

## **The Special Free Zone as a Tool for Industrial Localization (Hamadaniya District - Case Study)**

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### **ABSTRACT**

Today, countries are seeking in various ways to achieve their development orientations and to address the growing urban problems in regions, especially in The developing regions and countries of the world, however, lack the economic capabilities and financing that would enable them to implement their development plans and strategies. Therefore, Attention focused on the important of attracting foreign and local investments to participate in the development process and investing that money in particular to develop production fields and industry to improve the level of exports and raise the level of the national economy. Free zones, in their various forms, constitute one of the most important and capable areas In the process of attracting investment and settling foreign capital in the local environment through the incentives it offers to investors. So the focus will be on research On the possibility of establishing a free zone based on the partnership system with the investor in the district of Hamdaniya , Nineveh governorate, and focusing on the type of free zone Specific to the agricultural industry and what it can achieve from the region in terms of returns and advantages, and to clarify the obstacles it faces, with reference to some experiences Countries in the regional region with regard to the experience of establishing special free zones. The research reached to clarify the most important requirements necessary for the establishment of the region The percentage of what is achieved in the specified location and the results that can be obtained from the establishment of this zone, whether it is for the state or the investor.

**keywords:** Free zone - Localization (settlement) - industrial zones - investment - spatial development.

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**Research Methodology :** Adoption of the analytical deductive and comparative approach between models of the private free zone in the world and the possibilities of establishing these zones in the world Proposed study area

**Research importance :**The importance of the research appears in clarifying the advantages of establishing free zones in supporting the economy, in addition to its importance in the process of resettling industries And development operations with a focus on the type of free zone special and specialized in agricultural industrial operations and the possibility of benefiting from the establishment of this experience And generalizing them to establish them in areas with similar capabilities by defining the indicators needed to establish these areas

**Research goal :** Clarifying the importance of establishing a special free zone in the district of Hamdaniya to contribute to achieving economic growth and advancing the development wheel of the district What are the measures that can be taken in order to achieve this, with an indication of the extent to which the study area matches the type of the proposed free zone and an explanation of the role? Which it can do through its work and its connection with the public free zone in Mosul

**Research problem** the problem is summarized In determining the possibility of establishing a special free zone in the city of Mosul, Al-Hamdaniya District, according to the law of the General Authority for Iraqi Free Zones and specialized industries and agricultural operations and their role in industrial settlement and increasing economic growth in the region, thus bringing about spatial development processes With reference to the success rate and suitability of the study area for the establishment of a special agricultural free zone and the components and obstacles to its establishment and to clarify its relationship with the free zone Is it possible to establish a private free zone in Al-Hamdaniya district, and how important is its establishment and its relationship with the operating free zone in Mosul (Falfiel).

**Research Hypothesis** The research hypothesis arises from the fact that the establishment of a special free zone specialized in agricultural industrial activities will contribute to settlement operations In addition to its importance in the resettlement of the population after the events that occurred in the region in the year 2004, as this region contributes to achieving An increase in the economic level, providing job opportunities and improving the standard of living, thus raising the level of development in the judiciary.

## **1- Introduction**

With the increasing interest and global trends about the importance of establishing free zones, which is noticeable through the significant increase in their numbers and their spread around the world, especially in developing countries and their role in the process of development and economic support for the host country, the free zones witnessed a great development and complexity in its concept with the development in the fields of life With the passage of time, the objectives, types, directions and names of the free zones were varied, in addition to the basic determinants and links for their establishment, the free zone (or the special economic zone) became used within a very broad framework to serve different political, economic, developmental and social goals. As these areas showed their flexibility in taking multiple formulas with the possibility of achieving global goals outside the national and local framework and addressing various problems with the possibility of contributing a major role in the urban development process and achieving the principles of sustainability. Iraq is one of the countries that is distinguished by its possession of a number of free zones and capabilities and privileges that can be used to develop these areas to take their main role in economic support and other roles that are requested of them. The world today is striving in a very competitive manner to attract investments, foreign companies and capital, and the accompanying attraction of modern technology and technologies, and to raise the balance of foreign currencies in circulation, which leads to advancing the wheel of progress and growth, especially for developing countries whose national economy alone is unable to achieve its goals and solve its problems. Countries resort to attracting foreign investment is essential, so it has become important to find various areas to stimulate and achieve economic growth and means to contribute to the implementation of development projects and plans for the state and address urban and planning problems in some areas.

## **2- Free zone**

With the development of life and the complexity of its aspects, the concept of free zones and the establishment of zones with special economic systems became more extensive and widespread with multiple The goals that these areas achieve in the different forms they take and the functions they perform, and with the increase in the number of establishment of these areas around the world led to the complexity and multiplicity of their job titles simultaneously from the crystallization and development of this concept (especially in terms of spatial - activity - goal) and the degree of its contribution to the treatment of problems The modern urban life facing today. And with this spread, which reached more than 5,400 regions spread over about 147 countries around the world (UNCTAD,2019,P13) . Free zones (or special economic zones) have become a global concept and one of the features of contemporary globalization that started from an economic goal with the aim of expanding trade operations and liberating them from its restrictions, reaching today to achieve the goals of sustainable development and contribute to solving urban problems in addition to the role of these cities in urban growth as centers and urban nucleus It enhances the economic growth and diversification of the host country, thus improving living conditions and raising the standard of living, especially in remote or poorly developed regions. There are many views on defining free zones because of their multiplicity of forms, the purpose of their establishment and the diversity of the activities they carry out. As it is one of the economic mechanisms towards achieving a specific strategy and policy through its law, legislation, work and management mechanism and based on the specificity of its host country (al-Abboud, 2011, p.03).

**2-1 Definition of Free Zones** The general framework for defining free zones can be defined as “a part of the state’s land, which is mostly located on one of its sea, land, or land ports, or airspace or near it, and it is determined by the walls and isolated from the rest of the state, and is often subject to certain special laws under full sovereignty for the state” (Abdul-Wahhab & Hassan, 2009, p.02) And in terms of legal legalization, it is defined as “part of the territory of the state within its borders.” political, and is subject to its administrative authority, as it is dealt with in particular in the customs aspects and other matters related to the movement of goods Entry and exit so that these transactions do not apply to the normal procedures in force within the country, and allow a great deal of freedom in transactions and exchanges that would contribute to attracting investments (Khasawneh, 2011, p13) , While the KYOTO Agreement (concluded 1973 / Japan to facilitate and coordinate customs systems) by definition of free zones “the part of the territory of the country where the goods located in the zone are not subject to customs duties in force in the rest of the country, as well as the rights and fees related to imports,

as they are not subject to the control of customs interests (KYOTO Convention, 2000, p04). In addition, job definitions were provided according to the activity of the zone, so the designated free zones were defined for Industries “a processing area or a special manufacturing area as it is geographically defined and within which there are fewer taxes, fewer trade restrictions and less government interference in their economics” (Wang & Bradbury, 1986) Another definition clarified the administrative free zone as “a geographically defined area that is characterized by Being insured and being dealt with separately administratively, its residence requires its enjoyment of advantages that depend on its actual location and the administrative efficiency within that The area with simplified procedures and customs dealings that are separate from the rest of the areas.” (Akinci & Crittle, 2008). The diversity in the activity carried out by The free zone also included diversity in the place and its area, the free zone is a zone in which industrial activities, services and commercial activities are carried out in area, It is located in controlled areas whose borders may include an airport, or a national property, or near a port, or an industrial area, which provides investment in free zones, the investor has the right to tax and customs concessions (Qarbou, 1999, p.33). As for UNCTAD, in its report for the year 2019 Special economic zones are defined as specific geographic areas within which governments facilitate industrial activities through incentives Regulatory, financial and provision of appropriate infrastructure support (UNCTAD, 2019)

A free zone is an area and a geographical area defined by the state and by a political and administrative decision within its borders, where economic or economic activities are carried out. Different commercial or service within the authority and customs laws specific to it and tax privileges granted to work within it do not apply to the rest of the country to achieve Certain goals that the state seeks from behind its establishment by attracting investments to it, which gives it the advantages of working in the region, are signed in Mostly near ports, border crossings and airports, or in specific areas according to certain strategies

2-2 Types of free zones During the development that these areas witnessed within multiple aspects, this led to the emergence of several types of them in different formats, but under one general framework, indicating that they serve different goals and according to the specifics of each of them. The free zones were subjected to several classifications, including the classification according to their purpose (Auserer, 2003, p.41), Classification refers to the location and the space allocated to it (Belkacem & others, 2019, p.87), Classification of areas by determining the type of activity in which they are practiced (El-Sayed, 2020, p.302). In addition, it is mentioned that the host country can establish a classification of its own for the type of areas it is establishing, such as the classification of regions based on the member states residing for it, or the classification by accreditation is a specific identification of the country, such as the classification of Russian free zones (production and industrial areas, environmental and other tourist areas (Sorokina, 2014, p.10) Areas are subject to classification According to the names, it has, for example, small and large areas or an area that depends on the type of resources it deals with (Palit, 2008, p.43, p.47). Therefore, free zones may come in several types, with the main purpose of facilitating trade logistics, thus becoming the specialized type according to this The trend is the most common, especially in developing countries, because of the latter's tendency to seek to employ integrated areas aimed at achieving development in particular Industrial development, which can be multi-industry or specialized, with a focus on developing aspects of innovation, as the modern concept is associated with it For free zones and choosing their type as a ladder for development processes (World investment report 2019, p14)

### 2-3 The industrial free zone, its importance and requirements for its establishment

The world is witnessing a remarkable interest in the establishment of free zones, which is reflected in the rapid increase in their global numbers, according to the Organization of Cooperation Economic and Development (OECD) that the free zones are responsible for exports of no less than 3,500 billion annually, equivalent to 20% of global trade in merchandise<sup>1</sup>, the industrial free zones or those prepared for export are among the most important types in terms of the goals adopted by countries in establishing them and their great contribution to economic growth in the region. The free zone in SHANNON is known as the first industrial free zone in the world and later expanded to be one of the most important means for developing countries to develop their exports and improve the level of industries through the establishment of export processing areas 10-500 hectares In addition to the industrial operations in the region, these operations enjoy the advantages of free trade in terms of laws and regulations, Companies operating in these areas are exempted from the regulations applicable to industries

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<sup>1</sup> IFW Kiel < institute for the world economy : project world free zones economic outlook, 2018-2022, <https://www.ifw-kiel.de> retrieved 1/5/2022

located in other parts of the country and other incentives include preferential treatment of companies in the region (facilitating procedures and avoiding complexity and routine) incentives related to importing intermediate material and related taxes. The host country shall provide infrastructure that is compatible with the nature of the targeted project and their activities within the specific area (Madahi & Munawwar, 2020, p.176). The objectives of the policies of the free zones differ among themselves according to the different economies that adopt them and their levels of development. The policy of developing economies differs from the developed ones in their adoption of the establishment of zones with economic systems that are mainly directed towards achieving greater attraction for foreign direct investment (FDI) in order to diversify and develop industries and affect the level of development of the country. The host is based on the type of free zone that it embraces. For example, low-income economies in Africa resort to free zones to start manufacturing operations, improving exports, while in advanced economies they target industrial upgrading processes and focus on technology sectors (UNCTAD, 2020, p.02)

The industrial free zone constitutes a base for the establishment of industries, whether local or foreign, these industries enjoy the following (Al-Harazi, 2007, p.91):

Importing primary investment materials and intermediate materials with tax exemptions, whether they are materials or tools related to production

The possibility of considering the industrial site as a warehouse (customs control) for operations with industrial specialization

The possibility of storing raw materials and later carrying out more complex operations on them (the possibility of making a fundamental change to materials and goods) to be then re-exported abroad or treated as customs and exported to local markets

2-3-2 The importance of the industrial free zone With the transformation that countries are heading today towards the global economy and the expansion of trade exchanges in a way. The growth of trade at large rates in addition to the expansion of the role of foreign investments and their participation in development processes, especially in the case of developing countries, the flexibility of free zones represented in the form of activity they can adopt it. The industrial free zone is the most important type for several reasons, the main of which are its contribution to diversifying the economy, revitalizing the industrial sector, and most importantly, the greater attraction of major investments. It has become a degree to measure the country's success in the experience of establishing Industrial free zones are represented in their ability to bring in industries, especially those with high technology and global added values. In most cases, these industries are synthetic in which the workforce is the main added values that gain experience, skill and technological dealings, including upgrading the industry more complex and modern (Hamid, 2015, p.23). The industrial free zone's symbols can be clarified in two aspects as follows:

First: the importance of the state's industrial free zone : (Devedas, 2011, p55)

The establishment of the zone contributes to the establishment of high-quality infrastructure in remote and peripheral areas or in the pockets of the existing urban area.

The trend towards raising industrial exports, as they can be considered as export bases

Contribute to providing a flexible, liberal and supportive business environment

It works within its philosophy to liberate labor laws from restrictions in order to facilitate and raise production

Providing industrial zones that contribute to providing the advantages of convergence and interdependence between projects and reducing manufacturing costs

The establishment of the free zone provides great importance to medium and small projects by providing basic infrastructure that the budget of these projects is unable to provide, but it can bear to participate with other projects to provide it

The great contribution to attracting investment from local and international projects, in addition to attracting advanced foreign technology

Benefiting from the economies of agglomeration and achieving economies of scale, enhancing the efficiency of the production cost, as the concentration of activity contributes to facilitating the transfer of knowledge and technology through exchange and the establishment of forward and backward links (UNCTAD, 2020, p.02)

The industrial free zone is one of the countries' means of entering global markets

They can also be considered as experimental places for economic policies whose success may lead to their generalization to the local economy

Second: The importance of the industrial free zone for industrial investments in it: (Agarwall, 2005, p03)

Benefiting from the advantages and incentives provided by the free zone system with regard to customs exemptions on exports and imports of materials and machinery, administrative facilities, benefiting from freedom of work and avoiding restrictions imposed in the rest of the country.

Benefiting from the availability of basic raw materials in industry operations, low-cost labor, which affects the cost of final production, increase profits, and raise the level of competitiveness of projects and the region.

Benefiting from the provision of basic infrastructure by the host country in proportion to the projects

Provided that the industrial operations whose activities the state targets in the free zone are characterized by

Suitability of the industry with the availability of raw materials, energy and transportation, with its orientation towards export

The industries in the free zone constitute an integration with the national industries (vertical and horizontal).

Targeting modern and advanced industries based on high-tech technologies

Targeting industries that are compatible with the needs of the local, national and regional market, in order to reduce dependence on imports and raise exports

Attracting manpower and increasing the availability of job opportunities for local human resources

Targeting productive industries that are not polluting and have a positive environmental impact (Gad et al,2008, p.05)

2-3-3 Requirements for establishing industrial free zones: The establishment of any free zone requires that the host country guarantees success factors for the zone. Factors that determine the specificity of establishing an industrial free zone are added to it. The most important of these aspects can be identified as:(Saadoun, 2005, p.07) (Post, 2010, p38):

Studying and determining the location of the free zone commensurate with the type of target activity

Establishing and providing the basic infrastructure for the work of projects in the zone

Efficient administrative staff and bodies in dealing with the concept of free zone work

Determining the general activity of the zone and the nature of the companies it attracts, in addition to defining the goal of establishing them

Determining the location capabilities of the advantages of interconnections, main transport lines, outlets and the location of the free zone, including them

Ensuring support for the contribution of local investment and businessmen through promoting the zone

Ensuring government support and the support of the relevant authorities and departments

The necessity of merging the work and orientations of the industrial free zone with the development policy, especially those targeting export

Focusing on attracting foreign investments and settling industries in the region

The nature of the available labor and its cost level, in addition to the quality of the functional structures required by the region

Orientation towards specialization in the profitable sectors.

Site areas of the area compatible with the industrial activity and its service facilities, while calculating the possibility of its future expansion

The appropriate legal, political and economic climate that stimulates the establishment of industrial activities and the need to ensure security and economic stability

2-3-4 Types of industrial free zones In this regard, it should be noted that the industrial free zone can be :

#### 1- Regions free industrial public

The traditional form, as the state undertakes its establishment, management, creation and implementation of infrastructure, supervising the establishment of projects by Its administrative body, providing administrative facilities and services from the relevant departments that it provides in the area with the possibility of establishing more than one project in it in return for a specific usufruct. And air or free zones with their own ports, in addition to the possibility of establishing them in areas with spatial privileges inside the country (Tareeh, 1997, P.14).

#### 2-Private Free Zones

They are areas that are established by the private sector through its establishment of the facilities required for the project and on land belonging to it, characterized by the possibility of establishing them in separate areas in the country and with flexible areas according to the type of project, as it is allocated and granted a license to establish one project only, provided that it does not conflict with local projects and the economic laws of the country. The establishment of the free zone of facilities and infrastructure is determined by the entity to which the state grants a license to establish it. The benefit of the zone is often monopolistic, as it is sometimes called “industrial free export companies” EPFS or special free zones. The importance of the special free zone appears in several aspects, including:(The contribution of the private free zone projects in supporting the state’s treasury resources through the foreign exchange that the state obtains from the projects, its contribution to the rapid recovery of costs for the investment projects of the projects, reducing the problem of unemployment)2

What should be mentioned is that all projects and companies, whether operating in a public or private free zone, are subject to the same laws, legislation, and incentives determined by the political and economic systems of the host country, with no commitment by the state towards them to provide the services they provide in the public free zone (Al-Aswad , 2000, p.19). One of the aspects in which the concept of free zones has developed is the creation and establishment of private free zones as a kind of partnership with the private sector and its development by providing an appropriate environment commensurate with the establishment of projects of different origin and activities (and within the permitted activities according to the free zone system) with local and foreign companies, If the private free zone is usually allocated to establish one project with the technical and service attachments related to it and according to its nature, whether they are specific areas or a specific site, as this type is characterized by the possibility of establishing it in different areas that fit the requirements of the project, which the public free zone may be unable to adopt (Naseer, 2009, p.415)

Private free zones are classified according to the activities in which they are held into:

Special free zones for storage

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<sup>2</sup> Article of the private free zones in Egypt in supporting the national economy, 2017) <https://www.youm7.com>

Special free zones for manufacturing

Special free zones for services

### 3- Foreign direct investment

Foreign investment plays a basic and effective role in economic life, and in the case of free zones, it is the vital nerve for its work and as a result of this The role The development processes are greatly affected by the participation and support of investments in them, in addition to the importance of investment in supporting the achievement of international economic integration. Foreign direct investment is defined as one of the investments that is cross-border, that is, it is known as a company or entity residing in a particular economy, but it participates in economies other than the economy of the mother country in order to achieve certain benefits for it, such as expanding its business, marketing its production or for the purpose of benefiting from the availability of firsts of its activities. Investment is defined as “the use of savings in the formation of investments and the production capacities necessary for service and production operations and the maintenance or renewal of existing production capacities, or it is any public or private agreement that leads to a real increase in goods, elements, or productive services.”(Abdullah, 2010, p.18)The idea and principle of economic investment is to direct capital savings and use them in a way that guarantees an increase in production or services that achieve the satisfaction of the economic needs of society and raise the level of community well-being with the profits that this investment achieves(Al-jundi, 2010, p. 613). It should be noted that there are two types of investment (Hussain, 2014, p.105):

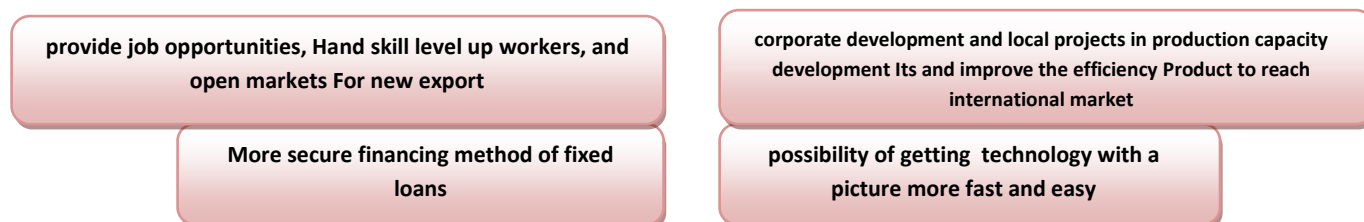
1- Local investment (national or local)

2- Foreign investment: any investments that occur outside the national borders of investors. It is a foreign investment for the country in which it is located, and it is of two types:

Direct investment In the sense of long-term, permanent interest and residency in the host economy

Indirect investment

The importance of foreign investment lies in linking the local economy to the global one by improving its capacity and supporting its participation in global production, as this investment contributes to transforming the economy into an efficient, reliable and global production. Its impact and this is determined by the political and economic policy of the state in dealing with investments. In the case of developing countries, investments lead to a major and fundamental importance in the economies of those countries through providing them with various financial assets and the nature of businesses that are scarce in those countries through multinational companies that establish investments carrying with them capital, technology, technical skills, management and new marketing areas (Mohammed, 2005). The economic importance of foreign direct investment on the host economy can be determined through the figure below:



Source: Abd al-Salam Reda Muhammad: Determinants of Foreign Direct Investment in the Age of Globalization, Al-Mansour, Dar Al-Salaam for Printing and Publishing, Egypt, 2002, p. 79

The importance of foreign (direct) investment has increased significantly in view of the role that these investments play in supporting and developing the economies in which they invest and affect them through establishing long-term interconnected

relations with them. However, these investments require an atmosphere characterized by several factors and advantages to work in and establish partnerships with. These advantages represent factors affecting any type of local or foreign investments, including (Ismail & al-Sultan, 2019, pp. 47-50):

**Expected returns:** which is what is known as the marginal efficiency of investment, which is equal to (marginal productive value of capital - marginal cost of capital).

**Risk and instability or certainty:** Experiences have confirmed the decline in investment demand in light of the instability of the investment decision and the uncertainty of the policies dealing with investment.

**Confidence in the target sector:** It is represented in the trust in the company and its financial, legal and moral position, in addition to the clarity of the future of the targeted investment sector, all of which are reflected in the investment decision

**Income changes:** It is indicated that small changes in national income can lead to large changes in the level of investment

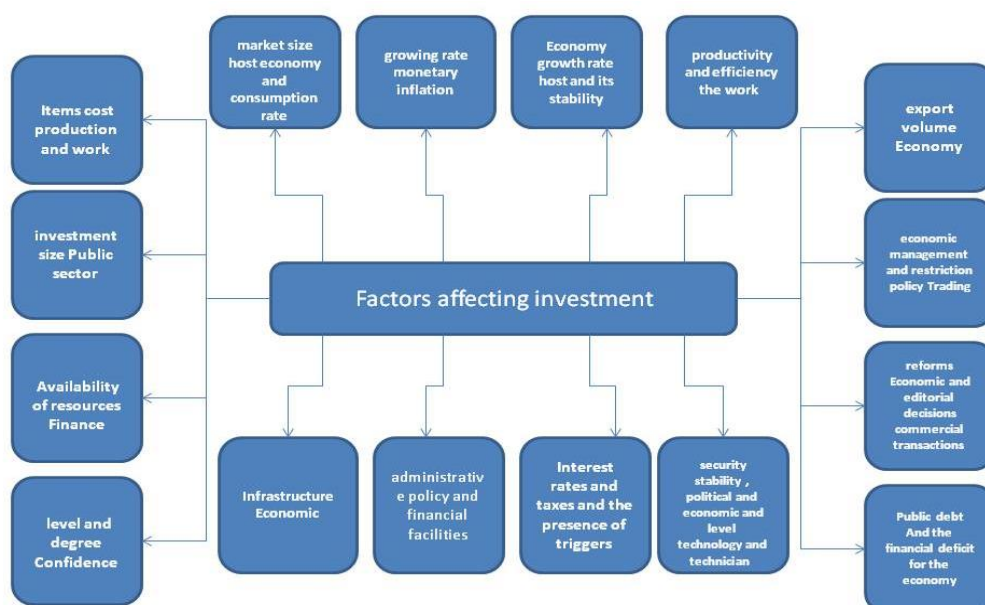
**Interest rate:** the correlation of investment with the interest rate is inverse because its increase leads to a rise in the cost of the investment opportunity, in addition to the fact that the increase in interest will reduce consumer spending for consumers and reduce demand, thus the adverse effect on investment.

**Expectations and evaluation of future investment:** Investments involve high levels of risk, so general expectations directly affect the evaluation and investment decision, and the presence of indicators of any decline in the economy, such as government change, may lead to a decline in the investment return or an increase in the cost of production.

**Tax rate:** Reducing the taxes imposed on the company contributes to raising its profits, so it is a key factor in attracting investment

**Savings level:** The high level of savings contributes to reducing interest and stimulating borrowing.

**The accelerator effect:** it means the small changes that occur in the income of the family or the consumer and are largely reflected on investment and demand for production, whether in the long or short term. Therefore, the most important determinants of investment can be clarified as follows:



Source: the researcher's work in reference to the cognitive literature



Foreign direct investment is still an important policy goal. It should be noted that in the year 2014, 52 economies took no less than 710 measures that would affect foreign investment, and most of these measures focused on (enhancement - liberation - facilitation) that were mostly taken By developing countries and emerging economies in Asia, a number of measures are added to liberalize sectors such as mining, energy, finance, transportation Communications, in addition to an important axis, is the simplification of administrative procedures and the expansion of incentives granted to investment (UNCTAD, 2020, p.14)

3-1 The role of the free zone in investment In view of the role that the free zone plays as one of the mechanisms of transformation towards a diversified economy, in addition to its role The major in "globalizing economies" especially the developing ones and transforming them into a free and developed economy with global interdependence, and most importantly the development of the economy of the host country through activating the movement of trade, industry and exchange of goods and services with the movement of capital and employment of labor and facilitating their transfer as technological technologies helped, information and communication systems and systems Modern and advanced transportation, in addition to the development of banking services and their dealings, which led to a greater liberalization of commercial operations and what is accompanying them. All of the above can only be done by relying on investment projects and companies that are established in the region .Referring to the foregoing, one of the most important objectives of the free zones is to attract investments and settle them locally, which contributes to the use of these investments in (creating employment opportunities - reducing disparities between regions and regions - raising the level of the region's competitiveness - efficient use of resources and technology - improving production efficiency and increasing production value) in return. The zone provides investors with tax exemptions and ways to reduce production from the availability of resources and hands, low costs, transportation methods and infrastructure as the basis for the activities it establishes (DEMIRELIŞÇI, 2018,p32). Investing capital in various projects that may be in countries other than the mother country involves a large proportion of risk, so these endeavors Investments To guarantee their investments legally and to achieve the increase and benefit for them, the importance of the free zone in this field is shown by being one of the the state's methods for regulating dealing with investments and approving the legal guarantee for it by formulating and approving legal frameworks through which the state achieves its goals It seeks to attract investment capital and in return provide protection for investments and give them guarantees of legal and political stability And economic, which is very important for the foreign investor(Eman & Fawzy, 2018, p. 130) . The importance of investment on the general economy is shown through its role in development processes and the transformations that they require in economic policies Investment is one of the factors affecting the development of countries, one of the ways of global openness, a means of dealing with global developments and adapting to them, raising Economic efficiency through developing human competencies and enhancing financial assets, increasing production processes and technology transfer, and increasing management expertise And organizational for project management, and most importantly lies in finding interdependence between the local and global economy, so investment is an important axis in the economic process (Riyad & Muhammad, 2013, p. 415).

#### **4- Localization**

Localization is generally defined as the process of making and adapting a product, application, idea, or action and service Suitable for another specific audience and situation, or in other words make it local (transforming it to fit the local culture), as this can be achieved through the use of individuals Localization in management and employment, and product localization refers to modifying the product according to the requirements of the user and reformulating the idea of the product Or the service to suit the target culture and suit their needs<sup>3</sup>. Inshoring is defined as the process in which companies are transferred And business from abroad to inside the country through which to benefit from the local human and natural resources and available technologies in order to create an added value Companies resort to localizing their investments and establishing their industries near markets and areas of consumption and production, taking advantage of reducing costs Transportation, which is the opposite of the process of removing companies and managing them from outside the country (offshoring)<sup>4</sup>. The goal is to transform the product or service and make it more relevant For the requirements of a country or region(Cambridge dictionary)<sup>5</sup>.

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<sup>3</sup> <https://www.techtarget.com/searchcio/definition/localization>, retrieved 9/5/2022

<sup>4</sup> Administrative concepts - localization of investments /<https://hbrarabic.com>

<sup>5</sup> <https://dictionary.cambridge.org/Retrieved> 1/5/2022

As for the focus of the research, the focus is on industrial settlement, which can be defined as the procedure Which aims to establish a specific industry in a particular region or region, as this industry enjoys a relative importance than those industries in the rest of the regions. It is the selection of the appropriate location for industries and the extent of their suitability at the regional and local levels. The spatial analysis and distribution of economic activities in place What is specific to industrial activities requires an analysis of production sites and basic requirements appropriate to the type of industry proposed to be established, addressing several Researchers developed theories for the proposed site, defining the determining factors in choosing the site, including:

1- Alfred Weber's theory 1909 and formulating his theory of industrial settlement by adopting three hypotheses(weber,1969,p37)

Sources of raw materials and their consideration of data

The size and location of the consumption areas, which are also data

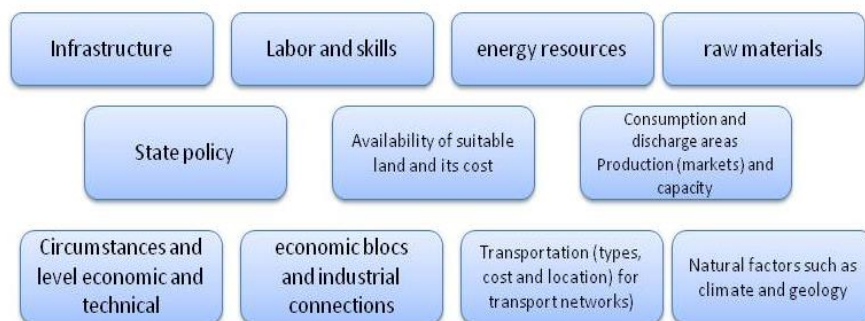
Confirmation of concentrated areas for workers and their wages in exchange for the availability of job offers

2- August Loech 1912 was based on the industrial site determination on(hoover,1948,p7-8)

Transportation costs are the main factor

It is not necessary to establish production projects near the sites of raw materials and markets, but it is possible to establish them in an intermediate location between them

The theories of locating economic activities, which dealt with the factors affecting the industrial settlement, are many of them(Sayeh, 2015, p.39): burgess central growth theory 1925, sector theory Homer Hoyt 1936, Mckenize Polynuclear Theory 1945, Minimum Cost Theory to Luber 1945, market space theories (Lindar) and marginal theory, which dealt with determining and requirements for establishing economic and industrial activities. The most important of these requirements are identified as follows:



In addition, defining and planning the appropriate site for the settlement of the industry, in which the environmental, economic and social factors must be integrated To achieve and plan sustainable industrial zones in which all aspects are taken into account, from the beginning of the project planning process (Laftah & Al- rawi, 2018,p261). The establishment of a specific industry in a region or region must take into account the interconnections of this industry between it and the site and other activities and industries as it is divided These links are to :

Vertical linkage: The relationship between multiple and separate factories that share one production process, as each stage of the product produces in separate factory

horizontal linkage: separate factories produce part of the product and the parts are assembled in the assembly plant

Linear correlation: It is the factory's production of a specific product or service by which the supply is achieved for a group of other industrial processes

Technical link: industry's attraction to industries, activities and supporting services such as industrial services and maintenance(Al-Saqar, 1994, p.196)

localization or(Settlement) is "a deliberate and planned process that targets the well-being of the region in which it takes place and requires planning and continuous follow-up." It is a process that depends Depending on certain factors that require their availability and combination to establish the industry, the process of settlement contributes to providing flexibility to investors as it is an optional process that gives Investors are free to choose industrial sites in the region, while general industrial settlement is restricted to the state's development plans to achieve regional goals and nationalism(Tohma, 2005, p.114). It is necessary to point out the importance of the concept of competitiveness in the field of industrial activities, as this concept has become a global hub between Companies and production areas, especially with the decline of traditional barriers to the movement of trade and goods, spatial connections, domination of a specific market, and raising Levels of quality and efficiency led to the emergence of several competitors in the same field with different and advanced capabilities. So the basic determinants became available Primary resources and natural resources are not based, but the spatial dimension of the activity must achieve the competitive advantages through which it can be raised The level and efficiency of its production. The competitiveness of a region or a country is measured by its ability to achieve high and continuous rates of income for its members through improvement. Competitive productivity of high-paying activities. The importance of the new global trend appears, despite its risks and challenges, but it constitutes an opportunity For countries, especially developing ones, to benefit from openness and integration into the global economy and to get out of the limited market of those countries and move towards international markets . As for the urban level, urban competitiveness appears in the ability and ability of an urban area to produce and market a specific production that competes Similar products in urban areas The competitiveness of the urban area increases by increasing the rate and production of each of its services and products and the ability to Marketing it (Mustafa, 2004, p.136).

4-2 Policies and ways of resettlement Are the decisions and procedures adopted by the policies that relate to the spatial distribution of industrial activities in order to ensure the regional distribution Balanced economic activities, to achieve social justice, accelerate industrialization processes, develop economic and social structures through planning Industrial settlement and the extent to which it targets, which can be actions ranging from simple to direct, as the procedure depends on the nature of the problem and the extent of Society's acceptance of government interference in its economic activity(Arab Industrial Development Journal, 2007, p.15). The procedures and policies for industrial resettlement can be defined in two ways, according to the objectives pursued by those policies (Sabri, 2013, p.37):

The first axis: realizing the policy for external savings, establishing infrastructure, providing transportation and communication, research and scientific institutes and centers , and public utilities, clarifying data about the factors and characteristics of settlement in the specified region and the future plan for the region and the region, which increases the attraction for industrial activities.

The second axis: providing policies for the investment climate, granting incentives to attract capital, tax exemptions and loans, or establishing complexes and areas To attract industry, such as leasing laboratories to the private sector. The industrial resettlement policy aims to achieve several goals, including establishing industries in regions Specific and specific, keeping them away from urban centers and overcrowding them, and benefiting from the settlement process in achieving development goals in multiple regions, in addition to Using it as a means to achieve justice in the distribution of investments between regions, that is, to achieve benefit in economic growth and justice in distribution.

## **5- Global Experiences**

5-1 The experience of free zones in Egypt The Egyptian experience is one of the pioneering experiences in the Arab region in establishing free zones Because of its distinguished location, which mediates the movement of trade and its interdependence with Arab and European markets, which made it necessary to take advantage of this advantage in enhancing opportunities It has investments, and the date of the establishment of the first free zone in Egypt dates back to the year 1902 through the

conclusion of a contract between the Egyptian government and the Suez Canal Company To establish a free (land) zone in Port Said that works on maintaining and expanding the port in accordance with the requirements of trade. In return, the company was granted exemptions by the government For all types of merchandise(Gad et al. 2008, p.15).In the year 1971, the Egyptian government issued Investment Law No.( 65) and the establishment of An independent investment authority that manages investment affairs and free zones through the implementation of the provisions of the investment law above to represent the importance and endeavor of the government In light of this, two types of free zones were established, namely (public and private)(Central Statistical Organization, Egypt),Today, there are three forms of free zones in Egypt: (public - private - zone of a special economic nature)(Al-Jeddawi, 2006, p.07)

A- Public Free Zones: They are the areas established by the government and are committed to providing the infrastructure and preparing the annexes for the projects and are shown in the form below

Region	space	activity	Advantages
Alexandria free zone	5 5.7 milion m2	Petroleum and petrochemical industries, supplies for the petroleum industry, clothing, food and oil industries miscellaneous and storage fabric fineness , industry	t is located in the city of Al-Amiriya at a distance of 29 km from the city of Alexandria and is characterized by its proximity to the air port 20 km, Dekheila port 7 km, Alexandria airport 25 km and Borg El Arab airport 25 km
Free Zone in Nasr City / Cairo	70566 m2	Light industries related to air transport, service activities for investors and projects, industries such as clothing, assembly of computers and electronics, furniture and various other industries	15 km away from Cairo Air Port
Public Free Zone in Port Said	890000 m2	Warehousing, textile industry, engineering and construction industries	It is located in the city of Port Said, at the entrance to the northern Suez Canal
Suez Free Zone	10000 m2	Light industrial activities, ship repair activities, marine services and petroleum industries	A free trade zone was established in Port Tawfik port in Suez
	247208 m2	multi-activity	It is located in Adabiya and is located directly on the port. Suez is connected by land and rail roads with Cairo, Savga and Ismailia
Ismailia Free Zone	3.25 km2	Textile and apparel industries	It is characterized by the availability of the elements of industrial settlement, the city is located in an intermediate area between the Suez Canal, the Red Sea and the Mediterranean
Damietta Free Zone	0.8 km2	An industrial free zone, 20% of which is allocated to storage projects	It is located on the Mediterranean Sea, adjacent to the port of Damietta, and is 45 km from Port Said port and the northern entrance to the Suez Canal
	1.72 km2	storage area	It is linked by land and railway lines with Cairo and Alexandria, 3 km away from the international coastal road to connect the Arab Mashreq and the Maghreb through the Sinai.
Media Free Zone 6th of October	3 km2	Media activities, artistic production and related service and production activities	The presence of a transport network linking it to the surrounding cities, in addition to its proximity to Cairo and Giza
Qift Free Zone - Qena	218 acres	Public Free Zone for Pharmaceutical Industries	
Shebin El-Koum	23 acres	multi-activity	The privilege of my location in the middle of the delta

Source: table from the researcher's work

**B-Special Free Zones :** The private free zone is considered a distinct investment pattern as it is one of the investment systems subject to the provisions of the Investment Law No. 72 of 2017 and its executive regulations, which are supervised by the General Authority for Investment and Free Zones (General Authority for Investment and Regions Al Hurra - Egypt). The private free zone depends on the establishment of a single project if the project requires it, and it is distinguished by the non-linkage of its residence to specific locations. Like the public free zones, the project in the private free zone enjoys the same incentives, benefits and guarantees granted to projects. Public free zones, in addition, there is an advantage to convert any project to work in the private free zone system, provided that the project has started its activity. Its exports should not be less than 50% of its production (Gad et al. 2008, p.16). It is defined as “a single entity representing an independent project” whose nature necessitated its economics and production requirements. Its residence outside the general free zone, such as its proximity to raw materials, markets, production requirements and related supporting projects. The complementary relationship with it in addition to the advantages of transportation and export outlets. According to the law of the Investment and Free Zones Authority, all activities are allowed to operate. And investment in free zones, especially industrial activities directed to export abroad, except for (weapons and ammunition, wines and beverages, alcohol, fertilizer industry, iron and steel industry, petroleum industry, natural gas liquefaction and processing, energy-intensive industries). In Egypt, there are about 164 projects operating under the special free zone system<sup>6</sup>. While the Customs Department indicated that there are more than 220 A special free zone in Egypt<sup>7</sup>. In this regard, the Investment Law limited a number of controls related to the Special Free Zone, represented in (General Authority Investment and Free Zones, 2019, p.05):

Site	Activity
It is stipulated in the private free zone that there is no suitable location in the public free zones and that the private location specified by the project directly affects its economics	That 100% of the project's output is destined for export, with the possibility of excluding private strategic projects from this percentage
Not granting licenses to the private free zone in residential areas (domain or residential real estate) or customs licensing areas	The project for the private free zone is bound by the conditions of security, civil defense in accordance with the Egyptian code, and it is obligatory to secure its facilities and its borders such as towers, protections and others
The project area is not less than 20 thousand square meters	The project will lose final approval in the event that the investor does not take serious executive measures, including establishment procedures, engineering drawings, approvals of the concerned authorities, a timetable for completing the project and practicing the activity, provided that this is done within 6 months of granting approval for the project and the possibility of granting additional periods for that according to clear justifications
capital	employment
The project should be a joint stock company or a limited liability company	The permanent employment in the project shall not be less than 500 workers, with the possibility of excluding strategic projects of special importance from this condition because they do not have a great need for labor
The capital of the project shall not be less than 10 million dollars and the investment costs shall not be less than 20 million dollars or its equivalent in free currencies	The proportion of the local component shall not be less than 20%

<sup>6</sup><https://www.gafi.gov.eg/Arabic>

<sup>7</sup> <https://www.customs.gov.eg/Legislations/SpecialRegimes/FreeZones/> (retrieved 10/5/2022)

One of the special free zone models in Egypt (Ashour, 2014,p.09):

The Kingdom Company for Agricultural Development: A private agricultural free zone located in the Chuki region in Egypt

Sokhna Port Company: A special free zone for the purposes of manufacturing and producing natural gas for external export purposes located in Suez

Arabia Fertilizers, AFCO: A special free zone for the production of compound (inorganic) fertilizers, located in Suez

Recently approved by the Council of Ministers 8In Egypt, the establishment of a special free zone for the leather industry in Al-Rubiki area, Badr City in Cairo On an area of 50 acres (210019.487) m<sup>2</sup> The area specializes in activities: establishing and operating a tanning and leather finishing factory, manufacturing products Leather, industrial, food and medical gelatin production, production and export of amino acids and biodiesel, recycling of waste leather and waste Agricultural use and the production of materials suitable for use, including agricultural use, the possibility of storing tanning materials, chemicals and raw materials, with obligating the project to a percentage of Export 80% of its activity abroad

Free zones lead multiple goals, whether at the political or economic level, or to achieve goals for strategic plans. The establishment of free zones also leads to goals in terms of development. In this field, it is worth mentioning a study in the methodology that must be followed to determine the free sites in the Republic of Egypt to play its role in urban development By following and targeting three main axes:(Gad et al., 2008, pp. 22, 23):

Orientation towards areas with economic potential, which are either areas that include mining and quarrying resources, or areas with industrial or agricultural capabilities.

Focusing on areas that need development, which are characterized by either having a political and security dimension, such as the Sinai Peninsula, or areas classified as expelling the population and needing investment opportunities to re-attract the population to them

Exploitation of areas suitable for construction and development, which are either construction areas (not designated for a specific activity and are characterized by the presence of sources of water and stability and their distance from natural hazards) or areas for construction and development (include untapped potential and may contribute to development processes, especially economic

5-2 The experience of free zones in Jordan :The experience of the Hashemite Kingdom of Jordan is one of the important Arab experiences in establishing free zones The establishment of the free zone dates back to the year 1973, when the first free zone was established in the port of Aqaba, and in the year 1976 the Free Zones Corporation Law No.(39) As the Corporation is establishing free zones in the Kingdom, setting up Storage and necessary facilities, management, investment and development of free zones to serve the national economy. The government's goal in establishing these zones is basically "finding attractive and stimulating investment channels." The free zone is one of the pillars of local and foreign investment and one of them. The driving pillars of the wheel of the economy and an important means towards sustainable economic development with benefits for all citizens in the Kingdom (Planning and Institutional Performance Development Unit, 2020, p.01)9.

In the Hashemite Kingdom of Jordan, there are six public free zones and (38) private free zones, in addition to the special economic zone, which includes 3 private free zones. The public free zones in the Kingdom are shown in the table below:

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<sup>8</sup> Cabinet Resolution No. 23 of year 2022

<sup>9</sup> Through the government's goal to encourage and attract investments and create an advanced investment environment for the conduct of economic activities, the Kingdom has merged (the Jabal Ajloun Development Company and Dead Sea Development) in the year 2010 under the title of the Jordanian Company for the Development of Developmental Zones, which was merged in the year 2019 with the Free Zones Company for the establishment of the Jordanian group For free zones and development zones according to Law No. (2) of 2008 for free zones.

the free zone	Date of Establishment	Total area (acres)	Occupancy rate
Zarqaa	1983	5200	%94
Al sahab	1997	70	%87
the airport <sup>10</sup>	2013	1000	%11
Karak	2001	138	%61
Al karama <sup>11</sup>	2004	2000	%5
Al muwaqar	2012	122	%91

Source: Institutional Planning and Development Unit 2020

The free zone is of great importance in the field of exporting to foreign markets. Public free zones indicate 63% of their exports directed To foreign markets, while 37% of exports refer to the local market, as for investments in public free zones, 46.7% indicate local investment and 53.3% foreign (external) investment.(statistics , 2019) As for the private free zones in Jordan, they can be clarified in the table below:

S	Site	free zones	number
1	Al-Shidia	Indo-Jordanian Chemicals Limited Liability Company , Jordan Indian Fertilizer Company	2
2	Al aqaba	alquira Trans Jordan Company for Livestock and Sheep , Hijazi and Ghosheh Meat and Livestock Company, Middle East Regional Development Company	6
		- Arab Fertilizers and Chemicals Industry Company (KEMAPCO), Japanese-Jordanian Fertilizer Company, Dutch Sulfochem Company	
3	Al karak	Jordan Bromine Company, Jordan Magnesita Company, Al-Obeid Company for Jordanian Fertilizers and Chemicals	3
4	Aman	- Jordan Duty Free Crossing Company	6
		nauor Media City Company (Dallah for Artistic and Media Production), the Saudi Jordanian Company for Satellite Broadcasting	
		Al qastal Hikma Pharmaceutical Company	
		Al quisma International Committee of the Red Cross (ICRC)	
		Al tanieb Trans Middle East International Distribution Company	
5	South al shunaa	Diamond International Investment Company	1
6	Al zarqaa	Al dhalil King Abdullah II Design and Development Center (KADDB), Al-Dulayl Industrial Complex Real Estate Company	5
		Al halabat Al Baha Company for the Production of Soda and Chlorine, Jordan International Investment Company, Rhodes Precast Concrete Company	
7	Al karamaa	Bait Al Mal Saving and Housing Company (Baytna)	1
8	Queen Alia airport	Jordan Aircraft Industry and Development Company, Jordan Aircraft Maintenance Company (Joramco), Jordan Aviation Training and Simulation Flight Company, Jordan Aircraft Catering Company, Aviation Handling Services International Limited, Airport Warehousing Company for Retail, Professional Aircraft Maintenance Company, Jordan Aircraft Engines Maintenance Company	8
9	Marka Airport	Jordan Aviation Systems Company, Duty Free Shops at Jordanian Airports, Jordan Air Cargo Company, Royal Jordanian Aviation Academy Company	4
10	Arbid	Information Technology and Industry Cities Development Company (Cybercity)	1
11	King Hussein Bridge	Jordan Crossing Company for Multiple Projects	1
total			38

Source: researcher based on the Ministry of Investment / Jordan <https://www.moin.gov.jo/index.php>

<sup>10</sup> The free zone was opened at Queen Alia Airport in the year 1998 on an area of 30 acres and in the year 2013 the area was increased to reach a total area of 1030 acres, and a new area was opened at the airport in the year 2019 with an area of 1000 acres

<sup>11</sup> The free zone in Karama is located on the Iraqi-Jordanian border



The effect of jointly establishing free and private zones in achieving economic and investment benefits and the role of each of them in attracting capital and reflecting the activity of each of the two types of zones in developing the movement of exports, employment of labor and localization of investments, thus providing support to the Jordanian economy. To clarify the role of public and private free zones in developing exports and the volume of trade exchanges in the Kingdom, this can be clarified in the table below :

Type of zone	site	export value	ratio	Import value	ratio
Public Free Zone	Al zargaa	207 million dinars	%84	174 million dinars	%83.3
	Free zone in the airport	22 million dinars	%10	21 million dinars	%10
	Al sahab	12 million dinars	%5.4	13 million dinars	%6.2
Total		99.4% of the total exports of public free zones for the month of January 2020		99.5% of the total imports of public free zones for the month of January 2020	
Type of zone	site	export value	ratio	Import value	ratio
Private free zone	Industrial sector	million dinars 447.8	%76.6	425.7 million dinars	%56.9
		97 million dinars	%13.2	87.5 million dinars	%11.7
		30.4 million dinars	%5.2	211.8 million dinars	%28.3
		29 million dinars	%5	23.5 million dinars	%3.1
total		584.1 million dinars		748.5 million dinar	

Prepared by the researcher based on the report of the Planning and Institutional Performance Development Unit 2020

5-3 Experience of free zones in the United Arab Emirates It is one of the distinctive experiences in the Arab region and also at the global level The strategy of the UAE aimed to focus on the continuous attraction of investments and the diversification of activities that these investments can engage in, achieving This aims to diversify the economic basis and not rely on oil imports only. Therefore, we find that the number of free zones in the UAE has reached 30 area in a year2014<sup>12</sup>, and today it registers more than 40 multidisciplinary free zones .<sup>13</sup>

The UAE free zones are among the most successful international experiences In this field, due to the free zones enjoying a developed infrastructure of services, transportation, airports and modern ports, which are considered one of the largest ports . The government seeks to provide an investment climate and grant distinct incentives in order to achieve raising competitiveness and enhancing its position. In addition to the availability of raw natural materials and the focus on attracting and localizing technology and developed techniques, it has an important advantage, which is the possibility of full ownership of projects by non-Emiratis by 100%. The UAE experience is unique in the quality of projects established by free zones and in support of the concept These zones accommodate many and very diverse activities. The distribution and types of free zones in the UAE can be clarified in the following table:

Site	No.	Type of zone & activity		
		Public activities	Specialized activity	Distinguished activity
Dubai	27	Jebel Ali Free Zone, Dubai Logistics City, Dubai World Trade Center	Dubai Multi Commodities Center, Dubai International Financial Center, Dubai Internet City, Dubai Airport Free Zone, Dubai Media City, Gold and Diamond	Dubai Biotechnology and Research Park (Dubai Science Park), Dubai Silicon Oasis, Knowledge Village,

<sup>12</sup> Mazariq Ashour, previous reference, p. 11

<sup>13</sup> <https://www.moec.gov.ae/free-zones> United Arab Emirates/ Ministry of Economy



		, Meydan Free Zone	Complex, International Media Production Zone, Dubai Studio City, Dubai International Academic City, International Humanitarian City, Dubai Outsource Zone, Dubai Automobiles Zone, Dubai Maritime City	Energy and Environment Park, Dubai Design District, Dubai Flower Center, Dubai Healthcare City, Technopark, Dubai Commerce (e-commerce), Dubai South
Abu-dhabi	7		Khalifa Industrial City Abu Dhabi, Abu Dhabi Airport Free Zone, Abu Dhabi Ports Company, Higher Corporation for Specialized Industrial Zones, Twofour54 (Media Zone Authority) , Abu Dhabi global market	Masdar city
Ras Al-Khaimah	3	Ras Al Khaimah Free Zone	Ras Al Khaimah Investment Authority Free Zone, Ras Al Khaimah Media Free Zone	
Sharjah	4	Hamriyah Free Zone	Sharjah Airport International Free Zone Sharjah Publishing City, Sharjah Media City	
Fujairah	3	Fujairah Free Zone, International Free Zone Authority (Fujairah)		Creative City in Fujairah
Ajman	2	Ajman free zone	Ajman media free city	
Umm Al Quwain	1	Ahmed Bin Rashid Free Zone (Free Trade Zone)		

Source: The researcher based on Khomja Fathia: The UAE experience in the field of the free zone, the Fifth Scientific Forum on Investments Foreign direct and the future of industrial free zones for export, 2016., p. 06, and the United Arab Emirates / Ministry of Economy <https://www.moec.gov.ae>

5-4 Iraq's experience in establishing free zones: Iraq is one of the countries that was also interested in establishing and establishing free zones, but the experience of Iraq It needs re-planning and development so that the free zones can take a parallel role with their counterparts in the regional and global region, especially with the capabilities that achieve the position of the State of Iraq with advantages, and given the realization of the role of investment in advancing the wheel of economic and social development and the need to attract it to practice multiple activities, so the state sought to establish free zones "as an investment An Iraqi serving national, Arab and international purposes with Iraqi administration and foundations." Law No. (3) of the year 1998 was enacted according to which the General Authority for Free Zones was established and the first free zone was established in Khor Al-Zubair in the year 1998, then the free zone in Felfil in Nineveh Governorate, and in the year 2001 a free zone was established In Anbar Governorate, which is located on the Syrian border, according to Law No. (3) and InstructionsNo. (4) for the year1999 related to the organization of investors' business within the regions, these areas can be clarified as follows:

1- Khor Al Zubair Public Free Zone The general free zone is located in the Basra Governorate in the Khor Al-Zubair district, in a strategic location adjacent to the port of Khor Al- Zubair overlooking the Arabian Gulf, at a distance of 20 km from the port of Umm Qasr, in addition to the proximity to the Safwan border port (with Kuwait) and the Shalamjah port (with Iran). Khor Al Zubair has the potential of the strategic location on the ports to the local, international and Arab markets across the Gulf. It also enjoys corrosive infrastructure services that are qualified to receive public projects (industrial, commercial and service), in addition to areas of energy and raw materials necessary for manufacturing activities. The area of the free zone equipped with services is 1000000 m2 In addition to an expansion area estimated at (20 million square meters), the area is about 25 km away from the city of Basra.

2- General Free Zone in Nineveh The free zone is located in Mosul on the road between Mosul and Dohuk, with an area of (664000 m<sup>2</sup>).Qualified with basic infrastructure and dedicated to industrial, commercial and service activities, and there is an

expansion area estimated at (3978000 m<sup>2</sup>) . The area is about 20 km north of Mosul, 180 km from Ibrahim al-Khalil port and 120 km from Rabia border crossing. And on the land trade routes between Turkey, Iran, Syria and Jordan.

3- Public Free Zone in Al-Qaim The free zone is located in Anbar Governorate on the Iraqi-Syrian border, with an area of (70000 m<sup>2</sup> )As for the expansion area, its area is (433143 m<sup>2</sup> )The region enjoys its connection with land transport lines and trade traffic routes, as it is linked to the road (Rawa - Mosul) to the Turkish border and to the land transport line (Al-Qaim - Baghdad - Basra) to the Arabian Gulf. The free zone is dedicated to commercial, service and industrial activities. Iraq also has experiences in establishing special free zones for different activities and regions, but these experiences did not achieve success, as it was allowed to establish the first of these experiences after the year 2010

Experiences of private free zones in Iraq<sup>14</sup>

A free zone specialized in the oil and gas axis - Basra Khor Al-Zubair - with an area of 11000000m<sup>2</sup>/2012

Markaz al madinah Company - Awirij area - car trading with an area of 6563m<sup>2</sup>/2015

Al-Afnan Road Police - Diyala Bridge area - car trade with an area of 12640 m<sup>2</sup>

Rayanat Al-Oud Company - Basra - multiple activities with an area of 25 acres

A proposal to establish a special free zone (dhif al nahrain) in Wasit / Badra governorate, with an area of approximately 40 acers

Glory of the Land Company - Nahrawan - multiple activities - with an area of 400,000m<sup>2</sup> (Under approval and construction)

What is also referred to is Iraq's lack of free zones in the Kurdistan region, despite the region's enjoyment of land ports and important commercial traffic with Turkey and Iran, such as the Ibrahim Al-Khalil port, in addition to the lack of previous experience of establishing industrial free zones, whether public or private. Free zones constitute an important role in achieving direct economic returns and indirect returns through the developmental role they play in the area in which they are located. Thus, governments sought to exploit these zones by first establishing public free zones to attract investments and later allowing to increase the area of these investments through the zones. The private free zone, as it performs the objectives of the public areas and gives the same privileges for investments, but it constitutes an important aspect in not charging the government for the costs of establishing the zone and what it requires of infrastructure and services, strategic

studies and other requirements. In those areas, with the possibility of these areas taking forms that differ from similar public free zones, as they can be determined by a formal and local classification according to the considerations of their establishment .By reviewing the experiences of establishing free zone projects of all kinds, the most important considerations that must be taken into account in determining the success and possibility of establishing a private free zone in the proposed zone can be identified. These considerations are identified in the following table:

Site strategic considerations	Economic and social considerations	Legal , legislative and administration considerations	Political and security considerations	Planning considerations
Linking the site to regional roads and transit areas	investment job	statutory law	political and security stability	Exploit potential areas
Linking the site to roads and ports	industrial concessions	Availability of administrative cadres and supporting bodies	economic stability	Define development areas
Location, energy sources and communications	Cooperation and coordination	Promotional and Marketing Policy	Support Policy Availability	Define functional cluster areas
The potential of the site	The economic			

<sup>14</sup> Iraqi Ministry of Finance / General Authority for Free Zones

from raw materials and labor	potential of the host country			
Natural and environmental considerations of the site	Integration with industries and activities			
Urban Considerations	Land Ownership			
	Free zone activity and labor cost			

#### 6- Possibility of establishing a private free zone in Mosul - Al-Hamdaniya District

It was pointed out that there is a public free zone in the province of Mosul, located in the northwest of Iraq, in the Felfil area on the Mosul-Dohuk road. The area in Felfil was designated to be a public free zone and because of the spatial privileges and the availability of raw materials, raw materials, agricultural and animal products in the area, it is more qualified for the establishment of industrial activities such as food industries, spinning and weaving industries, medical supplies industry, cleaning materials and sterilizers, and in the field of assembly industry, it represents a fertile environment for investment. In this field, such as the assembly industry of cars, machinery, electrical appliances, and others (Ministry of Finance, General Authority for Free Zones<sup>15</sup>). The area is characterized by the presence of many commercial projects such as car trading and industrial projects. In order to clarify the possibility and advantages of establishing a special free zone in Nineveh / Al-Hamdaniya district, it is necessary to indicate the extent to which the specific area can achieve the specific considerations that were reached, thus referring to the success factors of the area and the obstacles it faces and help encourage investments in it<sup>16</sup>

#### First - Site strategic considerations

: These considerations constitute the basic structure of the free zone and are represented in

1- Linking the site to regional roads and transit areas The city of Hamdaniya is located in the governorate of Mosul. The importance of the site in the northwest of Iraq is that it forms a link between the Syrian border in the west and the Turkish border in the north. As for the governorates, they are linked to Dohuk Governorate in the north, Erbil and Al Tamim in the east, and Salah al-Din and Anbar in the south. The site is characterized by linking between areas The Kurdistan Region, the central provinces and the link between Turkey and Syria (Map No. 1), AL- Hamdaniya district, which has an area of 921 km<sup>2</sup>. It is one of the best districts of Nineveh Governorate in terms of services and after one of the fertile agricultural production areas. The district center is 30 km east of the city of Mosul. The governorate enjoys five axes of international transport and links with regional countries, including direct ones (the axis of Mosul - Syria, which is the gateway to the northern regions towards the Syrian Republic and the Mediterranean ports, The Mosul-Turkey axis connects the governor of Mosul to the Dohuk governorate and from there to the Turkish border through the city of Zakho) and indirectly (the Mosul-Iran axis through either Erbil governorate and from there to Iran or through Kirkuk-Sulaymaniyah and then to Iran, the Mosul-Arabian Gulf axis, which is an extension The Mosul-Baghdad line, the Mosul-Jordan axis, either via Mosul-Baghdad and then the shift in the Baiji (Tikrit) area towards Jordan or from the Samarra-Fallujah road towards Jordan

2- Linking the site to roads and ports (land, air, sea) The city of Mosul (by land) is connected from the north to the Dohuk governorate through the Mosul-Dahuk road, and from the east with the governorate of Erbil, which is a main road for goods and travelers between the city and the regions of the region. As for the district of Hamdaniya, it is linked to the main road of Mosul-Erbil and is linked to the districts of the governorate to prevent Bartella, Bashiqa and Nimrud (map 2). Mosul Airport is the nearest air port as it is 5 km away from the city center of Mosul, while Erbil International Airport is about 80 km from Mosul and about 72 km from Al Hamdaniya District, in addition to the proximity of the area to Dohuk Airport. Mosul is

<sup>15</sup> <http://www.mof.gov.iq/pages/ar/FreeZonesInIraq.aspx>

<sup>16</sup> The data of the Ministry of Planning / the spatial development plan for Nineveh Governorate 2020 has been approved

connected to the sea ports on the Arabian Gulf through land transport routes and then to the ports in the Arabian Gulf through the extension of the Mosul-Baghdad line and to the Mediterranean through Syria. There are also rail transport lines in the governorate, but they are not operational now.



Map (1)



Map (2)

3- Location, energy sources and communications : The region is characterized by the availability of electric power production stations, including hydroelectricity in the Mosul Dam and gaseous ones such as the Mosul gas station, in addition to the presence of mobile stations and the presence of networks for transporting loads and energy and local communication networks.

4- The site's potential of raw materials and labor: Al-Hamdaniya district is considered one of the areas with agricultural production, especially those that depend on permaculture, as it is estimated that about 95% of the governorate's arable lands are perpetual. The region is characterized by the production of crops (wheat, barley, chickpeas, beans, beets, cotton, in addition to oil crops such as sunflower, corn, sesame and olives), so many food industries were concentrated in the region. In addition to that, the region has the privilege of owning animal wealth (sheep, goats, buffaloes) and there are many poultry breeding projects that led to the establishment of a leather and textile industry in the region. According to the 2011 census, the urban population constitutes 61%, while the rural population constitutes 39% of the governorate. Within the same statistic, the percentage of the working group of the population is 56%, while the dependent category is determined by 43%. In addition to the region's possession of raw materials for industries, it previously included many factories that were destroyed due to the security and political instability that the region witnessed

5- Natural and environmental considerations of the site : Depends on the special proposal to establish the site of the private free zone on the proposal submitted by the investment and the suitability of the submitted site in terms of (removal of residential areas, natural and agricultural reserves, areas of torrential rains and antiquities - suitability of the site submitted for the establishment of facilities - and suitability of the proposed site in terms of area with the activity submitted)

6- Urban Considerations : It relates to the site's relationship with urban communities and nearby urban areas, in addition to the distance from agricultural land areas, raw primary resources, and water sources. The site's relationship with existing and proposed industrial areas should also be taken into consideration. Al-Hamdaniya district is characterized by having many investment potential areas that can be allocated to establish private free zones specialized in the food, agricultural, textile and leather industries to expand the role of the private sector in industrial development processes through the establishment of projects with successful ground in the region that do not require huge investments and at the same time contribute to the Increasing the added value of materials and contributing to the redistribution of their areas of residence and moving away from concentration in one area, as most industrial facilities are currently concentrated in Mosul with 98% of the number of facilities in the province

Second - economic and social considerations:

1- The investment function It is represented in choosing the investment activity in line with the investment trends and plans in the specified area and the extent of its contribution Establishing a special zone to achieve the urban development goals of the host country in the proposed area in this regard, and according to the investment map

of Iraq for the year 2019, one of the areas of investments in the industrial field that can be invested in the province of Mosul is food industries such as the sugar factory, the industrial cities project, pharmaceutical industries, leather and clothing industries The commission also referred to projects as investment opportunities In the governorate, it was represented in the establishment of a logistic area for the food and manufacturing industries in Nineveh<sup>17</sup> Report indicates The Ministry of Planning 2019 indicated that the advantage for the district of Hamdaniya was represented in the multi-species agriculture and the production of agricultural crops. The functional aspect is also choosing an activity for a private free zone that a public free zone cannot build. In this case, the general free zone in Felfil , whose activity was limited to (trade - service -industry) and the absence of competing activities, could constitute complementary and supportive activities.

2- Industrial concessions It is represented in the availability of the infrastructure for industrial activity, the initial resources for the proposed industry, the value of the final product, and the calculation of The financial costs of establishing the industrial project in terms of preparing feasibility studies and calculating production ratios and local and international marketing with the extent of market suitability for the type of production and the need for the industry to achieve savings in transportation costs and flexibility for market needs with the specific quantity and type of production(Al-Dibsi, pg. 29). One of the factors that can be noticed is the technological level in the targeted activity of the free zone and the extent of its contribution to improving the production process and making profit. selected Spatial plan of the county The governorate's ownership of raw materials (agricultural, minerals and livestock) with the possession of manpower and the market, but it lacks the adoption of scientific and developed foundations with which to develop industry and simulate global experiences in the field of industry and the possibility of establishing productive industrial projects in the axis of agriculture, nutrition and textiles.

3- Cooperation and coordination It is represented in the necessity of coordination between public and private free zones in the same zone with regard to activities, which does not constitute a problem Competitive element among themselves or constitute an obstacle to the other region, and there must be unification in terms of the advantages and exemptions granted to each of them. The Iraqi Free Zones General gives equal rights and privileges to any investor in them, whether for a public or private free zone

4-The economic potential of the host country: The establishment of a free zone requires large financial allocations for the construction and operation of the zone and equipping it with infrastructure The establishment of the zone constitutes a high cost, and this may constitute an obstacle to the establishment of the state to provide the necessary financing for the public free zone and its operation according to the specific plans, while the private free zone may be faster and more flexible if it depends either on an existing and productive project and is

transferred to a special free zone system such as the experiment The Egyptian government or relying on investment capital to establish the project from land, structures, operation and partnership with the host country in the form of adopting it as a private free zone, the difficult financial conditions witnessed by Iraq made it difficult for the state to establish projects with high cost such as free zones, so the orientation is towards investments and accreditation On contracts of cooperation and partnership between the state and the private sector to get out of

the financial impasse.

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<sup>17</sup> General Authority for Free Zones / Department of Media and Government Communication 2021

5- Integration with industries and activities :One of the advantages of choosing the sites of industrial activities is the presence of integrated activities that achieve savings and reduce costs Production and creating external links with sources of raw materials, factories of production requirements and intermediate goods, in addition to services related to the industry itself, such as transportation. It can be pointed out that creating interconnected industrial projects in a region can be an investment opportunity to establish other projects by knowing the requirements for the project, thus establishing other investment projects for local or foreign investors that create channels of communication between projects, which contributes to the formation of an integrated area such as private free zone projects in Alia International Airport

6- Land ownership : It requires the establishment of the free zone on land designated for the purposes and activities of the free zone and to stay away from agricultural lands Protected areas and residential as well as the land allocated for the activities and uses of land specified by the state or its affiliated bodies. In the case of a private free zone, the ownership of the land by the investor with an exclusive property of the land and the origin (or factory) will reduce the obstacle in terms of land acquisition and allocation to the activity of the free zone.

Free zone activity, labor availability and cost : Some of the activities, including industrial, depend on the availability of labor and its cost, so the cost factor is The cost of production thus determines the economic cost of the project as in the Eri and Masan (South Korea) region, which led to the high cost of labor to the economic decline of the region(Al-Otaibi, 1997). Nineveh Governorate is characterized by the availability of labor and the level of working age groups 56% and in the proposed area (Al-Hamdaniya district), which is characterized by the majority of workers in the field of agriculture and at a good cost, in addition to the availability of labor in nearby areas and districts such as Nimrud, Bartella and Bashiqa

Third - Legal, legislative and administrative considerations

1- Legislative Law: The legal cover represents the correct form that constitutes the correct foundations for the establishment of projects, and the free zone project is represented by cooperation Several related parties, including customs and other supporting departments such as banks, services, and others. It also includes a free zone in addition to providing adequate guarantees for investment and protecting it from confiscation or nationalization in order to attract it and clarifying the methods of litigation and arbitration between the investor and the host country. The experience of the free zone in Iraq is an experience that enjoys the availability of legal and legislative frameworks, and it has many experiences in the field of establishing private free zones that are distinguished in the types of activities and spaces, as well as the special feature of each project as has been clarified, so this aspect does not constitute an obstacle in the proposal to establish a private free zone in the judiciary

2-Availability of administrative cadres and supporting bodies :Availability of an efficient management level is an important element to attract investments by giving them confidence to investors and their employment of capital in free zone projects. Reducing administrative and bureaucratic obstacles and complications in front of investment work, as it has the ability to manage and supervise work, and enjoy flexibility in applying laws and procedures and how to deal with the investor. The administration should also enjoy development in its work systems and the adoption of modern technological means that contribute to reducing obstacles and managing work. The administration of the free zone in Iraq provides a variety of professional cadres with experience in the field of free zone work from the beginning of its establishment at the end of the nineties .Transport and Communications, Industry and Metallurgy, in addition to representatives from the Ministry of Finance) Authority Law Article(3)Which is important in reducing the obstacles that may hinder the activity of the investor in the region.

3-Promotional and marketing policy It is also the responsibility of the administration to spread awareness and importance of the establishment of the free zone and to introduce the advantages and incentives granted by it for two purposes, the first being the necessity of obtaining societal approval for the concept of establishing free zones and for the project as well. The second represents the importance of attracting financial and foreign investments and highlighting projects that can be integrated with the free zone projects, and the promotional policy contributes to the level of project production through marketing its products. The promotion policy contributes to increasing the awareness of the host country authorities of the importance of establishing free zones, thus obtaining logistical support and moving towards establishing new ones.

#### Fourth-Political and Security Considerations:

1-A Political and security stability : The investment process is a process that includes great risks, so the factor in ensuring the success of the investment site is a matter Basically, the success of the free zone's work depends on political stability, which includes legislative, economic (financial and exchange rates) and security stability, in addition to clarity of investment policies, Queen's laws, investment regulations, and a map of investment activities in order to achieve a safe element for the investor. Thus, he is attracted to work. One of the obstacles to the free zones in Iraq is the political and security instability, which indicates a decline in the activities of the free zones, in addition to the instability of financial policy and exchange rates for foreign currency, which made the investment field in general threatening and unreliable. With regard to the policy of the free zone in general, it is somewhat stable, but the political changes and security threats faced by areas, including the governor, recorded an obstacle to projects in general and investments in particular. It has been highlighted and focused on its privacy, and therefore the importance of its enjoyment of stability and rebalancing its security, so the proposal to establish a special free zone in it will contribute to strengthening these trends.

2- Economic stability : It is a factor linked to political stability on which investment policy depends mainly, which achieves economic stability Stability in banking systems, the general financial system, and currency exchange rates, which are among the influences in the field of business, especially if foreign investment and dealing with capital and the movement and movement of money. In addition to the weak role of insurance operations. Therefore, the need to develop the banking system and financial policies must be taken into account by the host country due to the importance of this aspect in attracting investment and thus for the free zone.

3- Availability of support policy :It is represented by the host country's awareness of the role of the free zone as one of the mechanisms of economic support and a means to achieve multiple goals The legislative basis of the Free Zone Law of 1998 is the state's approval of this and the adoption of the establishment of free zones in order to improve the economic situation, create job opportunities, enhance foreign exchange resources and improve exports. Free of all kinds.

#### Fifth - Planning Considerations

These considerations are represented in the aspects of planning to determine areas to establish the area and according to the goals of the host country

1- Exploitation of potential areas :One of the means of the state's development policy is the optimal use of the natural potentials and resources in regions With economic resources and transforming them into materials of higher value, the economic potential of the state may be unable to carry out projects aimed at exploiting natural resources and raising their value, or what achieves a deficit of its local needs, through the establishment of projects (within special free zones) that contribute to the development of the industrial side Exploiting the ability and experience of foreign investment in the process of investing these materials, thus either exporting them abroad and raising the level of state exports or directing them to the local market and filling the need from them.

2- Identification of development areas : The development process targets areas according to the state's general goals, either because of the need for urban development or for goals to achieve Balance in the population distribution or for the development of remote and poor areas, the proposal to establish a free zone is one of the means of achieving these trends. Al-Hamdaniya district witnessed previously unstable security conditions, which made it an area expelling the population, and after the removal of the influence and the restoration of stability, the establishment of industrial projects and free zones could achieve a magnet for the resettlement of the population in the region and a balanced redistribution between the neighboring regions and governorates

3- Defining the functional cluster areas : One of the foundations for establishing industrial activities is to identify areas for agglomeration and create front and back links for industries, which It contributes to achieving savings and making the area attractive to other supporting, complementary and service projects. Today, countries seek to focus on developing the industrial sector, as it is a major contributor to achieving economic growth, advancing progress and improving the level of

exports. Therefore, encouraging investment to establish medium and small sized projects in the proposed area contributes to the process of creating an industrial zone in the region, thus the participation of projects in schemes development

### **Findings and Recommendations:**

Countries seek to establish different types of free zones to achieve different goals, as it is a method adopted by many countries, especially developing countries, to achieve its development strategies, improving economic and social conditions, in addition to diversifying sources of income and activating local activities search to:

The necessity of relying on investments has become one of the most important trends of countries, especially developing countries, so these countries seek to adopt various means to attract and localize these investments, the most important of which is the establishment of free zones and the provision of an attractive investment climate

The proposed area enjoys multiple advantages that achieve the possibility of establishing a special free zone specialized in food industries, feed industry, spinning and weaving industries, tanning and leather industries.

The proposed free zone has factors that can ensure the success of the zone, including the locational, natural, economic and legal requirements necessary for its establishment.

One of the factors of establishing a successful free zone is owning the organizational factors of the project. Iraq has experiences to establish public and private free zones, so owning legislative frameworks and possessing experienced administrative cadres is something that contributes to the success of the experiment, but taking into account the reasons for the failure of some experiments to avoid them

The establishment of a free zone in the region contributes to providing many job opportunities, whether to work within the project or to activate other related projects. Providing job opportunities contributes to the resettlement of the population in the region and the balanced redistribution in the province.

The establishment of a special free zone is important for the host country by removing the obstacle to providing financial allocations for the establishment of the free zone and charging the budget with huge construction costs and at the same time contributing to improving the economic level of the state, so it is necessary to promote the media and encourage investors to establish this type of zones

The most important obstacles to the establishment of the proposed area are the necessity of ensuring political and economic stability, clarity of investment regulations, and providing the necessary guarantees for investors.

The establishment of a private free zone complementary to the general free zone can achieve (development of the development of the governorate - economic growth of the region and the state - localization of industries - transfer of global technology - development of local projects)

It achieves the establishment of industrial activities in the region to form a focus for a conglomerate and create links for other industries, especially with the availability of raw materials and labor, which achieves one of the directions in establishing industrial zones in the northern region of Iraq

After the events in the governorate and the region, the general focus is on the reconstruction of the region and the trend towards urban and economic development operations in order to restore stability and develop the region, which can rely on free zone projects to contribute to those operations.

The need to pay attention to the role of the industrial resettlement process in the region and to move towards establishing various industrial projects because of their role in accelerating development and recovery processes after the crisis that the region and the country in general have been exposed to.



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