

# The Role of Free Trade Zones in Economic Development (Case Study: Iran's Aras Free Trade Zone)

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## ABSTRACT

Establishment of free zones in the world has a history of several decades. In 1991 the first steps for the establishment of 'free trade zones - Industrial "were taken in various discussions about it in the press, radio and television, the parliament, the economic and social carried out in different circles and different views have been presented, but the reality it is still, after 18

Years, except for the few "free zone" so that it should not clear exactly.

Now that the rules' free trade zones - industrial "approved by the government, the parliament and the Expediency Council received adequate information from the areas of the undeniable success in attracting investment and technology, creating employment, reducing imports, increase exports, changing the social fabric of southern and central areas, positive changes in the internal and external migration, and tourism will be made available to those interested.

Another choice is recommended as the import substitution policies. Given the importance of Economic development in countries the main objective of this study was to investigate the role of Aras free trade zone in economic development of Iran.

**KEYWORDS:** Aras, Free Trade Zone, Economic development, Iran.

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## 1. INTRODUCTION

Zone is not easily defined. In recognition of this, some common terms are given in the areas of: Zone 1, 2 Commercial Zone, Industrial 3 Zone 4 Zone Commercial - Industrial Export Processing Zone 5, and 6 special economic zone; 7 foreign trade zone, free zone exports 8, 9 Sadratsaz zone, Zone 10 of the Law Customs, 11 from the free zone; 12 regional development funding[1].

Here are two definitions of the Kyoto Protocol and the World Bank. Common Customs) provide. Facilities for foreign investors and facilitate the settlement of this region is usually associated with other incentives. And modern technology absorption, foreign exchange earning opportunities it provides. Zones are areas that, according to its natural characteristics (such as being in a commercial highways, areas of dense economic association), with potential capabilities are important. Mainland official bodies involved in some of these areas (mainly customs and economic institutions) to be minimized in order to attract investment, including investment banking, commercial, or industrial tourism brings to the maximum possible [2].

The term or concept of free trade and free trade zone concept is old, but it only talks about the new form in the last few decades has been dramatic. The first free trade areas, the basic concept that started in ancient times with a large trade was made. For example, an "Delves" pointed, small island states are among the islands Skalds Athens between 315 and 166 BC, founded the first commercial

Office centers. In the middle centuries in Europe for business people and cities were given freedoms Zones have been established around the world in several steps [3]:

The first phase of slow growth, the number of free zones in the world and more in Europe and Latin America in the early 1970's, growth in the trading system needs to remove restrictive regulations and customs were the main motivation for creating this area. During this period a number of free zones were established shortly after World War I or II, and some, like the port of Hamburg, are the last century[4]. The second phase of moderate growth, which includes the late 70's and early 80's. The countries of Southeast Asia and some African zones were established. The first order expansion of world trade and Development zones with relatively more rapidly in this period.

The third phase of rapid growth in the development and course of thought and guidelines of the World Bank and the International Monetary Fund and the vast wave of economic thinking "neoliberal" which was followed by a world in motion. At this stage most of the 80s and early 90s, belongs to the second stage of the collapse of the USSR has been established. This process accelerated after the collapse of the free zones in Russia and other former Soviet republics, as well as the increasing influence Fourth, the relative displacement and pause, which lasts from early 90s to the present. At this stage, a number of countries like Korea and Brazil are desperate or open areas, and build gradually kill them or to draw the conclusion that these regions have

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reached saturation. In this way, one cannot say that the speed of the previous stage would seriously reduce the still large number of countries without historical facts, findings, issues and opportunities within their real date of construction zones are.

In the more than 2/4 million people were working in these areas. The distribution of employment in different regions and 168 countries. Thousand people have jobs.

Degree of success in the world of employment created in this way is different. Half of the total employment in the three countries' zones in the world, Mexico, China and Singapore deals and the Dominican Republic, Hong Kong, Malaysia, Switzerland, Brazil, Taiwan and Macau and Indonesia together contribute 30% of total employment in the region Mydadhand account. The rest of the countries in this area have been successful. Employment rate in the region at this year's Jebel Ali free zone of about 12 thousand people in total about 10 thousand people. However, the small population countries such as Mauritius, Macau and Singapore zones between 35 and 90 percent of industrial employment in this country and in other countries such as Malaysia are formed, the Dominican Republic, Tunisia, Sri Lanka and Hong Kong regions share free industrial employment in these countries between 5/9 to 23 percent in South Korea and Taiwan, the ratio is about 5%. Performance of different countries in the field of export of goods. Successful in small countries, export free zones and industrial exports in total exports of the very important form. For example, two-thirds of the country's total exports and 96 percent of Morris's industrial exports from free zones are issued. It should be noted that the absolute value of exports is only about 772 million dollars. The Dominican Republic also exports 692 million U.S. dollars, 44% of total exports and 51 percent of the country's industrial exports. Successful countries and large, the absolute numbers are very significant areas Mlahztr exports, although the share of industrial exports in total exports is limited. Mexico's export processing zones, with 21billion dollars in exports, 35 percent of total exports and 53 percent of the country's industrial exports, and China's exports have accounted for 27/4 billion dollars in 1989, these regions share equivalent to 12% of industrial exports The country had formed. Countries of the region in Taiwan, Malaysia and the Philippines in terms of the absolute value of exports or the share of exports in total exports of industrial zones in the country are extremely significant. The UAE also exports 2/1 billion dollar industrial zone of Jebel Ali has had a large share in exports. However, the industrial export zones in just 76 million, which was less than 1%, share of the country's industrial Exports accounts [5].

However, the major part of the export processing zones will provide export using imported institutions, the main criterion for success in these areas, but not in exports, net exports (exports minus imports), and these areas should be searched. The figures indicate that net exports at best only half of the region's exports. Of course there are areas that have negative net exports and the credibility of its foreign exchange income country. In this regard, three types of zones can be seen. The first category of countries whose net exports comprise a high percentage of total exports. South Korea is the best example of this category in which the share of net exports in the exporting region of the 34% in early 1970 to over 50 percent in the mid-1970s became. In this group of countries such as India, Taiwan, Mauritius, the Philippines, Indonesia and the Dominican Republic are located. In these countries, the relationship between the backward zones with strong local economy, and there is considerable Freedom in the use of local inputs.

The second category of countries with very low net export figure accounts for about 5 percent of the region's exports and hence validated the relationship between internal zones of the economy is not Wide enough.

The third category of countries with net exports is negative. Negative net exports could be two reasons. The first phase of implementation, the import of raw materials and machinery is very high and hence net exports are negative, this will be a temporary phenomenon. Second, instead of the Export Processing Zone, the District is responsible for processing imports. It is the duty of the export of goods, but imports of semi-manufactured goods and processed for sale in the domestic market is. Brazil Manaus Free Zone is best – known in this field.

Jebel Ali Free Zone, particularly in relation to Iran's free zones should be placed in the third group. In 1995, net exports and net exports in Jebel Ali Free Zone, about the equivalent of nearly 400 million dollars 351 million dollars. But this year, we export millions of dollars in Jebel Ali 1200 5/2 million Dollars we export zones [5].

The figure of \$ 5000 has been accepted as a basis for foreign investment, could attract the foreign investment in these areas can be estimated. The employment rate in the zones can be concluded that most of the foreign investments in countries such as China, Mexico, Singapore, Hong Kong, Malaysia and Mauritius have been made.

### **The Development of Free Zones in Iran**

Historical experience shows that these areas in countries like India and China are often made first came to widespread involvement of government agencies in all areas of social, economic, homeland, or at least most of the have. The governments of the world's maritime zones outside the gates, all of which were used mainly for two purposes, the first goal was a practical tool created to dispose of troublesome rules bureaucratic, and other

socio-economic systems are related to of scientific knowledge and technology transfer and capital to take advantage of the system and finally to the Mainland are of the individual markets may make.

The second goal, which was released in a "broken system" (or Microsystems) to establish a connection with the "big system" (or Macro system) continues, but with a special function is internal. Often this type of graft function (Hybrid) between socioeconomic patterns and patterns of land was alienated. Small systems in order to be able to sustain a large laboratory for economic and social reforms which, although their implementation is necessary in mainland, the systems could be of great

Consequence dangerous [6].

Create a free area of economic development tools that could attract investment, technology transfer, training, human resources, education, and scientific management, the valve connected to the global

Market and ultimately economic development and to increase exports.

This is why the years after 1960, many developing countries by using these tools, along with other development tools, trying to get rid of the "underdevelopment» been there. Theoretical and international perspective, the main philosophy used in developing countries to create free zones. Developing countries to achieve economic development, with a number of shortcomings and limitations of the face and at the same time also have preferences and possibilities.

Another major goal of establishing free zones, reaching goals and achieving long out of the economic. Zones should launch platforms were (and are) the share of non-oil products in total exports to the progressively increasing. After passage of the law in this area, despite the significant steps taken in the field of real growth and function properly, they are far from the initial projections.

Due to the fragility of reliance on oil, oil price fluctuation in the international market due to the imperialist policies of international cartels and political events and market downturns and fluctuations of export carpets, handicrafts, pistachio, saffron and other exports of fine and coarse Generally, the low exchange rate of exports, tangible reality that much more attention to the problem of determination of the state of the economy calls seriously [7].

The goal is to diversify the economy from its reliance on oil revenues and the risk may be reduced to a minimum. The development process of diversifying the economy, self-reliance, and the bargaining Diversification should be said about the concept of expanding the scope of our products and reduce dependence on one source of income could be called diversification. But to diversify the country's economic development strategy that will be varied depends on the structure of export products. Diversify the non-oil economy and leave single-product economy, the expansion of non-oil sectors of activity zones for the purposes mentioned, can be a very valuable role in economic diversification.

The diversification and development are related to each other, because the ultimate goal of achieving economic diversification is a means to develop and diversify diversify to achieve this goal, it should Iran's economy is facing many economic problems that require deeper insight into the community's long-term strategy. These problems can be low power, industrial, monoculture and reliance on oil revenues, limited exports of industrial products and ... He said. One of the basic problems of low productivity and lack of access to the technology industry (IT) has the right to trade on the world One of the industries in which such zones Julfa (Juniper's) can succeed and attract foreign exchange and cultural interaction, the industry is tourism. And the experts are predicting that in 2010 transformed the world economy and oil revenues rather than being a tourist. We can make the tourist attractions in the economic and commercial activities in the areas of promoting tourism and oil it must be acknowledged that in its place should pay more attention to issues of political and cultural.

In general, countries in the international classifications of regions are divided into two categories, one category of which are developing countries and those in developing countries with varying degrees of underdevelopment second major difference is that these two groups of developing countries, countries of the Industrial Revolution successfully left behind such a change and hence economic, social, cultural and political well has changed. But developing countries for various reasons were not able to change history and current problems of industrial term "industrial revolution" successfully left behind.

Government's function of their success in achieving this objective was considered. This is why the developing countries in achieving economic development tool to embark on the creation of "Free. Global economic developments, the experience of today's developed countries in the nineteenth century and the first half of the twentieth century and the newly industrialized countries over the past three decades showed that foreign trade can be developed stimulating factor, especially in today's world of technology changes rapid and dramatic enough that no single country is able to produce all things to all development and utilization of non-cooperation and exchange with others is not possible.

Since the expansion of foreign trade routes, using the tool is free, most economists would consider this to be a useful tool, especially before using these tools can be a factor for preventing the higher and thus the foreign exchange (legitimate) achieved [8].

Several factors in the success of a zone of economic, social, political, cultural, and local laws and zone objectives consistent with national economic strategy: objectives and strategies are selected to create a free zone should be fully in line with the objectives and strategies of the national economy. If you are prepared to accept the philosophy that there is a national program established in the free zone access to facilities, infrastructure and public services: the availability of infrastructure facilities of the most important factors that draws investors to the zone. Basic facilities like water, electricity, fuel, telephone, telex, telecommunications, transportation facilities, land, rail and water, and some docks harbor proper lines of communication (roads and airports) office and residential building standards adopted by the necessary condition for the success of the free zone are considered.

In addition to the physical facilities, banking and insurance services, on time, shipping and trade, air travel facilities, good education and health services and leisure facilities can be a positive way to Implementation of appropriate systematic and coherent functioning of institutions and institutional structures is one of the most important conditions for progress. So to get the staff trained and familiar with modern commercial-industrial cultures, the effective manager with clear rules and routines for stable economic policies: economic policies and decisions in order to attract domestic and foreign investment and tourists to take free zone and is declared to be permanent and long. Consecutive changes in policies and business activist investor confidence in the area and failed to make the desired objectives And technology transfer and industrial cultures today is produced by more than tools gathering nuts and demand for skilled manpower coupled with the need to provide high quality services in the zone quickly, the accuracy, ease-of reliability, performance Components It is an inseparable part of these nuts, professional and educational needs. Reciprocally, the free zone has trained specialists who to coordinate enforcement and the public: the conflict between the people and government officials or officials of the executive authorities in the free zone and the discrepancy between the current job, consistently supported the Government Strengthening, financial and spiritual support of the zones, so continuous and government officials to assist in the implementation of the stated goals, important role L) the provision of open space for work and social lives: Free zone place for the development of economic activities in compliance with appropriate conditions, natural and social climate of the forces.

The important point is that the conditions for the provision of learning spaces that lifestyle also includes foreign nationals, is to expect commerce of industrial Free zone reasonable. The world. Infancy as a zone of social systems must agree on the mainland, they are elites and masses. Several More than anything, the elite consensus about the need to create such zones exists.

People in the area, before the issue should be raised in such areas as how their internal mechanisms and the distinction between the system and the need to understand the macro-and micro-systems.

Forming social groups of the population in general zones: the local population, immigration, domestic tourists (Domestic), foreign tourists and businessmen. Each of these groups is of particular processes. Addressing the problems of the indigenous population and immigrants from the subject matter of this paper is beyond the free zone, so those issues briefly discuss domestic and foreign tourists and tourist groups. Because most of the island for tourism infrastructure development in the last few decades, and no doubt the special economic zones of Iran including the Aras Free Zone is very. Julfa also develop infrastructure and cultural cooperation with the domestic tourists (Touring), to attract tourism, cultural zones can function to increase the rate of export platforms to launch new channels to authorize and another group that we find in the free zones, foreign tourists. About this group is almost the same what is the most tourism or cultural tourism, with the ability to capture real, but limited bureaucratic obstacles and irresponsible crackdown could hit it that hard. Furthermore naturally attract tourists to the traditional culture, ancient and historical places are. The zones are facing serious obstacles in this regard. With all the natural capabilities of Aras can be proper planning, including the development of appropriate facilities, groups of tourists interested in cultural, recreational and scientific it. At present, except in the case of Kish and Quash extent, significant and effective action in this regard Another group of relatively large role in the success of the social composition zones are those areas, whether Iranian or foreign businessmen. The following groups can be absorbed in priority Recognition performance and actual mission areas such as people, by making them aware of the situation, the positive results and benefits of short, medium and long term activities in other countries Positive influence on the process of increasing the links near the surroundings, using local labor force and further training for the development of a natural protected area the maximum and minimum points are likely to be negative [9].

### **Aras Free Zone**

Aras free zone at a distance of 137 km from the center of Julfa and Tabriz in East Azerbaijan province, 761 km from Tehran in the North West of the country and along the Aras River water is nice. Azerbaijan, Armenia and Nakhchivan Autonomous Republic, located in the northern region. Aras Free Zone with an area of one hundred hectares, and enjoy the beautiful wilderness of the Aras River, and has a special condition Arasbaran forests and protected areas.

Julfa city of East Azerbaijan province's 19 strategic border region that can provide the conditions and distance from the town of Julfa in the least time, export and import interaction CIS the Caucasus and Turkey payment. Julfa city with an area of 1718 square kilometers, 7/3 percent of the land area allocated to the East Azerbaijan and Central and black are two of the five districts will also include Julfa in Alborz - Azerbaijan is located in the highlands of China has triggered the area with beautiful mountains. Peak height is 3347 meters in the area of opportunity in sport Bhrhbrdaryhay - provides tourism. Historically significant to the history of Julfa is the history of the Safavieh era. What is certain is the need to focus on the history and potential of modern components, including investment on human resource development and information technology by which a new spirit in the way it economic exchanges blew. But along with these opportunities should be given to the specific characteristics of the region. Dare to say compared to other zones and economic zones, the area below can be found in the same strategic location, cultural heritage and tourism benefits of indicators as well be in its place.

Aras Free Zone shines in the beautiful wilderness of the North West of the country is rich in natural attractions, such as Mount Sabalan (Savalan) and Aynalv forests, Chychklyv, Astpanvs Falls mill and ancient church tradition, the church pastor, historic Bath Julfa Krdshet set, caravanserais Shah Abase and Shines. Favorable climate and a temperate climate along the coast is lush environment Aras, and high elevation forests Arasbaran and the About 18 percent of the 164 hectares of Julfa is able to Arasbaran forest as a valuable international reserves in 1976 AD, is registered in the list of UNICCO to allocate. In addition to the location of the wildlife refuge area of 96 thousand 925 hectares Kyamky the only wildlife refuge in East Azerbaijan province has a number of special environmental importance.

Free Trade Area - Industrial Aras attended the four-way communication from North to South and East to West as a bridge linking Asia to Europe can attract industrial units - producing active role in technology transfer from North to South (Europe, Asia) and services from East to West (Asia to Europe) to play in this regard, continuous development in the fields of exports, employment and the country will exchange technology. One billion country needs access to markets in Europe and the CIS (Caspian) could gain billions of dollars of annual revenue to the country.

Close to the Nakhchivan Autonomous Republic, as well as a geographical advantage for Aras Free Zone to be considered.

But the potential of Aras Free Trade and industry are not solely because of the rich agricultural fields of the growing trend of many of the region, the plains of the Aras River, and enjoy the benefits of Gordian and Glory with pressurized irrigation systems such as drip and sprinkler Also, Percy plains, After and dinner with the owners of agricultural land susceptible to horticultural products, Sdrkhity, Syfyjat, herbs, and ornamental flowers Mvhhthayy which is also part of the benefit of Aras Free Zone. Mines of the area adjacent to the added potential, as industrial raw materials to be used to pay the lowest price. For example Karajan copper mines in the Republic of Armenia and Azerbaijan, including powder Alumna in neighboring and foreign mining area. The internal potential cannot be ignored: Source Marana copper ores, kaolin mine Zenoah, barite ore, industrial soil, gypsum, crushed stone, marble and ... The Free Zone is located at the closest point. Should develop a comprehensive, in-depth and comprehensive, as well as the necessary infrastructure must not forget what was said. Network Rail and Road Aras Free Zone in Julfa and Nvrdivz two points north of Central Asia, the Caucasus, Russia, the Black Sea, Turkey and Europe, to the south by the azure waters of the Persian Gulf and Oman Sea and the East is connected to the CIS countries. Besides the rail and road network can be of vital electricity transmission network in all cities and villages of the region that is now the name is available. Grid development plan for the entire zone in which the design and construction Due to the large area along the Aras River to discharge more than 300 cubic meters per second, there is great potential for water availability requirements. In addition to enjoying the city gas network coverage area, natural gas distribution, gas plumbing industry in most rural areas and local residents also enjoy the cheap energy source. The extent and possible use of optical fiber telecommunications network, allowing communication centers, and rural parts of the region with the technology provided [10].

## **CONCLUSION**

World full of wonders and countries with different cultures and customs of ancient and historical monuments and tourist attractions, diverse people from other countries and regions adjacent to the party and the call connection. Tourism industry to facilitate and strengthen the relationship between them this is called creating a bridge between different countries and cultures people and nations together. In other words the jobs and prosperity of tourism is commerce and income. Of tourism with culture, politics, and a variety of techniques and familiarizes new Tabitha friendship and peace among peoples and nations, and consequently brings countries and promotion of tourism is knowledge.

The monuments and religious sites of the Aras free zone - several historic and unique benefits, but it should be noted that the mere existence means there is historic tourist attractions are not consistent and

appropriate. Become a tourist attraction, a monument or natural feature requires a process that still has not achieved many of the area. These works are not only present, but access to them is faced with numerous problems:

1. Secretary-General of the World Tourism Organization (WTO) has said: "The tourism industry produces more than 660 million tourists will become the greatest industry in the 21st century." If you want to increase your share of this huge industry in different sectors of the industry must be barriers of cultural, social, economic, political and religious issues related to signal Tourism, and the principles detailed planning Nvrzym neglect. This synergy requires all executive agencies and authorities and the Tourism and Touring making further calls. Especially in free trade zones and infrastructure development of the existing capacity, increase tourism services more than other parts.

2. Today, funding for education and manpower training and research in all disciplines needed a where the main objective of creating special economic zones and economic development, through production and exports should be increased, not side-activities to achieve this important goal.

3. Production and trade is an important factor in attracting tourists. Evidence of this can be as Singapore, Hong Kong, Korea and Japan named. So, with priority given to industry and production and natural potentials, itself part of the zones will attract tourists.

4. It is recommended that travelers to areas where people are seeing them more attention, and how to (Of course, in the case of domestic tourists, distance and transportation costs and add to the hotel's). Bank of tourist information and information services are important role in attracting tourists.

The ads must fit the wants and needs of overseas tourists was designed and carried out. For living in the lush and rich natural landscape, advertisers will reside in cities north of attraction.

5. Certainly, domestic and foreign tourists with the cultural, economic, social and cultural programs and visiting different places of leisure and religious same uniform does not seem to attract them, the diversity of cultural attractions and recreational programs will attract more tourists was.

6. Do not get their acts. It is not meant to strictness and freedom and comfort for tourists is to provide land for the wrong people and a safe environment and not bitch and their families during their stay. Income and developing countries around the world as an entrepreneur in the tourism industry in promoting and expanding appreciate their efforts. Developed countries of the man made attractions industrial and developing countries in using natural attractions and cultural heritage.

It seems to be following the development of tourism zones and other cities that are tourist attractions Formed a committee to investigate and visa formalities by reducing barriers to tourism abroad - and profitable private sector to support the tourism industry - issuance of the necessary permits to enter the required equipment, including equipment for hotels - the more inside and outside of advertising country - and the establishment of training centers for developing culture tourism tourism statistics database - security and comfort of tourists in cities and tourist areas.

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