UNCTAD World Investment Forum 2018

Special Economic Zones

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H.E. Mr. Ahmed Bin Sulayem, Executive Chairman, Dubai Multi Commodities Center (DMCC)

Excellencies
Distinguished Delegates
Ladies and Gentlemen

On behalf of UNCTAD's Secretary General, I would like to welcome you all to this morning's session on "Special Economic Zones – Opportunities and Challenges".

SEZs – sometimes called export-processing zones, industrial development zones, free trade zones or a range of other epithets – have seen a spectacular rise over the past few decades. Situated in geographically demarcated areas, with a broad range of benefits designed to attract investment and stimulate trade, SEZs have mushroomed from a few hundred zones in the 1980s to thousands (some say tens of thousands) today, with the bulk in developing countries.

SEZs can – under the right circumstances and with the right regulatory framework – promote investments for capacity-building and technology diffusion. Again, under the right conditions they can help create business linkages with regional or global value chains, stimulating trade participation. Furthermore, zones can provide quasi-laboratory conditions where policies and industrial development approaches can be tested, with a view to replicating them on a larger scale if successful.

The economic success of SEZs is, however, in no way guaranteed – all the more so as the operating environment has toughened in recent years. Let me briefly outline to you the four main challenges that SEZs face today:

First, the global economic environment has become more difficult. Since the global financial crisis of 2008, trade growth has been slow. With two thirds of global trade depending on the operations of multinational enterprises, FDI in SEZs has been choked as a result.

Second, location-based advantages that traditionally benefitted SEZs are eroding in the age of the "fourth industrial revolution". Cheap labour and abundant land are no longer sufficient to ensure that investors will sign up, as the spread of automatization and digitalisation have become important drivers of competitiveness, and thus determinants of foreign investment.

Third, the huge increase in the number of SEZs means that there is fiercer competition between them – both within regions and globally – to attract FDI by liberalising investment rules and offering investment incentives. This risks a race to the bottom and *de facto* discrimination against firms operating outside of the SEZ, particularly domestic enterprises.

Fourth, the sustainable development imperative calls for a shift in perspective and presentation of SEZs. A 2013 UNCTAD survey of SEZs indicated that the zones provide limited sustainability-related services – if any. However, to succeed in an increasingly complex global environment, SEZ policy must innovate, moving away from the provision of low-cost export hubs with weak labour, health, safety and environmental standards, towards the establishment of global centres of excellence in sustainable development. This is of critical interest to multinational companies seeking to minimize their reputational risks.

I am sure that these multifold challenges provide us with a lot of fertile ground for a stimulating and exciting discussion this morning.

We are honoured by the presence of a great panel of speakers. They are the chairpersons or CEOs of several SEZs in Bangladesh, Belarus, Brazil, Dubai, Ethiopia and Lithuania. Their rich expertise and experience with our topic can provide us with a lot of important "first hand" insights in today's world of SEZs, their opportunities and challenges.

I am pleased to introduce H.E. Mr. Ahmed Bin Sulayem, Executive Chairman, Dubai Multi Commodities Center, for his opening remarks.