROFESSIONALS CV'S




ENGLISH SKILLS



WORK EXPERIENCE




BETWEEN 20 & 40 YEARS




ECONOMICS



INTERNATIONAL RELATIONS



LAW



IT+SOFTWARE



BIOTECHNOLOGY

# FREE ZONES - EVOLUTION & CHALLENGES



Globalization



Liberalization



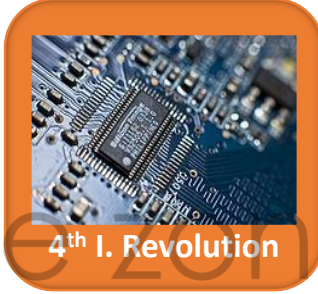
Regionalization



Economic Crises

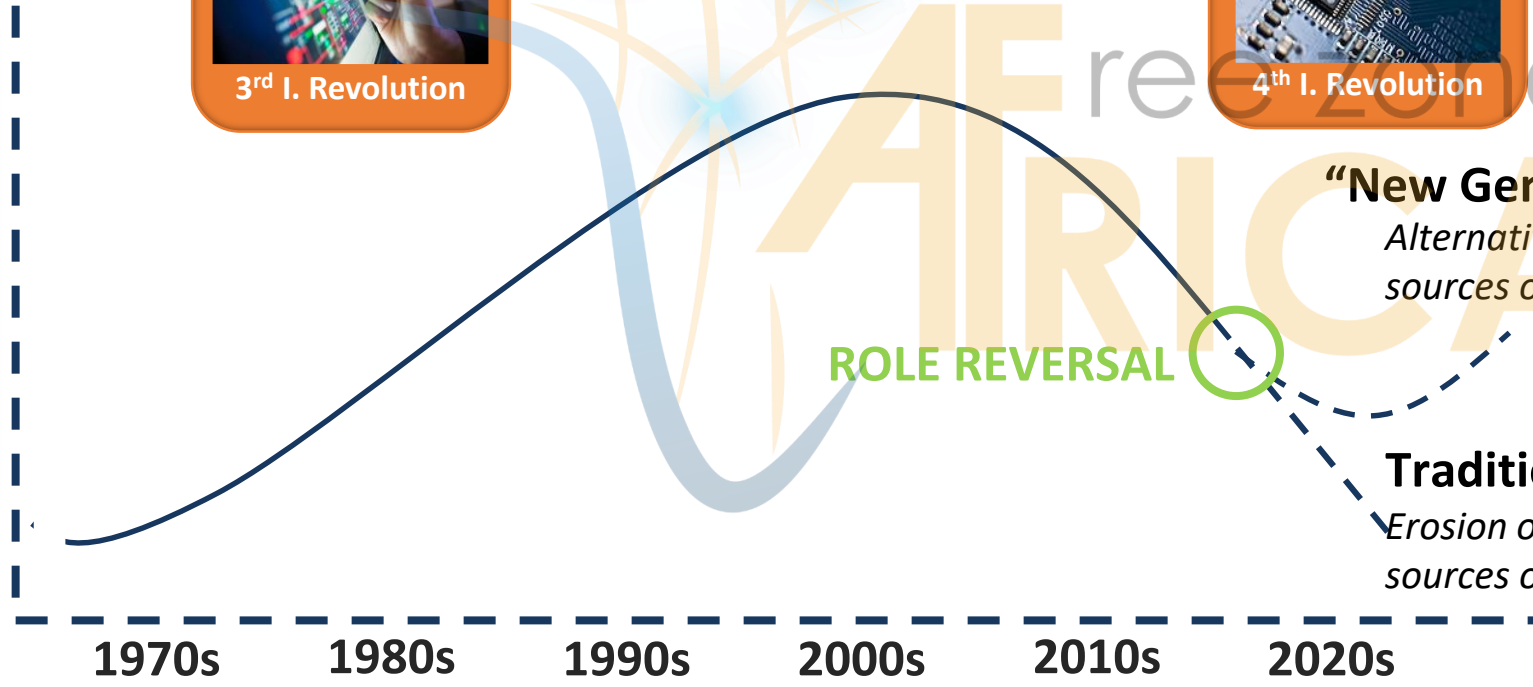


3<sup>rd</sup> I. Revolution



4<sup>th</sup> I. Revolution

FZ Competitiveness



ROLE REVERSAL

**“New Generation” FZs**  
*Alternative and sustainable sources of competitiveness*

**Traditional FZs**  
*Erosion of traditional sources of competitiveness*



## LABOR FORCE SERVICES



Recruitment & HR Support



Training & Education



University Partnerships



Thought Leadership

## INFRASTRUCTURE



On-Site Data Center



Cloud Storage & Services



Green & Renewable Utilities

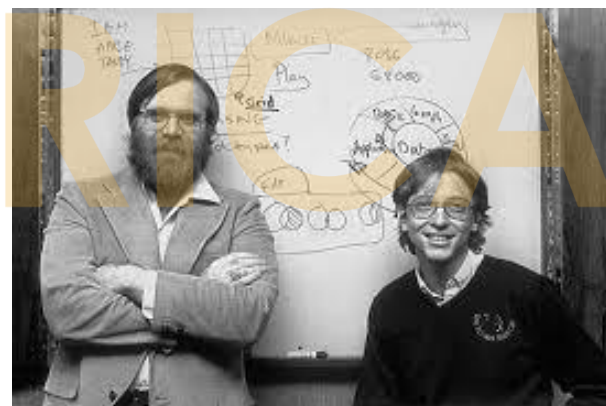


Green Transportation

# TECH COMPANIES REQUIRE DIFFERENT SERVICES



Anticipating on the opportunities of the 4<sup>th</sup> Industrial Revolution requires to move beyond traditional incentives and services....





# SHIFT FROM DIRECT INCENTIVES TO SOFT INCENTIVES & SERVICES



## Type of Incentives & Services

### Investment Incentives

Provision of financing options primarily aimed to offset capital expenditures required for start-up, upgrade and/or stabilization of operation(s)

### Land and Infrastructure Incentives

Reduced rates and/or direct provision of land, public utilities or transportation granted for specific investments

### Training and Employment Incentives

Subsidized training programs and education subsidies to reduce investors' training costs to develop workforce skills

### R&D Incentives

Grants, credits and lending instruments to support investments in R&D and innovation

Direct Incentives

## Type of Incentives & Services

### Regulatory and Administrative Incentives & Services

Granting exceptions from rules and regulations in combination with streamlined and simplified administrative procedures through One-Stop Shop services (OSS)

### Technical Incentives & Services

Investment facilitation services, information provision and aftercare to ensure a "soft landing" of the investment project or further expansion

Indirect Incentives





4 | NxtZones

# A number of new developments are converging



## Free zones (as well as Governments)

are looking for new innovative opportunities to attract more investment and new forms of incentives other than traditional financial incentives – incentives that are less government dependent. Firms in free zones are not only tenants



## Sustainability

Sustainability and sustainable industrial parks are becoming increasingly popular. In addition, free zones should not only compete with each other but offer a more collaborative solution



## Services and technology driven companies (small and mid sized)

are the fastest growing industries but, often look for opportunities to collaborate

These companies are looking at new ways to expand beyond traditional FDI and prefer JVs and partnerships

**Companies in this industry require different services by Governments and Free Zones**



**Develop a Free Zone Real Estate Technology Concept** that creates unique office space and facilities in a number of Free Zones around the world

## What does the concept of NxtZones entail?

- Building of tailor-made high class sustainable office space –based on a unique style and concept replicated in all locations - in Free Zones starting with 8-10 locations (technology hubs): Dubai, Uruguay, Panama, Nairobi, Shanghai, etc.
- Management and operation of the global technology Free Zone concept in 8-10 different zones
- Offering a technology platform (website and app) for companies in the zones that connects them and it allows for cross border cooperation and project collaboration, resource sharing and communication: a global B2B connection platform
- Providing unique services for tenants (market entry, facilities, linking suppliers, training) in its offices within the free zones in which it operates, combined with financial incentives offered by the free zones
- Based 100% on Green Zone Principles and sustainable facilities services

## For whom?

- Free Zones looking for new services to provide to technology driven firms (domestic and foreign)
- Internationalizing small and mid sized technology firms and start ups both domestic and foreign firms
- NxtZones as an (digital) ecosystem among Free Zones

NxtZones concept is compatible with the UN Sustainable Development Goals (SDGs)



# SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD

<b>1</b> NO POVERTY 	<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 
<b>7</b> AFFORDABLE AND CLEAN ENERGY 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>13</b> CLIMATE ACTION 	<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	<b>17</b> PARTNERSHIPS FOR THE GOALS 	 <b>SUSTAINABLE DEVELOPMENT GOALS</b>



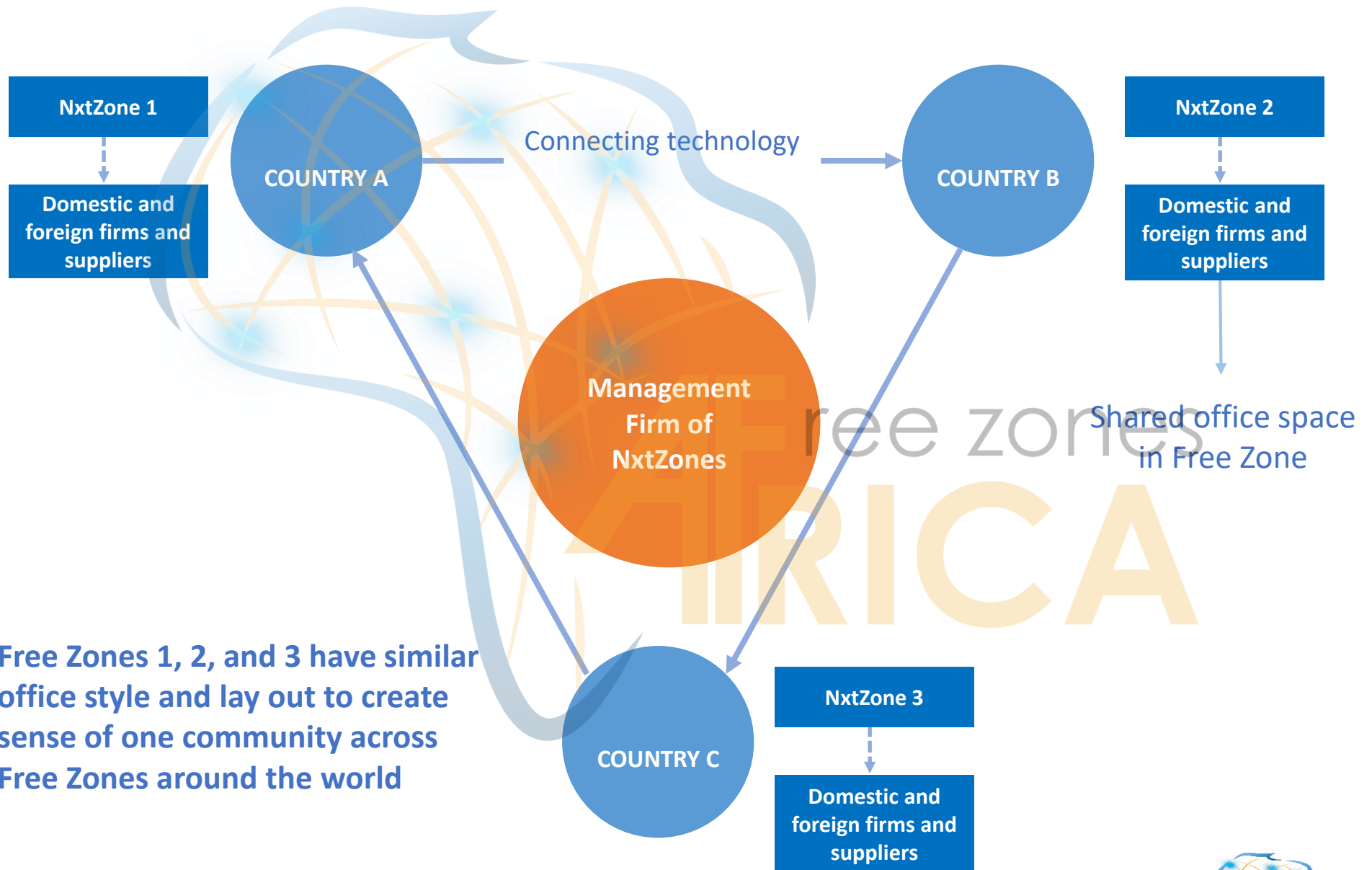
# How are some the SDGs met with NxtZones?



- Aligning environmental and economic goals and objectives through collaboration
- Sustainability is the common theme among NxtZones
- Inclusiveness: NxtZones provides a platform to include local firms and entrepreneurship and connects these firms with more global players
- Isolated regions can become part of a global network of firms
- Strong collaboration with local and global universities enhances knowledge sharing and builds clusters
- State of the art sustainable infrastructure
- Building partnerships and collaboration is more important than competition among zones and among the firms within NxtZones
- Innovation and knowledge development is the cornerstone of NxtZones through global collaboration and local expertise
- Creating a separate currency/Token for payments among NxtZones



Connecting free zones and firms globally through shared office space, one brand & technology



Free Zones 1, 2, and 3 have similar office style and lay out to create sense of one community across Free Zones around the world





## Cutting Edge and Unique Services Provided in NxtZones

### Example of Services provided by NxtZones

Investors feel that they are just treated as tenants and they only see the operator for the rental invoice. What more soft services can be provided?

- Recruiting portal for tenants
- Database of all tenants of NxtZones (Blockchain)
- Data center facilities
- Incubator Center – start up funding institutes. Accelerator center: to prepare start-ups for success
- IT support
- Business support (chamber of commerce services)
- Transportation, Food and other Facilities
- Sport and leisure facilities
- Digital facilities (blockchain custom services)
- One Stop Shop
- Hotels – short and long stay
- Car rental
- Investor attraction: Central branding, marketing and investor targeting, also at events (by ICA)
- Training Academy with strong partners
- All free zone operational services



# Different types of zones can participate



- Zones at various stages of development can participate
- For whom?
- Three tiers of free zones that can participate:
  - Tier 1: successful already existing zones that are interested in joining the NxtZones network of free zones around the world
  - Tier 2: existing zones that want to reserve space on their premises to build a fully tailored NxtZones office building which is part of the global network for NxtZones
  - Tier 3: new zones that are being developed and fully tailored to the NxtZones concept



Be part of a global one brand and uniform concept:  
central coordinated branding

- Managed and operated by one firm: NxtZones (by ICA)
- Connected to other NxtZones around the world
- Key and unique services provided by operator
- Investor attraction services delivered by global operator
- Access to key investors and anchor investors
- Partners for various services: and trainings
- Database in Blockchain technology



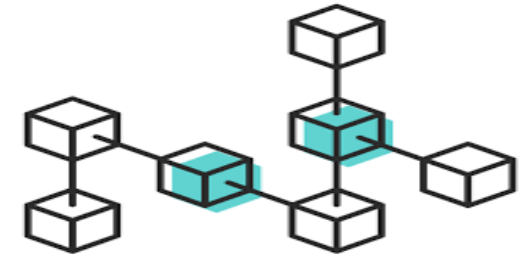
5 | Industry 4.0

From the first industrial revolution to the mass production and assembly lines using electricity in the second, the fourth industrial revolution will take what was started in the third with the adoption of computers and automation and enhance it with smart and autonomous systems fueled by data and machine learning.

- Industry 4.0 optimizes the computerization of Industry 3.0
- Industry 4.0, is a transformation that makes it possible to gather and analyze data across machines.
- It enables faster, more flexible, and more efficient processes to produce higher-quality goods at reduced costs.

## Block-chain:

- The first major application of blockchain technology was bitcoin which was released in 2009. Bitcoin is a cryptocurrency and the blockchain is the technology that underpins it.
- The bitcoin blockchain is “decentralized,” meaning it is not controlled by one central authority.
- Blockchain can not be tampered with. Each block that is added onto the chain carries a hard, cryptographic reference to the previous block.



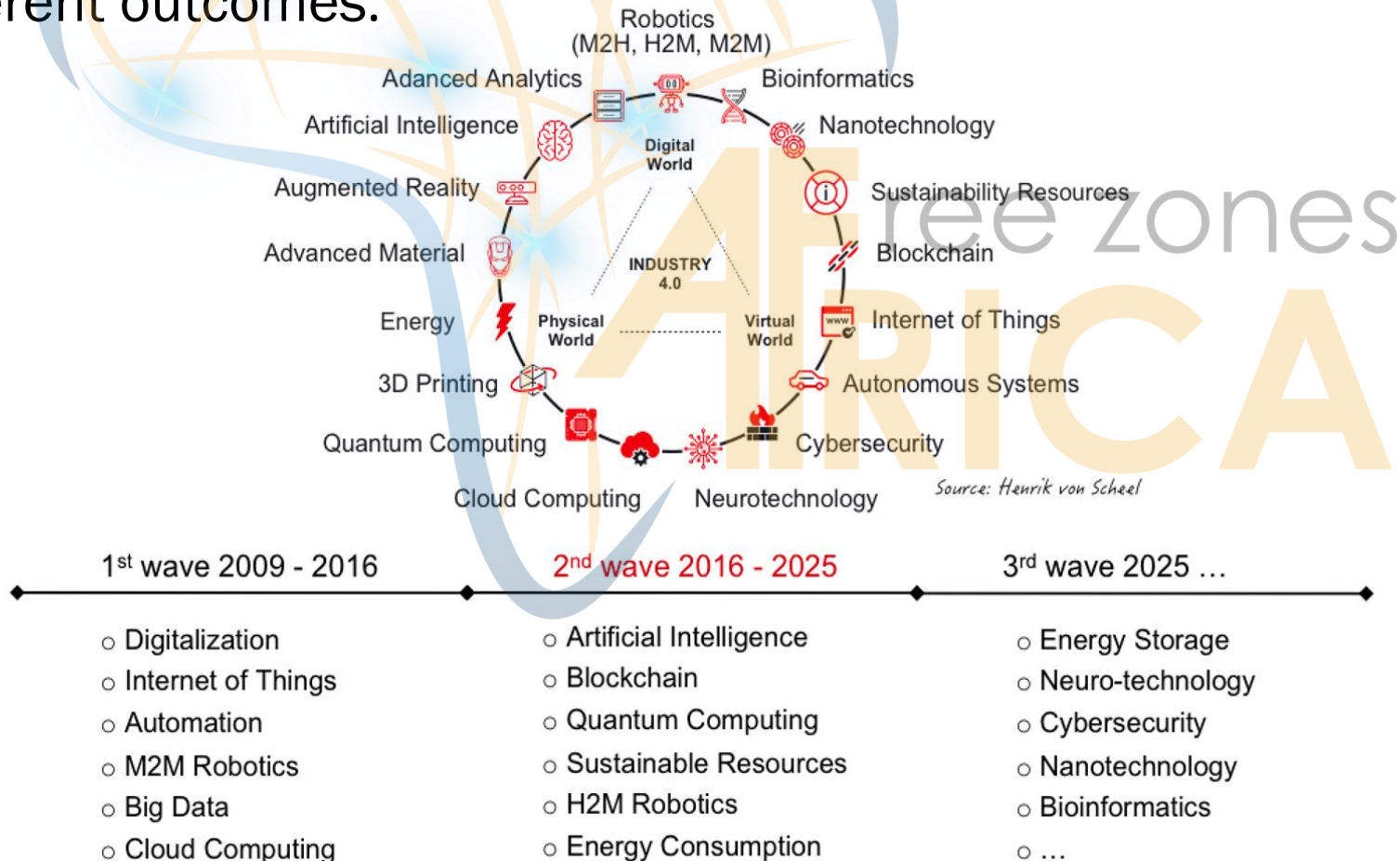
## Internet of Things

- Computers are connected and communicate with one another to ultimately make decisions without human involvement.
- A combination of cyber-physical systems, the Internet of Things and the Internet of Systems make Industry 4.0 possible and the smart factory a reality.

As a result of the support of smart machines that keep getting smarter as they get access to more data, our factories will become more efficient and productive and less wasteful.







- The new global economic context and the impact of the 4<sup>th</sup> Industrial Revolution (4IR) may provide additional opportunities as well as threats that locations need to prepare for.
- Every single “target” sector or industry is likely to be affected by the 4th Industrial Revolution – though in varying degrees and with different outcomes.



## Common denominators of industrial revolutions:

- Advent of new **breakthroughs** and **routines**, involving entirely new capabilities for people, systems, and machines.
- **Disruption** of current relationships among people as well as of entire societies.

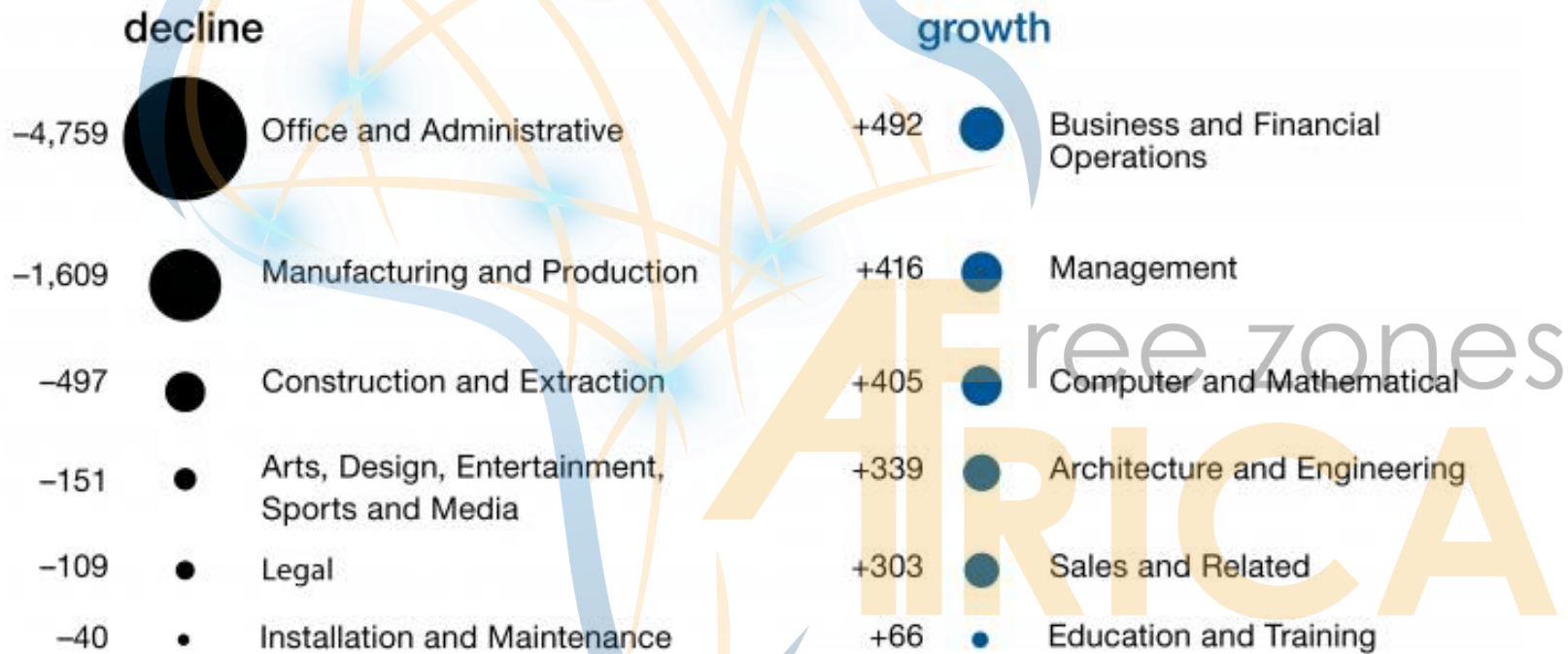
Revolution	Year	Information	
	1	1784	Steam, water, mechanical production equipment
	2	1870	Division of labour, electricity, mass production
	3	1969	Electronics, IT, automated production
	4	?	Cyber-physical systems



# FOURTH INDUSTRIAL REVOLUTION



## Change in labor force outlooks....



*NB Jobs change in thousands, 2015-2020, across major economies*



## Change in labor force skills....

### in 2020

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1. Complex Problem Solving
2. Critical Thinking
3. Creativity
4. People Management
5. Coordinating with Others
6. Emotional Intelligence
7. Judgment and Decision Making
8. Service Orientation
9. Negotiation
10. Cognitive Flexibility

### in 2015

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1. Complex Problem Solving
2. Coordinating with Others
3. People Management
4. Critical Thinking
5. Negotiation
6. Quality Control
7. Service Orientation
8. Judgment and Decision Making
9. Active Listening
10. Creativity

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# FOURTH INDUSTRIAL REVOLUTION



As the 4<sup>th</sup> Industrial Revolution progresses, countries and Governments are starting to prepare for the impact and attempt to improve their economies' competitiveness and readiness

- with their efforts being benchmarked!

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Insight Report

## The Global Information Technology Report 2016

Innovating in the Digital Economy

Silja Baller, Soumitra Dutta, and Bruno Larvin, editors

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# AFree zones AFRICA

Digital Economic  
Opportunity in Spain

How digitalization may boost  
the Spanish Economy

September 2017

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# Songdo International Business District



- SIBD is a smart city built from scratch and located in the Incheon Free Economic Zone in Seoul, South Korea.
- Computers are built into the buildings and the streets.
- Sensors gather information on traffic flow and energy use is converted into information to inform citizens about their travel routes or police whenever a crime is taking place.

 Songdo IBD



The city built using strategies designed to minimize ecological impact and maximizing energy independence and efficiency.



# Dubai Multi Commodities Center



- In 2016, DMCC transitioned into a complete online and paperless digital process for all member companies to improve efficiency and enhance connectivity. Since then, more than 8000 contracts have been delivered using e-signatures.
- The zone works through a portal that streamlines all Free Zone services including registration and licensing.
- DMCC is a member of the Global Block-chain Council with various government agencies, international companies and banks, to discuss and implement the use of block chain for the future of business throughout Dubai.
- The zone, in partnership with Google, provides a tech-center, with high-speed Internet, multiple screen-setups for serious programming, a mobile-device lab training programs in digital disciplines such as analytics, big data, digital marketing and programming.

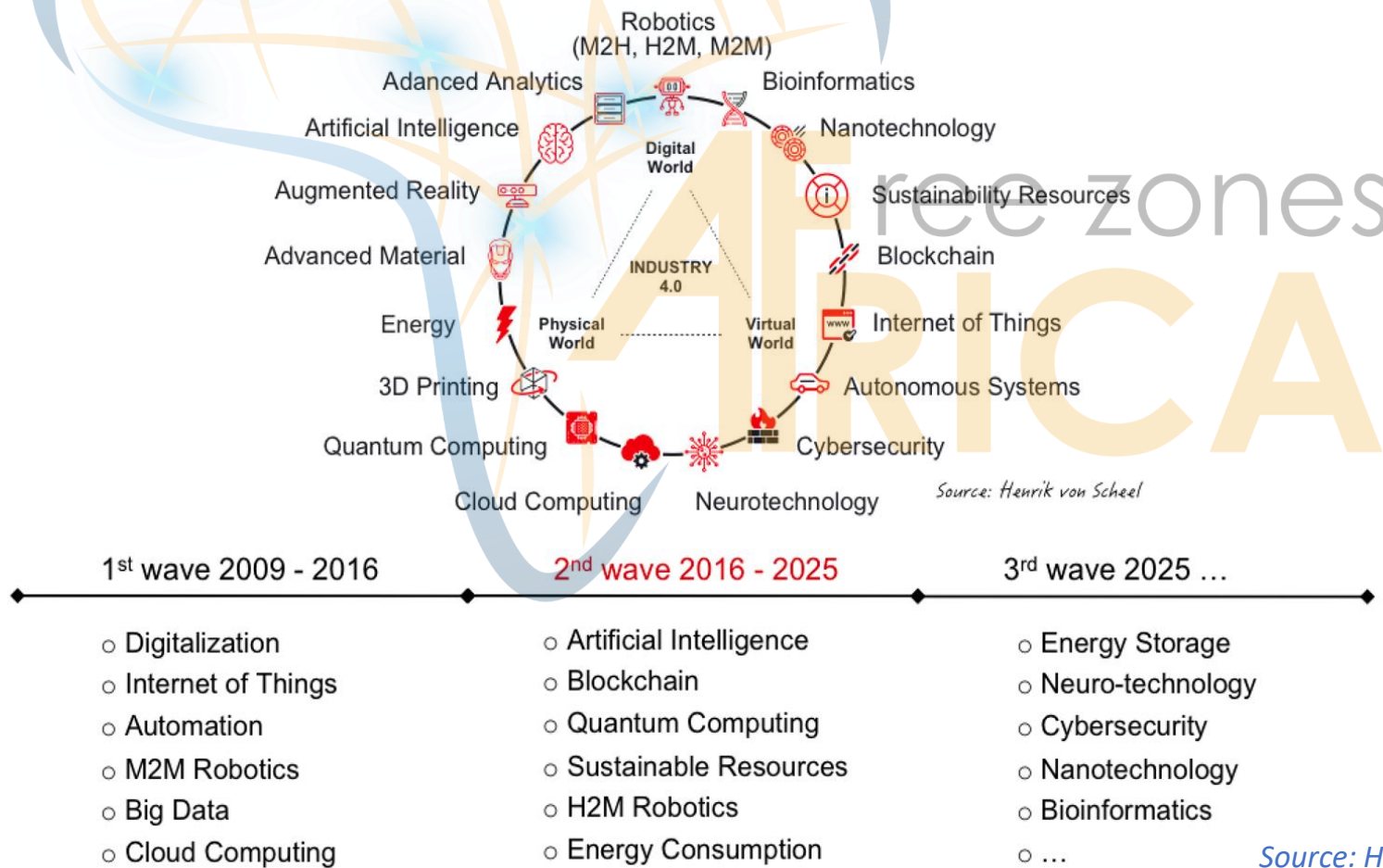




# 5 | Fourth Industrial Revolution & Investment Promotion

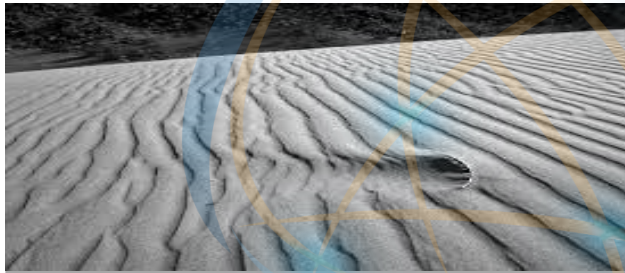


- The new global economic context and the impact of the 4<sup>th</sup> Industrial Revolution (4IR) may provide additional **opportunities** as well as **threats** that locations need to prepare for.
- Every single “target” sector or industry is likely to be affected by the 4IR – though in varying degrees and with different outcomes.

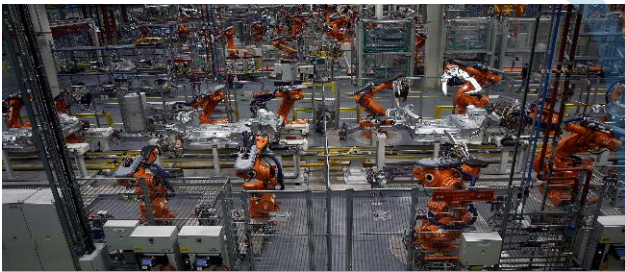


## CHALLENGES

### Disruption of Traditional Industries



### Automation & Employment Loss

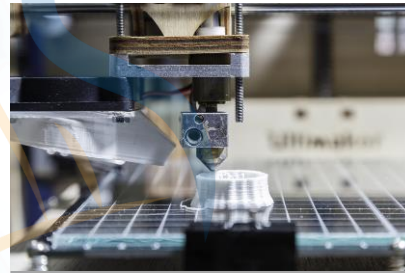


### Required Labor Skills



## OPPORTUNITIES

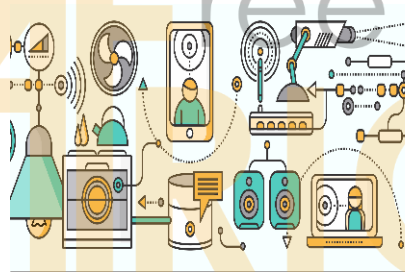
### 3D Printing



### Robotics



### Internet of Things



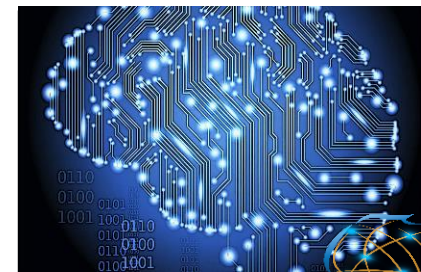
### Big Data & the Cloud



### Self-Driving Vehicles



### Artificial Intelligence





# 4<sup>th</sup> INDUSTRIAL REVOLUTION & INVESTMENT PROMOTION



## Examples of how 4IR companies disrupt (multiple) traditional industries

Industry	How it Could Be Disrupted
Space Launches	Offering lower priced transport into space
Telecommunications	Offering lower priced service worldwide
Satellite Internet	Putting more satellites into space for cheaper



Automobiles	Building the best, lowest-cost electric vehicle
Personal Transport	Eliminating the need for car ownership entirely
Solar Energy	Increasing access with Powerwall and Solar Roof
Fossil Fuels	Maximizing efficiency of solar panels
Car Sharing	By making idle Tesla cars available via app



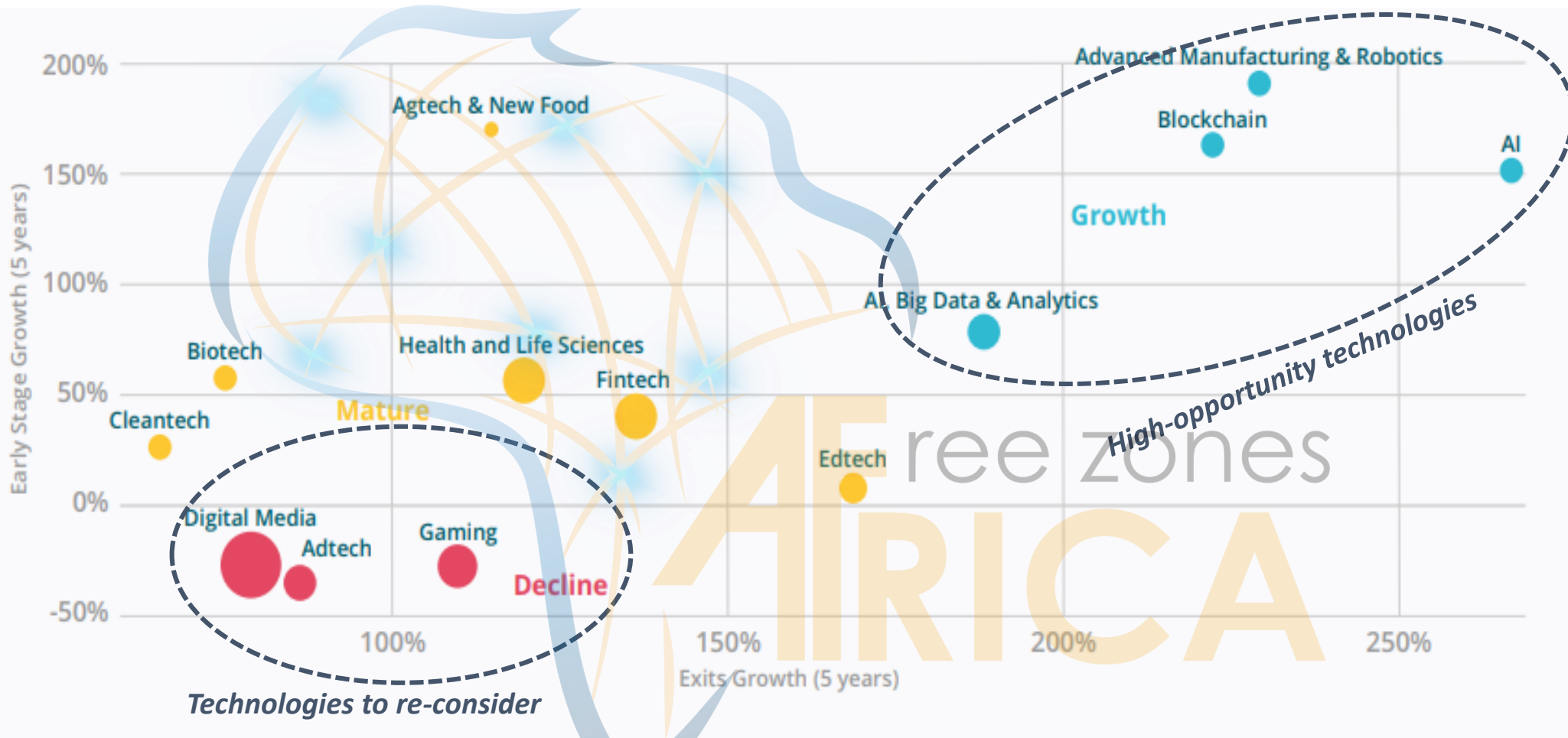
 	Tunneling	Reducing cost of tunneling through the ground
	Infrastructure	Building more efficient transportation infrastructure
	Real Estate	Increasing range people can live from their place of work
	Freight Shipping	Reducing freight costs by a magnitude

	AI/Machine Learning	Owning the best AI system in the world
	Competitive Gaming	Consistently producing better-than-human AIs

	Prosthetics	Reducing cost of effective prostheses by magnitude
	Medicine (Treatment)	Treating serious illness with simple injection
	Military	Allowing enhancement of human capabilities
	Robotics	Better modeling of brain-machine interaction

Source: CB Insights (2018) "From Energy To Transport To Healthcare, Here Are 8 Industries Being Disrupted By Elon Musk And His Companies"





Source: Startup Genome (2018) Global Startup Ecosystem Report 2018

**Different technologies of the 4IR provide different levels of opportunities. How do these impact your target industries?**

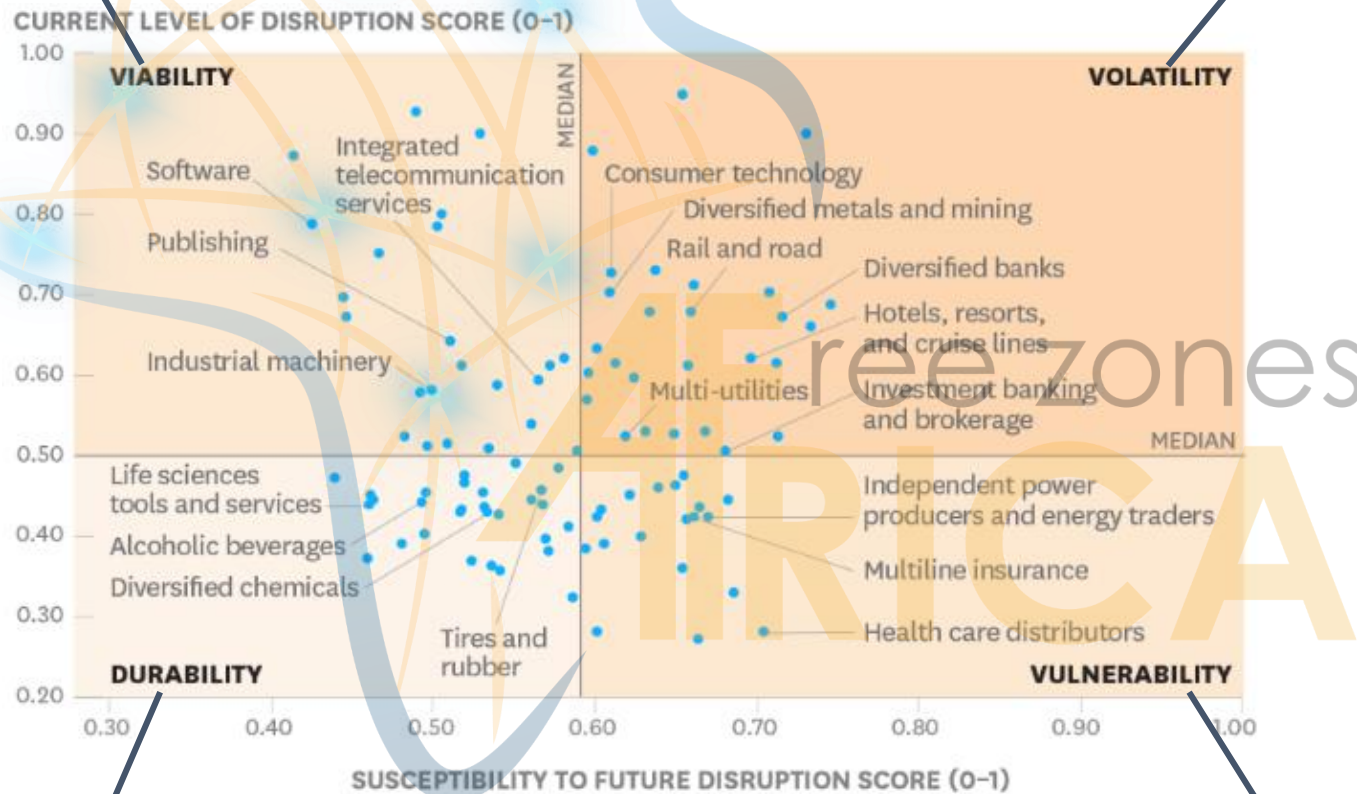


# FOUR STATES OF INDUSTRY DISRUPTION



New or reborn industries that have endured a significant disruption. High rates of innovation mean that sources of competitive advantage are often short-lived as new disruptors continually emerge.

High levels of disruption and are susceptibility to even more disruption in the short term. Strong barriers to entry have perished



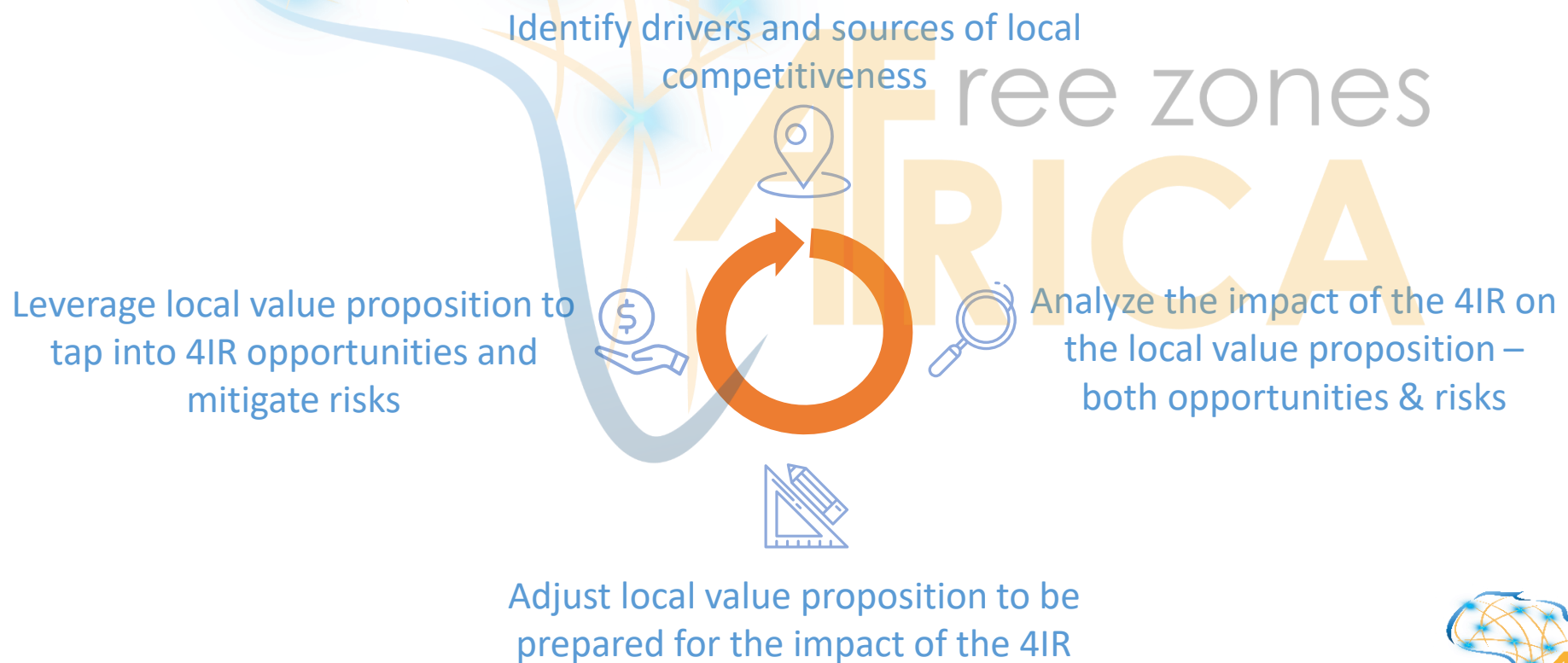
Efficient, mature industries where the sudden influx of non-traditional competition can be controlled, *if* executives are prepared to respond to changing consumer demands and take advantage of the growth opportunities.

Presence of high barriers to entry such as regulation and capital requirements. Often increasing pressure to improve efficiency and reduce operating costs. This pressure attracts opportunistic disruptors.

Source: Harvard Business Review (2018) "How Likely Is Your Industry to Be Disrupted? This 2x2 Matrix Will Tell You"



The exact scope, breadth, and depth of the 4IR remain unclear - though it is certain it will drastically **impact** and **disrupt** the current economic landscape, competitiveness, and investment opportunities, and, therefore, investment promotion efforts of IPAs.



In order to prepare for the 4IR, we should reflect on the following questions:

- How does the 4<sup>th</sup> Industrial Revolution disrupt and transform traditional target sectors & industries?
- How does this impact local value propositions?
- How does this impact investment promotion efforts?
- How does the 4<sup>th</sup> Industrial Revolution impact competitiveness and employment?
- How should we prepare in order to mitigate risks while simultaneously tapping into opportunities emerging from the 4<sup>th</sup> Industrial Revolution?



## 4IR Roadmap

*Matching the local value proposition with target industries and sectors that pose the most promising investment opportunities due to disruption of the 4IR*

### Step #1

Construct the **local value proposition** which is composed of the interaction between local economic, physical, network, and human assets. This, in turn, are the sources of the location's competitive advantages and unique selling points.

### Step #2

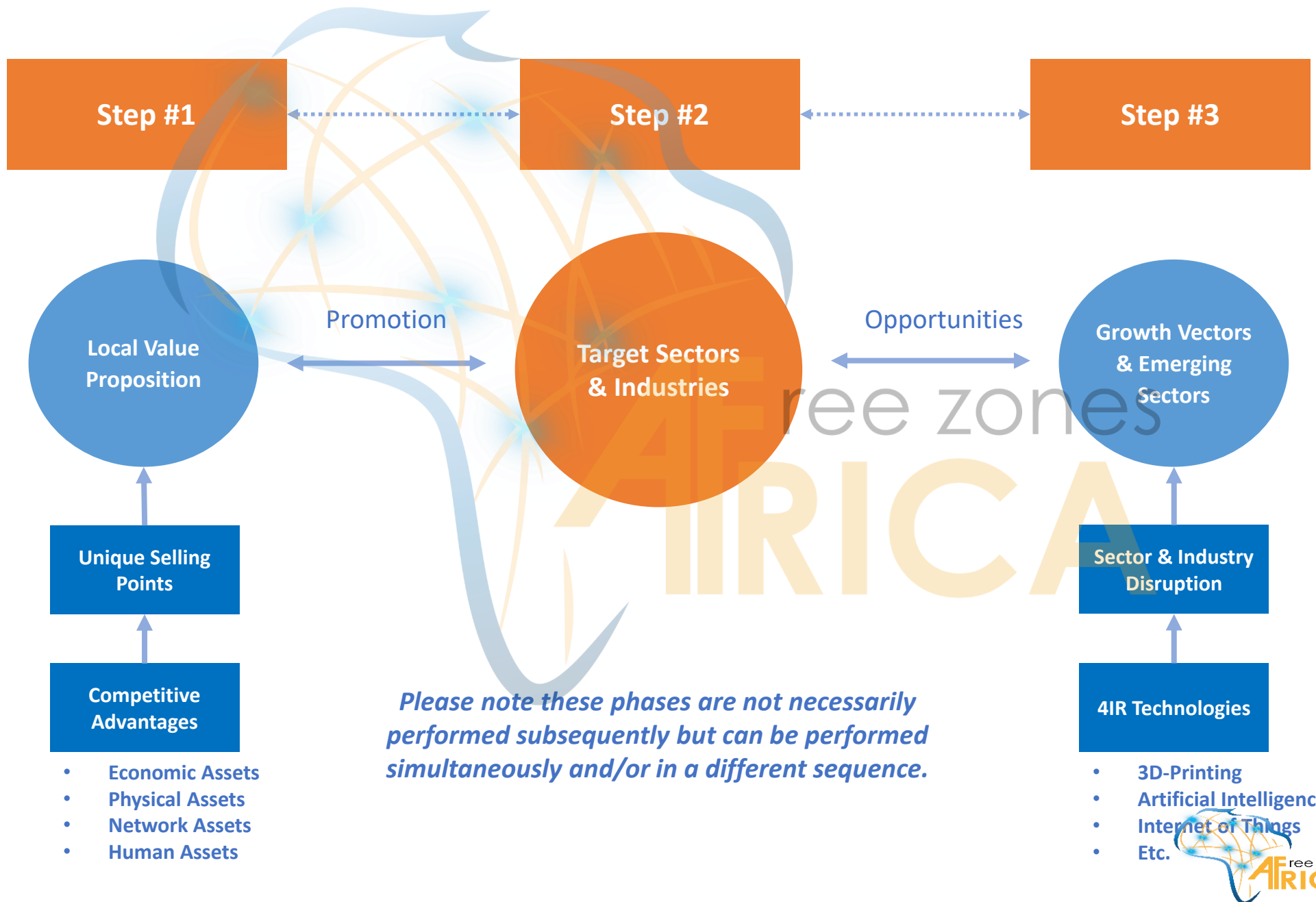
The local value proposition determines the **target sectors & industries** that could be promoted in order to attract investment into the location.

### Step #3

Identify how the **4<sup>th</sup> Industrial Revolution** (a) disrupts your location's target sectors & industries and (b) in which growth vectors this translates and how the local value proposition can be leveraged to tap into these opportunities to attract investment.



# ICA'S ROADMAP TO 4IR READINESS ASSESSMENT



# STEP #1 CONSTRUCT THE LOCAL VALUE PROPOSITION



## Objective(s) of Phase #1:

To identify drivers and sources of local competitiveness that can be leveraged as unique selling points to construct a local value proposition.

## Typical Activities of Phase #1:



### 1.1 – Review of existing materials & efforts

*Assessment of existing economic development and investment promotion strategies & initiatives to set the context.*



### 1.2 – Stakeholder engagement program

*Development of a stakeholder engagement program to facilitate stakeholder consultation on local sources of competitiveness.*



### 1.3 – Data analyses to develop location value proposition

*A number of analyses will be performed to identify competitive advantages & USPs:*

- *Location Quotient Analysis*
- *Shift-Share Analysis*
- *Reverse Site Selection Model*
- *Investment Analysis*
- *Asset Mapping*
- *SWOT Analysis*

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## STEP #2 PRIORITIZE TARGET SECTORS & INDUSTRIES



### Objective(s) of Phase #2:

To determine target (sub-)sectors & industries that could be promoted based on the local value proposition in order to draw investment into the location.

### Typical Activities of Phase #2:



#### **2.1 – Value Chain Analyses to complete value proposition**

*Perform local value chain analyses per target sector/industry to identify local missing links, value gaps, and weakness(s).*



#### **2.2 – Assemble sector-specific strengths & weaknesses**

*Design local value proposition per target sector & industry by integrating sector-specific competitive advantages, USPs, and weaknesses.*



#### **2.3 – Prioritization of target sectors & industries**

*Prioritize and select a number of target sectors and industries for further analyses on the impact of the 4IR.*



# STEP #3 PERFORM 4IR READINESS ASSESSMENT



## Objective(s) of Phase #3:

Identify how the 4IR disrupts your location's target sectors & industries, in which growth vectors this translates, and how the local value proposition can be leveraged to tap into these opportunities to attract investment.

## Typical Activities of Phase #3:



### 3.1 – 4<sup>th</sup> Industrial Revolution Disruption Analysis

*Perform analysis to identify which technologies are mostly disrupting and transforming the selected target sectors & industries.*



### 3.2 – Competitiveness & Employment Disruption Analysis

*Perform analysis to assess how 4IR technologies impact the location's local value proposition with regards to sources of competitiveness and employment.*



### 3.3 – Conduct 4<sup>th</sup> Industrial Revolution Readiness Assessment

*Integrate findings to identify which target sectors/industries are mostly disrupted and provide significant opportunities and growth vectors emerging from the 4IR.*



### 3.4 – Innovation in Services Analysis

*Perform analysis to identify how well-prepared the IPA, EDO, or Free Zone is in terms of services & infrastructure provision.*

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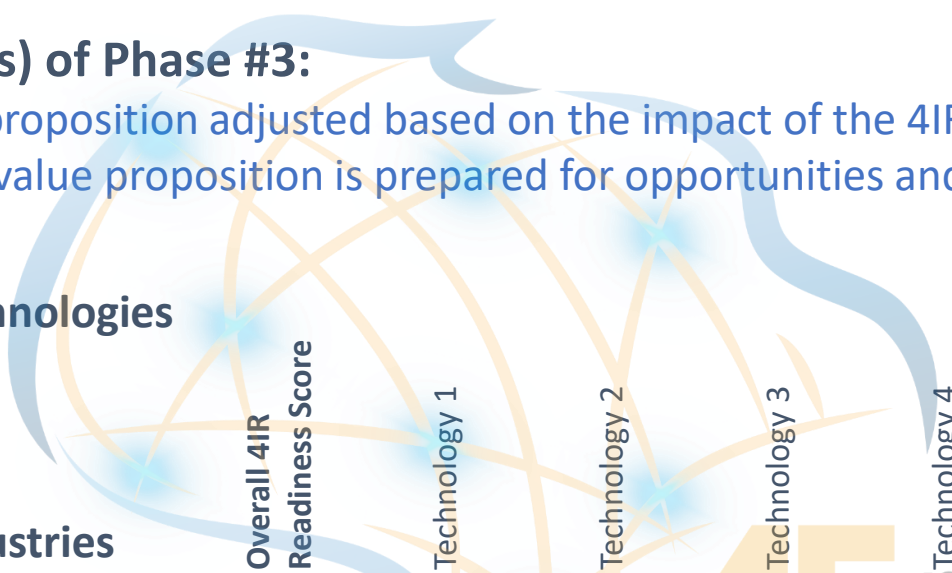
# STEP #3 PERFORM 4IR READINESS ASSESSMENT



## Deliverable(s) of Phase #3:

A local value proposition adjusted based on the impact of the 4IR – both in terms of opportunities and risks – so the local value proposition is prepared for opportunities and risks emerging from the 4IR.

### 4IR Technologies



### Target Industries

	Overall 4IR Readiness Score	Technology 1	Technology 2	Technology 3	Technology 4	Technology 5	GDP % of economy	Employment % of economy	Export % of economy
Industry A	Green	Green	Green	Green	Green	Green	3.5%	4.5%	8.8%
Industry B	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	1.2%	2.2%	4.5%
Industry C	Light Green	Light Green	Light Green	Light Green	Light Green	Light Green	7.9%	6.9%	7.7%
Industry D	Light Green	Light Green	Light Green	Yellow	Light Green	Light Green	4.3%	3.3%	6.0%
Industry E	Yellow	Yellow	Light Green	Red	Red	Yellow	6.7%	5.7%	5.7%
Industry F	Yellow	Light Green	Red	Yellow	Yellow	Yellow	10.0%	11.1%	3.2%
Industry G	Red	Red	Red	Red	Red	Red	4.5%	6.7%	2.5%



## STEP #3 PERFORM 4IR READINESS ASSESSMENT



### ICA's 4IR Roadmap

that matches the local value proposition with target industries and sectors that pose the most promising investment opportunities due to 4IR disruption

- The **4<sup>th</sup> IR Readiness Assessment** ranks the target (sub-)sectors & industries of the local value proposition based on outcomes of the three analyses performed in Phase #3:
  - 4th Industrial Revolution Disruption Analysis
  - Competitiveness & Employment Disruption Analysis
- This assessment measures the extent to which your target (sub-)sectors and/or industries...
  - a) ... are disrupted as a result of the 4IR.
  - b) ... provide attractive investment opportunities through growth vectors and/or emerging niches.
  - c) ... are well-positioned to tap into the investment opportunities by leveraging the local value proposition.





## 6 | Aftercare, Facilities Management and Security Flow Management

## Aftercare should include:

- Facilitation Services for existing investors
- Support for development of existing investors

The services should mirror the corporate evolution of investors.

Administrative Services	Operational Services	Strategic Services
Permits & Permissions to expand	Training staff	Nurturing local suppliers to international standards
Work permit for employees & families	Export promotion	Policy advocacy activities
Finding homes and schools for transferred staff	Obtaining larger premises for expansion	Linking managers and directors to high-level and policy influencing networks
Access to banking, legal and accounting services, property agents/brokers	Local suppliers	
	Developing cluster organizations and networks to improve competitiveness and productivity	

Source: UNCTAD – Aftercare: A core function in Investment Promotion

- The rise of established FDI, as reflected in the growing stock of FDI and the number of foreign affiliates provide more opportunities to promote additional and associated investment.
- Rise of cross-boarded M&As presents new challenges to maintain the profile of local affiliates.



**Increase the need and workload of aftercare servicing**

According to UNCTAD Survey:

- 32% of FDI in regions comes from re-investments. In some regions, this number can go up to 50%.
  - Yet, only 10% of IPA resources are allocated to aftercare.

At each stage, the corporate development needs of the investors are different, and require a specific support from the IPA's aftercare division.

**Figure 5. Aftercare service space by type of service and timeframe**

The aftercare service space				
<b>Type of Service</b>	<b>Strategic</b>	<i>Establish firm so that it operates successfully and performs its mandate</i>	<i>Competition legislation, product development, R&amp;D capabilities</i>	<i>Services that support firms in becoming strategic leaders, centres of excellence</i>
	<b>Operational</b>	<i>Find office space, factory, recruit staff, help install ICT equipment, power, etc.</i>	<i>Staff training, new premises, improved connectivity, local supply chains</i>	<i>Local R&amp;D, university collaboration, strong relationships with unions</i>
	<b>Administrative</b>	<i>Obtain visas, import permits, work permits for spouses, operate in free trade zone</i>	<i>International school, obtain food, drugs and administration approvals</i>	<i>Agreement with tax authorities, collaborate with public sector on planning and transport</i>
		<b>Short term</b>	<b>Medium term</b>	<b>Long term</b>
<b>Time</b>				



## Costa Rican Investment Promotion Agency (CINDE)

- Support to companies that wish to expand operations in country to diversify their product ranges
- Consultations on the frequency and degree of difficulty of obstacles encountered by investors
- Creation of special migratory regime for TNC executives and their families (fast-track of visas, temporary residencies and working permits)

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