



fDi
FREE ZONES
OF THE YEAR
2014

Middle East and North Africa

JEBEL ALI FREE ZONE HAS BEEN CROWNED **fDi**'s MIDDLE EAST AND NORTH AFRICAN FREE ZONE OF THE YEAR 2014 FOR LARGE TENANTS, WHILE DUBAI MULTI COMMODITIES CENTRE SCOOPED THE AWARD FOR SMEs. **CATHY McREYNOLDS** REPORTS

In no other region of the world has the development of economic zones been as swift or as comprehensive as in the Middle East and north Africa (Mena), most especially in the UAE. Trade in the region has been revolutionised by free zones, allowing companies to explore new markets in a convenient and competitive manner. The face of FDI changes when tax barriers are removed and incentives become the proverbial carrot. Firms find themselves faced with new, populous markets with increasing disposable income – markets which provide a bridge between Eastern and Western business.

In an effort to find the best free zones in the Mena region in 2014, **fDi** Magazine broke it down and asked what zones had to offer, and how much of the offering was taken up by expanding firms.

Methodology

The **fDi** Free Zones of the Year 2014 for Middle East and North Africa, which replace **fDi**'s previous biannual Middle East Free Zone rankings, acknowledge the most promising free zones across the Middle East and north Africa region.

For this year's awards, **fDi** invited free zones, government entities and invest-

ment promotion agencies to complete a short survey detailing the features of their zone, including attractiveness, facilities and incentives offered to investors.

A panel of judges from **fDi** was appointed and studied each location. Free zones were then ranked within their country, and each country was presented with Best Zone for SMEs and Best Zone for Large Tenants awards. In addition, some locations that were particularly outstanding but which did not win awards due to the tough competition in their home markets have been acknowledged with honourable mentions.

Winners



Overall

Large – Jafza
SMEs – DMCC

Djibouti

Large – Djibouti Free Zone
SMEs – Djibouti Free Zone

Jordan

Large – Aqaba Special Economic Zone Authority
SMEs – Aqaba International Industrial Estate

Lebanon

SMEs – Beirut Digital District

Morocco

Large – Tanger Free Zone
SMEs – Tanger Free Zone

Oman

Large – Sohar Free Zone
SMEs – Salalah Free Zone

Tunisia

Large – Bizerta Economic Activities Park
SMEs – Bizerta Economic Zone

United Arab Emirates

Large – Jafza
SME – DMCC

Honourable mentions

RAK Free Trade Zone – UAE
Dubai Airport Free Zone – UAE

Overall winners
and UAE



Large tenants

Jebel Ali Free Zone

In fDi's inaugural Middle East and North Africa Free Zones of the Year awards, which compared zones both domestically and then regionally, Jebel Ali Free Zone (Jafza) has reigned supreme as Free Zone of the Year for large tenants. The free zone houses more than 7200 tenants, occupying some 28 million square metres of space. Established in 1985 with 19 tenants, Jafza has evolved significantly over its 29-year history, today including 100 Fortune 500 companies among its tenants. The zone is well connected, with sea, air, land and rail connections ensuring access to a wide range of global markets. Judges were impressed by Jafza's major infrastructure developments, including the Gate 4 project, which will take the zone's current three-lane entry and two-lane exit system to a full 16-lane entry and exit facility, allowing for smoother passage. This will be in addition to its major exit gates for inter-modal transfers or cargo movement.

Despite its already large numbers and the substantial presence of international companies, the zone continues to post growth figures, with an 18% increase in tenant occupied space in 2013 over the previous year and a 9% increase in number of tenants.

Salma Ali Saif Bin Hareb, chief executive of Economic Zones World and Jafza, says: "We are delighted to be recognised as fDi Free Zone of the Year 2014 for Large Tenants - Middle East and North Africa, as well as Free Zone of the Year 2014 for Large Tenants - United Arab Emirates. The awards reaffirm Jafza's unique position as the most favoured investment destination for large multinationals across the world. I attribute Jafza's remarkable achievements to our most committed and efficient team that continues to help Jafza maintain its invincible leadership status today and in times to come."



THE AWARDS REAFFIRM JAFZA'S UNIQUE POSITION AS THE MOST FAVOURED INVESTMENT DESTINATION FOR LARGE MULTATIONALS ACROSS THE WORLD.

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Salma Ali Saif Bin Hareb,
chief executive of Economic Zones World and Jafza

Overall winners
and UAE

SMEs

Dubai Multi Commodities Centre

Dubai Multi Commodities Centre (DMCC) won the overall award for Middle East and North African Free Zone of the Year for small and medium-sized enterprises (SMEs). Established in 2002, the DMCC hosts almost 8000 tenants, with a 39% increase in tenant numbers since 2012. Tenants currently occupy 7000 square metres, though this figure is expected to rise given that approximately 200 new companies are registering at the zone each month. DMCC markets itself as "equidistant from Europe, Africa and Asia" with the possibility of opening new markets to a vast range of companies. "DMCC is an all-encompassing free zone and the most dynamic in the UAE as it is home to start-ups, SMEs and multinationals... representing every corner of the world, [which] in turn encourages business opportunities among the member

companies based within the free zone, as well as encouraging international growth and access to new markets," said the zone in its entry.

While DMCC is focused on a range of commercial, retail and residential projects, it also has a strong tradition of commodities trading. Since 2003, the zone has seen an increase in the flow of gold to the amount of \$64bn, as well as strong increases in the flow of diamonds and tea. DMCC has enabled Dubai to become the world's leading physical gold market, with more than 25% of the world's gold passing through the emirate.

Ahmed Bin Sulayem, executive chairman of DMCC, says: "SMEs are the key driving force behind the growth of the UAE's and the region's economy. At DMCC, we are passionate about creating a sustainable and optimum business

environment for SMEs to further enhance this growth and support His Highness Sheikh Mohammed Bin Rashid Al Maktoum, vice-president, prime minister of the UAE and ruler of Dubai's vision to position Dubai as the global destination for SMEs.

"Receiving two awards, the fDi Free Zone of the Year for SMEs - Middle East and North Africa; and the fDi Free Zone of the Year for SMEs - United Arab Emirates, is a strong indicator of Dubai's and DMCC's leading role in attracting FDI to the region. As the largest and fastest growing free zone in the UAE with over 8700 member companies, where 95% are new to Dubai and 70% are SMEs, we will continue to ensure businesses have access to everything they require to succeed, trade with confidence and access new markets."

RECEIVING TWO AWARDS IS A STRONG INDICATOR OF DUBAI'S AND DMCC'S LEADING ROLE IN ATTRACTING FDI TO THE REGION.

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Ahmed Bin Sulayem,
executive chairman of DMCC



Honourable
mentions



Ras Al Khaimah Free Trade Zone
UAE

Ras Al Khaimah Free Trade Zone (RAK FTZ) and Dubai Airport Free Zone (Dafza) both received honourable mentions in the Middle East and North Africa Free Zones of the Year awards. RAK FTZ operates with 7500 tenants, an increase of 24% from 2012. The total area of tenant-occupied space increased by 26% in this time period.

The zone comprises four dedicated parks: the Business Park, which attracts office clients; the Technology Park, which attracts trading and light manufacturing; the Industrial Park, which attracts heavy manufacturing; and the Academic Zone, which houses academic institutions. RAK FTZ attracts both SMEs and larger tenants to these internal parks, covering a wide range of industries and

clusters with a specialised focus.

"Companies of almost any size and type can register with RAK FTZ. We are a hub for SMEs because of our convenient registration and cost-effective packages. However, large companies such as Streit Group, the world's largest armoured vehicle manufacturer, have also found our services and facilities attractive enough to base their businesses inside the free zone," the zone's entry said.

"The free zone, when it started, saw a lot of SMEs finding the RAK FTZ's cost-effective products attractive and gathered a huge client base of SMEs. However, as we grew and our products and services expanded, more and more multinational corporations registered with us."

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Dubai Airport Free Zone
UAE

DAFZA HAS REMAINED STABLE OVER THE ECONOMIC DOWNTURN AND BUSINESS CHALLENGES IT FACED, BECAUSE WE ARE SELECTIVE IN THE COMPANIES WE TARGET AND BRING TO DAFZA

Dubai Airport Free Zone counts major companies in aerospace and aviation such as Boeing, Airbus and Bombardier among its 1533 tenants. Among the other industries it serves is the freight and logistics industry, with major players such as Federal Express, TNT, DB Schenker and DHL calling Dafza home.

Already extremely well established, with growth rates of 7% in tenant-occupied space and 14% in number of tenants in the past year, Dafza has shown steady development and resilience in tough economic times. "Dafza has remained stable over the economic downturn and business challenges it faced, because we are selective in the companies we target and bring to Dafza," its entry said.

While hosting many of the biggest names among multinational companies, Dafza is also making an effort to make SMEs and entrepreneurs feel welcome. In 2013, the zone launched two types of office packages (executive suite and business desk) specifically geared to smaller, more mobile firms and start-ups.

Djibouti



Large tenants and SMEs

Djibouti Free Zone

Djibouti Free Zone (DFZ) claimed the prize for Free Zone of the Year for Djibouti in both the large tenants and SMEs categories. Managed by the Jebel Ali Free Zone Authority, DFZ is designed to be an industrial, warehousing and distribution hub for east Africa.

The free zone hosted 138 tenants in 2013, across a spectrum of accommodations, a 15% increase on the year before. The zone includes 12 warehouses, with a central hangar for logistics covering 9100 square metres, as well as 64 small 'plug and work' office units. The zone is so heavily subscribed that it has a waiting list of 50 companies eager to join. DFZ is planning to add a new free zone, Jabanas, which will expand capacity by 300% to encourage the growing relationship the zone enjoys with the Middle East region.

As DFZ is at capacity, the focus over the past 12 months has been on planning for future expansion and enhancing connectivity. DFZ is adjacent to the Doraleh Container Terminal, managed by DP World, where a second phase of development is planned this year. Already the third largest container terminal on the east African seaboard, Doraleh's capacity will be doubled. At the nearby airport, a \$600m expansion is planned and a new \$3bn railway to Ethiopia is under construction, which will further boost Djibouti's benefits as an access point to the region.

One key issue that has also been addressed is access to cheap and reliable energy, with an enhanced interconnection to Ethiopia's power network, and longer term plans to become the first country in Africa to generate all its energy requirements through renewable sources by 2020.

Jordan



Large tenants

Aqaba Special Economic Zone Authority

Aqaba Special Economic Zone Authority (Aseza) has won the prize for Jordan's Free Zone of the Year for large tenants. The zone houses clients from a wide range of industries, though with more than 370 million square metres of investment space there is a particular focus on logistics, which typically require larger facilities. The location of the free zone allows investors to reap the benefits of proximity to Iraq and other countries in the Levant region.

When the zone was established in 2001, a comprehensive masterplan was adopted along with strategic goals including a goal to attracting \$6bn of new investments by the 2020. By 2008, this 20-year strategic goal was already exceeded by 300%, according to zone authorities, and currently the zone has more than \$20bn-worth of committed investments distributed between the core sectors of tourism and real estate, services and logistics, and industrial activities.

Over the past year, Aseza says it has adopted several initiatives to enhance the investment environment in the zone and facilitate the investment process; a full revision for all the investment and tax regulation was done in order to try to overcome all the hindrances that face the current and potential investors.

SMEs

Aqaba International Industrial Estate

Aqaba International Industrial Estate (AIIE) secured Jordan's Free Zone of the Year award for SMEs. The zone housed 90 tenants in 2013, which represented an increase of 15% from 2012. Space occupied by tenants increased by 11%. Clients hail from a range of industries, including production and logistics. However, there is also a focus on smaller, more service-related industries, such as security and tourism-support services. A variety of flexible pricing structures and packages are on offer to potential clients, as well as services to help with engineering and business plans, which may be of interest to smaller companies on tighter budgets. Rental opportunities are also becoming increasingly available, which may help to attract investors who wish to mitigate their risk.

AIIE's target industries are metal fabrication, logistics, security-related industries and services, plastics converting,

food processing, construction materials and supporting services for Aqaba's tourism sectors.

The zone's management prides itself on flexibility as a key to staying competitive. "The general economic situation has dictated price flexibility. To this end, we have made special rates for expansion by existing investors and offered packages where investors start by buying a small lot at the high end of the price scale with options for subsequent expansion at lower prices with no option fee," it stated.

CEO Sheldon Fink said, in reaction to the award: "It appears that the process for granting awards for Mena free zones in 2014 is focusing more on the level of service and less on total financial investment. This is a very positive development for the SME sector."

Lebanon



SMEs

Beirut Digital District

Beirut Digital District (BDD) won Lebanon's award for Free Zone of the Year in the SME category. The zone boasted 30 tenants in 2013, a substantial increase from 2012 when only two tenants resided there. Companies occupy 7600 square metres, 70% of which is used by start-ups focused on IT and digital and media sectors. The zone also offers its tenants flexible payment terms and competitive rental rates, a helpful benefit for SMEs. With a slogan of 'work, live, play', BDD bills itself as "an all-inclusive community providing the perfect business environment and the highest living standards all at competitive rates".

"Our vision at BDD is to develop the digital creative industries in Lebanon by creating an ambitious, forward-looking, dynamic community placing Lebanon on the world map. Our mission is to create a digital cluster that will attract companies and tenants by offering them the right business environment coupled with value-added services, state-of-the-art infrastructure, and a healthy sustainable community by retaining young skilled creative graduating talents where they can work, live and play," the zone's entry form stated.

Mouhamad Rabah, CEO of BDD, said: "We believe that Lebanon can become the leader of vital regional collaboration activities in the ICT field, coordinating and facilitating commerce among the different countries in the Mena region."

Morocco



Large tenants and SMEs

Tanger Free Zone

Tanger Free Zone (TFZ) won both the large tenants and SMEs Free Zone of the Year awards for Morocco. The zone held 640 tenants (384 large and 256 SMEs) in 2013, an increase of 28% from 2012. The total area of tenant-occupied space increased by 35% in this time period.

Companies based in the zone are mainly active in the manufactured goods sector, with a focus on automotive and aeronautics. The largest automotive plant in Africa was established in the zone by Renault-Nissan in 2012, with a capacity to manufacture 400,000 cars annually.

As part of its ongoing development and to strengthen its attractiveness, TFZ introduced new areas dedicated to the automotive sector and offshoring services. The newly established automotive area, at 3 million square metres, confirmed the first arrival of new equipment suppliers, while the automotive sector in TFZ represented more than €200m-worth of investments in 2013. In parallel, the newly established area for offshoring services (200,000 square metres) commenced operations with ready-to-use offices, data centres and optimised optical fibre connectivity. In addition, and as part of its continuous improvement review, TFZ says it undertook to develop a newly dedicated one-stop shop and introduced electronic processing for zone entry/exit control.

"TFZ has witnessed a steady development over the past decade, with regular inflows of new FDI and subsequent development of industrial activities in the automotive/aeronautics sector representing more than 50,000 direct jobs. The decision of Renault-Nissan to build its largest production capacity in Africa and commence car exports from Tanger Med in 2013 represents an outstanding achievement, with more than 100,000 cars effectively produced and exported in the same year," a statement from the zone said. "This achievement confirms the pertinence of the ongoing strategy pursued by TFZ in developing a reference industrial free zone, meeting the expectations of global players and serving as a gateway to Africa thanks to the coupled development of Tanger Med Port."

Oman



Large tenants

Sohar Free Zone

Sohar Free Zone in Oman picked up the prize for the country's Free Zone of the Year for large tenants. The zone boasted 26 tenants in 2013, which represents an increase of nearly 37% since 2012. The total area of tenant-occupied space increased by 46% in this time period.

Sohar is mainly tailored towards larger tenants, with occupancies ranging between 10 and 50 hectares. The zone is home to a number of tenants operating on a multinational basis, including Vale from Brazil and Jindal from India, as well as a range of companies working with and servicing multinational corporations such as Middle East Tubular Services for Sumitomo in Japan, and Suhail Bahwan for the automotive industry.

There is a focus to further improve the zone's attractiveness to larger occupancies, which impressed judges. "Sohar is continuously working on the expansion of its infrastructure, whether it is road, rail or sea connectivity, or utilities such as communication, water and power," a statement from the zone said. In 2013, 600 megawatts of power was secured by the zone and its communications network was fully ensured.

Sohar's entry stated: "Success is measured through occupancy... Since the free zone started in 2011, in the two years that have passed, phase one of the free zone is at 80% capacity. This is a tremendous result in any language."

SMEs

Salalah Free Zone

The award for Oman's Free Zone of the Year for SMEs was won by Salalah Free Zone (SFZ). The zone saw an increase of 9% in its tenancy rate between 2012 and 2013, to reach 24, and occupied space expanded by more than 350%. While SFZ is attractive to both SMEs and larger tenants, judges were impressed with the zone's proactive initiatives with respect to SMEs in a range of industries, including general industrial companies and logistics facilities.

"SFZ contributes effectively to the diversification of the Omani economy and the provision of a lot of direct and indirect employment opportunities, in addition to opening up broad prospects for SMEs to take advantage of the opportunities available in the zone," a statement for the free zone said.

After crafting a strategic action plan in 2010, SFZ is reaching milestones such

as signing a strategic partnership agreement with DHL International and attracting three new foreign investments in 2012 with investment of up to \$340m and four foreign investments in 2013 with investment of up to \$574m.

"Still at an early stage of development, SFZ has made tangible achievements despite the relatively short time since its establishment, as the volume of investments of \$3.6bn is a strong indicator of the success of the zone's strategic action plan policies in attracting industrial, commercial and service investments. SFZ expects more valuable achievements in 2014 as well," its entry said.

Tunisia



Large tenants and SMEs

Bizerta Economic Activities Park

Bizerta Economic Activities Park clinched both the SME and large tenants categories in the Free Zone of the Year awards for Tunisia. The zone hosted 86 tenants in 2013, 60 of which classified as large tenants. However, the zone has also taken steps to encourage more SME engagement with construction of 10 high-rise offices, with available spaces of between 52 square metres and 195 square metres. The allocation rate within this new complex is about 90%.

The zone is well balanced in its make-up of tenants, with 26 projects smaller than 500 square metres (mostly services projects), 29 projects smaller than 5000 square metres, and 31 projects larger than 5000 square metres. The total area of tenant-occupied space has increased by 9% and the number of tenants has increased by 5% from 2012 to 2013.

The zone caters to industrial concerns (such as medical and pharmaceutical, mechanical and electrical industries, and iron, steel and metallurgy, among others) as well as services companies ranging from engineering to accountancy, call centres, software development and banking services. The trade and packaging of agribusiness, pharmaceutical, cosmetic and electrical products is another key activity at the zone.

The zone cites its strategic position "at the heart of the Mediterranean", its incentives, and the area's legacy of industrial activity among its strengths, boasting of "the existence of an industrial mentality of 100 years, and the park's experience, which dates back 20 years" as well as "the quality and the specificity of services offered by the park". ■