



## **Creating an Effective Alliance Around Women's Empowerment Free Zones**

Michael Strong, *FLOW, Inc.*, & Mark Frazier, *OpenWorld*

### **Document Purpose and Audience**

This document is designed as an initial communication on the concept of Women's Empowerment Free Zones (WEFZ) to a diverse set of alliance partners that will be needed to make WEFZs a reality. WEFZ are tax-free trade zones open to affordable communications and information technologies in which the majority of the land assets are transferred to community trusts devoted to the support of women and children. This document is designed to explain the core concepts relating to this proposal to a diverse audience of potential alliance partners, including business, government, NGOs, and education and health care partners.

### **Executive Summary**

Free zones as a stimulus to wealth creation are contrasted with the sustained poverty caused by poor legal infrastructure around the world. Traditional and new objections to free zones are listed and addressed. Correlations between violence and sustained poverty indicate the urgency of successfully extending the free enterprise system to the poorest regions on the planet. A more detailed analysis of the WEFZ approach to delivering full-strength economic policy and institutional reform is provided, including a development plan in which for-profit developers initially own the bulk of the free zone in order to incentivize investment, but progressively share benefits with civil society organizations. Upfront fees from developers seeking to win zone concessions can provide immediate resources for expanded learning and health care offerings by local and global civil society partners. Sustainable success-sharing partnerships can be assured through a progressive conveyance to community trusts of 2% of zone land and infrastructure assets per year (under 30-year "Build-Operate-Transfer" or BOT agreements). Because of the need to identify the optimal sites for free zone creation, a global competition that rewards creation of small, scalable "quickstart" areas is proposed to seed the WEFZ creation process. A sketch of the coalition partners needed for the success of this project is provided. Finally, a scaled-up vision of an ongoing WEFZ creation process is provided by means of which numerous WEFZ may be created. An appendix with more detail on the zone Build-Operate-Transfer success-sharing framework is also provided.

FLOW, Inc., is a 501 (c) 3 organization dedicated to "Liberating the entrepreneurial spirit for good."

Open World is a social venture dedicated to "Spreading zones of freedom, peace, and prosperity."



## **Creating an Effective Alliance Around Women’s Empowerment Free Zones**

What if the rental value of the most valuable land on earth, including New York, London, Tokyo, Hong Kong, and other urban centers, was channeled in support of women’s and children’s causes? While we can’t change existing patterns of land ownership, we can create valuable land in poor nations and regions around the world and then deed the proceeds to community trusts supporting women and children.

By means of Women’s Empowerment Free Zones (WEFZ) we propose to create trillions of dollars of wealth on land that may be almost worthless today, and transfer that wealth over a thirty-year period into community trusts in support of women and children. In order to avoid bureaucracy and paternalism, the trusts would distribute either cash dividends or vouchers for education, health care, and lodging. This document is an introduction to WEFZ for prospective coalition organizational partners and allies. The primary purpose of this document is to outline a strategy for creating wealth that may be transferred to community trusts. The structure of the trusts, partners involved in trust design and management, and guidelines for the distribution of trust proceeds will be deferred to a later stage of alliance development and will be largely driven by local needs.

Dubai has proven that worthless land becomes valuable land once a world-class business environment is created on that land. We propose that in exchange for the right to create such a world class business environment, legal contracts are written such that barren land around the world such as Dubai in 1990:





is deeded in perpetuity to trusts in support of women and children's causes. After 15-30 years of business development in such improved legal climates, these community trusts will own land that is as valuable as Dubai in 2005:



Hong Kong, Singapore, the Bahamas, and Dubai are just a few of the examples of once-almost worthless land that increased dramatically in value after a world-class legal system had been established. In fifty years, women and children's trusts will be the perpetual owners and beneficiaries of the most valuable land around the world.

Coincidentally, as this document was being completed, Sheik Mohammed bin Rashid Al Maktoum, ruler of Dubai, prime minister of United Arab Emirates, and the primary driver of, and beneficiary of, Dubai free zone development in the past ten years, announced that he was creating a \$10 billion foundation to provide scholarships and conduct research, the second largest philanthropic gift in history (after Buffett). While his generosity and foresight are to be commended, the premise of this paper is to formalize wealth transfer at this scale rather than rely on the wisdom of individuals such as Sheik Maktoum.

### **The Situation: Poor Legal Infrastructure the Primary Cause of Global Poverty**

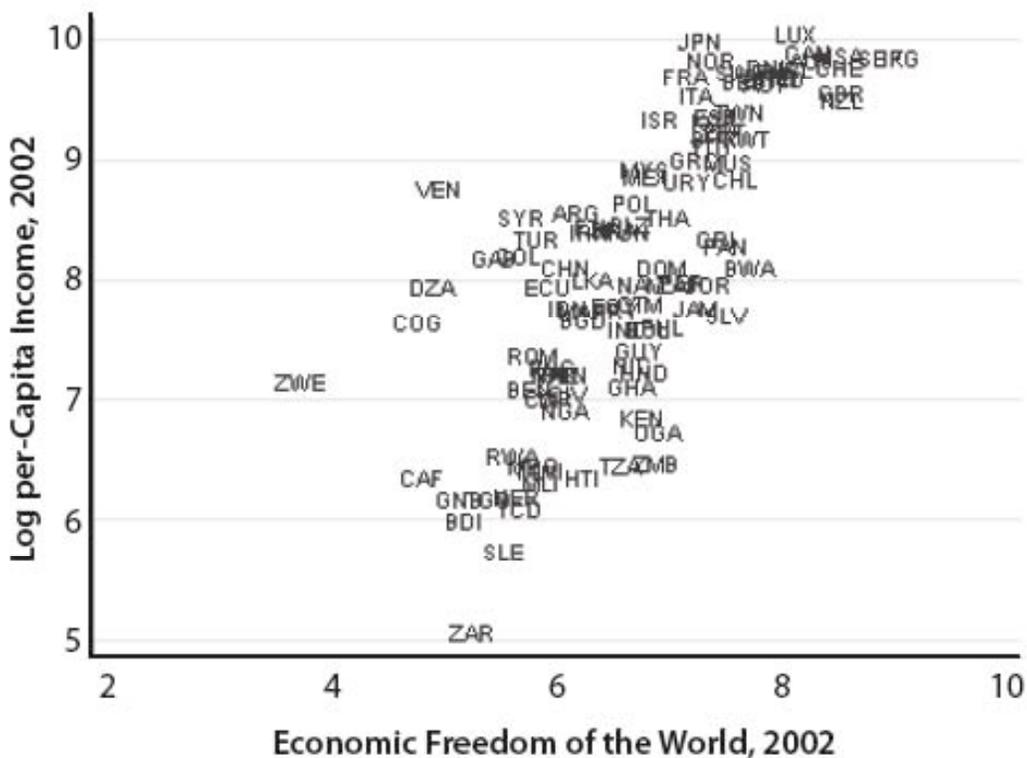
Poor legal infrastructure, with arbitrary obstacles to economic freedom, is the leading cause of poverty on earth. Hernando de Soto has shown that it often takes a year or more of full time work and thousands of dollars to legally create a business in much of the developing world. The



Fraser Index of Economic Freedom, which is based on objective measures of data, shows that Scandinavian nations, often regarded as “socialist,” regulate business less than any developing country.<sup>1</sup> On this index, with Hong Kong in first place, and Singapore in second, Iceland is 9<sup>th</sup>, Finland is 12<sup>th</sup>, and Denmark is 17<sup>th</sup>. Bangladesh is 95<sup>th</sup>, Nigeria is 102<sup>nd</sup>, and Columbia is 109<sup>th</sup>.<sup>2</sup> If every developing nation had been as “free market” as Hong Kong, Singapore, or Dubai, or even merely as free market as Iceland, Finland, or Denmark, for the past forty years, there would be no more poverty on earth.

The following diagram, from William Easterly’s article “Freedom vs. Collectivism in Foreign Aid,” in the Fraser Institute *Economic Freedom of the World: 2006 Annual Report*, shows the correlation between per-capita income and economic freedom:

**Figure 2.2: Economic Freedom in the World, 2002, and Log per-Capita Income**



Few correlations in the social sciences are as clear-cut as is the correlation between economic freedom and prosperity.<sup>3</sup>

<sup>1</sup> See James Gwartney and Robert Lawson, with William Easterly, *Economic Freedom of the World: 2006 Annual Report*, pgs. 15-17 for breakout of business regulation rankings.

<sup>2</sup> Gwartney and Lawson, with Easterly, op. cit., pg. 13.

<sup>3</sup> Gwartney and Lawson, with Easterly, op. cit., pg. 33.



In the past forty years Hong Kong and Singapore have gone from poor to rich by means of economic freedom. It is worth recalling that in 1960 they were both poorer than most African nations, and now Hong Kong has one of the highest GDPs per capita in the world, exceeding that of both Switzerland and the UK. Singapore's is now higher than that of Germany and Japan. In the last twenty years Ireland and Estonia have gone from poor to rich by means of economic freedom; in 1990 Ireland was the second poorest country in the EU, and now it is the wealthiest. In 1992, after the collapse of the Soviet Union, Estonia's GDP per capita was 30% of the EU average; it is now 65% of the EU average and converging fast. Any nation on earth could become wealthy by means of increasing economic freedom to Hong Kong levels. But obtaining nation-wide policy changes requires unusually visionary leadership and greater cooperation across partisan lines than is usually possible at the nation-state level.

We consistently rely on the Fraser Index of Economic Freedom as the most objective measure of economic freedom available. Fraser measures economic freedom using publicly available data in five categories:

1. Size of Government: Expenditures, Taxes, and Enterprises
2. Legal Structure and Security of Property Rights
3. Access to Sound Money
4. Freedom to Trade Internationally
5. Regulation of Credit, Labor, and Business

Existing “free zones” vary. Here we promote “free zones” that would be rated at least as highly in economic freedom as Hong Kong, the most highly ranked government in the world.

Well-designed free zones, which through government concessions are authorized to provide high quality legal infrastructure within a designated geographical area, provide for rapid wealth creation by means of creating appropriate economic freedoms and legal safeguards within the designated area.<sup>4</sup> Taiwan and South Korea both moved from poor to rich in the past forty years due to special economic zones. In the past fifteen years Dubai has grown from nothing to become the leading commercial center in the Middle East by means of free zones. China's global manufacturing dominance was sparked by the creation of coastal free zones modeled on Hong Kong. Any region on earth can become wealthy by means of increasing economic freedom by means of world-class free zone concessions. Indeed, insofar as most of the developed world has less economic freedom than Hong Kong, the overall logic described here applies as well to poor regions within the developed world, though because the discrepancy is much less we would expect the beneficial results to be considerably more gradual.

---

<sup>4</sup> This entire document is largely based on the ideas of Mark Frazier, of *OpenWorld*, and co-author of this article, who has worked on free zones for thirty years. His individual work is represented in the appendix.



In the past free zones have met with resistance for five reasons:

1. A general anti-capitalist, anti-business sentiment, formerly common among NGOs, intellectuals, journalists, and others.

**Our response:** *These attitudes are increasingly recognized for being wrong-headed, and this initiative is designed to accelerate this process of understanding.*

2. An association with multinational manufacturing plants that have been regarded as “sweatshops.”

**Our response:** *While some of these criticisms were the result of an anti-business perspective, some were valid. Manufacturing plants on WEFZ will be held to standards consistent with best practices of leading Conscious Capitalists. In addition, it is expected that many WEFZ will be IT based rather than manufacturing.<sup>5</sup> Global IT work will be profoundly liberating for many developing world women, exposing them to information and resources that will contrast sharply with the cloistered existence they’ve lived in many traditional cultures.*

3. Reluctance of politicians to release a region from political control.

**Our response:** *First, to create a global coalition holding the moral high ground to create public pressure on politicians to do the right thing. Second, to hold global competitions to initiate WEFZ first in those regions of the world where government is most ready to remove barriers to business and social entrepreneurs, and where success-sharing agreements with local and global good causes are most advanced. Third, to put in place bulwarks for ongoing prosperity, through Hong Kong and Singapore-inspired agreements that ensure revenue streams for the public sector (through a share in land value appreciation) are linked to the growth rates of the private sector.*

4. Corruption as multinational corporations payoff local politicians and local influencers in order to obtain the free zone concession.

**Our response:** *First, to create a transparent, public process in which the wealth created by free zones is allocated fairly. Second, to monitor this process by means of morally credible external observers.*

---

<sup>5</sup> ZonAmerica, in Uruguay, is a recent model of a successful IT free zone, based on Mark Frazier’s vision.



5. Opposition from multilateral organizations such as the WTO, most of which are controlled by the wealthier nations who regard free zones as “unfair” competition.

**Our response:** *While adhering to those best practices that are, indeed, necessary to healthy and safe workplaces, we intend to create an alliance that will, when necessary, support the poor and marginalized against discriminatory treatment by WTO and other international organizations. With respect to tax competition, WEFZ, we believe that WEFZ successes will force government to improve the transparency and efficiency of their business climates, by removing “implicit taxes” such as delays and bureaucratic uncertainties as well as other present burdens on productive endeavor. Numerous studies have shown that most government transfer payments are from one segment of the middle class to another. On balance, government rewards the most aggressive interest groups, not the best causes. By providing support directly to women and children rather than filtering it through a process that largely rewards interest groups, WEFZ will allow a much higher percentage of wealth to go to those who most need it.*<sup>6</sup>

A sixth, non-traditional objection should be addressed as well:

6. Won't this acceleration of economic growth destroy the environment?

**Our response:** *First of all, this assumption depends on the nature of the growth. WEFZ initiators will design from the outset specific covenants to ensure positive environmental consequences to ensure a positive net outcome. Managed correctly, WEFZ could result in a significant reduction in environmental damage. WEFZ will accelerate the transition to information-based economies around the world, allowing billions to leapfrog the most environmentally destructive stages of development. In addition, increased rates of economic growth accelerate the demographic transition in which birth rates fall and population pressures on the environment decrease. Moreover there is evidence that although environmental destruction initially increases with economic growth as per capita GDP exceeds about \$2,000 per year, many aspects of the environment begin to improve at GDP per capita above \$8,000 per year (see the vast literature on Environmental Kuznets Curves for what improves and what doesn't).<sup>7</sup> Finally, it should be noted that deforestation and habitat destruction are among the most serious environmental problems globally, with deforestation producing about 30% of global carbon emissions.<sup>8</sup> Accelerating the move from billions of wood-burning stoves (80% of*

---

<sup>6</sup> See Mason Gaffney, “Opportunities for International Financial Centres in the 21<sup>st</sup> Century,” <http://www.henrygeorge.org/taxcomp.htm>, for a more general argument on the benefits of tax competition.

<sup>7</sup> For a brief introduction, see “The Environmental Kuznets Curve: A Primer,” <http://www.perc.org/perc.php?id=688>.

<sup>8</sup> We note that similarly designed free zones, but with trusts devoted to sensitive ecological assets, might be one of the most effective means of preventing habitat destruction. We have proposed to the Jane Goodall Institute, for instance, that they support the creation of a Chimpanzee Habitat Free Zone, where chimpanzee habitat preservation would be the beneficiary of the trust. Insofar as the primary cause of habitat destruction is deforestation caused by millions of hungry and unemployed people, the Jane Goodall



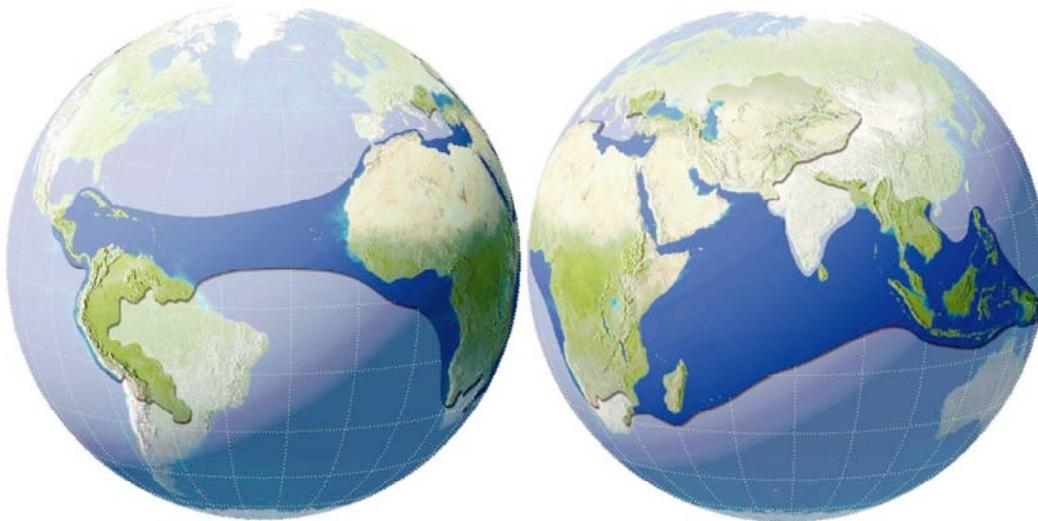
*particulate exposure among humans is due to wood-burning stoves) in rural areas to urbanization may reduce much environmental damage.<sup>9</sup>*

We believe that the time is right for each element of resistance to be overcome.<sup>10</sup> We propose a high-profile public alliance in support of global free zone movement, led by widely respected, socially responsible global corporate identities in partnership with credible NGOs, in which the explicit goal of free zone development is funding for women's empowerment and children's education and healthcare.

### **The Urgency: A World of Peace or a World of War**

The most obvious need is based on social justice. Those nations that have effective legal systems are pulling ahead of those nations that do not. In the meantime, a majority of the world's poorest people now has access to radio, television, or both. The world's poor have become hungry spectators of our extraordinary wealth. At the same time, few of them have access to accurate information concerning how a nation moves from poor to rich. Thus they are ready consumers of theories that appeal to envy, resentment, and hatred, propagated by demagogues and tyrants who use the carefully cultivated hatreds to support their power.

This is why U.S. military analyst and Defense Department advisor Thomas Barnett has created *The Pentagon's New Map*:



---

Institute already realizes that economic development is the most important means of saving the chimps. Any ecological cause could likewise be a beneficiary of a free zone.

<sup>9</sup> Benjamin Friedman, *The Moral Consequences of Economic Growth*, pg. 381. Chapter 15 of Friedman's book, "Growth and the Environment," provides a good summary of the evidence that economic growth reduces environmental destruction.

<sup>10</sup> We also recognize an obligation to provide far more sophisticated responses to each objection. Again, the purpose of this document is to introduce the concept of WEFZ and a vision for their application. Prospective allies who have additional concerns are encouraged to discuss them with us. In addition, we are developing a comprehensive set of background papers to supplement this introductory document.



Barnett's explanation for the dark regions is succinct:

Show me where globalization is thick with network connectivity, financial transactions, liberal media flows, and collective security, and I will show you regions featuring stable governments, rising standards of living, and more deaths by suicide than murder. These parts of the world I call the Functioning Core, or Core. But show me where globalization is thinning or just plain absent, and I will show you regions plagued by politically repressive regimes, widespread poverty and disease, routine mass murder, and—most important—the chronic conflicts that incubate the next generation of global terrorists. These parts of the world I call the Non-Integrating Gap, or Gap.<sup>11</sup>

Barnett portrays a world in which the developed world, whether or not the U.S. is involved, is constantly attacked by terrorists and is either involved in wars or is ignoring wars in the Gap. And “ignoring wars” is not a benign option; the deadliest war since WWII took place in the Congo from 1998-2002, and more people have died in African wars in the past fifty years than in all other wars on earth. Reality is very grim for billions of people in these nations.

Moreover, even those nations included by Barnett in the “Functioning Core” are not necessarily secure from mass violence. The possibility remains of mass violence in China, India, or Brazil, based in mass poverty and persistent inequalities. Closer to the U.S., many observers were rightly concerned that the close election in 2006 in which Mexico City Mayor Obredor refused for six months to concede electoral victory to President-Elect Calderon could have resulted in mass violence. Existing U.S. concerns over illegal immigration are nothing compared to what would take place if civil war broke out in Mexico. It is in everyone's interest to work towards a capitalism that works for all, around the world, as quickly as possible.

It is important to note that whatever benefits that may result from foreign aid, public and private, there is no evidence that any magnitude of foreign aid will result in sustained economic growth in the absence of improved legal frameworks. To be blunt, in the absence of improved legal institutions that support greater economic freedom, both public and private generosity will not provide the world's poor with sustained hope for a better future. Aid and charity may provide temporary comfort, and should be supported in those situations in which it is providing such succor, but there should be no illusions regarding the long-term ability of aid to transform economies.

At the extremes, we face two versions of the 21<sup>st</sup> century:

1. One in which the great mass of humanity is raised to the standard of living of the developed world in a generation or two, and in which the world's poor are aware of some member of their extended family that is benefiting from the rapid economic growth, thus providing them with direct experience of hope.

---

<sup>11</sup> Map and quotation originally appeared in Thomas Barnett, “The Pentagon's New Map,” *Esquire Magazine*, March 1, 2003, later expanded into a book, *The Pentagon's New Map: War and Peace in the Twenty-First Century*. Penguin Group (USA), April 2005.



2. One in which billions are left out, watching our wealth from their televisions as they experience suffering and death all around them, with generations of despair willing to die violently, or kill proudly, rather than suffer impotently.

We must work together to ensure that the first version is our shared reality for the future.

### **Women's Empowerment Free Zones**

Throughout the developing world, after a piece of land has been designated as a free zone with Singapore or Hong Kong-class business climate improvements, the value of the land climbs by 500% to 3,000% or more. A plot of land that was worth a million dollars at the outset can rise to five million and thirty million in value following introduction of credible, world-class incentives and institutional practices. From four to twenty-nine million dollars may be created in a short interval due to the increased confidence in a secure legal environment for business. The amounts vary based on particulars of the situation, and it takes time for the higher values to be achieved; businesses must come to trust that a world-class business environment has been securely established before they begin competing to get into the free zone, the factor that drives up land prices. In the San Isidro free zone in the Dominican Republic, land values rose 2,000% after the land was freed of taxes, customs duties, and telecommunications monopolies. In Dubai and Freeport Bahamas, property value increases have been on the order of 8,000% over the initial 12-year period following introduction of free zone incentives. In Shenzhen, China, the World Bank has noted that the country's pioneering Special Economic Zone has attracted four million immigrants and led to annual economic growth rates averaging 34 percent throughout its first 15 years of operation. This compounds to a parallel rise in property values of at least 8,000 percent.

Consider the implications of this process of near-instantaneous wealth creation: Advocates of foreign aid claim that for \$160 billion per year we could eliminate poverty. Developed world governments then engage in extended arguments over who will pay how much. Moreover, as mentioned earlier, realistically \$160 billion per year in foreign aid would only eliminate poverty if policies in poor nations also changed. Indeed, there is evidence that unless foreign aid is very carefully invested, it can actually harm nations by supporting corrupt governments. Those of us who want to solve problems are frustrated by the endless political battles.

What if instead of lobbying governments to spend \$160 billion per year in foreign aid, which may or may not do any good, we simply created \$160 billion per year – that went directly to local and regional women's and children's causes instead of into the hands of corrupt or ineffective governments – by means of Women's Empowerment Free Zones?

The best way to ensure lasting revenue streams for women's community trusts in a free zone project is to use a Build-Operate-Transfer (BOT) approach.<sup>12</sup> BOT approaches have been successfully implemented in dozens of privately financed, multi-billion dollar infrastructure projects (including power plants, airports, toll roads) in emerging economies. OpenWorld is now

---

<sup>12</sup> See attached *OpenWorld* Build-Operate-Transfer document, by Mark Frazier, for more detail.



applying and extending these BOT precedents in toolkits for municipalities to launch private business and tech park projects benefiting from improved business climates in Eastern Europe. Under such BOT approaches, a free zone developer, who takes on most of the risk and initiative for making a business park or tech park a reality, starts with a 75% stake in the free zone in order to ensure adequate incentive to complete the legal process and build the infrastructure needed to attract business. The developer may be an experienced local organization, a multinational development firm, or an experienced free zone developer such as Dubai or Singapore. In addition, the governments that commit lands for the concession are also given a share in the free zone, say 15%, in order to incentivize them to streamline and support the legal concession. This percentage may be complemented by a Singapore-inspired compensation strategy in which government employees are given bonuses in proportion to free zone economic growth to ensure they have an incentive to maintain a transparent business climate for firms of all sizes.

Phase I partners include the local business along with local and global educational institutions that organize a small “quickstart” demonstration area. They can be vested in the overall venture (including expansion areas) and its success by means of a 5% stake. It is important that the initial free zone partners include high quality educational partners, including innovative educational partners that support entrepreneurial culture and rapid development of core skill sets rather than traditional educational partners alone.<sup>13</sup>

The remaining 5% in this model is given immediately to women’s community trusts designed to provide funding for women’s credit organizations, domestic violence support, and vouchers for children’s education and health care. But a key element in the BOT design is for the percentage stake of the developer to steadily decrease over a thirty-year period, and the percentage stake of the community trust to steadily increase. To preserve the quality of the zone, it is important to keep the developer, governments, and Phase I partners vested at some level, say 35% of the equity. But after 30 years, the community trust could be receiving income streams that represent 65% of the equity of the free zone.

Elements of this vision have become a reality; now it is time to integrate the pieces to create powerful changes that benefit all. We have already mentioned the economic growth due to numerous free zones around the world. ZonAmerica has proven that IT-based free zones can be as successful as manufacturing free zones have been, and the explosion of growth in tech and outsourcing will ensure that demand for world-class tech park free zones will continue to increase. Vinod Khosla, a founder of Sun Microsystems and one of the most renowned venture capitalists of Silicon Valley, estimates that within a decade remote services will be the largest industry on earth. OpenWorld has pioneered its BOT model for new business and technology park opportunities in Eastern Europe. Dubai and Singapore have proven that their free zone expertise can be transferred to other regions of the world.

---

<sup>13</sup> We have expertise in identifying and developing educational partners that meet these criteria. Indeed, WEFZ could catalyze a revolution in educational quality by means of the increased demand for innovative education designed specifically for this niche.



## Competitions for WEFZ

The next stage is to create a small cohort of Women’s Empowerment Free Zones of varying sizes and scales, to prove the concept. In the early stages, some jurisdictions may be eager to be the first to create WEFZ. If the circumstances are favorable, our coalition may indeed begin working towards the creation of the first WEFZ among especially favorable jurisdictions that are eager to be the first to implement this design concept.

But the challenge of free zones has always been to identify reliable government partners. Governments are typically complex decision-making entities, with many potential vetoes for a prospective project, both open and concealed. A significant amount of work must be done to obtain a free zone concession, and those investing in that work can find that the project may be undercut late in the process by means of an opposed government agent even when other government agents are sincerely cooperative. In democracies, overwhelming public support for a project can reduce the possibility of late-stage sabotage, but there remains significant risk.

Thus while immediate negotiations with especially promising jurisdictions is an option, in order to scale this vision effectively, and not get bogged down in endless governmental snafus, it is appropriate from the start to design a global competition that is designed both to publicize the concept of WEFZ as well as to support local WEFZ advocates to align local support around the concept in advance. In a world of nearly two hundred nation-states, within which are many thousands of regions, we will find especially promising early stage partners by means of a competition. And as global competition develops, the WEFZ program will be faced with an over-abundance of highly qualified prospective sites rather than face dozens of frustrating, only partially realized sites.

OpenWorld is designing WEFZ “Starter Kits” that fit on a flash drive and may be sent to anyone anywhere. These Starter Kits will provide a “turn-key” plan for local activists, business owners, and other citizens to initiate a WEFZ contest entry. It is important that WEFZ be, as much as possible, a grass roots driven change process.<sup>14</sup> Just as free market reforms in Ireland and Estonia, India and China, have inspired other nations to liberalize, even more dramatically will successful WEFZ inspire other jurisdictions to position themselves to be among the next round of winners in each competition. In principle a WEFZ could be as small as a single building, or as large as a Singapore-scale nation-state. Indeed, our goal is to create a grassroots global movement that adapts to local circumstances.

The credibility, design, and marketing of both WEFZ and the ongoing series of WEFZ competitions is crucial to the success of this enterprise. FLOW’s expertise is in the design and marketing of Conscious Capitalism endeavors. OpenWorld provides expertise in free zone site selection, Build-Operate-Transfer concession design, partner identification, legal design, and local governmental negotiations. FLOW’s role is to catalyze this movement, not to manage it. We intend to identify and arbitrate among key alliance partners to ensure that the business of

---

<sup>14</sup> More detail on design elements of these kits may be obtained from *OpenWorld*.



doing good and those businesses that aspire to do good cooperate successfully and with integrity all the way to the finish line of this endeavor.

That said, it is important that all alliance partners understand that WEFZ, as with all business ventures, contain an inevitable element of risk. One of the rationales for creating a competition and encouraging multiple projects is that some of them may either fail, or not develop as rapidly or successfully as is anticipated. We intend to minimize the risk involved for all alliance partners by means of prudent business practices, the relational and reputational assets of the alliance itself, coordinated action, and a well-considered plan from start to finish.

### **Getting Started: The Creation of an Alliance**

FLOW, Inc., in conjunction with OpenWorld, is organizing an alliance of organizations that are willing to support an exploratory phase of concept development and pilot project preparation. We are seeking the following partners:

1. Free Zone Developers
2. Phase I quickstart area clients, including major “Anchor Tenants” ready to offer IT-enabled opportunities to jobseekers and entrepreneurs.
3. Brand-name educational and health care institutions
4. Women’s groups and other NGOs, charities, and non-profits aligned with this vision
5. Prospective government partners

At this stage, prospective coalition partners need only sign a statement of support, though development stage funding is also welcome. Our goal at this point is to create an expanding network of organizations committed to this vision and to test market the concept in diverse contexts. We seek to unambiguously command the moral high ground in global development by means of highly credible free zone certification and branding.

Once a suitable set of prospective partners has been identified, we will begin a more detailed process of defining WEFZ parameters and marketing. Early stage partners thus have an opportunity to define specific elements that are as yet undefined in this project.

### **Scaling Up: The Bigger Vision**

In order to create approximately \$160 billion per year in value, and growing, fifteen years from now, when the community trusts owned a 35% stake in the free zones, we would need to create free zones worth approximately \$500 billion today. At the modest estimate that land values increase 10x, that means we would need to create free zones on about \$50 billion in land around the globe in the next few years, a billion dollars of land in each of fifty poor nations. While this goal represents free zone development on a larger scale than has ever occurred in the past, it is not extraordinary. And, indeed, China and India, both of which have a head start on the rest of the world’s poor, have already launched free zone projects roughly at this scale. This is an eminently pragmatic vision.



We are creating a coalition of women’s groups, media, business, and educational institutions committed to certifying and promoting Women’s Empowerment Free Zones that will eliminate poverty for women and children in the next thirty-five years. At the end of this period, women and children in the poorest nations on earth will be the permanent beneficiaries of trusts yielding roughly \$320 billion per year. In practice, once this strategy for poverty alleviation has spread, most of the world’s women and children will be permanent beneficiaries of developed land values. In short, we are about to create a world in which women and children, wherever these zones are developed, will never live in fear of devastating poverty again. We envision hundreds of Dubais, hundreds of Hong Kongs, hundreds of Bahamas, all funding credit, scholarships, health care, and programs against domestic violence for ever after.

Indeed, once these ideas gain momentum and reality, we envision an increasingly competitive world in which brand name free zone developers compete around the world to provide world-class business environments. In the past, NGOs and activists have primarily fought against such development. We envision a world in which the role of NGOs and activists switches from direct confrontation to an Aikido-style in which they work with the power of development to produce positive results. As [Morihei Ueshiba, the founder of Aikido, said in \*The Art of Peace\*, “Opponents confront us continually, but actually there is no opponent there. Enter deeply into an attack and neutralize it as you draw that misdirected force into your own sphere.”](#) We must all learn Ueshiba’s teaching that there are no opponents.

This will require a new level of understanding from NGOs and activists, but there is reason to believe that some are ready and many more will be ready to make such a change in perspective once they understand the issues at hand. Social entrepreneurs and conscious capitalists alike know that regulatory obstacles and trade barriers are often irrational and unnecessary in the developing world. The noble desire to share wealth with the poor has led those who care about the poor to promote high taxes as a means of transferring revenue. But the more closely one looks at the transfers actually made by governments, throughout history and around the world, the more consistent is the pattern that, with rare exceptions, special interests and the middle class are the primary beneficiaries of tax receipts. Direct success-sharing, as proposed here, offers a more effective approach to ensuring that the most vulnerable receive their fair share. More importantly, the process of value creation through optimized legal environments can liberate us from the current zero-sum perspective on which political conflicts are based. A commitment to current political antagonisms is a commitment to conflict over transformation.

Indeed, the ideal would be a world in which both governments and socially responsible free zone developers competed to create the most generous revenue-sharing and Build-Operate-Transfer concessions. Predatory governments and predatory corporations might bemoan such a scenario; but a world in which the competition to create the best business environment on earth was directly tied to legal arrangements that transferred assets of rapidly increasing value to benefit women and children could gradually result in a world in which, quite literally, the nurturers shall inherit the earth.

***“Criticize by creating.”***

~ Michelangelo



Shenzhen in 1980, near the outset of a Special Economic Zone development:



Shenzhen in 1995, showing the results of 15 years of a Special Economic Zone growth:



Property values rose 8,000%.



For information about partnership Opportunities, contact:

**Jeff Klein**

Executive Director & Chief Activation Officer

FLOW, Inc.

[Jeff@flowidealism.org](mailto:Jeff@flowidealism.org)

415.497.0996

# A Phased Build-Operate-Transfer Development Strategy With Assured Shares for Key Partners

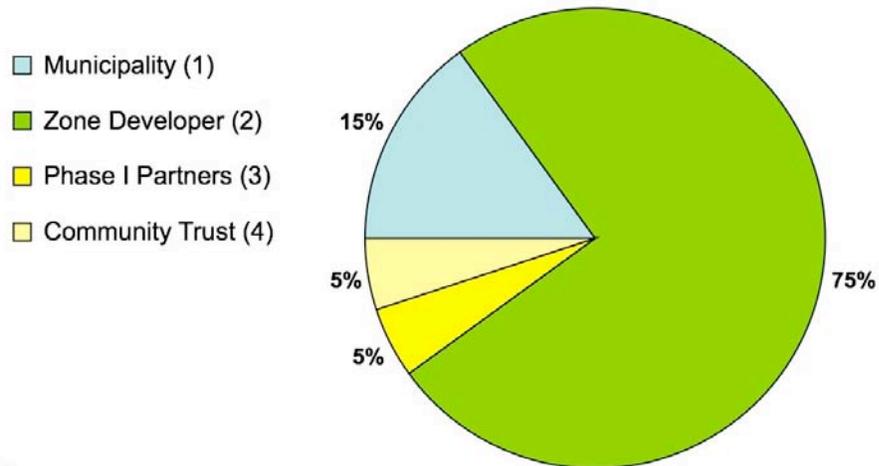
Mark Frazier, OpenWorld

A vital step in maximizing response to the main Women's Empowerment Zone development opportunity will be to demonstrate the reality of the improved business climate in a "Quickstart" demonstration site, such as an existing shared office or business center. The quickstart site does not need to be physically on or near the full-fledged Women's Empowerment Zone site -- but it should show the municipality and other units of government are ready and able to provide the key enabling conditions for success.

The Quickstart facility partners, the Municipality, and a broad-based "Women's Empowerment Community Trust" to bring new learning and other benefits to local households, should be clearly defined stakeholders in the overall free zone development concession.

An initial distribution of equity for their beneficial interests is outlined in the diagram below for a Special Purpose Vehicle (the legal partnership entity to be formed by the municipality or other land grant provider with private sector zone developers) for Women's Empowerment Zone development.

## Suggested Equity-Sharing Partnership At Beginning of Free Zone Concession



### Notes:

1. **Municipality** conveys land, makes targeted "offsite" infrastructure improvements, and streamlines business climate
2. **Zone Developer** funds and runs zone on 30-year concession with equity transfer over time of 90 percent of its shares to the Phase I Partners and the Community Trust
3. **Phase I Partners** are highly regarded business center operators and local/global education providers assisting the Quickstart free zone demonstration area
4. **Women's Empowerment Community Trust** funds microvouchers for all households in region to access online learning and health resources, and vests workers in zone with direct shareholdings over time in the BOT venture

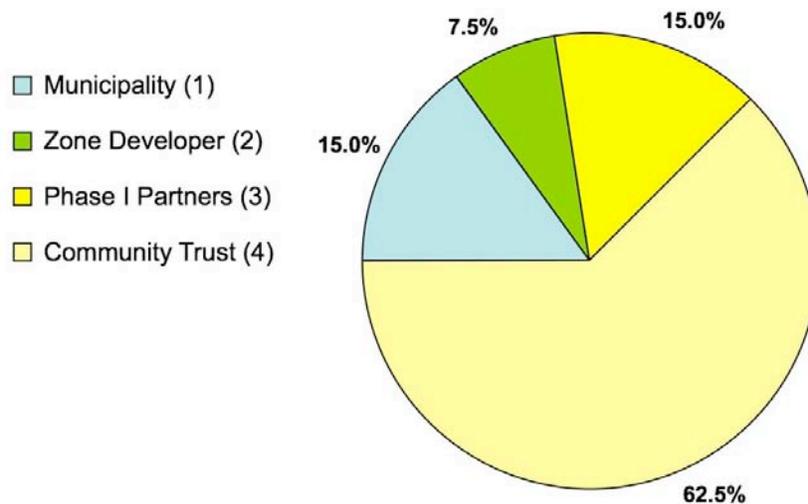
Over time, the initial shareholding interests of the founding local stakeholders can increase dramatically, if the Public-Private Partnerships agreement with the private zone developer is structured on a Build-Operate-Transfer (BOT) basis.

Such BOT agreements can progressively increase the stake of the founding local shareholders (e.g. by 2 percent per year) in cases where the risk-taking private developers have a high degree of freedom to operate the Zone on a business-like basis, and to thereby recoup their at-risk investment.

The BOT agreements also require an exceptionally favorable business climate, and high degree of confidence in dispute resolution procedures. The original private developer, moreover, should retain a residual interest in the project following the completion of the concession term (e.g. 30 years). This is to ensure that they continue to manage the Zone in a professional way as the end of the concession approaches.

The following is an example of how the BOT agreement can generate a substantial asset ownership shift in favor of local stakeholders over time:

### Suggested Equity-Sharing Partnership On Completion of Zone Concession



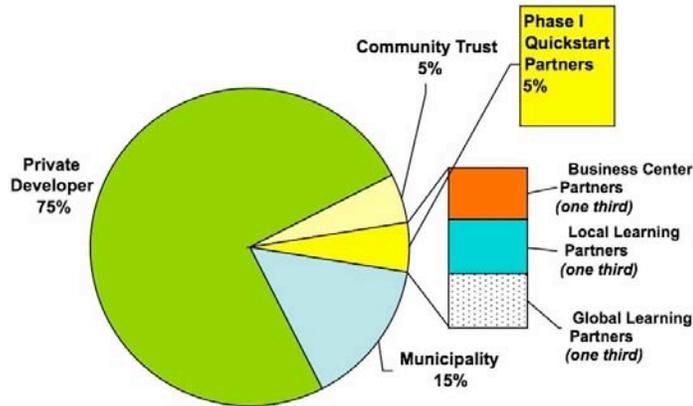
**Notes:**

1. **Municipality** holds 15 percent continuing interest in return for land conveyance and high quality business climate
2. **Zone Developer** keeps 10 percent residual stakeholding in the concession venture (option for management contract)
3. **Phase I Partners** (business center and education providers assisting Quickstart area) grow from 5 to 15 % shares
4. **Community Trust** (for microvouchers expanding access to online learning and health resources, and for worker shareholdings in the Build-Operate-Transfer venture) grows from 5 to 60 percent of shares

The local Quickstart stakeholders can include not only the initial quickstart Business Center, but also educational and health care institutions in the community; country, and overseas that is prepared to actively assist in the initial and full-scale development projects.

The following graphs show how their active support can be rewarded through increased stakeholdings under a Build-Operate-Transfer agreement with the principal private development partner.

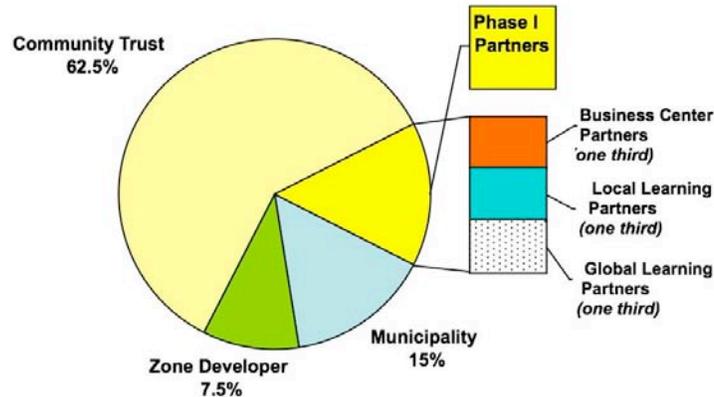
## Quickstart Partner Participation At Beginning of Zone Concession



### Phase I (Quickstart) Notes

1. **Overall Purpose** of the Phase I "Quickstart" facility is to provide a demonstration of the municipality's learning and business climate innovations (increasing the interest of private developers in bidding on for a concession to develop expansion area free zone concession)
2. **Business Center** will provide new learning opportunities to microscholarship recipients (including jobseekers from throughout the region)
3. **Local Learning Partners** will include established universities and schools willing to provide work-study opportunities and customized training in the Quickstart phase as well as for free zone-based firms
4. **Global Learning Partners** can include well-known European, North American, Asian and other distance learning and certification providers willing to affiliate with the Quickstart area and full-scale free zone

## Quickstart Partner Participation On Completion of Zone Concession



### Phase I (Quickstart) Notes

1. **Overall Purpose** of the Phase I "Quickstart" facility is to provide a pre-tender demonstration of the community's learning and business climate innovations (increasing the interest of private developers in bidding on Women's Empowerment Free Zone concession)
2. **Business Center** will provide new learning opportunities to microscholarship recipients (including jobseekers from throughout the region)
3. **Local Learning Partners** will include established universities and schools willing to provide work-study opportunities and customized training in the Quickstart phase as well as for free zone-based firms
4. **Global Learning Partners** can include well-known European, North American, and Asian distance learning and certification providers willing to affiliate with the Quickstart and full-scale zone

A crucial element in the success of the Women's Empowerment Zone will be the quality of education opportunities available in the community.

Toward this end, a Women's Empowerment Community Trust that provides microscholarships for jobseekers and citizens to gain skills can be a valuable element in the equity-sharing framework of the Public-Private Partnerships.

Other success-sharing frameworks can also be supported under the Build-Operate-Transfer system. The Women's Empowerment Community Trust also can fund access by women through microvouchers to telemedicine and other eHealthcare resources.

A further option is for the Trust to provide direct stakeholding interests for employees in the Women's Empowerment Zone. Employees who work for a pre-agreed period can be vested with beneficial interests in the appreciated land values and in the privately financed infrastructure within the zones. In this way, workers can systematically gain assets in the Zone development venture, based on the length of their employment.

The Build-Operate-Transfer approach can be designed to encourage expansion of the initial zone area over time. Local workers, entrepreneurs, and good causes active in the initial phase of each zone, for example, can be assured of stakeholding interests through the BOT concession agreements in the second-stage free zone development area.

Incoming workers and others who are active in the second phase of zone growth, in turn, can be vested as stakeholders in the third phase of zone expansion, and so forth. By this means, the initially limited area of each free zone can scale up to approach or surpass Hong Kong, Dubai, and Singapore in size.

Many who are now eking out a living at the “base of the pyramid” (in C.K. Prahalad’s words) can thereby enjoy direct and indirect uplift from new virtuous cycles of asset creation. As the new free zones prosper, they will expand trade and investment opportunities across a broadening area – and put pressure on surrounding polities — much as did China’s Special Economic Zones in the early 1980s — to liberalize as well.