



Government of the Republic of Trinidad and Tobago

Ministry of Trade and Industry

SPECIAL ECONOMIC ZONES POLICY

FOR TRINIDAD AND TOBAGO



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EXECUTIVE SUMMARY

Economic zones over time have grown to become a critical foundation of the global supply chain, with approximately 3,500 zones operating in 135 countries worldwide employing over 60 million people. Special Economic Zones (SEZ), which is one of several variations of economic zones, are used by governments to develop and diversify exports, generate foreign exchange, create jobs, pilot new policies and approaches, and allow more efficient government supervision of infrastructural development, environmental controls and labour standards.

This policy document considers Trinidad and Tobago's experience with free zone enterprises, makes comparisons between Trinidad and Tobago's Free Zone arrangements and that of other countries, provides a rationale for modernizing and improving the current Free Zone regime into a new and modern Special Economic Zones framework, and outlines recommendations for reform.

The specific goals of this proposed National SEZ Policy are:

- i) to modernize Trinidad and Tobago's economic/free zone regime;
- ii) to increase the economic and social impact of economic zones in Trinidad and Tobago;
- iii) to enhance the international appeal of Trinidad and Tobago's economic zone regime; and
- iv) to improve existing and advance new mechanisms and procedures to effectively develop and manage economic zones.

The policy document's main findings can be divided into the following four categories:

- *Zone Structure* – the current TTFZ regime is relatively small, lacks diversity and has performed poorly over the past few years;
- *Ownership and developmental roles* – under the Free Zones Act, the Trinidad and Tobago Free Zone Co. Ltd. is authorised to serve the role of owner, developer, regulator and facilitator.¹

¹ Currently, the TTFZCO does not own, operate or develop any free zone areas.

- *Zone administration* – the governing structure of free zone activities is centralized—all approved activities under the Free Zones Act, regardless of type or scope, are governed by the Board of Directors of the Trinidad and Tobago Free Zones Company; and
- *Incentives and zone features* – the current incentives available to approved free zone enterprises are very generous, not time-bound and limited only to financial incentives which significantly undermine the country's revenue base.

The following are the key recommendations outlined in this policy document:

- **Qualifying criteria and Approval procedures** – more robust qualifying criteria and approval are required to improve the quantity and quality of investments in Trinidad and Tobago;
- **Key legislative changes** – enactment of a new Special Economic Zones Act and repeal of the Free Zones Act;
- **Improved Designation Criteria** – strategic changes to the standards and criteria that determine whether or not an area can be designated a Special Economic Zone;
- **More Streamlined Operations** – the increased adoption and utilization of information and communication technology in the administration, operation and management of SEZ, especially through the existing Single Electronic Window Infrastructure (TTBizLink); and a
- **Dynamic Incentive Framework** – a completely revamped incentive structure that includes non-financial incentives, as well as a framework that is time-constrained and dependent on factors such as investment level, investment type, etc.

This policy document is an integral part in the gradual reform of the current Free Zones regime and will serve as a guide in implementing a specific programme for sustaining growth and development based on the promotion and development of SEZs.

1. INTRODUCTION

The term *economic zones* encompasses a wide variety of related concepts, including free zones, free economic zones, free trade zones, customs-free zones, free ports, export processing zones, free export zones, trade and economic cooperation zones, economic processing zones and special economic zones. Despite the many variations in name and form, economic zones have been broadly defined by the World Bank Report as “*demarcated geographic areas contained within a country’s national boundaries where the rules of business are different from those that prevail in the national territory. These differential rules principally deal with investment conditions, international trade and customs, taxation, and the regulatory environment; whereby the zone is given a business environment that is intended to be more liberal from a policy perspective and more effective from an administrative perspective than that of the national territory*”.²

Generally speaking, the range of economic zones can be categorized as follows:³

- *Free Zones/ Free trade zones*: fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations.
- *Export processing zones (EPZs)*: industrial estates aimed primarily at foreign markets.
- *Hybrid EPZs*: typically sub-divided into a general zone open to all industries and a separate EPZ area reserved for export-oriented, EPZ-registered enterprises.
- *Enterprise zones*: intended to revitalize distressed urban or rural areas through the provision of tax incentives and financial grants.
- *Free ports*: typically encompass much larger areas to accommodate all types of activities, including tourism and retail sales, permit on-site residence, and provide a broader set of incentives and benefits.

² Baissac, C. 2011. Chapter 2: Brief History of SEZs and Overview of Policy Debates. In: Farole, T. ed. *Special Economic Zones in Africa: Comparing Performance and Learning from Global Experiences*. World Bank. pp. 23-53.

³ FIAS. 2008. “Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development.” World Bank, Washington, DC.

- *Single factory EPZ schemes:* provide incentives to individual enterprises regardless of location; factories do not have to locate within a designated zone to receive incentives and privileges.
- *Specialized zones:* include science/technology parks, petrochemical zones, logistics parks, airport-based zones, etc.

Notwithstanding the variation in nomenclature and types of economic zones, there is a need to differentiate among types of zones in terms of form and function, among other things, with the aim of achieving one or more of the following policy objectives:⁴

- i) to attract foreign direct investment;
- ii) in support of a wider economic reform strategy (economic diversification, etc.);
- iii) to facilitate economic development across all regions of the country;
- iv) as experimental ‘laboratories’ for the application of new policies and approaches (i.e. to serve incubators for business reforms in the wider economy).

2. RATIONALE FOR POLICY

The types of free zone enterprises that currently operate in Trinidad and Tobago, although non-energy related, do not best reflect the diversification thrust of the Government of the Republic of Trinidad and Tobago (GORTT). Further to this, the current free zone regime, despite its very liberal incentives and non-restrictive locational requirements, has failed to attract any new, dynamic and sustained investments over the last six years.

Although there has been participation by the private sector, the free zones regime is largely traditional, with there being few restrictions to the types of firms operating as free zone enterprises and little integration of firms with the domestic economy. A World Bank Study⁵ explicitly labels Trinidad and Tobago’s operations as a *‘traditional export*

⁴ FIAS. 2008. “Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development.” World Bank, Washington, DC.

⁵ Ibid.

processing zone' model, and goes on to describe the zones in Trinidad and Tobago and other Caribbean countries as having '*not kept pace with their Latin counterparts*'.

According to the 2016 Doing Business Report by the World Bank Group, Trinidad and Tobago fell three spots to 88th out of 189 economies. Trinidad and Tobago's regional performance (11 out of 32 economies) was surpassed by several CARICOM and Latin American countries including Mexico, Colombia, Jamaica and St. Lucia. While there have been many reforms implemented to improve the ease with which business is conducted, bureaucracy and costly procedures continue to inhibit investment and business activities in the country. The use of SEZs and other economic zones can be used as prototypes through which the Government can develop and implement new measures to improve the ease of doing business in Trinidad and Tobago and attract new investments.

World Bank Technical Report

The World Bank, in September 2012, published a Technical Report following a request by the GORTT to provide strategic guidance to improve the quality and effectiveness of investment promotion and Special Economic Zones in Trinidad and Tobago.⁶ The authors of the report pointed to the fact that SEZs could offer foreign investors (outside of oil and gas) opportunities for regulatory simplicity, investment security, infrastructure, and hassle-free access to inputs, as well as their ability to stimulate widespread diversification and growth through linkages with the domestic economy and complete value chains to firms within the zones. The Report further stated that Trinidad and Tobago's economic zones have played an 'insignificant role in growing and diversifying the economy', and highlighted the following shortcomings of the present free zone regime:

- i) an ineffective policy framework – the development, promotion and management of economic zones in Trinidad and Tobago are not driven by an overarching policy or strategy, which would provide a clear road map to guide medium- and

⁶ The Promotion and Servicing of Foreign Investment in Trinidad and Tobago: A Way Forward." Volume 1 – Executive Summary, September 2012.

long-term plans to build the capacity of zones and attract foreign and domestic investment;

- ii) a weak legal and regulatory framework – the overall legal and regulatory framework for free zones is fragmented, weak and does not support a modern regime;
- iii) a weak institutional framework – the TTFZCO has a fairly effective one-stop structure in terms of free zone licensing, but approvals can still be cumbersome and there is very little expertise in the development and management of modern SEZs;
- iv) poor performance by existing zones – the single multi-tenant site and limited factory free zones reflect poorly on the ability to attract new, dynamic investments.

A new policy is therefore required to guide and modernize the development of special economic zones in Trinidad and Tobago, and ensure that this complements the overall development and diversification thrust by the GORTT. This policy document is not meant to recommend the firms and firm activities to populate zones in Trinidad and Tobago, but outline the shortcomings of the existing free zone regime and to provide recommendations for a new, more dynamic SEZ regime.

3. POLICY GOALS

The goals of the Trinidad and Tobago SEZ Policy are:

- i) to modernize Trinidad and Tobago's economic zone regime;
- ii) to increase the economic and social impact of economic zones in Trinidad and Tobago;
- iii) to enhance the international appeal of Trinidad and Tobago's economic zone regime; and
- iv) to improve existing and advance new mechanisms and procedures to effectively develop and manage economic zones.

4. POLICY OBJECTIVES

The general objective of the Special Economic Zones Policy for Trinidad and Tobago is to modernize and strengthen the existing regulatory framework governing free zones, taking into account the progression of free zones worldwide, international best practices, and the unique national circumstances and developmental agenda of the GORTT. The specific objectives of the Trinidad and Tobago SEZ Policy are:

- i) to develop a new, modern Special Economic Zone Regime;
- ii) to expand the country's revenue base;
- iii) to increase and diversify the exports and investments in economic zones;
- iv) to increase and enhance private sector participation in the economy through inter alia SEZ development and operations;
- v) to integrate SEZ enterprises with national developmental objectives to facilitate economic development across all regions of the country; and
- vi) to increase compliance of SEZ operations with local, regional and international standards and laws.

5. EXPECTED POLICY OUTCOMES

- i) modern regulatory framework for a dynamic and attractive SEZ regime in Trinidad and Tobago;
- ii) increased number of SEZ operators operating in Trinidad and Tobago;
- iii) higher levels in the quality and quantity of investments by domestic and foreign firms in more industry areas; and
- iv) increased private sector participation in zone development and operation.

6. EVOLUTION OF ECONOMIC ZONES INTERNATIONALLY

The variation in the types and function of free zones is as a result of their evolution across time and space, with the first economic zones mostly taking the form of free ports—customs free areas within seaports offering little more than warehousing and trade facilities. Over time, some of these developed into customs-free zones (light manufacturing and other processing), then export processing zones (more complicated

manufacturing for re-export), and finally into special economic zones (an entirely separate regulatory environment from the rest of the host economy).⁷

Today, modern, efficient economic zones can be found across the Americas, Europe, Asia, the Middle East and Africa. Economic zones over time have grown to become a critical foundation of the global supply chain with approximately 3,500 zones in 135 countries employing over 60 million people.⁸ A global survey of select economic zones is attached at **Annex I**.

Trends in Zone Development

Economic zones were traditionally developed as isolated enclaves, both in terms of the underlying policy framework and geographic location within an economy. Firms operating in these spaces were often granted a generous set of incentives, with most qualifying being required to be 80-100 percent export-oriented (for EPZs), engaged in recognized manufacturing activities, and at times 100 percent foreign-owned. Zone location was restricted to relatively remote areas or near transport hubs and viewed primarily as 'growth poles' for national and regional development and often exclusively developed and operated by government bodies. This rigid concept has changed quite fundamentally over the past several decades, with the major changes accounting for an expansion of the physical space of zone development and the reconceptualization of the role of economic zones from simply promoting exports, creating jobs and transfer of technology, to a way of facilitating trade liberalization and modernization of the host economy and integrating them into the global economy. Costa Rica's government, for example, made a decision to focus on granting incentives to sectors that have the potential to contribute towards its greater economic growth rather than directly for export activities. In this regard, incentives are meant to encourage companies to set up in less developed areas, and to include tax credits for skills development and training.

⁷ OECD (2008), "Incentives and Free Zones in the MENA Region: A Preliminary Stocktaking, 2008 Update."

⁸ Boyenqe, Jean-Piere Singa. April 2007. ILO Database on export processing zones (Revised).

Characteristics of traditional versus modern free zones are summarized in Table 1.

Table 1. Traditional vs. Modern Economic Zones

Characteristics	Economic Zones	
	Traditional	Modern
Physical	Isolated ring-fenced enclaves; restricted or relatively remote areas or near transport hubs	Larger size; country-wide zone development; customized infrastructure that meets the needs of firms and allow greater flexibility in terms of plant location
Incentives/privileges	Emphasis on financial and fiscal incentives and privileges to firms	Inclusion of non-financial and non-fiscal incentives that differentiate the country or zone. Enterprises can freely import any merchandise in any quantity, and are not restricted to direct inputs for manufacturing (as is the case with EPZs). Duty- and tax-free merchandise can be sold at the retail or wholesale level and some-times consumed within the zone area.
Market access	Export requirements for manufactured goods (usually 70-80%)	Allow unrestricted sale to the local market or to consumers as long as all applicable import duties, taxes, and other charges are fully paid.
Firm requirements	80-100 percent export oriented; foreign-ownership	Strategic sectors; minimum investment threshold; technology transfer; environmental standards/sensitivity
Sectors/activities	Re-exports, specific types of manufacturing	Broader range of permissible activities: commercial and professional services; all types of manufacturing and processing
Policy direction	Often viewed as 'growth poles' for national and regional development; emphasis on: export promotion, job creation, technology transfer	Mechanism to promote two-way trade and facilitate liberalization and modernization of host economy; firms are integrated into the domestic economy
Administration	Government-owned, -developed, and -operated	Autonomous, partially autonomous-bodies; participation of public and/or private sector in development and management
International norms and standards	Restrictions to unionization of labour	Financial incentives and labour standards that are compatible with the World Trade Organization (WTO) and International Labour Organization (ILO) respectively

Source: FIAS, World Bank, 2008

7. SITUATIONAL ANALYSIS LOCALLY

There are two types of zones that currently operate in Trinidad and Tobago: i) light industrial parks and ii) free zones. Industrial Parks are the responsibility of Evolving Technologies and Enterprise Development Co. Ltd. (eTeck), which is under the purview of the Ministry of Trade and Industry and encompasses numerous activities such as food processing, bonded warehouse facilities, the manufacture of plastic, steel, electrical, concrete and wood products, steel fabrication, engineering works, construction and maintenance of marine craft, and production of industrial materials and gases, among others. eTeck is thus charged with developing and managing infrastructure through economic zones/industrial parks to expand and diversify Trinidad and Tobago's economic base. Currently, eTeck owns and manages nineteen industrial parks across Trinidad and Tobago. These include the Tamana InTech Park which is designated for technology firms and sixteen others in Trinidad, and the Milford Industrial Park and the Sangster's Hill Mall in Tobago. The Piarco Aero Park which targets inter alia aviation services, bonded warehouses and other commercial activities is under the purview of the Ministry of Works and Transport. The Cove Eco-Industrial and Business Park is managed by the Eco-Industrial Development Company of Tobago (E-IDCOT) Ltd. under the purview of the Tobago House of Assembly.

The Free Zones Programme, based on the former Jamaican model, was initiated in Trinidad and Tobago following drastic falls in revenue as a result of the collapse of oil prices in the 1980s and the consequent contraction of the economy. In an attempt to reverse these negative effects and provide opportunities for viable jobs, the Free Zones Act of 1988 was enacted which led to the creation of the Trinidad and Tobago Free Zones Company Limited (TTFZCO). The Free Zones Programme was designed to "attract export-oriented (non-energy) activities which would not otherwise come to Trinidad".⁹

The current Trinidad and Tobago Free Zones Programme allows for private enterprises to acquire 'free zone status', given certain conditions, even if they are located outside of

⁹ Operational Plan of the Trinidad and Tobago Free Zones Company, 2014.

a free zone. Of the eighteen (18) firms that are currently operating as 'free zone approved enterprises', eleven (11) are single user enterprises in different areas across Trinidad, while the remaining seven (7) are all located within a 'free zone park' or 'multi-user complex'. In Trinidad and Tobago, all free zones and free zone enterprises are currently developed and operated by the private sector.

It is worth noting that there are other types of economic zones that have been conceptualized and not yet operationalized for tackling more social, rather than economic, problems. For example, provision was made in 1988 under the Corporation Tax Act (Ch. 75:02) for the development of "Regional Development Areas" in an attempt to target areas that were rural and had high unemployment levels. This program, however, was never implemented.

Role of the TTFZCO

All free zones and free zone enterprises are regulated by the TTFZCO. However, the functions of the TTFZCO as authorized in the legislation, are wide and varied, so much so it can act as the owner, developer, manager, operator and regulator of free zones. As stated in Sections 6(1) and (2) of the Trinidad and Tobago Free Zones Act (Ch. 81:07), the TTFZCO shall *inter alia*:

- administer, control, operate and manage all free zones;
- provide and maintain such services, facilities and structures;
- make provision for adequate fencing and enclosures;
- supervise, control and prescribe conditions for the movement of persons, conveyances, vessels and goods, into, in and out of the free zones;
- approve and regulate activities which may be carried on in a free zone; and
- take all necessary steps to ensure that the terms of service and working conditions in any approved enterprise do not fall below minimum accepted standards in Trinidad and Tobago for such class of enterprise.

In addition to the above, the TTFZCO may:

- construct, maintain and operate warehouses, factories, commercial buildings, offices, and other facilities;
- sell, rent, grant leases, sub-leases or other interests or concessions in respect of land, buildings or any other facility or structure within a free zone;
- provide water, light and power, telecommunications and any other public utilities or services and enter into contracts for the supplying of the said utilities and services;
- develop industrial areas for manufacture, processing, finishing, re-packing and transshipment of products; and
- enter into joint ventures with any person for the purpose of any approved activity.

Free zone activities

The (free zone) activities that are prescribed according to Schedule I of the Free Zones Act, include:

1. Warehousing and storing
2. Manufacturing operations
3. Transshipment operations
4. Loading and unloading operations
5. Exporting
6. Importing
7. Service operations, including banking, insurance and professional services
8. Packaging and shipping
9. Assembling
10. Processing, refining, purifying and mixing
11. Merchandising, including international trading in products
12. Constructing, altering, reconstructing, extending or repairing infrastructure or premises situated within a free zone and including the equipping of such premises
13. Sale, lease, rental or management of free zone land, infrastructure, premises, plant, equipment facilities and services.

Petroleum, natural gas or primary petrochemical production or any production activity, in which petroleum, natural gas or petrochemicals are a major input, even if used as fuel and activities involving investment in excess of US\$50 Million may be carried out in a free zone but do not qualify as 'approved activities. The TTFZCO derives all its income from license fees tied to the granting of free zone status to enterprises that meet the requisite criteria. Therefore, the more companies that are approved by the TTFZCO the greater the income it receives.

Existing Qualifying criteria

The Free Zones Act does not explicitly state the eligibility criteria which must be met by any company, corporation, firm or individual seeking Free Zone Status; however there are three legal requirements that must all be met. These requirements, which are assessed by the Trinidad and Tobago Free Zones Company (TTFZCO), are that a company be:

- i) incorporated or registered in Trinidad and Tobago in accordance with the Companies Act;
- ii) registered under the Registration of Business Names Act; and
- iii) involved in specific approved activities prescribed in the First Schedule of the Act.

According to Section 6(2)(c) of the Free Zones Act, the Trinidad and Tobago Free Zones Company (TTFZCO) may approve any company, corporation, firm or individual as an approved enterprise on such terms and conditions and subject to the payment of such fees, charges and other consideration as the Company may think fit. According to Section 15(1) of the Free Zones Act, an enterprise which proposes to undertake an approved activity shall apply and submit documents and information to the Company in writing for such permission to do so.

Based on administrative policy, all manufacturing firms are expected to export at least 75 to 80 percent of their output to overseas markets (outside the customs territory, i.e.

Trinidad and Tobago), while service providers are expected to export at least 50 percent.

Designation

Free zone areas, according to the Free Zones Act (Ch. 81:07), are designated by order of the Minister with responsibility for industry on the recommendation of the TTFZCO. Approved enterprises (as stated in the Act), also called free zone enterprises, are those companies, corporations, firms or individuals that have been approved (by the Minister) to carry out approved activities. Although the TTFZCO has the authority to grant free zone status, the Minister can only authorize the designation of locations as “free zones”.

More specifically, according to Section 3(2) of the Free Zones Act: *“The Minister may, by Order, on the recommendation of the Company designate an area a free zone, and the limits of the free zone shall be defined in the Order.”*

Additionally, according to Sections 15(1): *“Subject to this Act, the Company may by Order grant, subject to such terms and conditions as it thinks fit, approval to an enterprise to undertake the approved activity specified in its application made under subsection (1).”*

As a result, it appears that the current Free Zones Act, at least with respect to the designation of a space as a free zone and the designation of a company to undertake an approved activity, is blurred and therefore deficient.

Benefits/ Incentives

According to Section 28(1) of the Act, all approved free zone enterprises benefit via full exemptions from the following:

- Import duties
- Land and Building Taxes
- Business Levy
- Corporation Tax

- Income Tax
- Withholding Tax
- Value added tax (VAT)
- Work Permit Fees
- Green Levy Fund
- Import/Export Licensing

There are no prescribed requirements defined in the Free Zones Act regarding the qualifying criteria for an approved enterprise, other than the type of activities the enterprise can engage in within a Free Zone. The net benefits to the local economy from the grant of Free Zone Status to these companies and the numerous exemptions have not been quantified.

Domestic Environment

Trinidad and Tobago is a high income developing country with a gross domestic product (GDP) per capita of \$US 21,515 in 2015 at current prices.¹⁰ The non-petroleum sector, which comprises agriculture, manufacturing and services, accounted for approximately 64.7 percent of real GDP in 2015. The services sub-sector, which is the largest non-petroleum sub-sector, is a key component of the overall economy and contribute 56.2 percent to real GDP in 2015. The Central bank has indicated that there was a decline in economic growth in all four quarters of 2015, starting from January 2015, resulting in a decline in real GDP by 2 percent in 2015. This is expected to continue for 2016.

The Government, in an effort to drive the national diversification thrust and successfully penetrate new and existing export markets, has targeted the following sectors:

- Tourism
- Agriculture and Agro-processing;
- Maritime Services;
- Fishing and Fish Processing;
- Aviation Services;

¹⁰ IMF estimate.

- Creative Industries;
- Financial Services; and
- Information and Communication Technologies.

Regional and International Environment

➤ Caribbean Community and Common Market (CARICOM)

CARICOM which was established by the Treaty of Chaguaramas in 1973 comprises fifteen Caribbean nations and dependencies. Article 239 of the Revised Treaty of Chaguaramas provides for Member States to develop, *inter alia*, a Protocol relating to the treatment of goods produced in Free Zones and similar jurisdictions.

In January 2016, Jamaica's legislative bodies approved the Jamaica Special Economic Zone Act which effectively repealed the Jamaica Export Free Zones Act. This made way for the designation, promotion, development, operation and management of Special Economic Zones; the establishment of a SEZ Authority; and the grant of benefits and other measures to attract domestic and foreign investments.

➤ World Trade Organization (WTO)

Trinidad and Tobago became signatory to the WTO in 1995 and therefore, must comply with all the WTO disciplines and provisions that affect the establishment and operation of SEZs. Some of these include: the *Most Favoured Nation (MFN)* principle which requires equitable treatment of all WTO Member States in matters of trade; the *National Treatment (NT)* principle which requires equitable treatment of investors and their investments in WTO Member States; and the *WTO Agreement on Subsidies and Countervailing Measures (SCM)* which categorizes subsidies into prohibited subsidies, actionable subsidies and non-actionable subsidies. These principles define the parameters for the special incentives and privileges that Trinidad and Tobago may offer to firms which will locate inside the SEZs.

While SEZs (or EPZs) are not specifically mentioned by name in any of the multilateral agreements concluded under the auspices of the WTO, several types of incentives that

are typically part of SEZ policy are subject to disciplines under the WTO, most notably through provisions in the Agreement on Subsidies and Countervailing Measures. While least-developed nations are generally exempt from this, some developing countries are currently excused pursuant to phase-out provisions for certain 'grandfathered' programs through 2015.¹¹ Trinidad and Tobago's current regime is not in contravention of any related WTO rules.

8. INTERNATIONAL COMPARISONS

When comparing Trinidad and Tobago's Free Zone regime with other countries and regions, the following five aspects were considered: i) zone structure (structure of the free zone/ EPZ/ SEZ regime); ii) governance and operations; iii) the authority's role and responsibilities; iv) the qualifying criteria, incentives and zone features offered to firms operating within a zone; and v) the performance of the regimes (in meeting its objectives). These five factors which are critical to the success and development of any SEZ regime are key areas that any government should consider when contemplating reforms for modernization. While there is a multitude of different types of zones with differing objectives and varying success rates, an international comparison of zones is essential to understand and appreciate the varying trends of free zones globally and the way in which they are evolving to meet the needs of the global economy.

i) Zone Structure

Based on the global survey of economic zones in Annex I, it is clear that SEZs represent unique economic spaces that create opportunities for i) diverse areas of business activities, ii) new and dynamic firms and investments, and iii) facilitate employment levels that are not often seen elsewhere in the economy.

Countries in Latin America and the Caribbean have kept pace of the expansion in the type of economic zones. As depicted in Table 2, countries are both augmenting their old

¹¹ Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Fiji, Guatemala, Jamaica, Jordan, Mauritius, Panama, Papua New Guinea, St. Kitts and Nevis, St. Lucia and Uruguay. *Source: WTO 2007 New Items. October 25, 2007. "Transition period extended for subsidy programmes of 16 developing countries."*

regimes with new, hybrid EPZs, while others are supplanting altogether their traditional structures with more advanced and efficient zone regimes.

Table 2. Free Zone Concepts in Latin America and the Caribbean

Free Trade Zone (Commercial FZ)	Traditional EPZ	Hybrid EPZ	Single Factory EPZ	IEZ/ SEZ/Free port/ Free EZ
<ul style="list-style-type: none"> - Argentina - Bahamas - Belize - Brazil - Colombia - Curacao - Panama 	<ul style="list-style-type: none"> - Argentina - Bahamas - Belize - Dom. Republic - Guatemala - Jamaica - Nicaragua - Peru - Trinidad & Tobago - Uruguay - Venezuela 	<ul style="list-style-type: none"> - Bolivia - Brazil - Colombia - Costa Rica - Cuba - Ecuador - El Salvador - Haiti - Honduras 	<ul style="list-style-type: none"> - Jamaica - Mexico - Costa Roca 	<ul style="list-style-type: none"> - Bahamas - Chile - Colombia - Panama

Source: Source: FIAS, World Bank, 2008

Although it is not necessary to replace traditional economic zones, it is important that countries at least supplement their existing profile with additional zones and systems that can complement, exploit and benefit their economies. It is recommended that a SEZ regime be sufficiently flexible, allowing a range of commercial and manufacturing activities.¹² The composition of sectors and levels of employment in select Economic Zones are outlined at **Annex II**.

Further, in its 2012 Technical Report,¹³ the WBG recommended, among other things, that ‘numerous medium-sized, modern SEZs should be developed in Trinidad and Tobago to cultivate new greenfield economic zones in the most promising locations available aimed at new investors. The WBG also recommended the establishment of a single, large-SEZ modeled after Freeport, the Bahamas, and SEZs in other countries such as in Shenzhen, China; Subic Bay, the

¹² FIAS. 2008. “Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development.” World Bank, Washington, DC.

¹³ The Promotion and Servicing of Foreign Investment in Trinidad and Tobago: A Way Forward.” Volume 1 – Executive Summary, September 2012.

Philippines; or Aqaba, Jordan that would provide opportunities for large-scale private investments in world-class infrastructure, tourism and manufacturing.

ii) Governance and Operations

Whereas some countries have one central public authority charged with the roles of zone developer, operator and regulator, there are several cases in which the governance and operations configuration is decentralized and sector or area-specific to allow for greater efficiency and better informed decision-making.

Globally, the administration of zones is varied and includes autonomous government authorities or corporations, specialized departments within a government ministry, zone-specific management boards, and even arms of investment promotion agencies. The traditional form of zone administration (in which the same body is responsible for development, operations and regulation) is declining, as many countries are increasingly allowing multiple public sector zone development and management agencies within their jurisdictions and/or increasingly divesting the physical project development function to the private sector. Many governments have also chosen to separate the Developer and Regulator roles of zone development.

In the United Arab Emirates, for example, each free zone is governed by an independent FTZ authority that is responsible for issuing FTZ operating licenses and assisting companies to establish their businesses in the FTZ.

In Costa Rica, PROCOMER, the Costa Rican trade promotion agency is the government body in charge of regulating the Free Zones and recommending the granting of Free Zone licenses to companies by the executive branch. When a company receives authorization for a Free Zone license from the executive branch, it must sign an agreement with PROCOMER. The Ministry of Treasury controls and oversees the fiscal systems of the Free Zones and companies outside these zones that have obtained the benefits and incentives.

In Panama, the Colon Free Trade Zone is administered by the Free Zone Administration (FZA), which is an autonomous institution of the Panamanian Government and functions under clearly defined laws and precedents. The FZA controls rent, public warehousing, promotion, development and construction. It also keeps statistics and administers the flow of export and imports. With respect to *Ciudad del Saber* (City of Knowledge), Panama, there is a Foundation which manages the affairs of the specialized zone, which is organized around a board of trustees representing different sectors including the academic, scientific community, the business sector, the government and labour unions.

In Trinidad and Tobago, the TTFZCO is centralized with a Board of Directors and a Management Team that are responsible for all free zones and free zone activities in Trinidad and Tobago. While the Airports Authority of Trinidad and Tobago and the Port Authority of Trinidad and Tobago are two separate bodies responsible for areas such as airport logistics and airborne cargo and maritime services and cargo, respectively, they are currently not authorized in law to develop and manage Special Economic Zones unless approved by the TTFZCO.

It should be noted that the 2012 Technical Report by the World Bank Group indicated that the current institutional framework, in which the TTFZCO is the regulator, facilitator and promoter of free zones, is a 'conflict of interests' and can be described as 'old-style' and 'uncompetitive'. It is important to note that investTT—the investment promotion agency of Trinidad and Tobago—has now assumed the role as the sole promoter of free zones.

iii) Qualifying criteria, incentives and zone features

According to best practice, while qualifying criteria limits the type and quantity of investment in a host country, having robust, strategic qualifying criteria is essential to attracting the highest quality investments through which the host government can strengthen its economic profile. Several successful economic zones programmes

around the globe have set criteria that have led to increased investments and trade in host countries.

Some of the qualifying criteria enacted by successful economic zones include the level of investment, the uniqueness of the activity and the relevance of the investment (alignment to strategic sectors for economic development).

Costa Rica's revised legislation governing Free Trade Zones requires of manufacturing firms a minimum investment of US\$150,000 for small projects or US\$2 million for mid-scale projects located within a Free Zone park and US\$10 million for large-scale projects with an eight-year investment plan.

In South Korea, it is even more differentiated; businesses in manufacturing, tourism and international conference facilities are required to invest at least US\$10 million, while those in logistics and research and development must invest more than US\$5 million and US\$1 million respectively.

In Panama's Ciudad del Saber (City of Knowledge), two of three additional criteria to be considered are that the program or activity must not have an equivalent in the country, or that it must be a methodology or technology transfer without an equivalent in the country, and it must require the conditions offered by the City of Knowledge in order to be implemented in Panama. The areas that are targeted include biosciences, business management and entrepreneurship, environmental management, global services, ICT and others.

In addition to qualifying criteria for potential firms operating within a zone, an important characteristic of zones are the various incentives offered to attract potential investments. Some of the various factors that differentiate incentives include:

- the types and levels of incentives offered;
- the time periods in which these incentives are offered;
- the nature of incentives (financial vs. non-financial) offered; and

- locational specificity of free zones.

The various types of qualifying criteria being used by zone administrations around the world, as well as the various types of incentives offered is outlined at **Annex III**.

In addition to fiscal incentives, are the value added services that zones are providing to tenants. According to the World Bank,¹⁴ this trend arises from both the need to compete with other parks and from the opportunity park operators have to add additional revenue streams to the basic industrial real estate business. Such services can range from basic business support services in commercial parks to highly specialized engineering centers and testing laboratories in parks aimed at specific industry clusters. Some common value-added services provided include:

- Logistics centers, container freight stations (CFS) and common warehousing
- Customs brokerage and freight forwarding services
- Shared training facilities, conference space, and video conferencing nodes
- Recruitment and labor placement offices and payroll services
- Materials testing, product quality testing, and certification laboratories
- General business support services (secretarial, banking, insurance)
- Worker transportation, housing, and cafeterias
- Social amenities, health care, and child care facilities
- Factory site security
- Competitively priced land leases

The location specificity of zones, and in particular the importance of location to socialized zones is of strategic importance. For example, in the United Arab Emirates, SEZs are dedicated to specific services subsectors, including Dubai Internet City, Dubai Media City, Dubai Health Care City, and Knowledge Village. Twelve FTZs are under development, and Dubai has announced the launch of several more.

¹⁴ "The Promotion and Servicing of Foreign Investment in Trinidad and Tobago: A way Forward." Volume II – Technical Reports and Appendices. World Bank. September 2012.

As noted previously, under Section 16 of the Corporation Tax Act, Chapter, 75:02 of the laws of Trinidad and Tobago, there are fiscal incentives associated with the development of ‘Regional Development Areas’ in the country. However, the antiquated provisions which refer to the now defunct Industrial Development Corporation in the law, have rendered these benefits non-operational¹⁵. Nonetheless, it is important for the local SEZ regime to be leveraged in such a way as to rationalize corporate income tax incentives with national policies, which have both economic and social benefits. Regional Development Areas as described in the Act focused on all areas outside the two largest cities in Trinidad—Port of Spain and San Fernando. Given the rapid advance of urbanization across the country and the need for increased employment opportunities across the country, the relevant domestic legislation shall be revised so that SEZs can benefit all regions across Trinidad and Tobago. Table 4 highlights the specialization of zones.¹⁶

Table 3. Characteristics of Specialized Zones

Types of Zone	Activities	Typical location	Markets	Examples
Technology or Science Parks	High technology activities	Adjacent to universities, etc.	Domestic and export	Singapore Science Park, Singapore
Petrochemical Zones	Petrochemicals and other heavy industry	Petrochemical hubs; efficient energy sources	Domestic and export	Laem Chabang Industrial Estate, Thailand
Financial Services	Offshore financial and non-financial services	None	Export	Labuan Offshore Financial Centre, Malaysia
Software and internet	Software and other IT services	Adjacent to universities, urban areas	Export	Dubai Internet City, UAE
Airport-based	Warehousing, transshipment	Airports	Re-export and domestic	Kuala Lumpur Airport Free Zone, Malaysia
Tourism	Resorts and other tourism	Tourism areas	Export and domestic	Baru Island, Colombia
Logistics Parks	Warehousing, transshipment	Airports, ports, transport hubs	Re-export	D1 Logistics Park, Czech Republic

¹⁵ This Section of the Act speaks to a role for the Industrial Development Corporation of Trinidad and Tobago which no longer exists.

¹⁶ FIAS. 2008. “Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development.” World Bank, Washington, DC.

iv) Zone objectives and performance

The objective(s) of the zone regime and the success in achieving those objective(s) are necessary in comparing the relative successes of country regimes. As stated in Section 1, free zone regimes often have one or more of the following objectives: to attract foreign direct investment in support of a wider economic reform strategy (diversification, economic growth, etc.); and/or to serve as “pressure valves” to alleviate unemployment. In other words, they are closely linked to a country’s national objectives.

Some countries have done exceptionally well in terms of promoting and diversifying exports and creating jobs through zones. Some select African nations such as Madagascar, Ghana and Mauritius, have all developed EPZ schemes which have been very successful in diversifying their respective economies. In Madagascar, for example, EPZ-induced industrial manufacturing resulted in a diversification of exports in which the number of products with export value of over US\$1 million increased from 38 to 70 for the period 1991-2000.¹⁷ Additionally, Madagascar also managed to create some 100,000 industrial jobs in the process.¹⁸ In Mauritius, the EPZ industries accounted for 12 percent of GDP and brought in almost three-quarters of export earnings, expanding by around 6 percent up until 2000.¹⁹ Costa Rica has succeeded in meeting its diversification objectives-- Its share of ‘traditional’ exports to total exports declined by 48 percent between 1970 and 2000. In the Philippines, the electronic sector grew steadily to comprise at least 70 percent of the country’s exports as a result of successfully attracting FDI in that sector.²⁰

In the case of the Trinidad and Tobago Free Zone Regime, the main objective is to encourage local and foreign investment in export-driven projects that create jobs, develop skills and create external markets for products. Table 4 outlines the performance of the TTFZCO in meeting these objectives by comparing and contrasting key indicators in 2009 and 2013.

¹⁷ Engman, Michael, Onodera, Osamu and Pinali, Enrico, (2007), *Export Processing Zones: Past and Future Role in Trade and Development*, No 53, OECD Trade Policy Papers, OECD Publishing.

¹⁸ Cling, J.P., and G. Letilly. 2001. “Export Processing Zones: A Threatened Instrument for Global Economy Insertion?” DT/2001/17. *Developpement et Insertion Internationale (DIAL)*, Paris.

¹⁹ Mauritius. OECD Profile. <http://www.oecd.org/dev/emea/2497459.pdf>.

²⁰ Ibid.

Table 4. Free zone performance in Trinidad and Tobago

Performance indicator		Year	
		2009 ²¹	2013 ²²
Share of free zone exports	Free Zone manufactured exports (% of total national manufactured exports)	2.4	8.28
	Free Zone exports as a % of total non-energy exports	9.51	7.47
Employment	No. of persons employed	2,625	999
	No. of persons employed in free zones (% of total national labour force)	0.45	0.0015

Source: Own calculation

Despite the low figures for Trinidad and Tobago, the World Bank evidence suggests that zones are a much more significant source of employment in smaller countries with populations of less than 5 million (e.g. the Seychelles, Mauritius, Jamaica).²³

9. POLICY FRAMEWORK AND RECOMMENDATIONS

This policy serves to replace the existing Free Zone arrangement with a modern Special Economic Zone regime that will aid in national economic diversification, attract domestic and foreign investment, create employment opportunities and enhance private sector participation in the economy.

i) Qualifying Criteria under new SEZ Act

In an attempt to attract firms and investment of the highest quality, it is necessary to have robust qualifying criteria, as well as transparent and efficient approval procedures. The current qualifying criteria, as outlined in the Free Zones Act, only takes into consideration the firm's place of registration and the type of activity in which it engages. New, more relevant criteria for firms operating in any SEZ will be developed by the proposed Inter-Ministerial Committee as mentioned in Section iv) (page 30) of this document and the new legal provisions intended to replace the current Free Zones Act attached.

²¹ Report on the Trinidad and Tobago Free Zone Programme, Ministry of Trade and Industry, August 2010.

²² Central Statistical Office; Central Bank of Trinidad and Tobago.

²³ FIAS. 2008. "Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development." World Bank, Washington, DC.

ii) Legislative Framework

It is recommended that the current Free Zones Act be repealed and that a new 'Special Economic Zones Act' be enacted. The proposed specific provisions to be included in the new SEZ Act are outlined at **Annex IV** of this Policy and include:

- the creation of a Special Economic Zones Advisory Board
- the role and responsibilities of the SEZ Advisory Board
- the authority of the Minister (responsible for Industry)
- the designation of SEZs
- the various categories of SEZs
- the development, operation and management of SEZs
- the role and responsibilities of the SEZ Operator.

Further, it is recommended that any new regulations be diverse and flexible, and consider issues pertaining to, among other things: labour standards (health and safety, etc.); the environment; and zone usage.

iii) Zone Designation

Designation criteria and development controls, while differing across countries, are important to maintain certain minimum standards and reduce overall costs. For example, criteria and controls that require new zone projects to be located close to existing public infra-structure and facilities seek to lower government outlays. Additionally, such requirements ensure a minimum standard for all zone development.

It is therefore recommended that there be a set of designation criteria that would be adhered to by both public and privately-run zones that are specific to the type and objectives of each economic zone. This will include economic zones that target research and development, services, or even those with a social objective.

For industrial estates and EPZs, consideration will be given to applying the following designation criteria:

- qualifying areas (minimum area, close to specific infrastructure, preference given to certain regions)
- factory space (minimum area of zone dedicated to factories)
- minimum road standards (standards for two-way, one-way and secondary roads)
- sewage and waste water disposal (wastewater treatment plant)
- refuse disposal (refuse storage and incineration sufficient with suitable collection methods)
- estate usage (distance from residential and other business areas)
- public utilities (adequate water, electricity, telephone supplies)
- time constraints (a minimum percent of the land area must be developed with full public services and utilities within a specific time)

It is recommended that all SEZs in Trinidad and Tobago be designated as one of the following:

- a. a free port – a duty free area , located at a port of entry, where imported goods may be unloaded for warehousing, repackaging or processing of imported goods for value-adding activities;
- b. a free trade zone – a duty free area that accommodates specific activities targeted for export as designated by order of statute;
- c. an industrial park – a purpose built industrial estate that leverages domestic and foreign fixed direct investment in value-added and export-oriented manufacturing industries and services;
- d. a specialized zone – a place designated for specialized activities including agriculture and agro-processing; high value manufacturing; creative industries (fashion production, film animation, etc.); information and communication services (business process outsourcing, etc.); maritime and maritime-related activities (port, dry-docking, ship and yacht repairs,

etc.); aviation services (logistics, air and cargo services, etc.); and research and development activities; and

- e. a development zone – development activities focused on the development of a specific geographic region with emphasis on factors such as employment, skills training, entrepreneurship and rural development and overall social and economic development of the area.

These zone designations shall also be aligned to the social and economic objectives and targeted sectors as outlined in the Government's Official Policy Framework. This Framework includes initiatives to upgrade all existing industrial estates and establish new industrial estates in designated new growth areas throughout Trinidad and Tobago such as the Tamana InTech Park and the Piarco Aeropark. In addition, the Policy shall support efforts in areas related to local government reform and rural development.

With respect to Tobago, the new SEZ regime shall reinforce efforts by the Tobago House of Assembly (THA) and promote the increased diversification of the Tobago economy through the sustainable development of the Cove Eco-Industrial and Business Park and other specifically designated economic development zones at selected locations.

These designations are specifically meant to meet the economic and social needs of Trinidad and Tobago and are in line with national development objectives.

iv) Institutional framework

The three main areas that are to be addressed with respect to strengthening the institutional framework include: development, management and promotion.

It is recommended that there be a single entity to regulate SEZs throughout Trinidad and Tobago and shall not include the roles of developer, owner and/or operator. More specifically, it is recommended that:

- all SEZs be regulated by the overarching SEZ entity, such as a Special Economic Zones Advisory Board (see **Annex IV**);and
- lease rates and conditions be based on market forces.

The SEZ Policy encourages the private sector to play an active role in the SEZ Programme and envisages both private-and public-private partnerships (PPPs) in the development, operation and management of SEZs.

Management should be conducted in line with commercial practices, in which there is high private sector participation. Outright ownership and operation by private entities will also be encouraged. Such commercial norms and practices will introduce competitive pressures that will result in increased efficiency and avoid conflicts of interest.

Promotion of all SEZs and the related incentives shall be the exclusive responsibility of the national investment promotion agency (IPA) of Trinidad and Tobago.

v) Streamlined operations

Firms operating in SEZs shall be able to benefit from an enhanced operating environment to maximize administrative and operational efficiency and productivity through harmonised and efficient regulatory approvals. It is also expected that all firms within SEZs utilize the existing Single Electronic Window infrastructure (TTBizLink) to improve their efficiency and productivity and improve the ease of doing business in Trinidad and Tobago.

vi) Incentive framework

Despite Trinidad and Tobago offering a relatively generous incentive programme, it has failed to attract significant numbers of new firms over the past few years. One reason may be the over-reliance on incentives and oversight in addressing

other issues such as location and facilities. Nonetheless, the incentive programme will be revised to minimize the costs (forgone tax and non-tax revenues) on the government budget and also to attract high quality firms that perform in both the short- and long-term.

It is recommended, therefore, that the incentive framework of each SEZ be time-bound, tied to the type and levels of investments and the size of the firms, as well as being varied to include both financial and non-financial incentives. A revised incentive regime would not only attract targeted, dynamic firms, but also incentivize increased research, innovation, productivity and efficiency of existing SEZ firms.

Unlike the incentives under the Section 28(1) of the Free Zones Act, that grant approved free zone enterprises numerous exemptions, the new incentive scheme should be specific to the type of zones, the objective of the zones, as well as the sectors, industries and firms specific to the zones. The specific incentives applicable to each type of zone will be developed by an Inter-Ministerial Committee which shall include the Ministry of Finance, the Ministry of Trade and Industry, the Ministry of Planning and Sustainable Development, Ministry of the Attorney General and Legal Affairs, Ministry of Rural Development and Local Government, Ministry of Public Utilities and the Tobago House of Assembly.

10. IMPLEMENTATION OF THE POLICY

The MTI shall be responsible for the implementation of this Policy and will issue regular progress reports to Cabinet on its implementation. The implementation of the plan of action will involve all the relevant stakeholders associated with or affected by the trade in goods that are processed, manufactured or provided in a SEZ in Trinidad and Tobago, including the Ministry of Trade and Industry (MTI); the Ministry of Finance; the Ministry of Planning and Sustainable Development; Ministry of Works and Transport;

Ministry of the Attorney General and Legal Affairs; investTT, exportTT, eTeck, TTFZ, and the Customs and Excise Division.

11. MONITORING AND EVALUATION OF THE POLICY

The development of an Implementation Plan for the Special Economic Zones Policy shall form the basis for monitoring and evaluating the implementation of the Policy. Specifically, the MTI shall develop a monitoring and evaluation system based on agreed indicators. In view of the above, the MTI may from time to time make changes, modifications, additions to this Policy and may review and update it at certain intervals to meet the changing needs of Industry. The implementation of this Policy shall be reviewed every three years and a progress report developed with respect to any achievements will be presented to inform such review and modifications under the recommendations by Cabinet. The review will also examine progress made in achieving the indicators defined in the plan of action.

Global Survey of Free Zones¹

General Description / Objectives	Activities/ Sectors	Benefits/ Incentives	Management/ Organization	Qualifying Criteria / Requirements of Tenancy
COSTA RICA				
<ul style="list-style-type: none"> ▪ approximately 272 companies operating within 33 FTZs within Costa Rica ▪ governed by the Free Zone Act (Ley de Zonas Francas) Number 7210 (November 1990) and 8794. ▪ the tax holidays provided for investment in FTZ manufacturing companies are scheduled to phase out in accordance with WTO agreements by 2015, to be replaced by Law 8794. ▪ Law 8794 eliminates explicit export incentives and replaces them with favorable tax treatment of specific types of companies. This does not apply to those companies that export only services. 	<p>Companies eligible for FZ licenses:</p> <ul style="list-style-type: none"> - manufacturing - production - repair - maintenance of goods and services <p>Companies not eligible for Free Zone licenses:</p> <ul style="list-style-type: none"> - banking - financial and insurance companies - professional service providers <p>Specific free zones:</p> <ul style="list-style-type: none"> ➢ Coyoil Free Zone and Business Park (high-end medical devices; advanced manufacturing) 	<p>Incentives are subject to limitations regarding length and type of benefits, which are not permanent, as their main purpose is to encourage new investment and not to give FTZ companies unlimited advantages over non-FTZ companies.²</p> <p>Benefits include:</p> <ul style="list-style-type: none"> ▪ tax incentives (all FTZ companies enjoy 100% exemption for import and export duties, excise taxes, and remittances repatriation tax). ▪ other financial incentives are granted according to a company's individual circumstances. For example, manufacturing companies that export more than 75% of their production are granted 100% exemption on corporate income tax for a period of 8 years, and 50% exemption during the following 4 years. ▪ employee training assistance in conjunction with the Instituto Nacional de Aprendizaje (National Learning Institute, or INA). ▪ assistance is also offered regarding employee hiring, determining employee housing and educational needs, and advice regarding ongoing legal requirements for FTZ companies. 	<ul style="list-style-type: none"> ▪ PROCOMER, the Costa Rican trade promotion agency, is the government body in charge of regulating the Free Zones and recommending the granting of Free Zone licenses to companies by the executive branch. ▪ When a company receives authorization for a Free Zone license from the executive branch, it must sign an agreement with PROCOMER. ▪ The Ministry of Treasury controls and oversees the fiscal systems of the Free Zones and companies outside these zones that have obtained the benefits and incentives. 	<p>To qualify:</p> <ul style="list-style-type: none"> ▪ Must be categorized in one group (handling, processing, manufacture, production, repair, maintenance, etc.) ▪ Under Law 7120 <ul style="list-style-type: none"> - Min. export level: 75% - Strategic sector: No - Min. employment: No - Min. investment: US\$150,000 within FZ Park or \$2,000,000 outside FZ Park (within the Greater Metropolitan Area) - Min. investment: US\$100,000 within FZ Park or \$500,000 outside FZ Park (outside Greater Metropolitan Area). ▪ Under Law 8794 (SMEs) <ul style="list-style-type: none"> - Min. export level: None - Strategic sector: Yes - Min. employment level: None - Min. investment: US\$150,000 within FZ Park or \$2,000,000 outside FZ Park. <p>(Large projects)</p> <ul style="list-style-type: none"> - Min. export level: None - Strategic sector: Yes - Min. employment level: None - Min. investment: US\$10,000,000 in fixed assets to be completed in 8 years. <p>Requirements by tenants:</p> <ul style="list-style-type: none"> ▪ methodical and formal bookkeeping ▪ several reports are periodically required by authorities, regarding a variety of matters

¹ This survey encompasses specific Free Zones across the globe, and includes Free Trade Zones, Export Processing Zones, Special Economic Zones, and other types of zones.

² Costa Rica. <http://costarica.com/business/free-trade-zones/>

General Description / Objectives	Activities/ Sectors	Benefits/ Incentives	Management/ Organization	Qualifying Criteria/ Requirements of Tenancy
				<p>related to the operation of the company and the tax-free goods and services they acquire.</p> <ul style="list-style-type: none"> ▪ other reports that FTZ companies are legally bound to provide are those pertaining to: number of employees, compliance with investment levels and national added value. ▪ signing of a contract with PROCOMER is also a legal duty (commitments acquired by the company, and the specific regulations set forth for each particular case) ▪ Specific duties are always included in the executive resolution that grants the regime. These vary from company to company, and are usually the product of the negotiations that are established between the company and PROCOMER prior to the granting of the regime. <p>Penalties:</p> <ul style="list-style-type: none"> ▪ the law sets forth sanctions for those Free Zone companies that breach their legal and contractual obligations., which varies from fines to the exercise of criminal actions and the suspension of benefits.
INDIA				
Special Economic Zones Act 2005		<p>Central sales tax for domestic purchases are reimbursed and supplies from the DTA to the SEZs are treated as deemed exports. There are no license requirements for imports. Companies can carry forward losses and write-off unrealized export bills up to 5 percent. Profits may be repatriated without dividend balancing requirements.</p> <p>there is a 100 percent income tax exemption for five years, 50 percent for the next five years and up to 50 percent of the export profits reinvested for an additional five years. Offshore banking units located in the SEZs also enjoy a 100 percent income tax exemption for five years and a 50 percent cut for the next five years. 100 percent FDI in the manufacturing sector is allowed automatically except for a few sectors such as arms and ammunition, alcoholic beverages, atomic substances and tobacco</p>	<ul style="list-style-type: none"> ▪ 	<p>A manufacturer in a SEZ needs to be a net foreign exchange earner over a five-year period to qualify for the benefits, but an then be a net importer and supply the domestic market</p>

General Description / Objectives	Activities/ Sectors	Benefits/ Incentives	Management/ Organization	Qualifying Criteria / Requirements of Tenancy
		<p>products. The customs authority provides in-house customs clearance, performs no routine examinations and requires no separate documentation for customs and import-export policy. There are also exemptions from the dividend distribution tax to SEZ developers and minimum alternate tax and central sales tax on inter-state purchase of goods for SEZ developers and SEZ-based companies.</p>		
JAMAICA				
<ul style="list-style-type: none"> ▪ 22 Free Zones in operation (public and private). ▪ Companies outside the zones can apply for free zone status as Single Entity Free Zones. ▪ Established under the Jamaica Export Free Zones Act (1982). ▪ Eventual phase out of Free Zones Regime to be replaced with a modern SEZ Regime (late 2015).³ ▪ Jamaica is developing a “global logistics hub initiative (GLHI)”. Jamaica sees itself as the fourth node in global logistics, which includes Dubai, Rotterdam and Singapore. ▪ This is in part due to conformance to the WTO Agreement on Subsidies and Countervailing Measures by 2015. ▪ SEZ Green paper was done and submitted in January 2014 ▪ Jamaica recently implemented the revised and augmented Authorized Economic Operator (AEO) Programme—the first in CARICOM. ▪ Some of the international standards and trends the new SEZ regime will implement include: 	<p>Free Zones Regime</p> <ul style="list-style-type: none"> ▪ Warehousing ▪ Refining ▪ Manufacturing ▪ Redistribution ▪ Telemarketing ▪ Textiles ▪ Data entry ▪ Processing ▪ Assembling ▪ Packaging ▪ Insurance and banking. ➢ Kingston Free Zone (public): manufacturing, warehousing, distribution. ➢ Portmore Informatic Park (part of KFZ) : ICT, business process outsourcing ➢ Montego Bay Free Zone (public): manufacturing, ITC. ➢ Cazoumar Free Zone (private): office space, ICT <p>Proposed SEZ Regime</p> <ul style="list-style-type: none"> ▪ The SEZ models contemplates several models from several countries: <ul style="list-style-type: none"> - Airport-based (Morocco, Singapore, Dubai) - Port-based (Cuba, Panama, Singapore) - Technology Park (Singapore) 	<p>Free Zones Regime</p> <ul style="list-style-type: none"> ▪ Duty-free importation of capital goods, consumer goods, office equipment, raw materials or articles for use in connection with the approved product ▪ No import licensing requirements ▪ Duty-free treatment of articles for the construction, alteration, and repair of equipment of premises in the Free Zones ▪ Total relief from income tax in respect of profits or gains earned from approved activities ▪ Repatriation of profits (since liberalization of the foreign exchange market in 1991 there are no restrictions on the repatriation of profits) ▪ Exemption from the normal fees payable with respect to work permits. 	<p>Free Zones Regime</p> <ul style="list-style-type: none"> ▪ Jamaica Free Zone Council has authority to grant approval for free zone status and the Minister to designate area as free zones. ▪ The Ministry of Industry, Investment and Commerce (MIIC) grants approval for free zone status. <p>Proposed SEZ Regime</p> <ul style="list-style-type: none"> ▪ The Free Zone Council will soon be replaced with an SEZ Authority. The goal is to ensure that the regulatory role is separate and apart from the roles of owner, developer and operator. ▪ The SEZ Authority will be autonomous as an executive agency under MIIC. It will have only regulatory powers and prohibited from being an owner, employer, operator or business occupant of SEZs. ▪ Apart from a simplified and streamlined single window clearance procedure, the Authority will establish qualifying criteria for the occupancy of the SEZ. ▪ The SEZ Act will govern SEZ operations ▪ The private sector will be responsible for development. ▪ Examples: Ghana Free Zones Board, Costa Rica, Jordan, Thailand. 	<p>Free Zones Regime</p> <ul style="list-style-type: none"> ▪ Qualifying manufacturers are allowed to supply up to 15% of production to the domestic market which attract applicable duties and charges. <p>Proposed SEZ Regime</p> <ul style="list-style-type: none"> ▪ Complete two-way trade between zones and the rest of the economy (i.e. a removal of the current 15% cap on domestic sales)

³ Special Economic Zones Green Paper; Ministry of Industry, Investment and Commerce of Jamaica; January 2014. <http://www.miic.gov.jm/PDF%20Files/SEZ%20Green%20Paper%20-%20January%20202015.pdf>.

General Description / Objectives	Activities/ Sectors	Benefits/ Incentives	Management/ Organization	Qualifying Criteria / Requirements of Tenancy
<ul style="list-style-type: none"> - Countrywide zone development that have no export volume preconditions - Private sector zone development and management - Labour practices that are consistent with ILO - Incorporation of development policy priorities other than employment, FDI and value chain development to include innovation, human resource development, rural development and green growth - Economic, social and environmental sustainability 	<ul style="list-style-type: none"> - Light manufacturing and assembly (Panama Pacifico, Mexico, Costa Rica) - Commodity port (Rotterdam) - Dry dock (Dubai, Singapore, Bahamas) 		<ul style="list-style-type: none"> ▪ The SEZ Authority will be a one-stop-shop, but will not grant development approvals. 	
MAURITIUS				
<ul style="list-style-type: none"> • EPZ Scheme eliminated in October 2006. • In 2001, the Government set up Business Parks of Mauritius (BPML) to lead the development of business parks. • 			<ul style="list-style-type: none"> ▪ The Export Processing Zone Development Authority (EPZDA), which helped export enterprises improve competitiveness, through its information, technical, advisory, and consulting services, has ceased its activities. ▪ The EPZDA was replaced with the Freeport Authority which merged with the Board of Investment in 2005. ▪ The mission of the Export Processing Zone Development Authority is to act as a facilitator and catalyst in forging the competitive edge of all export-oriented activities. It provides export competency development support through training programmes, consultancy services, and assessment of performance amongst others. ▪ Through its Clothing Technology Centre (CTC), the EPZDA assists garment manufacturers in improving the design and quality of their products as well as in the acquisition of technology. Furthermore, the CTC runs technical training programmes, and it has recently set up a model factory with a view to give hands-on training to those joining the textile/apparel industry. ▪ Also, the EPZDA assists manufacturers in the supply chain management, encouraging the establishment of backward linkages and the clustering of enterprises. Finally, the EPZDA has recently set up a “mauritius-industry” 	<ul style="list-style-type: none"> ▪ In principle, EPZ firms are allowed to sell up to 20% of their production duty free on domestic market.

General Description / Objectives	Activities/ Sectors	Benefits/ Incentives	Management/ Organization	Qualifying Criteria / Requirements of Tenancy
			website aimed at being the e-marketplace of the Mauritian textile and apparel industry	
UAE				
<ul style="list-style-type: none"> ▪ Approx.. 26 FTZ operating in the UAE, (US\$4 billion in goods and services) ▪ The UAE applies four import regimes: transit, temporary admission, warehousing, and goods imported into the free-trade zones. 		<ul style="list-style-type: none"> ▪ foreign ownership in firms established in an FTZ may be 100% ▪ investors are exempt from paying corporate taxes for 15 years, renewable for a further 15 years. ▪ goods are imported into an FTZ duty free ▪ companies located in the FTZs are exempted from agency/distributorship, sponsorship, and national ownership requirements. 	<ul style="list-style-type: none"> ▪ Each free zone is governed by an independent FTZ authority which is responsible for issuing FTZ operating licences and assisting companies to establish their business in the FTZ. 	<ul style="list-style-type: none"> ▪ To be eligible for credits by the Emirate Industrial Bank, the project was required to have a minimum of 51% UAE or GCC⁴ equity participation and be located in the UAE. The loan financed up to 70% of the project's total cost at a preferential interest rate. ▪ there is no limit regarding the percentage of FTZ products that may be sold in the national territory, provided that import duties are paid.
PANAMA				
<ul style="list-style-type: none"> ▪ 14 major Free Zones in Panama, with a total of about 99 firms.⁵ ▪ Law 32 of 5 April 2011 	<p>Categories of activities:</p> <ul style="list-style-type: none"> ▪ Manufacturing companies ▪ Assembly companies ▪ Finished and semi-finished goods processing companies ▪ Hi-Tech companies ▪ Logistics services companies ▪ Environmental services companies ▪ Specialized Centers for health services ▪ Higher education Centers ▪ Research Centers ▪ Services companies ▪ General services companies <p>Specific Free Zones</p> <p>1) Panexport (warehousing, import/export, manufacturing)</p>	<p>Benefits:</p> <ul style="list-style-type: none"> ▪ the exemption from taxes and import duties on raw materials, semi-finished products, purchase and import of equipment and building materials, machinery, spare parts, tools, accessories, supplies, packaging materials and any goods or services required for their operations. ▪ the developers of free trade zones are exempt from income tax in the lease and sublease. ▪ services companies, Logistics companies, High Tech companies, Scientific research centers, Higher education centers, General services companies, specialized centers for the provision of health and Environmental services company, will be 100% exempt from income tax for its foreign operations and operations together. <p>Special immigration regime:</p> <ul style="list-style-type: none"> ▪ permanent Resident Permit as an investor. ▪ temporary Resident Permit as executives, experts and / or technical, valid for the term of the contract ▪ short stay visa for trader and investor, by special laws, 	The licenses to operate in a Free Zone are given by the Ministry of Commerce and Industries (MICI)	

⁴ The Gulf Cooperation Council (GCC) is a regional organisation (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) that was set up in 1981 to enhance coordination, integration and inter-connection among its members.

⁵ Georgia Tech Logistics Innovation & Research Center. <http://logistics.gatech.pa/en/assets/special-economic-zones/free-zones>.

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	2) Colon Maritime Investor (cluster of maritime operations based in Colon City) 3) Isla Margarita Development Inc. 4) Zone France de Albrook 5) Zona Franca de Corozal 6) Rail Road Export Processing Zone 7) Eurofusion 8) Davis Free Zone 9) Hewlett Packard Global Services	valid for nine months, to perform business in the export processing zones. <ul style="list-style-type: none"> ▪ temporary permits for special activities: teacher, student or researcher of a higher education center in a Free Zone; investigator of a scientific research center. ▪ the permits would be extended to spouse and children and elderly dependents of the principal applicant. <p>Special labor conditions:</p> <ul style="list-style-type: none"> ▪ it allows rotation of workers ▪ the holiday period may be agreed between the parties ▪ the overtime will be paid with a surcharge of only 25% on wages ▪ work on holiday or national mourning will be paid with a surcharge of 50% on the wages of ordinary working time. 		
Colon (Panama)				
<ul style="list-style-type: none"> ▪ Example of a Free Trade Zone (FTZ) ▪ Approx. 3000 companies ▪ 2nd largest FTZ in the world, after Hong Kong ▪ created by Decree Law No. 19 dated June 17th, 1948, 	<p>Main activities:⁶</p> <ul style="list-style-type: none"> ▪ Exportation and re-exportation ▪ Importation ▪ Manufacturing ▪ Sales ▪ Commercialisation and distribution of goods ▪ Refining and processing of goods ▪ Operations ▪ Transactions, negotiations or incidental activities relating to the establishment and operation of international free trade zones. 	<ul style="list-style-type: none"> ▪ 0% import or export tax ▪ 0% income tax ▪ no time limit on storage ▪ Country-of-origin remains unchanged ▪ Foreign and local companies admitted ▪ Special immigration facilities for foreign users ▪ 0% share on profits resulted from operations overseas. ▪ No commercial license is required or a minimum capital of investment ▪ Companies established in the Colon Free Zone which manufacture for export are fully tax exempt as long as they generate a certain number of stable and direct jobs. ▪ Preferred tax schedule over profits. ▪ Capital repatriation or dividends paid outside are not considered profit for tax purposes. ▪ Except for the payment of US\$250 annual tax for the Panamanian Corporations and property taxes, companies are exempt from national and municipal taxes. ▪ Tax laws for companies established in the Free Zone require separate accounting for local and foreign transactions. 	<p>Free Zone Administration⁷</p> <ul style="list-style-type: none"> ▪ the Free Zone Administration (FZA) is responsible for running and developing the Colon FTZ. ▪ the FZA an autonomous institution of Panamanian Government and functions under clearly defined laws and precedents. ▪ the FZA controls rent, public warehousing, promotion, development and construction. It also keeps statistics and administers the flow of export and imports. <p>Users' Association</p> <ul style="list-style-type: none"> ▪ active and prestigious body with its own offices, conference an exhibition rooms with the purpose of seeking the rights and interests of its members and increase the prosperity of the Zone. ▪ publishes an annual directory and catalogue. ▪ organizes commercial missions abroad. 	<p>A company may:</p> <ul style="list-style-type: none"> ▪ lease premises from the CFZ, provided that it exports at least 60% of the goods handled. ▪ lease land lots within the CFZ to build warehouse facilities, for its own use or letting to other companies. ▪ lease warehouse facilities owned by CFZ which requires an Operation Permit (annual fee of US\$1,200). ▪ enter into a contract with an established CFZ company that will represent it. <p>may use the public warehouse, where goods may be received and stored.</p>

⁶ Doing Business in Panama, UHY, August 2013. <http://www.uhy.com/wp-content/uploads/Doing-Business-in-Panama.pdf>.

⁷ Focus Panama. <http://www.focuspublicationsint.com/focuspanama/en/free-zone.htm>.

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Ciudad del Saber - City of Knowledge (Panama)				
<ul style="list-style-type: none"> ▪ Example of a Specialized Zone ▪ former military base ▪ Mission: "to be an International Center of Excellence for the generation, dissemination and application of knowledge, at the service of human development, leveraging Panama's competitive advantages." ▪ a private, non-profit organization ; the project it directs is an independent endeavor. ▪ located next to the Colon Free Zone, the Tocumen airline hub, and the Howard logistic service platform. ▪ Decree law 6 of 10 of 10 February 1998 	<ul style="list-style-type: none"> ▪ Science and Technology ▪ Human development ▪ Cultural activities 	<p>Tax Benefits⁸</p> <ul style="list-style-type: none"> ▪ exemption from all taxes, levies, fees or import duties on machines, equipment, furniture, vehicles, appliances or materials necessary. ▪ exemption from Service and Personal Tangible Asset Transfer Tax (ITBMS) on machinery, equipment, vehicles, appliances and materials purchased or necessary for the operation of companies. ▪ exemption from any taxes, fees, duties or levies on overseas money remittance. ▪ innovating companies producing, assembling or processing high-tech goods or rendering similar services for sale in the local or international market will have the following benefits: <ul style="list-style-type: none"> - their activities, operations, transactions, procedures and transfers of personal and real property, purchase and import of equipment and construction material, raw materials, machinery, tools, accessories and supplies will be a 100% free of direct taxes, levies, fees, duties and national taxes. This includes income tax exemption for companies. - their capital will be free from direct national taxes, including patent or license tax. <p>Immigration Benefits</p> <ul style="list-style-type: none"> ▪ the State will grant special visas to foreign staff entering the country to contribute to the development of the City of Knowledge project. <p>Labor Benefits</p> <ul style="list-style-type: none"> ▪ companies affiliated to the City of Knowledge are authorized to hire any international staff necessary for their operation. <p>Recreation</p> <ul style="list-style-type: none"> ▪ Kiwanis Sports Village is located at the heart of the City of Knowledge, and it has a walking/jogging circuit; 	<ul style="list-style-type: none"> ▪ managed by the City of Knowledge Foundation ▪ model organized around a board of trustees representing different sectors, including the academic-scientific community, the business community, the government, and labor unions.⁹ ▪ the board consists of: <ul style="list-style-type: none"> - the presidents of the three main universities - the President of the Council of the Presidents of Universities - the National Secretariat of Science, Technology, and Innovation - businessmen - Ministers of Foreign Relations, Education, the Presidency, and of Finance and Economics - the National Assembly (legislative branch) - organized labor unions. 	<p>Qualifying criteria:</p> <ul style="list-style-type: none"> ▪ all companies, academic programs or international organizations applying for affiliation to City of Knowledge must have activities that are in line with its goals, and in no case can they be contrary to them. ▪ perform activities in the following areas: <ul style="list-style-type: none"> - Biosciences - Business Management and Entrepreneurship - Environmental Management - Global Services - Human Development - ICT - Other ▪ a program or activity must meet at least two of three essential requirements: <ul style="list-style-type: none"> - the program or activity must not have an equivalent in the country. - it must be a methodology or technology transfer without an equivalent in the country, applied to developing a field of activity already existing in Panama. - it must require the conditions offered by City of Knowledge in order to be implemented in Panama. <p>*Every year only 10% of the companies that apply are accepted, given the strict criteria.¹⁰</p>

⁸ Ciudad del Saber Panama, City of Knowledge. <http://ciudadelsaber.org/en/benefits/city-of-knowledge>

⁹ The Business Year. http://www.thebusinessyear.com/vip_interview/3216/jorge-r_rosemena

¹⁰ The Business Year. http://www.thebusinessyear.com/vip_interview/3216/jorge-r_rosemena

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		baseball, softball, soccer and basketball fields; tennis courts, outdoor swimming pools, and a gym.		
Panama Pacifico Special Economic Area (Panama)¹¹				
<ul style="list-style-type: none"> ▪ similar to a Special Economic Zone (SEZ) ▪ former Howard Air force base ▪ Law 41 of 20 July 2004 	<p>Panama Pacifico SEA is designed to attract:</p> <ul style="list-style-type: none"> ▪ Office administration service (back office) operations for users outside the country or within the area ▪ Call centers ▪ Logistics and multimodal services ▪ Manufacture of high-tech products, components and parts ▪ Processing activities, manufacturing and assembly of products, components and parts using high-tech processes ▪ Offshore services ▪ Data transmission, radio, TV, audio and video ▪ Capture, processing, storage, switching, transmission and retransmission of digital data and information ▪ Research and development of digital resources and applications for use in Internet and intranet networks ▪ Stock transfer and sales between on-site companies ▪ Aircraft maintenance, repair and overhaul ▪ Sale of goods and services to the aviation industry ▪ Sale of goods and services to ships, aircraft and their passengers and crew, bound for ports or airports abroad ▪ Film industry (governed by Law 36 of 2007). ▪ Sales of goods not manufactured in the Panama Pacifico area, intended for exportation, when made by multinational corporations or any of 	<p>Tax benefits:</p> <ul style="list-style-type: none"> ▪ Exemption from any tax, levy, rate, encumbrance or import duties on any merchandise, products, equipment, services and other goods in general that are entered into Panama Pacifico ▪ Exemption from sales taxes ▪ Exemption from any tax, duty, rate, levy or fee regarding the movement or storage of fuel or other hydrocarbons and their derivatives ▪ Exemption on any commercial or industrial licenses or registration tax ▪ Exemption from Stamp Tax ▪ Exemption on real estate taxes on land and commercial/industrial improvements, as well as from the Tax on the Transfer of Immovable Goods ▪ Exemption from export/re-export tax of any type of merchandise, products, equipment, goods or services ▪ Exemption from any tax, rate, duty, encumbrance, withholding or other fees of a similar nature applied to payments to foreign creditors, for the interest, commissions, royalties and other financial fees generated by the financing or refinancing granted to the companies in Panama Pacifico, and for the financial lease of equipment required for the development of the activities, business or operations carried out within Panama Pacifico ▪ Direct taxes are paid by all companies except those established by Law 41 of 2004 as “Specially Incentivized Activities”, which are completely exempt from all taxes. ▪ Special municipal tax regime, which exonerates various activities and which includes legal stability against changes in taxation rates and rules <p>Immigration benefits:</p> <ul style="list-style-type: none"> ▪ Onsite One-Stop Shop ▪ Special visas for investors and workers ▪ Visa benefits extend to workers’ immediate relatives: 	<ul style="list-style-type: none"> ▪ administered by the Agency of the Panama Pacifico Special Economic Area ▪ the Agency is responsible for managing, directing, operating and developing the Panama-Pacifico SEA 	

¹¹ Law 41 of July 20, 2004. <http://cloud.panamapacifico.com/libraries/pdfs/spanish/Law-41.pdf>.

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	<p>their affiliates, subsidiaries or companies in the same economic group</p> <ul style="list-style-type: none"> ▪ Multinational Corporation headquarters (governed by SEM Law 41 of 2007) 	<p>spouse, dependent children up to 25 years of age, dependent parents over 62 years of age</p> <ul style="list-style-type: none"> ▪ Tax-free, one-time importation of any personal and domestic belongings (up to US\$100,000) <p>Legal stability: Law 41 is supplemented by Panama's Investment Stability Law</p> <ul style="list-style-type: none"> ▪ Onsite companies are automatically covered (elsewhere, this benefit must be applied for, and is subject to conditions and an authorization process) ▪ Guarantees no business impact from legal and municipal regime changes adopted during the subsequent ten (10) years, beginning the date your company registers in the area <p>One-Stop Shop</p> <ul style="list-style-type: none"> ▪ All necessary procedures and business permits for companies registered in the area are expeditiously issued onsite. ▪ 17+ government offices are present at the Panama Pacifico Agency : <ul style="list-style-type: none"> - Civil Aviation Authority - Comptroller's Office - Electricity Supply Office (Gas Natural Fenosa) - Fire Department - General Income Tax Department - Immigration Office - Ministry of Agricultural Development - Ministry of Health - Ministry of Housing - Ministry of Labor - Ministry of Public Works - Municipality of Arraijan - National Customs Authority - National Environment Authority - Panamanian Food Security Authority - Social Security Office - Transport and Transit Authority - Water Supply and Sewage System Authority <p>Special labour:</p> <ul style="list-style-type: none"> ▪ A special labor regime positively impacts operations in the area, which includes: ▪ Fixed rates for overtime (25%) and work on employees' day off (50%) ▪ Flexibility to assign employees' day off ▪ Companies may remain open on Sundays and holidays 		

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		<ul style="list-style-type: none"> ▪ Foreign workers: possibility of exceeding the Labor Code's percentage rule for technicians and specialists, pending the authorization of the labor authorities, in cases of lack of qualified Panamanian labor ▪ Capacity-building Center for Higher Education Training ▪ Justified cause for termination due to market losses and/or fluctuations ▪ Ministry of Labor onsite in the One-Stop Shop ▪ Wages on night or mixed shifts can be paid by effectively worked hours. 		
SINGAPORE ¹²				
<ul style="list-style-type: none"> ▪ 8 FTZs (6 cater to seaborne cargo and 2 for airfreight) ▪ the FTZs may be used for storage and repackaging of import and export cargo, and goods transiting Singapore for subsequent re-export.¹³ ▪ manufacturing is not carried out within the zones. Foreign and local firms have equal access to the FTZ facilities. ▪ Free Trade Zones Act 1997 	<p>Specific authorities:</p> <p>1) PSA Corporation:</p> <ul style="list-style-type: none"> ▪ specialized cargo (such as hazardous chemicals and refrigerated cargo, and depot services at the on-dock depots); and ▪ solutions for shippers, including transloading, multi-countries' consolidation, and central distribution. <p>2) Jurong:</p> <ul style="list-style-type: none"> ▪ Multi-purpose facilities at the main terminal enable the loading and unloading of: <ul style="list-style-type: none"> - Dry and liquid bulk cargo - General cargo, including heavy-lift project cargo - Containerised cargo ▪ operates the Offshore Marine Centre, a multi-user waterfront facility providing port services to companies engaged in fabrication of marine and offshore equipment. ▪ operates two separate lighterage terminals catering to vessel crafts that provide supplies to ships calling at Singapore. 		<p>There are 3 FTZ Authorities which have the authority to administer, maintain and operate free trade zones:</p> <ol style="list-style-type: none"> 1) PSA Corporation Limited – 6 FTZs (transshipment) 2) Jurong Port Pte Ltd. – 1 FTZ (port, maritime services) 3) The Changi Airport Group (Singapore) Pte Ltd. – 2 FTZs (airport, logistics). <p>Role of Government/Authority:</p> <ol style="list-style-type: none"> a) The Minister may, by notification in the Gazette, declare any area in Singapore to be a free trade zone and every such notification shall define the limits of that free trade zone. b) The Minister may appoint any statutory body or department of the Government or company as the authority to administer, maintain and operate any free trade zone which has been so declared under subsection. c) The Minister shall require the authority to provide and maintain in the free trade zone such facilities as he may consider necessary for the proper and efficient functioning of the free trade zone. 	

¹² Free Zones Study, Deloitte, October 2008. <http://www.wd-deo.gc.ca/eng/11168.asp>

¹³ US Department of State. 2014 Investment Climate Statement. <http://www.state.gov/e/eb/rls/othr/ics/2014/227226.htm#17>.

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	3) Changi Airport Group (Singapore) <ul style="list-style-type: none"> ▪ airport operations and management ▪ air hub development ▪ commercial activities ▪ airport emergency services 		d) The Minister shall give to the authority such directions as are necessary to ensure compliance with the provisions of this Act and for the purpose of protecting the revenue, and the authority shall comply with those directions. e) The authority shall permit customs offices to be established in a free trade zone and shall provide adequate facilities for officers of customs whose duties require their presence within or at the perimeter of the zone. f) The authority shall provide adequate enclosures to segregate the free trade zone from customs territory for the protection of the revenue, together with suitable provisions for the movements of persons, conveyances, vessels and goods into and from the free trade zone.	
Singapore Science Park¹⁴				
<ul style="list-style-type: none"> ▪ located along Singapore's "Technology Corridor", the park is in close proximity to research and tertiary institutions such as the National University of Singapore (NUS), National University Hospital (NUH) and one-north, Singapore's biomedical R&D hub 	Types of industries: <ul style="list-style-type: none"> ▪ Biomedical sciences ▪ Information technology ▪ Software development ▪ Telecommunications ▪ Electronics ▪ Food technology ▪ Flavours and fragrances ▪ Materials and chemical 	The park is an epitome of complete work-play business lifestyle with its extensive range of business support services as well as recreational and lifestyle amenities. These include: <ul style="list-style-type: none"> ▪ Fully equipped fitness centre with gym, swimming pool, tennis courts, aerobics and weights studios ▪ Foodcourts, restaurants and cafeterias ▪ Auditorium and conference facilities complete with AV equipment ▪ Intra-park and university bus shuttles ▪ Lunchtime and peak hour bus shuttles ▪ Organised activities such as Healthy Lifestyle Week, Green Month, business networking sessions ▪ Network to Science Parks worldwide 	<ul style="list-style-type: none"> ▪ Developed and run by Ascendas Real Estate Investment Trust (A-REIT). ▪ Ascendas Real Estate Investment Trust ("A-REIT") is Singapore's first and largest listed business space and industrial real estate investment trust with a diversified portfolio of 104 properties in Singapore and 2 business park properties in China as at 30 September 2014. 	
SOUTH KOREA				
<ul style="list-style-type: none"> ▪ 8 Free Economic Zones (FEZs) ▪ Broader concept than a regular export 	<ul style="list-style-type: none"> ▪ The FEZs differ from other zones designated for foreign investment in their focus on creating a 	Tax benefits: State tax: 5-year incentives:	Free Zone Committee	Party eligible to establish occupancy: <ul style="list-style-type: none"> ▪ Local company ▪ 100% foreign-invested firm

¹⁴ Singapore Science Park. <http://www.sciencepark.com.sg/introduction.html>.

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<p>processing zone (EPZ)</p> <ul style="list-style-type: none"> ▪ Explicitly to promote foreign investment ▪ Distinction made between internal and external industries ▪ Legislation: <ul style="list-style-type: none"> - Special Act on Designation and Management of FEZ - Foreign Investment Promotion Act - Local Regulation on Managing Public Properties ▪ In February 2012, in an effort to abolish inefficient, underperforming, and unfeasible portions of the nation's free economic zones the Ministry of Knowledge Economy removed the FEZ status from 90.51 square kilometers (22,366 acres), or 15.9 percent of the total land in the zones ▪ Daegu-Gyeongbuk Free Economic Zone was the winner of the 2014 fDi Magazine SME Category for Asia 	<p>comprehensive living and working environment with¹⁵:</p> <ul style="list-style-type: none"> - biotechnology, - aviation, - logistics, - manufacturing, - service, and - other industrial clusters, with - international schools, - recreational facilities, and - international hospitals. 	<ul style="list-style-type: none"> - Custom duties: exempt for 5 years (imported capital goods) - Corporate tax; earned income tax: 100% exempt for 3 years and 50% reduced for the following 2 years. <p>7-year incentives:</p> <ul style="list-style-type: none"> - Customs duties, special consumption tax; VAT: exempt for 5 years - Corporate tax, earned income tax: 100% for 3 years and 50% reduced for the following 2 years. <p>Local tax:</p> <ul style="list-style-type: none"> - Acquisition tax, Property tax will be 100% exempt for 15 years - The exemption may be extended by the enactment of the local government regulation to that effect. <p>Eligibility for tax benefits: Foreign invested firm that has established an occupancy in FEZ</p>		<ul style="list-style-type: none"> ▪ a joint venture with more than 10% shareholding by a foreign investor <p>Requirements for tax exemption or reduction:</p> <p>5-year incentives</p> <ul style="list-style-type: none"> ▪ Manufacturing business : Invest > \$10M ▪ Tourism business : >\$10 M ▪ Resort business : > \$10 M ▪ Int'l conference facilities: >\$10M ▪ Youth center facilities : > \$10 M ▪ Logistics business : > \$5 M ▪ Medical institution : > \$5 M ▪ R&D: > \$1 M (the applicant should hire more than 10 full-time researchers who hold a Master's degree or higher and have more than 3 years' experience). ▪ Project developer: The foreign investor should invest > \$30 M, or, in case of a joint venture, the project calls for a total cost of > \$500 M and the foreign investor invests more than 50% of the cost. <p>7-year incentives:</p> <ul style="list-style-type: none"> - Manufacturing business : Invest > \$30 M - Tourism business : > \$20 M - Resort business : > \$20 M - International conference facilities : > \$20 M - Youth center facilities :> \$20 M - Logistics business : > \$10 M - SOC : > \$10 M - Joint project :> \$30 M - R&D: > \$2 M (the applicant should hire more than 10 full time researchers who hold a Master's degree or higher and have more than 3 years' experience).
Others Zones in South Korea ^{16,17}				
<ul style="list-style-type: none"> ▪ 6 foreign-exclusive industrial complexes 	<ul style="list-style-type: none"> ▪ to provide inexpensive plant sites, with the national and local governments providing assistance for leasing or 		<ul style="list-style-type: none"> ▪ Designation by Ministry of Industry 	

¹⁵ US Department of State. 2014 Investment Climate Statement. <http://www.state.gov/e/eb/rls/othr/ics/2014/228975.htm#17>.

¹⁶ US Department of State. 2014 Investment Climate Statement. <http://www.state.gov/e/eb/rls/othr/ics/2014/228975.htm#17>.

¹⁷ Korean Free Economic Zones. <http://www.fez.go.kr/en/domestic-system-current-state.jsp>.

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	selling in such sites at discounted rates.			
<ul style="list-style-type: none"> ▪ 4 Free Trade Zones ▪ Special law of free economic zone delegation and operation 	<ul style="list-style-type: none"> ▪ companies may pursue their business with government support, but without the usual legal requirements such as approval procedures for export and imports and customs duties 			
<ul style="list-style-type: none"> ▪ 7 Foreign Investment Zones ▪ Foreign Investment Promotion Act 	<ul style="list-style-type: none"> ▪ designated by local governments to accommodate industrial sites for foreign investors. Special considerations for foreign investors vary among these options. 		<ul style="list-style-type: none"> ▪ Designation by mayor and governor 	
OTHER FREE ZONES¹⁸				
Brazil (Manaus Free Trade Zone)				
<ul style="list-style-type: none"> ▪ 400 companies ▪ Average annual revenue: US\$10billion ▪ Employment: 50,000 	<ul style="list-style-type: none"> ▪ Manufacturing Park ▪ Trading Centre ▪ Agricultural and ranching District 		Managed and promoted by the Manaus Free Trade Zone Superintendence ("Suframa"), a government agency under the Ministry for Development, Industry and Foreign Trade	
Dubai Multi Commodities Centre (DMCC)				
<ul style="list-style-type: none"> ▪ Winner of the 2014 fDi Magazine SME Category for the Middle East and Africa ▪ > 9000 registered companies 	<ul style="list-style-type: none"> ▪ Pearls ▪ Tea ▪ Diamond ▪ Gold, silver ▪ Energy ▪ Steel 	<ul style="list-style-type: none"> ▪ 100% foreign business ownership ▪ Full capital repatriation ▪ 0% personal and corporate tax rate for 50 years guaranteed ▪ Training sessions ▪ Networking events ▪ Secure, regulated environment ▪ Variety of freehold, commercial and residential property for sale or lease at competitive rates ▪ Streamlining issuing of all documents and licenses. 		<ul style="list-style-type: none"> ▪ Licensing <ul style="list-style-type: none"> - License categories – trading, services, industrial (a firm may have more than one) - Annual audited financial statements ▪ Inspection of premises from time to time to monitor compliance and to review operations, staff and premises layout
Lodz Special Economic Zone (Poland)¹⁹				
<ul style="list-style-type: none"> ▪ Winner of the 2014 fDi Magazine SME category for Europe 		<ul style="list-style-type: none"> ▪ Investors implementing economic activity on the area of Lodz SEZ use state public aid in the form of exemption from corporate income tax or personal income tax. It is also possible to obtain exemption from real estate tax. ▪ Investors have complete freedom in selection of type of 		<p>Conditions for tenancy:</p> <ul style="list-style-type: none"> ▪ investment of minimum 100 000 EUR ▪ continuance of the investment in the region for at least 5 years after completion of the whole investment (3 years for SME)

¹⁸ Some of the winners of fDi Magazine's Global Free Zones of the Year 2014. <http://www.zrenjanin.rs/userfiles/file/fDiGlobalFreeZonesoftheYear2014.pdf>.

¹⁹ Lodz Special Economic Zone. <http://www.sse.lodz.pl/en/>.

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		<p>aid they want to use. Support is provided until full consumption of total amount of eligible state aid but not longer than to the end of the Zone's operation.</p> <ul style="list-style-type: none"> ▪ The level of state aid depends on the size of enterprise and is as follows: <ul style="list-style-type: none"> - 35% for large enterprises - 45% for medium enterprises - 55% for small enterprises 		<ul style="list-style-type: none"> ▪ maintenance of employment level for at least 5 years (3 years for SME) ▪ own capital is at least 25% of total investment costs ▪ tax exemptions eligible only for economic activity realized on the area of special economic zone <p>Eligibility costs (fixed assets) (Amount of state aid = level of aid x investment costs)</p> <ul style="list-style-type: none"> ▪ expenditure for land purchase, ▪ expenditure for construction and infrastructure, ▪ expenditure for fixed assets (equipment, machine park)- in case of SME it is possible to purchase used fixed assets, ▪ expenditure for necessary licenses, patents and other intangible assets for realization of activity, ▪ expenditure for rental or leasing of plots and buildings provided that the rental or leasing term is not shorter than 5 years (3 years for SME). <p>Eligibility costs (labour costs) (Amount of state aid = level of aid x two- year costs of newly created workplaces)</p> <ul style="list-style-type: none"> ▪ Labour costs are: Two- year costs related to newly- created workplaces, gross labour costs of employees hired for these positions increased by obligatory fees such as social insurance charged from the entrepreneur since employment of these employees.
<p>ZonaAmerica (Uruguay)</p> <ul style="list-style-type: none"> ▪ Winner of the 2014 fDi Magazine SME category for the Americas ▪ >300 companies ▪ Most FTZ are dedicated to warehousing, while two are exclusively for paper and pulp. 	<ul style="list-style-type: none"> ▪ SMEs ▪ Business and Technology 			<ul style="list-style-type: none"> ▪ Current government monopolies are not honored within FTZs. ▪ Local and foreign-owned industries alike enjoy several advantages in an FTZ, including the exemption from all domestic taxes.

General Description / Objectives	Activities/ Sectors	Benefits/ Incentives	Management/ Organization	Qualifying Criteria / Requirements of Tenancy
<ul style="list-style-type: none"> ▪ Decree 344/010 passed in November 2010 discourages the establishment of shell or “paper” companies in free zones for tax evasion purposes. ▪ The Decree requires companies to submit a business plan and limits the term of the authorization to ten years, which is renewable upon GOU review.²⁰ 				

Definitions:²¹

- **Free trade zones**, also known as commercial free zones and free commercial zones, are small, fenced-in, duty-free areas, offering ware housing, storage, and distribution facilities for trade, transshipment, and re-export operations, located in most ports of entry around the world. A leading example is the Colon Free Zone in Panama.
- **Export processing zones**, industrial estates offering special incentives and facilities for manufacturing and related activities aimed mostly at export markets, typically take two forms. In the traditional EPZ model, the entire area within the zone is exclusively for export-oriented enterprises licensed under an EPZ regime. Hybrid EPZs, in contrast, are typically sub-divided into a general zone open to all industries regardless of export orientation and a separate EPZ area reserved for export-oriented, EPZ-registered enterprises.
- **Freeports** are generally a much broader concept and typically encompass much larger areas. They accommodate all types of activities, including tourism and retail sales, permit people to reside on site, and provide a much broader set of incentives and benefits. The large-scale freeports in China are a traditional example.
- **Enterprise zones** are intended to revitalize distressed urban or rural areas through the provision of tax incentives and financial grants. Most zones are in developed countries, for example the United States, France, and the United Kingdom, although South Africa is developing a similar mechanism.
- **Single factory EPZ** schemes provide incentives to individual enterprises regardless of location; factories do not have to locate within a designated zone to receive incentives and privileges.⁶ Leading examples of countries relying exclusively on a single factory scheme include Mauritius, Madagascar, Mexico and Fiji; other countries such as Costa Rica, the United States, and Sri Lanka allow both industrial estate-style zones and single factory designations.
- **Special economic zones** have evolved into highly specialized facilities, configured to the needs of specific industries and activities. SEZ promote a wide range of areas including: high technology or science based industries; petrochemical and heavy industry zones relying on cheap energy sources and specialized facilities; financial services zones to promote offshore financial and non-financial activities; software and information communications technology (ICT) zones accommodating software coding and other off-shore ICT services operations; airport-based zones, specifically support aviation and air-based activities; tourism zones to facilitate integrated resort and leisure community development; logistics parks and cargo villages/cities, providing specialized facilities and support services to facilitate trade, supply chain management, and logistics; and others.

²⁰ US Department of State. 2014 Investment Climate Statement. <http://www.state.gov/e/eb/rls/othr/ics/2011/157381.htm>.

²¹ ‘Special Economic Zones: Performance, Lessons learned, and Implications for Zone Development’. World Bank Group. April 2008. <https://www.wbginvestmentclimate.org/uploads/SEZs%20-%20Performance,%20Lessons%20Learned%20and%20Implications%20for%20Zone%20Development.pdf>.

Economic Zone composition, by country

Country	No. of firms/zones	Firm activities	Employment
Jamaica (Montego Bay Free Zone)	n/a	<ul style="list-style-type: none"> - warehousing and manufacturing - information and communication technology 	>7,000 jobs
U.A.E. (Dubai Multi Commodities Centre)	>10,000 firms (within 26 FTZs) with investments of over US\$4Billion	Commodities traded: <ul style="list-style-type: none"> - pearls - tea - diamond - gold - energy - steel 	>85,000 jobs
Botswana ¹	6 zones	Proposed specialized areas: <ul style="list-style-type: none"> - Agricultural Hub - Innovation Hub - Diamond Hub - Education Hub - Health Hub - Transport Hub 	n/a
Costa Rica	>270 firms (within 33 FTZs)	Eligible activities: <ul style="list-style-type: none"> - Manufacturing - Production - Repair - Maintenance of goods and services <i>Coyol Free Zone and Business Park</i> <ul style="list-style-type: none"> - High end medical devices - Advanced manufacturing 	n/a
Panama	>99 firms (14 major free zones)	Eligible activities <ul style="list-style-type: none"> - Manufacturing companies - Assembly companies - Finished and semi-finished goods processing companies - Hi-Tech companies - Logistics services companies - Environmental services companies - Specialized Centers for health services - Higher education Centers - Research Centers - Services companies - General services companies 	n/a
Uruguay (Zona America)	>350 firms	<ul style="list-style-type: none"> - Shared service centres - Call centres - Business Outsource Processing (BPO) - Information Technology and Software Development - Biotechnology - Financial Services - Consulting and Professional Services - Logistics and Distribution Centres 	n/a

¹ Special Economic Zones Policy of Botswana, Ministry of Trade and Industry, Republic of Botswana, September 2010.

Country	No. of firms/zones	Firm activities	Employment
Singapore	8 FTZs	<p>6 FTZs (seaborne goods and services):</p> <ul style="list-style-type: none"> - Dry and liquid bulk cargo - General cargo, including heavy-lift project cargo - Containerised cargo - Fabrication of marine and offshore equipment. - Ship supplies <p>2 FTZs (airfreight):</p> <ul style="list-style-type: none"> - airport operations and management - air hub development - commercial activities - airport emergency services 	n/a
Singapore (Science Park)	n/a	<ul style="list-style-type: none"> - Biomedical sciences - Information technology - Software development - Telecommunications - Electronics - Food technology - Flavours and fragrances - Materials and chemical 	n/a
Malaysia	16 free industrial zones (FIZs), 17 free commercial zones and over 200 industrial estates	<ul style="list-style-type: none"> - Electronics - Multimedia - Biotechnology - Industrial development - Energy - Financial Services - Manufacturing - Agriculture - Shipping and Transportation - ICT 	n/a
Trinidad & Tobago	18 Free Zone enterprises; 19 Industrial Parks	<ul style="list-style-type: none"> - Manufacturing - Services - International trading (re-exports, etc.) 	1,180

Qualifying criteria and incentives

Country	Qualifying criteria	Incentives
Costa Rica	<ul style="list-style-type: none"> ▪ for Small and Medium Enterprises: <ul style="list-style-type: none"> - Min. export level: None - Strategic sector: Yes - Min. employment level: None - Min. investment: US\$150,000 within FZ Park or \$2,000,000 outside FZ Park. ▪ for large projects: <ul style="list-style-type: none"> - Min. export level: None - Strategic sector: Yes - Min. employment level: None - Min. investment: US\$10,000,000 in fixed assets to be completed in 8 years. 	<p><i>Financial</i></p> <ul style="list-style-type: none"> ▪ tax incentives (all FTZ companies enjoy 100% exemption for import and export duties, excise taxes, and remittances repatriation tax). ▪ other financial incentives are granted according to a company's individual circumstances. For example, manufacturing companies that export more than 75% of their production are granted 100% exemption on corporate income tax for a period of 8 years, and 50% exemption during the following 4 years. <p><i>Non-financial:</i></p> <ul style="list-style-type: none"> ▪ employee training assistance in conjunction with the Instituto Nacional de Aprendizaje (National Learning Institute, or INA). ▪ assistance is also offered regarding employee hiring, determining employee housing and educational needs, and advice regarding ongoing legal requirements for FTZ companies.
Jamaica (proposed new SEZ regime)	n/a	<ul style="list-style-type: none"> ▪ duty-free importation of capital goods, consumer goods, office equipment, raw materials or articles for use in connection with the approved product ▪ no import licensing requirements ▪ duty-free treatment of articles for the construction, alteration, and repair of equipment of premises in the Free Zones ▪ total relief from income tax in respect of profits or gains earned from approved activities ▪ repatriation of profits (since liberalization of the foreign exchange market in 1991 there are no restrictions on the repatriation of profits) ▪ exemption from the normal fees payable with respect to work permits.
United Arab Emirates	<ul style="list-style-type: none"> ▪ to be eligible for credits by the Emirate Industrial Bank, the project is required to have a minimum of 51% UAE or GCC¹ equity participation and be located in the UAE. ▪ the loan is financed up to 70% of the project's total cost at a preferential interest rate. ▪ there is no limit regarding the percentage of FTZ products that may be sold in the national territory, provided that import duties are paid. 	<ul style="list-style-type: none"> ▪ foreign ownership in firms established in an FTZ may be 100% ▪ investors are exempt from paying corporate taxes for 15 years, renewable for a further 15 years. ▪ goods are imported into an FTZ duty free ▪ companies located in the FTZs are exempted from agency/distributorship, sponsorship, and national ownership requirements.
Ciudad del Saber (City of Knowledge),	<ul style="list-style-type: none"> ▪ all companies, academic programs or international organizations applying for affiliation to City of Knowledge must have 	<ul style="list-style-type: none"> ▪ exemption from all taxes, levies, fees or import duties on machines, equipment, furniture, vehicles, appliances or materials

¹ The Gulf Cooperation Council (GCC) is a regional organisation (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) that was set up in 1981 to enhance coordination, integration and inter-connection among its members.

Country	Qualifying criteria	Incentives
Panama	<p>activities that are in line with its goals, and in no case can they be contrary to them.</p> <ul style="list-style-type: none"> ▪ perform activities in the following areas: <ul style="list-style-type: none"> - Biosciences - Business Management and Entrepreneurship - Environmental Management - Global Services - Human Development - ICT - Other ▪ a program or activity must meet at least two of three essential requirements: <ul style="list-style-type: none"> - the program or activity must not have an equivalent in the country. - it must be a methodology or technology transfer without an equivalent in the country, applied to developing a field of activity already existing in Panama. - it must require the conditions offered by City of Knowledge in order to be implemented in Panama. 	<p>necessary.</p> <ul style="list-style-type: none"> ▪ exemption from Service and Personal Tangible Asset Transfer Tax (ITBMS) on machinery, equipment, vehicles, appliances and materials purchased or necessary for the operation of companies. ▪ exemption from any taxes, fees, duties or levies on overseas money remittance. ▪ innovating companies producing, assembling or processing high-tech goods or rendering similar services for sale in the local or international market will have the following benefits: <ul style="list-style-type: none"> - their activities, operations, transactions, procedures and transfers of personal and real property, purchase and import of equipment and construction material, raw materials, machinery, tools, accessories and supplies will be a 100% free of direct taxes, levies, fees, duties and national taxes. This includes income tax exemption for companies. - their capital will be free from direct national taxes, including patent or license tax.
South Korea	<ul style="list-style-type: none"> ▪ party eligible to establish occupancy: <ul style="list-style-type: none"> - Local company - 100% foreign-invested firm - a joint venture with more than 10% shareholding by a foreign investor ▪ requirements for tax exemption or reduction: <p><i>5-year incentives</i></p> <ul style="list-style-type: none"> - manufacturing business : Invest > \$10M - tourism business : >\$10 M - resort business : > \$10 M - int'l conference facilities: >\$10M - youth center facilities : > \$10 M - logistics business : > \$5 M - medical institution : > \$5 M - R&D: > \$1 M (the applicant should hire more than 10 full-time researchers who hold a Master's degree or higher and have more than 3 years' experience). - project developer: The foreign investor should invest > \$30 M, or, in case of a joint venture, the project calls for a total cost of > \$500 M and the foreign investor invests more than 50% of the cost. <p><i>7-year incentives:</i></p> <ul style="list-style-type: none"> - manufacturing business: Invest > \$30 M - tourism business : > \$20 M - resort business : > \$20 M - international conference facilities : > \$20 M - youth center facilities :> \$20 M - logistics business : > \$10 M - SOC : > \$10 M - Joint project :> \$30 M - R&D: > \$2 M (the applicant should hire 	<ul style="list-style-type: none"> ▪ State tax: <p><i>5-year incentives:</i></p> <ul style="list-style-type: none"> - Custom duties: exempt for 5 years (imported capital goods) - Corporate tax; earned income tax: 100% exempt for 3 years and 50% reduced for the following 2 years. <p><i>7-year incentives:</i></p> <ul style="list-style-type: none"> - Customs duties, special consumption tax; VAT: exempt for 5 years - Corporate tax, earned income tax: 100% for 3 years and 50% reduced for the following 2 years. ▪ Local tax: <ul style="list-style-type: none"> - Acquisition tax, Property tax will be 100% exempt for 15 years - The exemption may be extended by the enactment of the local government regulation to that effect. ▪ Eligibility for tax benefits: <ul style="list-style-type: none"> - Foreign invested firm that has established an occupancy in FEZ

Country	Qualifying criteria	Incentives
	more than 10 full time researchers who hold a Master's degree or higher and have more than 3 years' experience).	
Trinidad & Tobago	<ul style="list-style-type: none"> ▪ to be incorporated or registered in Trinidad and Tobago; ▪ to be involved in projects that would lead to job creation, skills development, goods/services exports and/or new investment; and ▪ to be involved in activities which include manufacturing and the export of products or services. 	<ul style="list-style-type: none"> ▪ no customs duties, Value Added Tax (VAT), or licenses on imports into free zones; ▪ no Corporation or Withholding taxes on profits and distributions of free zone enterprises; and ▪ minimal bureaucracy (increased facilitation by trade related organizations) for free zone operations.

PROPOSED MAIN PROVISIONS IN THE NEW SPECIAL ECONOMIC ZONES ACT

DEFINITION AND OBJECTIVES

Definition Special Economic Zones

1. The term Special Economic Zone will be defined in the new law as:
“An economic development tool to promote national economic growth economic diversification and exports, as well as to alleviate social problems such as unemployment, by using strategic support measures in order to attract targeted foreign and domestic investment and technology in targeted sectors.”

Objectives of Special Economic Zones

2. The purpose of establishing Special Economic Zones includes—
 - i) facilitating the creation of an industrial complex, having strategic national economic advantage for targeted investments and industries in the manufacturing sector, tradable services and other strategic areas;
 - ii) developing infrastructure required to support the development of targeted commercial activities;
 - iii) attracting foreign and domestic direct investment to stimulate wide-scale economic activities, especially in new and emerging sectors;
 - iv) providing the location for the establishment of targeted investments;
 - v) taking advantage of existing industrial and technological capacity, promoting integration with local industry and increasing value-added production;
 - vi) promoting regional development;
 - vii) creating decent work and other economic and social benefits in the region in which it is located, including the broadening of economic participation by promoting small, micro and medium enterprises and promoting skills and technology transfer; and
 - viii) the generation of new and innovative economic activities.

Responsibility to Execute SEZ Strategy

3. It is recommended that the Minister with responsibility for Industry have line responsibility for the development and execution of a SEZ Strategy. In addition, it is also recommended that a Trinidad and Tobago Special Economic Zones Advisory Board be established.

Trinidad and Tobago Special Economic Zones Advisory Board

4. The Trinidad and Tobago SEZ Advisory Board would comprise persons from the public, private and non-governmental sectors, namely:
 - The Ministry of Trade and Industry;
 - The Ministry of Finance;
 - The Ministry of Planning and Sustainable Development;
 - Ministry of Local Government and Rural Development;
 - Ministry of Public Utilities;
 - The Economic Advisory Board;
 - Tobago House of Assembly;
 - investTT;
 - eTeck;
 - Trinidad and Tobago Chamber of Industry and Commerce;
 - Trinidad and Tobago Manufacturers' Association;
 - Labour sector;
 - Civil society; and
 - Independent persons appointed on the basis of their knowledge, experience and expertise relevant to Special Economic Zones and the targeted sectors for development.
5. The functions of the Advisory Board would include:
 - i) to advise the Minister (with responsibility for industry) on policy and strategy in order to promote, develop, operate and manage Special Economic Zones;

- ii) to monitor the implementation of the Special Economic Zones Policy and strategy and report to the Minister on a quarterly basis on the implementation of such policy and strategy;
- iii) to consider an application for designation as a Special Economic Zone and recommend to the Minister whether or not to approve the application and grant a Special Economic Zone license to the applicant;
- iv) to consider an application for an operator permit and recommend to the Minister whether or not to approve the application;
- v) to consider an application for the transfer of an operator permit and recommend to the Minister whether or not to approve such application with or without any condition;
- vi) to liaise with an Internal Development Board on the implementation of the Special Economic Zone strategic plans;
- vii) to report in the prescribed manner to the Minister on progress relating to the development of Special Economic Zones;
- viii) to advise the Minister on initiatives to market Special Economic Zones; and
- ix) to assess and review the success of Special Economic Zones in achieving its objectives.

DESIGNATION OF SPECIAL ECONOMIC ZONES

Application for designation

6.
 - i) Central government, the Tobago House of Assembly, a municipal entity, a statutory body, a public entity, a private body, or a public-private partnership, acting alone or jointly, may apply to the Minister in the form and manner prescribed for a specified area to be designated as a Special Economic Zone.
 - ii) In its application, the applicant must demonstrate that the designation of the area as a Special Economic Zone will further national government's development objectives and must specify the extent to which the designation seeks to—
 - a. achieve the provisions of section 1;
 - b. be consistent with any applicable national policies and laws; and

- c. comply with any other prescribed criteria.
- iii) The applicant must—
 - a. have sufficient access to financial resources and expertise for the development, operation, management and administration of a Special Economic Zone;
 - b. submit to the Minister a comprehensive feasibility study;
 - c. indicate the extent to which it owns or controls the area to be considered for designation as a Special Economic Zone; and
 - d. in the case of a public-private partnership, indicate its ownership structure through the submission of a shareholders' agreement, indicating shareholding, percentages of shareholding, requirements for transfer of shares and requirements for the distribution of assets upon liquidation or deregistration; and
 - e. comply with such other criteria and requirements as may be prescribed.
- iv) The Advisory Board must—
 - a. consider the application; and
 - b. recommend to the Minister whether or not the area is suited to be designated as a Special Economic Zone.
- v) The Advisory Board may request further information and documents from the applicant for the purposes of considering the application.
- vi) The Minister, after considering the recommendation of the Advisory Boards and after consultation with the Minister of Finance and the Minister of Planning—
 - a. may designate an area as a Special Economic Zone by notice in the Gazette with or without conditions;
 - b. must issue the applicant with a Special Economic Zone license if the area is so designated.

Designation of Special Economic Zones

7.

- i) Despite section 6, the Minister may, on his own accord, designate an area as a Special Economic Zone in pursuance of strategic national interests.

- ii) The Minister may prescribe different categories of Special Economic Zones, which may include—
 - a. a free port
 - b. a free trade zone;
 - c. an industrial park;
 - d. a specialized sector development zone; and
 - e. a development zone.
- iii) The Minister may prescribe—
 - a. criteria and guidelines for the designation of each category of Special Economic Zones; and
 - b. conditions that may be imposed on each category of Special Economic Zones.
- iv) The Minister may, after consultation with the Minister of Finance and Minister of Planning, prescribe the type of services and businesses that may be located in a Special Economic Zone in order to achieve the purpose of Special Economic Zones set out in Section 2.
- v) For the purposes of this section—
 - a. “free port” means a duty free area adjacent to a port of entry where imported goods may be unloaded for value-adding activities within the Special Economic Zone for storage, repackaging or processing, subject to customs procedures;
 - b. “free trade zone” means a duty free area offering storage and distribution facilities for value-adding activities within the Special Economic Zone for subsequent export;
 - c. “port of entry” means a place designated as a place of entry for the control of vessels, aircraft, trains, vehicles, goods and persons entering the Republic;
 - d. “industrial park” is an area designated for the purpose of industrial development;
 - e. “specialized sector development zone” means a zone focused on the development of a specific sector or industry such as the maritime sector or

aviation services sector through the facilitation of general or specific industrial infrastructure, incentives, technical and business services primarily for the export market; and

- f. “development zone” means a zone focused on the development of a specific region with emphasis on non-economic factors such as employment, decent work, technology transfer, etc.

ZONE DEVELOPMENT AND MANAGEMENT

8. The development and management of the new Special Economic Zones Regime in Trinidad and Tobago should be decentralized, dynamic and efficient. SEZs can be financed through public expenditures, public-private partnerships, joint ventures or private developments. It can in turn be developed and managed by any applicable Public Body (i.e. a Ministry or Department, Division or Agency of a Ministry; the Tobago House of Assembly or a division of the Tobago House of Assembly; a municipal corporation established under the Municipal Corporations Act; a statutory body, responsibility for which is assigned to a Minister of Government; or a company incorporated under the laws of Trinidad and Tobago that is owned and controlled by the State) or private company.
9. Each applicant should have the capacity, resources and means to manage and operate the Special Economic Zone, including the transfer of ownership or control of the land comprising the area designated as a Special Economic Zone.

SEZ Advisory Board

10. The SEZ Advisory Board—
 - i) must consider the application;
 - ii) may require an applicant to supply additional information necessary to consider the application;
 - iii) may request an applicant to appear before it for the purpose of making an oral submission at the applicant’s expense;

- iv) may require any interested party, including an organ of state, affected by such application to comment on the application in writing; and
- v) must recommend to the Minister whether or not the applicant is eligible for an operator permit.

11. The Minister may, after considering the recommendation of the Advisory Board, issue a person with an operator permit, with or without conditions.

Withdrawal of designation

12.

- i) Notwithstanding section 11, the Minister may, after considering a recommendation of the Advisory Board and by notice in the Gazette, withdraw any designation of an area as a Special Economic Zone which does not further the purpose set out in section 4, on such terms and conditions as the Minister may determine.
- ii) Before withdrawing a designation in terms of subsection (i), the Minister must—
 - a. inform the affected licensee, Special Economic Zone Board, the SEZ Operator and businesses located in the affected Special Economic Zone of the intention to withdraw the designation and the reasons for the intended withdrawal; and
 - b. give the affected licensee, Special Economic Zone Board, operator and businesses 30 days to submit written comments to the Minister.
- iii) The lawful activities of any business located within a Special Economic Zone that has entered into a written agreement with the operator are not affected by the withdrawal of the designation of that Special Economic Zone in terms of this section.
- iv) Nothing contained in this Act precludes the Minister from re-designating an area whose designation as a Special Economic Zone has been withdrawn.

Special Economic Zone Operator

13. The Minister may make regulations regarding—

- i) the procedure and time periods applicable to applications for operator permits; and
 - ii) the information that must be provided in any application for an operator permit.
14. Each applicant that receives a Special Economic Zone license will be considered a Special Economic Zone Operator.
15. The Minister may make regulations regarding—
- i) additional criteria for applications for operator permits;
 - ii) any condition that may be imposed on operator permits, including conditions relating to businesses that may be operated in Special Economic Zones;
 - iii) any measure to promote the effective monitoring of the conditions contained in operator permits; and
 - iv) any other matter necessary to facilitate the issuing of an operator permit.
16. A Special Economic Zone may only be developed, operated and managed by a person or entity that holds a Special Economic Zone operator permit issued in terms of this section.
17. The SEZ Operator must—
- i) implement the strategic plan for that Special Economic Zone within the framework of the Special Economic Zones strategy;
 - ii) make improvements to that Special Economic Zone and its facilities;
 - iii) provide or facilitate provision of infrastructure and other services required for that Special Economic Zone to achieve its strategic and operational goals;
 - iv) provide adequate demarcation of the Special Economic Zone from any applicable customs territory for the protection of revenue together with suitable provision for the movement of conveyances, vessels and goods entering or leaving that Special Economic Zone;
 - v) provide adequate security for all facilities in the Special Economic Zone;

- vi) adopt rules and regulations for businesses within the Special Economic Zone in order to promote their safe and efficient operation;
- vii) maintain adequate and proper accounts and other records in relation to its business and report in the manner prescribed or required on the activities, performance and development of the Special Economic Zone to the Minister and as required under any other legislation;
- viii) promote the Special Economic Zone as a foreign and domestic direct investment destination, in consultation with the Advisory Board; (i) recommend to the Special Economic Zone Board whether or not to approve an application by a business to locate within the Special Economic Zone in terms of section 38;
- ix) facilitate a single point of contact or one stop shop that delivers the required government services to businesses operating in the Special Economic Zone in order to provide simplified procedures for the development and operation of that Special Economic Zone and for setting up and conducting business in that Special Economic Zone; and
- x) undertake any other activity within the scope of this Act to promote the effective functioning of the Special Economic Zone.

Strategic plan for Special Economic Zone

18.

- i) The SEZ Operator must develop and implement a strategic plan within the framework of the Special Economic Zones strategy contemplated in section 2 in order to achieve the mandate of, perform the functions of and comply with the conditions for that Special Economic Zone.
- ii) The strategic plan contemplated in subsection (i) must be reviewed on an annual basis and submitted to the Minister at least three months before the end of each financial year or at a later date determined by the Minister.
- iii) The SEZ Operator must provide the Minister with such information and documentation as the Minister may reasonably require in connection with the affairs of that Special Economic Zone entity.

Business and financial plan of Special Economic Zone

19. The SEZ Operator must, at least two months before the end of each financial year or at a later date determined by the Minister, submit to the Minister for approval a business and financial plan—
- i) containing a projection of the revenue and expenditure of that Special Economic Zone entity in respect of the ensuing financial year; and
 - ii) covering the affairs of that Special Economic Zone entity for each of the two immediately following financial years.

Reporting and financial statements of Special Economic Zone

20.

- i) The SEZ Operator must—
 - a. keep full and proper records of the financial affairs of the Special Economic Zone entity contemplated in section 4;
 - b. prepare financial statements for each financial year in accordance with generally accepted accounting practice;
 - c. submit those financial statements within three months after the end of the financial year to the Auditor-General for auditing; and
 - d. submit within five months of the end of the financial year to the Minister—
 - i. an annual report on the activities of that Special Economic Zone entity during that financial year;
 - ii. audited financial statements of that Special Economic Zone entity for the previous financial year; and
 - iii. the report of the Auditor-General on those statements.
- ii) The annual report and financial statements referred to in subsection (i) must—
 - a. fairly present the state of affairs of that Special Economic Zone entity and its performance against predetermined objectives for the financial year concerned; and
 - b. include particulars of—

- i. any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year concerned;
- ii. any criminal or disciplinary steps taken as a consequence of such losses or irregular expenditure or fruitless and wasteful expenditure;
- iii. any losses recovered or written off; and
- iv. any other matter that may be prescribed.

Taking over administration of Special Economic Zone

21.

- i) The Minister may, after consultation with the Advisory Board and the SEZ Operator (licensee), appoint an administrator to take over the administration or to perform the functions of a Special Economic Zone Board if—
 - a. the SEZ Operator has failed to comply with any condition prescribed by the Minister in terms of section 6;
 - b. the SEZ Operator fails or is unable to perform its functions; or
 - c. there is mismanagement of the finances of that Special Economic Zone entity.
- ii) The Minister must publish a notice in the Gazette appointing an administrator and in that notice the Minister must determine the powers, duties and the term of appointment of the administrator.
- iii) The Minister may act in terms of subsection (i) without consulting the Advisory Board or the SEZ Operator if there is financial mismanagement of that Special Economic Zone entity and the delay caused by the consultation would be detrimental to the functioning of that Special Economic Zone entity.
- iv) Where the Minister acts in terms of subsection (iii), the Minister must review the appointment of the administrator within 90 days of the appointment and after consultation with the Advisory Board and the SEZ Operator concerned.
- v) The costs associated with the appointment of the administrator in terms of this section will be for the Special Economic Zone entity concerned.

Application to locate in Special Economic Zone

22.

- i) Any person who intends to conduct a business in a Special Economic Zone must apply to the Special Economic Zone Board, in the manner and form prescribed, to locate the business in the Special Economic Zone.

- ii) In the application the applicant must—
 - a. provide information to show that the applicant conducts a business or renders a service prescribed by the Minister in terms of section 7(iv);
 - b. indicate the extent to which the applicant's business achieves the purpose of Special Economic Zones set out in section 4; and
 - c. comply with any other criteria that the Minister may prescribe.

SUPPORT MEASURES

Support measures

23.

- i) The Minister may determine and implement support measures, including incentive schemes, for operators and businesses operating within Special Economic Zones.

- ii) The Minister may, with the concurrence of the Minister of any relevant government department, design and administer support measures or other support programmes necessary, including incentive schemes, to support the development and operation of different categories of Special Economic Zones.

GENERAL PROVISIONS

Guidelines

24. The Minister may, after consultation with the Advisory Board, issue guidelines regarding any matter in respect of which the Minister deems it necessary or expedient in order to achieve the objects or purpose of this Act.

25. The guidelines—

- i) may not be inconsistent with the provisions of this Act;
- ii) must be published in the *Gazette*; and
- iii) are not binding on the Minister.

Regulations

26. The Minister may, after consultation with the Advisory Board, make regulations regarding—

- i) any matter which in terms of this Act is required or permitted to be prescribed;
- ii) any ancillary or incidental administrative or procedural matter that it is necessary to prescribe for the proper implementation or administration of this Act.

27. Before making any regulation contemplated in subsection (1), the Minister must—

- i) publish the draft regulations in the *Gazette*;
- ii) grant the public a period of at least 30 days to submit written comments to the Minister on the draft regulations; and
- iii) consider the written comments contemplated in paragraph ii) above.