

WTC Model Free Trade Zone

Opportunities Unlimited for Free Trade Zones: World Trade Center

Principally World Trade Center and Free Trade Zones have operational similarities to embark on trade related activities and help them grow. World Trade Centers have sound infrastructure complete to foster trade. On the other hand free trade zone entirely is a public concern which needs infrastructure development during the initial setup. A synergy between the two will change the kaleidoscope for trade and will result into one of the best and successful public private partnership business model. FTZs within a WTC has already seen a global presence. In context to India which has fewer such FTZs compared to other developing countries it becomes imperative to have one within already established WTCs.

Malaysia and other ASEAN countries were among the first to successfully use EPZ/FTZs to increase exports and thus reduce the foreign exchange constraints arising from import substituting industrial risk. More recently, China has been the most successful practitioner of this instrument, and has taken it to new height what might be called the “FDI-Expert model” of economic development and growth. The geographically defined and restricted zones are suitable for “Export Processing” as their name (EPZ) implies. That is carrying out those stages of production that have high import content and perhaps require relatively greater unskilled labor. The collapse of engineering exports from Indian EPZs since mid-nineties similarly suggests that products where economics of scale are important are not suitable for FTZs. Though FTZ/EPZs have been a feature of Indian policy since 1960, they have been much less successful than in ASEAN & China, both in themselves as well as an experimental platform for more general policy change.

Bottlenecks in Development of Trade

Critically speaking trade to economize needs efficient infrastructure in form of office spaces, conferencing and meeting venues, banking and trade development agencies, incubators, specific manufacturing facilities, central logistics management, training centers imparting fundamental trade education etc. At the same time special customs incentives also play an important role. These are one of the basic amenities and prerequisites to sustain trade.

Free Trade Zone Value Adding Trade Development

The movement of goods forms the foundation of international marketing activities. Free trade occurs when goods travel across boundaries with little governmental interference. Also, the country should have advantage when it can produce more of a good or service using the same amount of resources as other countries can produce. Trade is specific to country-level absolute advantages. Trade leads to higher levels of innovation through specialization. Each country focuses on its area of expertise, and more domestic

competitors emerge to meet the needs of the global market. Thus it becomes essential that a free trade zone is complete with incubator services and expertise.

As per World Bank, “an export processing zone is an industrial estate, usually a fenced-in area of 10 to 300 hectares that specializes in manufacturing for export. It offers firms free trade conditions and a liberal regulatory environment. Its objectives are to attract foreign investors, collaborators, and buyers who can facilitate entry into the world market for some of the economy’s industrial goods, thus generating employment and foreign exchange.

An **export-processing zone (EPZ)** is a specific type of FTZ, set up generally in developing countries by their governments to promote industrial and commercial exports. These zones are further modified keeping in mind the trade economic policy environment present in that country. To make the environment conducive to trade development, countries specially designate areas within a country and design separate laws to encourage trade. These laws include reduction or complete removal of tariffs or fees on goods entering or leaving through the free trade zone, preferential currency exchange rates, reduction of business start-up fees and preferential access to distribution channels. These zones are provided with special banking concerns like the Export-Import Bank of the United States which is a U.S. governmental entity which provides credit to businesses to assist with the financing of exporting activities within the zone.

Free trade areas are created by a group of countries that have entered into an agreement to reduce tariffs, quotas, and other barriers to the movement of goods and services e.g. North American Free Trade Area (NAFTA) where custom union members agree to remove barriers to the movement of goods and services and consent to a uniform tariff policy toward member countries. Also for e.g. the MERCOSUR (Mercado Común del Sur), or the Southern Cone Common Market.

Opportunities available with World Trade Center

Free Trade Zones (FTZs)/Export Processing Zones (EPZs) were promoted in India during the “Import Substitution Industrialization (ISI)” period (1964-65). This can be termed as an early attempt to check the possibilities of switching to export promotion strategies, but in a different way. Undoubtedly, the EPZs policy is termed as a successful initiative undertaken during the ISI regime. However, it failed to create the most needed economic space due to lack of a well-structured policy and trade sector controls. During this phase it was noted that the failure was on account of the most-needed incentives structure compared to those available elsewhere and the poor institutional and infrastructure facilities in these zones .The EPZ/FTZs have been successful in streamlining the custom procedures and keeping corruption levels low. However, lack of single window clearance facilities, the attitude of the officials, centralised governance, stringent labour laws and poor physical and financial infrastructure result in relatively poor investment climate in the zones. This is where WTC can pitch in and remove the bottlenecks.

Free Trade Zones set up within World Trade Center infrastructure will enhance the scope of economies of scale. The world trade centers are replete with trade facilities and infrastructure in form of real estate. The WTC satisfies the most basic economic need of a Free Trade Zone that is the infrastructure and connectivity giving flexibility and professionalism. WTC offers other advantages as well such as it is connected to 332 WTCs across 89 countries world over and has onboard data relay systems which increase trade connectivity by connecting the FTZ with probable demands apart from their own marketing expertise. Moreover, WTC has an established administrative staff infrastructure which is responsible for functions such as estate management, trade related training and research and event management. This offers immense value addition to a FTZ when incorporated within a WTC. An addition of a government compliance desk within the WTC helps in further reporting to the government agencies about the issues and compliances of the FTZ system. There are 20 WTCs in India already setting up of a FTZ at each will integrate the system setup for boosting trade

Free Trade Zones within WTC on the world Map and their success in trade development

Dubai World Trade Center

Established by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President and Prime Minister, Ruler of Dubai, the Dubai World Trade Centre Authority (DWTC Authority) provides a unique and highly desirable proposition for businesses looking for an effective, competitive and well-regulated business ecosystem to compete even more effectively regionally and globally.

A public corporation that enjoys corporate body status, financial and administrative autonomy and full legal capacity to help it carry out its duties and activities, it will deliver a more flexible business-conducive environment in the heart of one of the world's most dynamic and cosmopolitan cities.

Under the jurisdiction of the DWTC Authority, the Free Zone spans locations within the iconic Dubai World Trade Centre and the adjoining Dubai Trade Centre District, as well at the upcoming new Dubai Trade Centre Jebel Ali, adjacent to Al Maktoum International airport in Dubai South, when it comes online.

With leasing and licensing opportunities available now across the Dubai World Trade Centre and Dubai Trade Centre District, the Free Zone provides a strong incentive for multinationals to use Dubai as the springboard to enter local and regional markets, as well as incentivizing global associations to establish a permanent, regional base in the free zone, and allowing organizers to deliver a much more streamlined event participation and logistical experience, while also increasing attractiveness.

WTC Montevideo

The Free Trade Zone Regime was established at Montevideo Uruguay under Act 15.921, also

called the Free Zones Act, which was passed on December 17th, 1987. Said Act declared the promotion and development of Free Trade Zones in Uruguay of national interest and set the rules for their exploitation, providing major tax benefits. Some of the striking features are as below,

- It has a sound and advantageous legal framework implying exemption of all national taxes, whether existent or to be created in future (Income Tax, VAT, Net worth Tax, among others).
- Free entry and exit of currencies.
- Foreign citizens can be hired and they may opt out of the Uruguayan social security system.

The State – subject to liability for all damages – guarantees users all the rights, benefits and tax exemptions they are entitled to by law until the termination of the contract.

- Free Trade Zones do not fall under the jurisdiction of the State monopolies, the cost of communication and other services are lower. World Trade Center San Louis Potosi

Owned & run by World Trade Center KANSAS CITY SOUTHERN (a 100% USA Company). The largest Intermodal Terminal in Mexico with 100 Hectares is designated for this project. Some of the salient features are,

- Customs Office with high speed clearance process, offering regional services (in continuous growth).
- Provision of an inbound yard. Connection with the main ports and borders in Mexico: Lazaro Cardenas (Pacific Ocean), Altamira (Gulf of Mexico) and Laredo, Tx (Northern Border). 400,000 TEU'S Annually with wide growth capacity.
- High security standards.

World Trade Center Harrisburg

The Foreign-Trade Zones Program was created by the Federal Government in the 1930's, and is an important aspect of U.S. Trade Policy today. Its purpose is to facilitate trade and increase the global competitiveness of U.S. based companies.

The Foreign Trade Zone #147 (FTZ-147) covers the central Pennsylvania region served by the World Trade Center Harrisburg. There are numerous FTZ sites that are strategically located to offer convenient on-site inter-modal transport links for air, road and rail transportation. Certain types of merchandise can be imported into a Zone without going through formal Customs entry procedures or paying import duties. A Foreign Trade Zone offers companies the opportunity to defer payment of Customs duty. More often, the company pays lower costs, not only to U.S. Customs, but to its bank, insurance company, and other vendors.

In a FTZ, merchandise may be assembled, exhibited, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed, and destroyed.

Foreign-Trade Zone #147 is a regional economic development project that encompasses the counties of Adams, Berks, Dauphin, Cumberland, Franklin, Lancaster, Lebanon, Perry, and York.

Suggestive Framework for Incorporating World Trade Center as a Free Trade Zone