

1. Good evening ladies & gentlemen. In the course of the past 2 days you have been through interactions from various perspectives surrounding Free Trade Zones and Special Economic Zones. Your interest levels at each stage may have varied depending on your objectives of participation. Many of the participants at the present event are from FTZ / SEZ's situated in various parts of the world seeking to promote their Zones to potential Indian Investors and businesses seeking to expand their businesses into the global arena. Your Zones may prove to be well suited infrastructural & tax liberated business facilitators, which is the basis on which you have been promoting your destinations, so far.

Last year I was pleased to meet representatives from the following countries at the event held in New Delhi including – UAE, Finland, Pakistan, The Gambia, Madagascar, Zimbabwe, Tanzania, Kenya, Brazil & China. I am sorry to note that most of them haven't come back this year, for reasons best known to them. This presentation would provide some insights as to what globally located FTZs may opt to do to gain investors from India on a sustainable basis. To Indian participants here today the presentation would provide some insights as to their enterprises own growth strategies through global FTZs and what they should be looking for other than infrastructural and tax saving benefits, from these FTZs. To Indian SEZs it would throw light on relevant issues other than tax relief and infrastructure provision as they seek to globalize. The orientation of this presentation is towards globally located FTZ's seeking to promote in India, to achieve greater levels of success. To understand and implement - an 'Orchestrated Growth of Indian Enterprises' - through their destinations, which may be located globally.

2. If you haven't already, then here are some questions you should be pondering over in relation to attracting businesses and investors to your destination.
 1. How long have you been working on promoting your destinations to prospective Indian investors or businesses?
 2. What have your efforts been so far to promote your destinations?
 3. Which sectors and/or businesses have you targeted?
 4. What is the basis of your selection?
 5. What has your approach been?
 6. To what extent have you understood the growth resource requirements of the targeted businesses?
 7. What are their growth resources needs which, if better available through your destination, will attract prospective investors to your destination?
 8. What have you done so far to bring these resources closer to the prospective investors through your destination?
 9. What are the competitive advantages of your region relevant to the growth of Indian enterprises?
 10. What competitive edges does your destination have as a hub for your region? (Comparative studies)
 11. How have you applied this knowledge to your business development strategies in India?
 12. What level of success have you met with in attracting businesses to your destination?
 13. Where have you fallen short of expectations?
 14. What are you doing about it?
3. Let us try and understand a little about enterprise growth. These issues are relevant to FTZ / SEZ's as their own effort is to act as catalysts for growth of enterprises.¹ "Industries and companies tend to globalize in phases; at each stage, there are different opportunities for creating value. In the first three stages, value comes from basic improvements to typical business practices. In the last two stages, it comes from true process innovations and market expansions. The stages are not necessarily sequential.
 1. The first is market entry. Enterprises enter new countries using production models that are very similar to the ones they deploy in their home markets. To gain access

¹ Harvard Business Review – December 2004

- to local customers, these enterprises typically need to establish a production presence, either because of the nature of their business (as in service industries like food retail or banking) or because of local countries' tariffs and import restrictions (as in the auto industry)
2. Stage two is product specialization. Companies transfer the full production process of a particular product to a single low cost location and export the goods to various consumer markets. Different locations begin to specialize in different products or components and trade in finished goods. The North American auto industry entered this stage with the passage of NAFTA in 1994. GM now manufactures all Pontiac Azteks in Mexico and all Chevrolet TrailBlazers in the United States.
 3. Stage three is value chain disaggregation. Companies start to disaggregate the production process and focus each activity in the most advantageous location. Individual components of a single product might be manufactured in several different locations and assembled into final products elsewhere – think PCs, for instance. Another example is the recent trend by U.S. companies to offshore some of their business processes and IT services
 4. Stage four is value chain reengineering. Companies don't just replicate their production processes abroad; they increase their cost savings by reengineering their processes to suit local market conditions – notably by substituting lower-cost labor for capital. Carmakers in India, for example, have tailored their manufacturing processes to take advantage of low labor costs. Not only do they use a more labor-intensive production process, but they also design and build the capital equipment for their plants locally.
 5. Stage five is creation of new markets. This final stage represents the expansion of the market. Stages three & four together have the potential to reduce costs by more than 50% in many industries, which gives companies the opportunity to substantially lower their sticker prices in both old & new markets and to expand demand. The McKinsey Global Institute estimates that if a carmaker dropped the unit price of a vehicle by 30% - from \$10,000 to \$ 7,000 – demand would nearly double over time, from 22 million to 41 million units sold (factoring in typical price elasticities). The value of new revenues generated in this stage is often greater than the value of cost savings in the other stages.
- The five stages aren't necessarily a rigid sequence that all industries follow; companies can skip or combine steps. In consumer electronics, product specialization and value chain disaggregation (stages two & three) occurred together as different locations started to specialize in producing different components (Taiwan focused on semiconductors & China on computer mouse and key boards). And many consumer-electronics multinationals that were initially attracted by China's huge customer base have started to take advantage of the country's low costs to produce goods for exports as well (stages one and two). If enterprises want to shape rather than react to their industry's evolution, they will need to size up the opportunities that emerge for their business at each stage of globalization. This means determining the potential cost savings they could capture from global industry restructuring and identifying new market opportunities this restructuring can create."
4. Resources that an enterprise seeks while growing include these. Is your FTZ/ SEZ's bringing these physically or intellectually closer to potential investor enterprises?
 - Customers,
 - Distribution channels,
 - Alliances,
 - Suppliers,
 - Expertise,
 - IT enablers,
 - Investors,
 - Investment opportunities

"The orchestrated growth of Indian enterprises through global FTZ / SEZ's"
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5. Based on currently available trade & investments information here are some possibilities in terms of which Indian sectors and companies within them may be potential investors in global FTZ / SEZ's suggested in the first column.

| Free Trade Zones | Potential Indian Sectors | Existing Indian Companies with Revenues |
|--|--|---|
| UAE FTZs : <ul style="list-style-type: none"> Fujairah Free Zone Jebel Ali Free Zone Auth. Hamriyah Free Zone Auth. Sharjah Airport International | <ul style="list-style-type: none"> Gems & jewellery Textiles Manufacture of metals Machinery & instrument Plastic & linoleum products Tea & FMCG Marine products, etc. | <ul style="list-style-type: none"> J V Gokal Group (Rs.656 cr) Kopran Lab Ltd (Rs. 180 cr.) Raymonds Ltd. (Rs. 1092 cr.) Marico (900 cr.) Indian FMCG major (potential entry) |
| China FTZs <ul style="list-style-type: none"> Shanghai Waigaoqiao Free Trade Zone Ningbo Free Trade Zone (NFTZ) Fuzhou Free Trade Zone Futian Free Trade Zone Dalian Free Trade Zone | <ul style="list-style-type: none"> Iron ore and other mineral ores marine products drugs and pharmaceuticals inorganic, organic, agro and fine chemicals Cotton yarn, fabrics & madeups castor oil, plastic & linoleum products guergum meals | <ul style="list-style-type: none"> Dr. Reddy's Laboratories Ltd (Rs.1,740cr.) Sundram Fasteners (Rs. 744 cr.) |
| Tanzania FTZs : <ul style="list-style-type: none"> Onne Oil & Gas Free Zone Zanzibar Free Economic Zone | <ul style="list-style-type: none"> Pharmaceuticals Transport equipment Machinery Consumer goods Construction material Food grains Textiles Garments | <ul style="list-style-type: none"> Kirloskar Oil Engines Ltd. (Rs. 1,094 cr.) Bajaj Tempo (Rs.1,146 cr.) |
| Mexico FTSz : <ul style="list-style-type: none"> Puerto Mexico Salina Cruz | <ul style="list-style-type: none"> Readymade garments Bulk drugs and pharmaceuticals Transport equipment Machinery and chemicals | <ul style="list-style-type: none"> Mphasis BFL Ltd (Rs. 260 cr.) |
| Finland FTZs : <ul style="list-style-type: none"> Lappeenranta Free Zone Ltd | <ul style="list-style-type: none"> textiles and clothing Chemicals and Minerals machinery and equipments foodstuff and agri-based IT | <ul style="list-style-type: none"> Zensar Technologies Ltd. (Rs. 267 cr.) |

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| | | |
|---|---|---|
| <p>Egypt FTZs :</p> <ul style="list-style-type: none"> • General Authority for Investment & Free Zones – Cairo • Nasr City Public Free Zone • Suez Public Free Zone • Port Said Public Free Zone • Alexandria Public Free Zone | <ul style="list-style-type: none"> • Iron/Steel casings; • boneless bovine frozen meat; • sesamum seeds; • engineering goods including diesel engines, pumps & vehicles; • cotton, jute yarn and other textile fibres; • plastic & rubber; • chemicals and pharmaceuticals (vaccines, blood & blood derivatives); • tobacco; • paper; • cereals (mainly wheat). | <ul style="list-style-type: none"> • I-Flex Solutions Ltd (Rs. 684 cr.) • Dabur India Ltd. (Rs. 1,329 cr.) • Niletext • M/s. Auto Tech Engineering • Unit Trust of India |
| <p>Malaysia FTZs :</p> <ul style="list-style-type: none"> • Port Klang Authority • Duty Free Zone (JB) | <ul style="list-style-type: none"> • Sugar & Wheat • Meat & preparations • Non-Basmati Rice • Cotton yarn, fabrics, made ups etc. | <ul style="list-style-type: none"> • Thermax Ltd. (Rs. 599 cr.) • Arab Malaysian Blue Star Sdn. Bhd. (Blue Star) (Rs. 716 cr.) |

UAE prospects: Financial intermediaries and banks – funds to be set up to route Saudi equity to infrastructure development in Africa & India. Potential - Indian Overseas Bank (Rs. 3,754 cr.) – targeting Dubai. Locate offshore SME incubators for Africa and Saudi. Emerging Market Development Summit.

China prospects: Indian SME IT companies to align with Chinese Mid size companies through FTZ - to supply Chinese customers.

Tanzania prospects: Cashew processing units for export of value added products.

Mexico prospects: Near shoring Spanish speaking call centers to address needs of Spanish customers in LAC, CAC & US.

Finland prospects: Indian SME IT companies seeking expansion into Europe.

Egypt prospects: Auto companies to supply small size cars to the Arab Maghreb region (Algeria, Libya, Mauritiana, Morocco & Tunisia). Tata Motors (Rs. 15,493 cr.) & Maruti (Rs. 9,751 cr.)

Malaysia prospects: Indo-Malaysian-Sri Lanka - JV's for palm oil supply to India.

6. To attract the relevant potential investors the business development methods available to global FTZ / SEZ's are as explained. Based on an orchestrated approach, the globally FTZ / SEZ would be better equipped to influence the decision of the prospective investor. Promotional methods through the media and events must be supported by either the organized or orchestrated approaches. The Websters dictionary has well brought out the meaning of these words.

| Method | Characterized by | Facilitating medium |
|---|--|--|
| 1. Ad-hoc (may be seen as complimentary to the next two) | Hit or miss. Mass communication. | Media Trade fairs and seminars Reliance on consultants mandated by Indian enterprises for their growth |
| 2. Organized (having a formal organization to carry out activities - Webster) | Dedicated Routine follow ups without value addition | Sales agents in India Dedicated sales offices at your destination & in India |
| 3. Orchestrated (to arrange or combine so as to achieve maximum effect - Webster) | Well informed and efficiently facilitated business development strategies that are customer facing | Dedicated divisions at your destinations + Knowledge Intensive Representative Office in India |

7. Here are cardinal decision issues an enterprise faces when growing, which may be aided or influenced by an FTZ / SEZ, in its own interest.
- **Need:** Deciding whether a decision should be made.
 - **Mode:** Who will make the decision? How will they decide?
 - **Investment:** What resources will be invested in decision-making?
 - **Options:** What are the potential responses to a particular problem or opportunity?
 - **Possibilities:** What could happen as a result of a particular course of action?
 - **Judgment:** Which of the things that could happen would happen?
 - **Value:** How much would beneficiaries care, positively or negatively, if a particular outcome were realized?
 - **Tradeoffs:** Every prospective action has strengths and weaknesses: how should they be evaluated?
 - **Acceptability:** How can we get stakeholders to agree to this decision and the procedure that created it?
 - **Implementation:** The decision has been made. How can we ensure it will be carried out?
8. Moving onto the potential role for a global located FTZ / SEZ's representative office in India, which Bee Management would be pleased to set up and monitor for you. We provide a unique format in offering Strategy Consulting & Business Development Services - as premier knowledge based emerging market development companies. In a sense, this may be regarded as decision support services for Investor procurement followed by implementation support services. Our deliverables contributing to the 'orchestrated effort' are explained here.

We provide a unique format in offering Strategy Consulting & Business Development Services - as premier knowledge based emerging market development companies. In a sense, this may be regarded as decision support services for resource procurement followed by implementation support services.

- India strategy, business intelligence & resource procurement through research, analysis, identification, evaluation, review, value added introductions, construction of value propositions, structuring, negotiation, compliances and deal closures.
 - For strategy and business development services suited for promoting FTZ/ SEZ's in India.
9. Our normal course business offerings are mentioned here. Our work in 3 micro - firm or enterprise specific areas - of India Entry, Procurement and Distribution Strategy development and implementation; followed by our work in macro areas of inter country trade & investment strategy development; includes the promotion of global located FTZ / SEZ's in India.
- Comprehensive India Entry, investments and trade strategy and business development services
 - Market Research, analysis and feasibility
 - India Strategy Development
 - Identification & evaluation of and development of value propositions with potential alliances
 - Deal structuring, negotiations and compliances
 - Business Activity Monitoring for performance improvement & growth
 - Resource Procurement & Services for
 - Importers of Indian know-how, products and services
 - Indian distribution channel development services for
 - Exporters of know-how, products and services to India through direct sales, alliances and distribution channels
 - Business development services for Investment & Trade Promotion Organizations (Board of Investments and Trade Chambers & Councils)
 - Country research, analysis and evaluation for trade and investment potential realization
 - Identification and development of value propositions for Indian businesses seeking global expansion
 - Promotion of foreign destinations in India for tourism
 - Promotion of free trade and special zones in India
 - Private Investment Management for NRI's
 - Wealth and asset management – property and securities
 - Inheritance management & Succession Planning
10. We have presently made a few proposals to global FTZ / SEZ's and are negotiating the details. These would be structured into projects, programs and workshops and we would be pleased to work in harmony with trade development institutions such as FEMOZA or event managers such as Dimension Four. Last year in discussion with Dimension Four we had suggested the benefits of an informative media campaign leading to the present event. I am glad to see it implemented this year.

Our services are structured into projects, programs or workshops. We customize a proposal for our clients once we have met and understood their organizations resource needs and the best possible way to get them.

Some global FTZ's relevant to Indian Enterprises - Antigua. Argentina. Bangladesh. Bahamas. Belize. Brazil. Bulgaria. Chile. China. Colombia. Costa Rica. Dubai. Ecuador. Egypt. El Salvador. Guatemala. Honduras. India. Iran. Japan. Kenya. Madeira. Mauritius. Nicaragua. Panama. Portugal. Romania. Shanghai. Spain. Syria. Turkey. United Arab Emirates. Uruguay & UK

11. Our suggested method ahead in representing your interests includes an organized enhancement of and support to FTZ's efforts in attracting Indian businesses and investors to grow their businesses through FTZ by providing
- Strategic re-orientation and alternative investor facing strategies to accelerate pursuits already initiated – followed by pursuits, negotiation and deal closure

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- Fresh pursuits by value added direct sales impetuses followed by negotiation and deal closure
 - Construction of strategies suited to attract clusters of SME's from India
 - Innovative marketing and promotion exercises of the FTZ in India (may extend to other emerging markets if FTZ so desires)
12. Along with this a detailed programme can be worked out on the following lines
- To comprehend the location of the FTZ and its competitive advantage as a investment location vis-à-vis other locations.
 - With our network and knowledge of Indian Markets we may segment and target those Indian Enterprise Investors which are best suited as per the location of the FTZ.
 - To identify and accelerate the efforts towards attracting Indian investments from sectors and business to be targeted by FTZ/SEZ 's on priority basis.
 - Profile study and growth future of prospective clients and presentation to them followed by negotiations and deal closure.
 - To set up time lines and monitor the performance & growth of the FTZ to gain Indian Enterprise Investors as per the set time line.
13. We have programised our objectives over the long run. This approach will certainly benefit those who engage us.
- To develop a supply chain of expertise across emerging regions for the optimal utilization of scarce resources including capital, resulting in greater productivity, efficiency, innovation & collaboration conducive to trust based trade and investment flows; and earn revenues in the process.
14. In conclusion, one must realize that if you put a frog in water and slowly heat it, the frog will eventually let itself be boiled to death. We too, will not survive unless we actively respond to the radical way in which our world is changing.

The words `Free Trade Zones' drive to our mind a recollection of the words of the famous Indian freedom fighter & poet, late Shri. Rabindranath Tagore –

“Where the mind is without fear and the head is held high, where knowledge is free and the world has not been broken up into fragments by narrow domestic walls”.

This is the way forward we envisage for global free trade zones as forces of unison for world trade and commerce and reservoirs of business intelligence.

Thank you for your kind attention and patience. I express my gratitude to the organizers & sponsors for permitting Bee Management to interact with you.

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