

The Role of Free Zones in the Development of Tourism: Case Study of Kish Island

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Abstract

The current research investigates the role of free zones in the development of tourism. For this reason, it firstly studies the tourism status in the World, Iran and the Kish Island, illustrates the history, goals and functions of the free zones and investigates the pros and cons of free zones in the development of tourism. A documentary and library research method was used to conduct this survey. The results implied that free zones, particularly Kish, can attract tourists to satisfy the economic goals as it has mentioned in the Law of Free Zones and the National Economic, Social and Cultural Plan. Each of these zones has unique characteristics which are suitable for the achievement of these goals. Establishment of international exhibitions, sport stadiums, theater halls, modern cinemas, equipped hotels, shopping malls, and hospitals and health centers can be considered by the managers in this island.

Keywords: Free zones, Tourism, Kish Island, Persian Gulf, Iran

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Introduction

Tourism is one of the most widespread industries and the largest commercial source which has been taken into consideration recently and it is very important economically. Obviously, tourism will spread in future faster than the previous and today. Tourism, as an industry, has many benefits and its development in a potential country is in favor of the employment and national income with regard to foreign currency and velocity of money.

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Free zone are often established to level the ground for providing favorable conditions to increase production and industrial goods through entering to the universal markets based on free competition principles. Selection of free zones in Iran, regarding the overall goals, requires actions such as declaration of the specific goals, policy making, planning the development of infrastructures and public services provision, providing working conditions and approval of current rules and regulations for free zones administration, granting different licenses, tax and customs exemptions, and credit facilities.

Since 1952, along with the increase in foreign trade, particular plans were developed based on which Iranian ports in Persian Gulf became important for merchants. Iranian free zones, particularly Islands of Kish, Qeshm and Chabahar, can help tourism industry to achieve economic goals.

Now, Iran has 0.07 % to 0.09 % of tourism market share which has been predicted to be about 2 % in 2025. In order to achieve the goals, number of tourists entering Iran must be 20 million which is not possible without detailed planning and investment in tourism related infrastructures.

Totally, many attempts by managers can be seen in these zones providing tools and facilities for the development of tourism. The primary facilities related to the tourism has been provided but these are not all things based on which we can attract foreign tourists; but it is required to increase the abilities and facilities much more than what they are now. The main question of this research is what the role of free zones is in the attraction of tourists. Also, investigation of pros and cons of these zones performance in attraction of the tourists is another purpose of this research since Iranian free zones are designed for attraction of the foreign tourists but domestic touristic areas are planned based on intellectual and cultural needs of domestic tourists with introspective insights. Thus, such insight must be changed fundamentally and new facilities and structures must be provided for the purpose of attracting foreign tourists.

Proper utilization of abilities of free zones in different arenas is a necessity for tourism. So, determination of the role and performance of free zones is too important. Appropriate advertising and presenting a clear face of Iran absorb foreign investment and contributes to good opportunities and superior circumstances for development of tourism in Iran. Hence, this research specifies the role of free zones in Iran in attraction of domestic and foreigner tourist and determines the degree of success in this regard.

Literature review

Nooraei and Karami (2008) found that Iran has not been successful in sustainable and continuous development due to a closed approach and functions depended on public ownership, authority and administration. The performance of civil projects implemented since 1990 shows a reduction in per capita income implying decrease in national welfare and drop of regional and international situations compared to some countries which were in a lower position till two previous decades.

Mousavi (2008) illustrates the macro environmental barriers in deployment of electronic marketing in the tourism industry: obsolete telecommunication infrastructures, lack of culture in consumption of electronic systems among public, insufficient knowledge of people, lack of trust and confidence due to the fear of information disclosure and presentation of wrong information, privation of public support and macroeconomic policy making, and lack of culture, training and development by government and companies, inaccessibility to internet and new technologies for all social classes, high cost of telecommunication and satellite infrastructures (national and local networks), lack of support by government and weakness in relevant policies and not existence of strategic plan. Low internet bandwidth, shortage of web design and electronic marketing experts in relevant fields, and lack of knowledge of people and companies about benefits and applications.

Fazel (1994) investigated the role of free zones in attraction of foreign investment and recommended Recreational-Commercial model for development of Kish, Industrial-Commercial model for Qeshm and Commercial-Industrial model for Chabahar.

Shaditalab (1992) found that the reason of investors presence in free zones is just profit making. But host countries may have different reasons such as unemployment, foreign exchange earnings, utilization of internal resources and communicating with domestic economy, industrial development, technology transfer, access to global markets etc.

Research methodology

The research used a documentary and library analysis. Documentary methods are among the unreactive and non-intrusive methods which do not motivate the counterparty's reaction since all information are accessible at the time of data collection. Additionally, these methods are free of problems associated with the experimental researches. The independent and dependent variables are available already in these researches and scholars can investigate them by particular methods like library study (Sarukhani, 2007). The unit analysis of the current research is all books and articles in the subject field of the study.

Research findings

Tourism was a particular privilege for few numbers of people in previous centuries. But in the second half of the last century, a significant growth happened due to the creation of the steam engine and the first railroads, the expansion of public and private motor vehicles through land, air and sea, inauguration of modern roads and highways, and reception of visitors in lodgings (Zaki, 2006).

Tourism is the most important activity of the Modern Man altering his political, economic, and cultural situations and life style by creation of prodigious change in face of the earth. The aim of free zones is earning more revenue for developing countries, employment, technology transfer and foreign investment attraction. Although, some of the countries have other aims such as removing restrictions and attention to the poor areas.

Totally, goals of the free zones can be summarized as follows:

- ✓ Compensation of shortages in national economy development
- ✓ Utilization of benefits, potentials and national economy competitive advantage
- ✓ Systematic relationship between national and global economy
- ✓ Acquisition and escalation of skills, labor and management
- ✓ Production and employment
- ✓ Production of foreign exchange earnings
- ✓ Foreign investment and advanced technology attraction (Unesco, 1999).

Commercial foreign zones have scientific factors which can level the ground for the comprehensive development acquisition due to favorable and facilitating conditions for the foreign investment attraction. This can lead countries to join global markets and production and distribution channels improving international competitiveness of companies and national economic performance (Sameti et al, 2009).

Effects of tourism on the national economy

Tourism is the most dependent industry to information technology. It is not possible to survive in the current competitive market without a consonant and updated information system. Lack of required information contributes to dissatisfaction of the current tourists and futures will probably attract to other markets. In the meantime, advertising and informing by governments results in a remarkable market share for the tourism in a region or a specified area.

Tourism is the most widespread industry which creates many job opportunities in the world. Investment for creation of a job opportunity in this industry is so lower than other ones. In the other word, job creating requires lower investment in this industry and there is no doubt that all countries aims to benefit from economic, social and cultural advantages, especially more market share of global tourism income and high level of employment.

Tourism industry is the biggest service industry in the world which its income is more than 500 milliard dollars. Approximately, 40 million jobs have been created through this industry since 1990 to 2005 showing 5.2 million annually and it was predicted to have 13% direct and 33% indirect employment (Tourism World Organization, 2004).

Restricting the effect of this industry to few directly related sections such as Hotel management, travel agencies and restaurants can not be appropriate. As tourism industry is influenced by all economic, social and cultural sections of a country, wide ranges of economic, social, cultural, ecological, public and private, human, financial, capital, urban and rural areas are influenced directly and indirectly by it.

The exhaustible reserves and economic resources such as oil and gas have endangered the industries of different countries. The economic fate is tied with the oil. Oil, like an economic and political good, has been the athlete of the globe and oil price shows off as an index of world evolutions trend. Among this, oil exporters' countries, whose economic basis consists of oil income consists, in one side, and oil importers, who need oil for their industries survival, in the other side, have considered other sections of the economy due to the severe fluctuations, particularly in recent decade.

The unique structure of this industry, incompatibility with the norms of manufacturing industries, results in difficulty in measuring the performance of its different sections. In fact, goods and services supplied by industries such as agriculture, manufacturing and construction are representatives of their industries and it is possible to use production evaluation method to measure the performance. But, this method does not apply for the tourism. For example, restaurants focus on both tourists and natives. For this purpose, organizations such as Tourism World Organization has applied a method based on demand and supply principles to measure the tourism products and services in a way that demand properties can determine the activities of this sector. A Model based on coefficient and turnover of income can be used to calculate the changes in expenses of the regional and national economic system. It means that tourism coefficient has a positive relationship with tourism expenses in the region and contributes to changes in production, income, employment, earnings of private and public companies and balance of payments. Cost-benefit analysis is the other ways which almost determine the effects of this industry on economic system. This method implies the relationship among the economic sections, number of relationships and their effects on each other.

The status of Kish Island from the perspective of tourism

Kish Island has been always considered by Iranians due to its intact and beautiful nature and economic profitability and its warm weather, by average 27 Centigrade, has not reduced its prosperity. But most of visitors does not know its visuals and travel into this island for its markets.

The economic region of Kish Island is a coral reef; so, its soil is white and non-growth and no plant can grow in this soil except native ones. However, after rain shower, especially in winter, the island atmosphere becomes so green and beautiful. Besides the vegetative plants, some special trees grow supplying the forage for deer, camels and livestock. Deer and camels, feeding freely in the island, have been brought from other island in recent twenty years ago and today, with regard to watering made for them in different places, they can survive and breed simply. Kish Free Zone, due to the high experience in goods market, attracts fewer tourists to the nature and most of visitors does not know about the spectacular locations (Bolbolian, 1386).

The commercial history of Kish traces back to many years ago. There are evidences from Achaemenian empire indicating that Kish has been the main center of pearling in India and Mesopotamia. So, many merchants were travelling to this island. According to the historians' sayings, the economic efflorescence of Kish initiated since an earthquake destructed the Siraf port and King Touranshah constructed a port, with the

help of local rulers of Benny Kaiser, which became a commercial hub in Persian Gulf. For this reason, the previous name of the Kish was “Dowlatkhaneh” which means Government House.

In 1912, Portuguese attacked Kish and Hormoz Islands with fourteen warships to occupy the markets in this region. After occupation, Portuguese occupiers were despoiling this island until they were drifted by “Shah Abbas”, King of Iran in the Safavid monarchy. This island was not considered by monarchs till the sovereignty of “Mohammad Reza Shah”, King of Iran in the Pahlavi monarchy, in 1971 after the visit of Iranian and American boards and a plan introduced to transform this island into an international touristic center due to its particular environment. Kish Development Center began its activity in 1973 with aim of providing peace of mind for tourists.

Kish Free zone Organization restarted in 1993. Its best life period was in 1998 due to the market boom; but uncontrolled construction, which was against the special architecture of the Kish, distorted its homogenous complexion. Managers of this free zone designed plans which were renowned for the public. Kish had an independent police with particular uniforms and cars until 1998. Concerts and shows, which were freely holding each Thursday after the family rally, had a high cultural impact on the residents. These plans which were performed one by one in this island made it a pleasant place for Iranian tourists. It can be mentioned that Kish is the first city which was called “Cyber City”.

The main strengths of free zones in development of the tourism

- ✓ Various tourism and ecological capabilities
- ✓ Geopolitical and legal position
- ✓ Extent of land and possibility to extend activities
- ✓ Oil and gas resources and variety of other primary sources in national level such as copper, iron and other minerals
- ✓ Abundance of competent native labor
- ✓ Construction of main part of infrastructures
- ✓ Native public acceptance
- ✓ Alteration in the regime’s attitude toward the status of the regions

The main weaknesses of free zones in development of tourism

Despite of adequate natural resources and reserves and potential economic visions of free zones, the status of these zones has been encountered with rejection of domestic and foreign investment due to the domination of public attitude. .

It is more that fifteen years passed since free zones established in Iran. During these years, although there have been many costs, but there are not required infrastructures and constructions to define a systematic and developed model compatible with international standards. Although, currently, there are much worries about free and competitive markets in the relevant areas but the reactions of the current performances of these zones, regardless of doubtful investment approaches in the current political conditions, represents the same rejection of private sector investment which is a kind of unjustifiable defense in public closed economic frameworks (Bazari, 2009). Besides this, vague managerial positions and inappropriateness of capability level of executive individuals in free zones, which is due to the lack of economic experiences and disdain of sustainable development, has been lead to low discrete and smartness in negotiations with domestic and foreign investors decreasing their willingness to invest. A glance at the statistics of the most prominent generating economic activities such as exporting productions, value added in commerce and transit, increase in productivity rate of income from services and facilities and growth rate of export and re-export, influenced by sustainable development and continuous investment, all indicate a backward in development indices in these zones.

Qeshm free zone, as the pilot implementation test of one of the main national plans called ‘Organizing the Economic, commercial and Cultural Relations of Islamic Republic of Iran in Persian Gulf Area’ has now started to attract investment with specific goals, strategies and practical solutions; but, despite of participation of twenty two executive organizations and private associations in form of eight specialized executive committees in Iran for the purpose of implementation of determined solutions in fields of infrastructure and energy, bank, insurance, tourism, investment, export and re-export development, transportation and transit, and research and education, the same rejection wave of domestic and foreign investment in these zones has led to disturbing the development flow and decrease of investors’ motives (Bazari, 2009).

Since many illegal and uncompetitive channels are blocked for the purpose of developing a favorable model and establishing infrastructures for this project and its maintenance and modelling, there is a necessity for employing specialized, knowledgeable, and proactive human labor for attraction of investment. In fact, it is predictable that for creating sustainable development in Iran, in which free zones are the initiators, we need thinking, idea, creativity, intelligence, promptness, endless endeavor.

Totally, the main weaknesses of the free zones in attraction of tourists and development of the tourism can be summarized as follows:

- ✓ Preference of sector benefits over national ones
- ✓ Lack of robust and concentrated mechanism between the regime and free zones
- ✓ Lack of strategic vision in national level
- ✓ Lack of position in public budget and developmental plans
- ✓ Lack of organization in principal infrastructures

- ✓ Neglecting the role of free zones in national security
- ✓ Vagueness in difference between rules and regulations in the zones with domestic ones
- ✓ Existence of light laws for importing goods from neighboring countries
- ✓ Instability of services prices
- ✓ Not having sources to guarantee investment
- ✓ Lack of coordination among relevant organizations in the zone
- ✓ Lack of government commitment to finance infrastructures and primary requirements
- ✓ Inefficiency of the law of free zones administration particularly articles 21 and 22 which explicitly declare the probability of investment nationalization in free zones
- ✓ Extension of certain provisions of constitutional law, particularly principle 81 which is about denial of intellectual property to foreigners
- ✓ High complexity of acceptance and guarantee of foreign investment in public bureaucracy
- ✓ Low period of tax exemptions and failure to provide them in all levels
- ✓ Inefficient and incompetent managers in free zones at the lowest work periods who have no understanding of free zones and can not perceive the global economic evolutions
- ✓ Dominance of public work culture in all pillars of decision making and administration in free zones and the necessity for privatization and foreign investors
- ✓ Lack of consensus in the regime's pillars including parliament and government for establishment of free zones and their roles in dimensions of national economy.
- ✓ Development planners' lack of belief in defining a specified share for free zones in economic and developmental equations, particularly in GDP indices and trade volume.

Conclusions

Investigation of tourism status in Iran shows that its position does not deserve us. Pathology of the tourism needs a deep screening. Tourist is like a deer selecting calm plain for pasture and escaping from any insecurity. Restrictions resulted from cultural differences are the factors contributing to dissatisfaction of tourist in the country. Iran has failed to attain a sustainable and continuous development flow in two recent decades due to the selection of a closed approach and functions which are based on public ownership and management in a low level. The performance of completed

constructional projects since 1990 shows a decrease in Iranian per capita income indicating the decline in Iranian life level and drop in regional and international position compared to other countries.

Paying attention to free zones can end the unequal competition conditions and relative attenuation of Iran. Achievement of economic goals in free zones based on ecological measures and standards is a key factor resulting in employment and income for individuals, government and free zones organizations. These zones should not be taken into account as places for import of goods since they can be effective in extension of tourism with the available facilities and conveniences by applying a proper management. Since 1990, in one of the clauses of the first development plan, Iranian government was permitted to establish three industrial and commercial free zones in Chabahar, Kish and Qeshm border points to use the positive effects of them and access to regional markets and compete with other world countries. The projects in these zones, until 2005, were determined based on production, commerce and tourism.

According to the status of these islands three dimensions can be considered for the tourism development: Ecotourism and geo-tourism, cultural and social tourism, scientific tourism such as seminars, conferences and political groups, and sport tourism (Kazemi, 2004). Totally, it can be observed that frequent attempts have been done by the managers of these zones to provide the required facilities and equipments for the development of tourism industry. Iranian free zones are mainly designed with introspective insights which are based on native tourists' needs and mental structures. Thus, attracting foreign tourists requires a fundamental change in this approach and provision of new conditions and structures.

Development of Kish can be considered in respect of its attractive and beautiful nature and all recreational-commercial characteristics. The religious commons among Arabic countries can turn this island into a platform for attraction of Muslim tourists. Also, creation of required appeals such as modern recreational and amusement parks, artificial islands, marine aquariums can provide the possibility of excursion under the sea. Construction of international exhibitions and equipped stadiums for sport matches, establishment of modern cinema and theatres, hotels, shop centers and hospitals can be considered by the planners and executives of this island. The beauty and benefits of the Kish must be introduced to other Muslim countries to attract their investment. Thus, Kish Free Zone Organization is supposed to establish centers in other countries (Fazel, 1994).

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