Result:

ICC-WCO Joint Survey on FZs

Sophie PERESSON (ICC)
Kenji OMI (WCO Secretariat)

225th/226th Sessions of Permanent Technical Committee
Brussels - 29 October 2019
SUMMARY

- Conducted in the form of online survey
- During May - September 2019
- Questionnaire addressed to private companies
- 291 responses obtained
- Comprised of 4 parts: Economic benefits, Customs procedure/controls, Illicit trade, Cooperation
ATTRIBUTES OF RESPONDENTS

- 291 responses from 6 WCO regions

**Respondents by WCO regions**

- AMS, 42
- A/P, 76
- MENA, 95
- Europe, 65
- WCA, 10
- Unknown, 2

**Countries where respondents are residing**

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMS</td>
<td>Guatemala (14), Colombia (9), USA (8), Jamaica (2), Mexico (2)</td>
</tr>
<tr>
<td>A/P</td>
<td>Cambodia (37), India (15), Singapore (11), Malaysia (5), China (2), Japan (2)</td>
</tr>
<tr>
<td>ESA</td>
<td>Belarus (19), Romania (9), Spain (7), Croatia (6), Switzerland (5), Lithuania (3), Turkey (3), Luxembourg (2), Russia (2)</td>
</tr>
<tr>
<td>Europe</td>
<td>UAE (80), Morocco (4), Lebanon (3), Saudi Arabia (3)</td>
</tr>
<tr>
<td>MENA</td>
<td>Nigeria (6), Togo (3)</td>
</tr>
</tbody>
</table>

Note: This list shows countries in which two or more respondents submitted responses during this survey.
Most respondents are operating inside FZs with various relevance.

### Respondents by specific relevance to FZs

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>(38.1%)</td>
</tr>
<tr>
<td>Trading</td>
<td>(25.1%)</td>
</tr>
<tr>
<td>Warehouse operation</td>
<td>(19.9%)</td>
</tr>
<tr>
<td>Freight forwarding in general</td>
<td>(14.8%)</td>
</tr>
<tr>
<td>Customs brokerage</td>
<td>(14.4%)</td>
</tr>
<tr>
<td>Consolidating</td>
<td>(11.0%)</td>
</tr>
<tr>
<td>CY/CFS operating</td>
<td>(6.9%)</td>
</tr>
<tr>
<td>Consulting</td>
<td>(6.9%)</td>
</tr>
<tr>
<td>Carrier</td>
<td>(6.9%)</td>
</tr>
<tr>
<td>IPR RH or investigation</td>
<td>(4.4%)</td>
</tr>
<tr>
<td>Legal or accounting</td>
<td>(3.4%)</td>
</tr>
</tbody>
</table>

### Respondents by relevance to FZs

- **Our entity itself is operating/providing services inside a FZ**: (71.8%)
- **A subsidiary of our entity is operating/providing services inside an FZ/FZs.**: (10.3%)
- **Not operating inside FZs, but they are relevant to us.**: (11.0%)
PART 1: ECONOMIC BENEFITS OF FZs

- Not only the duty-exemption aspect but also simplified procedure or practice-level matters are also recognized

Q: What trade/logistics-related characteristics of FZs do you recognize?
PART 1: ECONOMIC BENEFITS OF FZs

- Various characteristics of FZs are recognized

**Characteristics of FZs (overall)**

- Facilities available inside FZ: (48.8%)
- Tax incentives (corporate/individual income tax or others): (48.1%)
- Simplified/expedited Customs procedure: (45.4%)
- One-stop service for administrative matters with government agencies: (42.6%)
- Use of foreign currency is permitted: (33.7%)
- Simplified/expedited procedure for establishing foreign-invested… (28.5%)
- Affordable land/utility fee: (26.5%)
- IT infrastructure available inside FZ: (26.1%)
- Employment of foreign workers without restrictions: (21.3%)
- Transfer of money abroad without restrictions: (19.9%)

Q: What other characteristics of FZs do you recognize?
PART 1: ECONOMIC BENEFITS OF FZs

- Simplified/expedited nature of Customs procedure is recognized (e.g., formalities, frequency of declaration, bookkeeping)

**Simplified/expedited Customs procedure**

- Import/export declaration formalities are simplified when entity in FZs is involved - (47.8%)
- Frequency of declaration is reduced or no declaration is required when entity in FZs is involved - (29.6%)
- Reporting/book-keeping requirements for cargo movement in FZs is less detailed than in bonded warehouse - (28.2%)

Q: If you checked “Simplified/expedited Customs procedure”, what does that mean?
PART 1: ECONOMIC BENEFITS OF FZs

- Simplified/expedited nature at practice-level is also recognized (e.g., frequency of inspection/audit, supervision of inventory management)

Simplified/expedited Customs examination/inspection/audit

| Frequency of examination/inspection for import/export seems lower when the entity inside FZs is involved | (63.6%) |
| Frequency of audit (post-clearance audit) seems lower when the entity inside FZs is involved | (37.1%) |

“Lighter Customs intervention”

| FZ authorities which are more inclined towards trade facilitation/attracting investment conduct less demanding supervision of inventory management | (44.0%) |
| Most cargo monitoring is conducted by the FZ authority, not by Customs | (38.5%) |

Q: If you checked “Simplified/expedited Customs examination/inspection/verification”, what does that mean?

Q: If you checked “lighter Customs intervention”, which describes that best for you?
PART 2: CUSTOMS PROCEDURES/CONTROLS IN FZs

- Reporting to governmental authority is made at various stages.
- Reportings for entry/exit between FZs and domestic market is relatively more recognized than other reportings.

Q: For which of the following cargo movement (c~h) is reporting to a government authority required?
PART 2: CUSTOMS PROCEDURES/CONTROLS IN FZs

- Reporting to Customs as well as reporting to FZ authority is common
- Recognition that electronic reporting is being made and that manual reporting also exists

Q: To whom must the cargo movement be reported?

![Bar chart showing percentages of cargo movement reported to Customs (68.0%) and FZ authority (33.0%).]}

Q: How does the reporting take place?

![Bar chart showing percentages of how reporting is made: entirely electronically (25.8%), mostly electronically (37.5%), mostly manually (12.4%), and entirely manually (13.7%).]
■ Recognized improvements include 24/7 operation, Customs’ involvement in approving companies, integration of IT system etc.

Q: If you think there is a need to improve Customs procedure and controls regarding FZs, please select necessary improvements.
Recognition of illicit trade is not common among private companies; but various types are recognized (e.g., duty fraud, IPR, arms, drugs, cultural heritage, money laundering).

Q: What kinds of detection or seizures of illicit goods related to FZs do you recognize?
PART 3: ILLICIT TRADE RELATED TO FZs

- Misuse of FZs at transit/transshipment phase is relatively common, followed by importation into domestic market phase
- Affixing illicit labels or manufacturing illicit goods in FZs is also recognized

How FZ was utilized for illicit trade

- Illicit goods were brought from abroad, stored in FZ, and re-exported to abroad (13.4%)
- Illicit goods were imported through FZ into domestic market (9.6%)
- Non-illicit goods were brought from abroad, rendered illicit by the affixing of illicit labels in the FZ, and then re-exported to abroad (8.2%)
- Materials were brought from abroad, illicit goods were produced in FZ and re-exported to abroad (7.6%)
- Materials were brought from domestic market, illicit goods were produced in FZ and exported to abroad (4.8%)

Q: Regarding the illicit trade you selected, how was the FZ utilized?
Recognized possible forms of cooperation include not only enlightenment of companies but also IT integration or utilization of AEO concept.

**Possible forms of cooperation between private sectors and Customs**

- Guide on Customs procedures and training: 58.8%
- Enquiry point concerning Customs procedures: 48.8%
- Integration of IT systems for data sharing: 46.4%
- Utilization of AEO concept: 33.0%
- Customs/Companies consultative board: 29.9%

Q: Please select possible forms of cooperation with Customs.