



# Economic Free Zones(FEZ) in Iraq and implementation Possibilities National Investment Commission “ Vision”

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- Global economy witnessed a number of important experiences in the field of establishing investment and economic zones to attract foreign investment and create a competitive investment environment contributing in enhancing local economies through technology transition and providing job opportunities, increasing the size of GDP, exports in a manner to achieve important balance in the balance of payments .

- In general it is part of government policies and procedures in the context of competition to attract investment .
- FEZ are different through out the world in terms of the nature of Laws that organize their work ,manner of conduct and the party responsible for administration .

- The main concept these zones are based upon is the concentration of economic activities in a specific place in order to create a state of integration among them also providing components of establishment.
- Generally these zones can be divided in terms of concept into two main groups :
- The first “free zones” this is the type that prevailed during the past decades ,they were established based on availing specific locations to implement free zone Laws which is usually near the borderlines between countries so that export and re export operations are their main functions.
- As for the second group “FEZ” that are dependent mostly on compiling symmetrical economic activities contributing in providing the requirements for establishing those activities and create a consistent investment environment .

## 1- Free zones

Is defined as part of the State land that is mostly located on or close to one of its sea, land and Air outlets, it is bounded by fences and isolated from the other parts of the State , it is subject to certain special laws under the full authority of the State.

The concept has developed over the years in terms of their objectives ,space ,location and privileges granted to it

Previously it used to be places for storage and re-export , now it provides several services in export or industry fields

It used to be founded in international trade line centers in small spaces ,but it came to the point where it was founded anywhere even on remote places of the State aiming at reconstructing those places and accommodating individuals to develop it.

The number of free zones in the world became more than 500 free zone ,one of the most notable and successful examples is the free zone in (Shannon) in Ireland , in the Arab countries level we find the free zone in Ali Mountain (UAE) and the free zone in Zarka (Jordan ).

## Types of FEZ -2

**2-FEZ or Cities** within this concept, we can distinguish the many forms of those zones :

**2-a:FEZ:** such as the Egyptian experience which is defined according to the Egyptian law as a space of land allocated for investment projects foundation ,pursuant to a decision issued by the council of Ministers determining the description of each area, its coordinates, type and nature of the activity practiced, the legislator does not stipulate that the projects take a certain form whether it was a company or an individual enterprise aiming at providing full flexibility to practice activities

**2-b: Economic Cities** :depends basically on (growth a round the Center Theory )which describes the process of developing self sustained centers for wealth and employment , it is considered a new global concept that combines between economic components for industrial cities and special economic zones to form integral civilized cities , each city economy is based on assembled economic clusters chosen according to the competitive features of the State, also integrated service, logistic and residential facilities are available along with competitive work environment in those cities to be an economic system attracting both local and foreign investment, economic cities are considered one the most important investment attraction mechanisms ,where the States that constructed economic cities issues domestic regulations and legislations enhancing investment in those cities , such as special economic Aqaba city in Jordan.

**3-c:Industrial cities:** represent certain zones that are allocated and prepared industrial projects erection ,this notion was initially based on the effects resulting from industrial projects on residential cities , however through time the objective of those cities aimed at facilitating services offered to industrial projects in addition to selecting places according to the available raw resources for production , an example for that is the Saudi Arabia and Jordan experience

- The Iraqi Experience in the field of FEZ before the issuance of investment law No. 13 of 2006 is represented by the following:
- Free zones are the zones that were founded pursuant to the Law of The Public commission for free zones No. 3 of 1998 , Iraq has three free zones which are: Flefel, Nineveh , khore Al zubair / Basrah and Al kaim /Anbar, they are subject administratively to the Iraqi Ministry of Finance it might be assessed as not performing as scheduled for many reasons.
- Industrial zones which were founded basically pursuant to the Industrial investment Law No. 20 of 1998 , The Ministry of Industry and Minerals was responsible for it , but it too did not take its required role in the development of the industrial sector for many reasons .



- With the issuance of Investment Law No.13 of 2006 , the economic approach in Iraq has transferred from the Centrally Guided economy to market economy which an important change in the economic philosophy of the State.
- Article (9/seventh)stipulated that one of the Commission means to encourage investment is to “work on establishing safe FEZ under the approval of the Council of Ministers “
- The National Investment Commission committed to establishing those zones based on a number of benefits most important of Which are :
- Create new economic entities with a developed infrastructure more independent than the existing ones.
- The implementation of this model will reduce to a large extent, the dependence on the governmental capital budget allocations to establish these zones , since the private sector whether local or foreign will establish them.
- Reduce the Bureaucratic and routine procedures .
- Monitor the sound practical (especially safety and environment) of the different economic activities.

# Scenarios of potential implementation

- **The First Scenario:** the State (National Investment Commission) identifies the locations to establish these zones according to detailed feasibility study and construct the infrastructure (Electricity, roads, transportation ,service Facilities , warehouses, networks and others) and presented as Lucrative investment opportunities According to Law 13/2006 and its licensing procedure.
- **The Second Scenario:** The private sector will establish these zones on the basis of (BOT).
- **The Third Scenario:** Public Private Partnership(PPP).

- The National investment Commission needs technical support to analyze the most suitable model for the Iraqi economy ,taking into consideration the required technical needs which are:
- Choose the most appropriate model for Iraq according to a feasible study justifying this choice
- Prepare a draft of the regulations of these zones regarding the form of administration, the type of relationship between the national investment Commission and the investors .

# Thank You