

FREE ZONES AND ITS IMPORTANCE IN IRAN AND THE WORLD

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Abstract

Free Zone is an industrial area in terms of commercial and customs systems of a country is considered a separate area for free trade. The first known free port in the world is Ports Chalis and Piraous in Greece. Then the oldest world free port to increase the volume traded was Romans' free port in the Dallas island situated in the Aegean. Given the Global of Free zones and its importance in the world, world federation Free zones formed in Switzerland under the laws of the Canton of Geneva and the Swiss Civil Code. In this article deals to Describe the concepts of related to free zones and its importance.

Keywords : Free Zones of Commercial – Industrial, World Federation of Free Zones, Free Zone of Commercial - Industrial Anzali

Introduction

According to international definitions Free Zone is protection area of ports and port included some of the current regulations foreign respective country and helps to the development of the mainland by enjoying benefits such as tax breaks and also ease and expedite in the import and export processes by attracting foreign investment and technology transfer. One of the major motivations that developing countries will follow in own free is employment creation and unemployment reducing. Respective countries arguing that creating industries in the free zones (in particular industries) brings fields of many job opportunities, and they are sought fix one of own structural problems, means elimination of unemployment. Free zones with prospering of face and cheap labor are capable do encourage to activity in these areas foreign investors, and this is appropriate incentive for employment creation (Zarafi 1996). Free Zone of Commercial - Industrial of Anzali can be significant role in unemployment solving problems region and province and boosting regional trade and along with it thriving local markets by attract foreign investors and agreements with Iranian investors with modern technology transfer and the creation of productive employment. (Simbar & Bahmani 2009)

Free Zones of Commercial – Industrial

It is an industrial area in terms of commercial and customs systems of a country is considered a separate territory for free trade. It is place where foreign companies often their produce is for export will benefit certain number of fiscal and monetary stimulus. (Emilion 1997)

Divided Free Zones based on Different Criteria

Table 1 : Criteria of Free Zones

No	Name	Objective	Size	Location	Activity	Type
1	Industrial Special Zone	Industrial Development	Smaller than 100 acres	Synthetic	Industry	Internal and External
2	Trade Free Zone	Support of Business	Smaller than 500 acres	Ports and Airports	Related to Trade	Re-Export
3	Export Processing Zone	Export of Company	Smaller than 200 acres	Ports and Airports	Company Services	Export
4	Zone Firm	Urban Areas Regeneration	Smaller than 500 acres	Within Customs Area	Full	Local, Internal and Export
5	Port Free Zone	Pervasive Development	Greater than 100 acres	Synthetic	Multi Functional	Local, Internal and Export

(Engman 2007)

History of Free Zones in the World

Actually the first known free ports in the world were enclosed areas with defensive walls that were established in Chalis and Piraous in Greece. So it oldest the world free port in particular established for increase the volume traded was Romans' free port in the Dallas island in the Aegean aims to increase trade between Egypt, Greece, Syria, North Africa, Asia and Rome and all transactions was performed without getting customs duty. After these there are other ports such as Venice, Genoa, Dallas, and Gibraltar. (Mohammadi Alamouti 1995)

History of Free Zones in Iran

The Islamic Revolution in Iran Kish island was determined as a first free trade area in Iran. In 1989 based on the first five-year plan of export development was allowed to the government take action to establishment free zone of Commercial – Industrial. Kish Free Zone, Qeshm Free Zone (The largest island in Persian Gulf), Chabahar Free Zone. (Yazdan Karimi 1999)

Previous Research

1. **Performance Evaluation of free zones of Iran on the basis of cost- benefit analysis : Case Study Chabahar**

Seyed Mehdi Hoseini. 1999

The research according to the characteristics of Chabahar Free Zone based on pattern analysis, cost benefit the net present value estimates obtained benefit from regional and rate of return region internal.

2. **Performance Evaluation of Free Trade Zones of Iran and its impact on economic development in these areas**

Ali Asghar Esfandiari & Samireh Moghadas Hoseni Zadeh & Majid Delavari. 2002

They deal to performance analysis in these areas and they found that investment and cooperation with foreign manufacturers have important role in Economic development in these areas.

3. Affecting factors on the attracting investment in Chabahar Free Zone and prioritize them by mathematical technique AHP

Abas Shakeri & Fereydoun Salimi. 2006

They are considered economic development free zones investment in various sectors and activities of economic. They said without investment in infrastructure and superstructure projects can not expected development of employment, production and economic prosperity.

World Federation of Free Zones

World federation free zones is a non-governmental and non-profit organizations. This federation is formed in Switzerland and under the laws the Canton of Geneva and the Swiss Civil Code.

Activities of World Federation of Free Zones

1. Supported world federation of free zones for specific Free Zones throughout the world and provide various assistance in the Steps of setup, start, and development of these areas.
2. Classification of free zones according to different fields of their activity with the aim to share experiences, information and technology.
3. Supported world federation of free zones from free economic zones in order to revitalize by the study of free zones and limiting their performance.

(Azodi Deylaim 2009)

Free Zone of Commercial - Industrial Anzali

This free zone was opened on 2004 with the approval of Islamic Consultative Assembly on 2003 and approved of the statute in government cabinet on 2004. Finally range map notified by committee of ministers on 2005 in three separate parts include former special economic zone and lands surrounding it, divided city of Bandar Anzali and Anzali industrial town and areas surrounding it, as the approved scope in free zone of commercial - industrial Anzali. This area due to its unique geographical location is a good place for imports of iron, steel and wood to mainland and central and a major focus for export and re-export to central Asian countries. (Payvar 2006)

Objectives of Free Zones

1. Minimize production costs
2. Create employment
3. Export development
4. Accumulation of capital and foreign exchange Income
5. Technology transfer and communication forward and backward
6. Domestic and foreign investment

(Robert 2001)

Importance of Establishing Free Zones

1. Free zones as a leading model for implement reforms of economic and trade.
2. Free zones as environment of development and processing export to international markets.
3. Free zones as environment of attract foreign investment and technology.
4. Free zones as environment of attract tourists.

(Sharma 2003)

Affecting Factors on the Success of Free Zones

1. Access to the customer (market)
2. Appropriate infrastructures
3. Strong managerial staff
4. The level of corruption
5. Wage of labor
6. Security of property rights
7. National Tax
8. Local Tax
9. Lines of communication
10. Access to raw materials
11. Labor laws and unions
12. Aerial services
13. Cost use of welfare services
14. Access to land with all facilities
15. Facilitate in commercial operations
16. Ability to employment high expertise
17. Ability to employment skilled employees
18. Environment of stable social and political
19. Access to suppliers and distribution networks
20. Access to academic and technical training with high quality

(Batouli 1992)

Reasons for Failure Some Free Zones

1. Unfavorable Environment for foreign investment attraction
2. Weakness Free Zone Management (bureaucracy, finance corruption, inflation employee, undue interference factors outside the free zone, The cumbersome rules and regulations, ...)
3. Shortage of trained labor and low efficiency of human resources (labor expensive)
4. Costs of infrastructure and inappropriate investments
5. Weakness repair and maintenance of infrastructure facilities and inefficiencies of operational
6. Lack of financial resources and liquidity
7. Lack of communication and weakness in services

(Kamran 2004)

Conclusions

World Federation Free Zones is a non-governmental and non-profit organizations. This federation formed in Switzerland and under the laws the Canton of Geneva and the Swiss Civil Code. Activities of the Federation free zones are as provide various assistance in steps setup, starting, and development of these areas with the aim of sharing experiences, information, and technology in order to revitalize strengthening economic of this areas. Objectives of free zones are included minimize production costs, create employment, export development, accumulation of capital and foreign exchange income, technology transfer and communication forward and backward, and domestic and foreign investment. Generally with appropriate management and investment and also utilization of skilled and experienced people in the free zones can be used it as main economic hub in country.

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