



# Special Customs Zones/Free Zones

## Achieving a Balance of Trade Facilitation & Control through FZ Systems

Presentation By

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# PRESENTATION AGENDA

- Introduction & factors promoting a Free Zone
- Free Zone – Common Challenges & How to overcome?
- FZ System – Functional & Technical Components
- Sharing our Experience – Panama Colon Free Zone
- Q & A

# FREE ZONES – FACTORS PROMOTING A CONDUCTIVE FZ ENVIRONMENT

## MUTUAL TRUST

Building an environment of Mutual Trust among key stakeholders (FZ, Customs, Business, OGAs) is essential for effective functioning of the FZ

## IT CAPABILITIES

Stakeholders with sufficient IT capabilities bring in transparency which enhances mutual trust, reduce manual intervention with effective data sharing and harmonised procedures

## SEAMLESS DATA SHARING

Effective system integrations of the key stakeholders (FZ, Customs & OGAs) allow for data sharing thus creating transparency and enhancing mutual trust

## ENABLING MIXED USE FREE ZONES

Promoting FZ use beyond industrial activities and extending to retail & leisure activities help enhance the FZ's value proposition and increases its attractiveness to potential investors

## RISK MANAGEMENT & RISK SHARING

Effective Risk Management and risk information sharing between FZ Authorities, Customs & OGAs minimises illegitimate business activities and promotes a compliant ecosystem

## POLITICAL WILL/OVERARCHING MINISTRY

Political will at the national level is essential for the various machineries to work together to accomplish the goals of the FZ without compromising control and security

## PREFERRED TRADER/AEO SCHEMES

Schemes like the AEO programs & fast track clearances create a compliant ecosystem on the lines of WCO SAFE Framework

## LEGISLATIONS & FISCAL INCENTIVES

Legislations and fiscal incentives like tariff exemptions, preferential tariff etc. by the Government are necessary to create a competitive environment and promote the FZ as a destination of choice for investors



# FREE ZONES - COMMON CHALLENGES & HOW TO OVERCOME?

## Key Findings

Lack of Mutual Trust, Common Vision among FZ, Customs, OGAs, Business

Lack of Standardised Procedures

Mixed Used Free Zones and Retailing

Illegitimate Business Activities (Revenue Loss, Security etc.)

Balancing Trade Facilitation and Control

## Strategy Recommendations

Political Will, Enhancing Control, Sharing of Data, Through IT Enablement

Standardisation, Data Harmonisation, Seamless Flow of Data

Fine grained controls, voluntary declarations, retail schemes etc.

Enhancing Control, Audit, Transparency of Activities, Risk Management

Effective Risk Management, AEO/PT Schemes

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# FREE ZONE SYSTEM - RECOMMENDED FUNCTIONAL COMPONENTS

## FZ COMPLIANCE

Compliance aspects includes functions to enforce regulatory controls while providing seamless Integration to the Customs Systems. This promotes data flow, transparency and prevention of duplicate data submissions

## FZ OPERATIONS

Provides all the functions required for efficient operations of the Free Zone to allow unhindered cargo movement into and out of the Free Zones



## FZ ADMINISTRATION

Functions needed to on-board new Free Zones, tenants and operators. Create new users, setup access/functions, payment schemes and other system level accesses

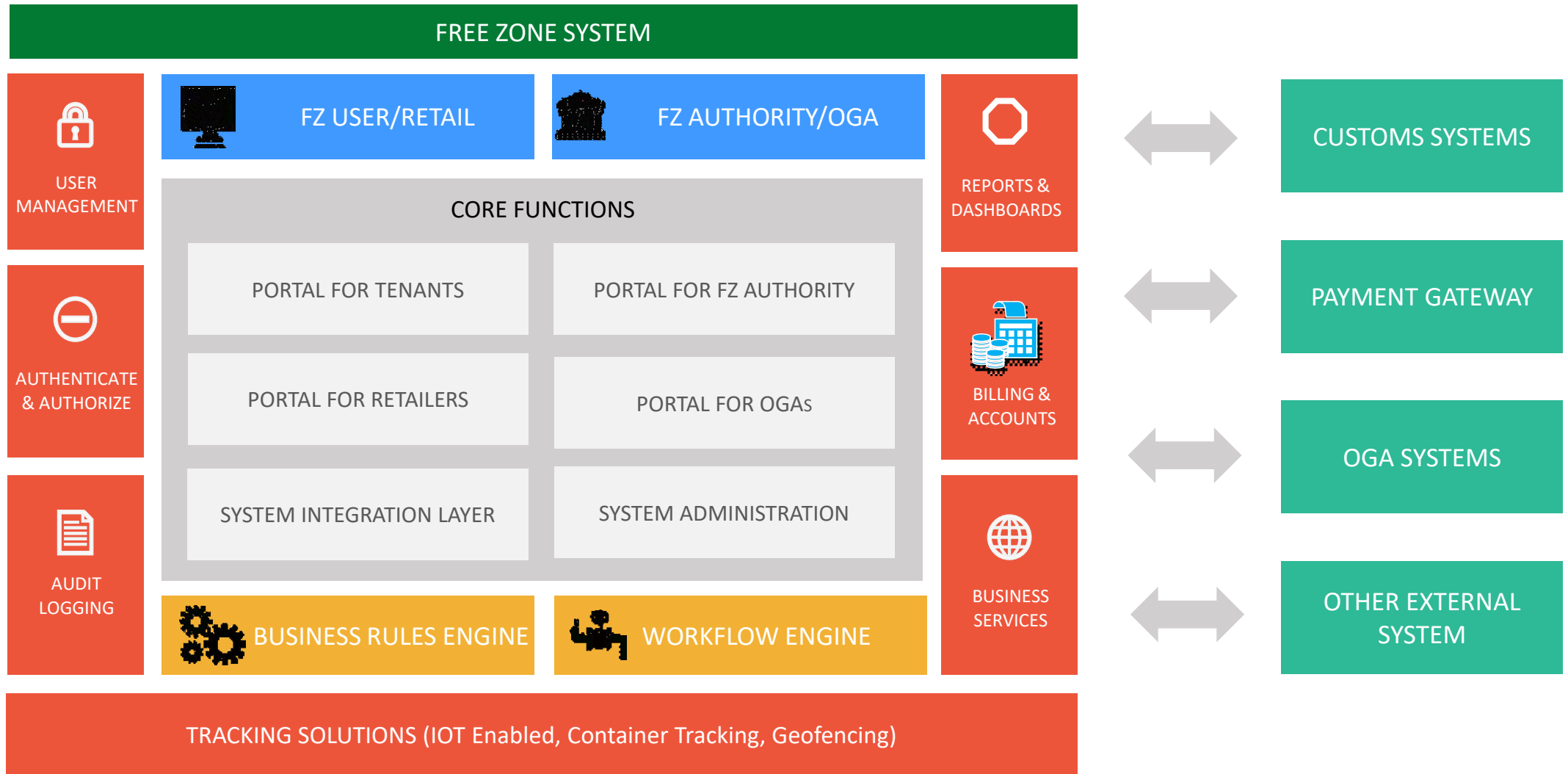
## FZ RETAIL

Required for cases where Free Zone is intended for mixed use and where retailing is permitted. Allows retailers to manage retail/citizens purchases and report to the Customs/FZ Authorities

01 FZ Administration	02 FZ Compliance	03 FZ Operations	04 FZ Retail
FZ Registration	Customs Integration	Cargo Movement Declaration	Retailer License/Onboarding
FZ Tenant License/Onboarding	Risk Assessment	Entry, Exit, Transfer etc	E-Commerce
FZ Operator Onboarding	Inventory Accounting/Audit	Inventory Reporting	POS Purchases
Payments (Online etc.)	Schemes (AEO, PT etc.)	Container Logistics	Bulk Movement Reporting
OGA Onboarding	Permits/Controlled Goods	Goods Transformation	Retail Goods Control



# FREE ZONE SYSTEM - RECOMMENDED TECHNICAL COMPONENTS



# CASE STUDY – FZ ADMINISTRATION THROUGH AUTOMATED SYSTEM



## Panama

**Colon Free Zone** Administration – 2<sup>nd</sup> Largest FZ in the world

### Solution

The Electronic Commercial Movement Declaration (DMCE) system was created in 2007 to meet the need for a computer system for the Colon Free Zone.

The main functions of this system are the creation, administration and approval of the declarations of commercial movements of the user companies/tenants of the free zone.

The system also interoperates with Customs systems & other stakeholder systems (OGAs, Chamber of Commerce and Banks)

### Result

- Enhanced efficiency and security
- Reduced the time of the processes by more than 75%
- Avoid multiple data entries, achieve greater transparency and traceability of free zone business operations

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# CASE STUDY - IMPACT OF FZ SYSTEM IMPLEMENTATION

## AUTOMATING COLON FREE ZONE

Largest free trade zone in the Americas and also 2nd largest in the world

**US\$14B** imports and re-exports annually

Over 3,200 companies

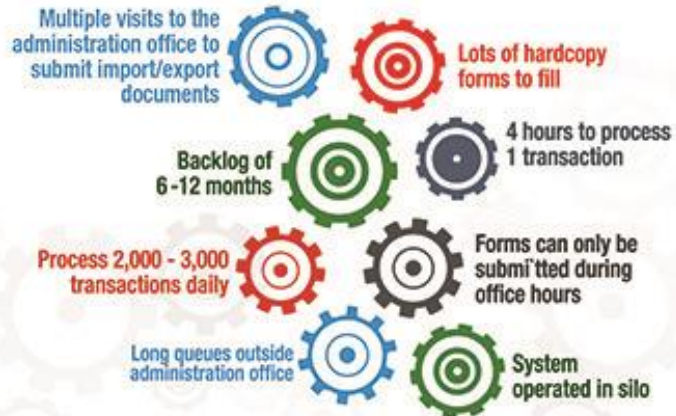
Over 250,000 visitors



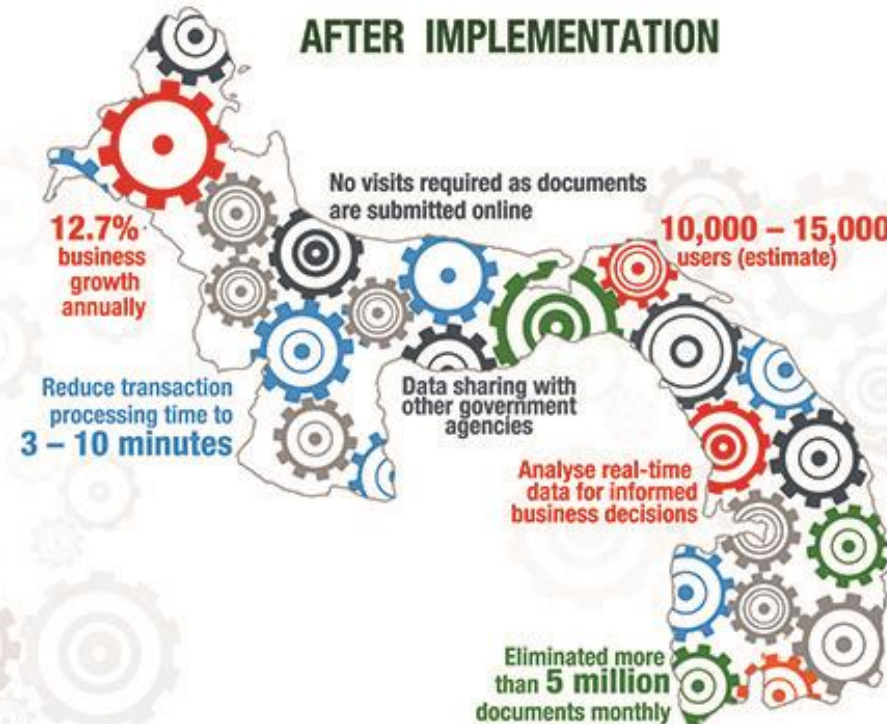
Premio Nacional de Innovación Gubernamental (Government National Innovation Award) 2012

Inter-American Development Bank (IDB) Award 2013

### BEFORE IMPLEMENTATION



### AFTER IMPLEMENTATION







# Thank you!

Any questions?

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