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Case Study of the Aqaba Special Economic Zone Authority as a Model for the Development of the Gwadar Special Economic Zone





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1. INTRODUCTION

Special Economic Zones (SEZs) were established in many countries as testing grounds for implementation of liberal market economy principles. These special zones are viewed as economic policy tools for enhancing the acceptability and credibility of industrial transformation policies, attracting domestic and foreign investment and also for the opening up of the economy. SEZs also seek to promote the value addition component in exports, generate employment, encourage import replacement as well as mobilize foreign exchange for Balance of Payment Support in the country. Many developing and developed economies have established economic zones for regional development and prosperity, aiming at creating spillovers for the economy outside the zones, successfully. SEZs are an industrial policy tool that depends on the attraction of local and Foreign Direct Investment (FDI), to multiply and diversify all over the world. The United Nations Conference on Trade and Development (UNCTAD) World Investment Report published in 2019, reveals that more than 5,400 SEZs exist in nearly 150 countries, increased from 4,000 SEZs in 2015, showing growth of 35%. SEZs not only serve as a policy tool for FDI attraction but also FDI competition across the world, with many diverse incentive packages being offered to lure direct investment.[2]

SEZ policy objectives and type differ substantially among the economies at different stages of, what UNCTAD refers to as the development ladder.[3] In developed economies, most SEZs are custom-free zones that provide relief from tariffs, and the administrative burden of customs procedures, thereby providing support to sophisticated cross-border value chains. Developing economies often establish SEZs to attract FDI, in order to build, diversify and upgrade industries. The economies that have historically struggled to attract FDI show a higher tendency to implement this concept. Several advanced economies are utilizing SEZ to promote industrial upgrading; China's Shenzhen SEZ being the classic example.

The Government of Pakistan also adopted the concept of SEZ with the commencement of the Special Economic Zones Act 2012 to meet the challenges of global competitiveness and to create industrial clusters in the economy.[4] The Act envisages SEZs to encourage domestic and international investors for promotion and establishment of industrial infrastructures focusing on export promotion, import substitution, transfer of technology, and employment generation. The Act allows the Federal and Provincial Governments to establish SEZs on their own or in collaboration with private parties under various modes of collaboration including Public-Private Partnership or exclusively through private parties. Whereas to incentivize such investment in the SEZs, the said Act provides

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[2] https://www.finance.gov.pk/survey/chapters_21/Annex%20III%20SEZones.pdf

[3] World Investment Report 2019

[4] https://www.finance.gov.pk/survey/chapters_21/Annex%20III%20SEZones.pdf

certain fiscal and allied benefits to the SEZ investors, i.e., developers and zone enterprises.

In Pakistan, the policy objectives and the type of SEZ framework provided through the SEZ Act 2012 was originally not aligned with the economic realities as the SEZs from 2012-2015 were placed outside the customs territory of Pakistan limiting their appeal for the investors that wanted to capitalize on the budding domestic consumer market. Resultantly, in order to expand the scope of SEZs and to accelerate industrialization, Board of Investment, being the custodian of SEZs in Pakistan proposed certain amendments in the Act in 2015 to bring the SEZs within the customs territory of Pakistan. With the incorporation of the proposed amendments in the Act, the SEZs were made more investor friendly. As of 2021, 28 SEZs have been established across Pakistan.[5]

A Special Economic Zone (SEZ) is a specific area of the land used to promote industrial growth in a country by providing more lenient economic and tax policies as compare to general economic policies in a country. Successful SEZ offer immediate access to high-quality infrastructure, uninterrupted power supply, clearly titled land, public facilities, and support services. In addition, streamlined regulatory enforcement, simpler business and establishment rules, expedited customs administration, and other special administrative and approval procedures are also offered in such zones. One success story of SEZ is Aqaba Special Economic Zone(ASEZ) which was established in February 2001. ASEZ is a successful model of socioeconomic development for Jordan. The ASEZ is a USAID-sponsored Aqaba Zone Economic Mobilization (AZEM) project provided services to aid the zone's governing bodies the Aqaba Special Economic Zone Authority (ASEZA) and the Aqaba Development Company (ADC). The vision statement of ASEZ is "The Aqaba Special Economic Zone is a world class Red Sea business hub and leisure destination enhancing the quality of life and prosperity of the community through sustainable development and a driving force for the economic growth of Jordan".

Pakistan is in the process of developing Gwadar Special Economic Zone(GSEZ) near to newly developed Gwadar Port. The GSEZ is in the process of development. The success story of ASEZ can be a model for the development of GSEZ. ASEZA is a service oriented organization offering a single point of contact for all investors needs (One-Stop-Shop). It is mandated to manage & regulate ASEZ financially and administratively autonomously. ASEZ Offers investors a wide range of competitive advantages aimed at maximising private sector participation. The details of ASEZ are discussed in the ensuing paragraphs and Pakistan can learn a lot from ASEZ successful model for development of GSEZ.

[5] https://www.finance.gov.pk/survey/chapters_21/Annex%20III%20SEZones.pdf

2. CITY AND PORT OF AQABA



Aqaba is the only coastal city in Jordan and the largest and most populous city on the Gulf of Aqaba. The city lies at Jordan's southernmost point, on the Gulf of Aqaba lying at the tip of the Red Sea. It is located at the crossroads of the continents of Asia and Africa, while bordering Israel, Egypt and Saudi Arabia. Aqaba is the administrative center of the Aqaba Governorate. Today, Aqaba plays a major role in the development of the Jordanian economy, through the vibrant trade and tourism sectors. The Port of Aqaba also serves other countries in the region. Strategic location at the northeastern tip of the Red Sea between the continents of Asia and Africa, has made Aqaba Port an important hub of trade activities since thousands of years. The Port of Aqaba is the only port in Jordan, and is owned by Aqaba Development Corporation (ADC) and has 12 terminals operated by five operators: the Aqaba Company for port management and operation; Aqaba Container Terminal; Industrial Port Company; Phosphate Company; National Electricity power Company, and the pilotage operated by Aqaba port Marine Services Company.

3. AQABA SPECIAL ECONOMIC ZONE (ASEZ)



The Aqaba Special Economic Zone is a major economic development node for tourism, recreational services, professional services, multi-modal transportation, and value-added industries in the Middle East. Aqaba offers global business opportunities in a competitive location with a high-quality lifestyle. The Government of Jordan has embarked on an aggressive strategy to position Jordan within the global economy. A key initiative within this strategy is the establishment of the Aqaba Special Economic Zone (ASEZ) as a liberalized, low-tax and multi-sector development area. A simplified business environment has been designed with streamlined administrative systems to attract investment and maximize private sector participation in all aspects of the Zone operations and development. The ASEZ covers approximately 375km² and includes the land borders of Saudi Arabia and Israel, extending to the territorial waters of Egypt.

4. A STRATEGIC CHOICE FOR INVESTMENT

Strategically situated at the crossroads of four countries and three continents and encompassing Jordan's entire coastline, the ASEZ is served by both a deep-water seaport and an International Airport (one of three airports in Jordan) accommodating all classes of commercial and passenger aircrafts. A network of modern highways connects Aqaba to the surrounding region. Jordan's internal highway system also allows for fast, safe, reliable freight and passenger transport throughout the country. Planned and existing road and rail networks further enhance accessibility, creating a true multi-modal transport hub. Aqaba is nestled at the base of dramatic mountains expressing the contrast between the sea and the desert. Moreover, the coastal landscape shelters the extraordinary coral reefs of the Red Sea. This unique environment necessitated the adoption of a comprehensive Master Plan that includes zoning and building regulations to ensure environmentally sustainable development while preserving Aqaba's distinguishing character as a town of historic importance.

The ASEZ offers businesses and residents a planned environment consisting of high-quality core infrastructure, facilities, and support services, all at par with international standards. Well-developed utility services are readily available in the ASEZ. Electricity is provided from a 600 MW thermal power station and a national grid. Water is abundantly supplied from nearby aquifers, with expansion plans for desalination plants to meet future demands. Additionally, the Aqaba wastewater treatment plant is currently being expanded, and treated water is available for industrial uses, in addition to landscaping purposes. Businesses locating in Aqaba will have access to the Fiber-Optic Link Around the Globe (FLAG) that passes through the ASEZ. Furthermore, advanced telecommunication services are available at regionally competitive rates.

Industries located in Aqaba benefit from Jordan's preferential access for products of Jordanian origin, to World Trade Organization (WTO) member states and numerous Arab Countries. Products manufactured in Jordan enjoy quota-free access to the US market through the Free Trade Agreement (FTA) and the Qualifying Industrial Zones (QIZ), and to the European Union through the Euro-Jordanian Association Agreement. Locating in Aqaba offers businesses the distinct competitive advantage of having access to one of the regions most skilled, productive, and competitively paid labor forces. Overall, Aqaba's strategic location, infrastructure, unique natural and human assets, broad market access, and business-friendly environment offers investors a springboard to a variety of regional markets and the global economy.

5. AQABA SPECIAL ECONOMIC ZONE AUTHORITY

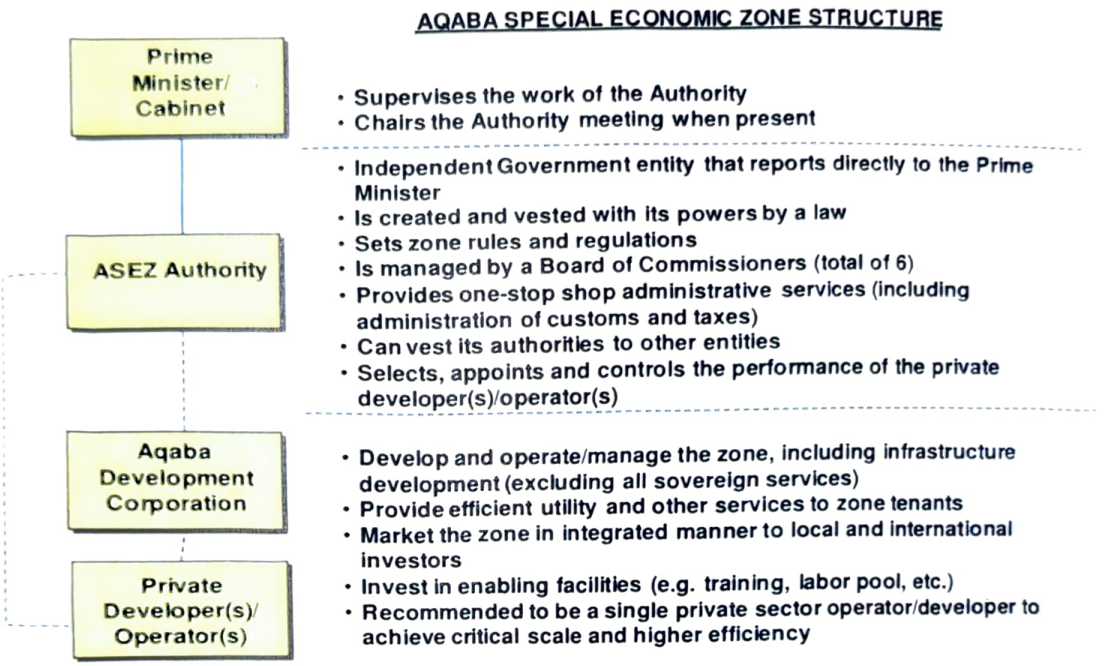
The Aqaba Special Economic Zone Authority (ASEZA) is the statutory institution empowered with regulatory, administrative, fiscal and economic responsibilities for the ASEZ. The ASEZ is governed by six ministerial-level Commissioners each responsible for a major area of regulatory or operational activity. The Aqaba Special Economic Zone Law simplifies all procedures, licenses and approvals enabling the Authority to provide a business-friendly environment from one single location in Aqaba. ASEZA is deeply committed to maintaining Aqaba at the competitive forefront as an international investment hub. ASEZA offers investors a streamlined investment environment and encourages private sector participation in all aspects of the Zone's development and operations. This ensures the provision of world-class infrastructure and services to Aqaba's investors, residents, and visitors alike. ASEZA is committed in providing:

- A one-stop investment center that serves as single point of decision making in order to facilitate business start-up and smooth operations.
- A world-class business environment that maximizes private sector participation in a tax advantaged, and continuously improving investment climate.
- A model approach to governance and environmentally sustainable development.
- To improve the quality of life for all community members.
- To create, regulate and sustain a globally competitive investor friendly environment.
- To optimize the efficient utilization of entrusted resources in harmony with the master plan to internationally recognized practices.
- To effect a transparent and accountable corporate structure, governance and culture that synergizes the activities of the ASEZA team.

6. AQABA SPECIAL ECONOMIC ZONE AUTHORITY STRUCTURE

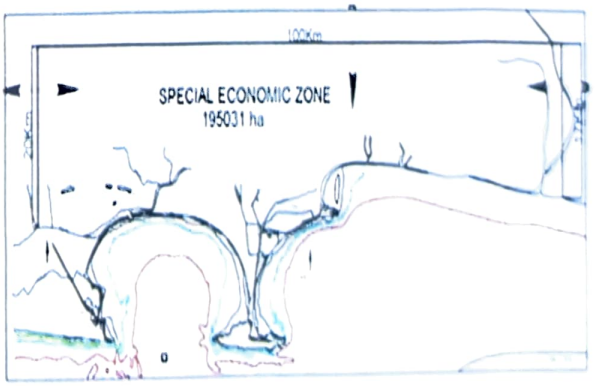
The Aqaba Special Economic Zone Authority (ASEZA) is the financially and administratively autonomous institution responsible for the management, regulation, and the development of the Aqaba Special Economic Zone (ASEZ). The structure of the Authority is kept very small for decision making. Each level of the structure is given clear mandate and authority of action. The procedures for registration of companies at ASEZ

and broad financial incentives offered are enumerated at ANNEX 'A'. The broad structure of the ASEZA is as under:



7. INTRODUCTION - GWADAR SPECIAL ECONOMIC ZONE

Having discoursed ASEZ, let us now deliberate on upcoming Gwadar Special Economic Zone(GSEZ) at Gwadar, Pakistan. In order to facilitate rapid commercial and economic development, Gwadar will be declared a Special Economic Zone for a certain period. The length of this period has not yet been determined. The SEZ is likely to cover the city of Gwadar and the industrial areas currently planned and foreseen. The specific incentives-regime is likely to include general tax-holidays, no VAT and generous incentives pertaining to business ownership and employment of foreigners. The main purpose of this concept is to accelerate economic development by attracting foreign and local investments. This in turn will spur industrial development and port traffic throughput demand. It would also contribute more rapidly to employment creation and uplifting of the Gwadar district and of Balochistan.



8. GWADAR PORT

Gwadar deep sea port is the second great monument of Pakistan -China friendship after the Karakoram Highway linking Pakistan and China. The foundation stone of the port was laid by the Chinese vice-premier Wu Bangguo in March 2002. With the completion of the first phase of the port, Gwadar, a small fishing village has become one of the most important towns of region and is poised to become one of the most important and modern cities of the Middle East, West Asia and the South Asia. Gwadar port will become gateway port for Pakistan and the region and a world –class maritime hub. Gwadar Port is to Complement Karachi Port and Port Qasim in order to stimulate economic growth of Pakistan and in particular Balochistan utilizing the available resources of the country and also providing an outlet for land locked Central Asian Countries, Western China and Afghanistan through transit trade and offering transshipment facilities.



The development of both Gwadar City and Gwadar Port will provide important contributions to the socio-economic development of Gwadar district and the province of Balochistan. The port facilities will cater for General cargo, Bulk cargo, container, RORO ships. The port is envisioned to facilitate trade, industrial and economic development, at local, national and regional level. Moreover, it will remain aligned with the expectations of local and international customers and stakeholders. In doing so, the development of both Gwadar City and Gwadar Port will provide important contributions to the socio-economic development of Gwadar district and the province of Balochistan. The expanded port will be located near a 2,282-acre free trade area in Gwadar which is being modelled on the lines of the Special Economic Zones of China. The strip of land was handed to the China Overseas Port Holding Company in November 2015 as part of a 43-year lease, while construction of the project began on 20 June 2016. The special economic zone is expected to employ approximately 40,000 people, with possibility for future expansion.

9. GWADAR FREE ZONE DEVELOPMENT

Gwadar Free Zone is situated at 632 Kilometer from Karachi via Makran Coastal Highway and is 120 Kilometer from Iranian border. Gwadar is connected via road and air with the major cities of Pakistan. The under construction New Gwadar International Airport will connect the city with major airports nationally and globally. The distances from other main cities of Pakistan from Gwadar by road travel are as under:

Gwadar—Karachi 632 Km Connected by air, road & sea

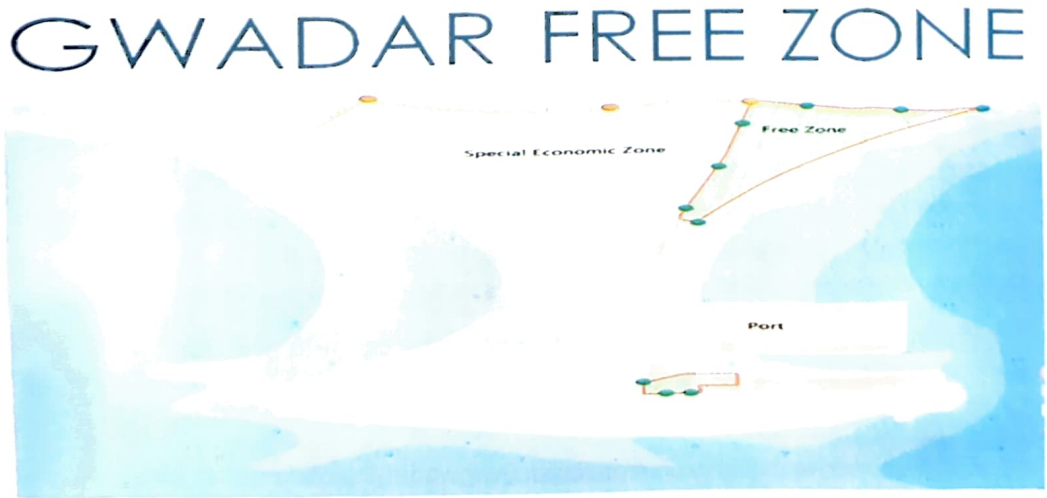
Gwadar—Lahore 1876 Km Connected by air & road

Gwadar—Islamabad 2246 Km Connected by air & road

Gwadar—Quetta 970 Km Connected by air & road

The Gwadar Free Zone consists of 2 portions; namely, the Southern Pilot Zone and the Northern Main Zone; the main zone is further divided into sub-zones. The development of the Gwadar Free Zone was completed and inaugurated on 29 February 2018, costing 160 million US dollars. An additional investment worth 250 million US dollars will be made via 5 main investors. The construction of the industrial units started from January 2019 in the Pilot Zone while work in the main zone started at the end of 2019. Gwadar Expos have also been held over the previous few years at Gwadar to attract investments.

The special economic zone will include manufacturing zones, logistics hubs, warehouses and display centers. Business established in the special economic zone will be exempted from income, sales, and federal excise taxes for 23 years. Contractors and subcontractors associated with China Overseas Port Holding Company will be exempt from such taxes for 20 years, while a 40-year tax holiday will be granted for imports of equipment, materials, plants, machinery, appliances and accessories that are to be used for construction of Gwadar Port and Special Economic Zone. The special economic zone will be completed in three phases. By 2025, it is envisaged that manufacturing and processing industries will be developed, while further expansion of the zone is intended to be completed by 2030. On 10 April 2016, talking to The Washington Post, Zhang Baozhong, chairman of China Overseas Port Holding Company said that his company could spend a total of $4.5 billion on roads, power, hotels and other infrastructure for the industrial zone, which he said would be open to non-Chinese companies.



10. NEW GWADAR INTERNATIONAL AIRPORT & GWADAR POWER PLANT

New Gwadar International Airport project was initiated as a high-priority project of the CPEC programme in 2014. It was approved by the Executive Committee of National Economic Council (ECNEC) in January 2015. The project is being funded through a grant agreement signed between China and Pakistan in May 2017. The groundbreaking ceremony was held in March 2019, with construction scheduled to be completed in 2022.[6] A 300 megawatts coal-fired Gwadar Power Plant is being constructed which has been planned to be completed by 2023. The power plant would cater the needs of some 150,000 people of Gwadar by the end of 2023 under the 2050 Master Plan of Gwadar. The project is aimed at improving reliability of local power supply that would help in solving the problems in current economic development and urban construction in Gwadar region which is restricted by the shortage of power.

11. ANALYSIS OF KEY SUCCESS FACTORS OF ASEZ

Aqaba Container Terminal (ACT) is the logistical and economic backbone of the Aqaba Special Economic Zone Authority (ASEZA), serving as the preferred gateway to the region for many active markets around the world. Their world-class services are powered by advanced terminal technology, equipment, and facilities, and provide customers with a complete package to facilitate their cargo operations. ACT has a reputation for efficiency and proficiency and is dedicated to providing speed, safety, security, and transparency across its service.

In the 16 years since it was launched, the Aqaba Special Economic Zone has blossomed into a regional trade hub that has become exemplary of Jordan's economic potential and resiliency. For global investors, the city's geographic advantage along one of the world's busiest shipping lanes is supported by Jordan's access to 1.6 billion customers, enabled by numerous free trade agreements that have been instrumental to Aqaba's business magnetism.

The Aqaba Development Corporation (ADC) is the development arm of ASEZA. An ADC strategy to diversify Aqaba's ports has since catalyzed a wealth of new projects in a move that has gained recognition from the World Bank for contributing to the overall improvement of the country's stock in transport infrastructure. A comprehensive strategy was implemented to develop the ports community, introduce energy terminals, and provide marine services, all according to ASEZA's eco-friendly regulations.

Taking up the green strategy which brings Aqaba closer to being a true regional trade leader. Jordan is a regional role model for security and economic resilience. When

[6] https://www.airport-technology.com/projects/new-gwadar-international-airport/

security allows, trading across borders will certainly contribute to bringing peace and stability to the region

For Aqaba to be developed without extending its development towards the neighboring governorates will also create an economic disparity that should not happen. The relavent authorities are responsible for Aqaba development, but they always try to ensure that whatever comes into Aqaba spills over into the regional governorate.

One of the key reasons behind the success of ASEZ has been its favorable business environment. Companies established in ASEZ benefit from a corporate income tax rate of 5% on all profits, with the exception of banks and financial institutions, insurance and reinsurance companies and road transport companies. With ASEZ primarily targeting logistics, warehouses, transportation and tourism, firms operating in these areas are exempt from customs duties on imports of goods, and general sales taxes related to the import and sale of goods and services. Exemptions are also available for building, land and capital gains taxes. There are no foreign equity restrictions on investments in tourism, industry, retail and other commercial services, with 100% foreign ownership permitted. There are likewise no foreign currency restrictions, with full repatriation of profits and capital possible.

More relaxed labor regulations also allowed for up to 70% of the workforce to be foreign labor. In February 2017, it was reported that companies offering financial, legal or technical services within ASEZ would be exempted from income tax if 60% of their operations are within the zone.

Aqaba's economic importance is heavily linked to its connectivity within the greater region, with the ASEZ's seaport and airport of particular significance for broader growth. Operated by the Aqaba Company for Ports Operation and Management, the Port of Aqaba has a capacity of 28 M tons of cargo per year and is able to accommodate 410,000-tonne vessels. The port has undergone a major modernization and expansion in recent years, with new facilities and more efficient systems put in place.

Despite the regional uncertainty caused by unrest in neighboring countries, the number of companies setting up businesses in Aqaba has been steadily growing over the past few years. One of the key areas for industrial development is the 1.7 m-sq-meter Aqaba international Industrial Estate (AIIE). Companies operating within the AIIE benefit from the favorable tax incentives offered to companies in the ASEZ, while receiving assistance in obtaining operating and building permits, company registration, employment, customs and local partnering guidance services. The AIIE offers open plots, fully serviced land and finished buildings for lease or sale. Traditionally, companies

operating in the AIIE were largely involved in metals, engineering, plastics and food industries, however these have now been joined by high-tech manufacturing and garments companies.

A number of companies are drawn to the region's logistics potential. Logistics should be the priority so development of the Aqaba Logistics Village (ALV) also offers warehousing, logistics and cargo support services from a site adjacent to Aqaba Container Terminal. The project was conceived to fulfil a vision of establishing ASEZ as a regional center for logistics and cargo support services.

Aqaba has its own 1250-MW thermal power station, which provides electivity to domestic users and the region, as well as 13-km underground cable that supplies ASEZ with power from Egypt. Rising in tandem with economic and population growth has been water demand. The nearby Disi sandstone aquifer supplies the region with approximately 17.5m cu meters of water per year. According to the ADC, significant ongoing efforts have been made to develop additional supplies. In March 2017, Jordan's first water desalination plant was opened, which desalinate water from the Red Sea.

ASEZA is also working on an ambitious plan to diversify tourism offerings to attract and retain foreign and local tourists. Aqaba has expanded at pace since becoming a special economic zone in 2001, and with a number of significant residential, commercial and industrial spaces and tourism projects under development, the economy looks set to continue to experience strong growth in the future.

12. ASEZ AS MODEL FOR GWADAR SPECIAL ECONOMIC ZONE

Within the huge range of outcomes, SEZs have been most strikingly successful under what might appear to be adverse conditions. In countries with imperfect economic structures and a reluctance to change, SEZs can be used as experimental centers for testing and fine tuning economic reforms before applying them to the wider economy.

SEZs can be an effective projects for the economic development of the country. However, many fail because of confused objectives, timid policy liberalization, and unsuitable choice of location, poor designs or ineffectual management. On the other hand, if the SEZ has clarity of vision, bold policy changes, a carefully chosen location, clever designs and strong management, then it has a good chance of success.

In a change from the early days when most zones were developed by government, now more zones are developed through public-private partnerships (PPPs), with increasing participation from the private sector. Like in case of Aqaba, the functions of the public sector typically include implementation of a transparent and clear regulatory framework, provision of land and efficient public services, financing of basic infrastructure and oversight of private developers or operators. The private-sector partners, on the other hand take responsibility for zone development and operation, provision of certain on-site

infrastructure and services like asset management, global outreach and investor relations. Pakistan can adopt the similar mode of action to ensure smooth and efficient operations of zones, private-sector participation can be encouraged through a public-private partnership (PPP) approach. In such cases, experienced private-sector partners can help with the planning, management and even the provision of certain infrastructures and services.

Formation of an authority which should be autonomous and service oriented organization offering a single point of contact for all investor's needs (One-Stop-Shop). The Authority should be mandated to manage & regulate SEZ, mandatory for the ease of doing business. The authority needs to be financially and administratively autonomous and offers investors a wide range of competitive advantages aimed at maximizing private sector participation. The case of ASEZA is a great example as for easy and smooth handling of all matters related to the registration of companies within economic zone, followed by accessible and monitored registration system.

Another important aspect which is well taken care under ASEZA is the issuance of public health and environmental safety approvals, as to support the eco-friendly regulations. Pakistan should be following same procedures as increasing environmental constrains can lead to many serious consequences.

Like ASEZA has rights to issue work permits, visits and residence permissions so the Authority should be promoted in Gwadar as well which can deal all such issues smoothly and saving time. This can be one point where all the related issues can be resolved without any complicated process and within less timeframe. It will facilitate labor workforce and tourists as well.

Aqaba is a regional example for promoting favorable business conditions by reducing taxes, exempting custom duties, lowering GST and promoting no foreign restrictions along with extensive Free Trade Agreements. Pakistan can act on similar lines for attracting companies and business to come and set up their businesses in Gwadar Economic Zone.

ASEZA has shown tremendous relaxation in labor regulations which turn out into favorable working conditions for workers; therefore. Pakistan should also formulate such regulations so that the workforce within and outside country should be attracted and benefited at same time.

SEZs must be special, which means special features have to be there to drive towards a success story. Financial incentives may attract influential first-movers, but decisions to invest in SEZs are not only based on financial incentives. ASEZ is an evidence which suggests that such incentives are not only the key to SEZ success but successful SEZ must have levels of infrastructure and governance that differentiate them

from other parts of the country. With success of economic zones, they can provide an example for rest of the parts of country about the potential they have, thus, encouraging more effective provision of public services, infrastructure and helping followers of economic development. Like ADC working under ASEZA provides support in infrastructure development, Pakistan can also work on creating separate entity which should be effective and solely work on infrastructure development and related services.

13. CONCLUSION

Since the establishment of the Special Economic Zone, investment attracted to the ASEZ has reached about $20 billion, far surpassing the $6 billion goal that was initially targeted for 2020. This surge in capital has effectively turned the desert outpost into a bustling city, with Aqaba's population more than tripling from the late 1990s, increasing from 60,000 to over 190,000 people today and paralleled by increasing job creation and living standards. Being the second-largest Red Sea port, Aqaba is an international city whose uniqueness derives largely from the fact that it is a multi-faceted economic zone. Aqaba's land use Master Plan envisions a mix of 50 percent tourism, 30 percent logistics and 20 percent industry. ASEZA aims to develop the Special Economic Zone as the epicenter of best practices in Jordan and throughout the Middle East. From the case of ASEZ, it can be established that such economic zones should as far as possible be able to operate as a 'One Window Operation', with self-autonomy capable of meeting its own requirements of administration and utilities. Regardless of operating under the overall purview of Federal/Provincial Governments, minimal interference is crucial to ensure smooth operation of SEZs as observed in the case of ASEZ. Another key area of focus is availability of basic utilities such as roads, electricity, water, IT facilities etc. are essential for success of SEZs. The key factors that can be attributed to the success of ASEZ are self-autonomy, availability of prerequisite amenities, investment friendly policies and tax incentives, synergy between local and national institutions and identifying key markets for goods and meeting specific demands. If we take this as a success model, Gwadar Special Zone can be developed on similar lines by promoting the economic activities along with the supporting authority which can align and process all the related matters and regulate all the necessary operations required for efficient and effective working.

14. RECOMMENDATIONS

Following key recommendations are submitted:

- Clear objectives and policies should be devised for smooth functioning of Gwadar SEZ by defining mandates of all stakeholders. Policies should be readily available for reference to ensure well defined bifurcation of responsibilities and jurisdiction.

- Gwadar SEZ should have an autonomous body for governing its affairs and investors should be provided 'One Window Operation' facilities.

- There should be more focus on infrastructure development including power, roads, IT facilities and water supply etc. There is a need to have connectivity between Gwadar and the hinterlands through all mediums with no security issues.

- Export oriented industries should be promoted with easy access and availability of raw material for industries. There is a need to have preferential trade agreements with regional countries and beyond.

- The local communities should be engaged by providing training for jobs employment. Moreover, their cultural sensitivity should also be catered/ respected while developing the Zone.

- In addition to development of infrastructure, significant tourist attractions should be built. The growing number of residents and tourists will require additional services along with proper accommodations, hospital, food supplies, uninterrupted power, water and communication connectivity.

- Foreign investment is key for the success of SEZ. There is a need to have proper promotion plan at regional and global level highlighting strategic location of Gwadar Port and business incentives.

- In order to enhance productivity and sustain long-term competitiveness, SEZs must keep pace with technological and industrial innovations.

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ANNEX - A

ASEZA - COMPANIES' REGISTRATION PROCESS

The registered company with ASEZA has the right to import goods and get exemption from taxes and the registration is really simple as the following process:

The First step: Application

The registration starts with filling the application / the legal form and economic details are required and the companies registered outside Jordan can register in ASEZA in order to work in the area and Jordan.

The Second step: Registration certificate

After approval and pay the fees, ASEZA issues a certificate with a registration number, grants the right of importing duty free goods to the area that may require to hire a service officer to work with the registered company in order to provide the supporting from ASEZA.

Note: the Registration of the institutions is optional and it's only necessary for those institutions which is wishing to get benefit from ASEZA Law. After Registration, the registered intuitions must start commencing the licensing process within thirty days from the date of registration.

The investment Department of Aqaba Special Economic Zone Authority work to help the investors and to facilitate the process of obtaining all permits, certificates and environmental approvals that is necessary to establish and manage various economic projects in the region. All institutions that are engaged in the economic activities in the Aqaba Special Zone should obtain a public health certificate, a public safety certificate and an environmental approval, while a direct authorization should be obtained for only a certain activity.

ENVIRONMENTAL APPROVAL PROCESS

The first step: Introducing the Investment Facilitation Model

The authorization process begins with the filling Facilitation Form to provide ASEZA with details on the proposed project. This requires the applicant to provide a general information about the institution, a description of the economic activities, proposed facilities, capital, labor force and proposed dates for staring the work. ASEZA shall provide the applicant with all necessary permit requirements within fourteen working days from the date of receiving the Investment Facilitation Form.

The Second step: The Authorization requirements

The investment Directorate provides an advice to the institutions about the requirements for authorizing specific economic activities. ASEZA permit procedures to adopt a risk-based approach to the authorization procedures through a fast lane for low-risk institutions, which can be exempted from the facility inspections prior to commencement. Depending on the type of the activity, some institutions may be exempted from the environmental approval, while others require a preliminary environmental assessment or an Energy Information Administration Study.

The Third Step: Detection of the facilities

The investment Directorate shall inform the corporation to the need for an inspection of the facilities, and the visit of these facilities shall be arranged by the competent teams. After the successful completion of the process, ASEZA shall issue the required certificates, permits and after the payment of the prescribed fees.

AMMAN CHAMBER OF THE INDUSTRY SERVICES

Issuing the origin certificates, the representative of the Amman Chamber of the Industry in the investment Directorate issues the origin certificates for the manufactured goods in the region for the industrial registered members in the Amman Chamber of Industry. This is based on the decision of the Prime Minister to consider Aqaba Special Economic Zone within the geographical scope of the Amman Chamber of Industry and according to the signed memorandum of Understanding between the Authority and the Amman Chamber of Industry. The representative also provides the service of signature validating, registration and renewal of registration for the institutions and companies which are wishing to get benefit from the Chamber's services after the registration as an industrial member or marketing member in the Amman Chamber of Industry.

The Procedure

The industrial member shall submit a commercial invoice in accordance with the requirements. The chamber representative shall enter the invoice information on the electronic system of the Amman Chamber of Industry .After reviewing the information by the official in the chamber , the representative shall pay the required fees and issue the certificate of origin, stamp it, sign it duly and delivered it to the representative of the company / institution .

Temporary input of vehicles

The registered institution shall be entitled to introduce the vehicles to the region under the temporary entry mode in accordance with the provisions of the entry regulations for vehicles and the issued instructions. where the approvals are granted on the approval of the Commissioners Board based on the consent of the Commissioner concerned on

temporary entry on passenger cars of all types based on the actually investments employed for the registered institutions in the region and prepare the employment of the institution, grant the approvals for the mechanisms required by the registered intuitions to complete the projects in the region in accordance with the provisions of the system upon the approval of the Board of Commissioners.

Work Permission and Visas

The operating institution in Aqaba benefit from the flexible labor policies that allow to employ the non- Jordanian workers , where registered institutions are allowed to employ 70% of their workers from aboard. This percentage can be exceeded in special cases with the permission of Aqaba Special Economic Zone Authority Commissioners Board. ASEZA has the right to issue Visas, work permits, visits and residence permission. Visas and work permissions can be obtained from the employment Visa and Residence Directorate. It is worth mentioning that there are no visa fees for Aqaba Special Economic Zone, if visitors enter the economic zone.

ASEZA is offering to investors;

- A flat 5% income tax on the net profit
- Exemption from social services tax
- Exemption from annual land and building taxes on utilized property
- Exemption from taxes on distributed dividends and profits
- Duty-free import of goods in commercial quantities from the National Customs Territory and Overseas
- No foreign equity restrictions on investments
- No foreign currency restrictions
- Full repatriation of profits and capital
- Streamlined labor and immigration procedures through the One-Stop-Shop
- 100% foreign ownership
- Up to 70% foreign labor
- Availability of land for lease or sale
- Full guarantees on rights and ownership
- 40% Discount on Handling of Transit Shipments
- 50% Discount on Containers Exported from ASEZ
- 50% Discount on Suez Canal Fees for Goods Shipped to ASEZ
- Automated Customs Procedures (ASYCUDA)
- Access to 1.5 billion customers in 161 countries through trade agreements

KEY FEATURES OF AQABA CONTAINER TERMINAL (ACT)

Aqaba Container Terminal (ACT) is the logistical and economic backbone of the ASEZA, serving as the preferred gateway to the region for many active markets around the world. ACT is the gateway for import and export cargo trading between the Eastern Mediterranean region and the rest of the world. As one of the most politically stable countries in the region, Jordan provides a secure corridor for trade with surrounding countries.

Terminal Overview

✓ Terminal Area: 500,000 m^2

✓ Stacking Area 450,000 m^2

✓ Electric reefer points: 800 plugs

✓ Security: 24/7

Berths

✓ Total length: 1,000m

✓ Max. channel depth: 24m

✓ Max. depth at berth: 14.5-20m

✓ Vessels side alongside: Starboard

✓ Container berths: 3

✓ Ro-Ro berths: 1

In conjunction with ACT Port Facilities, their highest standard equipment's are what keep the efficiency 24/7 operational and fully consistent.

- Ship-to-Shore Cranes: 7 (Max outreach on water side 63m/capacity under hook 100 ton)
- RTGs: 22 (Max lifting capacity 50 ton)
- Reach stackers: 7 (Max lifting capacity 45 ton/ 5 containers high)
- Empty handlers: 12 (Max lifting capacity 10 ton/ 7 containers high)
- Terminal Trucks: 50 (Max lifting capacity on 5th wheel: 34 ton)

AQABA PORT TERMINALS

