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Can Special Economic Zones Drive Growth in the Mediterranean Region?

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Objective is ...

prosperity to the people

Thus, you need to:

1. create jobs
2. collect more money to support better public services

➤ You need to attract investment

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What Investors look for?

1/7

	Country
1.	Geographic location + access to ports
2.	Access to ports
3.	Political stability
4.	Corruption index
5.	Rule of law

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What Investors look for?

2/7

	Cost of Business
6.	Corporate income tax
7.	Income tax
8.	Value-added tax / Sales tax
9.	Real estate tax
10.	Social security contributions exemptions
11.	Size of employer's contribution in % of wages
12.	Size of employee's contribution in % of wages
13.	Interest rate on bank finance
14.	State contribution to cost of set-up
15.	Does the state help lower the cost of incorporation
16.	Customs regime
17.	Access to tax drawbacks

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What Investors look for?

3/7

	Administrative Burden
18.	One-stop shop for administrative services
19.	Delegation of administrative and planning duties
20.	Cost to establish company
21.	Time needed to establish company
22.	Time needed for environment assessment approval
23.	Time needed for building permit
25.	Time needed for license to operate
25.	Cost and time to register property
26.	Land ownership / lease options
27.	Existence of categories of land prices
28.	Land price-setting mechanism
29.	State contribution to cost of set-up
30.	Does the state help lower the cost of incorporation

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What Investors look for?

4/7

	Regulatory Framework
31.	Foreign exchange control
32.	Regulation for conflict resolution
33.	Regulation for exiting business

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What Investors look for?

5/7

	Operating Cost
34.	On-site facilities
35.	Off-site facilities
36.	Residential facilities
37.	Cost of water per m3
38.	Cost of electricity per kWh
39	Land transportation cost

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What Investors look for?

6/7

	Neighbours
40.	Sector specialization
41.	Size of businesses of tenants
42.	Synergies with other tenants
43.	Services available to tenants on site
44.	Criteria for prioritizing tenants choice

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What Investors look for?

7/7

	Human Resources
45.	Skills
46.	State contribution to payment of training expenses
47.	Ease of recruitment for local employees / facility of movement
48.	Ease of recruitment for expat / attractive location
49.	Restriction on foreign labour (% , visas, work permits, etc)
50.	Flexibility of labor law
51.	Local vocational training centers
52.	Specific requirements for local labor
53	Minimum Wage

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If the above 53 factors are

- Hard to achieve under current system
- and
- Will take long time to correct system

Then

Take a small piece of land with a port and establish a

Special Economic Zone

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Return on Investment on SEZ

- *Serve as “pressure valves” to alleviate large-scale unemployment*
- *Support a wider economic reform strategy*
- *An experimental laboratory for the application of new policies*

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Long term benefits ...

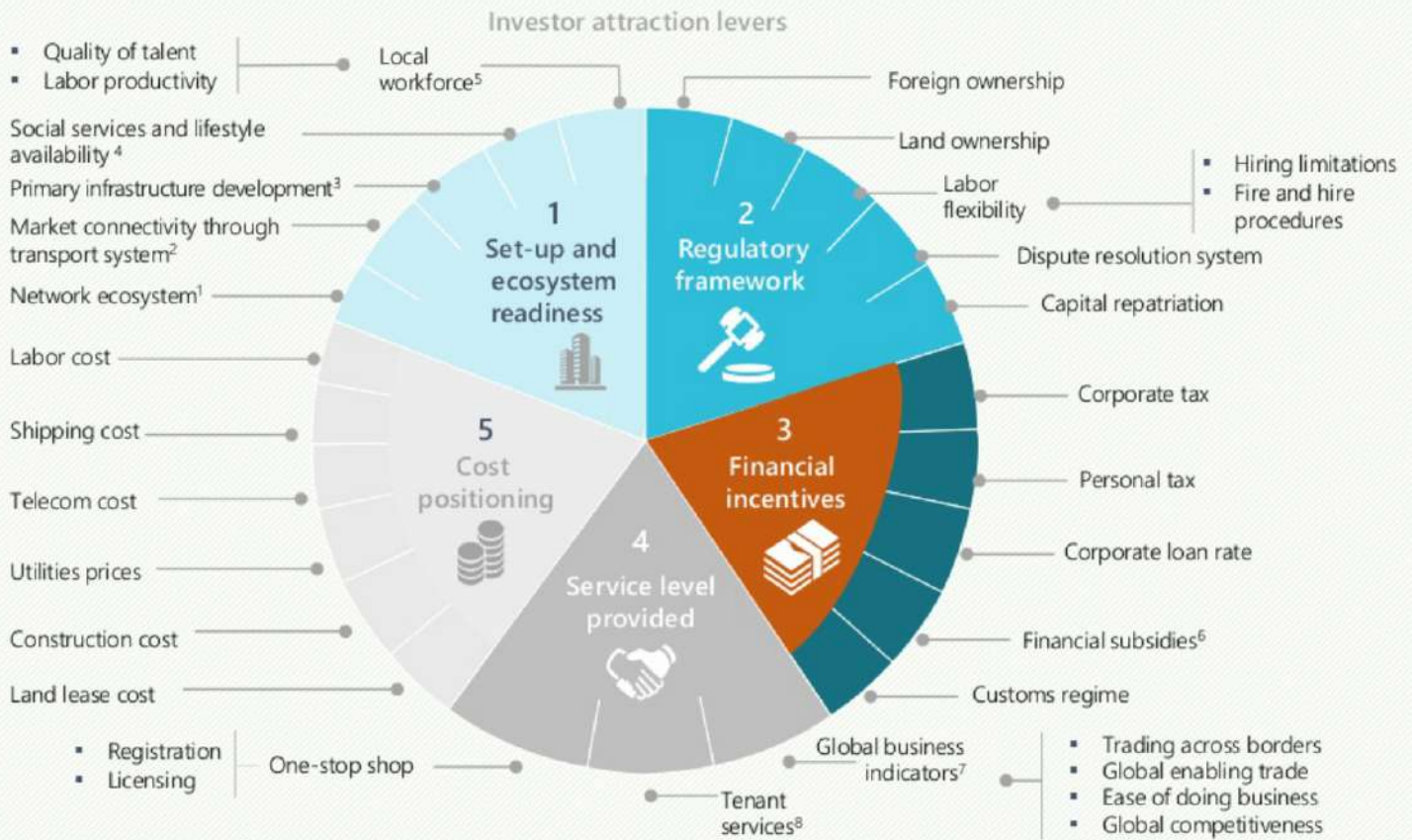
Creation of

- dynamic economy (structural transformation of the economy, including diversification, upgrades, and increased openness).
- a model for sustainability

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SEZ value proposition should highlight 5 key dimensions



1 Number of Multi-National Companies (MNC) and facilities present in a zone | 2 Port, land, rail, air transport | 3 Power, water, commercial and industrial infrastructure
 4 Hospitals, schools, ITC | 5 Local labor | 6 Including set-up and training aid, land and utilities subsidies | 7 Detailed definitions in back-up | 8 Municipal, utilities & administrative



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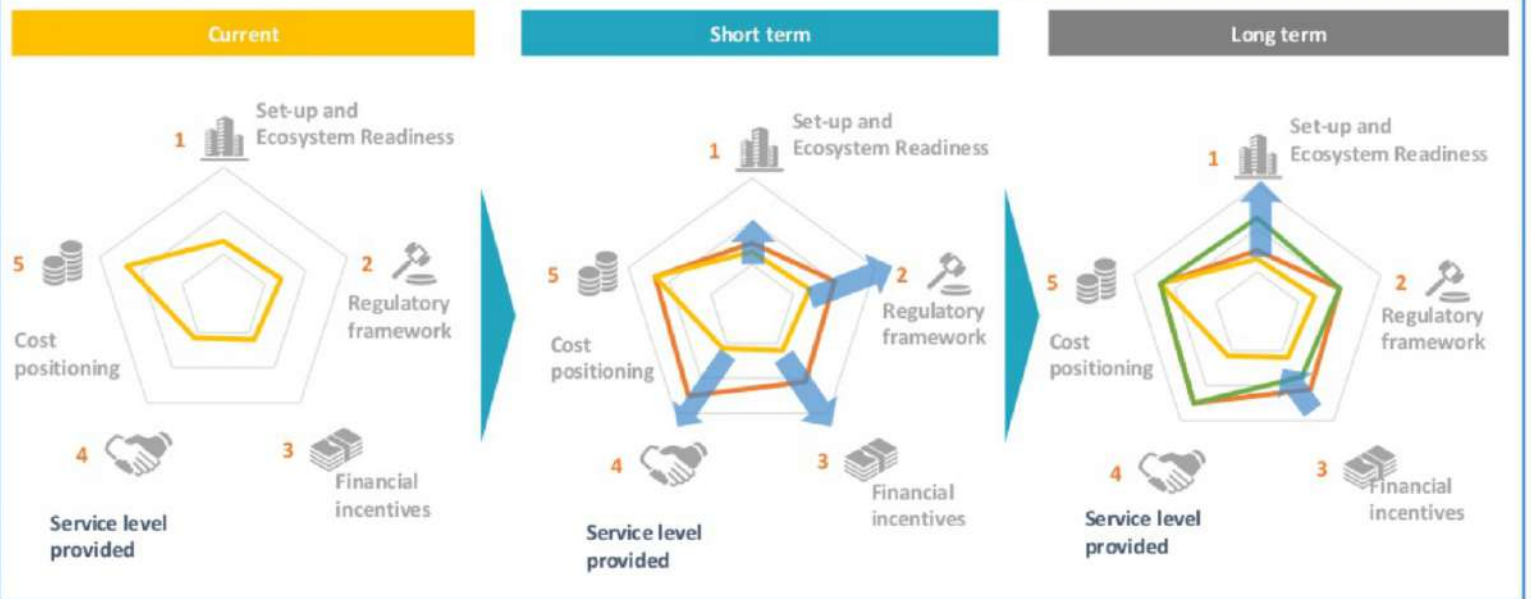




Decide on the main differentiating factors

Work on them

Development of focus area over time



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How to drive growth?

Attract the right tenant

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Three Setup Steps ...

Identify

1. Industry Enabling Requirements
2. Competitive Edge
3. Global Players

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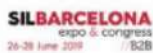
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Industry	Industry enabling requirements		
	Access to infrastructure	Value chain elements	Other requirements
Communications Equipment including Semi-Conductors and TVs			
<ul style="list-style-type: none"> Semiconductors, Circuit Boards, LCD 	<ul style="list-style-type: none"> Access to port for importing higher-complexity components (e.g. LCD) 	<ul style="list-style-type: none"> Complex supplier base of high tech components including: <ul style="list-style-type: none"> Equipment vendors Design companies Suppliers of high purity silicon 	<ul style="list-style-type: none"> Access to highly skilled labour
<ul style="list-style-type: none"> Transmitters and Routers 	<ul style="list-style-type: none"> Port access to import raw material 	<ul style="list-style-type: none"> Access to raw material (e.g.: silicon) Access to manufacturers of electrical components (e.g.: microchips and processors) 	<ul style="list-style-type: none"> Access to medium skilled labor
<ul style="list-style-type: none"> TV Radio Equipment 	<ul style="list-style-type: none"> Access to port for importing higher-complexity components (e.g. LCD) 	<ul style="list-style-type: none"> For TV assembly (SKD/CKD), limited ecosystem is required For phone headsets, required ecosystem includes manufacturers of: <ul style="list-style-type: none"> Application processors LCD - Lenses 	<ul style="list-style-type: none"> For CKD/SKD, high-skilled talent is less required, since majority of activity is assembly
Water Transport	<ul style="list-style-type: none"> Access to roads and ports Access to water bodies 	<ul style="list-style-type: none"> Warehousing and logistics (outsourced or in-house) 	<ul style="list-style-type: none"> Access to low-skilled labor Access to local players in the transportation industry

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Industry	Industry enabling requirements		
	Access to infrastructure	Value chain elements	Other requirements
Supporting Transport Services (e.g. storage and warehousing)	<ul style="list-style-type: none">▪ Road access▪ Airport access	<ul style="list-style-type: none">▪ Warehouse▪ Trucking services	<ul style="list-style-type: none">▪ Low skilled labor▪ Attractive ecosystem for their clients to create business within the zone▪ Access to construction companies (including special contracting services: thermal insulation and refrigeration)▪ Attractive ecosystem for their clients to create business within the zone
Post and Communications			
▪ Post and Courier Activities	<ul style="list-style-type: none">▪ Road access▪ Airport access	<ul style="list-style-type: none">▪ Warehousing▪ Trucking	<ul style="list-style-type: none">▪ Incentives on R&D▪ Partnership opportunities (e.g.: Research university, local and state government, similar companies)▪ Good quality facilities, including hotels, restaurants, schools, and others▪ The existence of High tech community (e.g. smart city/ high tech cluster)
▪ Communications	Access to infrastructure: <ul style="list-style-type: none">▪ Roads and airports▪ High-speed broadband▪ Electricity and water	<ul style="list-style-type: none">▪ Availability of office spaces	

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Industry	Industry enabling requirements	Value chain elements	Other requirements
Computer Programming and Related Services (e.g. innovation hubs, call centers, big data centers)	Access to infrastructure: <ul style="list-style-type: none"> Roads and airports High-speed broadband Electricity and water 	<ul style="list-style-type: none"> Availability of office spaces Suppliers of required hardware 	<ul style="list-style-type: none"> Access to good talent (e.g. programmer, software developers) Reduced corporate taxes Easy export movement The existence of High tech community (i.e.: smart city/ high tech cluster) Good quality facilities, including hotels, restaurants, schools, and others
Motor Vehicles, Trailers and Parts			
<ul style="list-style-type: none"> Motor Vehicles 	<ul style="list-style-type: none"> Access to port (with RO/RO terminal) for importing components and exporting cars 	<ul style="list-style-type: none"> Suppliers of (dependent on complexity of assembly): <ul style="list-style-type: none"> Tires Wheels Batteries Fuel tanks Seats Mechanical parts (e.g. suspension) Tubes (e.g. for cooling tubes) Carpets Presence of a test center 	<ul style="list-style-type: none"> Access to large labour pool - Low complexity components (e.g. seats, wire harnessing) are labour intensive, and typically done by female workers Large dedicated space for OEM's and their suppliers to closely located

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Industry enabling requirements

Industry	Access to infrastructure	Value chain elements	Other requirements
<ul style="list-style-type: none"> Parts and Accessories for Motor Vehicles 	<ul style="list-style-type: none"> Access to port (potentially with RO/RO terminal) for importing components and exporting cars 	<ul style="list-style-type: none"> Proximity to OEM manufacturers Suppliers of: <ul style="list-style-type: none"> Tires Wheels Batteries Fuel tanks Seats Mechanical parts (e.g. suspension) Tubes (e.g. for cooling tubes) Carpets Presence of a test center 	<ul style="list-style-type: none"> Access to large labour pool - Low complexity components (e.g. seats, wire harnessing) is labour intensive, and typically done by female workers Large dedicated space for OEM's and their suppliers to closely located

Refined petroleum, Coke and Nuclear

<ul style="list-style-type: none"> Refined petroleum, Coke and Nuclear 	<ul style="list-style-type: none"> Access to ports Access to roads infrastructure Electricity and water supply 	<ul style="list-style-type: none"> Access to crude petroleum Availability of integrated value chain elements 	<ul style="list-style-type: none"> Access to medium to high skilled labor
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Priority sector and Industry	Cost categories	Split
Food and Beverages 	Food	▪ Labor 22%
		▪ Raw material 56%
		▪ Utilities 8%
		▪ Shipping 14%
		▪ Overall competitiveness
Beverage	▪ Labor 22%	
	▪ Raw material 56%	
	▪ Utilities 8%	
	▪ Shipping 14%	
	▪ Overall competitiveness	
Textiles 	▪ Labor 35%	
	▪ Raw material 38%	
	▪ Utilities 19%	
	▪ Shipping 8%	
	▪ Overall competitiveness	

Priority sector and Industry	Cost categories	Split
Basic Chemicals and Fertilizers 	Petrochemicals	▪ Labor 10%
		▪ Raw material 60%
		▪ Utilities 20%
		▪ Shipping 10%
	Fertilizers	▪ Overall competitiveness
		▪ Labor 10%
		▪ Raw material 60%
		▪ Utilities 20%
	Synthetic resins	▪ Shipping 10%
		▪ Overall competitiveness
		▪ Labor 10%
		▪ Raw material 60%
Specialty Chemicals 	Pesticides, Agro-Chemicals	▪ Utilities 20%
		▪ Shipping 10%
		▪ Overall competitiveness
		▪ Labor 20%
		▪ Raw material 50%

1D-21/26 #MedaLogistics19 Overall competitiveness

1 Costs categories are normalized compared to each other





Priority sector and Industry

Cost categories

Split

Priority sector and Industry	Cost categories	Split
Specialty Chemicals	Paints and varnishes	Labor: 20%
		Raw material: 50%
		Utilities: 20%
		Shipping: 10%
Pharma: Drugs and Medicines	Pharma: Drugs and Medicines	Labor: 44%
		Raw material: 30%
		Utilities: 18%
		Shipping: 7%
Soap, Cleaning and Cosmetics	Soap, Cleaning and Cosmetics	Labor: 20%
		Raw material: 50%
		Utilities: 20%
		Shipping: 10%
Other specialty chemicals	Other specialty chemicals	Labor: 20%
		Raw material: 50%
		Utilities: 20%
		Shipping: 10%
Overall competitiveness		

Priority sector and Industry

Cost categories

Split

Priority sector and Industry	Cost categories	Split
Electric machinery	Electrical motors, generators and appliances	Labor: 22%
		Raw material: 56%
		Utilities: 8%
		Shipping: 14%
Electricity distribution and control	Electricity distribution and control	Labor: 25%
		Raw material: 60%
		Utilities: 7%
		Shipping: 8%
Wire, cables, and batteries	Wire, cables, and batteries	Labor: 25%
		Raw material: 60%
		Utilities: 7%
		Shipping: 8%
Overall competitiveness		
Comms Equipment	Semi-conductors, circuits and boards ²	Labor: 33%
		Raw material: 40%
		Utilities: 17%
		Shipping: 10%
Overall competitiveness		

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Priority sector and Industry

Computer programming and related services	<ul style="list-style-type: none"> Labor 70% Utilities 30% Overall competitiveness
Motor vehicles, trailers, and parts	<ul style="list-style-type: none"> Labor 22% Raw material 65% Utilities 9% Shipping 5% Overall competitiveness
Motor vehides	
Motor vehides parts	<ul style="list-style-type: none"> Labor 22% Raw material 62% Utilities 8% Shipping 7% Overall competitiveness
Refined petroleum, Coke and Nuclear	<ul style="list-style-type: none"> Labor 10% Raw material 60% Utilities 15% Shipping 10% Overall competitiveness

Priority sector and Industry

Priority sector and Industry	Cost categories	Split ¹
Comms Equipment incl. Semi-conductors & TVs	<ul style="list-style-type: none"> Labor 33% Raw material 40% Utilities 17% Shipping 10% Overall competitiveness 	
Transmitters and routers		
TV and radio equipment	<ul style="list-style-type: none"> Labor 22% Raw material 48% Utilities 16% Shipping 14% Overall competitiveness 	
Watertransport	<ul style="list-style-type: none"> Port tariffs 100% Overall competitiveness 	
Communications	<ul style="list-style-type: none"> Labor 70% Utilities (VoD³) 15% Utilities 15% Overall competitiveness 	

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¹ Costs categories are normalized compared to each other. ² Assumed for BPO play. ³ Voice over data.

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THREE



Categories	Sub-categories	Market share of top 3 players	Example key players
Food and Beverages	Beverages	38%	Anheuser-Busch InBev, Coca-Cola, PepsiCo,
	Food Products	72%	Nestlé S.A., The Kraft Heinz, Mondelez International, Inc.
Textiles	Textiles	7%	Eclat Textile Corporation Ltd., Fujian Furong Co., Ltd., Nanji E-Commerce Co.,
Basic Chemicals and Fertilizers	Petrochemicals	27%	Saudi Basic Industries Corporation, LyondellBasell Industries N.V., Nan Ya Plastics Corporation
	Fertilizers	32%	Monsanto Company, Syngenta AG, Potash Corporation of Saskatchewan Inc.
	Synthetic Resins	42%	Saudi Basic Industries Corporation, LyondellBasell Industries N.V., Nan Ya Plastics Corporation
Specialty Chemicals	Pesticides, Agro-Chemicals	60%	Bayer/ Monsanto, Chem China/ Syngenta/ Adama, Dupont/Dow
	Paints and Varnishes	51%	The Sherwin-Williams Company, PPG Industries, Inc., Akzo Nobel N.V.
	Pharma: Drugs and Medicines	25%	Johnson & Johnson, Roche Holding AG, Pfizer Inc.
	Soap, Cleaning and Cosmetics	81%	Colgate-Palmolive Company, P&G, Hindustan Unilever Limited
	Other Specialty Chemicals (inks, explosives, powders)	27%	The Sherwin-Williams Company, PPG Industries, Inc., Akzo Nobel N.V.
Electrical Machinery	Electrical Motors, Generators	69%	Mitsubishi Electric Corporation, Shanghai Electric Group Company Limited, Bharat Heavy Electricals Limited
	Electricity Distribution and Control	60%	Mitsubishi Electric Corporation, Shanghai Electric Group Company Limited, Bharat Heavy Electricals Limited
	Wire, Cable and Batteries	30%	Hubbell Incorporated, Guoxuan High-Tech Co., Ltd., EnerSys
Communications Equipment including Semi-Conductors and TVs	Semiconductors, Circuit Boards, LCD	29%	Intel Corporation, Taiwan Semiconductor Manufacturing Company Limited, QUALCOMM Incorporated
	Transmitters and Routers	72%	Cisco Systems, Inc., Juniper Networks, Inc., ZTE Corporation
	TV Radio Equipment	73%	Harris Corporation, Ubiquiti Networks, Inc., Guangzhou Haige Communications Group Incorporated Company
Water Transport	Water Transport	39%	A.P. Møller - Mærsk A/S, Kuehne + Nagel International AG, MISC Berhad
Supporting Transport Services	Supporting Transport Services	14%	A.P. Møller - Mærsk A/S, Kuehne + Nagel International AG, MISC Berhad
Post and Communications	Post and Courier Activities	24%	FedEx Corporation, Deutsche Post AG, Yamato Holdings Co., Ltd.
	Communications	26%	AT&T Inc., China Mobile Limited, Verizon Communications Inc.
Computer Programming and Related Services	Computer Programming and Related Services	36%	Microsoft, Oracle, SAP
Motor Vehicles, Trailers and Parts	Motor Vehicles	31%	Toyota, VW, BMW
	Parts and Accessories for Motor Vehicles	14%	Continental Aktiengesellschaft, DENSO Corporation, Bridgestone Corporation
Refined petroleum, Coke and Nuclear	Refined petroleum, Coke and Nuclear	41%	Exxon Mobil, Chevron, Petrochina

Sectors with high global market concentration would require clear cost differentiation, and additional incentives may be required to attract one or more of the few dominant players to invest in SCZone

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Food for thought

- ↔ Do you run it via special team or outsource (get private sector to run it)?
- ↕ Can not attract FDI if you don't attract Local Investment
- ↗ Can SEZ foster innovation?
(given the independent nature so not abiding to classic workflows)

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Thank You

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