

The Successful Operation of Dubai JEBEL Ali FTZ on Shanghai FTZ Development Enlightenment

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Abstract

This paper expounded through the Dubai JEBEL Ali FTZ evolution history, present situation and the successful operation experience, based on the specific situation of Shanghai free trade zone, providing some effective reference and enlightenment for the development mode and the basis of policy formulation.

Keywords: Dubai JEBEL Ali; Shanghai FTZ; operating experience

China (Shanghai) Pilot Free Trade Zone, in short Shanghai free trade zone, is a test point of a new round of reform and opening up in China. In order to promote China further opening to the outside world, expand foreign trade and strengthen the international competitiveness, it has a profound meaning. The establishment of the Shanghai FTZ is used to promote the reform by opening to the outside world, to explore the new development mode, to accumulate new experience. Dubai JEBEL Ali Free Zone (JAFZ) is widely regarded as a free trade zone of the most standardized operation, the highest economic freedom and the most prominent highest value, so the study of JAFZ has great inspiration for the development of Shanghai FTZ.

1. Dubai JAFZ Evolution History

Dubai is a bay regional center and a typical port city. It is also the most prosperous trade center in the Middle East. About 30 years ago, Dubai began to carry out business activities. Today, the industries economic yield of related trade has already exceed the oil industry and become the first major economic pillars of Dubai.

Dubai port is located at the junction zone of the Europe and African and Asia. The unique geographical position makes it become a largest free trade port in the Middle East and North Africa region, where the transit trade is the most developed function. The development process of Dubai port is as follows:

In 1969, the government of Dubai constructed a 4 berth deep-water port near the lake mouth of Dubai called the Rashid Port .It is located in the downtown area, next to the Dubai commercial center, and was put into use formally in 1972. By virtue of the advanced port facilities and prosperous commercial activities, Rashid port operation is very successful, which has become one of the most modern and important container port cargos in UAE. In 1976, Dubai began to build the world's largest artificial port, which is also the first big port of the Middle East region called the JEBEL Ali Port. In 1985, to match the local industrial development and attracts the foreign investment, the government of Dubai sets up the JEBEL Ali free trade zone. Nowadays it has become a large special economic zone in the production processing, import and export trade and logistics warehousing etc.

2. Dubai JEBEL Ali FTZ Development Situation

2.1 Overview of JAFZ

JEBEL Ali FTZ is located in Southwest of Dubai downtown, which is about 50 kilometers next it. The total area is 48 square kilometers. After continuous expansion, at the third port in the world -- the JEBEL Ali port has been put into operation in the world's largest airport -- Mark International Airport. Now it is the earliest and most successful FTZ in the Middle East and North Africa region and is the first FTZ of through the ISO 9000 international certification in 1996. Besides, it is also one of the world's busiest and most mature FTA today.

By the end of 2012, the JEBEL Ali in FTZ has more than 7000 enterprises. The annual sales are about \$82 billion, which accounts for Dubai total annual non oil trade by 1/4. Meanwhile, exports account for more than half of Dubai's total exports. In the area, 90% of the trade is transit trade.

2.2 The Basic Features and Functions of JEBEL Ali FTZ

Free trade zone refers to a certain range of a government in its main port and the surrounding area. Special economic zones are set up by different domestic trade and investment facilitation policy. According to the United Arab Emirates area law, foreigners set up a company by the local people as guarantor and their shareholding proportion is at least 51%. For better development, the government of Dubai Promulgate use preferential policies in the free trade zone. In the JAFZA, it can be run by 100% foreign ownership of enterprises, which are fully funded by foreign investors themselves. Local joint venture is not needed and guarantor also is not carried.

The basic characteristics of JEBEL Ali FTZ: free trade area implementation of the "bonded system outside the territory" exempt from import and export tariff, allow foreign wholly-owned enterprises, encourage the private capital and international capital investment and provide modern service about developed industry. The main function of JEBEL ALI FTZ is: for port discharge cargo, warehousing and logistics and trade and manufacturing, which is especially in developed and known Transit trade, annual container transfer ratio remained at about 50%. Determination of main function is based on the import and export of goods flow and operation ability in FTZ location. FTZ function will continuously adjust to the development of domestic and international economic situation.

2.3 JEBEL Ali FTZ Management System

In 1991, the government of Dubai established a port specialized management institutions -- Dubai Port Authority (DPA). Under the leadership of the government, Rashid port, JEBEL Ali port and JEBEL ALI free trade area were unified for management. In the port zone, the customs, banking, transportation and public security were unified, where the leadership of parallel long was avoided.

In the internal management system, by the government of Dubai appointed director, director of the two deputy director are responsible for the administrative affairs and port affairs. Simple management organization structure is as follows:

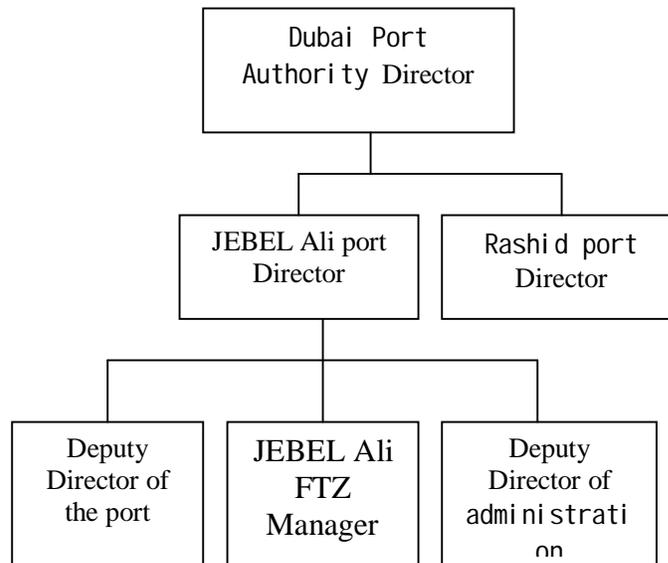


Figure 1: Dubai FTZ Management Organization Structure

JEBEL ALI FTZ has relatively independent power: it has the right to obtain own land within the FTZ; it has the right to decide whether JEBEL ALI FTZ introduce all kinds of industry; it has the right to operate and manage the factory, warehouse and other public infrastructure (water, electricity, communication etc.); it has the right to levy various port services and utilities, service industry cost; it has the right to approve the use of its facilities in free trade area, such as land, buildings, and other business management and so on.

2.4 JEBEL Ali's Profit Way

With zero tariff of world Dubai FTZ famous, its oil revenues only accounted for 6% of GDP income, which is most of revenue for its JEBEL Ali FTZ. This income is not from taxes, but from the special "third hand": the fees of providing housing for foreign investors; the infrastructure on service charge; Dubai local people can also make money by the guarantor system, but the enterprises do not need the guarantor in FTZ.

3. Enlightenment of JAFZ about Shanghai FTZ

3.1 Superior Geographical Position

Dubai is connected with the African and Eurasian and Asia Economic Activity center. Excellent geographical location is the key of Dubai JEBEL Ali FTZ to success. It has convenient traffic and can quickly delivery the cargo to the Middle East, Europe and around the Africa and other major consumer market. In addition, the Dubai government is planning to build connection with port and airport-FTZ "logistics Easy Access". Though it, the goods will be sent to the destination within only 10 minutes from the port to the airport. Geographical advantages provide a good foundation conditions for the free transit trade development of Dubai.

It is a great practical significance for Shanghai Pudong Airport. Pudong airport of FTZ and port can promote the joint growth each other and drive the development of the whole trade. Moreover, air transportation and financial industry is closely related. This can provide an experience for the development mode of Shanghai FTZ shipping and financial cooperation.

3.2 Perfect Facilities

In addition to the superior geographical position, the government of Dubai is to build a free, open and honest FTZ, which has been generally recognized by the world. The government of Dubai input a large number of the software and hardware infrastructure in the Dubai port, including traffic facilities, communication, energy supply and high speed data transmission, which provide a more varieties facilities for investors and consumers, such as roads, education, health, supermarket, bank, insurance and leisure venues. Large logistics companies which provide convenient logistics services for the trade enterprises could be settled down.

Shanghai free trade zone is an upgrade to the function of the bonded area. After official operation, it can refer to JAFZ policy: increasing investment in software and hardware facilities; carrying out a free and open economic policy in the financial and service field; improving the legal system of FTZ; providing security for attracting investment; construct efficient transport system; improving the ability to coordinate operations between various traffic tools; creating a good business environment; attracting more foreign investment; supermarket, bank, leisure venues and other living facilities etc..

3.3 Loose Preferential Policies

The main purpose of the establishment of free trade zone is to develop the economic diversification strategy, attract foreign investment and expand the opening to the outside world. Dubai JEBEL Ali free trade zone provides rich commercial advantage and preferential policies for investors: (1) 100% wholly owned foreign investment, is not subject to the provisions of the company law of foreign investment which accounts for 49%, domestic 51%; (2)The Foreign Company enjoys exemption from income tax for 50 years. After the expiration of the period, it may be extended for 15 years; (3)The capital and the profit can be remitted freely, without any restrictions; (4)The goods of import and export exempt entirely and does not levy income tax; (5)The registration procedure is simple, without cumbersome bureaucratic procedures and no minimum capital investment restrictions; (6)The recruitment procedure is simple ,efficient and no limit for employers; (7)low-cost energy supply.

Listing operation of Shanghai free trade zone has nearly half a year and issues many policies. And it can refer to JEBEL Ali FTZ policies of opening to the outside world, which gradually expands the opening range and strive for the early construction the international standard free trade zone.

3.4 Unique Land Management Policies

Although Dubai JEBEL Ali FTZ takes out rental, it cannot be sold about land policy. Leased land can be independent to use by the enterprise, building workshop, office or warehouse. Once the company decided to move away from buildings, stay of the workshop will be leasing or auction. Avoiding directly removed then produces resources waste. Therefore, the rent of the land, office, warehouse and other hardware facilities is a major source of income for FTZ management mechanism.

The unique land management not only protects the security of national land but also fully develops the land value to create income. In some cases, Shanghai FTZ can fully consider the experience. In the range of only 28.78 square kilometers, the value of the existing land is tapped. Under no repeat construction and not waste resources increase the source of income for the FTZ.

3.5 Special Employment Policies

To encourage foreigners to invest and work, JAFZ carried out a series of special employment policies: simplifying the visa application procedures; reducing the visa fee, provide certain free work visas according to the investment and the scale of enterprises, applying for a work visa does not guarantee system in the zone, making employees easier to change work in FTZ. There have unique personnel policy, in order to facilitate the different needs of different investors who are responsible for the relevant business personnel are also derived from the corresponding country. In such an equivalent to the government department, all kinds of color office staff formed a strange image and a characteristic to the JAFZ.

The establishment of the Shanghai FTZ, will not only play an important role in the expansion of a new round of opening to the outside world, but alleviate the current severe employment situation and increase many jobs. But Shanghai FTZ construction personnel is mainly concentrated in the financial services, high-end shipping and cultural trade and other fields, which require special government policy in the recruitment of personnel, in order to attract domestic and abroad talents.

4. Conclusions

China (Shanghai) free trade zone formally open September in 2013. It is a new round of China's reform and opening-up experimental field, play its unique geographical advantage and expand foreign trade in the basic function of the bonded area. Besides, it starts a series of institutional innovations, use effective foreign capital and technology and develop the export-oriented economy. This can attract foreign investment and bring new economic growth point for the development of the national economy, which can be replicated and extended about system and policy.

Studying Dubai JEBEL Ali FTZ (it is simple to say provide a free public platform and attract foreign investment) which combines with the truth Chinese national and Shanghai FTZ can learn from the successful experience of JAFZ construction in government service, trade policy, land management and employment policy and so on, which actively promotes the open of service industry and effective revision negative list and accelerates the realization of FTZ function.

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