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Chapter 1 : Free zones: Benefits and costs - OECD Observer

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The other 3 areas are also situated in the south of China in Guangdong and Fujian provinces. The Chinese government aimed to encourage foreign investment in the SEZs by introducing more relaxed regulations in these areas but the scheme had a rocky beginning. This was due to a lack of proper regulations concerning wages, employment and the firing of employees. Foreign companies, unfamiliar with Chinese business culture were unwilling to take the risk and they felt there was still too much red tape to contend with. Hong Kong based companies were more inclined to take the risk of opening up offices in Shenzhen due to familial and cultural connections as well as having a better understanding of how business worked on the mainland. Another problem Shenzhen faced was the lack of diversity of investment sectors. The bias was due, in large part, to exorbitant land prices in Hong Kong which was causing a population overflow into neighbouring Shenzhen. The withdrawal of investment caused the PRC to wake up to regulation problems and by January , five new regulations had been approved which simplified red tape in SEZs, especially with regards to entry and exit procedures and wage guidelines. These improvements led to a sharp increase in overseas investment in SEZs and ultimately contributed towards the success of the zones in China. This was a huge incentive to overseas investors. Companies were also given exemptions from other local taxes and were allowed to export goods duty-free. Shenzhen itself has been especially successful. The initial success of the SEZs led the Chinese government to sanction more foreign trade areas in cities including Shanghai, Dalian, Ningbo and Tianjin. They are generally smaller than SEZs and place a larger emphasis on specific industries, particularly on developing high-tech research and development. They are split into several categories of development zones including High-Tech Development Zones, which have special incentives for innovation, and Bonded Logistics Zone which have special customs regulations. In recent years cities across China, including Shenzhen and Shanghai have been vying for the opportunity to become FTZs. These new areas are expected to have more relaxed regulations on the exchanging of currencies as well as less stringent rules on the types of companies that can be set up. For example, foreign owned companies may no longer need a Chinese owned partner to help them develop their business on the mainland. At the beginning of September , Shanghai was named as the first city to be given the opportunity to trial a Free Trade Zone in the Pudong area of the city. The area will have fewer restrictions on currency converting and it is hoped that it will bring even more foreign investment into China and take the focus away from Hong Kong where the government has less control. Beijing has also said it may lift the ban on websites like Twitter and Facebook in the FTZ to encourage foreign companies to come to China, as well as making it easier for Chinese companies to enter foreign markets and promote themselves abroad. The Chinese government will be keeping a close eye on the FTZ trial in Shanghai with a view to developing more zones in other cities in the near future. After the first FTZ was a complete success three more were established by the end of , in Guandong, Fujian and Tianjin. Companies that registered in these FTZs will have fewer regulations and not as many harsh restrictions. Some of its benefits are less restrictions on customs and business registration, fastest foreign investments approvals, big discounts on import and export sales, and more lenient trade regulations. Each zone has its own industry and development focus, supported with corresponding policies. Within only the first half of , close to five thousand companies were established among the four FTZs, with investments adding up to billionRMB. In the four FTZs attracted The new FTZs will start working on the 1st of April , bringing the total number up to eleven. These new FTZs will not be like the previous ones, as they are not going to be located in the coastline, but instead in the inside of China located in underdeveloped areas. These strategies movement has its behind reasons. First, the Chinese government uses these new FTZs to stimulate regional economic development and develop its interior. Chongqing, Shaanxi and Sichuan, the most western FTZs have a main purpose, which is opening up western China to foreign investors, through an economic reform and its promotion. As well they will be developed as an OBOR transport, logistics and commerce centre. The government in Chongqing will approach high-end industries, creating a cluster of them, such as cloud computing and biological medicine. Hubei will also intervene in the process of accommodation of industrial transfers from the coastline to central China, while in Henan they will serve as a hub for international cultural trade and medical tourism. Liaoning FTZ, will promote and enhance productivity and competitiveness in the industrial base of the northeast of China, through economic reforms. To achieve this, Chinese government focus on developing a modern finance and IT services industry, while at the same time developing further advanced equipment manufacturing, such as automobile and aerospace. The Zhejiang FTZ is rather peculiar and odd when compared to the six others, its located in an already economically well-developed area. Other developments which are meant to be made are establishing an international maritime services centre and promote regional storage, transport, trading and supply industries. It is a list of sectors that foreign investments in FTZs are subject to specific restrictions, or completely banned. Foreign companies who want to invest for the industries that are not in the list, will receive the same treatment as domestic Chinese companies. A new negative list was released on the 16th of June , previously replacing the one back from , and became effective on the 10th of July The new list is narrower than the previous one, 27 measures have been removed in 20 different industries, such as shipbuilding, aeronautical, automotive and many others. With the new negative list and the corresponding removals might seem that they are opening towards economic liberalizations, it is still very carefully orchestrated. Many of the liberalized industries are mainly used by Chinese domestic companies. As well, depending on the industry, foreign investments are subject to a MOFCOM filing and national security review, giving Chinese authorities a powerful tool for controlling them.

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Chapter 2 : List of Foreign-Trade Zones by State

Authority for establishing these facilities is granted by the Foreign-Trade Zones Board under the Foreign-Trade Zones Act of , as amended (19 U.S.C. 81au). The Foreign-Trade Zones Act is administered through two sets of regulations, the FTZ Regulations (15 CFR Part) and CBP Regulations (19 CFR Part).

Began and held in Metro Manila, on Monday, the twenty-fifth day of July, nineteen hundred and ninety-four. Purposes, Intents and Objectives. Enterprises located in export processing zones are allowed to import capital equipment and raw materials free from duties, taxes and other import restrictions. However, movement of these imported goods from the free-trade area to a non-free-trade area in the country shall be subject to import duties. Enterprises within the zone are granted preferential tax treatment and immigration laws are more lenient. Cruz in the Province of Zambales; ee So much as may be necessary of that portion of the Palawan Island; ff So much as may be necessary of that portion of General Santos City in South Cotabato and its immediate environs; gg So much as may be necessary of that portion of Dumaguete City and Negros Oriental, including its territorial waters and islets and its immediate environs; hh So much as may be necessary of that portion of the Province of Ilocos Sur; ii So much as may be necessary of that portion of the Province of La Union; jj So much as may be necessary of that portion of the Province of Laguna, including its territorial waters and its immediate environs; kk So much as may be necessary of that portion of the Province of Rizal; ll All existing export processing zones and government-owned industrial estates; and mm Any private industrial estate which shall voluntarily apply for conversion into an ECOZONE. These areas shall be developed through any of the following schemes: Local government initiative with the assistance of the national government; and iii. Provided, further, That the area can be easily secured to curtail smuggling activities: Provided, finally, That after five 5 years the area must have attained a substantial degree of development, the indicators of which shall be formulated by the PEZA. Each ECOZONE shall be provided with transportation, telecommunications, and other facilities needed to generate linkage with industries and employment opportunities for its own inhabitants and those of nearby towns and cities. The ECOZONE shall administer itself on economic, financial, industrial, tourism development and such other matters within the exclusive competence of the national government. Their assets, profits and other legitimate interests shall be protected: Provided, further, That the new investment shall fall under the priorities, thrusts and limits provided for in the Act. Military forces sent by the national government for the purpose of defense shall not interfere in the internal affairs of any of the ECOZONE and expenditure for these military forces shall be borne by the national government. The names of aliens granted permanent resident status and working visas by the PEZA shall be reported to the Bureau of Immigration within thirty 30 days after issuance thereof. The Board shall have a director general with the rank of department undersecretary who shall be appointed by the President. The director general shall be at least forty 40 years of age, of proven probity and integrity, and a degree holder in any of the following fields: The deputy directors general shall be at least thirty-five 35 years old, with proven probity and integrity, and a degree holder in any of the following fields: Provided, however, That per diems collected per month does not exceed the equivalent of four 4 meetings. Thereafter, it shall facilitate and assist in the organization of said entities; c Regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the ECOZONE, such as heat, light and power, water supply, telecommunication, transport, toll roads and bridges, port services, etc. General Powers and Functions of the Authority. Powers and Functions of the Director General. He shall determine the structure and the staffing pattern and personnel complement of the PEZA and establish regional offices, when necessary, subject to the approval of the PEZA Board. In addition, he shall have the following specific powers and responsibilities: The representative of the PEZA. Provided, That the Board shall have exclusive and final authority to promote, transfer, assign and reassign officers of the PEZA, any provision of existing law to the contrary notwithstanding: Provided, further, That the director general may carry out removal of such officers and employees. All positions in the PEZA shall be governed by a compensation, position classification system and qualification standards approved by the director general with the concurrence of the Board of Directors based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the Subic Bay Metropolitan Authority SBMA , Clark Development Corporation BCDA and the private sector and shall be subject to the periodic review by the Board no more than once every two 2 years without prejudice to yearly merit reviews or increases based on productivity and profitability. The PEZA shall therefore be exempt from existing laws, rules and regulations on compensation, position classification and qualification standards. It shall however endeavor to make its systems conform as closely as possible with the principles under Republic Act No. The PEZA officers and employees including all Members of the Board shall not engage directly or indirectly in partisan activities or take part in any election, except to vote. No officer or employee of the PEZA subject to Civil Service laws and regulations shall be removed or suspended except for cause, as provided by law. Provided, That to arrive at the truth, the investigator s may grant immunity from prosecution to any person whose testimony or whose possessions of documents or other evidence is necessary or convenient to determine the truth in any investigation conducted by him or under the authority of the PEZA or the administrator of the ECOZONE concerned. They shall not, during their tenure, directly or indirectly, practice any profession, participate in any business, or be financially interested in any contract with, or in any franchise, or special privilege granted by the PEZA or national government, or any subdivision, agency, or instrumentality thereof, including any government-owned-controlled corporation, or its subsidiary. Full Disclosure of Financial and Business Interests. It shall be the policy of the government and the PEZA to encourage and provide Incentives and facilitate private sector participation in the construction and operation of public utilities and infrastructure in the ECOZONE, using any of the schemes allowed in Republic Act No. The PEZA shall, in coordination with appropriate authorities and neighboring cities and municipalities, immediately conduct a survey of the physical, natural assets and potentialities of the ECOZONE areas under its jurisdiction. Furthermore, tax credits for exporters using local materials as Inputs shall enjoy the same benefits provided for in the Export Development Act of Exemption from National and Local Taxes. Applicable National and Local Taxes. However, in order to protect the domestic industry, there shall be a negative list of Industries that will be drawn up by the PEZA. Enterprises engaged in the industries included in the negative list shall not be allowed to sell their products locally. Said negative list shall be regularly updated by the PEZA. The PEZA, in coordination with the Department of Trade and Industry and the Bureau of Customs, shall jointly issue the necessary implementing rules and guidelines for the effective Implementation of this section. Applicability of Banking Laws and Regulations. Among other pertinent regulations, these include those governing foreign exchange and other current account transactions trade and non-trade local and foreign borrowings, foreign currency deposit units, offshore banking units and other financial institutions under the supervision of the BSP. Provided, however, That such foreign investments in said enterprises have been previously registered with the Bangko Sentral. For this purpose, the government shall have the power to acquire, either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the ECOZONE for: Consolidation of lands for zone development purposes; b. If in the establishment of a publicly-owned ECOZONE, any person or group of persons who has been occupying a parcel of land within the Zone has to be evicted, the PEZA shall provide the person or group of persons concerned with proper disturbance compensation: Provided, however, That in the case of displaced agrarian reform beneficiaries, they shall be entitled to the benefits under the Comprehensive Agrarian Reform Law, including but not limited to Section 36 of Republic Act No. Leases of Lands and Buildings. The leasehold right acquired under long-term contracts may be sold, transferred or assigned, subject to the conditions set forth under Republic Act No. Shipping and Shipping Register. Ships of all sizes, descriptions and nationalities shall enjoy access to the ports of the ECOZONE, subject only to such reasonable requirement as may be prescribed by the PEZA In coordination with the appropriate agencies of the national government. Registration of Business Enterprises.

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One Stop Shop Center. Labor and Management Relations. Employees and personnel in the ECOZONE enterprises shall receive salaries and benefits and shall enjoy working conditions not less than those provided under the Philippine Labor Code and other relevant laws, issuances, rules and regulations of the Philippine government and the Department of Labor and Employment. Promotion of Industrial Peace. Percentage of Foreign Nationals. The PEZA, the Department of Labor and Employment, and the Department of Finance shall jointly make a review of the incentive scheme provided In this section every two 2 years or when circumstances so warrant. Relationship with the Regional Development Council. Relationship with the Local Government Units. The cities shall be governed by their respective charters and the municipalities shall operate and function In accordance with Republic Act No. The resources of government-owned Industrial estates and similar bodies except the Bases Conversion Development Authority and those areas identified under Republic Act No. They are hereby detached from their mother agencies and attached to the PEZA for policy, program and operational supervision. The Boards of the affected government-owned industrial estates shall be phased out and only the management level and an appropriate number of personnel shall be retained. Government personnel whose services are not retained by the PEZA or any government office within the ECOZONE shall be entitled to separation pay and such retirement and other benefits they are entitled to under the laws then in force at the time of their separation: Additional funding shall come from the following: Applicability of National Laws. Authority of the President to Advance Initial Funding. The free port status shall not be vested upon new special economic zones. Implementing Rules and Regulations. Such rules and regulations shall take effect fifteen 15 days after their publication in a newspaper of general circulation in the Philippines. Effectivity- This Act shall take effect upon its approval. This Act, which is a consolidation of House Bill No.

Chapter 3 : Philippines - Foreign Trade Zones/Free Ports/Trade Facilitation | racedaydvl.com

An Introduction to the Free Trade Zones in Iran A free-trade zone (FTZ) is a subgroup of special economic zone, which can be either a port or a non-port area. In this region, there are special customs regulations with many advantages for trade.

Foreign Trade Zones, and the U. Virgin Islands, without regard to whether or not a commercial transaction is involved. Exports Exports measure the total physical movement of merchandise out of the United States to foreign countries whether such merchandise is exported from within the U. Customs Territory or from a U. Customs bonded warehouse or a U. Information on exports of merchandise from the U. These submissions are made online via secure computer connections with both the U. Census and the U. Customs and Border Protection. Canadian import statistics are used to measure U. Total Exports is the sum of two types of exports: Domestic Exports â€” Commodities grown, produced or manufactured in the U. Foreign Exports Re-exports â€” Commodities of foreign origin that have entered the U. There are two measurement styles for imports: General Imports - This number measures the total value of merchandise shipments that arrive in the U. Foreign Trade Zones under Customs custody. Imports for Consumption - This number measures the total value of merchandise that physically clears Customs, or goods withdrawn from Customs bonded warehouses or U. Foreign Trade Zones, which immediately enter consumption channels. Merchandise being held in bonded warehouses or U. Foreign Trade Zones is not included until it is specifically withdrawn for consumption. Bonded Warehouses Bonded Warehouses are authorized by U. Customs for storage or manufacturing of goods on which payment of duties is deferred until the goods are removed into Customs Territory. These goods are not subject to duties if reshipped to foreign points. Customs with facilities for handling, storing, manipulating, manufacturing, and exhibiting goods. The merchandise may be exported, destroyed, or sent into Customs Territory from the zone, in the original package or otherwise. It is subject to Customs duties if sent into Customs Territory, but not if reshipped to foreign points. Census Basis - Goods data compiled from the documents collected by the U. Customs and Border Protection and reflect the movement of goods between foreign countries and the 50 states, the District of Columbia, Puerto Rico, the U. Virgin Islands, and U. They include government and non-government shipments of goods and exclude shipments between the United States and its territories and possessions, transactions with U. Free Alongside Ship FAS Export Value - Transaction price of the merchandise including inland freight, insurance, and other charges incurred in placing the merchandise alongside the carrier at the U. The value excludes any loading, transportation, or insurance costs beyond the port of exportation. Customs Import Value - Price paid for merchandise when sold for exportation to the U. Additional costs for shipment, delivery and import duties, are not included. Bureau of Economic Analysis BEA adjusts goods totals on a Census basis to bring the data in line with the concepts and definitions used to prepare the international and national accounts. These adjustments are necessary to supplement coverage of the Census basis data, to eliminate duplication of transactions recorded elsewhere in the international accounts, and to value transactions according to a standard definition. These adjustments also allow for the goods trade totals to be summed with services trade totals for a more accurate account of U. Industry Classification Systems There are three standard classification systems for merchandise trade: Harmonized System HS - An international classification system standardized between countries at a basic 6-digit level. Commodity classifications in the U. Schedule B - Export statistics are initially collected and compiled in terms of approximately 8, commodity classifications in Schedule B, Statistical Classification of Domestic and Foreign Commodities Exported from the United States, a publication of the U. Census Bureau and based on the Harmonized System. International Trade Commission and based on the Harmonized System. Canada, Mexico and the United States. NAICS is built on a production-oriented or supply-based conceptual framework in that establishments are grouped into industries according to similarity in the processes used to produce goods or services. NAICS is a 6-digit hierarchical coding system. The first two digits of the code designate the sector that represent general categories of economic activities, the third designates the sub-sector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry, and the sixth digit designates the national industry. Standard International Trade Classification SITC - A statistical classification of the commodities entering external trade designed to provide the commodity aggregates needed for purposes of economic analysis and to facilitate the international comparison of trade-by-commodity data. Trade in Services The U. Bureau of Economic Analysis collects and compiles U. These are released in a monthly press release entitled U. The services statistics are estimates of services transactions between foreign countries and the 50 states, the District of Columbia, Puerto Rico, the U. Virgin Islands, and other U. Unlike trade in goods, which is closely tracked through the submission of EEIs to the AES system, services trade calculations are based on quarterly, annual, and benchmark surveys and partial information generated from monthly reports. Services trade totals are then estimated from these survey results. Limited country or area detail is available due to the lack of adequate source data upon which to base estimates. These new presentations reflect a comprehensive restructuring of the international accounts that enhances the quality and usefulness of the accounts for customers and bring the accounts into closer alignment with international guidelines. Additional information on the restructuring is available from the Bureau of Economic Analysis. Services trade data are shown in nine broad categories: Maintenance and repair services n. Excludes such services in which the cost is included in the price of the goods and is not billed separately or is declared as a part of the price of the goods on the import or export declaration filed with the U. Maintenance and repair of ships, aircraft, and other transport equipment are included under transport services, and maintenance and repair of computers are included under computer services. Transport - Consists of transactions associated with moving people and freight from one location to another and includes related supporting and auxiliary services. Transport covers all modes of transportation, including air, sea, rail, road, space, and pipeline. Postal and courier services and port services, which cover cargo handling, storage and warehousing, and other related transport services, are also included. Travel for all purposes including education â€" Includes goods and services acquired by nonresidents while abroad. A traveler is defined as a person who stays, or intends to stay, for less than one year in a country of which he or she is not a resident or as a nonresident whose purpose is to obtain education or medical treatment, no matter how long the stay. Purchases can be either for own use or for gifts to others. Travel is a transactor-based component that covers a variety of goods and services, primarily lodging, meals, transportation in the country of travel, amusement, entertainment, and gifts. This category excludes air passenger services for travel between countries, which are included in transport, and goods for resale, which are included in goods. Travel includes business and personal travel. Business travel covers goods and services acquired for use by persons whose primary purpose for travel is for business including goods and services for which business travelers are reimbursed by employers. Business travel also includes expenditures by border, seasonal, and other short-term workers in their economy of employment. Personal travel covers travel for all non-business purposes, including for medical or educational purposes. Insurance services - Includes the direct insurance services of providing life insurance and annuities, non-life property and casualty insurance, reinsurance, freight insurance, and auxiliary insurance services. Insurance is measured as gross premiums earned plus premium supplements less claims payable, with an adjustment for claims volatility. Premium supplements represent investment income from insurance reserves, which are attributed to policyholders who are treated as paying the income back to the insurer. Financial services - Includes financial intermediary and auxiliary services, except insurance services. These services include those normally provided by banks and other financial institutions. Services primarily include those for which an explicit commission or a fee is charged; implicit fees for bond transactions, measured as the difference between bid and ask prices, are also included. Services include securities brokerage and underwriting, financial management, financial advisory, and custody services; credit and other credit-related services; and securities lending, electronic funds transfer, and other services. Charges for the use of intellectual property â€" Includes charges for the use of proprietary rights, such as patents, trademarks, and copyrights, and charges for licenses to use, reproduce, distribute, and sell or purchase intellectual property. Telecommunications, computer, and information services - Telecommunications services include the broadcast or transmission of sound, images, data, or other information by electronic means. These services do not include the value of the information transmitted. Computer services consist of hardware- and software-related services and data processing services. Sales of customized software and related use licenses, as well as licenses to use noncustomized software with a periodic license fee, are also included, as is software downloaded or otherwise electronically delivered. Cross-border transactions in noncustomized packaged software with a license for perpetual use are included in goods. Information services include news agency services, database services, and web search portals. Other business services - Consists of research and development services, professional and management consulting services, and technical, trade-related, and other business services. Research and development services include services associated with basic and applied research and experimental development of new products and processes. Professional and management consulting services include legal services, accounting, management consulting, managerial services, public relations services, advertising, and market research. Amounts received by a parent company from its affiliates for general overhead expenses related to these services are included. Technical, trade-related, and other business services include architectural and engineering, construction, audio-visual, waste treatment, operational leasing, trade-related, and other business services. Government goods and services n. Services supplied by and to governments are classified to specific services categories when source data permit. Statistics are also revised to redistribute monthly data that was received too late for inclusion in the month of transaction. Statistics are reported monthly approximately 40 to 45 days after the end of the calendar month and on a year-to-date basis in a joint release by the Census Bureau and the Bureau of Economic Analysis: Monthly Revisions â€” Each month, a preliminary estimate for the current data month and a revised estimate for the preceding data month are released. Annual Revisions â€” Each June, exports and imports of goods on a Census basis are revised for the prior three years.

Chapter 4 : Kandla Special Economic Zone

Philippines - Foreign Trade Zones/Free Ports/Trade FacilitationPhilippines - Foreign Trade Zones This information is derived from the State Department's Office of Investment Affairs' Investment Climate Statement.

Definition[edit] The World Bank defines free trade zones as "in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, transshipment , and re-export operations. In other countries, they have been called "duty free export processing zones," "export free zones," "export processing zones," "free export zones," "free zones," "industrial free zones," "investment promotion zones," "maquiladoras," and "special economic zones. Free zones range from specific-purpose manufacturing facilities to areas where legal systems and economic regulation vary from the normal provisions of the country concerned. Free zones may reduce taxes, customs duties, and regulatory requirements for registration of business. Zones around the world often provide special exemptions from normal immigration procedures and foreign investment restrictions as well as other features. Free zones are intended to foster economic activity and employment that could occur elsewhere. According to the World Bank, "an export processing zone is an industrial estate, usually a fenced-in area of 10 to hectares, that specializes in manufacturing for export. It offers firms free trade conditions and a liberal regulatory environment. As of , there were 11 established FTZs in China. FTZs are often a critical factor for foreign investors to consider when entering the Chinese market. Major incentives for businesses utilising FTZs in China, including: It lasted until about 69 BCE when the island was overrun by pirates. The Romans had many civitas libera, or free cities, some of which could coin money, establish their own laws, and not pay an annual tribute to the Roman Emperor. These continued through at least the first millennium CE. In the 12th century the Hanseatic League began operating in Northern Europe, and established trading colonies throughout Europe. The Steelyard, like other Hansa stations, was a separate walled community with its own warehouses on the river, its own weighing house, chapel, counting houses and residential quarters. In remains of the former Hanseatic trading house, once the largest medieval trading complex in Britain, were uncovered by archaeologists during maintenance work on Cannon Street Station. Shannon , Ireland Shannon Free Zone [10] established in has claimed to be the first "modern" free trade zone. The Shannon Zone was started to help the city airport adjust to a radical change in aircraft technology that permitted longer range aircraft to skip a required refueling stops at Shannon. It was an attempt by the Irish Government to maintain employment around the airport and for the airport to continue generating revenue for the Irish economy. It was hugely successful, and is still in operation today. The number of worldwide free-trade zones proliferated in the late 20th century. Corporations setting up in a zone may be given a number of regulatory and fiscal incentives such as the right to establish a business, the right to import parts and equipment without duty, the right to keep and use foreign exchange earnings, and sometimes income or property tax breaks as an incentive. There may also be other incentives relating the methods of customs control and filing requirements. These zones are often used by multinational corporations to set up factories to produce goods such as clothing, shoes, and electronics. Free-trade zones should be distinguished from free trade areas. In Free trade areas tariffs are only lowered between member countries. They should also be distinguished from customs unions, like the former European Economic Community where several countries agree to unify customs regulations and eliminate customs between the union members. Free-trade zones have more recently been also called special economic zones in some countries. Special economic zones SEZs have been established in many countries as testing grounds for the implementation of liberal market economy principles. SEZs are viewed as instruments to enhance the acceptability and the credibility of the transformation policies and to attract domestic and foreign investment. The change in terminology has been driven by the formation of the World Trade Organization WTO which prohibits members from offering certain types of fiscal incentives to promote the exports of goods, thus the term Export Processing Zone EPZ is no longer used with newer zones. In , there were 43 million people working in about FTZs spanning countries producing clothes , shoes , sneakers , electronics , and toys. The basic objectives of economic zones are to enhance foreign exchange earnings, develop export-oriented industries and to generate employment opportunities. The ASF provides Foreign-Trade Zone Grantees with greater flexibility to meet specific requests for zone status by utilizing the minor boundary modification process. The theory of the ASF is that by more closely linking the amount of FTZ designated space to the amount of space activated with Customs and Border Protection, Zone users would have better and quicker access to benefits. When a FTZ Grantee evaluates whether or not to expand its FTZ project in order to improve the ease in which the Zone may be utilized by existing companies, as well as how it attracts new prospective companies, the Alternative Site Framework ASF should be considered. The ASF may be an appropriate option for certain Foreign-Trade Zone projects, but the decision of whether to adopt the new framework and what the configuration of the sites should be will require careful analysis and planning. Regardless of the choice to expand the FTZ project, the sites should be selected and the application should be drafted in such a manner as to receive swift approval, while maximizing benefit to those that locate in the Zone. Successful zone projects are generally the result of a plan developed and implemented by individuals that understand all aspects of the FTZ program. When the taxation-free years are over, the corporation that set up the factory without fully assuming its costs is often able to set up operations elsewhere for less expense than the taxes to be paid, giving it leverage to take the host government to the bargaining table with more demands, but parent companies in the United States are rarely held accountable. She criticized the low wages and long hours, citing work days of twelve or more hours in Indonesia, Philippines, Southern China and Sri Lanka circa

Chapter 5 : racedaydvl.com - Trade Data Basics

Foreign Trade Zones Foreign trade zones (FTZs) are sites in or near a U.S. Customs port of entry where foreign and domestic merchandise is generally considered to be in international trade.

Economies in bold are also among the 20 leading home economies for FDI note that definitions of FDI vary considerably across the economies. In many instances the ranking is very different from that based on the aggregate figures. The next largest declines are for the United States from 1st to 13th and France from 3rd to 10th. Denmark, Switzerland, Hong Kong and Singapore jump ten places or more each. In both and , the dominant destination was other OECD countries. This is commonly referred to as testing whether trade and FDI are substitutes negatively correlated or complements positively correlated. When the focus is on interlinkages, the question of whether FDI and trade are substitutes or complements is of secondary importance. A substitute relationship can create just as strong an interlinkage as a complementary one. And if they are interlinked, it means that trade policy affects FDI flows, and FDI policies affect trade flows, and therefore that both sets of policies would benefit from being treated in an integrated manner. This section provides an overview of the results of research on the relationship between FDI and trade, beginning with a brief review of current thinking on the driving forces behind FDI at the level of the individual firm. As will become clear, an awareness of the motivations behind FDI is an important part of understanding the interlinkages between FDI and trade. The focus in the remaining part is on the empirical evidence on interlinkages between FDI and trade, first from the viewpoint of the home country, and then from that of the host country. Researchers have examined this issue for almost forty years. There is now a degree of consensus that an MNC typically is the outcome of three interacting circumstances. First, the firm owns assets that can be profitably exploited on a comparatively large scale, including intellectual property such as technology and brand names , organizational and managerial skills, and marketing networks. Second, it is more profitable for the production utilizing these assets to take place in different countries than to produce in and export from the home country exclusively. Third, the potential profits from "internalizing" the exploitation of the assets are greater than from licensing the assets to foreign firms and are sufficient to make it worthwhile for the firm to incur the added costs of managing a large, geographically dispersed organization. Much of the literature on MNCs emphasizes technology as a driving agent for the internationalization of the operations of such firms. The technology may center on products the firm might produce a product variety that is, by virtue of technology embodied in it, preferred by consumers over variants of the same product produced by rival firms or on processes the firm might be able to produce standardized products at a lower cost than its rivals. At the same time, however, technology-based competitive advantages of firms often tend to become obsolete with the passage of time. Hence the real advantage possessed by certain firms may be not a given technology, but rather the capacity to consistently innovate such technologies. As powerful as technology might be in driving the internationalization of firms, it is not the only intangible asset that firms may seek to exploit worldwide. Patents and copyrights can impart obvious competitive advantages to the firm that holds them. In some industries, the assets are in the form of brand names for which consumers worldwide are willing to pay a premium for example, cola beverages. Firms owning such assets can, of course, license country-specific production rights, rather than deciding to invest in foreign production facilities. Why produce in more than one country? The fact that a firm owns assets that can be exploited on a large scale and that make it competitive internationally, still does not explain the international character of the MNC. After all, managing assets located in foreign countries entails extra costs, such as those associated with obtaining information about local laws and regulations, managing local labour relations, increased management travel, and the need to manage operations in different languages and cultures. Why not produce in one location and serve foreign markets through exports? For many service industries, the answer is very simple. In order to be competitive in foreign markets, the service provider must have a physical presence in those markets. Indeed, the fact is that most cross-border trade in services has been propelled by FDI. Whereas with manufactured goods, FDI often follows trade, in services it is more often the other way around. There are several reasons why multinational operations also may be superior for industries producing goods, many of which fall into one of two broad categories. First, there are those which tend to emphasize vertical FDI, where a firm locates different stages of production in different countries. These types of investment are typically seen as the result of differences across countries in input costs. An MNC involved in an extractive industry, where the endowment of natural resources is concentrated in certain countries, is an obvious example. The other main category of advantages from multinational operations gives rise to horizontal FDI, where similar types of production activities take place in different countries. The possession of intangible assets, and differences across countries in production costs, cannot by themselves explain why a firm undertakes the production itself. Many benefits from internalization have been identified in the literature. These and other costs can be reduced, perhaps significantly, by internalizing the transactions within a single firm. A closely related consideration is whether the legal environment in the host country, especially for the protection of intellectual property, gives an MNC that licenses its technology an amount of control over the use of the technology that is equivalent to the control it would have if it set-up an affiliate and undertook the production itself. Another motivation is that the external market for technologies may undervalue technologies relative to their value to the firm that developed them. For example, to fully exploit a particular technology might require that other, complementary, technologies be present, or that the organization employ persons with certain specific knowledge and skills not easily available elsewhere. In such cases, the technologies are likely to be of greater value inside the organization responsible for their creation than to outside organizations, which means that the organization cannot receive this value by licensing the technology on the open market. Trade polices can affect the incentives for FDI in many ways, two of which were just mentioned. A sufficiently high tariff may induce tariff jumping FDI to serve the local market. Other types of import barriers can have the same effect, of course. FDI may also be undertaken for the purpose of defusing a protectionist threat. Such quid pro quo investments are motivated by the belief that the added cost of producing in the foreign market is more than compensated by the reduced probability of being subjected to new import barriers on existing exports to that market. There is evidence, for example, that the perceived threat of protection had a substantial impact on Japanese FDI in the United States in the s, and that these investments reduced the subsequent risk of being subjected to contingent protection resulting from anti-dumping and escape clause actions. While some host countries intentionally use high tariffs as an incentive to induce investment, the gains from doing so may be limited. FDI attracted to protected markets tends to take the form of stand-alone production units, geared to the domestic market and not competitive for export production. Indeed, high tariffs on imported raw materials and intermediate inputs can further reduce international competitiveness, especially if local inputs are costly or of poor quality as suggested by the need to protect the domestic producers of those goods in the first place. To counteract the negative effects of high input tariffs, host countries often provide duty drawback schemes for foreign inputs entering into production for export. This is part of the standard incentive package offered to foreign investors, particularly in export processing zones. Comparing FDI flows to the relatively open markets of certain Asian countries with the until recently relatively protected Latin America markets, a recent study found that the former tended to attract export-oriented FDI, while the latter tended to attract local market-oriented FDI. These results are supported by another study which found that in the ratio of exports to total sales of Japanese affiliates in the manufacturing sector in Asia was 45 per cent, while the corresponding figure for Japanese affiliates in Latin America was just 23 per cent. Investment decisions are by their very nature long-run, and investors are certain to be affected by uncertainty about the durability of duty drawback schemes and other incentive packages that can be withdrawn or altered at the discretion of the government. By removing internal barriers to trade, a free trade area or customs union gives firms the opportunity to serve an integrated market from one or a few production sites, and thereby to reap the benefits of scale economies. This can have a pronounced impact on investment flows, at least while firms are restructuring their production activities. The single market program of the European Union stimulated substantial investment activity, both within the Union and into the Union from third countries, and similar effects on FDI flows have been observed for other regional trade agreements. The most common form of regional trade agreement is a free trade area, which differs from a customs union in that each member retains its own external tariff schedule. Because rules of origin can have a protectionist effect if not an intent , they can affect the location of FDI. Mexican clothing manufactures face a choice between sourcing all inputs beyond the fibre stage in North America to obtain free trade area treatment, or sourcing inputs outside NAFTA at potentially lower cost, but foregoing duty free access to its most important market. As MFN tariffs on clothing are still high, they may choose to source inside the area rather than outside. This obviously creates greater incentives for third country textile producers to invest in production facilities inside the NAFTA area to regain lost customers, than would less restrictive rules of origin. Such trade arrangements distort the pattern of FDI because there is an added incentive to locate FDI in the hub, from which there is duty free entry to all three markets, rather than in one of the spokes, since goods do not move duty-free between the two spokes. These examples indicate that trade policy can have a significant impact on FDI flows. The opposite relation also holds, as is shown in the next section. The origin of these views is the traditional thinking about FDI, which has focused on the possibility of using foreign production as a substitute for exports to foreign markets. Two developments explain much of this traditional view that FDI and home country exports are substitutes. A substitute relationship between capital flows and trade obviously is at the heart of this analysis. The other development was the popularity of import-substitution policies in large parts of the developing world until the early s. Whatever its origin, this traditional view of trade and FDI as substitutes ignores the complexity of the relationship in the contemporary global economy. To see why, consider a firm which is initially prevented from undertaking FDI, and instead serves the foreign market through exports. If the firm is then allowed to invest in the foreign country, the total effect on the home country exports is the result of several forces. First, at given levels of sales in the foreign market, and with the same productive activities taking place within what is now an MNC as prior to the liberalization, there could be a replacement of previous exports of the final product by the new production in the foreign host country. This gain in competitive position may be due to access to cheaper labour or material inputs, but it may also stem from lower transactions costs, closer proximity to local customers, and so forth. Total sales are likely to increase as a result of the investment, which would imply increased demand by the affiliate for intermediate inputs. This will increase home country exports, to the extent that the affiliate continues to purchase intermediate goods and services from the parent company, or from other firms in the home country. In addition, if the FDI stimulates economic growth in the host country, as appears to be the case see below , the result will be an increase in demand for imports, including from the home country. Now consider the impact of the FDI on home country imports. Some portion perhaps all of the inputs that were imported before the FDI for use in the production that is relocated abroad, will not be imported into the home country after the FDI has been undertaken. On the other hand, the foreign affiliate may begin serving the home country market, and in which case imports of the final product would increase. Again, because of these and other possibly off-setting effects, there is no reason per se to expect FDI and home country imports to be either substitutes or complements. The discussion so far has been concerned with the complexities of the relationship between FDI and home country trade. But it should be clear that, for many of the same reasons, it is no easier to determine a priori the relationship between FDI and host country trade. Again the question of the relationship between FDI and trade can only be settled by looking at the empirical evidence. Before turning to the empirical evidence, four points should be emphasized. First, the theory has only provided limited guidance to the empirical work. This in turn makes it very risky to draw policy conclusions from individual studies. Second, because data problems are particularly acute with regard to service industries, most research on FDI focuses on goods. This lack of empirical research on FDI in the services sector is increasingly troublesome, considering the growing importance of services in production, trade and investment. Third, the theoretical literature is largely focused on analysing the impact of an individual marginal investment. At the margin, incremental investment may have a very different set of implications from those related to the entire trade and FDI regime. As a result, empirical research on MNCs is largely limited to firms from just a few countries, notably the United States, Sweden and Japan. The relationship between outflows of FDI from the United States and exports from the United States has been examined in a number of studies. In each industry, United States MNCs whose foreign production was above the industry average also had above-average exports from the United States.

Chapter 6 : Special Economic Zone Act

The FTZ Corporation specializes in making FTZ benefits available to its clients and maximizing savings. U.S. Foreign-Trade Zones are considered outside of U.S. commerce for Customs purposes.

Follow us Free zones: Benefits and costs Free zones have emerged on the scene as a planning tool to help boost economic development. They have their advantages, but their policy pitfalls too. Since antiquity, governments, emperors, kings and queens have been providing traders and investors with special sites offering respite from normal import-export tax regimes and regulations in return for a steady stream of much needed revenue for the public purse. By the 19th century, they had spread to Southeast Asia. But it was not until the latter half of the 20th century that so-called free zones made their mark as deliberate tools of economic development, most notably in China in when one of the most famous free zones of all was set up at Shenzen. Located on the African side of the straits of Gibraltar, just 14 km from Europe, the Moroccan port of Tangier, a town that has long attracted writers, musicians and tourists from around the world, is now using free zones to build a new reputation as a business hub. The Tangier Free Zone TFZ reflects the emerging trend of moving away from classical export-processing zone development towards zones with a multisectoral development approach. It was inaugurated in and became operational in Located inland near the airport, it covers some hectares and houses some companies. Free zones are also considered a lever for boosting technological skills, particularly in the auto-components industry. Major clients such as Yazaki, Sumitomo and Delphi now supply the automobile industry, and new demand is likely, thanks to investments by Renault. While most have filled up in terms of investment spaces, their effect on development has been less clear. What do successful free zones have in common and how can they be made to benefit the wider economy? Since a major objective of creating free zones is to increase exports, most free zones around the world are either ring-fenced enclaves exempt from national import and export duties or formally operate outside the customs area of their host country. Governments often add other benefits to the package, such as tax, regulatory, administrative and financial incentives. Free zones generally fall into one of four categories: Free trade zones, typically located near seaports or airports, mainly offer exemptions from national import and export duties on goods that are re-exported. Local services gain, though there is little, if any, value added to the goods traded. Export processing zones go a step further by focusing on exports with a significant value added, rather than only on re-exports. Special economic zones apply a multisectoral development approach and focus on both domestic and foreign markets. They offer an array of incentives including infrastructure, tax and custom exemptions, and simpler administrative procedures. Industrial zones are targeted at specific economic activities, say media or textiles, with infrastructure adapted accordingly. MENA free zones have tended to focus on trading importing goods and re-exporting to other destinations , but lately there has been a trend away from traditional free zones towards the more channeled variety of special economic zones and industrial zones, in part to boost value added and revenue, but also to promote economic diversification and generate more employment. Take the free zone at Jebel Ali, a deep port in Dubai established in and widely considered to be among the most successful. It started as a trans-shipment port where large vessels unloaded goods that smaller ships would move on to other ports around the Gulf. Activities and goods involved were exempt from import duty. This has led UAE governments, especially Dubai, to establish industrial zones to target particular sectors. There are now 24 such zones, with Dubai Media City being one of the best known. The three established since then include the famous Media Production City, and one large special economic zone called Northwest Gulf of Suez. Since , Egypt has been concentrating on more focused industrial zones, known there as investment zones. These depend less on tax incentives and more on facilitating administrative procedures, quality infrastructure and private sector management to attract investment. As of June , free zones in Egypt employed nearly , people. Jordan has seven free zones, with the Aqaba special economic zone the most successful. Three new zones have been established since As a general rule, free zones in the MENA region provide regulatory incentives. In many zones, the authorities act as a onestop shop, cutting related red tape and simplifying administrative procedures. A further regulatory incentive is an exemption from limits on foreign ownership. In many Gulf countries, such as Kuwait, Bahrain and the UAE, land ownership regulations are relaxed either through renewable long-term leases or outright waivers. Similarly, labour market regulation can be eased, particularly regarding the employment of expatriates, as in the case of Jordan and Kuwait, or waiving regulations on limited duration contracts, such as in Tunisia. In some cases, foreign exchange regulations can also be foregone, as in Morocco, Syria, and Tunisia. Free zones often offer programmes of fiscal incentives that go beyond those offered to investors in the wider economy. Algeria, Egypt, Kuwait and the UAE, for example, offer complete exemption from private and corporate income taxes. Lebanon, Morocco and Yemen offer corporate tax holidays of variable duration. Subsidies are not so prevalent. Designing a free zone But do free zones actually work? Some investments may have taken place anyway, though the existence of zones does spur governments to develop their investment policies, satisfy investors and promote opportunities for new businesses. They also create jobs: But take a closer look and it is not hard to see how these zones can end up adding to the fiscal burden of governments, distorting the direction of investments in the wrong areas or creating complacency in extending economy-wide reforms. The zones in the MENA region that have performed best over a long period tend to be in countries where the enabling environment is relatively favourable anyway, in terms of macroeconomic and exchange-rate policies, private property and investment laws, labour market regulations, productivity of human capital and rule of law. Incentives and economic zones supplement, but cannot replace, a good enabling environment. The trouble is, while some MENA countries have made encouraging progress in areas such as infrastructure and skills development, results in institution building and reform have been mixed. In fact, informality and administrative inefficiency are still too widespread. Another question is whether the fiscal incentives that most MENA countries offer are effective. On the one hand, such incentives are rule-based and relatively transparent. On the other hand, they result in foregone public revenue. Thorough cost-benefit analyses should be done prior to establishing the zones and sunset clauses should be used. Furthermore, fiscal incentives could be better tailored to promote capital investment, such as by using investment tax credits and exemption from duties on capital goods, rather than, say, using tax holidays that cannot be guaranteed to spur productive investment at all. But while there may be valid reasons for setting up zones that offer more attractive investment regimes than the local general regime, governments should avoid fostering zones that no longer perform well or promote development. Indeed, should particular zones prove successful, the public objective should be to extend the regime and its benefits to the rest of the economy. Zone programmes should target a wide assortment of economic sectors, including commercial and manufacturing activities and professional services, such as warehousing and trans-shipment. To reduce the burden placed on public resources and increase the efficiency of zones, the private sector should be encouraged to help develop them and be allowed to operate under market mechanisms. Several governments have developed and managed zones that have been less effective than those of their private counterparts. Moreover, though free zones operate as offshore locations, they are geared to international activity. To avoid unfair competition, preferential duties on sales to the rest of the host economy and other discriminatory practices should be resisted. Free zones have many merits and have boosted investment in many MENA countries. More zones are in the pipeline and still more will emerge in the years ahead. However, bringing in investment is only one, albeit vital, step in a long journey. The ultimate goal must be to make those investments work to the benefit of the wider economy. Contact Alan Paic at daf. A Preliminary Stocktaking, Update".

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Chapter 7 : Free Zone in Dubai, UAE: World's #1 Free Trade Zone - DMCC

U.S. FOREIGN-TRADE ZONES. This list gives the address and phone number of the contact person for each FTZ project. If the contact person is not an employee of the grantee, the name of the grantee organization is also given.

Advance Authorization Scheme AA scheme: As per foreign trade policy of India, inputs are allowed to import without duty payment for export purpose. A stipulated period to import is allowed and validity for export obligation. I have mentioned a short note on Advance Authorization Scheme in this web blog separately, you can click here to read. Advance Authorization for annual requirement is also issued for items having standard input output norms those exporters having past export performance, minimum preceding two financial years. If the rates of such items are scheduled under Drawback schedule, the amount of drawback is refunded accordingly. If not scheduled, a separate application has to be filed to fix Brand Rate. Detailed articles on Duty Drawback and Brand rate are available in this web blog with method of claim. Procedures to claim duty drawback Brand rate under Duty Drawback for Exporters If Duty Drawback rate has not been mentioned in schedule, exporters can approach concerned authority for Brand rate. The detailed article is available in this website, click here to read: What is Brand rate? Procedures to claim Brand rate Rebate of Service Tax through all industry rates for Exporters Service tax refund paid is reimbursable on specified output services used for export of goods at specified all industry rates fixed time to time by the authority. You may click here to read. At present, DEPB can be claimed post export. Import customs duty credit is allowed to exporters to neutralize the customs import duty against export of goods. Certain rate of relaxation is allowed to sell in local market after fulfilling export obligation. How does EPCG work? Necessary registration of premise, factory or warehouse is required to be completed with concerned central excise department by executing bond. You may go through this link to know in detail about Deemed Exports. Deemed exporters get benefit of refund of excise duty paid on final products, Duty drawback, imports under DEEC scheme, Special import licenses based on value of deemed exports etc. You may contact your nearest Income Tax Department to know latest updated information on income tax exemptions to exporters in India.

Chapter 8 : Free-trade zone - Wikipedia

Special economic zones of China (SEZs) are special economic zones located in mainland racedaydvl.com government of China gives SEZs special (more free market-oriented) economic policies and flexible governmental measures.

Chapter 9 : Business Facilities' Metro Rankings Report

As endorsed by the 'Global Free Zone of the Year' award from the Financial Times fDi magazine for four years now, DMCC is indeed, Made for Trade. Set up a new company Be a part of our community and start your business with DMCC.