



Brussels, 8 September 2017.

SPECIAL CUSTOMS ZONES

(Item XIV on the Agenda)

Background

1. In 1975, 25 countries had one or more Special Economic Zones (SEZ) and the number of these SEZs amounted to 79. In 2015, over 130 countries had SEZs, amounting to more than 4300 worldwide.
2. SEZs nowadays range from the traditional Free Zones, which are meant to facilitate the trade flows by keeping Customs procedures simple, to SEZs that have totally different policy objectives, such as attracting foreign direct investment, alleviating large-scale unemployment, supporting export oriented growth; permitting a country to develop and diversify exports whilst keeping its protective barrier intact and acting as experimental projects for the application of new policies and approaches in financial, legal and labour areas.

Major trends in zone development

3. Over the years, SEZs have become larger in size and there is greater flexibility in location and scope. Facilities, services and amenities supporting business and well-being of residents have expanded. Permissible activities have been extended to include manufacturing, warehousing, transshipment, re-packaging, tourism, duty-free shopping, informatics and individual residence. Greater duty-free privileges have been granted; all types of merchandise can be introduced duty- and tax-free and be sold or consumed within the zones.
4. Full access to the domestic market can be granted on a duty-paid basis with relaxation of minimum export requirements. Treatment of sales of goods and services coming from the domestic sector and entering the SEZs are treated as “constructive exports” and are eligible for all relevant export incentives.
5. In establishing and developing SEZs there is a trend towards Public-Private Partnership approaches. The management of SEZs shows a variety in administrative and regulatory bodies; autonomous government authorities or corporations, specialized departments within a ministry, zone-specific management boards and arms of investment promotion agencies.

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General Customs' perspective

6. Based on the major trends of zones (greater size, more flexibility in goods movement, available value-added activities and even consumption across/within zones), Customs need to consider how to harmonize Customs control activities with these trends. In principle, Customs needs to develop risk-management tools to focus enforcement controls on high-risk business and activities in zones, while facilitating legitimate trade, value-added activities and consumption of goods.
7. In addition, Customs needs to actively participate in administrative and regulatory bodies of zones in order to ensure implementable procedures for Customs and select tenant companies with high compliance.

Members' perspectives

8. With all of the above in mind, the Action Plan of the Economic Competitiveness Package invites discussion on the possible development of an instrument for Special Customs Zones (SCZ).
9. In order to determine whether changes need to be made to current instruments, such as the Revised Kyoto Convention and its Guidelines, or a completely new tool needs to be developed to provide guidance in dealing with the myriad of SEZs, the WCO Secretariat plans to hold regional workshops to take stock of the current situation and potential trends.
10. The workshops will enable the WCO to take an informed decision about the actual need for revision of instruments, amendment of existing guidance material or the need to draft completely new guidelines. The workshops are intended to explore the benefits of SEZs in general and more specifically for Customs, the associated risks, not only in the area of Customs but also other policy areas, including various other taxes, and the Customs procedures in place to service the SEZs.

Action required

11. PTC delegates are invited to
 - share experiences with SEZs in their countries;
 - provide feedback on the objective and scope of the regional workshops;
 - prioritise issues that need to be resolved in relation to SEZs, if any;
 - volunteer their country as host for the regional workshops
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