

TRANSFORMING DISTRICTS AND PROVINCES THROUGH SEZs



Perspectives on the Impact of Current Geopolitical Competition on PNG's SEZ Program



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Outline



Explain What the Government's SEZ Initiatives Are

- ❖ SEZ Concept
- ❖ Experiences & Lessons Learnt
- ❖ Masterplan for Promoting/Facilitating Trade/Investment thru SEZ
- ❖ Legislation and Policy for Developing SEZ
- ❖ Institutional Arrangements to Support the Development of SEZ

How would foreign investors or the current Geopolitical Competition is Enhance or Undermine SEZs

SEZ Concept



- ❖ SEZ is an Umbrella Term. It Comes in Various Types/Forms, Names, Shapes and Sizes
- ❖ SEZ covers the various types/forms and names such as FTZs, EPZs, IPs, STPs, APZs SEZs
- ❖ These names/forms differ basically to distinguish the nature and focus of their operations
- ❖ Essence of it is:
 - An SEZs is a demarcated geographical area.
 - It is given more liberal trade and investment facilitation conditions than those that apply to the rest of a country
 - An SEZ is associated with Exemptions to the normal laws and regulations mainly relating to customs, taxation, trade, investment, labor, environment, etc that apply in the country



SEZ Concept – 7 Common Types



1 Free Trade Zones (commercial-free zones)

Fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, trans-shipment, and re-export operations

3 Comprehensive SEZs (multi-functional economic zones)

Zones of a large size that have a mix of different, industrial, service and urban-amenity operations. In some cases these zones encompass a whole city or jurisdiction, such as Shenzhen (city) and Hainan (province) in China

2 Export Processing Zones

Industrial estates processing for foreign markets. They offer firms free-trade conditions and a liberal regulatory environment. General 2 types of EPZs: a comprehensive type, open to all industries; and a specialized type, only open for certain specialized sectors/products

4 Industrial Parks (Industrial Zones)

Largely manufacturing-based sites. Some multi-functional zones similar to “Comprehensive SEZs” exist, but usually operate at a smaller scale. The parks normally offer a broad set of incentives and benefits

SEZ Concept - Common Types



5 Bonded Areas (bonded warehouses)

Specific buildings or other secured areas in which goods may be stored, be manipulated, or may undergo manufacturing operations without payment of duties that would ordinarily be imposed. To some extent, a “bonded area” is similar to a “free trade zone” or “free port.” A main difference is that a “bonded area” is subject to customs laws and regulations, while a “free trade zone” is exempt from these provisions

6 Specialized Zones

Include science/technology parks, petrochemical zones, logistics parks and airport-based zones

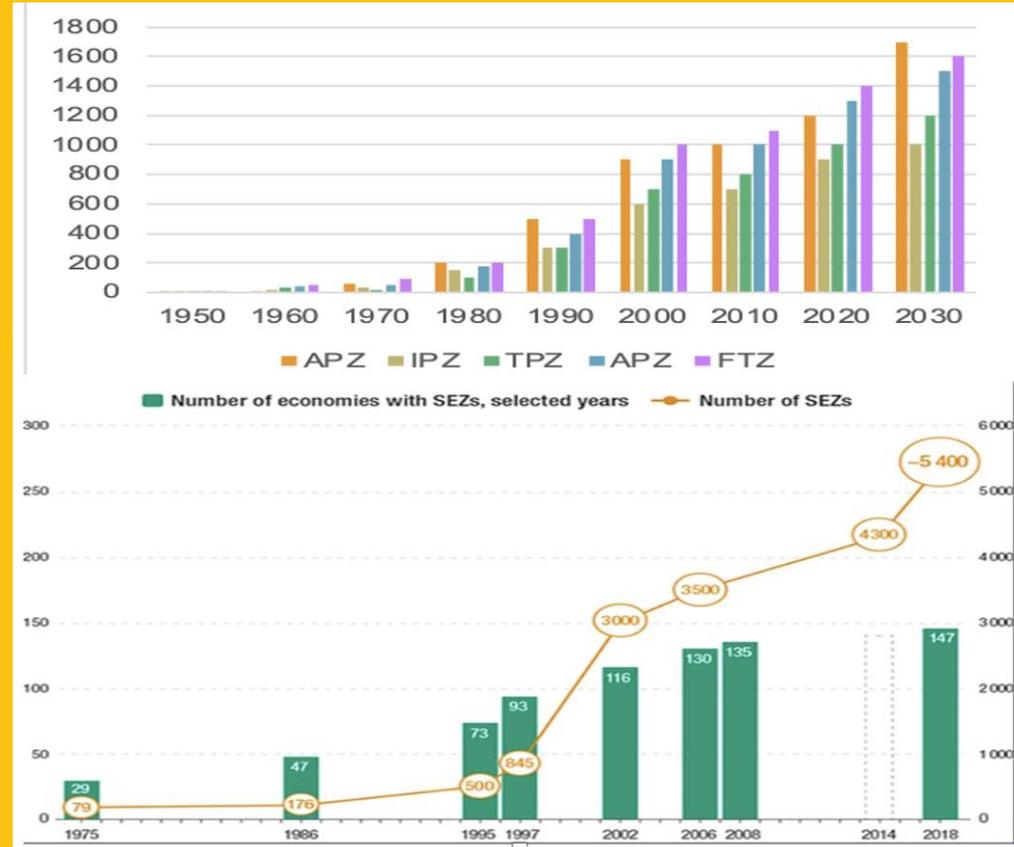
7 Eco-industrial zones or parks

Focus on ecological improvements in terms of reducing waste and improving the environmental performance of firms. They often use an “Industrial symbiosis” concept and green technologies to achieve energy and resource efficiency. Given the severe environmental challenges, an increasing number of countries are embracing this new type of zone.

Type of zones	Objectives	Typical size	Core activities	Market Focus
❖ Free trade zone	Support trade	< 50 hectares	Entrepôts and trade-related	Domestic, re-export
❖ Export processing zone	Export & manufacturing	< 50 hectares	Manufacturing and processing	Mostly export
❖ Hybrid EPZs	Export & manufacturing	< 100 hectares	Manufacturing and processing	Export, domestic
❖ Free port	Integrated development	> 1,000 hectares	Multi-use	Internal, domestic and export
❖ Enterprise zones	Urban revitalization	< 50 hectares	Manufacturing and processing	Domestic
❖ Single factory EPZ	Exports and manufacturing	No minimum	Manufacturing and processing	Mostly export

SEZ Growth has been Exponential

- ❖ Growth of the Main Types of SEZs and the Number of Countries with SEZs has been Exponential
- ❖ The same is true about the Expansion in the number of Countries adopting SEZs
- ❖ Between 2000-2023, UNCTAD's data showed over 50% growth in SEZ with an equally high growth in the number of countries adopting/pursuing SEZs



Countries Use SEZs to Jump-start development



They believe that by adopting SEZs, they are able to:

- 1 Generate Additional Economic Activity**
- 2 Promote Exports of Goods and Services**
- 3 Promote Investment from Domestic and Foreign Sources**
- 4 Create More Job Opportunities**
- 5 Develop or Modernize Infrastructure Facilities**

PNG has got on the SEZ bandwagon



- ❖ SEZ concept resurfaced in 2015
- ❖ It was first introduced to PNG in the early 2000s

- ❖ Since 2000, first generation of SEZs (Malahang, Ulavio, PMIZ, Konebada, Vanimo)
- ❖ These SEZs had met with mixed results

PNG's Own Experiences with SEZs

- ❖ Early experiences – rated as failed endeavours
- ❖ This was largely because of Weakness, Lack, or Absence of:
 - Capacity to develop, operate and manage SEZs
 - Corruption and Poor Governance structure
 - Land acquisition/administration
 - Legal and Institutional framework in place to guide SEZ development
 - Alignment to the national development agenda
 - Political know-how and Drive

The SEZ Program is Being Revamped



- ❖ GoPNG is pursuing maximum gains from the extraction and use of its natural resources. It is diversifying and innovating from traditional practice and better linkages into the global value/supply chains.
- ❖ As such it is revamping its SEZ program and is pursuing it with a concerted approach. this time, driving the SEZ agenda as a main instrument to promote investments into country, promote trade, accelerate industrialization, and create jobs for citizens.
- ❖ These, as well as many other benefits of SEZ is driving the government to revamp its SEZ agenda.
- ❖ The SEZ agenda is an integral part of PNG's national development plan provided for in its PNG Vision 2050 and the MTDP-IV. This is also aligned to several second-tier development plans.

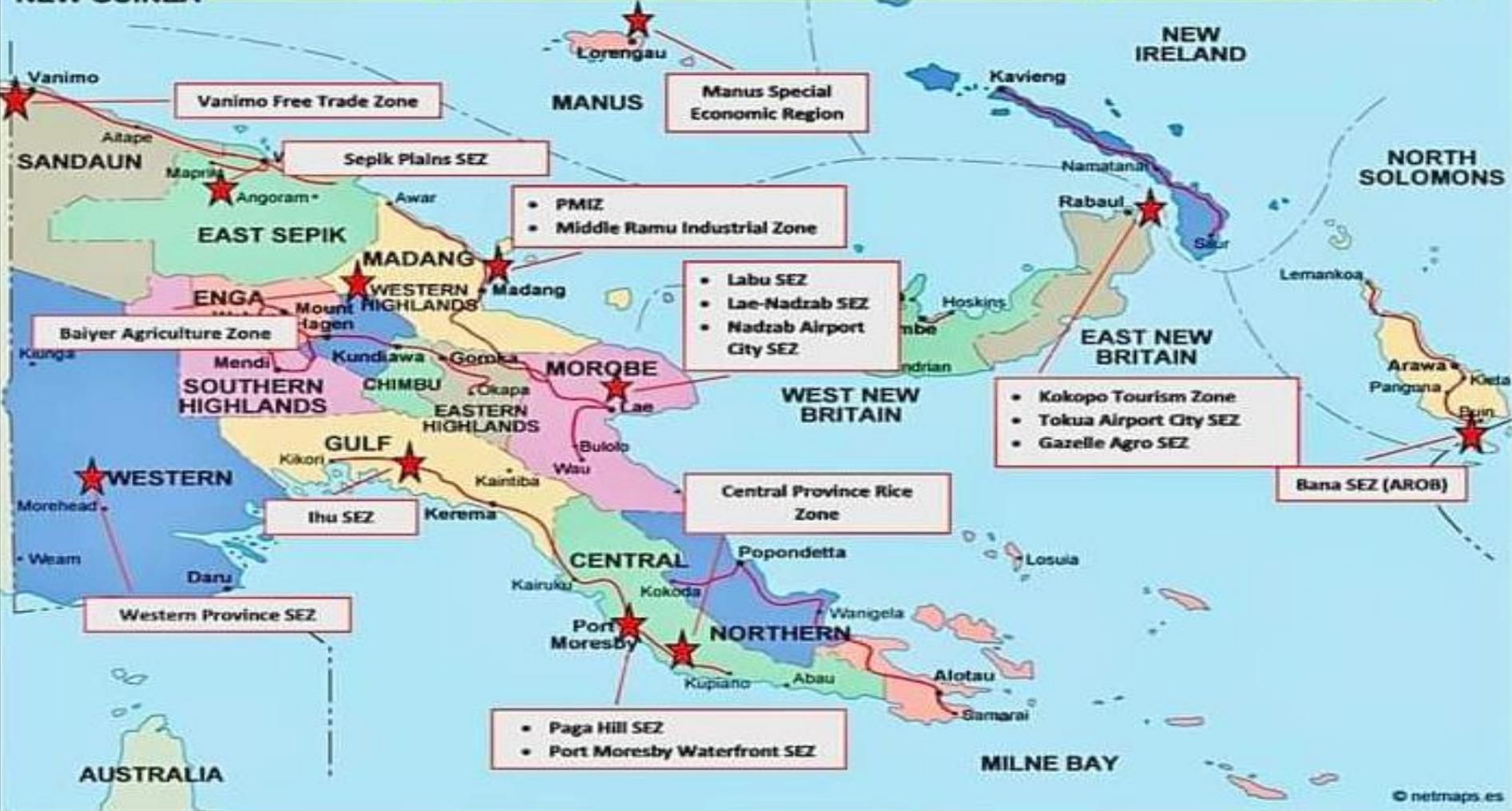
.....The SEZ Program is Being Revamped



- ❖ It aims to grow and develop PNG's economy through investment and exports growth, and compliments the country's overall development
- ❖ PNG's SEZ Masterplan, 2023-2033, SEZ Foundational Policy, and the SEZA Act 2019 aim to Create Economies of Scale to Facilitate Investments for Growth and Sustainable Economic Development
- ❖ These are Driven by the DITI and SEZA through Advisory, Promoting/Advancing and Advocating Policy Reforms, and Inter-institutional Cooperation



PAPUA NEW GUINEA Potential Special Economic Zones identified by the Government



No	Province	District	Type / Activity
1	East New Britain	All	Tourism
2	West New Britain	All	General
3	Autonomous Region of Bougainville	All	Agriculture
4	National Capital District	All	General
5	Central	All	General
6	Oro	All	Tourism
7	Milne Bay	All	Tourism
8	Western	All	Agriculture
9	Gulf	All	Industrial
10	Morobe	Finschhafen	Technology
11	Morobe	Markham	Agriculture Park
12	Morobe	Huon Gulf	Industry
13	Madang	All	Marine and Tourism
14	East Sepik	All	Agriculture
15	West Sepik	All	Agriculture
16	Western Highlands	All	Agriculture and General
17	Jiwaka	All	Agriculture and General
18	Hela	All	Petroleum and General
19	Southern Highlands	All	Petroleum and General
20	Eastern Highlands	All	Agriculture

How the Geopolitical Competition is Impacting on Investments into PNG's SEZ Program

- ❖ Geopolitical competition has direct correlation with the flow of investments
- ❖ The pace of geopolitical competition/rivalry in the Pacific in recent years has seen a significant increase in investments roaring onto the Pacific shores
- ❖ PNG being the bigger and most strategically located has commanded its fair share of attention and investment inflows.
- ❖ This is evident in the level and volume of Aid and FDI flows. Now with these inflows, how much of it has been towards the GoPNG's SEZ program.



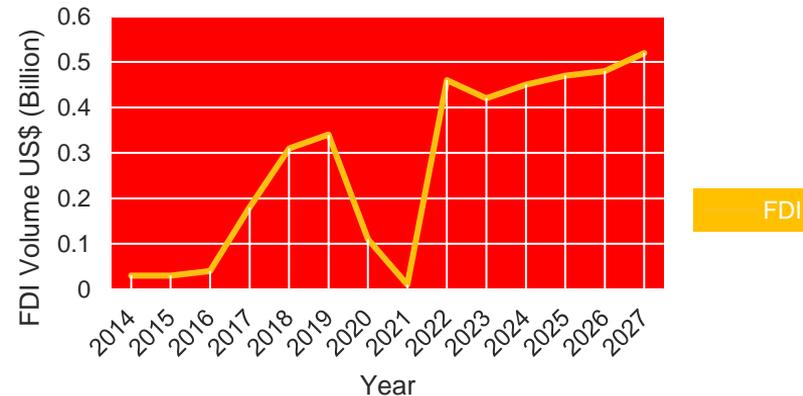
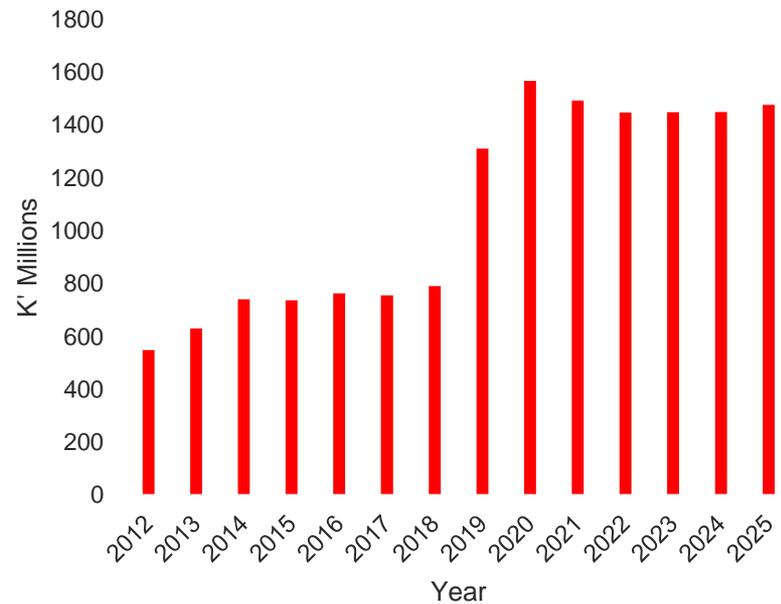
The Pacific is now a major playing field for Geopolitical Competition

This is evident in the increased level of investments and the type of investments by the competitors

- ❖ Level and volume of FDI and Aid into PNG has almost tripled
- ❖ Focus of intervention has moved away from health and education to infra, finance, energy, retail and military

General level of interest in the SEZs across PNG has also varied.

- ❖ So far only 2 SEZs have been issued licenses. Slower progress is due to procedural as well as lack of basic infra
- ❖ Whilst the Lobrum naval base is progressing with the US, the Chinese bid to establish





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