



Benchmarks of other Special Economic Zones in developing economies

Document v1.0

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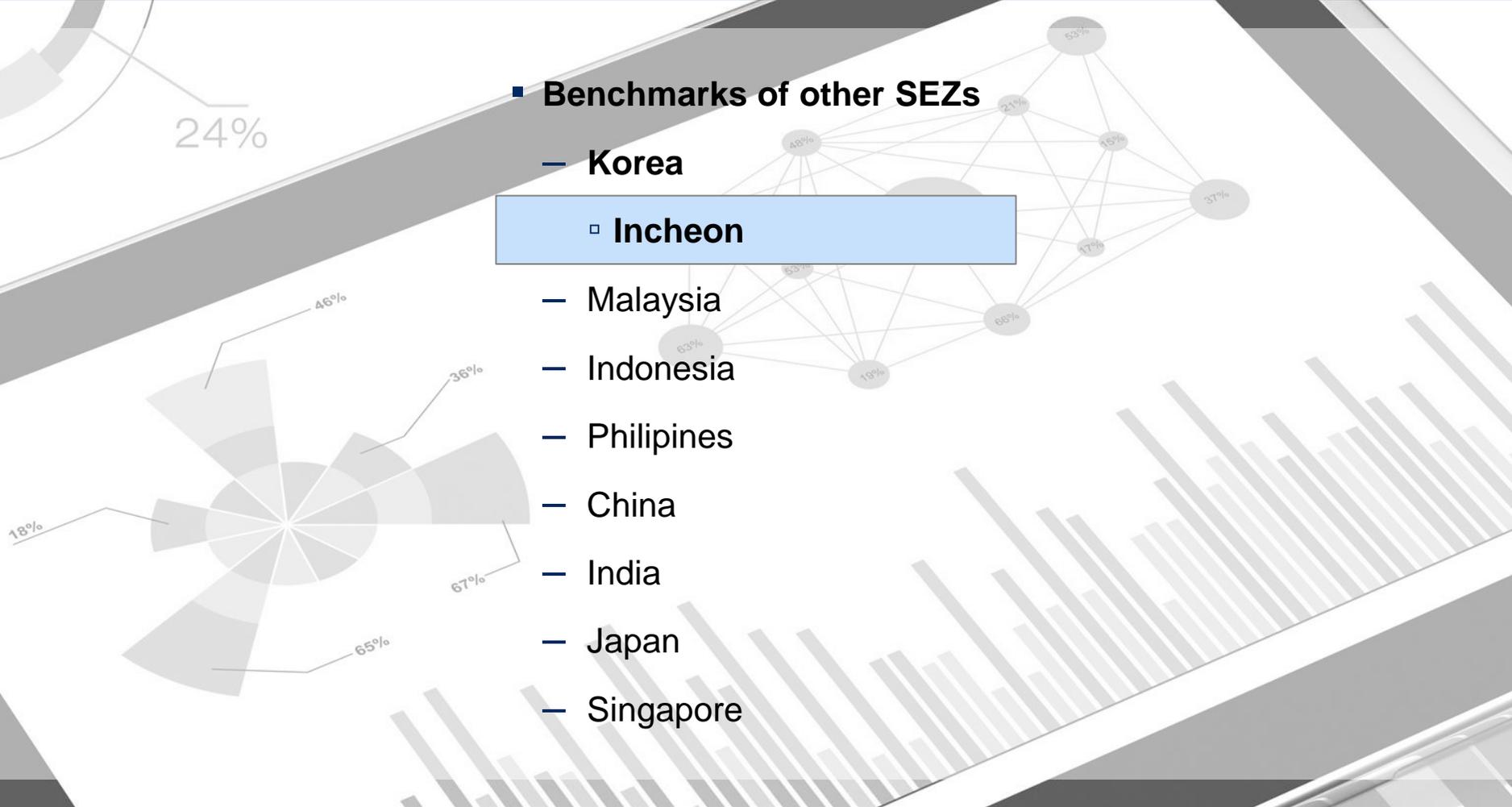
- Philippines

- China

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- Japan

- Singapore





Overview of Incheon Free Economic Zone (1/2)

Key facts and figures

- **Location:** Incheon, South Korea
- **Land area:** 132.91km²
- **Population:** 195,190 people (2014.08)
- **Development Plan:**
 - Initial Activation Phase (2003~2009), Development Phase (2010~2014), Stability Phase (2015~2020)
- **Development Rate:** 51.4% (2014.11)
 - Songdo (49%), Yeongjong (32%), Cheongra (67%)

Background of the zone

- **Designation:** 2003.8.11
- **Development Period:** 2003~2020
- **Area:**
 - Songdo District
 - Yeongjong District
 - Cheongna International City
- **Financial Resource:** 26,593 billion KRW

Focus sectors and anchor tenants

Focus sectors by Region

- Songdo: Commerce, IT/BT, International business
- Yeongjong: Logistics, Tourism, Aviation
- Cheongna: Business/Finance, Tourism/Leisure, Hi-tech industry

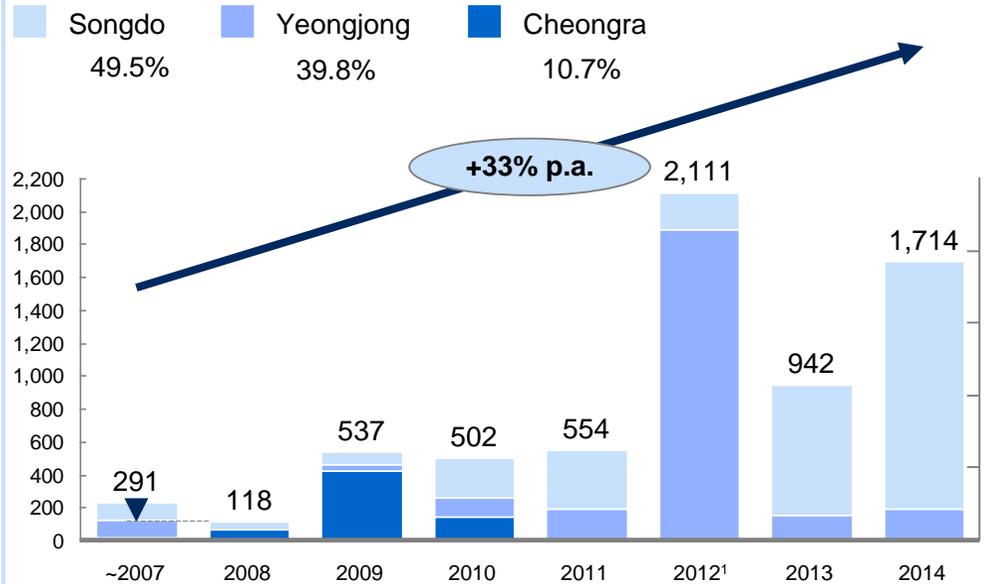
IFEZ Investment focus business area

- Business & Finance
- Logistics & Distribution
- IT
- Medical & Bio
- Education
- Tourism & Culture

Anchor Tenants (Office)

- 8 of Fortune's 80 Respected Company
- 13 international organizations' regional offices.

Foreign Direct Investment, \$ million



¹ In 2012, foreign investment rapidly increased after hosting Green Climate Fund (GCF) regional office. Also it was period in which major business were hosted, such as Samsung Biologics, DongA Pharmaceuticals, and major educational MOUs. In Yeongjong, major developments occurred (Midan City Development, Wangsang Sailing Marina, BMW driving center) and the increase in investment value was also due to devaluation of real estate from 2008 financial crisis



Overview of Incheon Free Economic Zone (2/2)



Competitiveness of IFEX

Geography



Location at the **center of Northeast Asia economic zone** (Stronghold connecting China and Japan, and an entry point to North Korea / Access to Seoul, Suwon, Anyang etc.)

Infra-structure



Incheon International Airport ranks 1st globally in airport service and 2nd in international cargo transport

Talent



High-quality human resources from universities (SUNY, Utah, GMU, Ghent etc)

Gover-nance



Active government support and various incentives

Market access



Potential market from metropolitan region (Population of 2.9 million in Incheon Metropolitan City / 23 million people in Seoul and its surrounding metropolitan regions)



Incheon – Investors attraction levers (1/2)

Levers	Activities the zone is doing
<p data-bbox="95 235 395 270">Hard incentives</p> <p data-bbox="95 284 395 914">Economic/ Tax</p>	<ul style="list-style-type: none"> <li data-bbox="446 291 1797 319">▪ Tax exemption for foreign investors/ companies : <ul style="list-style-type: none"> <li data-bbox="484 326 1797 424">– National and local tax are reduction for 7 years (first 5 years: 100%, the following 2 years: 50%) <ul style="list-style-type: none"> <li data-bbox="540 361 1740 424">▫ Requirements: Manufacturing: USD 30 million or more, Tourism: USD 20 million or more, Logistics: USD 10 million or more, R&D: USD 2 million or more <li data-bbox="484 431 1797 529">– National and local tax are reduction for 5 years (First 3 years: 100%, the following 2 years: 50%) <ul style="list-style-type: none"> <li data-bbox="540 466 1740 529">▫ Requirements: Manufacturing: USD 10 million or more, Tourism: USD 10 million or more, Logistics: USD 5 million or more, Medical Institutions: USD 5 million or more, R&D: USD 1 million or more <li data-bbox="446 571 1797 599">▪ Tax exemption for developer : <ul style="list-style-type: none"> <li data-bbox="484 606 1797 739">– National and local taxes are exempted for 5 years (First 3 years: 100%, the following 2 years: 50%) <ul style="list-style-type: none"> <li data-bbox="540 676 1740 739">▫ Requirements: Foreign investment over USD 30 million or foreign investment ratio of over 50%, and total development project cost of over USD 400 million <li data-bbox="446 746 1797 774">▪ Land lease/rent : <ul style="list-style-type: none"> <li data-bbox="484 781 1647 809">– Foreign-invested companies can lease national and public sites within 50-year period <li data-bbox="484 816 1196 844">– The rent shall be around 10/1,000 of the land price <li data-bbox="446 851 1797 907">▪ Free foreign currency exchange dealing : direct payment between transaction parties is allowed for current transaction below USD 10,000
<p data-bbox="95 942 395 1124">Labour</p>	<ul style="list-style-type: none"> <li data-bbox="446 956 1506 984">▪ Elimination of regulations regarding dispatched laborers and target businesses <li data-bbox="446 991 1074 1019">▪ Unpaid holidays, unpaid leave period allowed <li data-bbox="446 1026 1797 1089">▪ Financial support for establishment, operation and construction of education and research facilities if certain conditions (such as reputation and contribution to national development) are met <li data-bbox="446 1096 1131 1124">▪ Exclusion of required employment of the disabled
<p data-bbox="95 1152 395 1229">Location/ Infrastructure</p>	<ul style="list-style-type: none"> <li data-bbox="446 1159 1722 1222">▪ Support for road, railways, airports, ports, sewerage and waste treatment facilities (50% of infra construction cost is covered by government budget)



Incheon – Investors attraction levers (1/2)

Levers	Activities the zone is doing
Soft incentives	
Services	<ul style="list-style-type: none"> ▪ One-stop service allowing attraction of foreign investment from the IR planning stage through the investment review and practice stage to the follow-up stage ▪ Comprehensive investment consulting ▪ Simplification of Administrative Procedures
Livability readiness	<hr style="border-top: 1px dotted black;"/> <ul style="list-style-type: none"> ▪ Foreign education institutions : Foreign organizations will be permitted to establish educational institutions in FEZ ▪ International hospitals : <ul style="list-style-type: none"> – Foreign organizations will be permitted to establish medical centers, hire foreign-trained medical personnel – High Accessibility to Medical care ▪ Special housing : As much as 10% of all housing built by public companies in FEZ will be set aside specifically for employees of foreign-invested enterprises ▪ Cultural facilities : <ul style="list-style-type: none"> – Golf resorts, water fronts around residential facilities – Tourism and leisure facilities such as casinos, resorts, shopping malls etc.

Incheon – Examples of investors by Sector

Sector	What the zone has	Impact created	
		FDI, USD million	Number of jobs
Biology 	<ul style="list-style-type: none"> Placing Samsung and Dong A Pharmaceutical Co., Ltd at Songdo <ul style="list-style-type: none"> FDI Performance of 3 companies including Samsung BioLogics amounts to US\$98.2million, creating 2,542 new jobs 	 98	2,542
High-tech Industry 	<ul style="list-style-type: none"> Attraction of global enterprises like Amkor Technology and Being Training Center <ul style="list-style-type: none"> FDI performance of 13 companies including Amkor Tech., ILJIN Semiconductor Co., Ltd. amounts to US\$487.9m, creating 7,558 new jobs 	 488	7,558
Education 	<ul style="list-style-type: none"> Opening of Chadwick International School, Cheongna Dalton School, The State University of New York Korea, George Mason University's Songdo Campus and The University of Utah Asia Campus 	 N/A	N/A
Logistics Service 	<ul style="list-style-type: none"> Attraction of Lotte Mall, E-Land, Hyundai Department, and Shinsegae Complex Shopping Mall <ul style="list-style-type: none"> FDI performance of 5 companies including Lotte Mall Songdo stands at US\$71.7million, creating 14,650 new jobs 	 72	14,650
Financial Service 	<ul style="list-style-type: none"> Relocation of headquarter of Hana Financial Group Inc. <ul style="list-style-type: none"> Period : '12~'16, Size : 248,158m² Budget: about KRW7,300 (FDI US\$50million), 7 thousand jobs 	 50	7,000
Other Service 	<ul style="list-style-type: none"> Relocation of headquarter of Kolong Group affiliations and Daewoo Engineering relocated in Songdo <ul style="list-style-type: none"> 1) Kolong : Number of Employee (1,000 employees) 2) Daewoo Engineering : Number of Employee (1,500 employees) 	 N/A	2,500

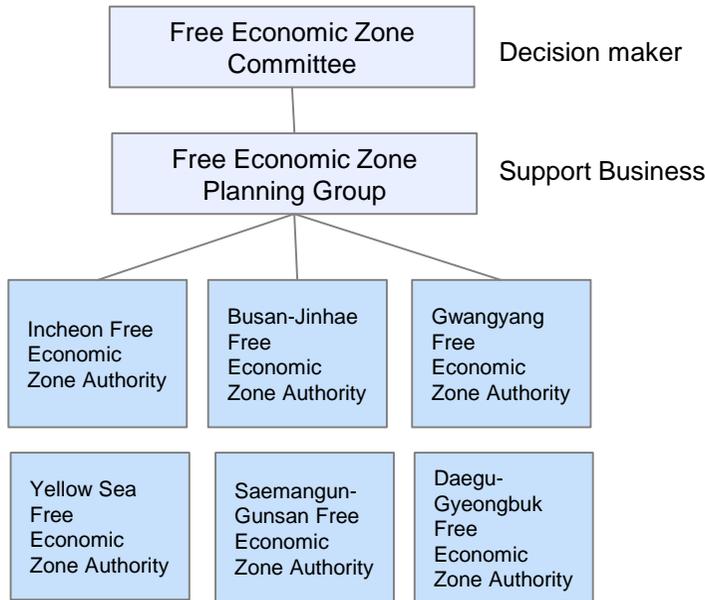
Incheon – Governance model

Model

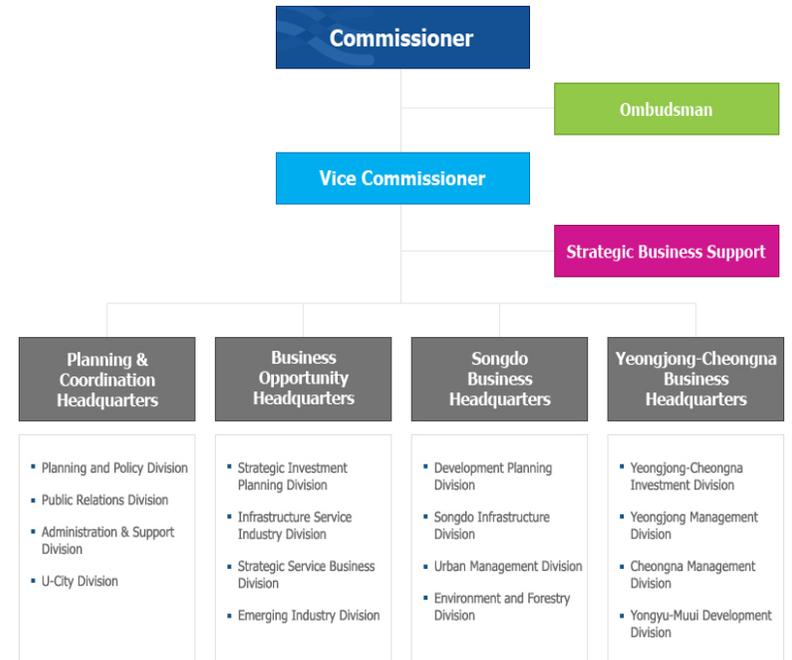
- **Free Economic Zone Selection & Operation**
 - based on ‘Special Act on Designation and Management of Free Economic Zones’ regulation and is designated by Minister of Trade, Industry, an Energy
 - Dually operated by central government (free economic zone committee, free economic zone planning group) and city government (free economic zone authority)
 - Zone development is proceeded by three steps: 1) Area designation 2) Development 3) Investment attraction
- **Incheon:**
 - 2015 Financial Support: Central Government (6.3%), Regional government (26%), Private/External (67%)
 - Personnel of 327 person (as of 2015.01), Budget of 579 billion KRW (2015)

Structure

Free Economic Zone Organization Body



Incheon Free Economic Zone Authority Body

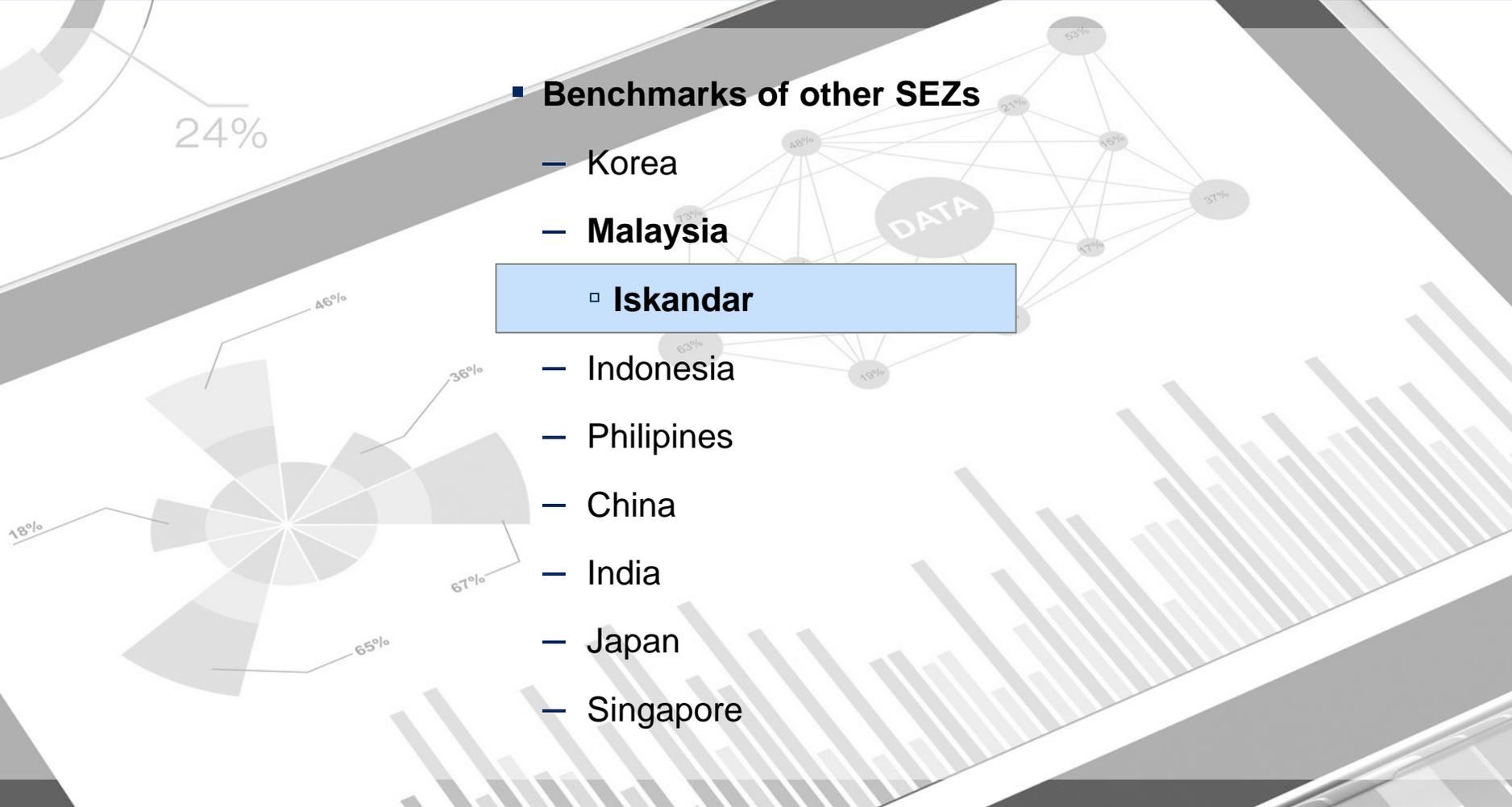


Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations</p>	<p>Act on Free Economic Zones (Ministry of Trade, Industry, and Energy)</p>	<ul style="list-style-type: none"> • Introducing special model district with regulation alleviated • Permitting construction and extension of factory of domestic large company according to Capital Region Management Act • Exceptionally releasing limitation of quota system of factory construction in free economic zone • Permitting special sales of nonresident facilities in the housing complex for foreigners • Improving regulations on managing business district • Exclusion of public park for investing in cultural facilities in free economic zone and allowing commercial facility • Specially providing houses for workers of domestic companies moved in free economic zones • Permitting incentive to invite global headquarters of foreign company in free economic zone
	<p>Korea Housing Guarantee (Ministry of Land, Transport and Infrastructure)</p>	<ul style="list-style-type: none"> • Permitting surety of loan for middle payment when overseas Koreans purchase house domestically,
	<p>The Special Act on Establishment and Management of Foreign Educational Institutions (Ministry of Education)</p>	<ul style="list-style-type: none"> • Alleviating qualifications for establishing foreign education agency in free economic zone
	<p>Environment Impact Assessment Act (Ministry of Environment)</p>	<ul style="list-style-type: none"> • Improving regulation on evaluation of environmental impact of company moved in free economic zone
	<p>The Foreigner’s Land Acquisition Act and the Act on Special Measures on Real Estate (Ministry of Land, Transport and Infrastructure)</p>	<ul style="list-style-type: none"> • Abolishing land acquisition report system applied to a foreign investment enterprise and a foreigner

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Overview of Iskandar (1/2)



Key facts and figures

- Iskandar: Johor Bahru, Johor, Malaysia
- Land area: 2,217 sq.km.
- Population: 1.805 Million (2013)
- Sectors of focus: Six targeted service-based sectors includes Creative, education, financial advisory and consulting, Healthcare, Logistics and Tourism

Background of the zone

- Iskandar Malaysia is a southern development corridor in Johor. It was an initiative by Malaysian Federal Government, along with the Johor State Government which allocated RM6.83 billion (USD 2 billion) for its establishment. The zone was established in July 2006.
- It has five flagship zones which are Johor Bahru city (Flagship A), Nusajaya (Flagship B), Western Gate Development (Flagship C), Eastern Gate Development (Flagship D) and Senai – Skudai (Flagship E)

Focus sectors and anchor tenants

Focus sectors

Services

- Electrical and Electronics, Food and Agro Processing, Petrochem and Oleochem, Tourism, Creative, Healthcare, Education, Logistics and Financial Services.

Anchor tenants

- Bio-XCell ecosystem : 4 anchor tenants including Agila Biotech, Biocon, Glycos Biotechnologies, Metabolic Explorer.

*Performance

Production (GDP) , \$ Millions

Year	Production (\$ Millions)	Growth
2009	9,949	-
2013	15,836	+12%

Investment \$ billion

Year	Investment (\$ billion)	Growth
2006	3	-
2014	48	+41%

Employment (Labour Force), Thousands of people

Year	Employment (Thousands)	Growth
2006	620	-
2015	1,300	+9%

Population Thousands of people

Year	Population (Thousands)	Growth
2006	1,600	-
2013	1,805	+2%

1 We have provided the GDP figures by taking the currency exchange rate to be for the respective year and growth rates are provided as CAGR values.

Overview of Iskandar (2/2)



- KTM Service
- North South Expressway
- Singapore – Johor Baru Ring Road
- Second link expressway
- Senai – Desaru expressway
- Coastal highway phase 2
- Eastern dispersal link (EDL)
- Bakar Batu – Pasir Gudang Coastal Road
- Rail transit system (Singapore) (Expected completion 2018)

Competitiveness of Iskandar

Geography



Six to eight hours flight radius from Asia's burgeoning growth centers such as Bangalore, Dubai, Hong Kong, Seoul, Shanghai, Taipei and Tokyo and a **cost efficient alternative to the nearby Singapore**

Infra-structure



Accessible by air, land, rail and sea and flanked by **three major ports**, the Pasir Gudang Port, Port of Tanjung Pelepas and Tanjung Langsat Port.

Area



Encompassing a vast acreage of land, it is the **largest single development project** ever to be undertaken in the region

Gover-nance



Active government support and various incentives

Market access



Within reach of a **global market of some 800 million people**



Iskandar – Investors attraction levers (1/3)

Levers

Activities the zone is doing

Hard incentives

Economic/tax

- Investment Tax Allowance (ITA) AND Import duty and sales tax exemption for equipment and components used, Five year corporate tax exemption on 100% statutory income and 15% tax rate scheme (TRS) for knowledge workers
- IDR status companies gets Exemption from the Foreign Investment Committee (FIC) rules and flexibilities under the foreign exchange administration rules such as unrestricted employment of foreign knowledge workers, eligibility for tax incentives. Some of the exemptions include Exemption from corporate income tax for a period of 10 years in respect of statutory income and Exemption from compliance with the withholding tax provisions on payment of royalty and services fee to non-residents
- Pioneer Status and Investment Tax Allowance ('ITA') are provided under the Promotion of Investments Act, 1986 and Investment Allowance are provided under the Income Tax Act, 1967.

Current employment

- Foreign Worker breakdown by sector: 21% Construction, 36% Manufacturing, 13% services and 30% Agriculture.
- Labour Force breakdown by region: 44% Malay, 41.5% Chinese, 9.1% Indian and 5.1% others.
- Populated with a multi-lingual (including English) and educated workforce, providing skilled people ranging from the services, technical to the professional sectors.

Labour management

- IRD Status Foreign knowledge workers eligible for duty free car for own use.
- Sources to local/Malaysian staff includes migration workers from various parts of Malaysia, Local public and private universities, returning Malaysians from Singapore/Abroad.
- The minimum salary to be paid to the employee is RM5,000 per month
- Skilled foreign workers are exempt from tax on car purchases

Foreign labour

- No restrictions are imposed on IDR-status companies, approved developers or approved development managers with respect to hiring of foreign knowledge workers.
- Foreign knowledge workers do not enjoy special income tax incentives/exemptions.
- Artists, missionaries, experts or volunteers are allowed to work on a short-term basis after having obtained a Visit Pass (Professional). The validity of the pass in 12 months.

Labour

Location/ Infrastructure

- Six to eight hours flight radius from Asia's burgeoning growth centres such as Bangalore, Dubai, Hong Kong, Seoul, Shanghai, Taipei and Tokyo. Within reach of a global market of some 800 million people.
- Flanked by three major ports, the Pasir Gudang Port, Port of Tanjung Pelepas and Tanjung Langsat Port.
- Lies in the center of Asia region and at the cross-roads of the East-West trade routes
- Proximity to an international hub and the large economy of Singapore, and having two road connections and railway links provides seamless accessibility to its market.
- The region has ready built infrastructure such as power utilities, transportation networks and services, and broad based telecommunications.
- Advantageous position for Investors and business operators due to Competitive cost structures business environment.



Iskandar – Investors attraction levers (1/3)

Levers

Soft incentives

Activities the zone is doing

Quality housing and community

- Estimated that 107,000 new homes will be added to Iskandar – including Johor Bahru and Kulaijaya districts – in the coming years.
- They comprise 39,716 landed homes, 4,935 low-cost homes and 61,836 flats.
- As per Mercer's Quality of living index- 2015, Johor Baru city is ranked 103rd out of 230 cities, while Kuala Lumpur is ranked 84th in the same index.
 - **Key Fact:** Both Kuala Lumpur and Johor Baru are ranked higher than some Asean cities, such as Bangkok (117th), Manila (136th), Jakarta (140th), Ho Chi Minh City (153rd) and Hanoi (154th). The only Asean city that ranks higher than Kuala Lumpur is Singapore which is ranked 26th.

Living Facility

- ECOWORLD launched its EcoSpring and EcoSummer Show Village in Iskandar Malaysia, Johor in Sept, 2014.

Medical

- Upcoming 25 hospitals and private specialist centers by 2016, in line with focus to build a medical hub within the region here.
- Plans to construct two more government hospital, namely Hospital Sultanah Aminah II and Hospital Pasir Gudang
- The rates will be relatively cheaper for Singaporeans to get medical treatment in Johor Baru compared to what they will be paying in the republic
 - **Key Fact:** IHH Healthcare Bhd – has invested over RM400mil for the first phase of its 300 bed Gleneagles Medini Hospital

Education

- Iskandar EduCity Project: Around 16,000 students are expected to attend universities and schools at EduCity once the project in Nusajaya is completed, transforming the region into a 'global hub'.
 - Key Operating Institutions: Britain's Newcastle University, Medicine Malaysia (NUMed) and the University of Southampton's Malaysia Campus, Marlborough College Malaysia, a branch of the British boarding school
 - Target Market: The target market is Malaysia, however the institution expects that by 2020 30% of students will be from outside the country, mostly from Asia.

Livability readiness

Iskandar – Investors attraction levers (1/3)



Levers	Activities the zone is doing
<p data-bbox="58 193 234 217">Soft incentives</p> <p data-bbox="114 491 217 515">Services</p>	<ul style="list-style-type: none"> <li data-bbox="433 239 1815 420"> <p>▪ Iskandar service center (Set-up in 2007) – one stop for business: IRDA* has set up a facilitation division called Iskandar Service Centre (ISC).</p> <ul style="list-style-type: none"> <li data-bbox="470 319 1815 420">○ There are two broad categories of services provided by ISC, Business Advisory service and Physical Development service including land matters. ISC provides end to end scope of services in assisting selected investors in obtaining various regulatory approvals, covering the whole lifecycle of the investment process. <li data-bbox="433 435 1815 571"> <p>▪ Streamlined processes: ISC provides value-added services that are unique and transparent, which may not be provided by any private consultants. ISC’s facilitation results in expedited approval processing time which is crucial to the investors. ISC not only facilitates approval processing, it also facilitates the creation, clarification or improvement of various policies related to specific types of investment.</p> <li data-bbox="433 586 1815 687"> <p>▪ Consultancy services (on investment, financial, strategy, implementation, etc.): ISC call center provides an avenue for customer enquiries. It received over 1,000 enquiries in 2008. The number of enquiries related to investments in Iskandar Malaysia had increased to 27% in 2008, which is encouraging.</p> <li data-bbox="433 702 1815 772"> <p>▪ Central body to take care of disputes/ zone administrative management: ISC acts as the principal coordinating and facilitating agent; a bridge between the investors and various government agencies involved in issuing approvals.</p>
<p data-bbox="114 999 211 1023">Stability</p>	<hr/> <ul style="list-style-type: none"> <li data-bbox="433 845 1815 901"> <p>▪ Six service-based sectors have been identified as new pillars to strengthen existing economic sectors in the region. The six targeted service-based sectors (as identified in the Comprehensive Development Plan) are as follows:</p> <ul style="list-style-type: none"> <li data-bbox="452 911 583 935">– Creative <li data-bbox="452 946 598 970">– Education <li data-bbox="452 981 842 1005">– Financial advisory and consulting <li data-bbox="452 1016 607 1040">– Healthcare <li data-bbox="452 1051 583 1075">– Logistics <li data-bbox="452 1086 577 1110">– Tourism <li data-bbox="452 1121 1440 1177">– The companies undertaking qualifying activities in these sectors will be eligible to apply for IDR status

Note: Iskandar Regional Development Authority



Iskandar – Key enablers put in place

Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none">▪ Malaysian Government has paid a lot of focus on infrastructure development. It spent RM2.8 billion in infrastructure projects over past 5 years till August 2012 to improve critical infrastructure to promote livability and connectivity. Federal and state governments invested in infrastructure worth RM7.31 billion which included six road and highway projects, 11 drainage projects, and six river-cleaning packages.
Digital & ICT	<ul style="list-style-type: none">▪ ICT activities in Iskandar Malaysia are currently centered in Menara MSC Cyberport and two other potential centres are being planned for the future – Bandar MSC Cyberport and Nusajaya. MSC Cybercentre has 90% occupancy with some 70 ICT companies. Iskandar Malaysia houses over half of all ICT SMEs in Johor, of which 70 are located in MSC Cyberport.
Innovation and R&D	<ul style="list-style-type: none">▪ 2012: Planned investment of USD 160.32 Million (RM 500 Million) in Frost & Sullivan's Global Innovation Centre (GIC) of Excellence in Iskandar in a tripartite collaboration with government ICT agency Multimedia Development Corporation and Iskandar Development Berhad. Official opening held on March 15, 2015.
Education and HR	<ul style="list-style-type: none">▪ EduCity is a fully integrated education hub in Iskandar Malaysia. It comprises of universities and institutes of higher education, academia industry action and R&D centres, student accommodations, as well as recreational and sports facilities. It has Education partners-luminaries in Education from around the globe
Art and creative design	<ul style="list-style-type: none">▪ A 4.1 Sq. Km park has been dedicated for extensive digital content industry and provide opportunities in creative and design services, talent management services, Film and television, Games and Animation, Content and Mobile content generation, visual and performing arts.▪ To strengthen the film crew base in Malaysia, Iskandar Malaysia Creative Industry Talent Development Program (IMCITDP) was initiated in yearly 2013. It aimed to train approximately 900 people by the end of the Program.

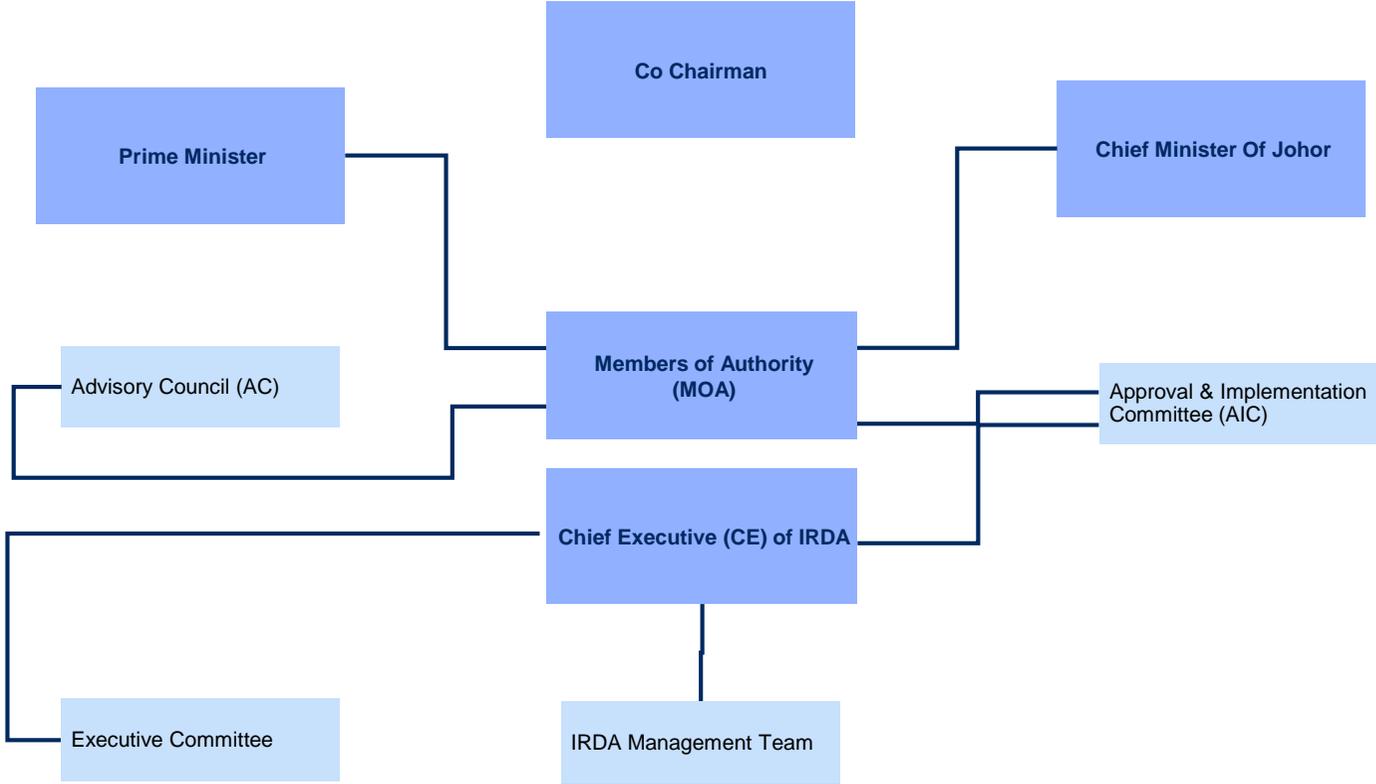
Iskandar – Governance model (1/3)



Model

- IRDA is responsible for the administration of Iskandar Malaysia. The Iskandar Regional Development Authority (IRDA) is a Malaysian Federal Government statutory body which is responsible for regulating and driving various stakeholders in both public and private sector towards realizing the vision of developing Iskandar Malaysia into a metropolis of international standing.

*Structure



Note: Org Chart provided for IRDA which administer Malaysia Iskandar.

Iskandar – Governance model (2/3)



Stages	Activities	Responsibility
Zone set up	National zones strategy	<ul style="list-style-type: none"> Ministry of Industry
	Setting up new entities	<ul style="list-style-type: none"> Ministry of Industry and Iskandar Regional Development Authority (IRDA)
	Provide land	<ul style="list-style-type: none"> IRDA, Federal Government, State Government of Johor and local authorities.
	Partner selection	<ul style="list-style-type: none"> Zones Corp
	Partner coordination and master planning	<ul style="list-style-type: none"> IRDA
	In-zone infrastructure planning	<ul style="list-style-type: none"> IRDA
	Infrastructure development (standard)	<ul style="list-style-type: none"> Private sector developer
	Infrastructure financing for large projects	<ul style="list-style-type: none"> IRDA, Federal Government, State Government of Johor and local authorities.
	Infrastructure development large projects	<ul style="list-style-type: none"> Private sector developer
	Country marketing (parallel)	<ul style="list-style-type: none"> Iskandar Regional Development Authority
	Anchor tenant attraction	<ul style="list-style-type: none"> Zones Corporation
Other tenant attraction	<ul style="list-style-type: none"> Private sector operator 	

Note: IRDA – Iskandar Regional Development Authority.



Stages	Activities	Responsibility
Zone operations	Provide services to tenants	<ul style="list-style-type: none"> Private sector operator
	One-stop shop	<ul style="list-style-type: none"> Zones Corp
	Improve doing business	<ul style="list-style-type: none"> Iskandar Regional Development Authority
	Financing – facilitation	<ul style="list-style-type: none"> Zones Corporation
	Financing – provision	<ul style="list-style-type: none"> Banks, Iskandar Regional Development Authority
	Logistics	<ul style="list-style-type: none"> Private sector logistics company
	Other services	<ul style="list-style-type: none"> Other private sector companies
	Daily zone operations	<ul style="list-style-type: none"> Private sector operator
	Steer zone strategically	<ul style="list-style-type: none"> Zones Corporation

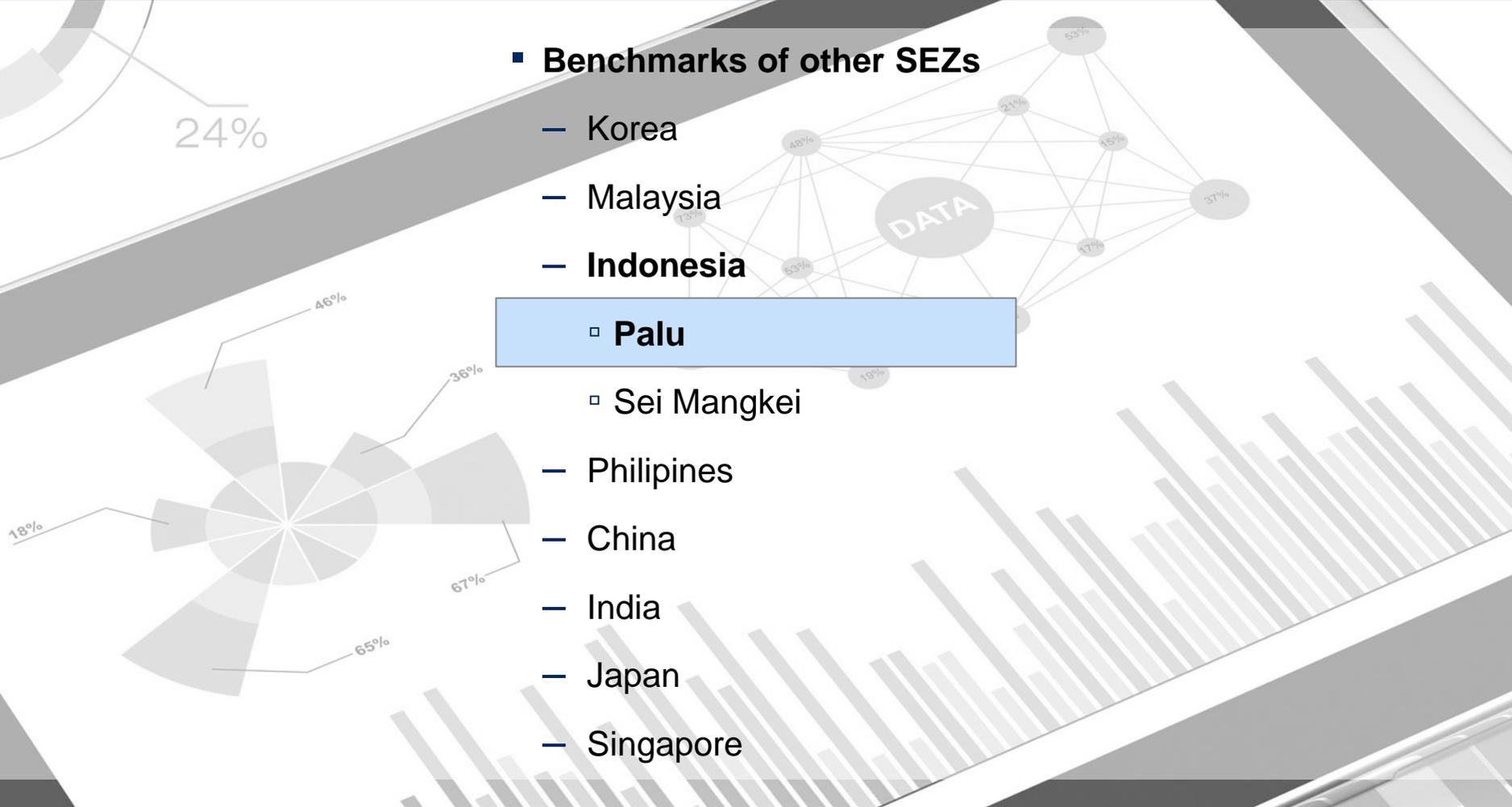
Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations ('07)</p>	<p>IRDA Act 2007 (ACT 664)</p>	<p>Purpose:</p> <ul style="list-style-type: none"> ▪ IRDA Act 2007 (Act 664) empowers IRDA to facilitate the promotion, planning, processing and infrastructure development ▪ IRDA was established as a One Stop Centre (OSC) a point-of-call for investors in Iskandar to obtain approvals for various aspects of developments –such as planning and land matters, licenses and permits, immigration, business set-up and incentives. OSC acts as a principal coordinating and facilitation agent on behalf of the Government, which offers a multi-channel government-investor interface through the employment of simplified processes and work procedures. Its scope is confined to dealings with IRDA clients. <p>Content:</p> <ul style="list-style-type: none"> ▪ In March 2007, the IRDA released the Incentive and Support Package (ISP) to encourage early investment with a view to kick start the development of Iskandar Malaysia. In order to be eligible for the ISP, companies must be approved by the IRDA and carry out activities in the targeted service sectors, and be situated in the designated zones, for customers within the zone and outside Malaysia. ▪ IDR status enjoy the following incentives: <ul style="list-style-type: none"> – Freedom to source capital globally able to employ foreign employees freely within the approved zones, depending on the amount of space occupied in these zones – Exemption from corporate income tax for an IDR-status company at statutory income level for a period of 10 years from commencement of qualifying activities within the zone and outside Malaysia, provided these operations commence before the end of 2015. Unabsorbed losses are allowed to be carried forward to the post-tax exempt period with certain conditions

Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations ('07)</p>	<p>IRDA Act 2007 (ACT 664)</p>	<ul style="list-style-type: none"> ▪ IDR status and enjoy the following incentives: <ul style="list-style-type: none"> – Foreign knowledge workers living in Iskandar Malaysia (IM) and working in IDR-status companies will be entitled to import or purchase one car per person free of import duties or excise duties and sales taxes subject to conditions. – Chargeable income of knowledge workers residing in IM in respect of qualifying activities who apply for and commence employment in a designated company in IM between 24 October 2009 and 31 December 2015 and working in qualifying activities be taxed at 15% indefinitely. Qualifying activities include green technology, biotechnology, educational services, healthcare services, creative industries, financial advisory and consultancy services, logistic services and tourism. – Non-Residents are exempt from tax on payment of technical fees and royalty by an IDR-status company within 10 years from the date of commencement of his qualifying activity in Malaysia – There also exist other tax benefits for Developers and Developer Managers. ▪ Customized Incentives: <ul style="list-style-type: none"> – There are also customized incentives available to those who meet prerequisite criteria set out by the Malaysian Investment Development Authority and/or the Ministry of Finance. These incentives are bilateral in nature (based on request and consultation) with no specific guidelines. These incentives are ultimately based on the projected net economic benefit enjoyed from the investment.

Contents

- **Benchmarks of other SEZs**

- Korea
- Malaysia
- **Indonesia**
 - **Palu**
 - Sei Mangkei
- Philippines
- China
- India
- Japan
- Singapore



Overview of Palu (1/2)

Key facts and figures

- Location: Palu Bay, Central Sulawesi Province, Indonesia.
- Land area: 15 Sq. Km
- Population: 385.684 people (Palu City)
- Sectors of focus: Processing and Manufacturing

Background of the zone

- Palu was launched by the Government of Indonesia in 2014. It has the status of Special Economic Zone (SEZ) for logistic, agro industry, mining processing industry and manufacturing industry.
- It has benefits for investors in terms of fiscal and non-fiscal incentives
- SEZ Palu is managed by the government of Palu City.

Focus sectors and anchor tenants

Focus Sectors

- Logistic
- Agro Industry (Rubber, kakao, ratan, seaweed)
- Mining Industry (Nikel, emas, Biji Besi dan Timbal)
- Manufacturing Industry (Heavy Equipment, Automotive, Electronic)

Anchor Tenants

- PT Sinosteel Corporation
- PT Intraco Penta
- PT. Bangun Palu Sulteng

Performance

Investment:

- Shenzhen Nanli Engineering Decoration Co. Ltd. Would be making an investment of USD 889.04 mn.
- PT Sinosteel Corporation – Rp 7.6 trillion
- PT Intraco – Rp 4.5 trillion.
- PT Multistrada Arah Sarana – Rp 15 trillion
- Handaka – Rp 2.3 trillion

Employment – 560 (Proposed)

Thousands of people

Population – 385.7 (Palu City) (2012)

Thousands of people



- SEZ Palu
- Provincial Capital
- Road Plan
- ⚓ Sea Port
- ⚡ Power Plant
- Water Distribution Network
- ✈️ Airport
- Regency
- Electric Transmission Network
- 💧 Water Resource
- Country Road

Competitiveness of Palu

Geography



Strategically **accessible to various cities**: Kalimantan, Sulawesi, Maluku, Papua, Malaysia and the Philippines

Infra-structure



Located near **Indonesian Archipelagic Sea Lanes** (ALKI 2) which is crossed by **more than 6,400 ships/year**. In addition, **Palu Parigi Hub Road Project** is introduced with a target to invest **IRD 1,000 billion** by 2016

Area



Located in Palu Bay area which encompasses **9,300 square meter**

Talent



Over **100 ha area** for education and research with various **schools and colleges** established in the vicinity

Market access



Within reach of large **Indonesian domestic market** and located in the **strategic trading channel** in Sulawesi. It is a very **strategic integrated logistics zone**.

Governance Model



Managed by the government of Palu City as the first area designed by the Government as the centre of integrated logistics and mining processing industry in Sulawesi Economic Corridor



Levers	Activities the zone is doing
Hard incentives	
Economic/tax	<ul style="list-style-type: none"> ▪ Income Tax Allowance would be given for the business entity and individual who run business in SEZ Sei Mangkei ▪ Value-Added Tax (VAT) & Luxury Sales Tax: This tax is Exempted for taxable goods ▪ Excise: One is Exempted for raw direct materials and supporting materials for production purposes. ▪ Import income Tax is not levied at all. ▪ Tax agency incentives is not levied ▪ Property Tax: provides reduction in compliance to the provision of law and regulation.
Labor	<p>Current employment</p> <ul style="list-style-type: none"> ▪ Current employment by sector: It is estimated that this zone would help create 100,000 jobs by 2015. ▪ Total labor force, broken down by <ul style="list-style-type: none"> – Total labor force is 97,500. This is just the projected estimate. This might increase depending upon the number of new players enter the market. <p>Labor management</p> <ul style="list-style-type: none"> ▪ Wage council ▪ To manage labor it has Trade/Labor Unions which help to create effective communication and harmonious industrial relation within the unions and the senior management. ▪ Tripartite cooperation institution. <p>Foreign labor</p> <ul style="list-style-type: none"> ▪ Permission to hire foreign workers who have position as directors or managers.
Location/ Infrastructure	<ul style="list-style-type: none"> ▪ Located in Palu Bay which encompasses 9,300 square meters with an average depth of more than 200 meters. It is connected with Pantoloan Port which is able to accommodate VLCVs. ▪ Located near Indonesian Archipelagic Sea Lanes (ALKI 2) which is crossed by more than 6,400 ships/year ▪ It is strategically accessible to various cities Kalimantan, Sulawesi, Maluku, Papua, Malaysia and the Philippines

Palu – Investors attraction levers (2/2)



Levers	Activities the zone is doing
<p>Soft incentives</p> <p>Livability readiness</p>	<ul style="list-style-type: none"> It has provided 700 ha for residential area. However, data provided for the livability index is not available.
<p>Services</p>	<ul style="list-style-type: none"> One-stop shop feature allowing single point of contact for tenants: The proposed site is located in the Indonesian archipelagic sea lanes (ALKI) 2 which is navigable international shipping, especially from Australia to East Asia. The location is also very strategic for the development of various industries based on natural resources such as agriculture and plantations of rubber, cocoa, rattan, sea grass, as well as the mining of natural resources, among others, nickel, gold, iron ore, and lead Streamlined processes (of permits, approvals): The local government grants tax relief area and ease of licensing Consultancy services (on investment, financial, strategy, implementation, etc.): It provides One stop services point which help development of the investment climate in the region. Central body to take care of disputes/ zone administrative management: Central Sulawesi Provincial Government and the City of Palu is committed to the development of the investment climate in the region through the establishment of One Stop Services (OSS) and reduction commitments taxes and levies.
<p>Stability</p>	<ul style="list-style-type: none"> The proposed location is very strategic for national and international trade lanes, among other connecting cities in Kalimantan, Sulawesi, Maluku, Papua, Malaysia, and the Philippines. This brings in a lot of stability in the region as it is easily accessible region for different countries.

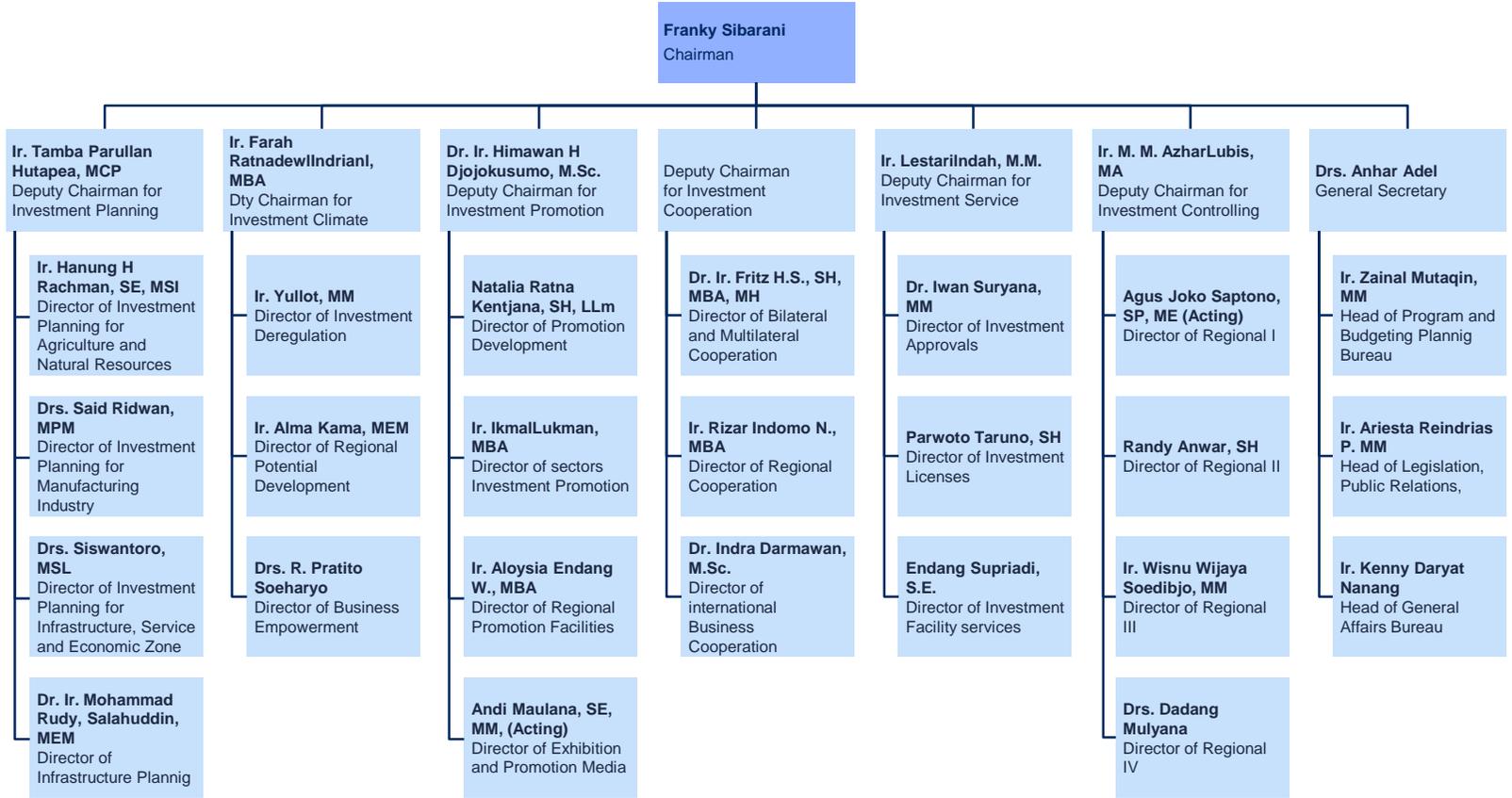


Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none">▪ Flyover Road development in Palu-Pantoloan National Road▪ Development plan of Pantoloan Port and Pantoloan International Containers Terminal.▪ Development plan of water system from Janedo River, Wombo River, Watudonggala River and Liku River▪ Enhancement of electricity power from Poso Hydroelectric Power Plant (PLTA) which is connected to Suluttenggo interconnected system.
Digital & ICT	<ul style="list-style-type: none">▪ The government is trying hard to provide digitization to the various industries/companies applying to the area. This is still in progress stage.
Innovation and R&D	<ul style="list-style-type: none">▪ For this, Palu city has provided 100 ha area for education and research area. This area would be extensively used for research which would help to secure the future for the city as well as the SEZ
Education and HR	<ul style="list-style-type: none">▪ The government efforts of improving the Index of Human Development and achieving millennium development goals are always highly appreciated.▪ Various schools and Colleges are established in the vicinity.
Art and creative design	<ul style="list-style-type: none">▪ n/a



- Model**
- It is run by the government of Palu city. The Mayor (H. Rusdy Mastura) is the major person of contact and undertakes all the decisions in accordance with the Palu city government.

**Struc-
ture**





Stages	Activities	Responsibility
Zone set up	National zones strategy	<ul style="list-style-type: none"> ▪ Ministry of Industry
	Setting up new entities	<ul style="list-style-type: none"> ▪ State Ministry of National Development Planning
	Provide land	<ul style="list-style-type: none"> ▪ Ministry of Industry and other relevant ministries, regional governments
	Partner selection	<ul style="list-style-type: none"> ▪ Zones Corp
	Partner coordination and master planning	<ul style="list-style-type: none"> ▪ Zones Corp
	In-zone infrastructure planning	<ul style="list-style-type: none"> ▪ Regional Investment Coordinating Board (BKPMMD)
	Infrastructure development (standard)	<ul style="list-style-type: none"> ▪ Regional Investment Coordinating Board (BKPMMD)
	Infrastructure financing for large projects	<ul style="list-style-type: none"> ▪ City Government
	Infrastructure development large projects	<ul style="list-style-type: none"> ▪ City Government
	Country marketing (parallel)	<ul style="list-style-type: none"> ▪ Regional Investment Coordinating Board (BKPMMD)
	Anchor tenant attraction	<ul style="list-style-type: none"> ▪ Zones Corporation
	Other tenant attraction	<ul style="list-style-type: none"> ▪ Private sector operator



Stages	Activities	Responsibility
Zone operations	Provide services to tenants	<ul style="list-style-type: none"> Private sector operator
	One-stop shop	<ul style="list-style-type: none"> Zones Corp
	Improve doing business	<ul style="list-style-type: none"> Capital Investment Coordinating Board (BKPM)
	Financing – facilitation	<ul style="list-style-type: none"> Capital Investment Coordinating Board (BKPM)
	Financing – provision	<ul style="list-style-type: none"> Banks, Capital Investment Coordinating Board (BKPM)
	Logistics	<ul style="list-style-type: none"> Private sector logistics company
	Other services	<ul style="list-style-type: none"> Other private sector companies
	Daily zone operations	<ul style="list-style-type: none"> Free Trade zone/special economic zone investment Authority
	Steer zone strategically	<ul style="list-style-type: none"> Zones Corporation

Palu – Regulation (Indonesia Special Economic Zone – Macro level)

Stages	Regulation (Applicable Ministry)	Purpose & Content
<p>Regulations (2009)</p>	<p>Law of the Republic of Indonesia number 39 (Ministry of Economic Affairs, National Council),</p>	<p>Purpose:</p> <ul style="list-style-type: none"> ▪ SEZ shall be developed by first preparing areas having geo-economic and geo-strategic advantages and serving to accommodate manufacturing activities, export, import and other economic activities with high economic value and international competitiveness. <p>Content:</p> <ul style="list-style-type: none"> ▪ Further provisions concerning the procedures for designating SEZ shall be regulated with a Government Regulation. ▪ A SEZ shall be made up of one or several zones dedicated for: <ul style="list-style-type: none"> – Export processing; – Logistics; – Manufacturing; – Technology development; – Tourism; – Energy; and/or – Other economic activities – Within SEZ, there will be places to conduct micro, small & medium businesses, and cooperatives as the business players and support for the activities of the companies operating within such SEZ. – SEZ should be ready to operate within a period of 3 (three) at the latest from its designation. – The National Council may set its own policies by the Central Government, and local administrations, in cooperation with private parties to construct and maintain the infrastructure in SEZ.

Palu – Regulation (Palu Special Economic Zone – Micro level)

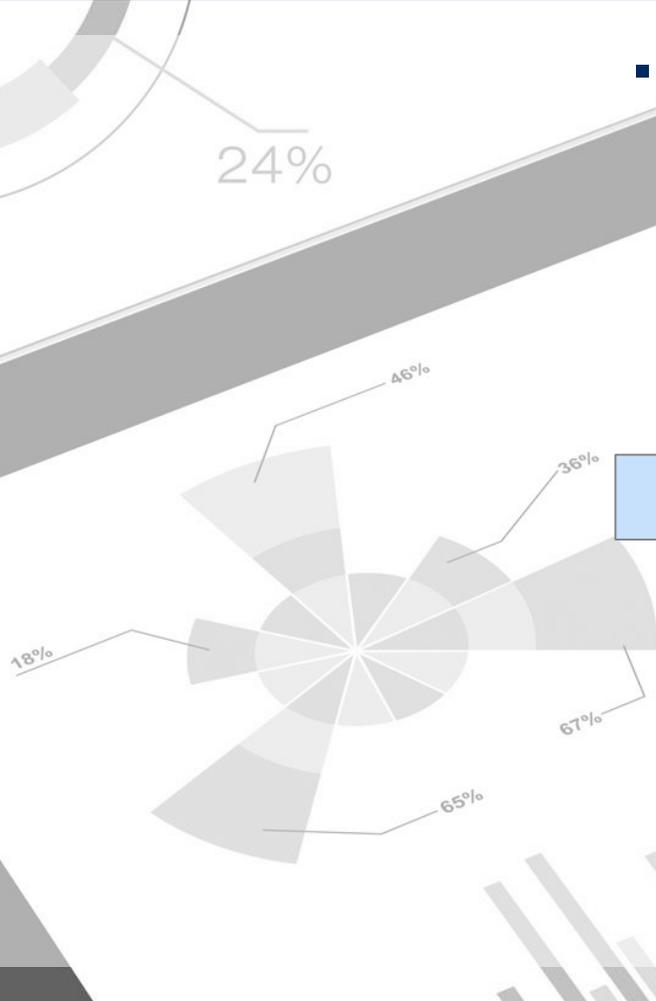
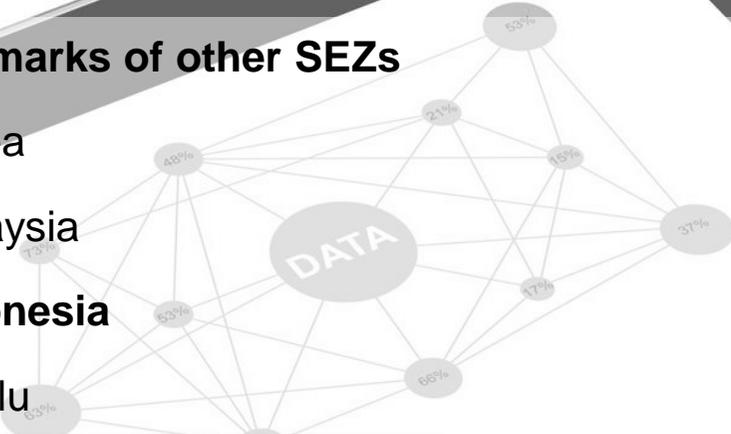


Stages	Regulation (Applicable Ministry)	Purpose & Content
Regulations (1995, 96)	Government Regulation (PP) No. 29/2012 (PTPN III)	<ul style="list-style-type: none">PP No. 29/2012 determining Sei Mangkei as Special Economic Zone, bans transfer of land ownership and investors could have only land use title.

Contents

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- Singapore



Key facts and figures

- Location: Sub-district Bosar Maligas, Simalungun regency, North Sumatra province, Indonesia
- Land area: 20 Sq. Km
- Population: 852,095 (Simplungun Regency)
- Sectors of focus: Plantations

Background of the zone

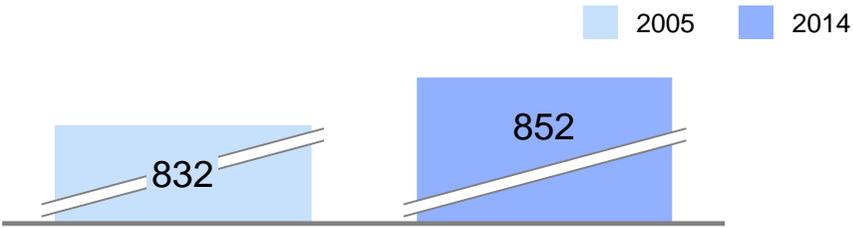
- SEZ Sei Mangkei came into existence in early 2012 is the first economic zone in Indonesia which is located within the heart of palm oil plantation in Sumatera.

Focus sectors and anchor tenants

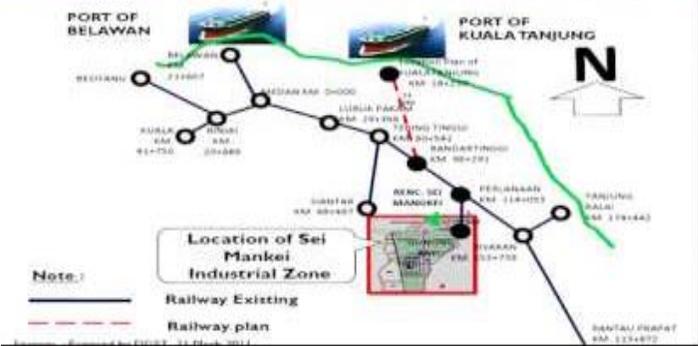
- Focus Sectors
- Agro (Oleochemicala, Biodiesel, Surfactant, Cattle Feeds)
 - Logistics & Warehousing
 - Tourism (MICE, Golf Area, Hotels)
- Anchor Tenants
- PT. Unilever Oleo chemical Indonesia

Performance (WIP)

- Investment:
- Unilever invested Rp two trillion to build a new oleochemical plant in the economic zone of Sei Mangkei in North Sumatra to be fully operational in 2015.



Population – Simlungun Regency
Thousands of people



Competitiveness of Sei Mangkei

Geography



30 minutes travel access road to Kuala Tanjung harbor in the main international sea route of Malaka Strai and **located near Indonesian Archipelagic Sea Lanes (ALKI 1)** and Malaka Strait

Infra-structure



Equipped with **supporting facilities** such as commercial area, education center, housing, medical clinic and sport facilities

Area



Located in Sub-district Bosar Maligas, Simalungun regency, North Sumatra province, Indonesia and have a **land area of 20 Sq. Km** and **population of 852,095** in 2014.

Talent



Established **palm oil innovation center for research and development** purposes and have various schools and colleges in vicinity

Market access



Within **reach of a global market of some 800 million people**



Sei Mangkei – Investors attraction levers(1/2)

Levers

Activities the zone is doing

Hard incentives

Economic/tax

- Income tax allowance to business entity and individual who run business in SEZ Sei Mangkei.
- Value-Added Tax (VAT) & Luxury Sales Tax – Exempted for taxable goods.
- Import Duties – Postponement for import goods to SEZ Sei Mangkei
- Excise – Exempted for raw direct materials and supporting materials for production purposes
- Import Income Tax Not Levied
- Tax Agency Incentives – Not Levied
- Property Tax – Reduction in compliance to the provision of law and regulation
- Local Government provide support in Tax and local retribution reductions and have a commitment for SEZ administration's operation.
- Immigration – Easiness for foreign business people.
- Land – Easiness to obtain land rights and land acquisition and land rights are granted for those who already have land
- SEZ Sei Mangkei is a vital object according to Indonesian police's policy

Current Employment:

- The area has a readiness of human resources, including administrators, managers and business entities

Labour

Labour management

- Within the SEZ, there exists a Wage council, Trade/Labor Unions to create effective communication and harmonious industrial relation and Tripartite cooperation institution

Foreign labour

- Permission to hire foreign workers who have position as directors or managers.

Location/ Infrastructure

- Lies in centre of integrated palm oil industry with its derivative products in Sumatera Economic Corridor.
- Abundant water supply potential from nearby Bah Bolon River
- Located near Indonesian Archipelagic Sea Lanes (ALKI 1) and Malaka Strait
- 30 minutes travel access road to Kuala Tanjung harbor in the main international sea route of Malaka Strai
- No history of social unrest and known as highly tolerant community
- Geologically stable and far from tsunami, earthquake or other natural disaster area.



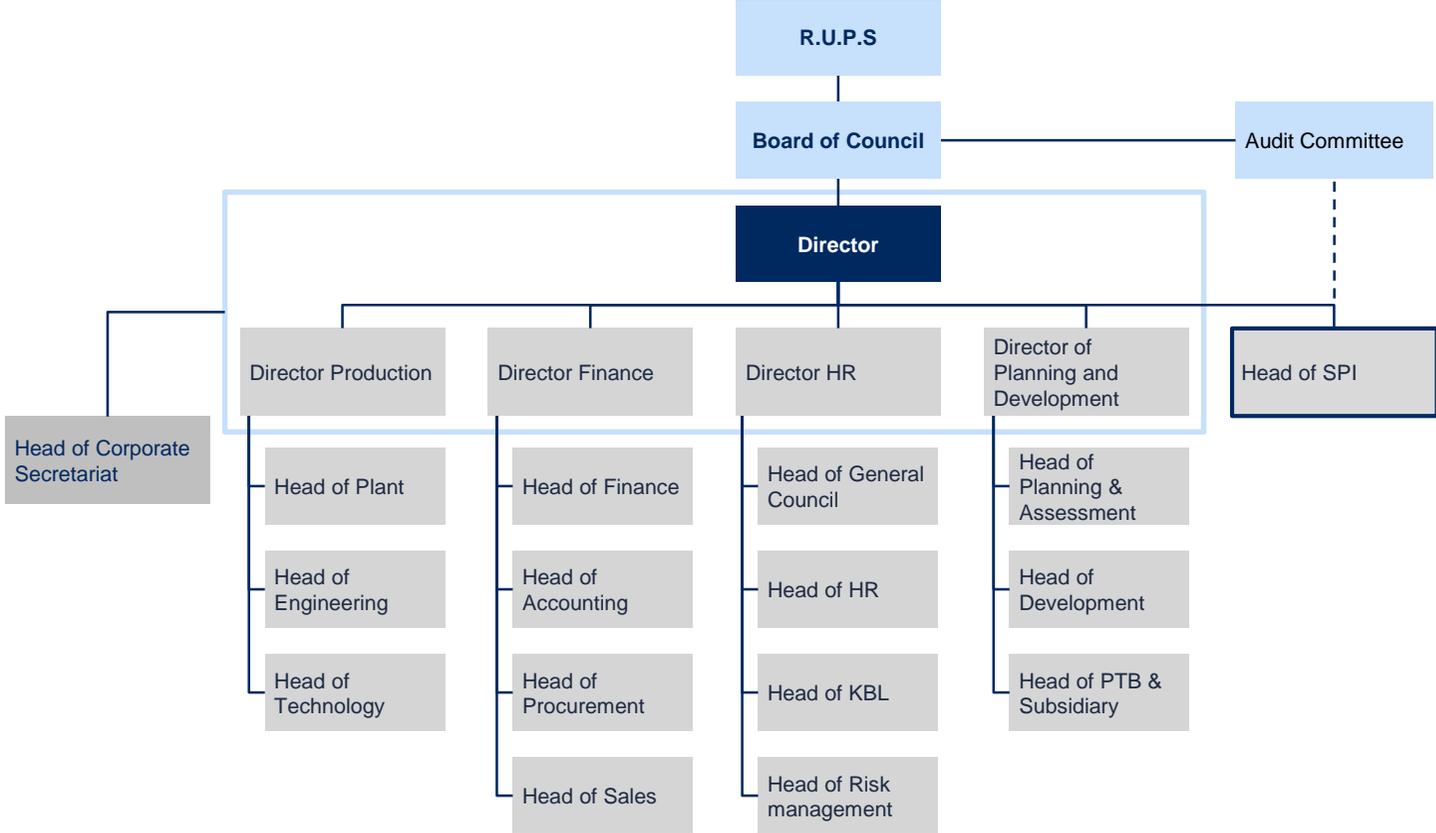
Levers	Activities the zone is doing
<p data-bbox="52 200 283 228">Soft incentives</p> <p data-bbox="95 242 358 438">Livability readiness</p>	<ul style="list-style-type: none"><li data-bbox="377 242 1690 354">▪ The zone is equipped with supporting facilities such as commercial area, education centre, housing, medical clinic, sport facilities, and palm oil innovation centre for research and development purposes.<li data-bbox="377 368 1718 438">▪ It also has the basic infrastructure including sewage, electricity, water, roads, waste facilities, drainage, telecommunications, and security facilities. <hr/>
<p data-bbox="95 564 358 760">Services</p>	<ul style="list-style-type: none"><li data-bbox="377 564 1802 676">▪ For accelerating business and investment activities within the zone, SEZ Sei Mangkei is supported by an integrated one-stop-service centre to streamline licensing and non-licensing processes performed by SEZ's Administrator. <hr/>
<p data-bbox="95 886 358 1082">Stability</p>	<ul style="list-style-type: none"><li data-bbox="377 886 1793 998">▪ SEZ Sei Mangkei is a vital object according to Indonesian police's policy. It has all the required infrastructure including commercial area, education centre, housing, medical clinic, sport facilities, and palm oil innovation centre for research and development purposes.

Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none">▪ 10 MW Electricity Distribution Network Development and The Development Plan of Sei Mangkei Substation for 60 MW .▪ Development Plan of Kuala Tanjung Hub Port, one of the best location for port in eastern site of Sumatera Island.▪ Development Plan of water supply infrastructure▪ National Highway Maintenance and Development Plan of Trans Sumatera Toll Road.▪ Railway network development connecting Sei Mangkei SEZ to Kuala Tanjung and Belawan Port.
Digital & ICT	<ul style="list-style-type: none">▪ The government is trying hard to provide digitization facilities to the various industries/companies working in the area. This is still in progress stage.
Innovation and R&D	<ul style="list-style-type: none">▪ It provides palm oil innovation center for research and development purposes.
Education and HR	<ul style="list-style-type: none">▪ The government efforts of improving the Index of Human Development and achieving millennium development goals are always highly appreciated.▪ Various schools and Colleges are established in the vicinity.
Art and creative design	<ul style="list-style-type: none">▪ n/a

Model

Sei Mangkei industrial area, is located in sub-district Bosar Maligas, Simalungun regency, North Sumatra province, was specifically initiated by PTPN III, a state-owned enterprise focusing on the development of large plantations, especially palm oil and rubber plantations in North Sumatra.

Structure



Stages	Activities	Responsibility
Zone set up	National zones strategy	<ul style="list-style-type: none"> Ministry of Industry
	Setting up new entities	<ul style="list-style-type: none"> State Ministry of National Development Planning
	Provide land	<ul style="list-style-type: none"> Ministry of Industry and other relevant ministries, regional governments
	Partner selection	<ul style="list-style-type: none"> Zones Corp
	Partner coordination and master planning	<ul style="list-style-type: none"> Zones Corp
	In-zone infrastructure planning	<ul style="list-style-type: none"> Regional Investment Coordinating Board (BKPM)
	Infrastructure development (standard)	<ul style="list-style-type: none"> Regional Investment Coordinating Board (BKPM)
	Infrastructure financing for large projects	<ul style="list-style-type: none"> City Government
	Infrastructure development large projects	<ul style="list-style-type: none"> City Government
	Country marketing (parallel)	<ul style="list-style-type: none"> Regional Investment Coordinating Board (BKPM)
	Anchor tenant attraction	<ul style="list-style-type: none"> Zones Corporation
	Other tenant attraction	<ul style="list-style-type: none"> Private sector operator

Stages	Activities	Responsibility
Zone operations	Provide services to tenants	<ul style="list-style-type: none"> Private sector operator
	One-stop shop	<ul style="list-style-type: none"> Zones Corp
	Improve doing business	<ul style="list-style-type: none"> Capital Investment Coordinating Board (BKPM)
	Financing – facilitation	<ul style="list-style-type: none"> Capital Investment Coordinating Board (BKPM)
	Financing – provision	<ul style="list-style-type: none"> Banks, Capital Investment Coordinating Board (BKPM)
	Logistics	<ul style="list-style-type: none"> Private sector logistics company
	Other services	<ul style="list-style-type: none"> Other private sector companies
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	Steer zone strategically	<ul style="list-style-type: none"> Zones Corporation

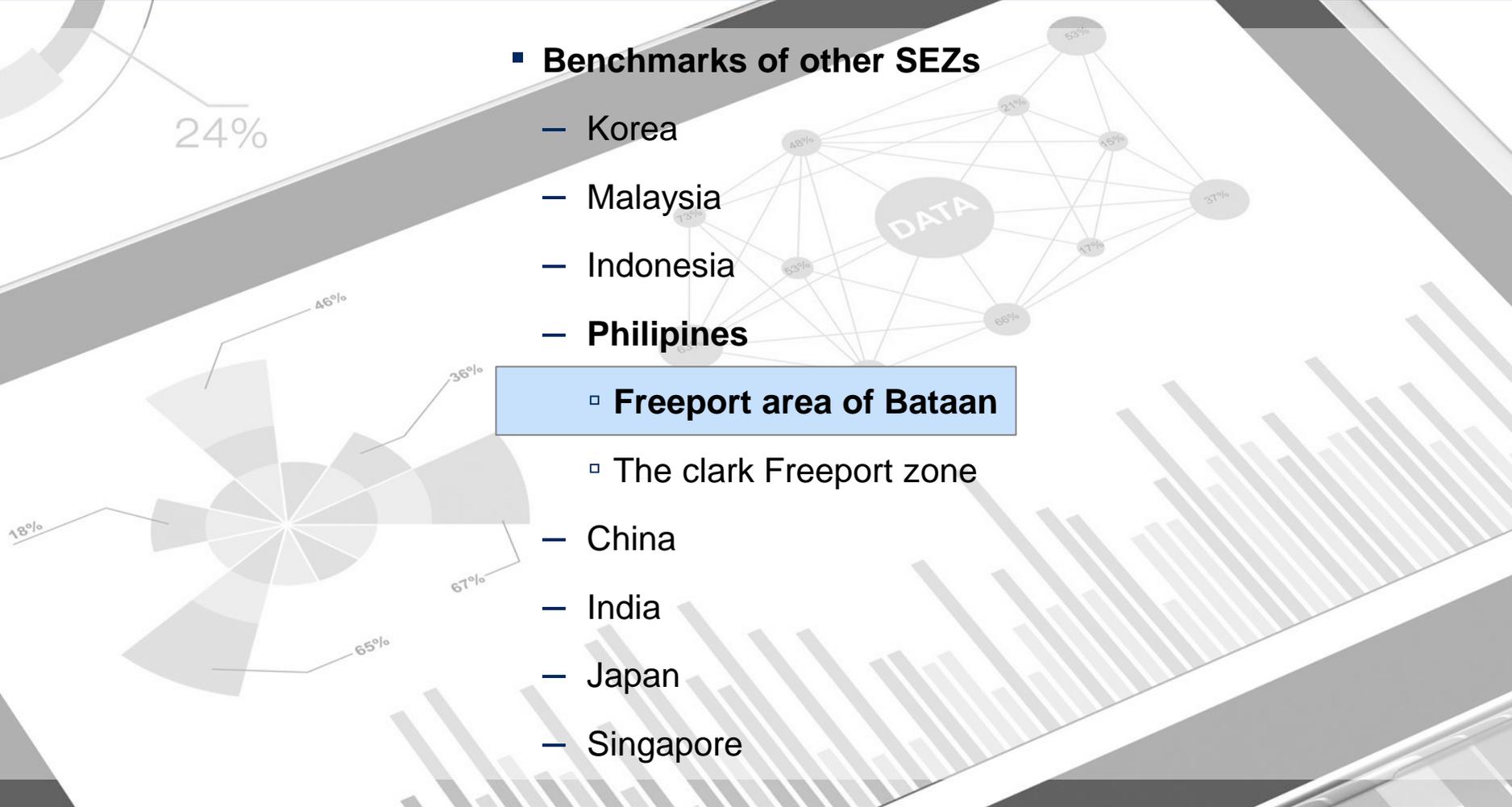
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▫ **Freeport area of Bataan**

▫ The Clark Freeport zone

- China
- India
- Japan
- Singapore



Overview of Freeport area of Bataan (1/2)



Key facts and figures

- Location: Mariveles, Bataan, Malaysia
- Strategically located between the Manila Bay and the South China Sea.
- Land area: 16.91sq.km.
- Population: 112,707 people in Mariveles (2010 Census)
- Sectors of focus: Business process, Outsourcing, electronics, logistics, shipbuilding, repair and tourism.

Background of the zone

- The 2009 Freeport Area Of Bataan Act, converted the BEZ (Bataan Economic Zone) into an FAB, a special economic zone and Freeport. It is governed by the Authority of the Freeport Area of Bataan (AFAB).
- AFAB has brought in major developments in the FAB in terms of infrastructure, employment generation, business facilitation systems and investments. In 2012, the FAB registered the highest increase in employment generation with PHP 390.6 million worth of investments.

Focus sectors and anchor tenants

Focus sectors:

- Manufacturing, Ship Building, BPO, Electronics and Semi Conductors, Energy, Logistics, Tourism

Anchor tenants

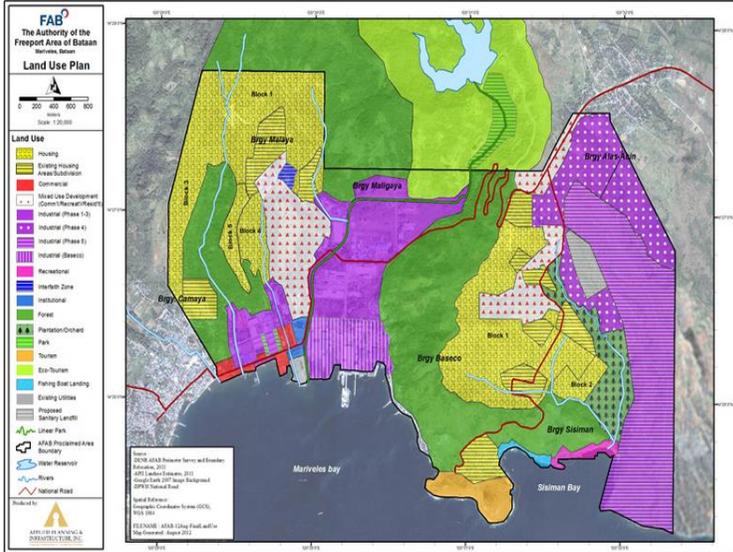
- FAB is home to more than 70 companies
- The top employers include:
 - Mitsumi Philippines Inc.
 - FCF Manufacturing Corp.
 - Desk Top Bags Philippines, Inc.
 - Mountaineering Instruments Corp.
 - Dong In Entech K-1, Inc.
 - Essilor Mfg. Phils. Inc.
 - East-Cam Tech Corp.
 - Dong In Sunbirds Corporation
 - D. I. Dawn Patrol MFG. Corp.

Performance

Metric	Year 1	Year 2	% Change
Production (GDP) \$ million	2009: 15679	2014: 25590	+10%
Investment (FDI) \$ million	2011: 1.9	First 10 Months of 2014: 1,890	+898%
Employment Thousands of people	2010: 13	2014: 20	+11%
Population Thousands of people	2007: 102.8	2010: 112.7	+3%

Population data is provided for Mariveles city and employment and investments are provided for The Freeport of Bataan

Overview of Freeport area of Bataan (2/2)



Competitiveness of Bataan

Geography



A **transshipment hub**, strategically located at a prime transit point for domestic, regional, and global shipping. It is **160 km away from Manila**, a 2 1/2 hour drive, a 55-minute boat ride, or a 25-minute flight

Infrastructure



Within the **vicinity of three international airports** located in Manila, Clark, and Subic, has a Coal fired power plant, dam, sewage treatment plant, installed telephones, telefax and internet lines, Banks, 4 lane, 2way road system.

Area



Located in **Mariveles, Bataan in Malaysia** with **Land area: 16.91sq.km.**

Talent



Proposed plan to build Design and Innovation Center, hosts a Technical and **Vocational Skills Training Center (TESDA)**, state polytechnic University

Market access



Prime transit point for domestic, regional, and global shipping. Act as **export hub**, shipments consolidated in Singapore and Hong Kong to their final destinations.

Governance Model



Managed and operated by the AFAB, and operated as a **decentralized, self – reliant and self – sustaining industrial, commercial and residential center**



Levers	Activities the zone is doing
<p>Hard incentives</p> <p>Economic/tax</p>	<ul style="list-style-type: none"> Income Tax Holidays (ITH) for four years extendable to a maximum of eight years. And after the ITH, a 5% tax on gross income earned is imposed in lieu of all national and local taxes Exemption from duties and taxes on imported capital equipment, spare parts, other supplies and raw materials Exemption from wharfage dues, export taxes, imposts and fees. Domestic sales allowance of up to 30% of total sales; Permanent resident status for foreign investors and immediate family members. Tax-free importation of personal equipment for use within the Freeport. only freeport in the Philippines that can sell real property.
<p>Labour</p>	<p>Current employment</p> <ul style="list-style-type: none"> In the Freeport Of Bataan, most of the companies have gender preferences in hiring employees having one-thirds male-dominated and another one-thirds female-dominated depending upon the nature of the jobs. With regard to age, younger workers are preferred over older workers in the lines of manufacturing companies as most of the locators are involved in production sector. Graduates of existing diploma courses offered in PUP Bataan, as well as of the Bachelor in Entrepreneurship degree program, do not have a significant opportunities in the Freeport. Professions related to mechanical knowledge are the most usual need of companies in the Freeport. <p>Labour management</p> <ul style="list-style-type: none"> Bataan ranks the highest in the human development index in Region 3, also ranking 4th nationwide. Technical Education and Skills Development Authority (TESDA) manpower-training facility situated at the FAB itself which provides the locators the services to hire capable and well-equipped workers. Labour center is established within FAB to study and settle professional and labor relations and disputes, interpretation of employment contracts, and monitoring work, hygiene and safety standards within the FAB. <p>Foreign labour</p> <ul style="list-style-type: none"> Non Fiscal Incentives include Employment of Foreign Nationals, Issuance of Alien Employment Permit and Issuance of Alien Investor's Visa.
<p>Location/ Infrastructure</p>	<ul style="list-style-type: none"> FAB is the only Freeport in the Manila Bay area, the Philippines' center of trade. It is a transshipment hub, strategically located at a prime transit point for domestic, regional , and global shipping. It is 160 km away from Manila, the Philippine's capital, a 2 1/2 hour drive, a 55-minute boat ride, or a 25-minute flight. The FAB is 90.6 km away from Subic Freeport, a short one-hour drive. Clark Freeport is 117km away from the FAB, a quick hour and a half's trip by land. It takes less than 20 minutes to travel by air to these freeports from FAB. It is within the vicinity of three international airports located in Manila, Clark, and Subic.



Levers	Activities the zone is doing
<p>Soft incentives</p> <p>Livability readiness</p>	<ul style="list-style-type: none"> ▪ Residents and visitors have access to beaches along the Bataan Coast and to inland ecotourism destinations by land or by sea ▪ Has a landscape and seascape which is suited to the promotion of tourism in the area. ▪ The zone comprises of covered tennis and pelota courts, basketball and volleyball courts, a clubhouse and hotels and restaurants. ▪ Bataan Province provides three education scholarships which are DOST-SEI, DOST (PSHS) and Iskolar ng Bataan. ▪ FAB has a 2.4 billion-capacity dam complemented by a water treatment plant capable of delivering 14 million gallons of water everyday.
<p>Services</p>	<ul style="list-style-type: none"> ▪ Offices of shippers, forwarders, truckers, security agencies, insurance companies, accounting and auditing firms, engineering consultants, and manpower services are also located inside zone. ▪ Area of Bataan has its own Fire Control Division and Police Force that maintain peace and order and the safety of its investors and residents. ▪ There are also clinics to provide assistance in immediate medical needs of the community. ▪ AFAB's partnerships with the Department of Labor and Employment, the Bureau of Immigration, and the Bureau of Customs, facilities more efficient procedures for the issuance of work permits, visas for foreign nationals, and import/export requirements of FAB locators. These serve as the foundations for the one-stop that AFAB established to service its locators 24/7. ▪ Other services include Enhanced Automated Cargo Transfer System, Immigration One-Stop Shop and Labor Center ▪ Oriental-Bataan poised to become the major tourist facility and forms part of the P300-million FAB leisure hub.
<p>Stability</p>	<ul style="list-style-type: none"> ▪ The freeport authorities have planned to provide the following amenities in the region: <ul style="list-style-type: none"> – Mid to high end residences with wide recreation areas and parks – Tourism development to be enhanced by the completion of needed infrastructures like the hotel, golf course, duty free complex, historical walkways and other attractions – Renewable energy sources such as windmills technology, solar energy and hydro-pump energy efficiency systems to be encouraged in the Freeport.

Freeport Area Of Bataan – Key enablers put in place



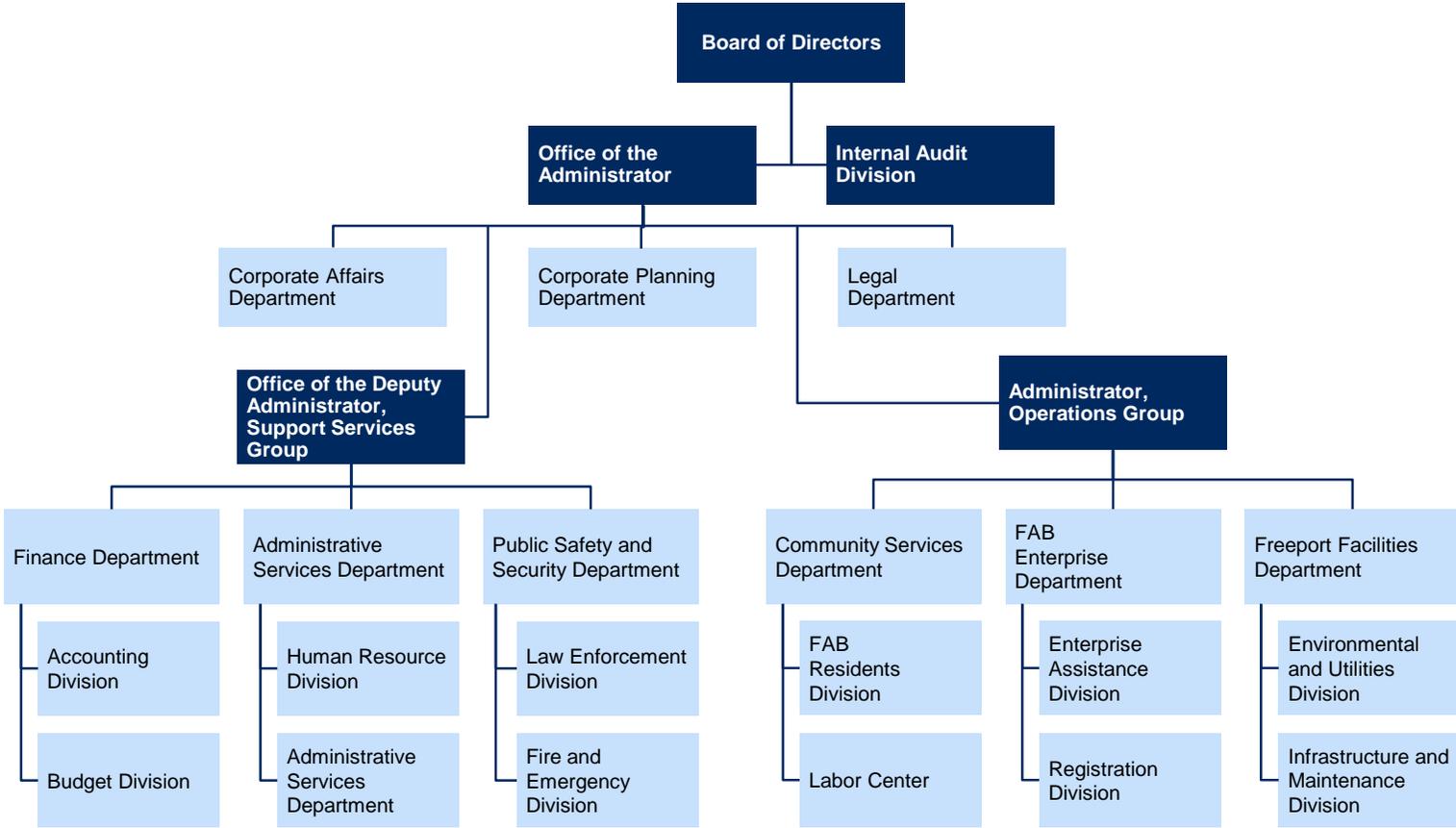
Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none"> ▪ 4 lane, 2 way road system ▪ Dedicated power supply ▪ Water Treatment Plant ▪ Sewage Treatment Plant ▪ Security Services
Digital & ICT	<ul style="list-style-type: none"> ▪ Telephones, telefax and internet lines connect the FAB within minutes to any part of the world. ▪ PLDT, ComClark, Globe Telecom and Digitel are servicing the needs of the FAB locators. ▪ Grand Innovasia Concept Corp is setting up its information technology part at FAB
Innovation and R&D	<ul style="list-style-type: none"> ▪ In its vision of 2020, AFAB wants to create FAB into a center of trade, innovation and sustainable development in Asia and proposed a design and innovation center to help locators in the field of high-end garments/apparels, ▪ accessories, shoes and other similar products.
Education and HR	<ul style="list-style-type: none"> ▪ The FAB hosts a Technical and Vocational Skills Training Center (TESDA); and located within the FAB area is a State University—the Polytechnic University of the Philippines and only a short distance away, the FAB is near a City (Balanga), which is being developed as a University Town. This City hosts numerous universities, colleges and training institutions. Aside from the AFAB as one of the major partners in this project, the following institutions may also be invited as partners: The Intellectual Property Office of the Philippines (IP Philippines), The Technical Education and Skills Development Authority (TESDA) and The Product Development and Design Center of the Philippines (PDDCP).
Art and creative design	<ul style="list-style-type: none"> ▪ The FAB is gradually emerging as the high-end fashion manufacturing hub of the Philippines. AFAB has a proposed a plan to build Design and Innovation Center.



Model

- FAB has been developed into and operated as a decentralized, self – reliant and self – sustaining industrial, commercial – trading, agro – Industrial, tourist, banking, financial and investment center with suitable residential areas. FAB is managed and operated by the AFAB.

Structure





Stages	Activities	Responsibility
Zone set up	National zones strategy	<ul style="list-style-type: none"> ▪ Department of Trade & Industry
	Setting up new entities	<ul style="list-style-type: none"> ▪ Department of Trade & Industry
	Provide land	<ul style="list-style-type: none"> ▪ Department of Trade & Industry and other relevant ministries, regional governments
	Partner selection	<ul style="list-style-type: none"> ▪ Zones Corp (Authority of the Freeport Area of Bataan)
	Partner coordination and master planning	<ul style="list-style-type: none"> ▪ Zones Corp (Authority of the Freeport Area of Bataan)
	In-zone infrastructure planning	<ul style="list-style-type: none"> ▪ Consulting Firm selected by AFAB
	Infrastructure development (standard)	<ul style="list-style-type: none"> ▪ Consulting Firm selected by AFAB
	Infrastructure financing for large projects	<ul style="list-style-type: none"> ▪ Zones Corp (Authority of the Freeport Area of Bataan)
	Infrastructure development large projects	<ul style="list-style-type: none"> ▪ Private sector developer
	Country marketing (parallel)	<ul style="list-style-type: none"> ▪ The Philippine Board of Investment
	Anchor tenant attraction	<ul style="list-style-type: none"> ▪ Zones Corp (Authority of the Freeport Area of Bataan)
	Other tenant attraction	<ul style="list-style-type: none"> ▪ Private sector operator



Stages	Activities	Responsibility
Zone operations	Provide services to tenants	<ul style="list-style-type: none"> ▪ Private sector operator
	One-stop shop	<ul style="list-style-type: none"> ▪ Zones Corp (Authority of the Freeport Area of Bataan)
	Improve doing business	<ul style="list-style-type: none"> ▪ The Philippine Board of Investment
	Financing – facilitation	<ul style="list-style-type: none"> ▪ Zones Corp (Authority of the Freeport Area of Bataan)
	Financing – provision	<ul style="list-style-type: none"> ▪ Banks & The Philippine Board of Investment
	Logistics	<ul style="list-style-type: none"> ▪ Port Operator & Logistic Company
	Other services	<ul style="list-style-type: none"> ▪ Other private sector companies
	Daily zone operations	<ul style="list-style-type: none"> ▪ Private sector operator
	Steer zone strategically	<ul style="list-style-type: none"> ▪ Zones Corp (Authority of the Freeport Area of Bataan)

Freeport Area Of Bataan – Regulations (Philippines Special Economic Zone – Macro level) (1/2)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p>Regulations (1995, 96)</p>	<p>Special Economic Zone Act of 1995 (RA No. 7916, as amended by RA No. 8748) (PEZA)</p>	<p>Purpose:</p> <ul style="list-style-type: none"> Law was passed in 1995 to encourage economic growth through the development of special economic zones called Ecozones. <p>Content:</p> <ul style="list-style-type: none"> PEZA implements this law and also grants incentives to qualified enterprises that locate in the Ecozone.
	<p>Amendment of Republic Act No. 7916 (Department of Trade and Industry, PEZA)</p>	<p>Purpose:</p> <ul style="list-style-type: none"> Created a body corporate to be known as the Philippine Economic Zone Authority (PEZA) attached to the Department of Trade and Industry. The Board shall have a director general with the rank of department undersecretary who shall be appointed by the President. <p>Content:</p> <ul style="list-style-type: none"> Privately-owned ECOZONES shall retain autonomy and independence but shall be monitored by the PEZA for the implementation of incentives and operations for adherence to the law. Section 50. Non-Applicability on Areas Covered by Republic Act No. 7227. — This Act shall not be applicable to economic zones and areas already created or to be created under Republic Act No. 7227 or other special laws, and governed by authorities constituted pursuant thereto.“ Chapter III, Section 29 of Republic Act No. 7916, is hereby amended to read as follows: "If in the establishment of a publicly-owned ECOZONE, any person or group of persons who has been occupying a parcel of land within the Zone has to be evicted, the PEZA shall provide the person or group of persons concerned with proper disturbance compensation: provided, however, that in the case of displaced agrarian reform beneficiaries, they shall be entitled to the benefits under the Comprehensive Agrarian Reform Law, including but not limited to Section 36 of Republic Act No. 3844, in addition to a homelot in the relocation site, and preferential employment in the project being undertaken”

Freeport Area Of Bataan – Regulations (Philippines Special Economic Zone – Macro level) (2/2)

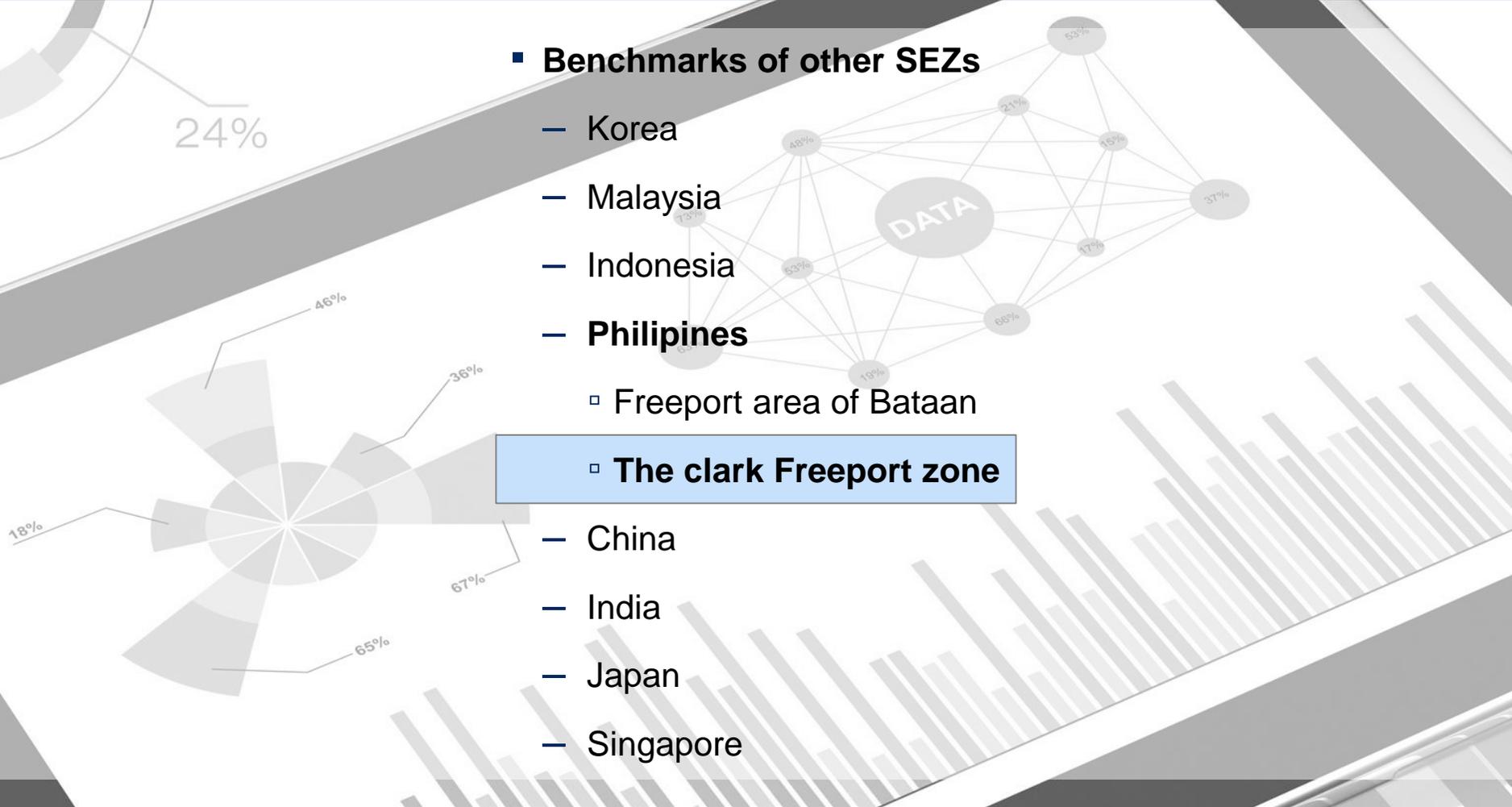


Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (1995, 96)</p>	<p>Amendment of Republic Act No. 7916 (cont.)</p> <p>(Department of Trade and Industry, PEZA)</p>	<ul style="list-style-type: none"> ▪ Section 5. Chapter III, Section 25 of Republic Act No. 7916 is hereby amended to read as follows: "Section 25. Applicable National and Local Taxes. — All persons and service establishments in the ECOZONE shall be subject to national and local taxes under the National Internal Revenue Code and the Local Government Code." ▪ Section 4. Chapter III, Section 24 of Republic Act No. 7916 is hereby amended to read as follows: ▪ "Section 24. Exemption from National and Local Taxes. — Except for real property taxes on land owned by developers, no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE. In lieu thereof, five percent (5%) of the gross income earned by all business enterprises within the ECOZONE shall be paid and remitted as follows: "(a) Three percent (3%) to the National Government; "(b) Two percent (2%) which shall be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located." ▪ Section 3. Chapter II, Section 16 of Republic Act No. 7916 is likewise amended to read as follows:

Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (2009,10)</p>	<p>Republic Act 9728, Freeport Area of Bataan (FAB) Act of 2009, Authority of the Freeport Area of Bataan (AFAB).</p>	<p>The main purpose of creating this is as follows:</p> <ul style="list-style-type: none"> ▪ “An act converting the Bataan economic zone located in the municipality of Mariveles, province of Bataan, into the Freeport area of Bataan (FAB), creating for this purpose the authority of the Freeport area of Bataan (AFAB), appropriating funds therefor and for other purposes” <p>Content:</p> <ul style="list-style-type: none"> ▪ FAB developed into and operated as a decentralized, self-reliant and self sustaining industrial, commercial-trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas. ▪ Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned ▪ It is also declared the policy of the State and AFAB to operate and manage the Freeport Area of Bataan (FAB) as a separate customs territory ensuring free flow or movement of goods and capital within, into, and exported out of the FAB, as well as provide incentives such as tax and duty free importations of raw materials, capital, and equipment.
	<p>Regulations Update: Freeport Area of Bataan Act of 2009</p>	<p>Content:</p> <ul style="list-style-type: none"> ▪ Registration as FAB enterprise is open to nationals and business enterprises of any country in any area of economic activity, except those where the Constitution limits the ownership to Filipinos or Philippine nationals. ▪ FAB enterprises, however, must not source more than 30% of its income from the Customs Territory (or the area of the Philippines outside the FAB); otherwise, all of its income shall be subject to the tax laws of the Customs Territory and customs duties and taxes must be paid for sale of articles to the Customs Territory. ▪ AFAB has the power to operate on its own, or to license, tourism-related enterprises, including games, gambling casinos, horse-racing, dog-racing, and other recreational and sports facilities, subject to the approval and supervision of PAGCOR.

- **Benchmarks of other SEZs**

- Korea
- Malaysia
- Indonesia
- **Philippines**
 - Freeport area of Bataan
 - **The clark Freeport zone**
- China
- India
- Japan
- Singapore



Overview of the Clark Freeport Zone (1/2)



Key facts and figures

- The Clark Freeport Zone, Central plains of Luzon, Pampanga Province, Philippines
- Land area: The Freeport Zone (4,400 has.)
- The Special Economic Zone: 27,600 has.
- Population: Million (2013)
- Sectors of focus: Techno- Industrial, Aviation/ Logistics, Tourism, Commercial, Agro-Industrial

Background of the zone

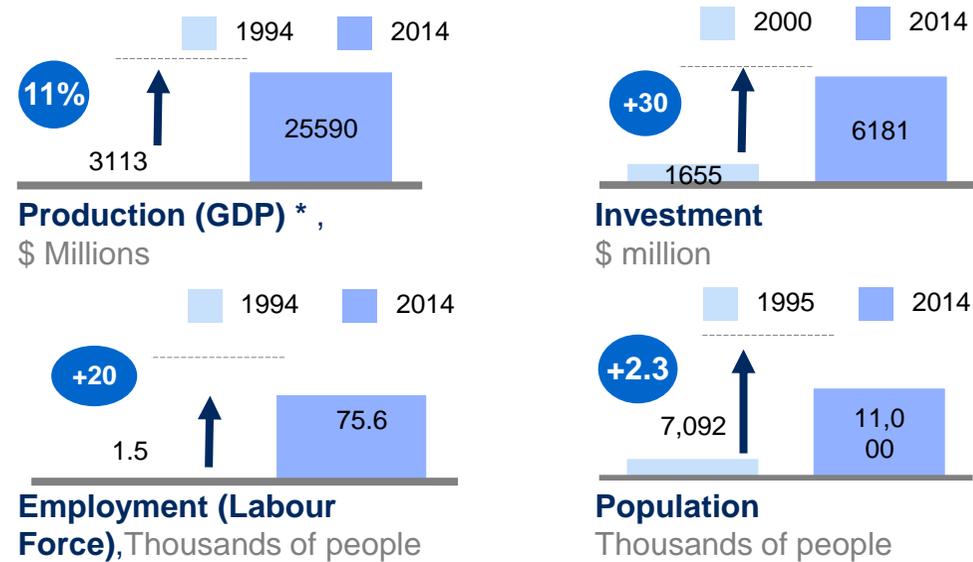
- The Clark Freeport Zone, a former US Airbase, has been evolved into a 4,400- hectare estate, with its airport, 70,000 strong workforce and close to 600 locators and has become one of the premier industrial, commercial and tourism centers.
- The CFZ and the 27,600 hectare Special Economic Zone are a redevelopment of the Clark Air Base, which used to be a United States Air Force Base, with the former occupying the Clark Air Base proper and the latter occupying the subzone.

Focus sectors and anchor tenants

Locators by Industry

- Industrial: 25%
- Agro Industrial: 2%
- Commercial: 13%
- IT: 12%
- Service: 30%
- Aviation related: 3%
- Tourism: 6%
- Institutional: 1%
- Utility: 2%
- Housing: 6%

Performance



*We have provided the GDP figures by taking the currency exchange rate to be for the respective year and growth rates are provided as CAGR values.

Clark Master Plan

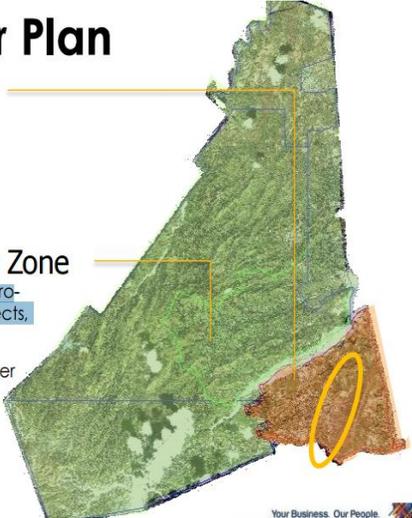
The Freeport Zone

4,400 has. consisting of the civil aviation complex (2,490 has.), Industrial parks, tourism and leisure estates, and ICT zones

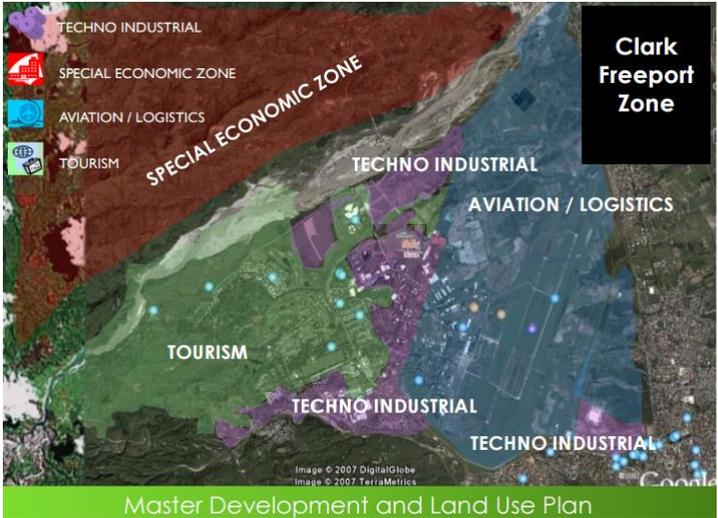
The Special Economic Zone

27,600 has. conducive for a **Agro-Industrial, Tourism-Related Projects, Industrial Estate & ICT parks**

10,684 hectares has been master planned for development



Your Business. Our People.



Master Development and Land Use Plan

Competitiveness of Clark

Geography



Within **3 hours from major trading points in the ASEAN Region** and also located at the heart of Luzon Island, a 40 minute drive from Metro Manila or Subic

Infrastructure



World Class Recreational Facilities: 6 Golf Courses, 5 Casinos, 8 Convention Facilities, 35 Restaurants, 5 Theme Parks, 14 Historical Sites and almost 2,000 hotel rooms.

Area



4,400 ha consisting of the civil aviation complex (2,490 has.), Industrial parks, tourism and leisure estates, and ICT zones

Talent



160 colleges and universities in surrounding areas, about 11 Educational Institutions within Clark Freeport. Includes Clark Museum & Theatres

Governance Model



Clark Development Corporation (CDC) is the administrator of the Clark Freeport Zone (CFZ) is a government owned and controlled corporation (GOCC) and exercise administrative and regulatory powers



Levers	Activities the zone is doing
<p>Hard incentives</p> <p>Economic/tax</p>	<ul style="list-style-type: none"> ▪ Waiver of local and national taxes, provision for 100% foreign equity on most industries, duty free status and other fiscal and non-fiscal incentives ▪ Preferential tax rate of five percent (5%) based on Gross Income Earned provided that seventy percent (70%) of products are to be exported. ▪ Exemption from taxes and duties on imported spare parts ▪ Exemption from wharfage dues and export tax, duty, impost and fees ▪ Reduction of the Rates of Duty on Capital Equipment, Spareparts and Accessories by Virtue of EO 528 ▪ Tax exemption on breeding stocks and genetic materials ▪ Tax Credits ▪ Additional deductions from Taxable Income
<p>Labour</p>	<ul style="list-style-type: none"> ▪ The total Clark firm employment from 750 registered enterprises, government offices and in-direct employment is at 75,538, 4% higher than the 72, 616 employees as of end of 2013. ▪ CDC provides its employees with opportunities for professional growth and development and providing learning and training facilities and avenues where such growth can be applied. ▪ CFZ employees are informed through circulars, text blasts, emails, press releases issued by CDC thru its various locators who in turn conveys to their respective employees. Information/Updates are also conveyed thru broadcast and social media channels.
<p>Location/ Infrastructure</p>	<ul style="list-style-type: none"> ▪ The Zone is between one (1) and half (1/2) hour to four (4) hours away from other major Asian destinations. Clark is within the major growth corridor. ▪ <u>Roads/ Highways</u>: The Clark Freeport Zone is accessible by new Subic-Clark-Tarlac Expressway (SCTEX). From the North Luzon Expressway, Clark North Interchange (Panday Pira access road near Nayong Pilipino) or Clark South Interchange (near Yokohama and Clark Main Gate) ▪ <u>Power</u>: Clark’s power supply is sourced directly from the Luzon Grid thru San Miguel Energy Corporation (SMEC) via the National Grid Corporation of the Philippines (NGCP) connected at 69KV level in Mexico Pampanga’s Grid substation, with the capacity of 80 MW, and a Mexico-Clark line with a capacity of 230 KV. ▪ <u>Telecommunications</u>: Information communication services including dual fiber optic backbone an digital exchange system for advanced telephony, cellular and internet connectivity. ▪ <u>Water & Sewerage Systems</u>: Water supply facilities consist of 25 deep wells that can produce 35 million liters per day (MLD), 5 reservoirs that can store 12 million liters, ensuring the supply of safe and reliable water. <ul style="list-style-type: none"> – <u>Waste Disposal System</u>: Service contract with the Metro Clark Waste Management Corp., manages and operates the Clark Integrated Solid Waste Management Facility for CFZ.



Levers

Activities the zone is doing

Hard incentives

Quality housing and community

- GGLC Global Gateway Logistics City embraces a modern, sophisticated and fully integrated live-work-play environment to help enjoy a high quality of life for the work-force. Lots are ideally sized at 3,600 square meters for corporate and business offices, guaranteeing a large 2,200 square meter building footprint and generous 10,000 square meter lots for warehousing and light industrial facilities

BENCHMARKS

Vatican City	4.4 Million m2
Laguna Techno Park	3.87 Million m2
Global Gateway Logistics City	1.77 Million m2
Kuwait Free Trade Zone	1.7 Million m2
Makati Central Business District	1.2 Million m2
Hongkong Disneyland	1.2 Million m2
Fort Bonifacio	1.10 Million m2
Northgate Cyberzone	0.20 Million m2

Key Fact: BCDA has secured the approval of development of 36,000 hectares in the Clark Freeport and Special Economic Zone into a new city half the size of Metro Manila

Livability readiness

Summary of CFZ contracts signed according to nationality

- USA: 21%, Japan: 17%, Australia: 8%, Taiwan: 5%, UK: 4%, British Virgin Islands: 4%, HongKong: 3% France: 2%, India: 1%, China: 2%, Dutch: 1%, Korea: 26%**

Living Facility & Medical

The zone has a Town Center to support all retail and shopping and medical needs. The constructed area of the center is 21 hectares including facilities for: Commercial Center • Hotel/Convention Center • Restaurants • Retail Shops & Boutiques • Residential/Condominium • Pocket and Linear Parks

Education & Healthcare Facilities

The zone’s AERO park caters to the research and development, modelling and simulation, IT and centers of higher learning, Flight and Air Crew training, Animation and IT based activities, Academic Vo-Tech Facilities and Healthcare facilities.

The Freeport area has some of the prominent education facilities of Philippines. Key of them are:

- University of the Philippines
- Alpha Aviation Group Philippines
- Ateneo De Manila University(Graduate Schools of Business) Extension Program
- Omni Aviation Schools



Levers

Activities the zone is doing

Soft incentives

Services

- **Services:** The services provided by Clark Development Authority are:
 - Policy Directions: Being the parent company of CDC, BCDA sets policy directions on properties/lands to be developed in consonance with BCDA's mandate.
 - Investors/Locators/Lessees/Joint Venture (JV) Partners: CDC enters into lease contracts, joint venture projects and other modes of disposition with its lessees/JV partners, resulting to return on investment which enhances their standing in the real estate industry
 - Local Government Units (LGUs)/National Agencies: CDC undertakes infrastructure projects which increase economic opportunities for the surrounding communities of the Clark Freeport Zone and the Clark Special Economic Zone, and where CDC projects are situated, thus benefiting the LGUs.
 - Socio-Economic Assistance: CDC improves the quality of life and gives dignity to IPs/Aetas communities affected by the CDC conversion program through livelihood programs and management of ancestral domains.
- **Streamlined processes:** Electronic monitoring of the movement of goods and services in and out of the zone, CDC has set in place a Local Area Network (LAN) with a multi-mode fiber optic backbone and a electronic monitoring system currently pilot-tested
- **Consultancy services (on investment, financial, strategy, implementation, etc.):**
- **One-Stop-Action Center (OSAC):**
 - Facilitates the prompt evaluation and approval of proposed investment project within a 30-day period. One of its special features is the One-Stop Export Documentation Center, which is an on-line processing center to ensure expeditious processing of export documents.
 - Also facilitates the immediate processing of permits, licenses, and other documents locators needed to secure from national and local government units by housing agency desks of these agencies like the Bureau of Customs, Bureau of Internal Revenue, Social Security System, Department of Health, Department of Labor and Employment, and others in one location.



Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none"> ▪ The zone provides modern infrastructure facilities and has two international airports (CRK and MNL) and three major seaports: Port of Bataan, Port of Subic and Port of Manila which aids to several logistics companies. ▪ <u>Power</u>: Sourced from the grid through a dual 230 KV line transmission facility. ▪ <u>World Class Recreational Facilities</u>: 6 Golf Courses, 5 Casinos, 8 Convention Facilities, 35 Restaurants, 5 Theme Parks and almost 2,000 hotel rooms. It also has 4 health and medical facilities
Digital & ICT	<ul style="list-style-type: none"> ▪ Modern telecommunications facilities, power and water supply, waste management, vast road network and other infrastructures. ▪ <u>Telecom</u>: with dual fiber optic backbone and digital exchange system connecting more than 200 countries and territories worldwide.
Innovation and R&D	<ul style="list-style-type: none"> ▪ <u>Water</u>: Treated water and waste water treatment facility. ▪ <u>Solid Waste</u>: with 100 hectares landfill facility that can accommodate municipal & hazardous waste.
Education and HR	<ul style="list-style-type: none"> ▪ 160 Leading colleges and universities in surrounding areas producing Highly Skilled English. There are about 11 Educational Institutions within Clark Freeport.
Art and creative design	<ul style="list-style-type: none"> ▪ 14 Historical Sites, Retail shopping and dining arcades, Zoos, Golf Course, Clark Museum & Theatres

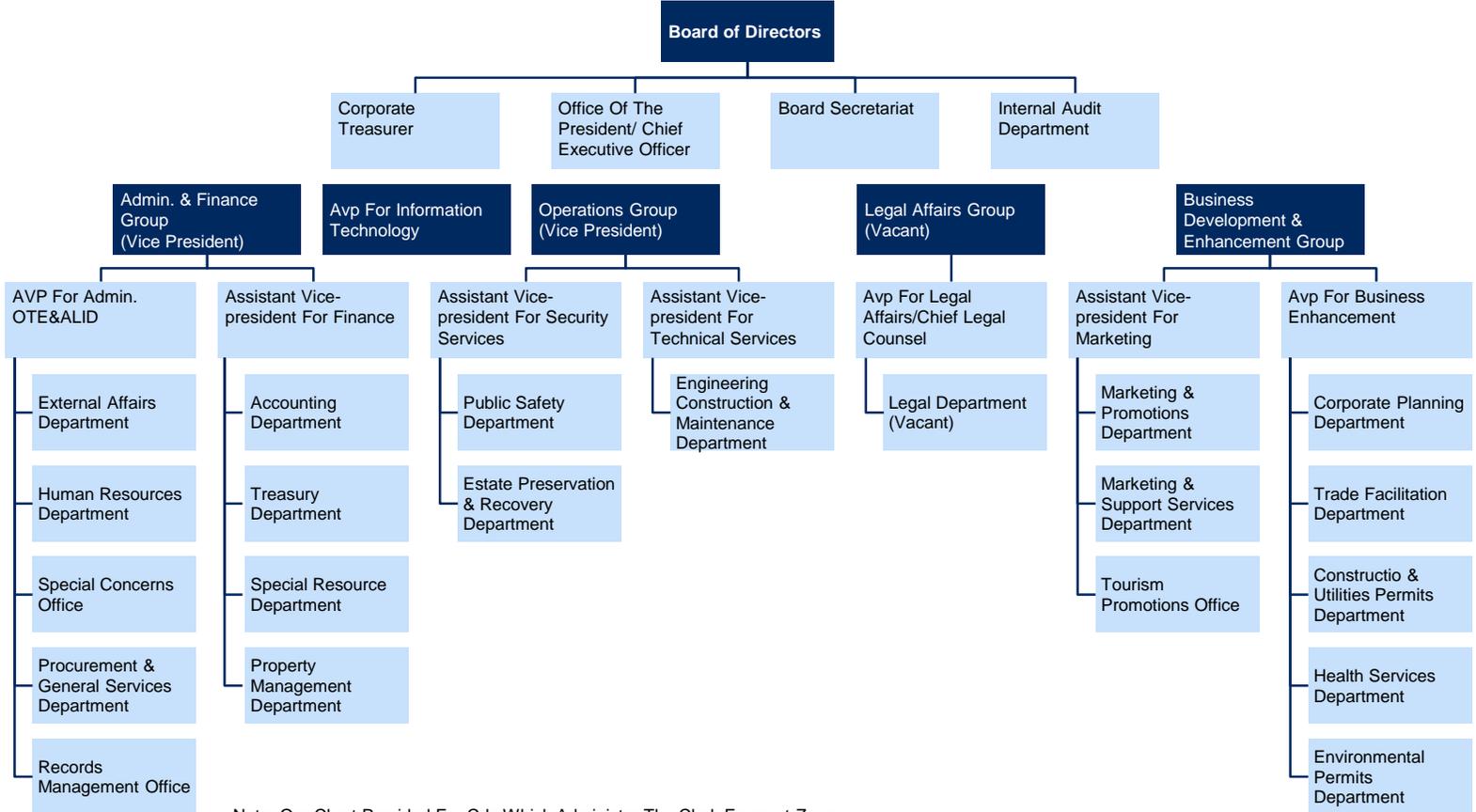
Clark Freeport Zone – Governance model (1/3)



Model

- Clark Development Corporation (CDC), the administrator of the Clark Freeport Zone (CFZ) is a government owned and controlled corporation (GOCC) created in April 1993 by Executive Order 80 (EO 80) as the implementing arm of the Bases Conversion Development Authority (BCDA) to manage the then Clark Special Economic Zone. As administrator of the Zone, CDC was accorded both administrative and regulatory powers.

***Structure**



Note: Org Chart Provided For Cdc Which Administer The Clark Freeport Zone



Stages	Activities	Responsibility
Zone set up	National zones strategy	<ul style="list-style-type: none"> ▪ Department of Trade & Industry
	Setting up new entities	<ul style="list-style-type: none"> ▪ Department of Trade & Industry and other relevant ministries
	Provide land	<ul style="list-style-type: none"> ▪ Department of Trade & Industry and other relevant ministries, regional governments
	Partner selection	<ul style="list-style-type: none"> ▪ Clark Development Corporation
	Partner coordination and master planning	<ul style="list-style-type: none"> ▪ Clark Development Corporation
	In-zone infrastructure planning	<ul style="list-style-type: none"> ▪ Private sector developer
	Infrastructure development (standard)	<ul style="list-style-type: none"> ▪ Private sector developer with Clark Development Corporation & Local regional authorities
	Infrastructure financing for large projects	<ul style="list-style-type: none"> ▪ Government
	Infrastructure development large projects	<ul style="list-style-type: none"> ▪ Private sector developer
	Country marketing (parallel)	<ul style="list-style-type: none"> ▪ The Philippine Board of Investment
	Anchor tenant attraction	<ul style="list-style-type: none"> ▪ Clark Development Corporation
Other tenant attraction	<ul style="list-style-type: none"> ▪ Private sector operator 	

Clark Freeport Zone – Governance model (3/3)



Stages	Activities	Responsibility
Zone operations	Provide services to tenants	<ul style="list-style-type: none"> Private sector operator
	One-stop shop	<ul style="list-style-type: none"> Clark Development Corporation
	Improve doing business	<ul style="list-style-type: none"> The Philippine Board of Investment
	Financing – facilitation	<ul style="list-style-type: none"> Clark Development Corporation
	Financing – provision	<ul style="list-style-type: none"> Banks, The Philippine Board of Investment (e.g. Development bank of Philippines)
	Logistics	<ul style="list-style-type: none"> Freight Forwarder & Logistic services Company
	Other services	<ul style="list-style-type: none"> Other private sector companies
	Daily zone operations	<ul style="list-style-type: none"> Private sector operator
	Steer zone strategically	<ul style="list-style-type: none"> Clark Development Corporation

Clark Freeport Zone – Regulations (Clark Zone – Micro level) (1/2)

Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (1992)</p>	<p>REPUBLIC ACT NO. 9400 [H. No 5064 & S. No 2260], An act amending republic act no. 7227, as amended, otherwise known as the bases conversion and development act of 1992, and for other purposes (Clark Development Corporation)</p>	<p>Purpose:</p> <ul style="list-style-type: none"> ▪ Subject to the concurrence by resolution of the local government units directly affected, the President is hereby authorized to create by executive proclamation a Special Economic Zone covering the lands occupied by the Clark Military reservations and its contiguous extensions as embraced covered and defined by the 1947 Military Bases Agreement between the Philippines and the United States of America, as amended, located within the territorial jurisdiction of Angeles City, municipalities of Mabalacat and Porac, Province of Pampanga, and the municipalities of Capas and Bamban, Province of Tarlac, in accordance with the provision as herein provided insofar as applied to the Clark Military reservations. <p>Content:</p> <ul style="list-style-type: none"> ▪ The Clark Air Base proper with an area of not more than four thousand four hundred hectares (4,400 has.), with the exception of the twenty-two-hectare commercial area situated near the main gate and the Bayanihan Park consisting of seven and a half hectares (7.5 has.) located outside the main gate of the Clark Special Economic Zone, is hereby declared a freeport zone. ▪ The CFZ shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital equipment within, into and exported out of the CFZ. ▪ Provide incentives such as tax and duty-free importation of raw materials and capital equipment. ▪ Exportation or removal of goods from the territory of the CFZ to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended, the National Internal Revenue Code of 1997, as amended, and other relevant tax laws of the Philippines.

Clark Freeport Zone – Regulations (Clark Zone – Micro level) (2/2)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (1992)</p>	<p>REPUBLIC ACT NO. 9400 [H. No 5064 & S. No 2260], An act amending republic act no. 7227, as amended, otherwise known as the bases conversion and development act of 1992, and for other purposes</p> <p>(Clark Development Corporation)</p>	<p>Content Cont.:</p> <ul style="list-style-type: none"> ▪ Subject A five percent (5%) tax on gross income earned shall be paid by all registered business enterprises within the CFZ and shall be directly remitted as follows: three percent (3%) to the National Government, and two percent (2%) to the treasurer's office of the municipality or city where they are located. ▪ Duly registered business enterprises that will operate in the Special Economic Zones to be created shall be entitled to the same tax and duty incentives as provided for under Republic Act No. 7916, as amended: Provided, That for the purpose of administering these incentives, the PEZA shall register, regulate, and supervise all registered enterprises within the Special Economic Zones.

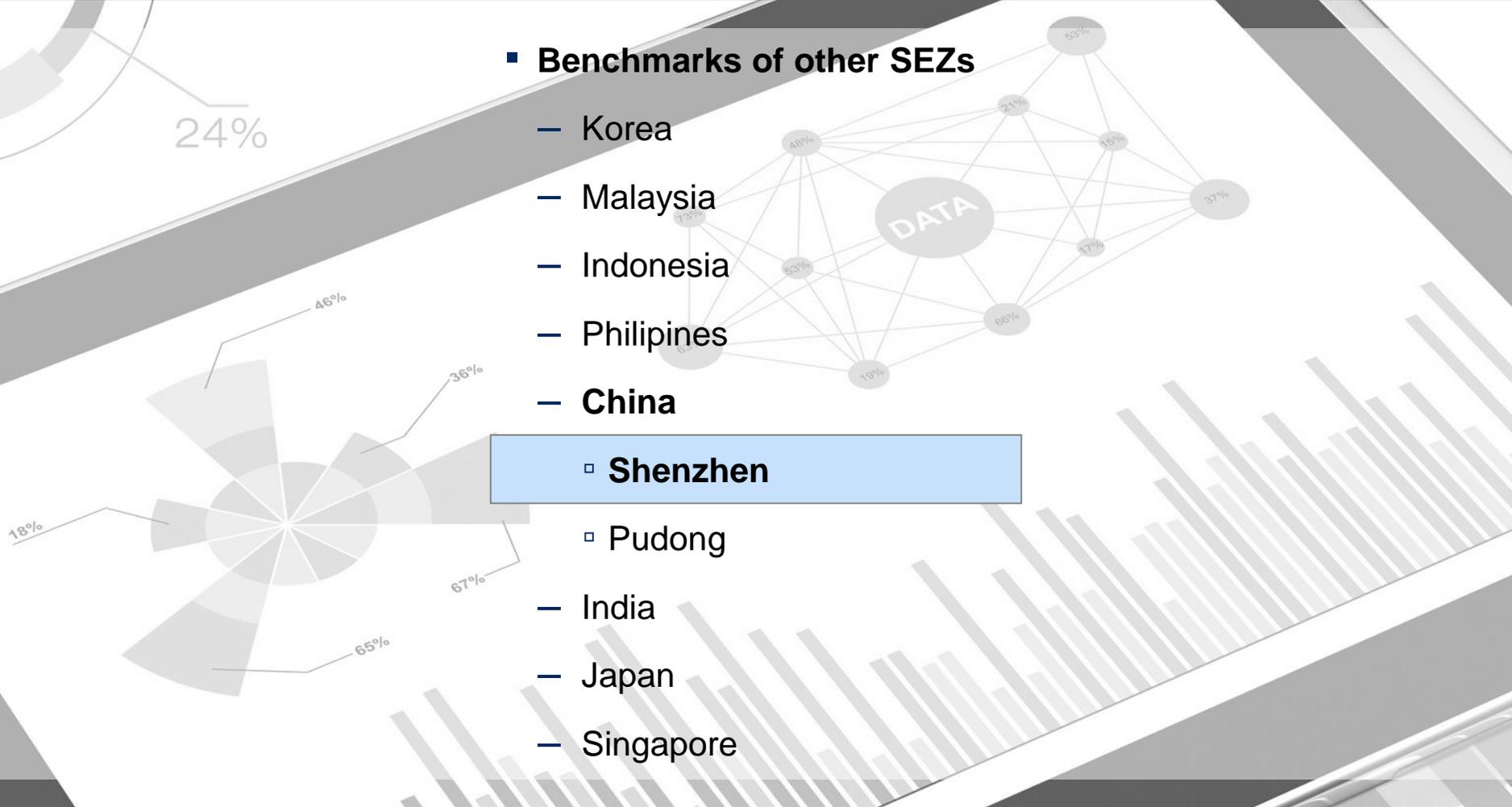
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Overview of Shenzhen (1/2)



Key facts and figures

- ShenZhen, China
- Land area: 2,000 sq.km
- Population: 10.63 Million (2013)
- Sectors of focus: High-tech manufacturing, logistics, finance and culture. Internet industries; NextGen communications; materials; energy/green tech; medical/pharmaceutical

Background of the zone

- The country's first special economic zone, the brainchild of late Chinese leader Deng Xiaoping – was established in 1980.
- The Shenzhen Municipal comprises six districts namely Luohu, Futian, Nanshan, Yantian, Bao'an, and Longgang. The SEZ is spread across Luohu, Futian, Nanshan, and Yantian.

Focus sectors and anchor tenants

Focus sectors

- Shenzhen has focused on seven major industries, which include computer software, IT, microelectronics and components, video and audio products, electro-mechanical integration, and key projects of light industry and energy.
- Also, newer industries such as pharmaceuticals, medical equipment, biotechnology, and new materials have grown rapidly.
- Electronics and telecom equipment manufacturing is the city's largest industry

*Performance

Gross Output Value
100 Millions Yuan

Year	Value (100 Millions Yuan)
1980	1.06
2005	10,174

Foreign Direct Investment
100 US\$ million

Year	Value (100 US\$ million)
1980	2.4
2003	48.43

Employment (Share of Working Population), In %

Year	Value (%)
1980	44.73
2005	69.62

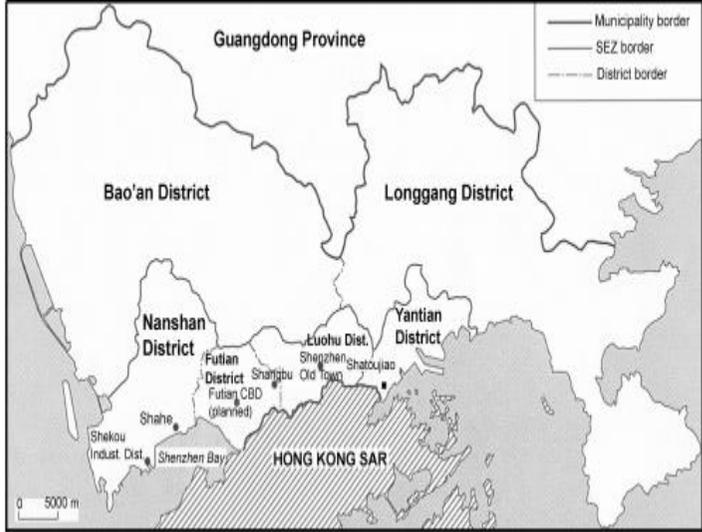
Population
Thousands of people

Year	Value (Thousands of people)
1980	332.90
2005	8,277.50

Overview of Shenzhen (2/2)



Shenzhen plan for city-wide SEZ



Competitiveness of Shenzhen

Geography



Shares a common border with Hong Kong and is 36 Km away from Hong Kong Special Administrative Region

Infra-structure



Shenzhen is the only city that owns **seaports, airport and land ports in China**. Its own Luohu and Huanggang ports are the **largest land passenger and freight port in China**. Additionally, Guangshen, Shenshan, Jingjiu and Guangshen **expressways link Hong Kong, Shenzhen and inland cities**

Area



2,000 sq.km area and comprises six districts namely Luohu, Futian, Nanshan, Yantian, Bao'an, and Longgang

Talent



Strong coverage and supply of talent: Comprise of 3,800 State-level high-tech enterprises, 1,313 preschool institutions, 335 primary schools and 10 full-time and one part-time institute for higher

Market access



Proximity to Hong Kong and various bilateral trade agreements with Canada

Governance Model



Administered and coordinated by the **Guangdong Provincial Administration of Special Economic Zones (GPASEZ)**. Shenzhen SEZ Development Company locates Chinese **joint venture partnerships** and capital for investments

ShenZhen – Investors attraction levers (1/2)



Levers	Activities the zone is doing
<p>Hard incentives</p> <p>Economic/tax</p> <p>Economic Autonomy</p> <p>Entry and Exit</p> <p>Labour</p> <p>Location/ Infrastructure</p>	<p>Taxation:</p> <ul style="list-style-type: none"> ▪ Company tax rate of 15 per cent, compared to the 30 per cent tax rate of private companies in the rest of China ▪ Enterprises specializing in harbors and docks and operating longer than 15 years are exempt from income tax for the first 5 years from the time it begins to make a profit. Further, income tax is halved for the next 5 years. If the period of operation is longer than 10 years, the enterprises are exempted from income tax for the first 2 years starting from when the enterprise begins to make a profit From the third to the fifth year, income tax is halved. After the period of income tax reduction and exemption expires. the rate is 10%. ▪ For those enterprises whose export value is 70% or more of total product value, there is a tax exemption on remitted profits. ▪ Export of products produced in the special zone and imports used in production are exempted from custom duties. <hr/> <ul style="list-style-type: none"> ▪ For gaining efficiency, all investments below 100 million yuan (for light industry, below 30 million and for heavy industry, below 50 million) can be approved by the Shenzhen Special Economic Zone ▪ The Special Zone is also authorized to approve applications by Chinese citizens for travel abroad <hr/> <ul style="list-style-type: none"> ▪ The port provides "special passage" for the convenience of passengers to and from Hong Kong and Macau. Cars with Hong Kong license plates have easy access to the special zone. ▪ All foreigners who either have investment or residential housing in Shenzhen can apply for multiple entry visas <hr/> <p>Labour Laws:</p> <ul style="list-style-type: none"> ▪ Wages set by the market are free from the rigid Chinese centralized wage-setting system ▪ Reduce bureaucracy and red tape <hr/> <ul style="list-style-type: none"> ▪ Shenzhen is located at the forefront of the Pearl River Delta and borders on the New Territories of Hong Kong in the south, Daya Bay in the east, the outlet of Pearl River and Dongguan and Huizhou in the north, being an important coastal communication hub in South China. ▪ Shenzhen is the only city that owns seaports, airport and land ports in China. ▪ High-Tech Industry Zone: The High-tech area provides scientific research and development, incubation of scientific and technological results, industrialized production, higher education and export processing. ▪ High-Tech Area: the area focus on the development of electronic information industry and quicken the development of three industries, i.e., biological medicine, optical electromechanical integration and new material ▪ Shenzhen Export Processing Zone is a special closed area supervised by the customs with the approval of the State Council.

ShenZhen – Investors attraction levers (2/2)



Levers	Activities the zone is doing
<p data-bbox="61 235 253 263">Soft incentives</p> <p data-bbox="99 441 225 501">Livability readiness</p>	<ul style="list-style-type: none"> ▪ As per Mercer's Cost of Living Survey 2015, Shenzhen is ranked at 14th out of 207 cities. ▪ Key Fact: Shenzhen is ranked higher than some Asean cities, such as Bangkok (45th), Manila (75th), Hanoi (86th), Ho Chi Minh City (90th) and Jakarta (99th) ▪ Shenzhen has an efficient government service system and an advanced information network to provide a good environment for the city's economic development and people's daily lives ▪ It outperformed all city governments on the mainland as the most efficient government, topping a chart released by the China Institute of City Competitiveness in 2012. ▪ Shenzhen has 797 post offices and a developed telecommunications system. Shenzhen is the center for express mail on the southern mainland ▪ The fixed telephone users numbered 4.901 million in 2013 and mobile users 25.535 million. The number of broadband users was 4.332 million in 2013, making the city not only a leader in national broadband business but also advanced by world standards
<p data-bbox="99 882 215 909">Services</p>	<ul style="list-style-type: none"> ▪ Shenzhen provides all kinds of accommodation, Shopping, Health, Hospitals, Entertainment and Culture and education services. ▪ Shenzhen also has various Special Industrial Zones such as <ul style="list-style-type: none"> – Shenzhen Hi-Tech Industrial Park – Qianhai Industrial Park – Shiyan Industrial Park – South Guangming Industrial Park – Baolong Industrial Park and many more ▪ Founded in September 1996, Shenzhen High-tech Industrial Park (SHIP) has been listed among China's five state-level high-tech parks and focuses on promoting the development of key industries including computer, telecommunication, networking, integrated circuit (IC), optical electronics, biological engineering and new materials
<p data-bbox="99 1183 206 1211">Stability</p>	<ul style="list-style-type: none"> ▪ Qianhai, the special economic zone in Shenzhen intended will allow for China's yuan liberalisation and financial reforms and reduce financial and trade restrictions, with cross-border interbank yuan lending and customs integration the key areas in need of further reforms ▪ Shenzhen's special economic zone of Qianhai is planning to set up a tariff-free shopping mall

Shenzhen – Key enablers put in place



Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none"> ▪ Deep Sea port Chiwan ▪ Electric railway line from Shenzhen to Guangzhou ▪ 100 roads encompassing a total length of 208 sq km connecting Shenzhen to Guangdong province and Hong Kong ▪ Public Transports ▪ Highway links to connect SEZ to the East and West ▪ Several Harbours for passenger transports between Hong Kong and Shenzhen and international sea lines to Europe, Japan and USA ▪ Huangtian Airport ▪ On going construction of a nuclear power plant to overcome electricity shortages
Digital & ICT	<ul style="list-style-type: none"> ▪ The National Supercomputing Center in Shenzhen (Shenzhen Cloud Computing Center) is the city's largest scientific infrastructure facility. The Dawn 6000 supercomputer system can perform 1.27 quadrillion calculations per second, certified in 2010 as the second-fastest system in the world
Innovation and R&D	<ul style="list-style-type: none"> ▪ Strong R&D capability and a complete industrial chain have made high-tech industries Shenzhen's most important pillar. ▪ There are 3,800 recognized State-level high-tech enterprises in Shenzhen. ▪ The establishment of the Shenzhen-Hong Kong Innovation Circle fosters technological collaboration between Shenzhen and Hong Kong
Education and HR	<ul style="list-style-type: none"> ▪ In 2013, Shenzhen had 1,313 preschool institutions, 335 primary schools and 10 full-time institutes of higher learning and one part-time institute. In 2013, Shenzhen's full-time higher learning institutes had a total of 82,400 students.
Art and creative design	<ul style="list-style-type: none"> ▪ There are 34 museums, 11 public art galleries, 20 theaters for performing arts in the city and 69 cultural halls throughout the city, occupying more than 300,000 square meters



Model

- At the provincial level, SEZs were administered and coordinated by the Guangdong Provincial Administration of Special Economic Zones (GPASEZ)
- Assisted by the Guangdong Provincial Special Economic Zone Development Company, GPASEZ dealt independently of the pre-existing administration of Guangdong with the peculiarities of SEZs and looked after:-
 - Draw up development plans and organize their implementation.
 - Examine and approve the investment projects of investors.
 - Handle registration of industrial and commercial enterprises and land allotment.
 - Coordinate working relations among the banking, insurance, taxation, customs, Provide staff members and workers needed by enterprises and protect legitimate rights and interests of the staff members and workers.
 - Establish educational, cultural, health, and various public welfare institutions;
 - Maintain law and order
- Shenzhen SEZ Development Company had the responsibility for locating appropriate Chinese partners for joint ventures, and seeking Chinese capital for investment.
- It worked with the municipality, which had the responsibility for the legal aspects of development, and oversaw the general planning of the zone.
- Management of Shenzhen SEZ from 1992-present has been with Shenzhen Municipal. The Shenzhen Municipal have the authorities within the Shenzhen SEZ instead of GPC and heads the management of Shenzhen SEZ too.

ShenZhen – Governance model (2/3)



Stages	Activities	Responsibility
Zone set up	National zones strategy	<ul style="list-style-type: none"> ▪ Shenzhen Municipal People's Government
	Setting up new entities	<ul style="list-style-type: none"> ▪ The Shenzhen Municipal industrial and commercial administration department
	Provide land	<ul style="list-style-type: none"> ▪ Shenzhen Municipal People's Government
	Partner selection	<ul style="list-style-type: none"> ▪ Zones Corp
	Partner coordination and master planning	<ul style="list-style-type: none"> ▪ Zones Corp
	In-zone infrastructure planning	<ul style="list-style-type: none"> ▪ Shenzhen City People's Government
	Infrastructure development (standard)	<ul style="list-style-type: none"> ▪ Shenzhen City People's Government
	Infrastructure financing for large projects	<ul style="list-style-type: none"> ▪ The Municipal Government
	Infrastructure development large projects	<ul style="list-style-type: none"> ▪ Shenzhen City People's Government
	Country marketing (parallel)	<ul style="list-style-type: none"> ▪ The Administrative Department of Industry and Commerce of Shenzhen Municipality
	Anchor tenant attraction	<ul style="list-style-type: none"> ▪ Zones Corporation
	Other tenant attraction	<ul style="list-style-type: none"> ▪ Private sector operator

ShenZhen – Governance model (3/3)



Stages	Activities	Responsibility
Zone operations	Provide services to tenants	<ul style="list-style-type: none"> Private sector operator
	One-stop shop	<ul style="list-style-type: none"> Zones Corp
	Improve doing business	<ul style="list-style-type: none"> Investment Promotion Agency
	Financing – facilitation	<ul style="list-style-type: none"> The Municipal Government
	Financing – provision	<ul style="list-style-type: none"> The Municipal Government
	Logistics	<ul style="list-style-type: none"> Private sector logistics company
	Other services	<ul style="list-style-type: none"> Other private sector companies
	Daily zone operations	<ul style="list-style-type: none"> The Municipal Government
Steer zone strategically	<ul style="list-style-type: none"> Zones Corporation 	



Development

Activities the zone is doing

Development

- Set up in 1979, it is one of the largest SEZs in China spreads across 316 sq kms. It shares a common border with Hong Kong and is 36 kms away from the Hong Kong Special Administrative Region. Starting with a population size of only 30,000 people in 1979, Shenzhen increased its official population count (as of 2007) to 8.6 million, of which only 2.1 million were registered households
- In 1st Phase from 1980 – 85, Development of infrastructure and service facilities were set up. Additionally, during that phase the construction also doubled up, which was termed as the “Shenzhen Speed” and areas like Shoukou Industrial Zone. Shenzhen pioneered reforms in capital raising, pricing, finance and investment and wages and employment systems during that era.
- From 1986 – 1992, the SEZ pursued Export oriented and open door policy. From 1986-1993, Hong Kong accounted for 66% of overall FDI in Shenzhen and 64.2% of cumulative foreign investment. In addition, the SEZ adopted creation of state-own enterprises system, joint-stock system, the contract system, the transfer of property rights and bankruptcy and established nonferrous metal futures market and Shenzheng Stock Exchange along with new administrative system of the state-owned land.
- From 1993 – Present, the SEZ established good investment and environment and upgraded the economic development model. This helped in promoting activities with SEZ, which led to increase the value of its exports from US\$ 900 million in 1978-79 to US\$ 101,518 million by 2005

Free Trade Zone

-
- China has 3 main Free Trade Zone in Shenzhen:-
 1. Futian Free Trade Zone
 2. Yantian Port Free Trade Zone
 3. Shatoujiao Free Trade Zone
 - **Futian Free Trade Zone**
 - Futian Free Trade Zone was established on May 28, 1991 upon approval by the State Council. On February 18, 1993, its insulating facilities were qualified by Customs General Administration. The free trade zone occupies 1.35 square kilometres, with 0.33 square kilometre allocated residential quarter.
 - Approved private cars can enter the zone from Hong Kong. They are also allowed to drive within Shenzhen City.



Development

Activities the zone is doing

- Beside, No.2 Channel and No.3 Bridge connecting the urban district have been put into use, and shuttle buses service are available.
- Futian Free Trade Zone is ready for the occupancy of the investors with its complete public facilities, such as land levelling, road construction, water supply, electricity supply, post and telecommunications, drainage, etc. For the luxury residence, Baorui House, Langting Luxury Gardeng, Juya Garden and Jinglong Garden have been completed within the residential quarter.
- Besides, there are also sufficient dormitories for workers and banks, insurance companies, law firms and customs declaration firms in the zone provides the community with convenient business services

Yantian Port Free Trade Zone

- Yantian Port Free Trade Zone was established on September 27, 1996 upon approval of the State Council. Its first phase of development area covers 0.85 square kilometer, The Zone is divided by Yantian Port Blvd. into two parts.
- Located in Yantian Port, Yantian Port Free Trade has built a specialized passageway for direct access to the quay operation area. It is one of the four largest container terminals in China and has opened 46 international sea routes connected to Europe, Asia and Pacific Regions. In year 2001, the throughput of Yantian Port attained 2.75 million TEUs, and the number has been growing rapidly with an annual rate of about 50%.
- Through 24KM Pinghu-Yantian railway, Yantian Port connects with Beijing-Guangzhou and Beijing-Kowloon railway arteries, thus increasing connectivity through railway network.
- Also, Yantian Port Free Trade Zone has Yan-Ba Expressway, Huizhou-Yantian Expressway, and Yantian Port Blvd., Etc., Marine transportation, highwagys, and railways have together formed a convenient and fast communication network.
- All kinds of public utilities in the South park of Yantian Port Free Trade Zone have been established such as land levelling, road construction, water supply, electricity supply, post communication, telecommunications, drainage, etc.

Free Trade Zone



Development

Activities the zone is doing

Free Trade Zone

Shatoujiao Free Trade Zone

- Shatoujiao Free Trade Zone was established on December 25, 1987 upon approval by Shenzhen Municipal Government, and was formally set up on May 28, 1991 upon approval by the State Council
- Shatoujiao Free Trade Zone is Located in Yantian district in the east of Shenzhen, it is 1 kilometer from the largest international container port in South China?Yantian Port in the east, 2 kilometers from Shatoujiao Port to Hong Kong in the south, connected with Shenzhen urban district via Wutongshan Tunnel in the west, and lies in beautiful Wutong Mountain in the north.
- It has a building area of 200,000 square meters and the residential quarters which can accommodate 30,000 employees.
- Financial institutions like Bank of China, the Agricultural Bank of China, the Industrial & Commercial Bank have their branches in the zone.

Shenzhen – Regulations (China Special Economic Zone – Macro level) (1/2)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (1986, 1993)</p>	<p>Land use rights (state in urban areas and by agricultural collectives in the country-side.)</p>	<p>Purpose:</p> <ul style="list-style-type: none"> Land use rights came into the country quite late as compared to United States. The main purpose has been to allot land to investors at a reasonable rate. <p>• Content:</p> <ul style="list-style-type: none"> There is absolutely no private ownership of land in China, as it is owned exclusively by the State in the urban areas and by agricultural collectives in the country side.
	<p>Land Administration Law of the People's Republic of China (State Council, State Authorities, State Govt.)</p>	<p>Purpose:</p> <ul style="list-style-type: none"> This Law is enacted in accordance with the Constitution for the purpose of strengthening land administration, maintaining the socialist public ownership of land, protecting and developing land resources, making rational use of land, effectively protecting cultivated land and promoting sustainable development of the society and the economy. <p>Content:</p> <ul style="list-style-type: none"> Ownership by the whole people means that the right of ownership in State-owned land is exercised by the State Council on behalf of the State. No units or individuals may encroach on land or illegally transfer it through buying, selling or other means. However, the right to the use of land may be transferred in accordance with law. The State applies a system of control over the purposes of use of land. The land administration department under the State Council shall be in charge of unified administration of and supervision over the land throughout the country.

Shenzhen – Regulations (China Special Economic Zone – Macro level) (2/2)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (1980)</p>	<p>Regulations on Special Economic Zones in Guangdong Province. (The Standing Committee of the National People's Congress, Guangdong Provincial Committee,</p>	<p>Purpose:</p> <ul style="list-style-type: none"> In order to develop economic cooperation and technical exchanges with foreign countries and to promote the socialist modernization Programme, certain areas shall be delineated respectively in the three cities of Shenzhen, Zhuhai and Shantou in Guangdong Province for the establishment of special economic zones (hereinafter referred to as "special zones"). <p>Content:</p> <ul style="list-style-type: none"> Enterprises and individuals in the special zones must abide by the laws, decrees and pertinent provisions of the People's Republic of China. Where there are specific provisions in these Regulations, they shall be observed accordingly. A Guangdong Provincial Committee for the Administration of Special Economic Zones shall be set up to exercise unified administration of the special zones on behalf of the Guangdong Provincial People's Government. Investors may open accounts and conduct their foreign exchange transactions with the Bank of China established in the special zones or with other banks established there with the approval of the Chinese side. Investors may operate their enterprises independently in the special zones and employ foreign personnel for technical and managerial work.

Shenzhen – Regulations (Shenzhen – Micro level) (1/2)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (1984, 1998)</p>	<p>Regulations of the Shenzhen Special Economic Zone on Land Management (The Shenzhen Municipal People's Government)</p>	<p>Purpose:</p> <ul style="list-style-type: none"> Regulations were formulated in accordance with the Law of the People's Republic of China on Land Management and other relevant laws in order to improve the management of land in the Shenzhen Special Economic Zone (hereinafter referred to as the Special Zone), to exploit the resources of the land and to implement rational utilization of the land. <p>Content:</p> <ul style="list-style-type: none"> The Special Zone shall practice a system of compensatory usage and compensatory assignment of State owned land. Municipal Government) should be responsible for the uniform management of all areas of land, mineral reserves, waterways, mountain forest and other natural resources. A land user unit or individual shall only have the right of use of its allotted piece of State owned land and shall not be authorized to alter the purpose of usage of the land without approval.
	<p>Regulations of the Shenzhen Special Economic Zone concerning the management of commodity house property (The Shenzhen City People's Government)</p>	<p>Purpose: The present regulations are formulated in line with relevant laws and decrees of the People's Republic of China and the "Regulations Concerning the Special Economic Zones in Guangdong Province", in order to strengthen the management of commodity house property in the Shenzhen Special Economic Zone and protect the legitimate rights and interests of house property managers and householders.</p> <p>Content: The Shenzhen City People's Government encourages overseas firms to engage in house property management (construction, sales and renting of houses etc.) in the Shenzhen Special Economic Zone independently or jointly with state-owned enterprises authorized by the Shenzhen City People's Government to manage house property. Overseas firms are encouraged to buy house property.</p> <ul style="list-style-type: none"> The Shenzhen City People's Government shall allow the people to transfer their house property right to others.

Shenzhen – Regulations (Shenzhen – Micro level) (1/2)

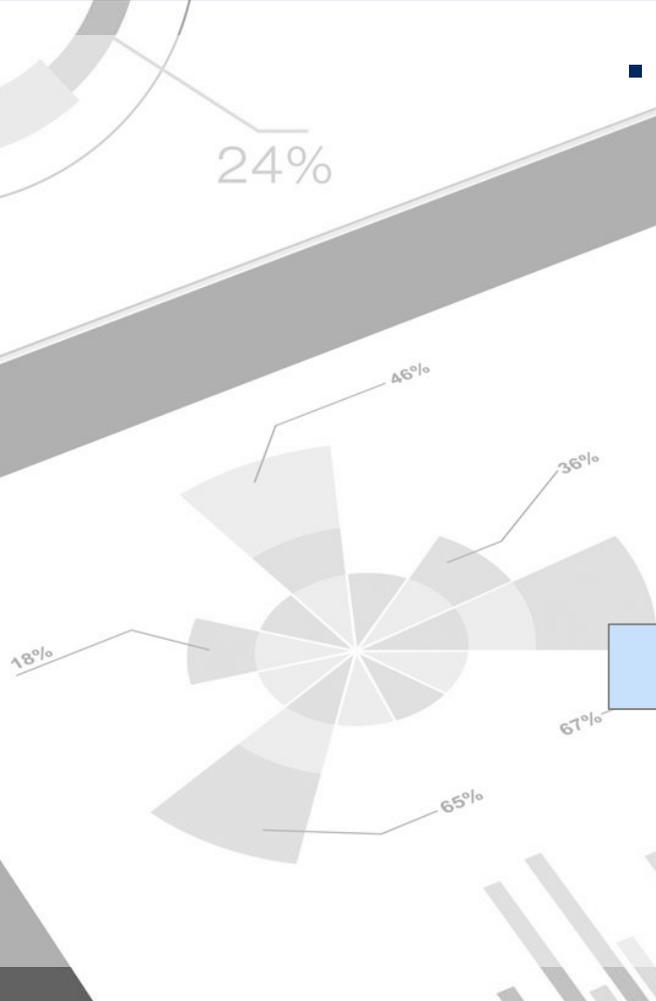
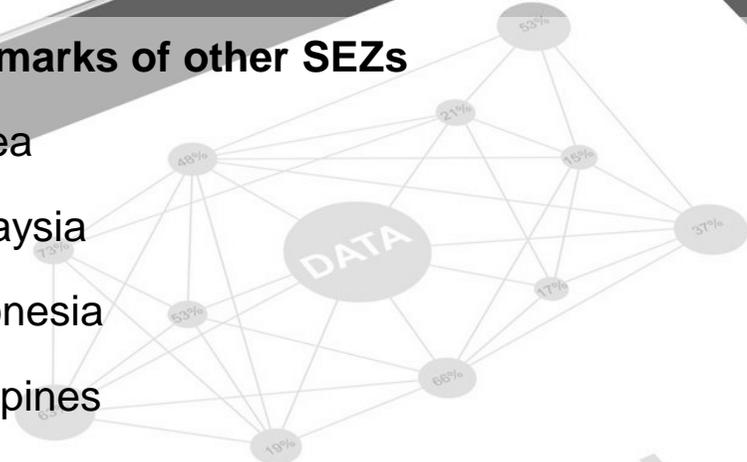


Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (2004)</p>	<p>Regulation of Shenzhen Special Economic Zone on Labor Contract</p>	<p>Purpose</p> <ul style="list-style-type: none"> Adopted at the 24th meeting of the Standing Committee of the First Shenzhen Municipal People’s Congress on August 4, 1994, revised at the 16th meeting of the Standing Committee of the Second Shenzhen Municipal People’s Congress on July 15, 1997, amended at the 32nd meeting of the Standing Committee of the Third Shenzhen Municipal People’s Congress on June 25, 2004. <p>Content:</p> <ul style="list-style-type: none"> This Regulation is formulated in order to protect the lawful rights and interests of both the employees and the employing entities, standardize the employment behavior of employing entities, maintain the labor market order of Shenzhen Special Economic Zone (hereinafter referring to as Special Zone), and promote the economic development.

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Overview of Pudong Special economic zone (1/2)



Key facts and figures

- Pudong, Shanghai, China
- Land area: 1,210 sq.km
- Population: WIP
- Sectors of focus: Finance, Trade
 Biopharmaceutical, tourism, conference and exhibition, professional third-party service, modern agriculture, new material and energy

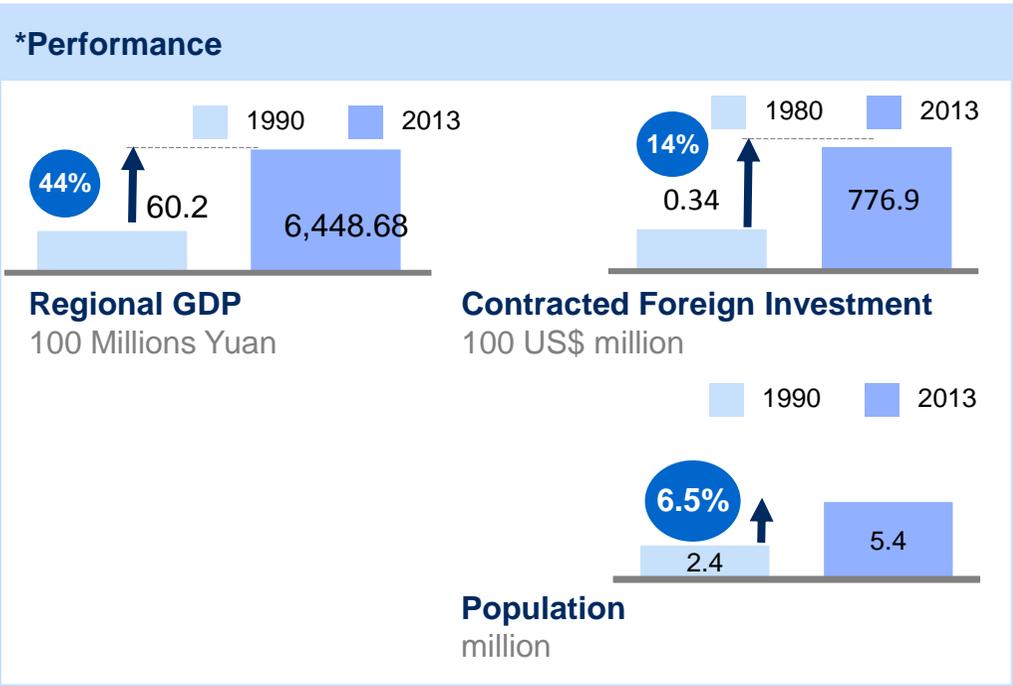
Background of the zone

- On April 18, 1990, China's State Council endorsed a report submitted by Shanghai's government on Pudong's development plan and the central government of the PRC officially announced on the development and opening up on Pudong New Area
- In 1992, the national congress made announcement by expanding horizon of Pudong by including coastal cities along the Yangtze River

Focus sectors and anchor tenants

Focus sectors

- Pudong pillar industries include: Finance, logistics, commerce, information (including information service, manufacturing of electronic information product), culture (including cultural service, education training and other culture-relating sectors), automobile, ship manufacturing, complex equipment manufacturing, petro-chemical, refine chemical industries and real estate



Overview of Pudong Special economic zone (2/2)



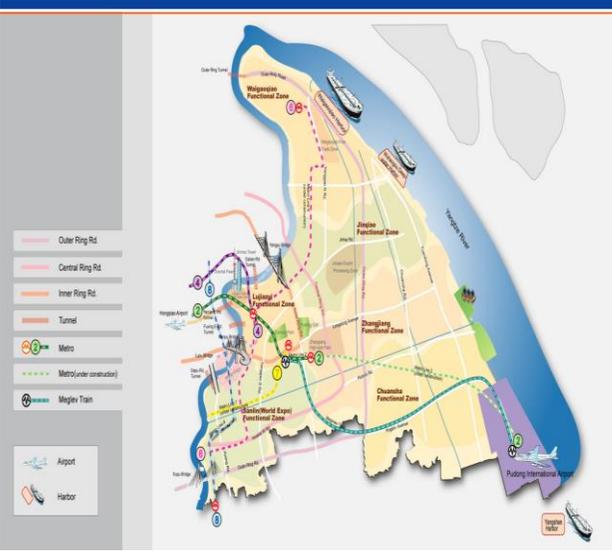
Pudong New Area

Location:
east bank of Huangpu River

Land area:
1210 square kilometers

Permanent residents:
4.12 million

PUDONG NEW AREA



Competitiveness of Pudong

Geography

Situated on the **east coast of the Huangpu River, and sits at the intersection of China's coastal belt** and backed up by the Yangtze River Delta urban megalopolis and faces the boundless Pacific Shanghai.

Infra-structure

The SEZ comprise of World's **Widest tunnel and expressway, China tallest building and the world's highest observation deck** – 101 storey, Shanghai World Financial Center, Metro & Train Connectivity, Pudong International Airport, Three ports and three zones Shanghai New International Expo Centre – SNIEC

Area

Located in Shanghai, China, Pudong SEZ has an area of **Land area: 1,210 sq.km.**

Talent

Patents granted per million persons reached **460 with 92 scientific or technological projects** receiving state- or city-level awards. **131 high-tech enterprises and 47 R&D centers**, making the total number 905 and 440 respectively. 558 educational institutions of various grades and additionally have science and art centers.

Market access

Lies in the center of the city, the area was developed to gain foreign investments in China. It has **12 sub-districts and 24 towns** and has six national-level development zones

Governance Model

Works on government-orienting developments. Local government builds up a social system and mechanism with core value of partnership between government and social organization and the value of shared public responsibility.

Pudong – Investors attraction levers (1/4)



Levers	Activities the zone is doing
<p data-bbox="60 230 365 273">Hard incentives</p> <p data-bbox="84 280 393 770">Economic/tax</p>	<ul style="list-style-type: none"> <li data-bbox="416 280 1830 406">▪ Pudong incorporates the fifteen percent tax rate of the SEZs. Moreover, as is the case elsewhere in China, manufacturing enterprises in Pudong with operations of over ten years may be exempt from enterprise income tax in the first and the second years after the enterprises become profitable and are entitled to a fifty percent reduction from the third through the fifth profitable years. <li data-bbox="416 420 1830 546">▪ Foreign capital enterprises in Pudong that engage in airport, port, railway, highway, power station and other energy resource or transportation construction projects may also enjoy the same 15 percent tax rate. And those enterprises with a period of operation over 15 years may be exempt from income tax starting from the first profit-making year for five years, and enjoy a 50 percent reduction from the sixth to the tenth profitable years. <li data-bbox="416 560 1830 686">▪ Chinese-foreign joint venture located in Pudong may remit its share of profits made from operation of the enterprise outside China, and is exempt from the tax that would ordinarily be levied on such remittal. A foreign capital enterprise also enjoys certain other preferential tax treatments. 1 " By contrast, in other parts of China, a foreign party to such a joint venture would probably have to pay a 10 percent tax on the remitted amount <li data-bbox="416 700 1830 770">▪ Land use rights can be obtained in Pudong for varying terms depending on the intended use of the land. The maximum term of a lease for which land-use rights may be granted in Pudong is seventy years.
<p data-bbox="84 861 393 1274">Labour</p>	<hr style="border-top: 1px dotted #000;"/> <ul style="list-style-type: none"> <li data-bbox="416 861 1830 923">▪ In Pudong, much like one of the special policies applicable in the SEZs, a foreign capital enterprise is free to create its own organizational structure and personnel system according to its own production and management plan. <li data-bbox="416 937 1830 1036">▪ Any personnel needed in the foreign capital enterprises can be recruited from Shanghai. Recruitment of personnel from outside Shanghai is also possible, although the approval of the Shanghai Municipal Labor and Personnel Department is required. <li data-bbox="416 1050 1830 1120">▪ In case of any individual recruited by a foreign capital enterprise is already employed by a domestic business or government entity, that entity should assent to the employee's transfer. <li data-bbox="416 1134 1830 1260">▪ The establishment of levels of compensation, forms of payment, rewards, allowances and other similar issues remain within the discretion of the foreign capital enterprises. However, It is required, that any employment, recruiting, dismissal or discharge of staff by foreign capital enterprises in Pudong be filed with the Shanghai Municipal Labor and Personnel Department



Pudong – Investors attraction levers (2/4)

Levers

Activities the zone is doing

Hard incentives

Location and Climate

- Pudong is situated on the east coast of the Huangpu River of Shanghai, and sits at the intersection of China's coastal belt for opening-up and the Yangtze River estuary. It is backed up by the Yangtze River Delta urban megalopolis and faces the boundless Pacific.
- Pudong has 12 sub-districts and 24 towns. Pudong has six national-level development zones – the Waigaoqiao Free Trade Zone, Yangshan Free Trade Port Area, Pudong Airport Free Trade Zone, Lujiazui Finance and Trade Zone, Jinqiao Export Processing Zone and Zhangjiang High-Tech Park; five municipal level development zones – Sunqiao Modern Agriculture Development Zone, Kangqiao Industrial Zone, Lingang Industrial Zone, Nanhui Industrial Park and Shanghai International Medical Zone
- Transport facilities over and under the Huangpu River linking Pudong New Area with other areas of Shanghai include four bridges – Nanpu, Lupu, Yangpu and Xupu, 12 traffic tunnels to Shangzhong Road, Longyao Road, Dapu Road, Xizang South Road, Fuxing East Road, Renmin Road etc.
- With a total area of 1429.67 square kilometers, Pudong had 21,200 hectares of farmland. The number of registered permanent households was 1,084,300, and the number of permanent residents on household register was 2,811,200.

Transport

- Pudong International Airport is the newer and bigger of the two airports in Shanghai, which primarily handles international flights. Located at the eastern edge of Pudong, the airport has two passengers terminal and occupies an area of 40 square kilometres.

Ferry and Road Connection to Puxi

- There are a total 18 ferry lines serving the crossing of Huangpu River. The Shanghai Transportation Card can be used to pay for the fees of the ferry.
- Pudong is served by Metro Line 2, 4, 6, 7, 8 & 9. All the line connects Pudong to Puxi, except for Line 6, which runs entirely in Pudong from North to South.

Banking Infrastructure

- Pudong also permits the establishment of "foreign banks," ' foreign bank branches, and joint Chinese and foreign capital banks
- Foreign capital banks in Pudong are also entitled to preferential tax treatment. Such a bank that has invested an amount of over ten million dollars, for a business period of over ten years during which the invested amount is not drawn down, is entitled to pay the enterprise income tax at a reduced rate of only fifteen percent and be exempt from this tax entirely in its first profit-making year, paying fifty percent reduced tax for the second and third profitable years.
- One of significant development which further demonstrates Pudong is both economically and financially special is that Shanghai, along with Shenzhen, is allowed to issue securities directly to foreign investors.

Location/ Infrastructure



Pudong – Investors attraction levers (4/4)

Levers

Activities the zone is doing

Soft incentives

- The management and services provided by the local government are as follows:
 - Rectification and improvement of Water Environment: In 2008, the rectification and improvement of water environment in Pudong New Area involved 339 river sections in 11 towns, the length of river courses rectified and improved was 124.43 kilometres. During the rectification and improvement efforts, 1.4329 million cubic meters of earth and slug were dredged out, 227,100 square meters of greenery areas were added, and 74.45 kilometres of river banks were reinforced and consolidated
 - Implementing new reforms in Public Transportation
 - Employment Promotion: In 2008, Pudong New Area created 142,700 new job opportunities, 228.1% of the annual job quotas set by the city for the new area
 - Legal Aid: In 2008, the legal aid center of Pudong New Area handled 14,352 persons/times for legal consulting and aid, the hotlines 68609999 and 12348 received and answered 14,670 persons/times of legal consulting, and the total of the two was 29,117 persons/times, a growth of 3.24% over the previous year.
 - Dispute Resolution: The mediation network and mediator teams covered every corner of the new area By the end of 2008, Pudong New Area had 911 various mediation committees.
 - Removing Traffic Congestion in the SEZ area
 - Joint Law Enforcement in Urban Management: Carrying out various law enforcement campaigns and strengthening the construction of law enforcement force.
 - Market Supervision: In 2008, Pudong New Area, centering on the theme of "services for development" and the grand events as the Olympic Games and the World Expo, made further innovations in the working style1s, strengthened market supervision, and worked to address the problems relating to the interests and benefits of the masses.
 - Promoting Social Security and Community Development

Services

Stability

- Land use rights can be obtained in Pudong for up to seventy years and investors may be granted preferential treatment for the development and utilization of tracts of land

Pudong – Key enablers put in place



Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none"> ▪ The zone provides modern infrastructure facilities and has one international airport – Pudong; 24 residential towns, road, ferry, and metro connectivity with Puxi and Shanghai city. ▪ <u>Dedicated Centers</u>: The zone has dedicated financial, shipping centers and trade centers in order to support the rapid development of the Pudong area
Digital & ICT	<ul style="list-style-type: none"> ▪ Modern telecommunications facilities, power and water supply, waste management, vast road network and other infrastructures.
Innovation and R&D	<ul style="list-style-type: none"> ▪ High-end R&D and manufacturing projects, such as the R&D and assembly manufacturing centers of COMAC, the design and engineering center of GM, Huali Microelectronics and Enraytek Optoelectronics, are making notable progresses. ▪ Patents granted per million persons reached 460. 92 scientific or technological projects got state- or city-level awards. And additional 131 high-tech enterprises and 47 R&D centers were affirmed, making the total number 905 and 440 respectively.
Education and HR	<ul style="list-style-type: none"> ▪ There are 558 educational institutions of various grades and types in Pudong, including 525 kindergartens, primary and secondary schools and vocational schools and 9 international schools and schools with international department.
Art and creative design	<ul style="list-style-type: none"> ▪ Festival Activities, Special Catering, Shopping and Consumption centers, Supermarkets and China Centers, Special markets, Commercial streets, Sports and Entertainment centers, 5 star hotels, Qing Yun Temple, Science and art centers



Pudong – Governance model (1/3)

Model

New Perspective of Governance Model

- Pudong case is part of the successful experience of China case, but on the other hand, makes its special contribution to the China case.
- As a pioneer in reforming and as a pilot field to experiment the reforms, Pudong government has been actively making reforming in public administration to meet the demands of its own developments and to fulfil its tasks to bring experience to the national administration innovation.

Government- Orienting Developments

- The core value of Pudong model is government-orienting developments. The local government has been dedicated to establishing an operation system on the basis of market economy, while building up a social system and mechanism with the core value of partnership between government and social organization and the value of shared public responsibility.
- Pudong has been taking gradual reforms in concrete development tactics, which has reduced the transformation cost. The success of Pudong model lays upon a solid basis of efficient practicing system and abundance mechanism resources. Whenever the development tactics are identified, a series of supporting systems are established to effectively support these tactics.
- The administration system of development zones could be constantly adjusted at various development states so that the organizational design shall meet the requirements of local reality. In all, the final destination is to build up a modern region and integrate growth of less developed area with the developments of urbanized area.
- In this case, the traditional government authority is still maintained, while on the other hand, the power, organizational and employee numbers of government are limited and the rules of market operation and social developments are fully respected. During this process, gradual reforming tactics and drastic changes are planned and practiced with the tools of organizational transformation and system design; the highlighted growth of certain area and the focus for industrial growth are combined with overall forwarding and community development. The gradual transformation within the framework of overall planning and organizational design are practiced step by step and stage after stage.
- Pudong case showcases the destined necessity to transform from the centralized power to differentiated and degraded power system and from a pyramid power structure to a flat power network. This transformation is practiced in the administration interior system by designing the upper and lower organizations inter-complementary to each other and by differentiating the power allocation among parallel organizations, is practiced in the reforms toward market operation and power decentralization, and even more importantly, is practiced in the establishment of shared responsibility among official bodies and social organizations for community management.



Pudong – Governance model (1/3) – Org Structure

Org Structure (1/4)

- General Office of the People's Government of Pudong New Area: The office is responsible for policy research, legal construction, reform of the administrative approval system, government information disclosure, foreign-related management and corporation, public emergency management and coordination, domestic corporation and communication, official business receptions, communication in Beijing, corporation between government and society and public service, office management and other work.
- Development and Reform Commission of Pudong New Area (Statistics Bureau, Price Bureau):
- Functions include:
 - To carry out economic and social development strategies, guidelines and policies.
 - To be responsible for the research, planning and coordination of reform works in Pudong New Area
 - To study and put forward the target, policies and measures of the fixed asset investment scale and investment structure of the whole society of Pudong New Area.
 - To organize researches and put forward industrial development strategies, industry layout planning, promote the adjustment of industrial structures according to the industrial policies of national and Shanghai municipal government.
 - To make comprehensive analysis and research, put forward suggestions on investment and financing plan on major projects by Pudong New Area.
 - To be responsible for the making of social development strategies, organize the research on major issues and policies on education, science, technology, culture, health, sports, civil affairs, tourism, social administration in Pudong New Area.
 - To undertake other assignments by the government of Pudong New Area etc.
- Pudong New Area Commission of Economy and Informatization (Administration of Work Safety, Ocean Bureau, Shipping Office):
- Functions include:
 - To implement laws, regulations, plans and policies on industry and informatization, shipping, ocean and safe production supervision with related parties.
 - To draft special plans and annual plans on the development of industry.
 - To monitor and analyze the momentum of the operation of industry, information, shipping and ocean industry.
 - To give suggestions on the scale and direction of fixed investment in industry and informatization.
 - To guide technological innovation and technological advancement in different sectors, promote technical reforms for upgrading traditional industries with advanced technologies.
 - To draft and implement policies on the promotion of energy conservation, comprehensive utilization of resources and clean production in industry, informatization, shipping and ocean industry etc.
 - To organize and implement the adjustment of industrial layout in urban and rural areas.
 - To establish the working system serving industry, shipping, ocean and information industry in the whole society;
 - To program, coordinate and manage the construction of information infrastructure within the new area.



Pudong – Governance model (1/3) – Org Structure

Org Structure (2/4)

- Pudong New Area Commission of Commerce (Tourism Bureau, Food Bureau):
- Functions are:
 - To implement laws, regulations, policies and measures concerning domestic and foreign trade, international economic cooperation, foreign investment, international trade, logistics, exhibition, tourism, food, service and management of development areas, social responsibilities of enterprises and development of modern service industries.
 - To organize the making of mid to long-term industry development plan, strategy, industry rules and regulations, policies and measures on investment promotion from home and abroad, international economic cooperation, foreign investment, international trade, logistics, exhibition, tourism, food, service and management of development areas (attracting the investment from home and abroad), social responsibilities of enterprises and development of modern service industry, and to push for the implementation of them, etc.
- Pudong New Area Education Commission (Pudong New Area Sports Bureau):
- Functions are:
 - To carry out laws, regulations, plans and policies on education and sports; to draft and carry out annual plan, specific measures for implementation and related supplementary regulation according to actual situation.
 - To make developmental plan on education and sports in New Area according to overall national economic and social development plan, etc.
- Pudong New Area Science and Technology Commission (Pudong New Area Intellectual Property Bureau):
- Functions are:
 - To implement guidelines, policies, laws, rules and regulations related to science, technology, intellectual property and new high-tech industrialization;
 - To analyze and study development of the new area's science and technology, intellectual property, new high-tech industrialization and scientific financing innovation and suggest solutions in time after studying hot topics, key problems and difficult problems.
- Bureau of Civil Affairs of Pudong New Area(Mass Organization Bureau):
- Functions are:
 - To implement laws, regulations, plans and policies of Central Government and Shanghai Municipal Government on civil affairs; to draft development plan on new area civil affairs and implement related regulations and policies.
 - To direct streets and towns to check local residents' economic condition;
 - To be in charge of registration of marriage and adoption; to be in charge of management of matchmaking agencies; to advocate reform of marriage customs;
 - To be in charge of related work concerning administrative reconsideration and administrative litigation etc.



Pudong – Governance model (1/3) – Org Structure

Org Structure (3/4)

- Pudong New Area Bureau of Justice:
 - Functions are:
 - To be responsible for the implementation of the principles, policies, laws, regulations and rules of the state and municipal government, to study and make specific plans considering the actual situation of the area.
 - To be responsible for the notarization works in the area.
 - To be responsible for the management, guidance of justice works, mediation among people and grass-root legal services in the area.
- Finance Bureau of Pudong New Area:
 - Functions are:
 - To implement laws, regulations, rules, and policies of financial works. To be responsible for the management system of financial works in Pudong New Area of Shanghai Municipality.
 - To draft and implement medium and long term planning, financial reform plans and other relevant policies, push forward the construction of public finance system, gradually improve the overall budget system including government public budget, state-owned capital management budget, social security budget and other budget, etc.
- Pudong New Area Human Resources and Social Security Bureau (Civil servant bureau)
 - Functions are:
 - To implement the laws, regulations, rules and policies of human resources and social security. To draft human resources and social security development plans and policies, and organize the implementation, supervision and inspection.
 - To be responsible for related work of administrative review and administrative litigation.
 - To shoulder other matters assigned by the district government
- Pudong New Area Agricultural Commission (Agricultural Office)
 - Functions are:
 - To implement guidelines, policies, laws, rules and regulations related to "San Nong" work, referring to agriculture, rural areas and farmers, study and draft policy documents, regulations and implementation methods related to "San Nong" work. To organize and carry out correspondent laws, rules and regulations and guide "San Nong" work in Pudong New Area.
 - To study and draw up with related new area departments medium and long-term plans on the overall economic and social development in Pudong's rural areas based on the general plan on the new area's economic and social development and organize to carry them out, take charge of drawing up medium and long-term agricultural plans and annual work plans and organize to carry them out.



Pudong – Governance model (1/3) – Org Structure

Org Structure (4/4)

- Environmental Protection Bureau (Water Authority, Urban Management Bureau):
- Functions are:
 - To implement laws, regulations, rules and policies on environmental protection, water, greenery, forestry and environment and sanitation, municipal affairs (public utility) management and urban management.
 - To make regulatory documents on environmental protection, water, greenery, forestry, healthcare, municipal utility and urban management according to the actual need of environment construction and urban management, and organize the implementations.
- Auditing Bureau
- Functions are:
 - To implement the laws, regulations, rules and policies of auditing works. To draft regulatory documents and policies on auditing considering the actual situation of the area. To make and organize the implementation of development plan and annual plan of auditing works.
 - To be responsible for the auditing and supervision of the financial income and expenditure of the area according to laws and regulations. To maintain the financial and economic order in the area and improve the efficiency of financial capital, to promote honest and clean government to ensure the healthy development of economy and society. To take responsibilities for the result of auditing and special-item auditing, and to supervise the rectification of audited unit.
- Pudong New Area State-owned Assets Supervision and Administration Commission
- Functions are:
 - To perform the duty of investors under authorization of the new area government, according to laws and rules of Company Law of the People's Republic of China and Law of the People's Republic of China on the State-Owned Assets of Enterprises, monitor state-owned assets of state invested enterprises in the new area and strengthen management of state-owned assets.
 - To establish and improve the index system for the value preservation and increment of state-owned assets, strengthen financial supervision and risk control on state-owned assets operation, to supervise operation of the state-owned capitals of monitored enterprises by plans, budgets, final accounts, auditing, statistics, examination and check, assets evaluation and property rights trade to protect rights and interests of investors.



Pudong – Governance model (2/3)

Stages	Activities	Responsibility
Zone set up	National zones strategy	<ul style="list-style-type: none"> ▪ Central Government & General Office of the People's Government of Pudong New Area, Pudong New Area Development & Reform Commission
	Setting up new entities	<ul style="list-style-type: none"> ▪ General Office of the People's Government of Pudong New Area
	Provide land	<ul style="list-style-type: none"> ▪ Pudong New Area Planning and Land Authority
	Partner selection	<ul style="list-style-type: none"> ▪ General Office of the People's Government of Pudong New Area & Pudong New Area Planning and Land Authority
	Partner coordination and master planning	<ul style="list-style-type: none"> ▪ General Office of the People's Government of Pudong New Area & Pudong New Area Planning and Land Authority
	In-zone infrastructure planning	<ul style="list-style-type: none"> ▪ Private sector developer
	Infrastructure development (standard)	<ul style="list-style-type: none"> ▪ Pudong New Area Planning and Land Authority
	Infrastructure financing for large projects	<ul style="list-style-type: none"> ▪ District Level Companies, Local and Foreign Financial Institutions, Financial Center, Pudong
	Infrastructure development large projects	<ul style="list-style-type: none"> ▪ Private sector developer
	Country marketing (parallel)	<ul style="list-style-type: none"> ▪ Shanghai Foreign Investment Commission
	Anchor tenant attraction	<ul style="list-style-type: none"> ▪ General Office of the People's Government of Pudong New Area
	Other tenant attraction	<ul style="list-style-type: none"> ▪ Private sector operator

Pudong – Governance model (3/3)



Stages	Activities	Responsibility
Zone operations	Provide services to tenants	<ul style="list-style-type: none"> ▪ Local Government Entities
	One-stop shop	<ul style="list-style-type: none"> ▪ N/A
	Improve doing business	<ul style="list-style-type: none"> ▪ Pudong New Area Development & Reform Commission
	Financing – facilitation	<ul style="list-style-type: none"> ▪ Banks, Financial Center, Pudong
	Financing – provision	<ul style="list-style-type: none"> ▪ Finance Bureau of Pudong New Area and Financial Services
	Logistics	<ul style="list-style-type: none"> ▪ Pudong New Area Urban and Rural Construction and Transportation Commission
	Other services	<ul style="list-style-type: none"> ▪ Other private sector companies & Local Govt. entities
	Daily zone operations	<ul style="list-style-type: none"> ▪ Private sector operator
	Steer zone strategically	<ul style="list-style-type: none"> ▪ Local Government entities



Pudong – Development of Free Trade Zone (1/3)

Shanghai Integrated Free Trade Zone

- Under the linkage development framework of **3 ports and 3 areas**, Pudong implements unified administration management for **Yangshan Free Trade Port Area**, **Waigaoqiao Free Trade Zone** (including Waigaoqiao Free Trade Logistics Park) and **Pudong Airport Comprehensive Free Trade Zone** with the development and management system of Shanghai Integrated Free Trade Zone established and the linkage of policies, resources, industries and functions.
 - **“Integrating the characteristics of China's existing customs special supervision areas including free trade zone, free trade port area, integrated free trade zone and export processing zone, Shanghai Integrated Free Trade Zone has its import and export management the most complete, convenient and open on customs supervision, foreign currency management and inspection & quarantine”**
- Brief overview of the 3 different ports:
 - **Yangshan Free Trade Port Area:** Established on Dec 2005, it is composed of land area of Shanghai Luchao Port, Donghai Bridge and small Yangshan Port of Zhejiang Shengsi with closed area of 8.14 square kilometers.
 - Strategic position: Focus on building the international shipping development integrated experimental area.
 - Key industries: Transfer & consolidation, bonded demonstration, bonded warehouse, distribution, ship leasing and futures bonded delivery
 - **Waigaoqiao Free Trade Zone:** Established in 1990, covers the area of 10 square kilometers with the closed area of 8.9 square kilometers, it is the first free trade zone with the largest economic aggregate and best economic benefits among the customs special supervision areas in the country.
 - Strategic position: Focus on building the international trade demonstration area.
 - Key industries: Import and export trade, entreport trade, procurement and distribution, merchandise distribution, bonded expansion, product R&D, inspection and repair, professional trade platform and international trade settlement and other trade and service trade functions.
 - **Pudong Airport Comprehensive Free Trade Zone:** This was put into operation in September 2010, covers area of 3.59 square kilometers with the closed area of 1.6 square kilometers, it is one of the regional central nodes along the eastern coastline of Shanghai Pudong.
 - Strategic position: Focus on building aviation functional service forerunner area.
 - Key industries: Aviation supporting service, distribution center and aircraft leasing.

Pudong – Development of Free Trade Zone (2/3)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (2004)</p>	<p>Trial Measures for the Investment and Establishment</p>	<ul style="list-style-type: none"> ▪ The trial measures are specially formulated for the purpose of expanding international economic cooperation and technology exchange, intensifying Pudong integrated pilot reform, allowing domestic natural persons to establish Sino-foreign equity joint ventures or Sino-foreign cooperative joint ventures in Pudong New Area jointly with foreign companies, enterprises, other economic organizations or individuals on the basis of "equality and mutual benefit". ▪ The investments in Sino-foreign joint ventures or Sino-foreign cooperative joint ventures funded and established by domestic natural persons shall be restricted to the encouraged or permitted projects prescribed in the Industry Catalog for Guiding Foreign Investments. ▪ The Trial Measures shall become effective on May 1, 2010 and the period of implementation shall be 2 years.
	<p>Foreign Investment in Equity Investment Management Companies</p>	<ul style="list-style-type: none"> ▪ The purpose is that Foreign investors are allowed to establish foreign-invested equity investment management companies in Pudong New Area in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises. ▪ Upon application for establishment, the foreign-invested equity investment management enterprise shall have more than 2 senior managers who meet the following requirements. <ul style="list-style-type: none"> – Having more than 2-year working experience in equity investment or equity investment management. – Having more than 2-year experience as senior manager.

Pudong – Development of Free Trade Zone (3/3)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p>Regulations (2010)</p>	<p>Foreign Investment in Establishing Investment Companies (Ministry of Commerce)</p>	<ul style="list-style-type: none"> ▪ A company engaged in direct investment established by foreign investors in China in the form of either a wholly foreign owned enterprise or an equity joint venture with Chinese investors. The investment company shall take the form of a limited liability company. ▪ The foreign investor shall have good credit standing, financial capability necessary. ▪ Investment in sectors in which foreign investment is permitted by the State. ▪ Undertaking service outsourcing business of its parent company and affiliated companies. ▪ Strategic Investment by Foreign Investors upon Listed Companies is permitted. A company with an investment nature is considered as a foreign equity participation holding capital shares.
	<p>Land use rights (state in urban areas and by agricultural collectives in the country-side.)</p>	<ul style="list-style-type: none"> ▪ Land use rights could be obtained in Pudong for up to 70 years and investors may be granted preferential treatment for the development and utilization of tracts of land.

Pudong – Regulations (Pudong – Micro level) (1/2)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p style="text-align: center;">Regulations (2004)</p>	<p>Trial Measures for the Investment and Establishment</p>	<ul style="list-style-type: none"> ▪ The trial measures are specially formulated for the purpose of expanding international economic cooperation and technology exchange, intensifying Pudong integrated pilot reform, allowing domestic natural persons to establish Sino-foreign equity joint ventures or Sino-foreign cooperative joint ventures in Pudong New Area jointly with foreign companies, enterprises, other economic organizations or individuals on the basis of "equality and mutual benefit". ▪ The investments in Sino-foreign joint ventures or Sino-foreign cooperative joint ventures funded and established by domestic natural persons shall be restricted to the encouraged or permitted projects prescribed in the Industry Catalog for Guiding Foreign Investments. ▪ The Trial Measures shall become effective on May 1, 2010 and the period of implementation shall be 2 years.
	<p>Foreign Investment in Equity Investment Management Companies</p>	<ul style="list-style-type: none"> ▪ The purpose is that Foreign investors are allowed to establish foreign-invested equity investment management companies in Pudong New Area in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned enterprises. ▪ Upon application for establishment, the foreign-invested equity investment management enterprise shall have more than 2 senior managers who meet the following requirements. <ul style="list-style-type: none"> – Having more than 2-year working experience in equity investment or equity investment management. – Having more than 2-year experience as senior manager.

Pudong – Regulations (Pudong – Micro level) (2/2)



Stages	Regulation (Applicable Ministry)	Purpose & Content
<p>Regulations (2010)</p>	<p>Foreign Investment in Establishing Investment Companies (Ministry of Commerce)</p>	<ul style="list-style-type: none"> ▪ A company engaged in direct investment established by foreign investors in China in the form of either a wholly foreign owned enterprise or an equity joint venture with Chinese investors. The investment company shall take the form of a limited liability company. ▪ The foreign investor shall have good credit standing, financial capability necessary. ▪ Investment in sectors in which foreign investment is permitted by the State. ▪ Undertaking service outsourcing business of its parent company and affiliated companies. ▪ Strategic Investment by Foreign Investors upon Listed Companies is permitted. A company with an investment nature is considered as a foreign equity participation holding capital shares.
	<p>Land use rights (state in urban areas and by agricultural collectives in the country-side.)</p>	<ul style="list-style-type: none"> ▪ Land use rights could be obtained in Pudong for up to 70 years and investors may be granted preferential treatment for the development and utilization of tracts of land.

Contents

- **Benchmarks of other SEZs**

- Korea

- Malaysia

- Indonesia

- Philippines

- China

- **India**

- **Mahindra World City**

- Japan

- Singapore



Overview of Mahindra World City SEZ, Chennai (1/2)

Key facts and figures

- Location: Chengelpet ,Kancheepuram District, Chennai- 603 004 Tamil Nadu, India
- Land area: 6.272627 sq.km.
- Population: N/A
- Sectors of focus: Focus is now on developing the residential and social infrastructure and it has allocated 289 acres for the development of same

Background of the zone

- Established in 2002, spread over 1,550 acres is built on a PPP model with the joint venture between the Mahindra Group (89 percent) and the government-run Tamil Nadu Industrial Development Corporation (11 percent). It has evolved over the time by firstly focusing on key industries infrastructure & then moved to on to residential and social projects. Currently, it is focusing on expanding residential and social infrastructure and have allocated 289 acres for the development of same

Focus sectors and anchor tenants

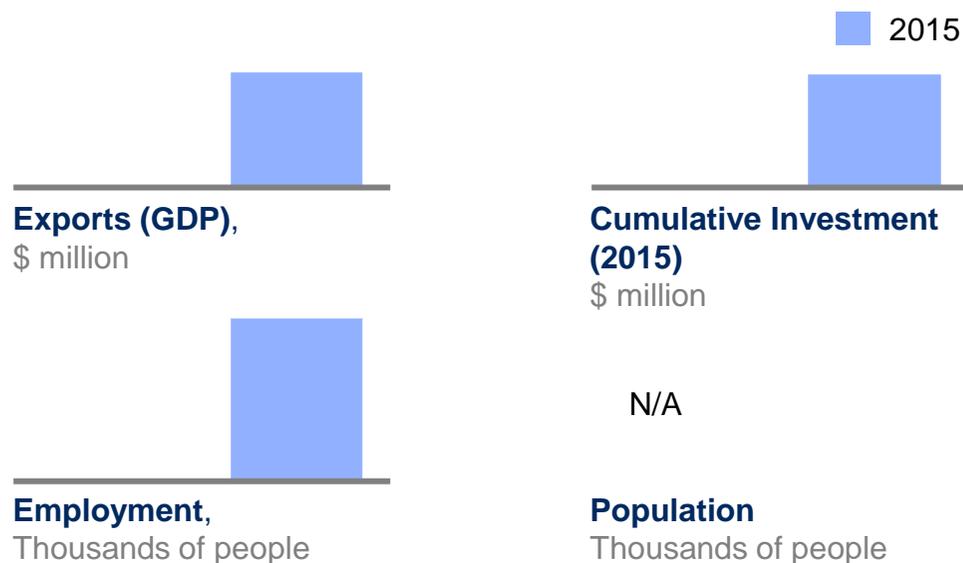
Focus sectors

- IT
- Auto
- Apparel & Fashion

Anchor tenants (It has around 64 companies in its 3 focus sectors)

- Capgemini
- Infosys
- Mastek
- BASF
- Timken
- Hangers Plus

Performance

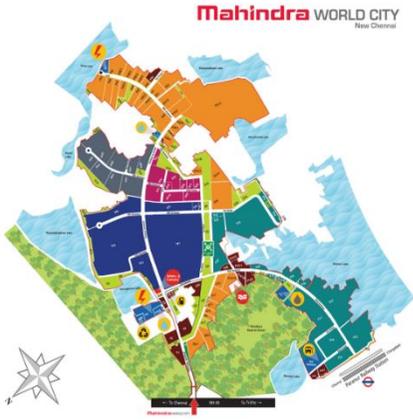


Overview of Mahindra World City SEZ, Chennai (2/2)



- DTA Domestic Tariff Area**
- PS-1: JSC
- PS-2: Lax Corporation
- PS-3: Kalyan Corporation
- PS-4: Freight Systems
- PS-5: B. Bhat
- PS-6: Shree Mahesh Industries
- PS-7: TTK Healthcare
- PS-8: BSNL
- PS-9: BSNL
- PS-10: Maceen Park
- PS-11: Maceen Park
- PS-12: Alpha Packaging
- PS-13: Bharat Energy
- PS-14: CP Centre of Excellence
- PS-15: Laxmi Hardware
- PS-16: Mahindra Powerco Valley
- PS-17: Pankaj Hardware
- PS-18: SMC Pharmaceuticals
- PS-19: Pankaj Hardware
- PS-20: Maceen Park
- PS-21: DFP Syntex Institute
- PS-22: Parkar
- PS-23: Maceen Park
- PS-24: Anandam Lakshmi
- PS-25: HSNB India
- PS-26: JSP From India
- PS-27: JSP From India
- PS-28: Sekanis Engineering
- PS-29: Sekanis Engineering
- PS-30: Tapsi Tapsi
- PS-31: Public Infra
- PS-32: Public Infra
- SEZ Information Technology**
- IT-1: Hitech
- IT-2: Aakash Park
- IT-3: Aakash Park
- IT-4: Aakash Park
- IT-5: Aakash Park
- IT-6: Aakash Park
- IT-7: Aakash Park
- IT-8: Aakash Park
- IT-9: Aakash Park
- IT-10: Aakash Park
- SEZ Apparel & Fashion**
- AP-1: Landmark India
- AP-2: Sona Shringar
- AP-3: Sona Shringar
- AP-4: Sona Shringar
- AP-5: Sona Shringar
- AP-6: Sona Shringar
- AP-7: Sona Shringar
- AP-8: Sona Shringar
- AP-9: Sona Shringar
- AP-10: Sona Shringar

- SEZ Automotive Ancillary**
- AA-1: Sanyam Industries
- AA-2: Sanyam Industries
- AA-3: Sanyam Industries
- AA-4: Sanyam Industries
- AA-5: Sanyam Industries
- AA-6: Sanyam Industries
- AA-7: Sanyam Industries
- AA-8: Sanyam Industries
- AA-9: Sanyam Industries
- AA-10: Sanyam Industries
- Commercial**
- CS-1: Hitech IT Services
- CS-2: Hitech IT Services
- CS-3: Hitech IT Services
- CS-4: Hitech IT Services
- CS-5: Hitech IT Services
- CS-6: Hitech IT Services
- CS-7: Hitech IT Services
- CS-8: Hitech IT Services
- CS-9: Hitech IT Services
- CS-10: Hitech IT Services
- Residential**
- RS-1: Hitech IT Services
- RS-2: Hitech IT Services
- RS-3: Hitech IT Services
- RS-4: Hitech IT Services
- RS-5: Hitech IT Services
- RS-6: Hitech IT Services
- RS-7: Hitech IT Services
- RS-8: Hitech IT Services
- RS-9: Hitech IT Services
- RS-10: Hitech IT Services
- Utilities**
- UT-1: Hitech IT Services
- UT-2: Hitech IT Services
- UT-3: Hitech IT Services
- UT-4: Hitech IT Services
- UT-5: Hitech IT Services
- UT-6: Hitech IT Services
- UT-7: Hitech IT Services
- UT-8: Hitech IT Services
- UT-9: Hitech IT Services
- UT-10: Hitech IT Services



Competitiveness

Geography / Area



Location at Chengelpet ,Kancheepuram District, Chennai, Tamil Nadu. The SEZ is spread across **1550 acres**, and is located on the Golden Quadrilateral

Infra-structure



Situated **35 kms away from Chennai International airport**; 55 kms from Chennai Seaport, **railway station onsite**

Talent

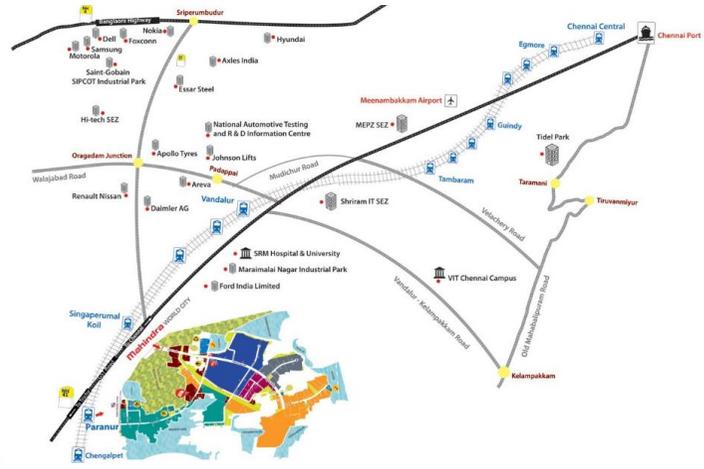


Human resources from many **engineering colleges , educational and technical institutions** nearby

Market access



Close proximity to industrial hub Potential market for automotive companies as Chennai accounts for 60% of the country's automotive exports





MWC – Investors attraction levers (1/2)

Levers	Activities the zone is doing
Hard incentives	
Economic/tax	<ul style="list-style-type: none"> 100% IT tax holiday for the first 5 years, 50% for the next 5 years & 50% for the subsequent 5 years with plough back of profits. 12.24% service tax exempted in SEZ & Local Taxes Exemption 100% foreign direct investment is freely allowed in manufacturing sector in SEZ units under the automatic route, except for prohibited items. No cap on foreign investments for Small -Scale Industries (resd. Items) Customs duty exemption & Reimbursement of CST on sales made from DTA to SEZ unit Foreign ownership restrictions: No specific restrictions External commercial borrowings by units upto \$ 500 million a year allowed without any maturity restrictions
Labour	<p>Current employment</p> <ul style="list-style-type: none"> Current employment by sector: 29,060 (Total) Total labour force, broken down by <ul style="list-style-type: none"> Basic education - primary, secondary education # : N/A Technical education - vocational #: N/A Skilled - professional ++ : N/A <p>Labour management</p> <ul style="list-style-type: none"> Labour restrictions: N/A Income tax % - lowest and highest bracket OR other income tax benefits (e.g., ability to purchase duty-free car/ housing): N/A Hiring and Firing: It is estimated to generate over 50,000 direct employment by FY2017-18 Availability of educated and skilled labour: Abundant skilled manpower with a huge talent pool of engineers <p>Foreign labour</p> <p>Labour restrictions (e.g., permits, law – how long does the permit last, how difficult is it to get one for knowledge workforce vs. unskilled workforce): N/A</p> <p>Income tax policy across two countries (e.g., withholding tax): N/A</p> <p>Other labour incentives: All industrial units in the SEZs will be declared as ‘Public Utility Service’ making it beneficial for all types of labours</p>
Location/ Infrastructure	<ul style="list-style-type: none"> Location advantage: Close proximity to fast expanding industrial hub Availability and quality of basic infrastructure: Located strategically on NH-45, 35 kms away from Chennai International airport; 55 kms from Chennai Seaport & railway station onsite Quality of basic utilities: On-site 230 KV / 110 KV substations & strong telecom networks with water plants Existence of logistics systems/ services: FSL Set up a state-of-the-art Warehouse and Distribution Centre Availability of constructed facility for rent: Only 45 acres are left for companies to set up units under DTA Availability of research centers: Mahindra Research Valley (Mahindra Group)



MWC – Investors attraction levers (2/2)

Levers	Activities the zone is doing
Soft incentives	
Livability readiness	<ul style="list-style-type: none"> ▪ Existence of quality housing and community: Spread across 285 acres provides social and Commercial Infrastructure to integrate work and living ▪ International-standard education, medical and living environment: It already has 285 acres of social and Commercial Infrastructure to integrate work and living & current developments include multi format housing, railway station, school, hospital, hotel, commercial centre, club amongst others. As per Mercer Quality of Life Survey, 2015 Chennai is ranked at 2015 less than Hyderabad (138), Pune (145), Bangalore (146) and some factors attributed are: Less high class schools & weather among others
Services	<ul style="list-style-type: none"> ▪ One-stop shop feature allowing single point of contact for tenants: It provides single point of contact for all queries/services required to tenants ▪ Streamlined processes (of permits, approvals): Single window clearance & clearly defined process for all permits & approvals ▪ Consultancy services (on investment, financial, strategy, implementation, etc.): It does not provided any type of consultancy services on the specified services ▪ Central body to take care of disputes/ zone administrative management: The functioning of the SEZs is governed by a three tier administrative set up. The Board of Approval is the apex body and is headed by the Secretary, Department of Commerce. The Approval Committee at the Zone level deals with approval of units in the SEZs and other related issues. Each Zone is headed by a Development Commissioner, who is ex-officio chairperson of the Approval Committee
Stability	<ul style="list-style-type: none"> ▪ Long-term continuity of zone’s policies and direction: The zone is committed to maintain Long-term continuity of zone’s policies and direction by estimating the area to be increased by 2,000 acres (1,550 acres-current) and implementing the policies & one-strategy direction to continue as No. 1 commercial SEZ of India



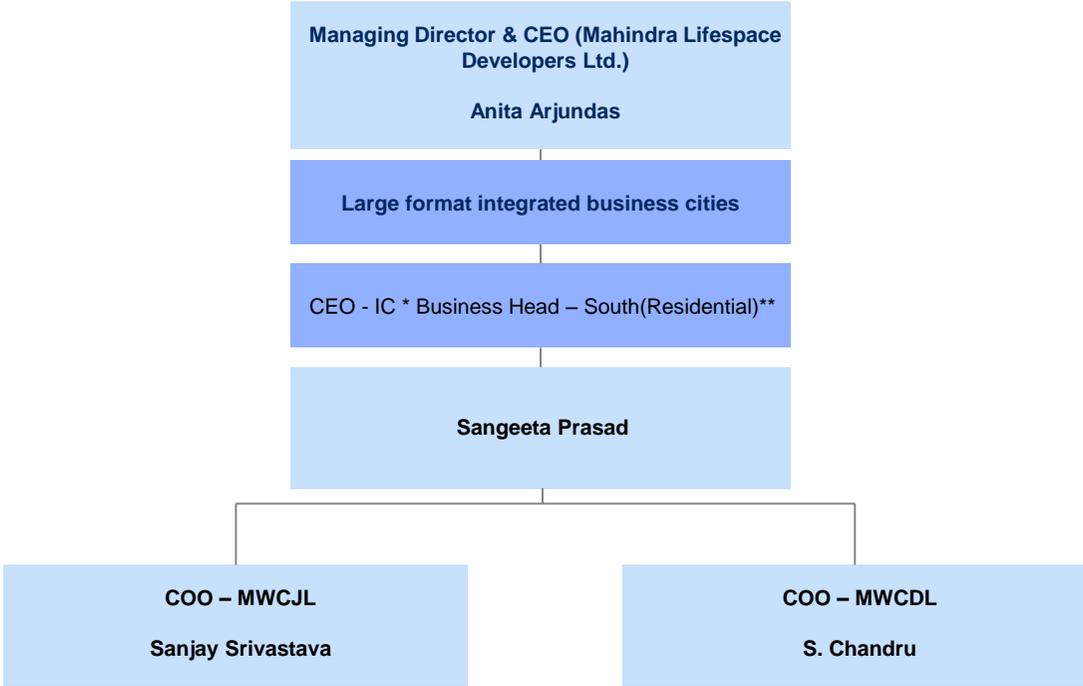
Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none"> ▪ Railway station onsite (Paranur Railway Station) ▪ Located 55 kms from Chennai Seaport which is a deep sea port for commercial and industrial use ▪ Strategically located on NH-45 Highway ▪ 35 kms away from Chennai International airport
Digital & ICT	<ul style="list-style-type: none"> ▪ OFC backbone for data/telecom connectivity
Innovation and R&D	<ul style="list-style-type: none"> ▪ Set up world-class research center by Mahindra Research Valley (by Mahindra Group) which is to pursue activities in areas like environment friendly advanced propulsion systems : hydrogen fuel cells, bio-diesels, hybrid vehicles, infotronics, artificial intelligence and advanced telematics
Education and HR	<ul style="list-style-type: none"> ▪ Set up Mahindra World School which is spread across a sprawling five acre campus is a co-educational institution & follows the CBSE syllabus and stresses not only on the academic development but also the overall development of the children
Art and creative design	<ul style="list-style-type: none"> ▪ N/A



Model

- Private sector-led PPP (Mahindra Group (89 percent) and the government-run Tamil Nadu Industrial Development Corporation (11 percent))

Structure





MWC – Governance model (2/3)

Stages	Activities	Responsibility
Zone set up	National zones strategy	<ul style="list-style-type: none"> Ministry of Commerce & Industry, India
	Setting up new entities	<ul style="list-style-type: none"> Ministry of Commerce & Industry and three tier administrative set up
	Provide land	<ul style="list-style-type: none"> Ministry of Commerce & Industry and other relevant ministries, regional/State governments
	Partner selection	<ul style="list-style-type: none"> Zones Corp (Mahindra Group- PPP Model with State industrial Corp.)
	Partner coordination and master planning	<ul style="list-style-type: none"> Zones Corp
	In-zone infrastructure planning	<ul style="list-style-type: none"> Private sector developer (Mahindra World City Developers Limited (MWCDL) & TIDCO)
	Infrastructure development (standard)	<ul style="list-style-type: none"> Private sector developer
	Infrastructure financing for large projects	<ul style="list-style-type: none"> Mahindra Group & TIDCO(State industrial body)
	Infrastructure development large projects	<ul style="list-style-type: none"> Private sector developer (Mahindra World City Developers Limited (MWCDL) & TIDCO)
	Country marketing (parallel)	<ul style="list-style-type: none"> Investment Promotion Agency (Mahindra Group & TIDCO)
	Anchor tenant attraction	<ul style="list-style-type: none"> Zones Corp (Mahindra Group- PPP Model with State industrial Corp.)
Other tenant attraction	<ul style="list-style-type: none"> Zones Corp (Mahindra Group- PPP Model with State industrial Corp.) 	

MWC – Governance model (3/3)



Stages	Activities	Responsibility
Zone operations	Provide services to tenants	<ul style="list-style-type: none"> ▪ MWC administration
	One-stop shop	<ul style="list-style-type: none"> ▪ Zones Corp (Mahindra Group- PPP Model with State industrial Corp.)
	Improve doing business	<ul style="list-style-type: none"> ▪ Investment Promotion Agency (Mahindra Group & TIDCO)
	Financing – facilitation	<ul style="list-style-type: none"> ▪ Zones Corp (Mahindra Group- PPP Model with State industrial Corp.)
	Financing – provision	<ul style="list-style-type: none"> ▪ N/A
	Logistics	<ul style="list-style-type: none"> ▪ Private sector logistics company (FSL)
	Other services	<ul style="list-style-type: none"> ▪ MWC administration
	Daily zone operations	<ul style="list-style-type: none"> ▪ MWC administration
	Steer zone strategically	<ul style="list-style-type: none"> ▪ Zones Corp (Mahindra Group- PPP Model with State industrial Corp.)

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Overview of Fukuoka City (1/2)

Key facts and figures

- Fukuoka City, Fukuoka Prefecture, Japan
- Land area: 343.4 sq.km.
- Population: 1,530 thousand people
- Sectors of focus: IT and contents industries, start-ups

Background of the zone

- In 2012, Fukuoka City declared itself a “Startup City” to create business environment to support new startups
- In March 2014, the national government designated Fukuoka City as one of the six National Strategic Special Zones focusing on employment reformation (Special Zone for Global Startups & Job Creation)

Focus sectors and anchor tenants

Focus sectors

- Contents and IT industries, start-ups

Anchor tenants

- Headquarters:
 - Atos Medical AB
 - QNAP Systems
 - DocuSign
- R&D facility:
 - Aspen Pharma Holding
 - Biogen Idec
 - ReseSolar

Performance and target

Population

Thousands of people

Year	Population (Thousands)
2010	1,464
2015	1,531

Business entry rate

percent

Year	Business entry rate (%)
2012	6.2
2018 target	13.0

Production (GDP)

JPY Trillion

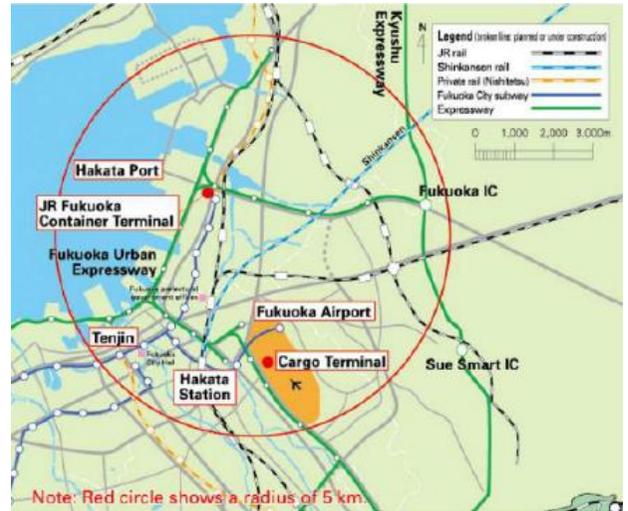
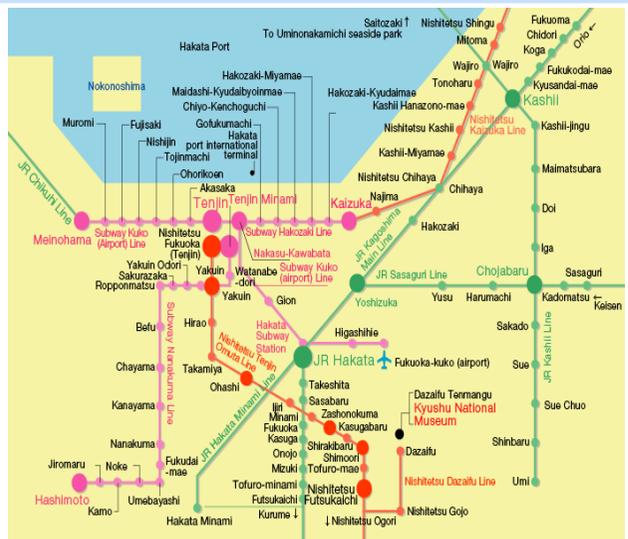
Year	Production (JPY Trillion)
2010	6.7
2012	7.2

1 If the SEZ has a specific goal (e.g., attract FDI, increase employment, increase export, or specific types of investors they want to attract, those will get increased from 18 in 2000 to 153 in 2011.

- 1,365 Information services and internet related firms (Rank 5 in Japan)



Overview of Fukuoka City (2/2)



Competitiveness of Fukuoka

Geography



The city has geographical advantage of being **close to South Korea and manufacturing hubs of China such as Dalian, Qingdao, Jiangsu, Shanghai and Zhejiang province**. The city's Fukuoka city bond has been given **A1 RATING** by Moody's Japan

Infra-structure



- **High Speed Railway** connected to Osaka, Tokyo and other cities in Kyushu and **Fukuoka International Airport** provides connectivity to Asian countries
- Proximity to Hakata Port, Japan's largest International Passenger port.
- The other key infrastructure includes **Fukuoka City Subway, Expressway Nishitetsu train/bus service**

Talent



Fukuoka city is **ranked second, after Kyoto city, for the proportion of international students**, in the total population amongst ordinance-designated city. The **youth ratio of Fukuoka city is 192%**, the youngest among Japan's major cities

Market access



- The city encompasses a **15 mn market (combined population) of Kyushu and neighboring Yamaguchi Prefecture**, and as well as Korean and Chinese market
- Fukuoka is also recognized as an **attractive test market site** for its population density, diversity and consumers keen interest over new products/ trends

Governance Model



Result oriented model of bringing together industry, academia and government and support institutions, with **focus on sustainable and collaborative development.**



Levers	Activities the zone is doing
<p>Hard incentives</p> <p>Economic/tax</p>	<ul style="list-style-type: none"> Fukuoka City is requesting the national government to reduce the corporate tax down to 17% for the start-ups (not yet realized) Lower registration tax for new start-ups in Fukuoka City (0.35% of the capital, which is the half of national standard) Low interest loans to the newly established companies
<p>Labour</p>	<p>Current employment (2014)</p> <ul style="list-style-type: none"> Total employees: 765.3 thousand <ul style="list-style-type: none"> Construction: 58.3 Manufacturing: 55.3 Wholesale & retail: 131.5 Medical & welfare: 102.1 ICT: 31.6 <p>Labour management</p> <ul style="list-style-type: none"> Japanese government is providing legal consultation support to the start-ups to handle various labour issues with their employees <p>Foreign labour</p> <ul style="list-style-type: none"> Entry permits to the foreign workers are eased for the employees of the startups <p>Low Cost Labor</p> <ul style="list-style-type: none"> The labor cost is ~17 % and 20% lower than national Japan average and Tokyo respectively
<p>Location/ Infrastructure</p>	<ul style="list-style-type: none"> Fukuoka City is located in the Northern part of Kyushu Island and is close to the Asian countries The city size is compact enough and living environment is better compared to larger cities like Tokyo or Osaka High Speed Railway connected to Osaka, Tokyo and other cities in Kyushu & Fukuoka International Airport provides connectivity to Asian countries Proximity to Hakata Port, Japan’s largest International Passenger port. The other key infrastructure includes Fukuoka City Subway, Nishitetsu train/bus service, Shanghai/Hakata high- speed Ro/Ro Service (Shanghai Super Express)



Fukuoka City – Investors attraction levers (2/2)

EXAMPLE TO BE DEEP DIVED

Levers	Activities the zone is doing
<p>Soft incentives</p> <p>Livability readiness</p>	<ul style="list-style-type: none"> Monocle magazine ranked Fukuoka 12th in its list of the 25 most pleasant cities in the world to live, as per the July and August 2012 issues Fukuoka has 12 universities, 9 junior colleges, 87 technical schools with 72,877, 4,848, 28, 162 students respectively, which is highest in Japan after Tokyo. The labor cost is ~17% and 20% lower than national Japan average and Tokyo respectively The monthly rental for privately- rented housing (excluding wooden structures) is ¥ 73, 507, in comparison to Tokyo average of ¥ 132, 256. The average office rent in Fukuoka city ranges from ¥ 8,000 – 10,000, where-as ¥ 25,230 in Tokyo. Average rent in Fukuoka is 40% of that in Tokyo, making office rental affordable. The city’s healthcare is provided by ~ 170 medical institutions and hospitals.
<p>Services</p>	<ul style="list-style-type: none"> “Meeting Place Fukuoka” provides one-stop support to coordinate the MICE related activities Consultancy services (on investment, financial, strategy, implementation, etc.) is provided by the city government Matching service available for the potential tenants in the shopping area Consultation services for Foreign residents are available at Rainbow Plaza, which provides assistance, counselling and legal issues advisory services. The Business start up and Investment promotion section, New Industry & Investment promotion department, Economy, Tourism and Culture Bureau provides office space at low cost to entrepreneurs planning to launch businesses, or who have been in business for less than five years The city has evaluated and selected a number of privately operated housing units, making them available with discounted rental fees to entrepreneurs (rent reduced by 50%, to a maximum discount ¥ 30,000 per month Also, the city has multiple incubation facilities which helps firms and individuals planning on creating new businesses, and researchers in advanced fields.
<p>Stability</p>	<ul style="list-style-type: none"> According to calculations by the Fukuoka Asian Urban Research Center, the total floor area in the Tenjin district will increase by 1.7 times, 57,200 new jobs will be created, and building investment will have an economic impact of ¥290 billion. After rebuilding, the estimated annual economic ripple effect is ¥850 billion. Fukuoka City was already known as the “gateway to Asia,” with a plan in place to become an international city with close connections to Asia and the rest of the world.

Fukuoka City – Key enablers put in place



EXAMPLE

Enabler area	What the zone has
Infrastructure	<ul style="list-style-type: none">▪ High Speed Railway connected to Osaka, Tokyo and other cities in Kyushu▪ Fukuoka International Airport that is playing the role of the hub to connect to Asian countries▪ Eased building regulation in center area to promote the construction of new buildings
Digital & ICT	<ul style="list-style-type: none">▪ Fukuoka City is providing various statistical/public data to be used openly by the companies and by citizens
Innovation and R&D	<ul style="list-style-type: none">▪ “Innovation Studio Fukuoka” was established to develop new products and services through the workshops held among the entrepreneurs and large enterprises▪ Fukuoka Electronics and Computer Promotion Association promotes co-operation between relevant industries▪ Automobile- related industry support and development institution: Department of Automotive Science, Kyushu University Graduate School of Integrated Frontier Science, first integrated frontier science center▪ Other institutions include: Fukuoka Institute System LSI Design Industry, Experimental Center for Social System Technology, Robosquare etc.
Education and HR	<ul style="list-style-type: none">▪ Has high ratio of young population among the major cities▪ Abundant students in science and technology studies▪ Technical centers, Engineering Colleges collaboration with industry associations

Fukuoka City – Governance model



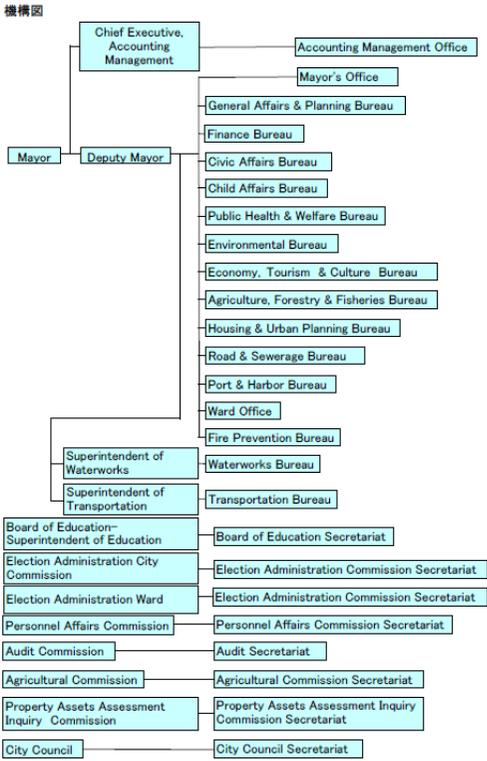
EXAMPLE

Model

- The actual projects are mainly led by the private sector, and the national and city governments are focusing on providing the environment that is easy to start/do business

Structure

- Strong leadership by the city mayor
- Assigned a director in charge of special zone project to coordinate various projects among the national government, city government, and private sector. An ex-official of the Ministry of Finance was appointed in July 2014



Fukuoka City – Examples of Regulations



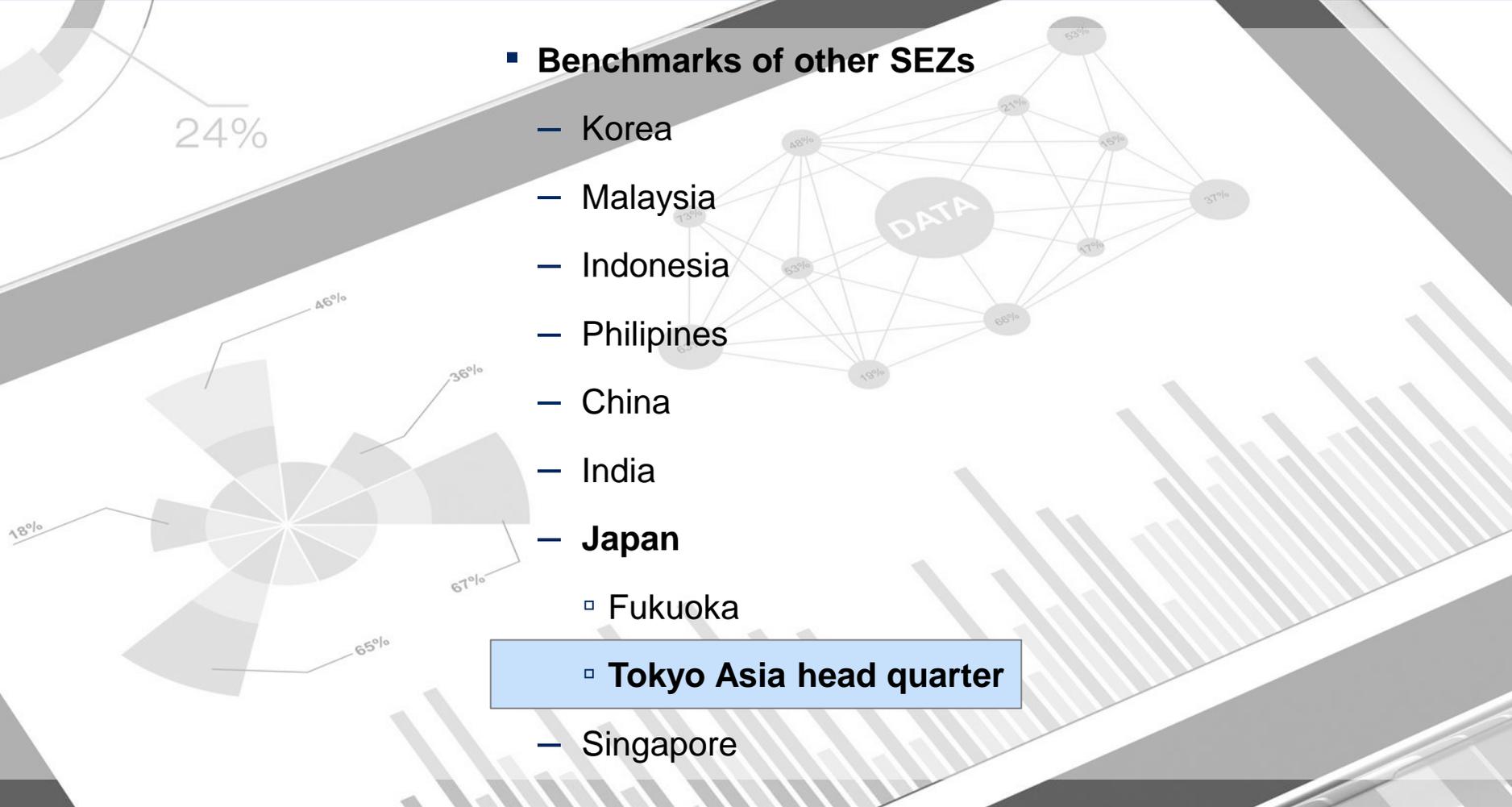
EXAMPLE

Stages	Regulation (Applicable Ministry)	Purpose & Content
<p>Regulations (2014)</p>	<p>National Strategic Special Zones Law (Cabinet Office)</p>	<ul style="list-style-type: none"> • The zones offer experimental sites for regulatory reform in various sectors such as education, medical care, etc. • Location(sector): Tokyo zone (International business and innovation) ,Kansai zone (HR and medical care, etc.), Niigata city (largescale agriculture), Yabu city (hilly and mountainous area agriculture) , Fukuoka city (employment), Okinawa prefecture(sightseeing) • Featured measures <ul style="list-style-type: none"> • Either special depreciation for acquisition of machinery, etc. or tax credit for acquisition of machinery, etc. • Reviewing regulations of land-use regarding lot percentage and land purpose to promote location in the urban core area • Additional deregulation through amendment (July 2015) <ul style="list-style-type: none"> • Allow foreigner doctors to provide medical service not only at large hospitals but also clinics • Ease the requirements to acquire resident status for the foreign entrepreneurs
	<p>Relaxation of Building Standards Act (Ministry of Land, Infrastructure, Transport and Tourism)</p>	<ul style="list-style-type: none"> • Reduce the required number of parking lots to be attached to a new building in the city center in order to increase the efficiency of land/floor space use
	<p>Relaxation of Civil Aeronautics Act ((Ministry of Land, Infrastructure, Transport and Tourism)</p>	<ul style="list-style-type: none"> • Permission to build higher buildings in the city centers relaxing the height regulations
	<p>Relaxation of limitation on number of beds (Ministry of Health, Labour, and Welfare)</p>	<ul style="list-style-type: none"> • Allow the increase of beds in the advanced medical institutions exceeding the limits based on the population
	<p>Relaxation of Radiio Act (Ministry of Internal Affairs and Communications)</p>	<ul style="list-style-type: none"> • Easier application to use non-authorized radio equipment for experimental purpose to accelerate the development of IoT / wearable equipment

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Overview of Tokyo Asia Head Quarter Special Zone (1/2)

Key facts and figures

- Designated areas in Tokyo (waterfront, Shinjuku, Shibuya, Shinagwa/Tamachi, and Haneda Airport areas)
- Population: 13 million (all Tokyo)
- Sectors of focus: Asian HQs of foreign companies

Background of the zone

- In 2011, Tokyo received designation by the national government as a comprehensive special zone for International Competitiveness. A project to attract foreign companies is underway in five areas in central Tokyo with the aim to gather Asian regional HQs and R&D centers

Focus sectors and anchor tenants

Focus sectors:
All industries including IT, medical/chemical, electronics/precision instruments, aviation, finance/securities, and content/creative

Anchor tenants:

- Head quarters
 - Atos Medical AB
 - QNAP systems
 - DocuSing
- R&D facilities
 - Aspen Pharmicare
 - Biogen Idec
 - ReneSola

Target and expected economic effect

Target by 2016
At least 500 foreign companies, including 50 companies establishing their Asian regional headquarters or R&D centers

Expected economic effect
Direct economic effect: 5.5 trillion yen
Indirect economic effect: 9.1 trillion yen

Highest number of Top Global Company Headquarters in the world i.e. 48

City	Companies
Tokyo	48 (World's No. 1)
Beijing	44
Seoul	11
Shanghai	6
Hong Kong	4
Singapore	2

1 If the SEZ has a specific “goal” e.g., attract FDI, increase employment, increase export, or specific types of investors they want to attract, those will get covered here



Overview of Tokyo Asia Head Quarter Special Zone (2/2)



Designated special areas



Competitiveness

Geography / Area



Central Tokyo and waterfront area, Shinjuku Station vicinity, Shibuya Station vicinity, Shinagawa and Tamachi stations vicinity, former site of Haneda Airport

Infra-structure



2-4.5 hours **established air routes from Tokyo to major business capitals** in east Asia. Highly **sophisticated public transportation system**

Talent



Universities and research institutions are concentrated in Tokyo, easy to secure highly professional and qualified human resources

Market access



Huge market with **population of Tokyo metropolis (13 million)** and Greater Tokyo area (30 million)



Tokyo – Investors attraction levers (1/2)

EXAMPLE TO BE DEEP DIVED

Levers

Activities the zone is doing

Hard incentives

Economic/tax

- Foreign companies newly setting up business (Asian regional headquarters/R&D center) within the special zone can be subject to one of the following national tax incentives if certain conditions are fulfilled: (1) income tax deduction, (2) special depreciation, (3) investment tax credit. On top of this, metropolitan tax incentives can be applied such as the exemption of metropolitan corporate enterprise tax
- In addition to tax incentives, foreign companies newly establishing their Asian regional headquarters/R&D center in the special zone can receive subsidies of up to one-half of the expenses incurred in setting up business (maximum JPY 5 million)
- Low interest loans and office space at a reduced rental rate are also available
- The effective corporate tax rate is Mid 20% after re- construction of Special Zone tax breaks + TMG proprietary breaks, in comparison to normal tax rates of 38%

Labour

- Quicker immigration process and simplified documents (special exception for immigration procedures)
- When a foreign national scheduled to work at a Tokyo Metropolitan Government-approved company applies to the Immigration Bureau for issuance of a Certificate of Eligibility for Status of Residence (CoE), documents required to process the application for status of residence, which had already been submitted to the Tokyo Metropolitan Government (TMG) by the company when applying for approval, do not need to be submitted again.
 - In addition, the period for processing an application for issuance of a Certificate of Eligibility for Status of Residence will be shortened to about 10 days from the standard processing period of one to three months.

Large number of universities and research institutions are located in Tokyo, and is a source of capable human resources

Location/ Infrastructure

- Tokyo is by far the largest city in Japan, and has many multipurpose office buildings equipped with sophisticated business support functions such as service apartments and MICE*2 facilities, and high-performance office buildings with earthquake resistant features and backup power systems
- Highly sophisticated public transportation system in the area as well as logistic service provided by many private companies



Tokyo – Investors attraction levers (2/2)

EXAMPLE TO BE DEEP DIVED

Levers	Activities the zone is doing
<p data-bbox="28 224 328 273">Soft incentives</p> <p data-bbox="28 273 328 595">Livability readiness</p>	<ul style="list-style-type: none"> ▪ After recently being voted best destination for global travelers, Tokyo has ranked high again in a list of most livable cities compiled by the lifestyle and culture journal, Monocle Magazine ▪ Japan’s capital, Tokyo climbed two spots from last year and came in at number two in the London-based magazine’s eighth annual rankings. Kyoto and Fukuoka also made the top 10 list, which is created based on quality of life measures including crime rate, public transportation, culture and economy. However, Global human resources and financial services company, <u>Mercer</u>, places Vienna at the top of its list in 2014 and doesn’t include any Japanese cities either ▪ The city has nine 5 star Michelin restaurants within the Special economic zone, 132 museums and art galleries , large number of ski resorts and hot springs
<p data-bbox="28 595 328 1043">Services</p>	<ul style="list-style-type: none"> ▪ Business Development Center Tokyo, one-stop English-speaking consultation desk for foreign companies expanding into the Special Zone, opened in Marunouchi district ▪ Expedited patent application reviews <ul style="list-style-type: none"> – R&D centers will be subject to shorter patent application examination and review with the period reduced from approximately 22.2 months to 1.9 months. Patent fees and application examination fees will be reduced by half for small to medium-sized companies ▪ Reduction of investment procedures ▪ If a foreign investor gives advance notification of its intention to invest in a newly established Asian regional headquarters/R&D center, the statutory inaction period under the Foreign Exchange Act for direct investment will be shortened from 30 days to 2 weeks. In addition, small to medium-sized companies operating as Asian regional headquarters/R&D centers can receive investment from Tokyo Small and Medium Business Investment & Consultation Co., Ltd.
<p data-bbox="28 1043 328 1295">Stability</p>	<ul style="list-style-type: none"> ▪ The metro government wants foreign companies doing business abroad to establish their Asian headquarters in Tokyo, rather than Hong Kong or Singapore, for example, by offering such benefits as preferential tax treatment and financial aid ▪ Five areas make up the special zone: the northern portion of Tokyo Bay stretching from Roppongi to Odaiba, Shinjuku, Shibuya, the district shared by Shinagawa and Tamachi stations, and a vacant site formerly used by Haneda airport



Tokyo – Examples of Regulations

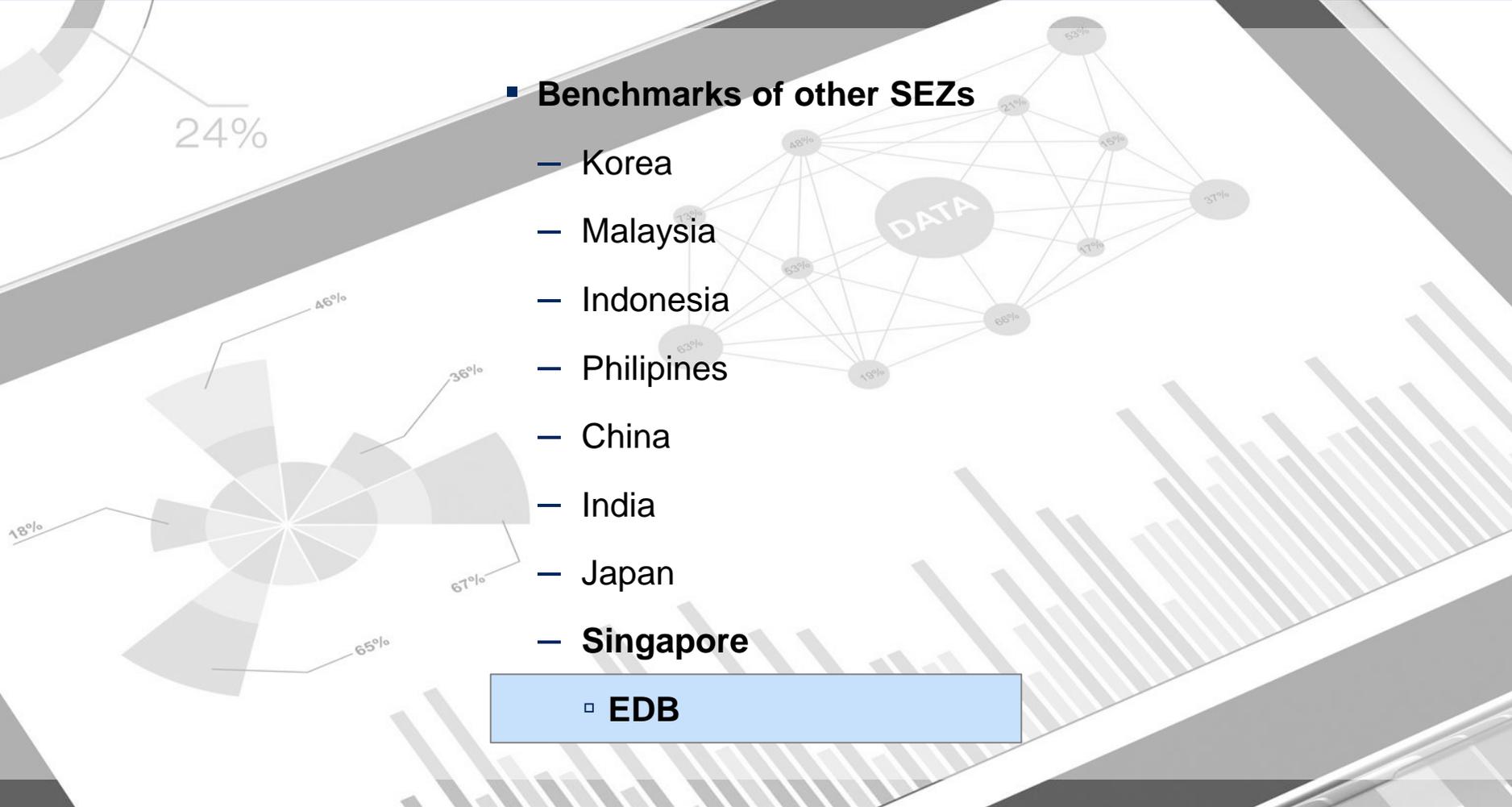
Stages	Regulation (Applicable Ministry)	Purpose & Content
Regulations (2014-)	Relation of Immigration Control Law (Ministry of Justice)	<ul style="list-style-type: none"> Shorten the process of entry and re-entry to Japan for those who are doing business in Tokyo
	Reduction of tax (Ministry of Finance, Tokyo Metropolitan Government)	<ul style="list-style-type: none"> Reduction/exemption of national income tax and local corporate tax as well as fixed asset acquisition tax for the companies which are establishing headquarter or R&D center in Tokyo
	Subsidies of cost to set-up HQs in Tokyo (Tokyo Metropolitan Government)	<ul style="list-style-type: none"> Subsidize half of the cost to establish a HQ in Tokyo (up to 5 million yen)
	Acceleration of patent examination ((Ministry of Economy, Trade, and Industry)	<ul style="list-style-type: none"> Accelerate the patent examination process Reduce the fee by half for qualified small and medium enterprises
	Exception to the Marine Transportation Act (Ministry Land, Infrastructure, Transport and Tourism)	<ul style="list-style-type: none"> Allowed the one-way ship transportation of guests to the MICE sites from Haneda Airport for easier access (by law, one-way irregular transport service is not allowed)

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□ **EDB**



Overview of EDB in Singapore (1/3)

History & Overview

- Singapore Economic Development Board (EDB) was established in the 1960's with a budget of USD 100 mn.
- In the 1960's EDB opened its first overseas centres in Hong Kong and New York to be better situation to encourage foreign investors.
- The continuous efforts of EDB garnered success with Manufacturing evolved to become more cultured and included computer parts, peripherals, software packages and silicon wafers. This in turn led to new investments particularly in the electronics sector and product diversification, which greatly enhanced export performance in spite of a global recession at that time. This also lead to MNCs establishing R&D activities in Singapore as an extension of their already successful manufacturing operations which also demonstrated their long term confidence.
- Opened new EDB overseas centres in Zurich, Paris, Osaka and Houston between 1971 and 1976.
- EDB helped establishing Manpower and Training Unit locally to focus on industrial training.
 - The Overseas Training Programme and Joint Government Training Centers with Tata of India, Philips of Holland and Rollei of Germany were also drawn up to place young Singaporean workers in apprenticeship programmes for the exchange of knowledge and skills.

Some of the successful entrants

- EDB helped secure investments from some of the biggest companies such as the first silicon wafer manufacture plant opened in the early 1980s, which later followed by Apple Computer's in 1981 and one for disc drives in 1982.
 - In 1986 EDB set up the Small Enterprise Bureau in to help shape a range of assistance schemes that helped facilitate the growth of these companies.

Initiatives taken by EDB

- Attracted international service corporations in the financial, educational, lifestyle, medical, IT and software sectors; identifying PC, printed circuit board and disc drive manufacture as important sunrise industries.
- Helped secured an investment from Texas Instruments which rolled out a production line in just 50 days after committing USD 6 million to make semiconductors and integrated circuits for export to world markets.
- EDB co-established institutions of technology with Japan, Germany and France
 - This would help to meet the specialized manpower needs of high-technology industries.
 - This also provided the locals with the right kind of training for focused jobs in the electronics and engineering sectors.
- “EDB's strategies of 'Home for Business', 'Home for Innovation' and 'Home for Talent', articulates at how the country could position itself for the future”.

Overview of EDB in Singapore (1/3)

Roles & Responsibility of EDB

- EDB is the lead government agency for planning and executing strategies to enhance Singapore's position as a global business center.
- It provides the following incentives:
- Attracting Investments:
 - It is a one-stop agency which facilitates and supports local and foreign investors in both the manufacturing and services sectors.
- Growing Industry Verticals:
 - It focuses on expanding and extending existing industry verticals. Exploring new growth areas would contribute towards creating good jobs and sustaining Singapore's competitiveness.
- Enhancing the Business Environment:
 - It provides feedback to other government agencies which ensures that infrastructure and public services remain efficient and cost-competitive which in turn would help Singapore maintain its pro-business environment.
- Pointing Singapore towards the Future
 - EDB would continue to put in efforts so that more and more investors would invest in the country. It's numerous incentives would continue to boost the economy

Overview about EDBI (Investment arm of EDB)

- EDBI is the dedicated corporate investment arm of the Singapore Economic Development Board (SEDB).
- EDB has over 20 years of investment experience.
 - It Invests to shape the future industries of Singapore in the knowledge and innovation intensive sectors of Biomedical Sciences, Information & Communication Technology, Smart & Sustainable Technology and select industry clusters under its Strategic Growth Programme.
 - EDBI provides strategic capital with a long term perspective supporting key industries in Singapore.
 - Its investment themes are synergistic with the focal areas of EDB to grow key economic pillars and globally competitive industries in Singapore. EDBI adopts long term investment perspectives to grow strategic industries while strengthening their ecosystems and
 - Its portfolio companies include:
 - Biomedical Sciences: Adamas, Alexza, Conformis, Forma, MerLion etc.
 - Information & Communication technology: Appcelerator, CounterTack, Crisp, Declara, DocuSign etc.
 - Strategic Growth programme: Chevron Phillips, Ezion, Singapore Suzhou Township Development etc.
 - Smart & Sustainable Technology: Enlighted

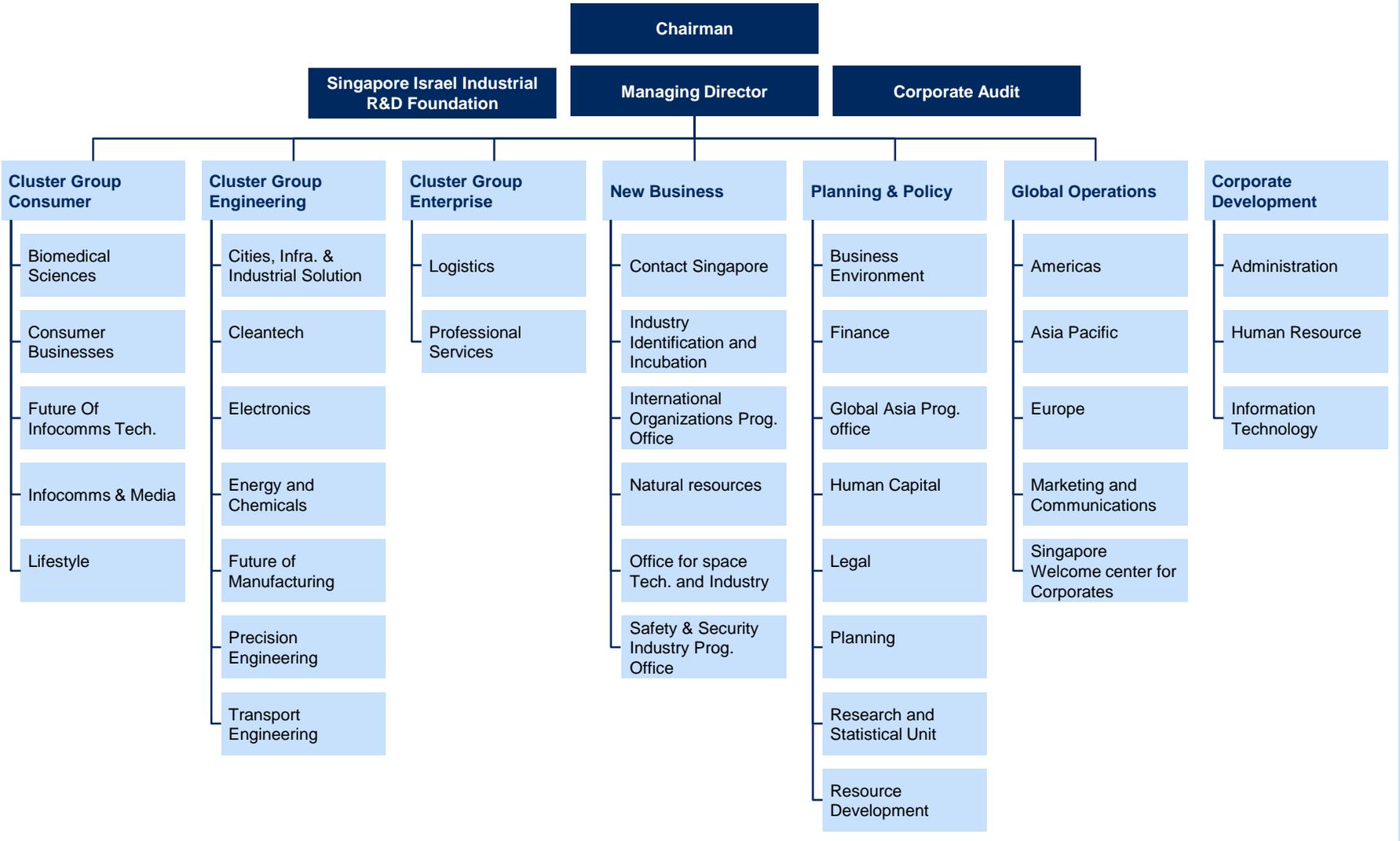
Investment Focus (EDBI)

Field of Investment	Number of Investments made	Sectors/segments in which investment is made
Biomedical Sciences	40	Digital Health and Medical Devices
Information & Communication technology	Significant amount of investments have been made in the Industry	Software as a Service, Cloud and Cyber Security.
Smart & Sustainable technology		Energy efficient applications, Internet-of-Things (IoT), robotics and water technologies.
Strategic Growth Programme		Logistics, Engineering, Transport, and Consumer Products

Investment Criteria to grant loans is as follows:

- Providing investments to companies which offer products or services that meet market needs or overcome market inefficiencies.
- Providing investment to companies with commercially viable and scalable business models that can sustain a competitive advantage in the global market.
- Providing investments to companies which has strong foundations and broad vision to compete globally through Singapore.
- Focusing in Innovative and emerging technology leaders in new sectors with unique solutions and technologies that can participate in Singapore’s economic transformation.
- Providing loans/investments to companies that could strengthen its existing industry ecosystems or deepen capabilities.

EDB – Org Chart



EDB – Investors attraction levers

Some of the incentives for Business & Investment (General)

Some of the incentives for businesses include:

- **International / Regional Headquarters Award (IHQ / RHQ):** This provides a reduced corporate tax rate on incremental income from qualifying activities
- **Land Intensification Allowance (LIA):** The Land Intensification Allowance provides an initial tax allowance of 25% and annual tax allowance of 5% on qualifying capital expenditure incurred for the construction or renovation/extension of a qualifying building or structure.
- **Integrated Investment Allowance (IIA):** It provides an allowance based on a percentage of approved fixed capital expenditure to be incurred on productive equipment that is placed outside Singapore for an approved project.
- **Mergers & Acquisitions (M&A) Scheme:** The Mergers and Acquisitions Scheme provides an allowance of 25 percent of the value of acquisition, subject to a maximum of USD 5 million for each year of assessment.
 - EDB's approval is required for the waiver of the condition that the ultimate holding company for the group must be incorporated and tax resident in Singapore.
- **Development and Expansion Incentive (DEI):** It provides a reduced corporate tax rate on incremental income from qualifying activities. Factors of consideration also include the significance of the proposed investment to the development of the industries in Singapore, contributions to the growth of research and development and innovation capabilities, as well as potential spin-off to the rest of the economy.
- **Finance & Treasury Centre (FTC) Tax Incentive:** The Finance and Treasury Centre Tax Incentive provides a reduced corporate tax rate on fees, interest, dividends and gains from qualifying services and activities.
- **Aircraft Leasing Scheme (ALS):** The Aircraft Leasing Scheme provides a reduced corporate tax rate on income accruing in or derived from Singapore from leasing of aircraft or aircraft engine and prescribed activities.
- **Pioneer Incentive:** This provides a corporate tax exemption on income from qualifying activities. Factors of consideration also include the significance of the proposed investment to the development of the industries in Singapore, contributions to the growth of research and development and innovation capabilities, as well as potential spin-off to the rest of the economy.
- **Research Incentive Scheme for Companies (RISC):** It awards government grants to develop research and development capabilities in strategic areas of technology.
- **Initiatives in New Technology (INTECH):** The Initiatives in New Technology (INTECH) Scheme awards government training grants to encourage capability development in applying new technologies, industrial R&D and professional know-how.
- **Land Productivity Grant (LPG):** This supports companies which are interested to optimize land use through domestic or overseas relocation.