



## **STAFF REPORT**

Enhancing the Foreign-Trade Zones Program  
for Small and Medium-Sized Manufacturers

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## EXECUTIVE SUMMARY

Pursuant to the Department of Commerce's report "Manufacturing in America: A Comprehensive Strategy to Address the Challenges to U.S. Manufacturers," the Foreign-Trade Zones (FTZ) Board staff has conducted an analysis to benchmark the FTZ program with similar programs abroad. The focus of the analysis was to determine whether there are features that could be implemented to reduce the FTZ program's costs for small and medium-sized manufacturers (SMMs), thereby helping to enhance SMMs' international competitiveness. This report conveys the findings and recommendations of the FTZ Board staff.

Benchmarking the FTZ program revealed two key features to reduce the program's costs for SMM users: providing quicker access and simplifying the application process. Based on an analysis of how those features could be implemented within the FTZ program's statutory and regulatory framework, the FTZ Board staff drafted two proposals. The first proposal involves a procedural change to expedite the processing of simple manufacturing requests for existing FTZ sites through the delegation of the FTZ Board's decision-making on those cases. The second proposal includes simplified application guidelines/formats for SMMs and enhancements to the FTZ Board's pre-application counseling procedures.

The FTZ Board published a *Federal Register* notice seeking public comment on the two proposals and received comments from 18 different entities. Commenters, including FTZ grantees, manufacturers, consulting groups, and the National Association of Foreign Trade Zones, universally favored adoption of the proposals. At the same time, the commenters strongly emphasized the need for clear guidelines to be used in implementing the proposals.

Taking into account the commenters' requests for clear guidelines, the FTZ Board staff analyzed many aspects relating to the implementation of the proposals. That analysis is described in the "Analysis and Discussion" section of this report – the resulting specific recommendations appear in the "Key Recommendations" section. Through careful implementation of the proposals, the FTZ Board should be able to enhance the FTZ program's usefulness to businesses in improving their international competitiveness, while at the same time maintaining the FTZ program's traditional safeguards against adverse effects on domestic industries.

## INTRODUCTION

The U.S. Department of Commerce's January 2004 "Manufacturing in America" report recommended a benchmark analysis comparing the U.S. foreign-trade zone program with similar programs abroad to determine whether there are features of those programs to consider implementing, particularly to lower the cost of the U.S. program for small and medium-sized manufacturers in the United States.<sup>1</sup> That recommendation dovetailed with ongoing initiatives of the Foreign-Trade Zones Board staff to enhance and simplify access to foreign-trade zone procedures for small and medium-sized manufacturers (SMMs). This report examines factors relevant to the benchmark analysis and makes recommendations for implementation.

## BACKGROUND

### I. GENERAL

In much of the world, trade-focused countries have created "free trade zones" – defined physical areas within a country's borders that are treated, for customs purposes, as if they are outside those borders. Free trade zones enable companies to conduct one or more types of economic activity (*e.g.*, storage, manufacturing, etc.) using imported goods without having to pay import duties on those goods. The goods (or downstream products into which they have been incorporated) can then be re-exported free of duty payments. In some zones, the goods can also be imported into the host country if relevant import duties are paid.

The range of benefits that can be available through free trade zone-type programs includes:

- Duty Exemption - No duty is paid on goods imported into and then re-exported from a free trade zone. The exemption can also apply to goods that are consumed, scrapped, or destroyed within the zone. (Exemption of duties on re-exported merchandise generally eliminates companies' need to use "duty drawback" programs.)
- Duty Deferral - Cash flow savings result from payment of customs duties only when goods "enter" a country's customs territory, rather than when they are "admitted" into the country's free trade zone.
- Logistical Benefits - Companies using free trade zones may have access to streamlined customs procedures and other related savings.
- Inverted Tariff Savings - Manufacturers may be allowed to pay a lower finished-product duty rate (rather than the individual duty rates applicable to imported components used in

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<sup>1</sup> See "Manufacturing in America" at 79.

the manufacturing process) when they enter the finished product into the country's customs territory.

- Tax Savings - Merchandise and activity in free trade zones may be exempt from a range of taxes.

## II. THE U.S. "FOREIGN-TRADE ZONES" PROGRAM

The Foreign Trade Zones Act of 1934 established the concept of "foreign-trade zones" (FTZs) in the United States, with a stated purpose to "expedite and encourage foreign commerce." Each U.S. port of entry was thus entitled to one FTZ, at which storage of foreign merchandise could take place exempt from customs duties but with all other U.S. laws remaining applicable. The FTZ Act also created the FTZ Board,<sup>2</sup> with a mission to license and regulate U.S. FTZs. Application for FTZ authority and administration of the resulting FTZs was left to local – primarily public – entities. Finally, the U.S. Customs Service was given responsibility for operational oversight of FTZs.

Concerns about possible adverse impact on domestic industry led to a specific prohibition on manufacturing in the 1934 FTZ Act. Limited early use of the FTZ program helped to spur the Congress in 1950 to amend the law to permit manufacturing within FTZs.<sup>3</sup> Manufacturing activity was further encouraged by the FTZ Board's creation, in 1952, of the concept of "subzones." A subzone is defined as a special-purpose site, sponsored by an existing FTZ, at a company's own facility. Such a subzone could be authorized only if the company's activity could not reasonably be accommodated within the sponsoring FTZ's "general-purpose" facility and the FTZ Board later added requirements making approval of a subzone contingent on findings that the approval would be in the public interest and would involve a significant public benefit.

Use of both general-purpose FTZs and subzones grew at a slow pace after the 1950 changes to the FTZ Act – use of FTZs finally began to grow, apace with international trade, starting in the 1970s and accelerating in the 1980s.<sup>4</sup> However, as manufacturing grew within the FTZ program (largely in subzones) during the 1980s, so did concerns about its potential adverse impact on domestic industries. The FTZ Board addressed those concerns by developing safeguards, including public comment periods on manufacturing proposals and a balanced analytical

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<sup>2</sup> The FTZ Board is currently comprised of the Secretary of Commerce and the Secretary of the Treasury. The U.S. Bureau of Customs and Border Protection fulfills the same Board role as it did prior to its recent move from Treasury (where it was the U.S. Customs Service) to the Department of Homeland Security, *i.e.*, providing a position during the FTZ Board voting process with respect to customs security, control, and resource matters.

<sup>3</sup> Though earlier concerns persisted regarding potential negative impact on domestic industry, the legislative history indicates that the FTZ Board was expected to balance the opposing interests that might arise in specific situations involving FTZ manufacturing.

<sup>4</sup> In 2002, there were 150 active FTZ projects and 237 subzones in operation.

approach that approves manufacturing requests only when the net economic effect for the United States is positive.

Among the types of potential benefits listed above for free trade zone programs worldwide, the major benefits to U.S. FTZ users are duty exemption on exports, duty deferral, inverted tariff savings, and logistical benefits. A key additional feature of the U.S. program is the flexibility that can be granted to a manufacturing applicant for election, on an input-by-input basis, of either the input duty rate or the finished product duty rate. Further, duties are only paid on the value of foreign production inputs, not on U.S. value added. U.S. FTZ users also may benefit from duty exemption on goods that are scrapped or destroyed within a zone and, in certain states, FTZ users can take advantage of exemption from state or local inventory taxes.

Applications for grants of FTZ authority are handled by the FTZ Board's staff, located within the U.S. Department of Commerce. The regulatory timeframe for processing an application for a new zone, subzone, or expansion of existing authority is 10 to 12 months. This timeframe takes into account the requirement for a public comment period and the time needed for detailed analysis and interagency concurrence before a case can be approved.

### III. MAJOR EXAMPLES OF PROGRAMS ABROAD

For its benchmark analysis, the FTZ Board staff conducted extensive research on free trade zone programs world-wide. That research included print and internet-based resources, as well as information requested from U.S. Commercial Service and State Department offices in many countries. The FTZ Board staff compiled a matrix of data for more than sixty countries' free trade zone programs (see Appendix I of this report).<sup>5</sup> The following examples summarize information from the staff's research:

#### A. Canada

Under the Canada Customs Act of 1996, the Canada Revenue Agency (CRA) and Canada Border Services Agency (CBSA) administer several programs that relate to the free trade zone concept:

Canada's Export Distribution Centers (EDCs), referred to synonymously as free trade zones, provide multi-user, tax-free transshipment areas that are generally located near ports of entry. EDCs allow for storage, repacking, and refurbishing of domestic and foreign goods for ultimate exportation – manufacturing is not allowed. The EDC program, administered by the Tax Services Offices of CRA, provides exemption from the Harmonized Sales Tax (HST), Goods and Services Tax (GST), customs duties, and quotas but has performance requirements: 90 percent of revenue must be from export activity and value added in EDCs cannot exceed 20 percent of the foreign material cost.

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<sup>5</sup> The FTZ Board staff also obtained information about the free trade zone programs operating in 14 additional countries. However, that information was not sufficiently detailed to merit inclusion in Appendix I.

Canada's Duty Deferral Program (similar to U.S. bonded warehouses) has a Duties Relief Option that allows for manufacturing/processing at any private facilities of foreign and domestic goods for export and the Canadian market. In 2001, Canada modified this program to allow for multiple operators and to simplify the application process. Benefits of the program include: 1) exemption from the HST, the GST, customs duties, and quotas for merchandise that is exported; 2) no security or bonding requirements for low risk goods; 3) duty deferral on merchandise bound for the Canadian market; and 4) streamlined customs compliance requirements. To use the Duties Relief Option, a company must file a Form K90-Duties Relief Application at a local CBSA office.

Canada also has its Exporter of Processing Services (EOPS) program, which is administered by CRA as a tax incentive program designed for contract processors, third-party logistic providers, and consignees to process foreign goods destined for re-export. EOPS can be established at any location and provides exemption from HST and GST for up to three years. To participate, an applicant must file the above-referenced Form K90 at a local CBSA office.

## B. The European Union

In 2002, there were 31 free trade zones in 10 of the member states of the European Union (EU). The EU's regulations on free trade zones allow for relief from excise taxes, local duties and other taxes, pursuant to the laws of the member states. Changes to the regulations in 2003 -- removing the requirement that a fence be placed along the perimeter of a zone but requiring submission of a customs declaration at the time goods are placed in a zone -- recognized the evolving nature of zones in the EU, including that most merchandise in those zones was classified as of EU origin.

Beyond the EU's actual free trade zones are "Customs Procedures with Economic Impact", which include "processing under customs control" (PCC). PCC was intended to create or maintain processing activities in the EU by allowing imported goods to be processed into products that are then subject to a lower duty rate before being "entered" (for customs purposes) into the EU. Approval for PCC at a company's facilities takes approximately two months and processing operations are subject to an economic test to establish whether the use of PCC will enable activity to be created or maintained in the EU without harming community interests. Applicants must also demonstrate that the proposed imported production inputs are not available from EU sources. In 2001, the PCC application procedure was simplified for non-sensitive goods, with guidelines containing a list of goods and processes that qualify.

## C. Australia

Australia had one free trade zone, located in Darwin, to focus on developing trade with nearby Asian countries. The zone, regulated by the Department of Industry, Science and Resources (DISR), could provide benefits tailored to a specific project, as well as establishment or relocation subsidies to companies using the zone. Several manufacturing and processing activities had taken place in the zone but, in 2003, the legislation allowing the zone was repealed and the zone ceased to exist. According to the U.S. Commercial Service office in Melbourne, the zone legislation was repealed because the Darwin project did not appear to be drawing export

manufacturing activity to Australia from Asia and could not compete with other Asian FTZs, primarily in China and Indonesia.

In 1997, Australia created a system called Manufacturing in Bond (MIB), reportedly modeled on U.S. special-purpose subzones. Companies can apply for MIB authority through DISR and must demonstrate a clear intention to generate exports. After approval, the company must meet the customs requirements for a warehouse license to begin manufacturing. A company can use both foreign and domestic merchandise in its operations. If the finished product is exported, no customs duty or Goods and Services Tax is owed; if the finished product is ultimately entered for domestic consumption, the duty and tax is paid at the time of entry. The only active MIB operation currently is the Steel River Facility in Newcastle.

#### D. Japan

Japan's version of free trade zones is its 22 designated "Foreign Access Zones," most of which appear to be inactive -- more specific information about the exact activity levels and reasons for them could not be obtained. The zones were created near harbors and international airports as trade centers to promote imports, although processing is also permitted. The zones fall under the supervision of the Ministry of Finance and are run by quasi-public entities. Federal grants and loan guarantees are available to companies in the zones and special depreciation rates and local property tax exemption can also apply within the zones. Any other benefits would be determined by regional authorities.

Separately, there is a free trade zone in Okinawa. This zone provides the standard free trade zone benefits of duty-free admission into the zone and duty-free re-export and also allows manufacturing. Goods manufactured in the zone can be entered into Japan's customs territory, with the company choosing whether to pay the duty rate on the finished goods or the inputs. The zone also offers an income tax exemption for 10 years and a 50 percent reduction in permit fees.

#### E. Mexico

The Mexican free trade zone program was established in 1946 at a small number of sites. The program's benefits include duty deferral, reduction of VAT and temporary taxes, exemption from customs duties on capital equipment and on imported goods that are re-exported, and exemptions from import licenses. The program expanded in 1961 to include the Border Zone -- a free trade zone running along the entire U.S.-Mexican border from Matamoros to Tijuana.

Mexico's subsequent "maquiladora" program allowed duty-free processing of foreign-origin components for export, primarily to the United States -- this was encouraged by favorable U.S. customs procedures on U.S. goods exported, processed abroad, and then re-imported. Unlike Mexico's free trade zones, plants located anywhere in the country could operate as a

maquiladora. As of 2003, 98 percent of maquiladoras' production was destined for the U.S. market.<sup>6</sup>

Under the 1993 North American Free Trade Agreement (NAFTA), maquiladoras were allowed duty-free processing for export to non-NAFTA countries and the U.S. market if specific "rules of origin" were met. However, in 2001, a NAFTA provision went into effect restricting intra-NAFTA duty deferral/drawback programs (including the maquiladora program), thus requiring duty payments on components coming from non-NAFTA countries. To offset the effects of that restriction, Mexico created the Sectoral Promotion Program ("PROSEC"), allowing targeted and reversible duty reductions on non-NAFTA production inputs for 22 of Mexico's industry sectors. PROSEC's duty-reduction benefits are available to factories anywhere in Mexico, thereby eliminating a key reason for plants to operate under the maquiladora program.

#### F. Brazil

Although Brazil has eight free trade zones in "frontier" regions, the Manaus zone -- where manufacturing is permitted subject to specific approval -- is the only active zone project. More than 400 companies operate in the zone, which allows for duty-free admission and re-export of goods; domestic shipments benefit from a reduction in import duty, which is payable on the value of the finished product at 88 percent of the otherwise applicable rate. There is also a 75 percent reduction in business income tax, an exemption on the tax for industrialized products (IPI), and a reduction or exemption on the in-country sales tax (ICMS). Companies that manufacture in the Manaus zone must comply with Brazil's Basic Productive Process (PPB) regime, which has requirements for re-investing some profit in the area and investing 5 percent of annual sales value in research and development. The process to receive approval to participate in the PPB regime takes up to six months but, although PPB applications are company- and product-specific, a foreign company can operate under a Brazilian partner company's pre-existing PPB approval.

There are also 19 export processing zones located in less developed regions of Brazil but none are active. In addition to duty deferral and duty exemption on exports and on production equipment used in the zones, the export processing zones allow manufacturing using foreign and domestic components. Manufacturing activities must be approved before the operations can begin and production of goods subject to export quotas is not allowed. Only 10 percent of production from export processing zones can be entered domestically, with duty paid at a reduced rate (75 percent of the otherwise applicable rate) on the final price of the goods less the cost of imported parts.

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<sup>6</sup> See the July 2003 report (03-891) by the United States General Accounting Office - the full source reference appears on the "Mexico" page in Appendix I.



## ANALYSIS AND DISCUSSION

### I. PRELIMINARY ANALYSIS

In examining zone programs world wide, several key distinctions emerge. The first distinction is between the operational focus of zones in developing countries and in developed countries. Developing countries' zones are frequently structured along the "export processing zone" model, which tends to reflect economies with small internal markets that require external investment to spur basic economic development. Export processing zone programs often have small numbers of sites, thereby allowing the host countries to target their infrastructure expenditures where they can yield the greatest returns in attracting foreign investment.

Developed countries with zone programs are essentially divided into two groups – one group consists of the United States and the European Union, while the other group encompasses the rest of the developed world. Specifically, the size and wealth of the U.S. and EU markets lead both internal and external manufacturers to focus on selling to those markets. Consequently, the U.S. and EU have developed zone (or similar) programs that resemble each other most closely and reflect a different model from economies whose domestic manufacturers are largely export-focused.

A serious concern about developing countries' "export processing zone" programs and some developed countries' export-oriented programs is incompatibility with World Trade Organization (WTO) subsidy disciplines. In fact, the Subsidies Enforcement Office of the U.S. Department of Commerce states that,

the United States has investigated Free Trade Zone programs in several countries... Of particular concern are programs that contain prohibited export or import substitution elements, *e.g.*, programs that require companies in Free Trade Zones to export a certain percentage of their production or use a certain amount of domestic content in their production.<sup>7</sup>

The Subsidies Enforcement Office has also made clear that the U.S. government is increasingly focused on ensuring that trading partners live up to their commitments under the WTO Agreements.

After taking into account the limitations tied to WTO-related considerations, along with the fact that certain features of foreign zone programs reflect differences in the structures of their national systems,<sup>8</sup> two main features emerge from benchmarking the U.S. FTZ program with

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<sup>7</sup> See Appendix II (Memorandum from Carole Showers, Director, Subsidies Enforcement Office).

<sup>8</sup> For example, some free trade zone programs abroad offer benefits or incentives that are made available in the United States through state or local "enterprise zones" or similar concepts. This distinction reflects the federal nature of the U.S. system, where targeting of specific incentives is often left to levels of government closer to the

similar programs abroad. Specifically, certain programs overseas provide faster access and use simpler or more user-friendly application processes. The EU's PCC program, in particular, currently appears to be superior to the U.S. program on those two factors,<sup>9</sup> which can have a significant impact on both a program's costs<sup>10</sup> and its usefulness to domestic manufacturers. However, any proposals to improve the speed and simplicity of the U.S. FTZ program's application process must take into account the FTZ Board's balanced evaluation of applications, which safeguards against approval of activity that would have a negative impact on domestic industry.

## II. PROPOSALS

Based on the considerations outlined above, the FTZ Board staff drafted two proposals to enhance SMMs' access to the U.S. FTZ program. The first proposal involves a procedural change whereby the FTZ Board would delegate authority to the FTZ Board's Executive Secretary for decision-making on simple requests for manufacturing authority. The second proposal includes streamlined application guidelines/formats and enhancements to pre-application counseling for SMMs. The FTZ Board's April 5, 2004, *Federal Register* notice<sup>11</sup> requesting public comment described the proposals as follows:

**First Proposal: Delegation by the FTZ Board to the Board's Executive Secretary of Authority to Approve Temporary or Interim Manufacturing Authority within Existing Zone Space for Non-Complex, Non-Controversial Cases.**

"The proposed delegation of authority would only authorize the Board's Executive Secretary to grant temporary or interim authority for zone manufacturing. Permanent authority would continue to require full Board review. The consideration of all proposals for temporary or interim manufacturing (T/IM) authority would take into account the Board's existing criteria for manufacturing (see 15 CFR § 400.31(b)). Prior to making a decision on an application for T/IM authority, the Board's Executive Secretary would publish a *Federal Register* notice seeking public comment and could also contact Department of Commerce industry specialists for an

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actual site(s) in question.

<sup>9</sup> In this regard, the EU can be seen as having traded off flexibility and customs-evaluation features (see "European Union" section above) in order to enhance timing and simplicity for potential users.

<sup>10</sup> Timing and complexity affect costs to users because, among other factors, a longer and more burdensome application process will require expending more man-hours to apply for and obtain approval to begin using the program in question.

<sup>11</sup> See Appendix III.

assessment of the application. The Board's Executive Secretary would retain the discretion to deny any T/IM application<sup>12</sup> if opposition or any other complicating issues or concerns arise.

"Several threshold criteria would need to be met to qualify for consideration for T/IM authority.<sup>13</sup> T/IM applications would be limited to manufacturing operations within pre-existing FTZ space (*i.e.*, within the boundaries of FTZ sites already approved by the Board at the time of the T/IM application's submission to the Board), and proposals would need to be consistent with government policy and prior Board actions and 1) non-complex<sup>14</sup> in nature and clearly presenting no new, complex, or controversial issues or 2) for export only. T/IM authority could only be granted for a period of up to two years, although circumstances might lead the Board's Executive Secretary to impose a stricter time limit on a particular proposal. Finally, the Board's Executive Secretary and the FTZ Board would have the authority to revisit any approval of T/IM authority should it be warranted by policy considerations, including subsequent industry opposition or a determination that the activity results in a negative net economic effect for the United States."

### **Second Proposal: Significant Enhancements of the Pre-Application Process for Small to Medium-Sized Manufacturers.**

"The proposed enhancements to the pre-application process for small and medium-sized manufacturers include: (1) expanded pre-application counseling by the FTZ Board staff; (2) availability of completed sample applications to help guide potential applicants; and (3) simplified guidelines/formats for small and medium-sized manufacturers applying to the FTZ Board to conduct non-complex activity."

### III. ANALYSIS OF COMMENTS

Pursuant to the April 5, 2004, *Federal Register* notice, 11 zone grantees (or groups of grantees), three potential FTZ-using manufacturers, two consulting groups, and the National Association of Foreign Trade Zones (NAFTZ) submitted comments. The FTZ Board's Executive Secretary subsequently consulted with representatives of the user community regarding approaches to implementation of the proposals. The following are descriptions and analyses of parties' principal comments regarding the proposals:

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<sup>12</sup> In cases where T/IM authority is denied, or that are ineligible for T/IM consideration, the applicant may opt to request manufacturing authority through the FTZ Board's standard procedures (*i.e.*, evaluation of the proposal by the full Board).

<sup>13</sup> See footnote [12].

<sup>14</sup> Generally expressed in terms of the number of inverted tariffs (*i.e.*, instances of imported inputs with higher duty rates than the resulting finished products proposed for manufacturing under FTZ procedures). After consultations with stakeholders, the Board's Executive Secretary would publish guidelines clarifying the criteria for consideration of T/IM applications.

Comment # 1: *Both of the FTZ Board's proposals are likely to help enhance FTZ program access for SMMs.*

The initiatives outlined in the *Federal Register* notice are broadly supported by commenters, many of whom wrote at length about the T/IM proposal. Zone grantees and potential users are unanimous in their view that the proposed T/IM procedure would aid SMMs. Potential users Newell Rubbermaid, Sanford North America, and First Choice Packaging state that the availability of a T/IM procedure could be critical in maintaining U.S. production for these companies. Also, the grantee of the Vicksburg-Jackson (Mississippi) Foreign-Trade Zone, which has recently seen a surge in activity due to the newly opened Nissan plant nearby, indicates that the proposed T/IM delegation "may significantly lower the threshold for Nissan suppliers to utilize the U.S. Foreign-Trade Zones program to enhance their international competitiveness" among Nissan's worldwide group of suppliers.

Comment # 2: *The delegation of T/IM authority does not require a revision to the FTZ Board's regulations.*

Analysis of the FTZ Act and the FTZ Board's regulations and practice indicates that the NAFTAZ is correct in arguing that the FTZ Board has the authority to delegate T/IM authority to the FTZ Board's Executive Secretary without new regulations. Specifically, the FTZ Act allows manufacturing in FTZs without a case-by-case review. The FTZ Board first instituted case-by-case reviews of manufacturing requests by Board Order and later codified this practice during a general revision of its regulations. While it may ultimately prove desirable for the FTZ Board to codify the delegation of T/IM approval authority through regulations, implementation of the T/IM delegation should be given time to evolve through practical experience before the FTZ Board seeks to codify it.

Comment # 3: *For the T/IM proposal, the FTZ Board should provide clearer guidance on what constitutes "new, complex, or controversial issues" and "opposition or any other complicating issues or concerns." Failure to provide adequate guidance on this would result in a lack of predictability in the process.*

This commonly expressed concern is particularly relevant because of the nature of the T/IM proposal (*i.e.*, focused on aiding SMMs through quick approval of relatively simple, non-controversial operations). Small and medium-sized firms inherently have fewer resources than larger firms to devote to pre-application research and preparation. Therefore, the FTZ Board should create both clear eligibility guidelines and a simple application form that reflects those guidelines (see detailed discussion below under "Guidelines and Formats").

Comment # 4: *The T/IM proposal should not be limited to general-purpose FTZs.*

The NAFTAZ's submitted letter states, "[t]his proposal needs to incorporate a procedure for small and medium sized manufacturers that are situated outside the boundaries of a general purpose foreign-trade zone that confront the same economic circumstance as those manufacturers located inside the boundaries of a general purpose foreign-trade zone." The NAFTAZ's submission

included a position paper (also submitted by multiple individual commenters) that amplifies the point in stating, "[t]he only adverse feature of this proposal is the absence of any provision to extend this authority to manufacturers not within general purpose zone boundary lines... The Board should extend this proposal to subzones. The economic circumstances that compel approval under this expedited procedure are not changed by location, inside or outside of a general purpose foreign-trade zone."

The language of the *Federal Register* notice announcing the proposals may not have been clear enough when stating that, "T/IM applications would be limited to manufacturing operations within pre-existing FTZ space (*i.e.*, within the boundaries of FTZ sites already approved by the Board at the time of the T/IM application's submission to the Board)..." The notice specifically avoided the use of the words "general purpose" because the intent was for the T/IM proposal to apply to all pre-existing FTZ sites. Subzone sites are a category of FTZ sites – thus, any manufacturer operating within an existing general-purpose FTZ or subzone site would be able to react quickly to new opportunities by applying for T/IM authority (pursuant to the guidelines formulated for T/IM applications).

*Comment # 5: The T/IM proposal should not be limited to existing zone sites.*

In addition to the above-cited comment about making T/IM authority available for FTZ space outside of general-purpose zones, the NAFTAZ's position paper makes a separate point: "The Board can, or should truncate current subzone application procedures for evaluating a subzone request when the request includes the limitations the proposal adopts..." This comment highlights the issue of potential disparity in treatment between manufacturers located in pre-existing general-purpose zone or subzone space versus their competitors located outside of zones/subzones. The companies that already operate in zone/subzone space would have quicker access via the T/IM procedure to certain new FTZ manufacturing authority, thereby potentially deriving a competitive advantage.

The NAFTAZ's proposed solution to the type of disparity described above involves accelerated approval of new subzones. However, there are two key constraints limiting the expansion of FTZ procedures to new sites. The first constraint is the FTZ Act, which states that, "[a]ny expansion of the area of an established zone shall be made and approved in the same manner as an original application." 19 U.S.C. 81f. Thus, applications involving expansion of FTZ procedures to new sites can only be approved through the full process used for all new FTZ and subzone cases. That process cannot be completed within the 75-day time frame generally envisioned for evaluating T/IM applications (see "Guidelines and Formats" section below).

The second constraint is the impact on the Department of Homeland Security's U.S. Bureau of Customs and Border Protection (CBP). Additional FTZ sites can increase the burden on CBP's resources in a way that would have a negative effect on CBP's primary focus: security. Consequently, any new FTZ site must have concurrence from both the local CBP "port" office and CBP headquarters – this type of concurrence, by its nature, adds significantly to the amount of time required to process an application. For this reason, applications involving additional

FTZ sites could not be processed on the accelerated time line envisioned in the T/IM proposal for existing sites.

The constraints outlined above demonstrate the marked distinction between approval of activity within existing sites and approval of new sites for activity. The combination of those two constraints clearly presents an obstacle that, for practical purposes, is insurmountable. This is particularly true because the need to take into account CBP's resources is unlikely to change in the foreseeable future.<sup>15</sup>

Finally, with regard to disparity between companies that are easily able to relocate to FTZ space and those that are less able to do so, it is important to remember that the particular focus of the recommendation in the "Manufacturing in America" report was SMMs. SMMs are more likely than large manufacturers to be able to relocate their operations into pre-existing FTZ space<sup>16</sup> and implementation of the T/IM proposal could sometimes result in different treatment between SMMs and larger companies. At the same time, the ability to apply for T/IM authority is also likely to prove useful to the existing – primarily large – FTZ manufacturers (including those manufacturing within their own FTZ subzone sites). The T/IM proposal will provide a new tool that they can use to react quickly<sup>17</sup> to changing marketplace conditions.

Based on past experience with manufacturing applications, the FTZ Board staff anticipates relatively few situations arising involving competitive disadvantage attributable to differences in direct competitors' ability to take advantage of T/IM procedures. If the issue does arise, it can be addressed within the constraints governing the FTZ Board's actions. Although the normal time frame for a standard subzone manufacturing case is up to 12 months, the FTZ Board has been able to approve some subzone cases in as little as five to six months.<sup>18</sup> Therefore, the FTZ Board can also allow for expedited processing of subzone applications in instances where a company demonstrates that a competitor has derived advantage from T/IM approval for the same production activity. While expediting of subzone cases in those circumstances cannot entirely

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<sup>15</sup> While the T/IM proposal for manufacturing within existing FTZ sites should have a much smaller impact on CBP's resources than a proposal that would involve new sites, new activity within existing FTZs may still have a significant impact on CBP field staff. Therefore, it is advisable to ask potential T/IM applicants to consult with their local CBP personnel and to submit with their application evidence of local CBP concurrence for the proposed activity.

<sup>16</sup> Manufacturing within pre-existing FTZ space can also allow SMMs the benefit – for CBP's purposes – of being able to conduct their manufacturing activities using an existing "operator" at a given FTZ, thereby avoiding the additional hurdle of CBP's security-related requirements for FTZ operators.

<sup>17</sup> The standard application for expansion of subzone authority follows the same basic timeline – up to 12 months for processing – as initial subzone applications. A T/IM application to expand an existing subzone manufacturer's authority normally would be processed in 75 days.

<sup>18</sup> This type of expediting has only occurred in exceptional circumstances in the past because the diversion of FTZ Board staff resources involved in such expedited approvals may have a negative impact on the processing of other cases on the docket.

eliminate the difference in processing times, it can narrow that difference to no more than a few months.<sup>19</sup>

*Comment # 6: The two-year limit on T/IM authority, along with the uncertainty that a T/IM user may be approved later for permanent FTZ manufacturing, may be a deterrent to use of the proposed T/IM provision. Given that the FTZ Board already has authority to conduct a review of approved FTZ operations, T/IM authority should instead be made permanent unless adverse effects are experienced.*

Only the comments submitted by First Choice Packaging raised this concern. Uncertainty should indeed be minimized so that companies are able to make the best decisions about the efficient use of their resources. At the same time, the proposed two-year limit is an important safeguard. As stated in comments submitted by the Campbell Trade Group, "[t]he Foreign-Trade Zones Program is a trade program, and not just a Customs program such as bonded warehouses. The proposed safeguards will ensure that the Foreign-Trade Zones Program remains a program that passes the test of serving the public interest." In that context, full FTZ Board review is still the best way to maintain the balance that the program already strikes between potentially conflicting interests. Therefore, the FTZ Board's review is appropriate to maintain when considering granting authority on a permanent basis.

Making T/IM eligibility contingent on prior approval of similar activity (as described in the "Guidelines and Formats" section below) should help provide increased predictability about the prospects for approval of all types of applications for such activity. In addition, the FTZ Board staff should create a single application form that a company can use to apply for both T/IM and permanent authority – the use of the same information for the evaluations for T/IM and permanent authority should help to minimize uncertainty for applicants. However, the outcomes of the application processes can never be entirely predictable when factors affecting U.S. industries and international trade are constantly shifting and when a key element of the approval process is the solicitation and consideration of public comments.

*Comment # 7: In implementing its proposals, the FTZ Board should provide precise guidance regarding what constitutes a small or medium-sized manufacturer.*

This concern was raised by multiple commenters. As with the issue of which FTZ sites would be eligible for T/IM authority, this concern may derive largely from a lack of clarity in the April 5, 2004, *Federal Register* notice. More specifically, the intent of the two proposals is to create procedures that will particularly enhance the FTZ program's usefulness for SMMs. However, there is no intent to limit to SMMs the use of most elements of the two proposals (T/IM authority,<sup>20</sup> simplified guidelines/formats, and availability of sample completed applications).

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<sup>19</sup> The only practical alternatives would be to extend the time line for processing T/IM applications or not to implement the T/IM proposal at all – no commenter has suggested either of those approaches.

<sup>20</sup> Eligibility for T/IM authority is not limited by the size of the company but rather by the complexity of analysis that will be required before approval can be granted for the requested activity.

These elements enhance the FTZ program, in general, and should be available to all manufacturers, regardless of size.

In the context of the two published proposals, the only real restriction specific to the size of the company should be on eligibility for increased pre-application counseling. This reflects the logic of targeting the limited staff resources available for increased pre-application counseling at the most underserved segment of potential FTZ manufacturers, namely small and medium-sized firms.<sup>21</sup> That target group should be defined using the International Trade Administration's standard measure for SMMs (*i.e.*, companies with less than 500 employees); however, it makes sense for the 500-employee limit to be a general guideline rather than an inflexible cut-off point.

#### IV. GUIDELINES AND FORMATS

##### A. Implementation of the T/IM Proposal

Implementation of the T/IM proposal will require guidelines that stress applicants' need to meet several threshold criteria to be eligible for consideration for T/IM authority.<sup>22</sup> Strict eligibility standards are necessary because the FTZ Board staff's goal is normally to process the application within 75 days from "filing" (*i.e.*, official docketing by the FTZ Board).<sup>23</sup> That 75-day time frame does not allow for complex or demanding analysis, so eligible applications would need to rely on analysis performed by the FTZ Board's staff in prior standard cases.<sup>24</sup>

As stated in the proposal, applications "would need to be consistent with government policy and prior Board actions and 1) non-complex in nature and clearly presenting no new, complex, or controversial issues or 2) for export only" to be eligible for T/IM consideration. The phrase "for

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<sup>21</sup> Specific to company size, another issue for the FTZ Board's Executive Secretary to consider is encouraging zone grantees to offer reduced fees to SMMs. While the T/IM proposal can help SMMs that are able to locate in general-purpose zones, reduced subzone fees for SMMs would aid other small- to medium-sized manufacturing operations and would be an additional way for grantees to enhance their communities' economic vitality by facilitating extension of the FTZ program's benefits to previously excluded companies.

<sup>22</sup> Whether a given T/IM application is approved (as opposed to deemed eligible for consideration) is a separate matter. Such approval would take into account additional factors such as input from U.S. government industry experts and public comments received in response to a *Federal Register* notice announcing the application.

<sup>23</sup> The 75-day time frame is based on estimates of the time needed for publication of a *Federal Register* notice (incorporating information from the simple forms that applicants will use for all T/IM applications – applicants' use of these forms will be essential to enable the FTZ Board staff to quickly and accurately analyze an applicant's proposed activity), a 30-day public comment period during which the FTZ Board staff can also consult with industry experts, and only limited additional pre-decisional analysis (made possible because only applications which are demonstrably "consistent with government policy and prior Board actions and 1) non-complex in nature and clearly presenting no new, complex, or controversial issues or 2) for export only" will even be eligible for consideration).

<sup>24</sup> Only prior subzone- or FTZ-manufacturing (not T/IM) cases approved by the FTZ Board, which contain their own detailed analyses, could be relied upon as sources for precedent in this context.



export only" is self-explanatory. Each remaining element of the requirements for consideration should be implemented through straightforward, easily understood standards:

- ▶ Requirement: "consistent with government policy and prior Board actions"

A reasonable standard for this requirement is previous FTZ Board approval of the same general categories of inputs and finished products<sup>25</sup> in the same industry.

- ▶ Requirement: "non-complex in nature"

In the above-cited *Federal Register* notice, the footnote to the phrase "non-complex" indicates that the number of inverted tariffs is a key indicator of complexity. However, there are additional determinants – the number of inputs and the number of finished products also contribute to a case's analytical demands on the FTZ Board and its staff. Further, SMM applicants should not be required to conduct extensive research and craft legalistic explanations in order to address the issue of complexity. In this context, a numerically based standard (limiting the numbers of inputs, inverted tariffs, and finished products in an application) is the best way to indicate whether a proposal is "non-complex."

Given the nature of the proposal, including the focus on SMMs and the limited time frame for processing a given application (including analysis), the institution of a "20-10-5" rule is reasonable – the rule would limit authority sought through a given T/IM application to 20 production inputs,<sup>26</sup> 10 inputs subject to inverted tariffs (where applicable), and 5 finished products.<sup>27</sup> If a T/IM applicant has more than the specific number of inputs, inverted tariffs, or finished products, the applicant will be able to set priorities and focus its application on the specific duty relationships that will have the greatest immediate impact on its bottom line. A fuller range of products and inputs could be covered in a standard application for manufacturing authority, which could be submitted concurrent with the T/IM application, if desired.

- ▶ Requirement: "clearly presenting no new, complex, or controversial issues"

The issue of whether proposed activity presents "new, complex, or controversial issues" hinges on more than a simple enumeration like the "20-10-5" rule can provide. The FTZ Board needs to institute a mechanism addressing whether particular types of activity, and especially particular

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<sup>25</sup> *i.e.*, the same input and finished-product categories at the four-digit level within the Harmonized Tariff Schedule of the United States (HTSUS).

<sup>26</sup> The 20-input limitation would apply to foreign inputs to be introduced into the production process in foreign status. Any manufacturer with T/IM authority could import without specific approval more than 20 inputs into a FTZ in foreign status for pre-manufacturing storage, but all foreign-origin inputs beyond the 20 identified in the application would need to be placed in domestic status prior to introduction into the manufacturing process.

<sup>27</sup> Even within the context of the proposed "20-10-5" rule, there is the issue of how many digits of HTSUS specificity to apply. The FTZ Board's long-standing practice in its application guidelines is to ask applicants to use six-digit HTSUS categories – that standard should be applied for the "20-10-5" rule, as well.

inverted tariffs, have been approved previously by the FTZ Board (*i.e.*, are less likely to be controversial). At the same time, as discussed above, any mechanism should be as simple and straightforward as possible.

Based on the considerations outlined above, the FTZ Board should limit T/IM applications to previously approved combinations of production inputs and finished products contained in an internet-accessible, "user-friendly" database.<sup>28</sup> Applicants would use the database with four-digit HTSUS specificity to address the requirement for consistency "with government policy and prior Board actions" and would use the database with six-digit HTSUS specificity to address the requirement for "clearly presenting no new, complex, or controversial issues." The FTZ Board staff would create the database using approvals from the past five years<sup>29</sup> – however, the FTZ Board's Executive Secretary should retain ultimate discretion with regard to which categories and combinations are appropriate to include in the database.

## B. Other Guidelines and Simplified Formats/Forms

The second staff proposal (outlined above) envisions "simplified guidelines/formats" targeted to SMM users. Such guidelines and formats would enhance SMMs' access to the full range of FTZ procedures. As such, the FTZ Board staff should undertake a revision of the guidelines for all types of applications (*e.g.*, manufacturing/subzone, expansion of scope of authority) in order to make them as user-friendly to SMMs as possible. However, the simplicity of a "fill-in-the-blank" form is even more user-friendly than any type of guideline. Therefore, the creation of fill-in-the-blank forms should be the staff's ultimate goal.

As noted in the preceding discussion of the T/IM proposal, a simple application form will be a key element for successful implementation of that proposal. A further consideration requiring attention is the interplay between the form for T/IM and forms for other FTZ procedures. For example, a SMM may seek to apply for T/IM authority (using the form for T/IM applications) and, at the same time, apply for permanent FTZ manufacturing authority (using a form created for that purpose). However, requiring an applicant to submit two separate forms for T/IM versus permanent authority could run contrary to the goal of enhancing access for SMMs. Therefore, it is essential that the FTZ Board staff create forms that complement each other in providing access to both new (T/IM) and existing FTZ procedures while minimizing duplication of effort for SMM applicants.<sup>30</sup> Finally, as explained in the analysis of Comment # 7 above, the FTZ Board

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<sup>28</sup> Because some applications contained extensive lists of HTSUS categories – only a portion of which were the focus of the application or the FTZ Board staff's analysis – the FTZ Board staff should limit the database to those products and inputs which: 1) had detailed product classification information (*i.e.*, six-digit or greater HTSUS specificity) provided in the application; 2) were published for public comment in the *Federal Register*; and 3) were a focus of the FTZ Board staff's analysis in the cases in question.

<sup>29</sup> Older FTZ manufacturing approvals are less likely to be relevant in this context because of shifts in duty-rate relationships, as well as other factors affecting industries, over time.

<sup>30</sup> As mentioned in the analysis of Comment # 6 above, creation of a single application form that a company could use to apply for both T/IM and permanent authority would also "provide some increased predictability for applicants."

staff's implementation of these types of forms, although targeted at SMMs, should not discriminate against non-SMM users.

## V. SUMMARY

Based on the comments received on the draft proposals published in the *Federal Register*, it is clear that both proposals will help to address the needs of heretofore under-served SMMs. As noted above, the two largest issues for commenters are the need for clarity in implementation and the concern about potential disparity in treatment between manufacturers based on whether they are able to relocate their operations to pre-existing FTZ space. The FTZ Board staff has developed approaches that address both of these concerns. Those approaches, which are based on the analyses detailed above, are reflected in the "Key Recommendations" section below.

### **KEY RECOMMENDATIONS**

1. The FTZ Board should implement the two proposals that it published in the *Federal Register* on April 5, 2004.
2. The FTZ Board staff should develop both clear, detailed guidelines and simple application forms that applicants will use for the new procedures implemented pursuant to the adoption of the two proposals.
3. The guidelines should clarify that, for the reasons explained at length above, T/IM applications must be limited to pre-existing FTZ sites.
4. Guidelines created for the T/IM proposal should address the distinction between T/IM "eligibility" and T/IM "approval" and should further emphasize that only cases for which the applicant has made an initial showing of eligibility through application of the standards detailed in this report can even be considered for T/IM authority (*i.e.*, officially "filed" by the FTZ Board staff so that processing of the case may begin).
5. The FTZ Board staff should create an internet-accessible database of HTSUS numbers and descriptions for relevant combinations of inputs and finished products approved for manufacturing within the past five years. Potential applicants would need to use the database to demonstrate consistency with prior Board actions and the non-complex, non-controversial nature of their proposals, as outlined above.
6. Potential T/IM applicants should be required to consult with their local CBP personnel and, at the time they submit their applications to the FTZ Board, provide evidence of local CBP concurrence for the proposed activity.
7. For eligibility for enhanced pre-application counseling, the FTZ Board should adopt the International Trade Administration's standard definition of small and medium-sized

firms, *i.e.*, companies with under 500 employees. However, the 500-employee limit should be a general guideline rather than a specific cut-off point.

8. Implementation of the proposals should be given time to evolve through practical experience before the FTZ Board considers seeking to codify any aspects through specific new regulations.

## **CONCLUSION**

The proposals and recommendations described above are likely to significantly reduce the cost of access to the U.S. FTZ program for small and medium-sized manufacturers. Although manufacturing within the FTZ program currently tends to be dominated by large firms, the program has great potential to help many under-served companies and industries to improve their international competitiveness. By adopting the draft proposals, along with the recommendations outlined above, the FTZ Board can enhance speed and ease of access for many potential users, continue to make available the program's traditional flexibility to address a broad range of needs and situations, and maintain the world-class security implemented by the Department of Homeland Security's U.S. Bureau of Customs and Border Protection.

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|--|--|
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## **APPENDIX I**

This appendix contains information on zone programs in 63 countries. In total, the FTZ Board staff researched programs in 77 countries; this list contains the countries for which the most complete information was available. A key to abbreviations used appears at the end.

## Argentina

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Foreign trade zone   |
| <b>Agency</b>                     | Ministry of Economy  |
| <b>Location</b>                   | Port areas (each of 24 provinces has or is establishing an FTZ)  |
| <b>Company facilities?</b>        | No   |
| <b>Outside of Customs?</b>        | Yes  |
| <b>Government Operated?</b>       | By concessionary (grantee, public or public/private)   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Export only  |
| Must manufacturing be approved    | Must obtain authorization to operate in zone   |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Not if manufactured  |
| Is duty paid when entered         | Yes (on goods stored in zone)  |
| Is duty paid on entire value      | Yes  |
| Duty owed on component or product | N/A  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Income tax                        | No   |
| Real Property tax                 | Usually (decided locally)  |
| Other                             | Usually exempt from local taxes including sales and stamp taxes. No tax on utilities. No export tax.   |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| Loans                             | No   |
| Grants                            | No   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | Yes  |
| Export certain percent            | All product manufactured.  |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on production equipment or materials (including food) consumed in zone. Storage in zone for 5 yrs. Exception to export only for manufacturing if it can be proven that the product is not produced domestically. |
| <b>Sources</b>                    | FTAA<br>State<br><a href="http://www.business.com">www.business.com</a><br><a href="http://www.sanluis.gov.ar">www.sanluis.gov.ar</a>  |

## Australia

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Manufacturing in bond (MIB)  |
| <b>Agency</b>                     | Department of Industry, Science and Resources; Customs   |
| <b>Number</b>                     | 1 MIB (in Newcastle)   |
| <b>Location</b>                   | Anywhere   |
| <b>Company facilities?</b>        | Yes  |
| <b>Outside of Customs?</b>        | No   |
| <b>Ownership</b>                  | Private  |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Taxes</b>                      | Deferred in zone   |
| <b>Financial Incentives</b>       |  |
| Grants                            | New exporters - grant of 85% for incurring market development costs.   |
|                                   |  |
| <b>Regulatory exemptions</b>      | None   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No, but the activity must be export oriented   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Sources</b>                    | TPR<br>FCS<br><a href="http://www.singaporeabroad.org.sg">www.singaporeabroad.org.sg</a><br><a href="http://www.customs.gov.au">www.customs.gov.au</a> |

## Austria

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones   |
| <b>Number</b>                     | 4  |
| <b>Size</b>                       | 175,000 to 1.8 million square feet   |
| <b>Location</b>                   | Vienna, Graz, Linz and Solbad Hall   |
| <b>Company facilities?</b>        | Yes  |
| <b>Outside of Customs?</b>        | Yes  |
| <b>Ownership</b>                  | Limited partnerships (govt provinces, chamber of commerce, business)                                 |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | No   |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Excise tax                        | Yes  |
| Income tax                        | Yes (interest, dividends)  |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | Rent reductions  |
| Loans                             | Loan guarantees  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Provinces offer interest subsidies. Chrysler assembles jeeps, minivans in Graz w/ US FTZ components. |
| <b>Sources</b>                    | Diamond  |



## Bangladesh

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Export processing zones   |
| <b>Agency</b>                     | Bangladesh Export Processing Zone Authority (BEPZA)   |
| <b>Number</b>                     | 6, with 26 companies (2 zones very active)  |
| <b>Size</b>                       | Varies, 142-658 acres   |
| <b>Location</b>                   | Near major cities and ports (Chittagong, Dhaka, Comilla, Mongla, Ishwardi and Uttara)   |
| <b>Company facilities?</b>        | No  |
| <b>Outside of Customs?</b>        | No  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Generally no, 10% to local markets allowed under certain conditions.  |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| Income tax                        | Exempt - 10 yrs   |
| Other                             | Dividend tax, expats exempt from income tax for 3 yrs.  |
| <b>Financial Incentives</b>       |   |
| Leases/rents                      | Infrastructure provided   |
| Grants                            | Water, gas and telecommunication provided.  |
| <b>Regulatory exemptions</b>      |   |
| Labor                             | BEPZA administers labor matters, workers represented by Workers Welfare Committee   |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | Yes   |
| Export certain percent            | Yes- usually 100%, but 90% under certain conditions   |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | Duty free import of 3 vehicles. 100% foreign ownership allowed, full repatriation of capital. No import restrictions. Customs clearance at factory site. No duty on production equipment. |
| <b>Sources</b>                    | BEPZA<br>Diamond  |

## Belize

|                            |   |
|----------------------------|---|
| <b>Type of Zone</b>        | Export processing zone  |
| <b>Number</b>              | 4 General, 26 Special   |
| <b>Location</b>            | General are multi factory sites, Special EPZs are single factory sites  |
| <b>Company facilities?</b> | Yes   |
| <b>Benefits</b>            |   |
| Duty free admission        | Yes   |
| Duty free export           | Yes   |
| Manufacturing              | Yes   |
|                            |   |
| <b>Tax Exemptions</b>      |   |
| VAT                        | Yes   |
| Excise tax                 | Yes   |
| Income tax                 | 20 yr exemption guaranteed, with option to extend   |
| Real Property tax          | Yes   |
| Other                      | Capital gains tax, sales and consumption tax, trade turnover, foreign exchange tax and transfer tax, dividend tax   |
| <b>Misc.</b>               | No duty on production equipment (including office furniture and service vehicles). Can sell, lease or transfer goods within an EPZ. Can open foreign currency bank account. Expedited customs (located at zone). No quotas or import restrictions. Up to 20% of workforce can be foreign. |
| <b>Sources</b>             | State   |

## Brazil

| Type of Zone                      | Free trade zone   | Export processing zone   |
|-----------------------------------|---|--|
| Agency                            | Ministry of Development, Industry and Foreign Trade   | Ministry of Development, Industry and Foreign Trade                              |
| Number                            | 8 (manufacturing only allowed in Manaus)  | 19 but none active   |
| Location                          | frontier regions  | Less developed regions   |
| Outside of Customs                | No  |  |
| <b>Benefits</b>                   |   |  |
| Duty free admission               | Yes   | Yes  |
| Duty free export                  | Yes   | Yes  |
| Manufacturing                     | Yes (only in Manaus zone)   | Yes  |
| Must manufacturing be approved    | Yes   | Yes  |
| Can use foreign & domestic        | Yes   | Yes  |
| Can it be entered for consumption | Yes   | Yes, but only 10%  |
| Is duty paid when entered         | Yes   | Yes  |
| Is duty paid on entire value      | Duty paid at reduced rate (88% reduced)   | Duty paid at reduced rate (75%)  |
| Duty owed on component or product | Entire value of finished product  | Final price, minus cost of imported parts  |
|                                   |   |  |
| <b>Tax Exemptions</b>             |   |  |
| Income tax                        | Paid at 75% reduced rate  | N  |
| Other                             | Exemption on tax for industrialized products (IPI) and in-country sales (ICMS), ICMS at reduced rate when entered for consumption.                              |  |
| <b>Financial Incentives</b>       |   | None   |
| Leases/rents                      | Manaus: reduced land prices   |  |
| <b>Regulatory exemptions</b>      |   |  |
| Environmental                     | None  | None   |
| <b>Restrictions</b>               |   |  |
| Manufacturing for export only     | No  | No   |
| Export certain percent            | No  | Yes- 90%   |
| Domestic content                  |   | No   |
| % domestic investment             | Must re-invest some profit in area  | No   |
| <b>Misc.</b>                      | Only wheat and petroleum are not subject to quota in Manaus zone. No duty on capital assets. No benefits on arms, tobacco, alcohol and most passenger vehicles. | No duty on production equipment. May not produce goods subject to export quotas. |
| <b>Sources</b>                    | FTAA<br>FCS<br>MAC<br><a href="http://www.suframa.gov.br">www.suframa.gov.br</a>  | FTAA<br>MAC  |

## Bulgaria

|                                |   |
|--------------------------------|---|
| <b>Type of Zone</b>            | Free zones  |
| <b>Agency</b>                  | Ministries of Foreign Trade and Finance                                 |
| <b>Number</b>                  | 6   |
| <b>Location</b>                | Ports/industrial parks  |
| <b>Company facilities?</b>     | No  |
| <b>Outside of Customs?</b>     | Yes but controlled entrance and exit                                    |
| <b>Government Operated?</b>    | Purposeset or state owned co.   |
| <b>Benefits</b>                |   |
| Duty free admission            | Yes (except alcohol & tobacco)  |
| Duty free export               | Yes   |
| Manufacturing                  | Yes   |
| Must manufacturing be approved | Yes   |
| Can use foreign & domestic     | Dom: processing only for export   |
|                                |   |
| <b>Tax Exemptions</b>          |   |
| VAT                            | Yes   |
| Other                          | Exempt from profit tax on exports                                       |
| <b>Financial Incentives</b>    |   |
| Leases/rents                   | land/infrastructure provided  |
| <b>Restrictions</b>            |   |
| Domestic content               | Dom: only processing if for export                                      |
| % domestic investment          | Only for foreign cos or Bulgarian with at least 1% for ownership        |
|                                |   |
| <b>Sources</b>                 | Diamond<br>MAC<br>CCG<br><a href="http://www.bfia.org">www.bfia.org</a> |

## Canada

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Export distribution centers (EDC), Customs free zones (CFZ)   |
| <b>Agency</b>                     | Canada Border Services Agency (CBSA), provincial agencies   |
| <b>Number</b>                     | CFZ: 2; EDC: unknown  |
| <b>Size</b>                       | up to 2,000 acres   |
| <b>Location</b>                   | Stephenville, Newfoundland, Sydney Harbor, Nova Scotia  |
| <b>Company facilities?</b>        | Yes   |
| <b>Outside of Customs?</b>        | Yes   |
| <b>Ownership</b>                  | Private   |
| <b>Government Operated?</b>       | Yes   |
| <b>Benefits</b>                   | No duties on re-exports. No general sales tax (GST) on Canadian goods processed for export.   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | EDC: no; CFZ: export only   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | EDC: no; CFZ: yes   |
| Is duty paid when entered         | Yes   |
| Is duty paid on entire value      | Only foreign content  |
| Duty owed on component or product |   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Yes   |
| Inventory tax                     | Yes   |
| Excise tax                        | Yes   |
| Income tax                        | Reduced   |
| Real Property tax                 | Reduced   |
| Other                             | job training expense deduction, goods can be transferred to other EDCs  |
| <b>Financial Incentives</b>       |   |
| Leases/rents                      | Yes   |
| Loans                             | subsidized  |
| Grants                            | Yes   |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | Yes, but no transformation  |
| Export certain percent            | Yes   |
| Domestic content                  | Yes - less than 20%   |
| % domestic investment             | No  |
| <b>Misc.</b>                      | Free Customs Consulting Service by CBSA. EDC's designed to promote logistics export platforming                                     |
| <b>Sources</b>                    | <a href="http://www.cbsa-asfc.gc.ca/import/duty_deferral/tab-e.html">http://www.cbsa-asfc.gc.ca/import/duty_deferral/tab-e.html</a> |

## Canary Islands

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free zones   |
| <b>Agency</b>                     | Consortium of local and federal agencies, mayor is chair   |
| <b>Number</b>                     | 1  |
| <b>Size</b>                       | 2 sites, 300,000 square meters   |
| <b>Location</b>                   | port and industrial areas  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | No (only on foreign components)  |
| Duty owed on component or product | Finished product   |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Excise tax                        | Yes  |
| Other                             | APIC (production and import tax). Investments may qualify for corporate tax reductions and tax credits. Local tax exemptions.        |
| <b>Financial Incentives</b>       |  |
| Grants                            | Reserve for the investment in the Canaries. Exporters receive a grant to make products more competitive.                             |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Simplified customs administrative procedures. Manufacturing not subject to EU requirement to prove it will not harm other producers. |
| <b>Sources</b>                    | <a href="http://www.zonafranca.org">www.zonafranca.org</a> <a href="http://www.camaralaspalmas.com">www.camaralaspalmas.com</a>      |

## Chile

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free zones  |
| <b>Agency</b>                     | National Customs Service (Ministry of the Treasury)   |
| <b>Number</b>                     | 2   |
| <b>Location</b>                   | Close to a port or airport  |
| <b>Company facilities?</b>        | No  |
| <b>Outside of Customs?</b>        | Yes   |
| <b>Government Operated?</b>       | No  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Modification permitted  |
| Must manufacturing be approved    | All sites approved by ministry  |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes   |
| Is duty paid when entered         | Yes   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Yes   |
| Income tax                        | Some exemptions   |
| Other                             | Corporate tax   |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | No  |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Sources</b>                    | FTAA<br>MAC<br><a href="http://www.tdctrade.com">www.tdctrade.com</a><br><a href="http://www.zofri.cl">www.zofri.cl</a> |

# China

## Hong Kong

## Mainland

| Type of Zone                      | Hong Kong  | Mainland  |
|-----------------------------------|--|---|
| Agency                            | Port of Hong Kong  | State Council   |
| Number                            | 1  | 15 SPZs; 15 EPZs  |
| Size                              | Encompasses Hong Kong  | Varies, mostly acres  |
| Location                          | Hong Kong  | Major cities, near waterways, but no limits   |
| Outside of Customs?               | No   | Outside customs territory   |
| Ownership                         |  | Government owned  |
| Government Operated?              |  | By administrative branches of local gov't   |
| <b>Benefits</b>                   |  |   |
| Duty free admission               | Yes  | Yes   |
| Duty free export                  | Yes  | Yes   |
| Manufacturing                     | Yes  | Yes (EPZs must manufacture)   |
| Must manufacturing be approved    | No   | Yes   |
| Can use foreign & domestic        | Yes  | Yes   |
| Can it be entered for consumption | Yes  | Yes - SPZs (with approval), No- EPZs  |
| Is duty paid when entered         | NA   | Yes   |
| Is duty paid on entire value      | NA   | Yes   |
| Duty owed on component or product | NA   | Finished product  |
| <b>Tax Exemptions</b>             |  |   |
| VAT                               |  | Yes   |
| Excise tax                        | No   |   |
| Income tax                        |  | Local portion usually refunded  |
| Other                             | Accelerated depreciation   | Consumption tax exemption, lower royalty tax  |
| <b>Financial Incentives</b>       |  | Given national status   |
| Leases/rents                      |  | Some zones provide cheap land/utilities for large investment  |
| Loans                             |  | Some zones act as liaison with local banks  |
| Grants                            | Financing for R&D and technology upgrades  | Some zones source low cost labor for cos.   |
| <b>Regulatory exemptions</b>      | None   | None  |
| <b>Restrictions</b>               |  |   |
| Manufacturing for export only     | No   | Yes (EPZs), SPZs mostly export  |
| Domestic content                  | No   | No  |
| % domestic investment             | No   | No  |
| <b>Misc.</b>                      | No exchange controls   | New EPZs can only be in existing Economic and Tech Zones. All foreign investment requires approval, EPZ speeds process. No duty/tax on production equipment. A special agent with foreign trade rights will have to be retained to import products from the SPZ into the domestic market. |
| <b>Sources</b>                    | TPR<br>Diamond<br><br>Encyclopedia4U.com<br>The Greater China Advisor (U. Of Ottawa and CATA Alliance)<br>Asia in Extensio, March 2003, U. Of Poitiers, France - The Role of Special Economic Zones in China's Economic Development as Compared with Asian Export Processing Zones: 1979-1995<br>www.kpmg.com.cn | Diamond<br>State<br>www.zhfreetradezone.org   |



## Colombia

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free zones   |
| <b>Agency</b>                     | DIAN   |
| <b>Outside of Customs?</b>        | Yes (but controlled)   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | Yes  |
| Duty owed on component or product | Product  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Income tax                        | Yes for operators, Yes for users on export income                                |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No but focus on exports  |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on production equipment, fuel, food and cleaning materials used in zone. |
| <b>Sources</b>                    | FTAA<br>MAC<br><a href="http://www.coinvertir.org">www.coinvertir.org</a>        |

## Costa Rica

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free zone regime  |
| <b>Agency</b>                     | Free Zone Corporation under the Ministry of Foreign Trade   |
| <b>Number</b>                     | 9 (with 234 cos.)   |
| <b>Location</b>                   | Industrial parks/company facilities (incentives for rural areas)  |
| <b>Company facilities?</b>        | Yes   |
| <b>Outside of Customs?</b>        | No - controlled by customs  |
| <b>Ownership</b>                  | Private   |
| <b>Government Operated?</b>       | No  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes - Use of domestic priority if available   |
| Can it be entered for consumption | Yes (processing cos up to 25%, services up to 50%, non-processing must export all)  |
| Is duty paid when entered         | Yes   |
| Is duty paid on entire value      | Yes   |
| Duty owed on component or product | Product   |
|                                   |   |
| <b>Tax Exemptions</b>             | Processing cos: exemptions thru 2008; Services: 8 yr exempt then reduced rate   |
| Excise tax                        | Yes   |
| Income tax                        | Yes   |
| Real Property tax                 | Yes - 10 yrs  |
| Other                             | sales tax, consumption tax (inc water, electricity, telephone). 10 yr exemption on capital and assets tax, municipal tax and real estate transfer tax   |
| <b>Financial Incentives</b>       |   |
| Grants                            | Training, with salaries paid during training. Salary rebates during first 5 years.  |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | Yes 75%   |
| Domestic content                  | Priority to domestic components   |
| % domestic investment             | \$150,000 initial investment minimum in park, \$2 million minimum at company facilities   |
| <b>Misc.</b>                      | No duty on production equipment. No duty on fuel or oil used in operation. For new investment. Permit process takes from 3 months to 2 years depending on level of complexity and whether or not it is within existing free zone space. |
| <b>Sources</b>                    | FTAA<br>State<br>MAC<br><a href="http://www.cinde.or.cr">www.cinde.or.cr</a><br><a href="http://azofras.com">http://azofras.com</a>   |

## Cyprus

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zone  |
| <b>Agency</b>                     | Ministry of Commerce, Industry and Tourism   |
| <b>Number</b>                     | 2  |
| <b>Location</b>                   | Lamarca, Limassol  |
| <b>Outside of Customs?</b>        | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes with permission  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Income tax                        | Yes (10 years)   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on production equipment. No noxious and polluting ind. Ministry considers public interest of zone activity and if it is occurring outside of zone. |
| <b>Sources</b>                    | MAC<br>Diamond   |

## Denmark

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free port   |
| <b>Agency</b>                     | Customs agency  |
| <b>Number</b>                     | 1   |
| <b>Size</b>                       | 161 acres   |
| <b>Location</b>                   | Copenhagen port   |
| <b>Government Operated?</b>       | Operated by Port of Copenhagen  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes   |
| Is duty paid when entered         | Yes   |
|                                   |   |
| <b>Tax Exemptions</b>             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | No  |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | Manufacturing only when special reasons can be shown why facility must be in freeport. 2001, merged with freeport in Sweden (Malmo) |
| <b>Sources</b>                    | MAC<br>Diamond  |

## Dominican Republic

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free trade zones  |
| <b>Agency</b>                     | National Free Zones Council   |
| <b>Number</b>                     | 54 Free Zone Industrial Parks, 549 Free Zone Enterprises  |
| <b>Location</b>                   | Anywhere  |
| <b>Company facilities?</b>        | Yes   |
| <b>Outside of Customs?</b>        | Yes (but subject to control)  |
| <b>Government Operated?</b>       | No  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes (either up to 20% of processed goods or 100% stored goods or goods with 25% local content, but must prepay duties/tax)  |
| Is duty paid when entered         | Yes   |
| Is duty paid on entire value      | No  |
| Duty owed on component or product | Finished product rate, but the duty is calculated by "excluding the imposable base of components and national added values"   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| Inventory tax                     | Yes   |
| Income tax                        | Yes for 15 yrs  |
| Other                             | Municipal tax, real estate transfer tax, construction tax, tax on loan agreements, tax on the formation of corporations and the increase in their capital, and consular charges |
| <b>Financial Incentives</b>       |   |
| Leases/rents                      | Subsidized rent, preferential interest rates and loans for zones within 3 miles of the border.  |
| Loans                             |   |
| Grants                            |   |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | Yes   |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | No duty on production equipment. Approval process takes 1 month.  |
| <b>Sources</b>                    | FTAA<br>MAC<br>FCS<br><a href="http://www.cnzfe.gov.do">www.cnzfe.gov.do</a>  |

## Egypt

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free zones   |
| <b>Agency</b>                     | Ministry of Economy, General Authority for Investment and Free Zones (GAFI)  |
| <b>Number</b>                     | 7 (Public); 150 (private)  |
| <b>Size</b>                       | From 84 to 630 hectares  |
| <b>Location</b>                   | Alexandria, Port Said, Cairo (Nasr City), Suez, Ismailia, Damietta, Media Production City; and at individual plant sites   |
| <b>Company facilities?</b>        | Yes  |
| <b>Outside of Customs?</b>        | Yes  |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes (bYes GAFI)  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes (private zones of existing facilities up to 50%)   |
| Is duty paid when entered         | Yes (duty rate plus 1% of CIF)   |
| Is duty paid on entire value      | value of foreign components  |
| Duty owed on component or product | rate reduced by 50% if Egypt content is at least 40%   |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Inventory tax                     | Yes, reduced   |
| Excise tax                        | Yes  |
| Income tax                        | Yes (5-20 yrs)   |
| Real Property tax                 | Yes, reduced   |
| Other                             | Sales and other taxes  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | "Labor laws tailored to encourage foreign investment" "What business wants when it wants it" Activities illegal in rest of Egypt allowed in zone.  |
| <b>Restrictions</b>               | Must hire at least 75% locals  |
| Manufacturing for export only     | No   |
| Export certain percent            | Private zones at existing facilities must export 50%   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Smuggling through Port Said zone was a problem up to 1994. Banking allowed. Not controlled by customs. Private zones are for company facilities. No duty on production equipment. Storage of goods in a zone "should be with the objective of re-export." Private zone approval granted in one week. |
| <b>Sources</b>                    | <a href="http://www.gafi.gov.eg">www.gafi.gov.eg</a><br>GAFI<br>State  |

## El Salvador

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones   |
| <b>Agency</b>                     | Ministry of Economy (approves applications), Ministry of Finance and Customs (supervises and controls zones)   |
| <b>Number</b>                     | 16   |
| <b>Location</b>                   | Anywhere   |
| <b>Company facilities?</b>        | Yes (companies can receive benefits outside formal zone areas)   |
| <b>Outside of Customs?</b>        | Zones cannot operate without tax and customs officials present   |
| <b>Ownership</b>                  | Private  |
| <b>Government Operated?</b>       | Privately administered   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes (license required to operate in zone)  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes (duty for Cent. Amer sale also)  |
| Duty owed on component or product | Product  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Income tax                        | Yes - developers 15 yrs, users 10yrs   |
| Other                             | Municipal taxes (up to 10 year exemption), Property transfer taxes   |
| <b>Financial Incentives</b>       | None   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on production equipment. License approved in 7 days.   |
| <b>Sources</b>                    | State<br>MAC<br>Committee of Zones of the Americas<br><a href="http://www.proesa.com.sv">www.proesa.com.sv</a><br><a href="http://www.elpedregalsal.com">www.elpedregalsal.com</a> |

## European Union

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Processing under customs control (PCC)   |
| <b>Agency</b>                     | Customs of each member state   |
| <b>Location</b>                   | Anywhere   |
| <b>Company facilities?</b>        | Yes  |
| <b>Outside of Customs?</b>        | No   |
| <b>Ownership</b>                  | Private  |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Duty owed on component or product | Product  |
|                                   |  |
| <b>Tax Exemptions</b>             | Deferred in zone   |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| Loans                             | No   |
| Grants                            | No   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Standard application time is 2 months, faster for "non-sensitive" products. Subject to an economic test, must show the activity will harm producers of similar goods.  |
| <b>Sources</b>                    | <a href="http://www.eurotradeconcept.nl">www.eurotradeconcept.nl</a><br><a href="http://www.europa.eu.int">www.europa.eu.int</a><br><a href="http://www.buyusa.gov">www.buyusa.gov</a><br><a href="http://www.turkpulse.com">www.turkpulse.com</a><br><a href="http://www.hmce.gov.uk">www.hmce.gov.uk</a> |



## France

|                                   |                                  |
|-----------------------------------|----------------------------------|
| <b>Type of Zone</b>               | Free trade zones                 |
| <b>Agency</b>                     | Customs                          |
| <b>Number</b>                     | 1 (not operational)              |
| <b>Location</b>                   | Bordeaux                         |
| <b>Outside of Customs?</b>        | No                               |
| <b>Government Operated?</b>       | No                               |
| <b>Benefits</b>                   |                                  |
| Duty free admission               | Yes                              |
| Duty free export                  | Yes                              |
| Manufacturing                     | Yes                              |
| Must manufacturing be approved    | Yes                              |
| Can use foreign & domestic        | Yes                              |
| Can it be entered for consumption | Yes                              |
| Is duty paid when entered         | Yes                              |
| Is duty paid on entire value      | No, only on foreign component    |
| Duty owed on component or product | Product                          |
|                                   |                                  |
| <b>Tax Exemptions</b>             |                                  |
| VAT                               | Yes                              |
| <b>Regulatory exemptions</b>      |                                  |
| Environmental                     | No                               |
| Labor                             | No                               |
| <b>Restrictions</b>               |                                  |
| Manufacturing for export only     | No                               |
| Export certain percent            | No                               |
| Domestic content                  | No                               |
| % domestic investment             | No                               |
| <b>Misc.</b>                      | No duty on production equipment. |
| <b>Sources</b>                    | Diamond<br>FCS                   |

## The Gambia

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free zones  |
| <b>Agency</b>                     | The Gambia Investment Promotion and Free Zones Agency   |
| <b>Location</b>                   | Can be stand alone/single factory   |
| <b>Company facilities?</b>        | Possibly  |
| <b>Ownership</b>                  | Private   |
| <b>Government Operated?</b>       | No  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes (up to 30%)   |
| Is duty paid when entered         | Yes   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| Excise tax                        | Yes   |
| Income tax                        | Yes -10yrs exempt then reduced rate   |
| Other                             | Sales and municipal taxes   |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | Yes (70%)   |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | Must generate employment and train nationals. No duty on capital equipment. Licenses processed in 7 days. |
| <b>Sources</b>                    | <a href="http://www.investingintheambia.gm">www.investingintheambia.gm</a>                                |

## Germany

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free ports   |
| <b>Number</b>                     | 6  |
| <b>Size</b>                       | 1.7 acres to 3,600 acres   |
| <b>Location</b>                   | Ports (Hamburg, Bremen, Bremerhaven, Cuxhaven, Emden, Kiel)                      |
| <b>Outside of Customs?</b>        | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Excise tax                        | Yes  |
| Other                             | Export credit guarantees on new production facilities                            |
| <b>Financial Incentives</b>       |  |
| Grants                            | Yes (for new and expanded production)  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | Yes (no health & safety docs)  |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No proof of origin docs  |
| <b>Sources</b>                    | MAC<br>Diamond<br><a href="http://www.hafen-hamburg.de">www.hafen-hamburg.de</a> |

## Ghana

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free zone  |
| <b>Agency</b>                     | Ghana Free Zones Board   |
| <b>Location</b>                   | Ports or company facilities, any area of land or building  |
| <b>Company facilities?</b>        | Yes  |
| <b>Ownership</b>                  | Private  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes (up to 30%)  |
| Is duty paid when entered         | Yes  |
| Duty owed on component or product | Product  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Income tax                        | Yes-10 yrs exempt then reduced   |
| Other                             | 10 year corporate tax exemption  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Yes- 70%   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | The Board may attach to a license conditions as appropriate concerning employment skills, job opportunities and degree of export orientation. Licenses issued in 28 days. Cannot compete with govt in certain industries (steel, arms, communications...). Board offers "one stop approval service". |
| <b>Sources</b>                    | CCG<br><a href="http://www.ghanaclassifieds.com">www.ghanaclassifieds.com</a>  |

## Guatemala

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free trade zones  |
| <b>Agency</b>                     | Ministry of Economy/Customs   |
| <b>Number</b>                     | 20 authorized, 14 operating   |
| <b>Location</b>                   | Anywhere  |
| <b>Outside of Customs?</b>        | Yes   |
| <b>Government Operated?</b>       | Private   |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes (but only 20%)  |
| Is duty paid when entered         | Yes   |
| Is duty paid on entire value      | Yes   |
| Duty owed on component or product | Finished product  |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Yes   |
| Income tax                        | Yes - 10 yrs  |
| Real Property tax                 | Yes - Unique tax on real estate   |
| Other                             | 5 yr exemption on tariffs on fuel oil, bunker gas, butane and propane for energy generation   |
| <b>Financial Incentives</b>       | None  |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | Yes - 80%   |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | No duty on production equipment. Approval process takes 3 weeks, only done once, not needed for each manufacturing activity. Entry (up to 20%) requires specific authorization. |
| <b>Sources</b>                    | State<br>FTAA   |

## Honduras

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free trade zones and export processing zones  |
| <b>Agency</b>                     | Ministry of Industry and Trade  |
| <b>Number</b>                     | 32 zones with 95 customs points and 252 companies   |
| <b>Location</b>                   | Anywhere  |
| <b>Outside of Customs?</b>        | Yes (enclaves outside country)  |
| <b>Government Operated?</b>       | No  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes (up to 5%)  |
| Is duty paid when entered         | Yes   |
| Duty owed on component or product | Product   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| Excise tax                        | Yes   |
| Income tax                        | Yes for free zone and Yes but 20yrs for industrial parks  |
| Real Property tax                 | No  |
| Other                             | Sales tax, municipal taxes, repatriation of capital and profit taxes, tax on profit, net asset tax  |
| <b>Financial Incentives</b>       |   |
| Leases/rents                      | No  |
| Loans                             | No  |
| Grants                            | No  |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | Yes (95%)   |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | No duty on production equipment. License granted in 15 days with payment of \$111,203 fee. 90% of labor force must be Honduran and 85% of payroll to Hondurans. |
| <b>Sources</b>                    | FTAA<br>State<br>MAC  |

## India

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Special economic zones   |
| <b>Agency</b>                     | Department of Commerce in the Ministry of Commerce and Industry  |
| <b>Number</b>                     | 21   |
| <b>Size</b>                       | Min. size 1000 hectares, but no min. on product specific or port SEZs  |
| <b>Location</b>                   | Designated areas   |
| <b>Outside of Customs?</b>        | No (but expeditious customs treatment and no routine examinations)   |
| <b>Ownership</b>                  | No   |
| <b>Government Operated?</b>       | Public, private or state gov't   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | All users must apply   |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | Yes  |
| Duty owed on component or product | Product  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Excise tax                        | Yes  |
| Income tax                        | Yes (for investors) 10 yrs for developers  |
| Other                             | Service tax, sales tax   |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | Land provided  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  |  |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No performance requirements, but must be net foreign exchange earner.  |
| <b>Sources</b>                    | TPR<br>MAC<br><a href="http://www.sezindia.nic.in">www.sezindia.nic.in</a><br><a href="http://www.ciionline.org">www.ciionline.org</a><br><a href="http://www.dipp.nic.in">www.dipp.nic.in</a> |

## Indonesia

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free trade zones  |
| <b>Agency</b>                     | Federal government  |
| <b>Number</b>                     | 15  |
| <b>Location</b>                   | No limits, but most near ports  |
| <b>Outside of Customs?</b>        | No  |
| <b>Government Operated?</b>       | Private or local governments  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Must apply to locate in zone  |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes, up to 50%  |
| Is duty paid when entered         | Yes   |
| Is duty paid on entire value      | No- only on imported components   |
| Duty owed on component or product | Product   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Yes   |
| Excise tax                        | Yes   |
| Income tax                        | Yes (reductions)  |
| Other                             | Sales tax, luxury tax,  |
| <b>Financial Incentives</b>       | None  |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | 50% of value  |
| Domestic content                  | No  |
| % domestic investment             | Full foreign equity allowed for 5 years if export only                    |
| <b>Misc.</b>                      | No duty on production equipment. Application process takes 4 weeks.       |
| <b>Sources</b>                    | MAC<br>State<br>TPR<br><a href="http://www.bkpm.go.id">www.bkpm.go.id</a> |



## Ireland

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free zones  |
| <b>Agency</b>                     | Ministry of Finance (Customs & Excise)  |
| <b>Number</b>                     | 1   |
| <b>Size</b>                       | app. 1000 acres   |
| <b>Location</b>                   | Ports (Shannon)   |
| <b>Outside of Customs?</b>        | Customs controlled  |
| <b>Government Operated?</b>       | Shannon Development - gov't affiliated agency   |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | License required in zone, but this may be repealed soon   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes   |
| Is duty paid when entered         | Yes   |
| Is duty paid on entire value      | owed on non-EU sourced components   |
| Duty owed on component or product | Landed value of product   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Yes   |
| Excise tax                        | Yes   |
| Income tax                        | Reduced until 2005, then reg rate (to comply with EU)   |
| <b>Financial Incentives</b>       |   |
| Grants                            | Yes (for capital investment, R&D, employment and training)  |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | No  |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | Production equipment: case by case determination on whether duty is owed. Recent changes to do away with special incentives to comply with EU free zone laws. |
| <b>Sources</b>                    | Diamond<br>FCS<br><a href="http://www.shannondev.ie">www.shannondev.ie</a><br><a href="http://www.shannonireland.com">www.shannonireland.com</a>              |

## Israel

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free ports, Free processing zones   |
| <b>Agency</b>                     | Israeli Port Authority  |
| <b>Number</b>                     | 3 -- Free Ports, 1 -- Free Processing Zone  |
| <b>Size</b>                       | Haifa: 6,000 sq.m under roof/75 acres. Eilat: 40 acres outdoors.<br>Eilat/Shoqet FPZ: 700 acres |
| <b>Location</b>                   | Haifa Free Port, Eilat Free Port, Eilat/Shoqet FPZ  |
| <b>Company facilities?</b>        | No; leased  |
| <b>Outside of Customs?</b>        | Yes   |
| <b>Government Operated?</b>       | Yes   |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes (in the FPZ)  |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes (10% max)   |
| Is duty paid when entered         | Yes   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Yes   |
| Inventory tax                     | Yes   |
| Excise tax                        | Yes   |
| Income tax                        | 20 year tax holiday   |
| Real Property tax                 | Yes   |
| Other                             | accelerated depreciation  |
| <b>Financial Incentives</b>       |   |
| Leases/rents                      | Yes   |
| Loans                             | Yes   |
| Grants                            | Yes   |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | 90%   |
| % domestic investment             | No, but JV's get preferential rates   |
| <b>Sources</b>                    | Diamond   |

## Italy

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free port  |
| <b>Agency</b>                     | Ministry of the Economy and Finance  |
| <b>Number</b>                     | 2 (Trieste and Venice)   |
| <b>Size</b>                       | 1,765,000 square meters (Trieste)  |
| <b>Location</b>                   | Ports  |
| <b>Government Operated?</b>       | Semi-public corporations   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes - deferral at reduced int. rate  |
| Other                             | turnover and other taxes: deferred at reduced interest rate  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | Yes - if foreign workers used, laws of their nationality apply   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Focus on exports   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Processing licenses dependent on final destination of goods, with license can transform goods free of any customs restraints. 5 yr time limit. |
| <b>Sources</b>                    | Diamond<br>MAC<br><a href="http://www.porto.trieste.it">www.porto.trieste.it</a>   |

## Japan

|                                   |  |  |
|-----------------------------------|--|--|
| <b>Type of Zone</b>               | Foreign access zones   | Okinawa free trade zone                                  |
| <b>Agency</b>                     | Ministry of Finance  |  |
| <b>Number</b>                     | 22   | 1  |
| <b>Location</b>                   | At and around harbors and airports   | Okinawa  |
| <b>Outside of Customs?</b>        | No   |  |
| <b>Government Operated?</b>       | Regionally planned, quasi-public run   |  |
| <b>Benefits</b>                   |  |  |
| Duty free admission               | Some zones   | Yes  |
| Duty free export                  |  | Yes  |
| Manufacturing                     | Yes  | Yes  |
| Can use foreign & domestic        | Yes  | Yes  |
| Can it be entered for consumption | Yes  | Yes  |
| Is duty paid when entered         | Yes  | Yes  |
| Duty owed on component or product |  | Company's choice   |
|                                   |  |  |
| <b>Tax Exemptions</b>             | Done regionally  |  |
| Income tax                        |  | Reduced rate for 10 years                                |
| Other                             | Special depreciation rates and local real estate purchase tax exemptions   | Bonded area permit fees reduced by 50%                   |
| <b>Financial Incentives</b>       |  |  |
| Loans                             | Loan guaranty system. Reduced interest rate (regional)   |  |
| Grants                            | Guarantees from gov't funds  |  |
| <b>Regulatory exemptions</b>      |  |  |
| Environmental                     | No   |  |
| Labor                             | No   |  |
| <b>Restrictions</b>               |  |  |
| Manufacturing for export only     | No   | No   |
| Export certain percent            | No   | No   |
| Domestic content                  | No   | No   |
| % domestic investment             | No   | No   |
| <b>Misc.</b>                      | Designed to promote imports. Only some zones provide bonded facilities.  |  |
| <b>Sources</b>                    | MAC<br>TPR<br><a href="http://www.meti.go.jp">www.meti.go.jp</a><br><a href="http://www.jetro.go.jp">www.jetro.go.jp</a> | <a href="http://www.okisankyo.org">www.okisankyo.org</a> |

## Jordan

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free zones   |
| <b>Agency</b>                     | Free Zone Corporation (Ministry of Finance)                      |
| <b>Outside of Customs?</b>        | Under customs control  |
| <b>Ownership</b>                  | Public or private  |
| <b>Government Operated?</b>       | Some   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | No (only foreign components)                                     |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Income tax                        | Yes  |
| Real Property tax                 | Yes  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Sources</b>                    | <a href="http://www.free-zones.gov.jo">www.free-zones.gov.jo</a> |

## Kenya

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Export processing zones and Manufacturing under bond (MUB)  |
| <b>Agency</b>                     | EPZ Authority of Ministry of Finance; MUB: Investment Promotion Center of Ministry of Trade and Industry  |
| <b>Number</b>                     | 37 EPZs with 71 companies; 40 MUB's   |
| <b>Location</b>                   | EPZs, also manufacturing under bond for zone benefits at company locations.   |
| <b>Outside of Customs?</b>        | No but exemption from pre-shipment inspection and on site customs inspection  |
| <b>Government Operated?</b>       | 21 public, 2 private  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | EPZ: 20% can be entered; MUB: all export  |
| Is duty paid when entered         | Yes   |
| Is duty paid on entire value      | Yes   |
| Duty owed on component or product | Final product   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Refunded on imported inputs   |
| Income tax                        | 10 yr exemption   |
| Other                             | 10 year corporate tax exempt, then 25%; 10 year withholding tax exempt; stamp duty; investment deduction  |
| <b>Financial Incentives</b>       |   |
| Leases/rents                      | No  |
| Loans                             | No  |
| Grants                            | No  |
| <b>Regulatory exemptions</b>      | Exempt from: Industrial Registration Act, Factories Act, Statistics Act, Trade Licensing Act, Imports, Exports & Essential Supplies Act, no work permits for non-Kenyan staff |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | EPZ- No; MUB- Yes   |
| Export certain percent            | EPZ - 80%   |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | Licenses for both EPZ and MUB take app 2 weeks. No duty on production equipment. EPZs mainly used for textile exports to US.  |
| <b>Sources</b>                    | State<br><a href="http://www.epzkenya.com">www.epzkenya.com</a>   |

## Korea

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones   |
| <b>Agency</b>                     | Minister of Commerce, Industry and Energy  |
| <b>Number</b>                     | 4 (Iksan, Kunsan, Daebul, Masan)   |
| <b>Location</b>                   | Industrial complex near air/sea ports, etc.  |
| <b>Company facilities?</b>        | No   |
| <b>Outside of Customs?</b>        | Yes (the Customs Act is not applied)   |
| <b>Ownership</b>                  | Government owned and developed   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | Not on domestic components   |
|                                   |  |
| <b>Tax Exemptions</b>             | (exemptions only with certain level of investment)   |
| VAT                               | Yes  |
| Income tax                        | 100% exempt for 7 yrs, 50% for next three (also corporate tax)   |
| Real Property tax                 | 5 yrs exempt, then reduced   |
| Other                             | Exemption on the traffic inducement fee for construction of facilities.<br>5 yrs exempt then reduced: acquisition tax, real estate tax and registration tax.   |
|                                   |  |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | land leased at 1/5 of market rate  |
| Grants                            | Support for construction of facilities, roads, water, sewage and cost of land  |
| <b>Regulatory exemptions</b>      |  |
| Labor                             | Yes  |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | Main purpose for export  |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | Set amount to receive tax breaks   |
| <b>Misc.</b>                      | To qualify for tax exemptions, FDI must be at least \$30 million, with 300 local employees. No duty on production equipment. Korea also has free economic zones and foreign investment zones which provide additional benefits to foreign investors. |
|                                   |  |
| <b>Sources</b>                    | MAC<br>State<br><a href="http://www.kotra.or.kr">www.kotra.or.kr</a><br><a href="http://www.customs.go.kr">www.customs.go.kr</a><br><a href="http://www.mocie.go.kr">www.mocie.go.kr</a>   |

## Kuwait

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free zone  |
| <b>Agency</b>                     | Ministry of Commerce and Industry  |
| <b>Number</b>                     | 1  |
| <b>Size</b>                       | 1.7 million square meters  |
| <b>Location</b>                   | Shuwaikh port  |
| <b>Outside of Customs?</b>        | Must file to admit and remove goods  |
| <b>Government Operated?</b>       | No - National Real Estate Co.  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Income tax                        | Yes  |
| <b>Regulatory exemptions</b>      |  |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Industrial licenses can be granted in less than a week, not more than 2 months. Valid for 1 yr, can be extended. |
| <b>Sources</b>                    | CCG<br><a href="http://portal.nrec.com.kw">http://portal.nrec.com.kw</a>   |



## Lithuania

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free economic zones  |
| <b>Number</b>                     | 3  |
| <b>Location</b>                   | Kaunas, Siauliai and Klaipada  |
| <b>Outside of Customs?</b>        | No - separate  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes, by a simple questionnaire   |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Excise tax                        | Yes  |
| Income tax                        | Exempt or reduced  |
| Real Property tax                 | Yes  |
| Other                             | Exempt from dividend tax, road tax   |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | 50% discount on land lease tax   |
| Grants                            | Employment grants, EU support funds  |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Tax exemptions are regarded as state aid for regional development, and therefor comply with European Union regulations. No duty on production, construction equip. |
| <b>Sources</b>                    | Diamond<br>MAC<br><a href="http://www.fez.lt">www.fez.lt</a><br><a href="http://www.lda.lt">www.lda.lt</a>   |

## Malaysia

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free industrial zones, free commercial zones and licensed manufacturing warehouses (LMW)     |
| <b>Agency</b>                     | Ministry of Finance  |
| <b>Number</b>                     | 13 FIZS AND 14 FCZS  |
| <b>Size</b>                       | Varies 223 acres to entire port  |
| <b>Location</b>                   | Any suitable location  |
| <b>Company facilities?</b>        | Yes (LMWs)   |
| <b>Outside of Customs?</b>        | Yes with minimal customs formalities   |
| <b>Government Operated?</b>       | by designated federal, state or local gov't authority  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes for each activity  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes, 20%   |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | Yes  |
| Duty owed on component or product | Product  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Excise tax                        | Yes  |
| Income tax                        | 2-5 yr exemption for pioneer industries  |
| Other                             | sales and service tax  |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| Loans                             | No   |
| Grants                            | No   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Yes - 80%  |
| Domestic content                  | No but encourage use of local products   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on production equipment. License takes 2-8 weeks.                                    |
| <b>Sources</b>                    | Diamond<br>State<br>MAC<br>TPR<br><a href="http://www.matrade.gov.my">www.matrade.gov.my</a> |

## Mauritius

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Export enterprise scheme (EPZ) and free ports  |
| <b>Agency</b>                     | Export Processing Zones Development Authority  |
| <b>Location</b>                   | EPZs: anywhere; free ports only at designated locations                                |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can it be entered for consumption | Yes, up to 20% with specific approval  |
| Is duty paid when entered         | Yes  |
| Duty owed on component or product | product  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Income tax                        | Reduced 50% for 2 expat employees for 4 yrs  |
| Other                             | Corporate rate 15%, tax free dividends, no capital gains tax                           |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | exemption from payment of half the registration fee on purchases of land and buildings |
| <b>Regulatory exemptions</b>      |  |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Yes - 80%  |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on production equipment. Permit process: 5-9 weeks                             |
| <b>Sources</b>                    | MAC<br>State<br><a href="http://www.boimauritius.com">www.boimauritius.com</a>         |

## Mexico

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones/ports   |
| <b>Agency</b>                     | Office of Border Customs, Superintendent of Ports, local Administrator of Customs  |
| <b>Number</b>                     | 6, plus US-Mexico border zone (supporting maquiladoras)  |
| <b>Size</b>                       | varies   |
| <b>Location</b>                   | Coatzacoalos, Salina Cruz, Baja Peninsula, Sanora, Quintana Roo, Chihuahua, Border Zone (i.e., maquiladoras)   |
| <b>Company facilities?</b>        | No   |
| <b>Outside of Customs?</b>        | Yes  |
| <b>Ownership</b>                  | Government   |
| <b>Government Operated?</b>       | Yes  |
| <b>Benefits</b>                   | Reduction of VAT, temp taxes. Duty exemption on exports & cap equip.; duty deferral; exemption on import licenses  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | No   |
| Duty owed on component or product | component  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Inventory tax                     | Yes  |
| Excise tax                        | Yes  |
| Income tax                        | Partial Reduction  |
| Real Property tax                 | Reduced  |
| Other                             | Export tax exemption on scrap, shrinkage. Export taxes still apply. 22 PROSEC's allow reduced or no duties on foreign inputs   |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | reduced lease rates  |
| <b>Regulatory exemptions</b>      | Maquiladoras can be located anywhere, but must be registered with federal government   |
| Labor                             | up to 10% may be foreign   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Yes  |
| Domestic content                  | Yes  |
| <b>Misc.</b>                      | Streamlined customs procedures for plant to plant transfers  |
| <b>Sources</b>                    | (GAO Publication 03-891, "Mexico's Maquiladora Decline Affects U.S.-Mexico Border Communities and Trade; Recovery Depends in Part on Mexico' Actions," July 2003)<br>Diamond<br><a href="http://www.visitmexico.com">www.visitmexico.com</a> |

## Morocco

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free export zones (FEZ), free industrial zones (FIZ) & industrial warehouses (IW)               |
| <b>Agency</b>                     | Customs administration  |
| <b>Size</b>                       | FEZ:345 hectares  |
| <b>Location</b>                   | Near ports  |
| <b>Company facilities?</b>        | public or private   |
| <b>Ownership</b>                  | Land privately owned  |
| <b>Government Operated?</b>       | No (Consortium of private cos.)   |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Can it be entered for consumption | No  |
| Is duty paid when entered         | N/A   |
| Is duty paid on entire value      | N/A   |
| Duty owed on component or product | N/A   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Yes   |
| Income tax                        | Yes (5 years, then lower rate)  |
| Real Property tax                 | Yes   |
| Other                             | stamp, registration, license (15 yrs), share yield and urban (15 yrs) tax                       |
| <b>Financial Incentives</b>       |   |
| Grants                            | Federal aid can subsidize the acquisition of plots and/or the construction of production units. |
| <b>Regulatory exemptions</b>      | exempt from registration  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | Y   |
| Export certain percent            | Y   |
| <b>Misc.</b>                      | Exempt from needing construction permit.  |
| <b>Sources</b>                    | TPR<br>www.tangerfreezone.com   |

## Nicaragua

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Industrial export zones  |
| <b>Agency</b>                     | National Commission of Free Zones  |
| <b>Number</b>                     | 62 (company facilities)  |
| <b>Location</b>                   | Stand alone zones can operate anywhere, no limitations   |
| <b>Company facilities?</b>        | Yes  |
| <b>Outside of Customs?</b>        | Yes  |
| <b>Ownership</b>                  | Private  |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes (but only 20-40%)  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | Yes  |
| Duty owed on component or product | Product  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Refund   |
| Excise tax                        | Yes  |
| Income tax                        | Yes- administrator 15yrs, users 10 yrs   |
| Real Property tax                 | Yes  |
| Other                             | Municipal taxes, stamp tax, sales tax  |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| Loans                             | No   |
| Grants                            | No   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Yes (60-80%)   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on production equipment. The amount that can be sold locally is based on the amount of local value added and employment. |
| <b>Sources</b>                    | FTAA<br>State<br>MAC<br><a href="http://www.pronicaragua.org/">http://www.pronicaragua.org/</a>                                  |

## Nigeria

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Export processing zones  |
| <b>Agency</b>                     | Nigerian Export Processing Zone Authority  |
| <b>Number</b>                     | 5 established, 2 functioning   |
| <b>Location</b>                   | Ports  |
| <b>Company facilities?</b>        | No   |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | 25%  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             | exemptions available   |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | Land subsidies   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Yes - 75%  |
| <b>Misc.</b>                      | No duty on goods consumed within the zone. No pre-shipment inspection of goods (faster clearance). License approved in 5 days. |
| <b>Sources</b>                    | CCG<br>Onne Free Zone  |

## Pakistan

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Export processing zones  |
| <b>Agency</b>                     | Ministry of Industries and Production  |
| <b>Number</b>                     | 3 (but 12 more in the development phase)   |
| <b>Size</b>                       | 500+ acres   |
| <b>Location</b>                   | Karachi, Sialkot, Lahore   |
| <b>Outside of Customs?</b>        | No   |
| <b>Government Operated?</b>       | Yes  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes (subject to normal import rest.)   |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | Yes  |
| Duty owed on component or product | Duty owed on condition as it leaves the zone.  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Excise tax                        | Yes  |
| Income tax                        | Yes (of foreign personnel)   |
| Other                             | Exemption from most federal/provincial taxes. No sales tax on inputs (inc. electricity and gas)                                |
| <b>Regulatory exemptions</b>      |  |
| Labor                             | Yes- unions and strikes prohibited   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | Yes  |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Exempt from import restrictions. No duty on production or construction equipment.  |
| <b>Sources</b>                    | MAC<br>TPR<br><a href="http://www.pakboi.gov.pk">www.pakboi.gov.pk</a><br><a href="http://www.epza.gov.pk">www.epza.gov.pk</a> |



## Paraguay

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones   |
| <b>Agency</b>                     | Customs Administration   |
| <b>Outside of Customs?</b>        | Yes but controlled   |
| <b>Ownership</b>                  | Private  |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Other                             | Certain activity exempt from all domestic, departmental and municipal taxes. Do pay Free Trade Zone tax, .5% of export gross income. |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No but tax break for 90% exports   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on capital goods.  |
| <b>Sources</b>                    | FTAA   |

## Philippines

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Special economic zones (ecozones) (Ecozones divided into export processing zones and free trade zones)  |
| <b>Agency</b>                     | Philippine Economic Zone Authority  |
| <b>Number</b>                     | App.40, plus 4 just EPZs  |
| <b>Size</b>                       | Varies, some quite large  |
| <b>Location</b>                   | Anywhere  |
| <b>Company facilities?</b>        | Yes   |
| <b>Outside of Customs?</b>        | Separate customs territory  |
| <b>Ownership</b>                  | 4 EPZs:Government, rest private   |
| <b>Government Operated?</b>       | Some  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | To use zone, must register with PEZA  |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes, up to 30%  |
| Is duty paid when entered         | Yes   |
| Is duty paid on entire value      | Yes   |
| Duty owed on component or product | Product   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| Income tax                        | lower rate (5%)   |
| Real Property tax                 | No  |
| Other                             | Wharfage dues & export tax. Deductions for labor expense.   |
| <b>Regulatory exemptions</b>      | Shipments into a zone exempt from the selective preshipment advance classification scheme.  |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | Yes - 70%   |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | Employment of foreign nationals can not exceed 5%. Exports from zones account for more than 20% of shipments from the country. No duty on capital equipment. PEZA Board meets twice a week to review applications, approval takes days. |
| <b>Sources</b>                    | Diamond<br>State<br>MAC<br><a href="http://www.philea.com.ph">www.philea.com.ph</a><br><a href="http://www.peza.gov.ph">www.peza.gov.ph</a>   |

## Poland

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free zones and warehouses  |
| <b>Agency</b>                     | Ministry of Finance  |
| <b>Number</b>                     | 7 zones, 5 warehouses  |
| <b>Location</b>                   | Ports/airports   |
| <b>Outside of Customs?</b>        | No   |
| <b>Government Operated?</b>       | State or local   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Income tax                        | Yes (3 yrs)  |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Customs authority may prohibit or restrict activities in a free zone or customs warehouse with respect to a type of goods or availability of customs supervision. No retail. |
| <b>Sources</b>                    | Diamond<br>MAC<br><a href="http://www.mf.gov.pl">www.mf.gov.pl</a><br><a href="http://www.paiz.gov.pl">www.paiz.gov.pl</a>   |

## Portugal

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Industrial free trade zone   |
| <b>Agency</b>                     | Madeira: Sociedade de Desenvolvimento da Madeira, S.A. (SDM)   |
| <b>Number</b>                     | 2  |
| <b>Size</b>                       | Madeira: 296 acres   |
| <b>Location</b>                   | Industrial Parks: Madeira and Santa Maria Island   |
| <b>Outside of Customs?</b>        | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes - licenses for min. 5 yrs  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes - but possible exemptions  |
| Is duty paid on entire value      | Duty owed on non-EU component value  |
| Duty owed on component or product | component  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Reduced rate   |
| Income tax                        | from profits and dividends until 2011  |
| Real Property tax                 |  |
| Other                             | Exempt from Capital Transfer Tax, Stamp Tax, Limited exemptions from social security deductions  |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | Infrastructure provided  |
| Grants                            | grants of up to 100% of employee training costs and up to 50% of the cost of energy-saving changes in production measures  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Must not be a threat to national security or public health. Exemption from quotas on exports to the EU of goods produced in the zone. Madeira: service industries receive benefits anywhere on island, do not need to be within the physical boundaries of the zone. License process takes 30 days. No duty on production equipment. |
| <b>Sources</b>                    | Diamond<br>State<br>MAC<br><a href="http://www.lowtax.net">www.lowtax.net</a>  |

## Romania

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones   |
| <b>Agency</b>                     | Free Zones Agency, within the Ministry of Transport, Constructions and Tourism   |
| <b>Number</b>                     | 6  |
| <b>Location</b>                   | Constanta Sud-Agigea, Sulina, Galati, Braila, Giurgiu and Curtici-Arad   |
| <b>Company facilities?</b>        | No   |
| <b>Outside of Customs?</b>        | Controlled by Customs  |
| <b>Operated By</b>                | Local administration established by Free Zones Agency  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Excise tax                        | Yes  |
| Other                             | Profit tax deferred until June 30, 2007 for companies who had invested \$1million in the free zone by July 1, 2002.  |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| Loans                             | No   |
| Grants                            | Under proposed legislation, development aid could pay 50% of the eligible costs of investments carried out by large companies and 65% for SMMs.                |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Approval for manufacturing granted in one day by local zone administration. Goods used in construction, repair and maintenance are exempt from customs duties. |
| <b>Sources</b>                    | FCS  |

## Serbia

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones   |
| <b>Agency</b>                     | Federal Ministry in charge of financial operations and Federal Customs Administration  |
| <b>Number</b>                     | 12, plus additional subzones   |
| <b>Location</b>                   | Near river ports/international roadways, sub-zones are physically separate sites   |
| <b>Company facilities?</b>        | Yes  |
| <b>Ownership</b>                  | private (by investor)  |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes (up to 70%)  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | No on foreign components   |
| Duty owed on component or product | product  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Other                             | Sales tax  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Yes 30%  |
| Domestic content                  | No   |
| % domestic investment             | Initially must be 51%  |
| <b>Misc.</b>                      | Activities that endanger national security or the environment are not allowed. No duty on production equipment. Reduced customs and administrative procedures. Application processed within 30 days, lapses in 2 yrs with no activity. If the amount exported is less than 50% for 3 years, the zone will be terminated. |
| <b>Sources</b>                    | MAC<br>Free Zone Novi Sad<br><a href="http://www.szns.co.yu">www.szns.co.yu</a><br><a href="http://www.siepa.sr.gov.yu">www.siepa.sr.gov.yu</a>  |

## Singapore

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free trade zone (free port)   |
| <b>Number</b>                     | 7   |
| <b>Size</b>                       | 1000+ acres, Varies   |
| <b>Location</b>                   | Seaport/airport   |
| <b>Outside of Customs?</b>        | No, but no customs doc. until entered for most goods  |
| <b>Government Operated?</b>       | Port Authorities  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | No  |
| Must manufacturing be approved    | Repackaging/Sorting needs approval  |
| Can it be entered for consumption | Yes   |
| Is duty paid when entered         | Yes (but few duties exist)  |
| Is duty paid on entire value      | N/A   |
| Duty owed on component or product | N/A   |
|                                   |   |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | N/A   |
| Export certain percent            | No  |
| Domestic content                  | N/A   |
| % domestic investment             | No  |
| <b>Misc.</b>                      | 72 hours of free storage for conventional cargo and 1 day of free storage for re-export cargo. Can not store liquor and cigarettes. No manufacturing in zones, but local industries using dutiable raw materials can apply for duty exemptions. |
| <b>Sources</b>                    | Diamond<br>MAC<br><a href="http://www.asiatradehub.com">www.asiatradehub.com</a><br><a href="http://www.customs.gov.sg">www.customs.gov.sg</a>  |

## Slovak Republic

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Customs free zones  |
| <b>Agency</b>                     | Ministry of Finance considers applications, Customs provides supervision      |
| <b>Number</b>                     | 4   |
| <b>Location</b>                   | Can be anywhere, currently: Zilina, Banska Bystrica, Trencin, Kosice          |
| <b>Outside of Customs?</b>        | Customs controls flow of goods, goods in the zone are outside customs control |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes (by Customs)  |
| Can it be entered for consumption | Yes   |
| Is duty paid when entered         | Yes (plus interest)   |
| Is duty paid on entire value      | Yes   |
| Duty owed on component or product | On condition as it is entered   |
|                                   |   |
| <b>Tax Exemptions</b>             | Exempt while in zone  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | No  |
| <b>Misc.</b>                      | Only Slovak citizens are eligible to apply for a zone.                        |
| <b>Sources</b>                    | TPR<br>State  |



## Spain

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zone (Zona franca)  |
| <b>Agency</b>                     | Customs (Ministry of Finance)  |
| <b>Number</b>                     | 3 (Barcelona, Cadiz, Vigo)   |
| <b>Location</b>                   | Ports, but bonded warehouses at individual facilities serve as extension of zone |
| <b>Company facilities?</b>        | Yes - possibly   |
| <b>Outside of Customs?</b>        | No - Customs presence within zone  |
| <b>Ownership</b>                  | Public or private  |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Inventory tax                     | Yes  |
| Excise tax                        | Yes  |
| Income tax                        | Yes  |
| Real Property tax                 | Yes  |
| Other                             | Internal taxes deferred  |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Not subject to measures under commercial policy while in zone                    |
| <b>Sources</b>                    | Diamond<br>MAC<br><a href="http://www.czfa.org">www.czfa.org</a>                 |

## South Africa

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Industrial development zones   |
| <b>Agency</b>                     | Department of Trade and Industry   |
| <b>Number</b>                     | 4  |
| <b>Location</b>                   | Purpose built industrial estates linked to an international port or airport  |
| <b>Outside of Customs?</b>        | Customs Secured Area   |
| <b>Government Operated?</b>       | Gov't licenses operators to develop and run zone   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Duty owed on component or product | Finished product   |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes (on South African exports)   |
| Other                             | Reduced taxation and exemptions for some activities/products   |
| <b>Financial Incentives</b>       |  |
| Grants                            | Critical Infrastructure Fund, Export Marketing and Investment Assistance, Strategic Investment Programme   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Machinery and assets exempt from duties and VAT. For export driven industries. Infrastructure provided. New London infrastructure to be completed in August, would be 1st active zone. |
| <b>Sources</b>                    | MAC<br>CCG<br><a href="http://www.dti.gov.za">www.dti.gov.za</a>   |

## Sri Lanka

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Export processing zones  |
| <b>Agency</b>                     | Board of Investment of Sri Lanka (BOI) (Gov't agency)          |
| <b>Number</b>                     | 14   |
| <b>Size</b>                       | 300 acres to 200 sq. miles                                     |
| <b>Location</b>                   | No geographic limit, mainly airports and seaports              |
| <b>Company facilities?</b>        | No   |
| <b>Ownership</b>                  | Owned by BOI   |
| <b>Government Operated?</b>       | Operated by BOI  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes (all users must apply through BOI)                         |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes - Up to 20%  |
| Is duty paid when entered         | Yes  |
| Duty owed on component or product | Finished product   |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Income tax                        | Yes- initially, then reduced rate                              |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | Yes - 80%  |
| Domestic content                  | No   |
| % domestic investment             | Must meet minimum investment criteria set by BOI               |
| <b>Misc.</b>                      | Exempt from exchange control legislation.                      |
| <b>Sources</b>                    | Diamond<br>State<br><a href="http://www.boi.lk">www.boi.lk</a> |

## Sweden

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free ports  |
| <b>Agency</b>                     | Royal Board of Customs                                  |
| <b>Number</b>                     | 4   |
| <b>Location</b>                   | Ports   |
| <b>Outside of Customs?</b>        | Customs clearance required for storage                  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes   |
| Is duty paid when entered         | Yes   |
|                                   |   |
| <b>Tax Exemptions</b>             | No  |
| <b>Regulatory exemptions</b>      |   |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | No  |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | No retail trade. Goods may not be consumed in the zone. |
| <b>Sources</b>                    | Diamond<br>MAC  |

## Taiwan

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Export processing zones   |
| <b>Agency</b>                     | Ministry of Economic Affairs  |
| <b>Number</b>                     | 3   |
| <b>Size</b>                       | 62-472 acres  |
| <b>Location</b>                   | Near major cities   |
| <b>Outside of Customs?</b>        | No  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Can it be entered for consumption | Yes   |
| Is duty paid when entered         | Yes   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| Other                             | 5 yr corporate tax exemption  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | No  |
| <b>Misc.</b>                      | Bonded factories may be established anywhere in Taiwan. Bonded factory companies produce primarily for export markets and may import their manufacturing components and raw materials duty free. However, the authorities will not extend duty-free treatment to items whose duty rate is already considered minimal, materials known to pollute the environment, and items for which a domestic source is readily available. |
| <b>Sources</b>                    | Diamond<br><a href="http://www.iesingapore.ie.gov">www.iesingapore.ie.gov</a>   |

## Thailand

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Industrial estates (10 are export processing zones)  |
| <b>Agency</b>                     | Industrial Estate Authority of Ministry of Industry and Thai Customs   |
| <b>Number</b>                     | 30   |
| <b>Size</b>                       | 67-270 acres   |
| <b>Location</b>                   | Generally at industrial estates or other industrial parks. Can not be established for one user.  |
| <b>Company facilities?</b>        | No   |
| <b>Outside of Customs?</b>        | Yes territory but Customs onsite   |
| <b>Ownership</b>                  | 10 belong to IEAT, remaining are joint investments with private sector   |
| <b>Government Operated?</b>       | No   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | project and users approved   |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes (except EPZs)  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | only foreign portion   |
| Duty owed on component or product | finished product   |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Excise tax                        | Yes  |
| Other                             | Alcohol stamp and tax  |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| Loans                             | No but zone companies seen as stronger so easier to receive loan   |
| Grants                            | No   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | May use foreign specialists and technicians (difficult if out of zone)   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No (except EPZs)   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No duty on production equipment. Exemption from standards/quality control requirements if goods exported. Three licenses required for operation (for land, construction and operation), takes app 3 months for approval. |
| <b>Sources</b>                    | Diamond<br>State<br>MAC<br><a href="http://www.boj.go.th">www.boj.go.th</a><br><a href="http://www.customs.go.th">www.customs.go.th</a>  |

## Togo

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free zones of transformation for export   |
| <b>Agency</b>                     | Free Zone of Transformation for Export Administration Company (under supervision of the Ministry of Industry)   |
| <b>Location</b>                   | Port. Can be established anywhere to accommodate export companies.  |
| <b>Company facilities?</b>        | Yes   |
| <b>Outside of Customs?</b>        | No  |
| <b>Ownership</b>                  | State owned   |
| <b>Government Operated?</b>       | public or private   |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | No  |
| Is duty paid when entered         | N/A   |
| Is duty paid on entire value      | N/A   |
| Duty owed on component or product | N/A   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| Income tax                        | Exempt for 10 years, then 15%   |
| Other                             | Dividend tax (10 yrs), payroll tax reduced to 2%  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | Yes   |
| Export certain percent            | Yes 100%  |
| <b>Misc.</b>                      | Must allow Togolese first choice of permanent jobs. Reduced utility costs. Approval granted in 2 days. No duty on production equipment. Under exceptional circumstances, companies can apply to the Minister of Finance to enter 20% for domestic consumption with the payment of duties. |
| <b>Sources</b>                    | Free Zone of Transformation for Export Administration Company   |

## Turkey

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones   |
| <b>Agency</b>                     | Council of Ministers/ Directorate General of Free Zones  |
| <b>Number</b>                     | 21   |
| <b>Size/Location</b>              | Size and location determined by Council of Ministers.  |
| <b>Outside of Customs?</b>        | Yes but controlled by customs  |
| <b>Ownership</b>                  | Private  |
| <b>Government Operated?</b>       | by public institutions, agencies, legal entities or residents  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | By license, with time limit  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes (.5% transaction fee)  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | Owed on value added if 3rd party component is involved, if entirely consists of 3rd party inputs then paid on entire value.  |
| Duty owed on component or product | Product  |
| <b>Tax Exemptions</b>             |  |
| VAT                               | Yes  |
| Income tax                        | No (recent change, existing zones grandfathered for duration of licence)   |
| Other                             | Earnings that taxpayers engaged in manufacturing in the zone from the sale of products are exempt from corporate tax until the end of the year in which Turkey becomes a full member of the EU. Still exempt from private consumption tax. |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| Loans                             | No   |
| Grants                            | No   |
| <b>Regulatory exemptions</b>      | Municipality Law, Passport Law, Encouragement of Foreign Investment Law  |
| Labor                             | No strikes or lockouts   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | Application is evaluated in 5-7 days. Recent changes due to EU laws, also to eliminate a source of unfair competition and reduce benefits from public concern that zones were doing more to encourage imports than exports.                |
| <b>Sources</b>                    | State<br>www.foreigntrade.gov.tr<br>www.mfa.gov.tr<br>www.turkpulse.com  |



## United Arab Emirates

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Free zones  |
| <b>Agency</b>                     | Independent free zone authorities in each emirate.  |
| <b>Number</b>                     | 16  |
| <b>Location</b>                   | Industrial parks  |
| <b>Government Operated?</b>       | No  |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can use foreign & domestic        | Yes   |
| Can it be entered for consumption | Yes (must be export oriented)   |
| Is duty paid when entered         | Yes   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| VAT                               | Yes   |
| Inventory tax                     | Yes   |
| Excise tax                        | Yes   |
| Income tax                        | Yes   |
| Other                             | No corporate profit tax   |
| <b>Financial Incentives</b>       | 100% profit repatriation  |
| Loans                             | No  |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No but export focused   |
| Export certain percent            | No  |
| Domestic content                  | No  |
| % domestic investment             | No  |
| <b>Misc.</b>                      | Must have capital of at least Dh 1 million. License involves review of feasibility and environmental impact. Can receive provisional authority. 100% foreign ownership allowed. |
| <b>Sources</b>                    | www.rakiftz.com<br>www.dafza.gov.ae<br>www.jafza.co.ae<br>www.dpa.co.ae<br>www.hamriyahfz.com   |

## United Kingdom

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free zones   |
| <b>Number</b>                     | 5  |
| <b>Location</b>                   | No geographic limitations  |
| <b>Company facilities?</b>        | Yes  |
| <b>Outside of Customs?</b>        | No   |
| <b>Government Operated?</b>       | Port or freight forwarder manages zone   |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | No   |
| Must manufacturing be approved    | N/A  |
| Can use foreign & domestic        | N/A  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | N/A  |
| Duty owed on component or product | N/A  |
|                                   |  |
| <b>Tax Exemptions</b>             |  |
| Other                             | No exemptions, only deferral.  |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | No   |
| Loans                             | No   |
| Grants                            | No   |
| <b>Regulatory exemptions</b>      |  |
| Environmental                     | No   |
| Labor                             | No   |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | N/A  |
| Export certain percent            | No   |
| Domestic content                  | No   |
| % domestic investment             | No   |
| <b>Misc.</b>                      | No value added, strictly for cargo storage and consolidation.<br>Processing/manufacturing must be under EU's PCC or Inward Processing Relief |
| <b>Sources</b>                    | Diamond<br>CCG   |

## Uruguay

|                                   |  |
|-----------------------------------|--|
| <b>Type of Zone</b>               | Free trade zones   |
| <b>Agency</b>                     | Free Trade Zone Department of the General Commerce Authority   |
| <b>Number</b>                     | 9  |
| <b>Outside of Customs?</b>        | Yes customs has no jurisdiction within zones, controls entrance and exits                            |
| <b>Ownership</b>                  | public or private  |
| <b>Government Operated?</b>       | Public or private administrator  |
| <b>Benefits</b>                   |  |
| Duty free admission               | Yes  |
| Duty free export                  | Yes  |
| Manufacturing                     | Yes  |
| Must manufacturing be approved    | Yes  |
| Can use foreign & domestic        | Yes  |
| Can it be entered for consumption | Yes  |
| Is duty paid when entered         | Yes  |
| Is duty paid on entire value      | Yes  |
| Duty owed on component or product | Product  |
|                                   |  |
| <b>Tax Exemptions</b>             | all local taxes  |
| VAT                               | Yes  |
| Excise tax                        | Yes  |
| Other                             | COFIS and telecommunications tax, gains tax, equity tax,   |
| <b>Financial Incentives</b>       |  |
| Leases/rents                      | Land provided  |
| <b>Restrictions</b>               |  |
| Manufacturing for export only     | No   |
| Export certain percent            | No   |
| Domestic content                  | Yes- 60% of MERCOSUR origin  |
| % domestic investment             | Must employ 75% Uruguayan  |
| <b>Misc.</b>                      | No duty on production equipment. Retail sale not permitted.<br>Manufacture of weapons not permitted. |
| <b>Sources</b>                    | State<br>FTAA<br>MAC<br>ZONAMERICA - The ABC of Free Trade Zones in Uruguay                          |

## Zimbabwe

|                                   |   |
|-----------------------------------|---|
| <b>Type of Zone</b>               | Export processing zone  |
| <b>Agency</b>                     | Ministry of Finance - Export Processing Zone Authority  |
| <b>Number</b>                     | App. 7 parks  |
| <b>Location</b>                   | Designated area or company facility   |
| <b>Company facilities?</b>        | Yes   |
| <b>Ownership</b>                  | No  |
| <b>Government Operated?</b>       | Developers for industrial parks   |
| <b>Benefits</b>                   |   |
| Duty free admission               | Yes   |
| Duty free export                  | Yes   |
| Manufacturing                     | Yes   |
| Must manufacturing be approved    | Yes   |
| Can it be entered for consumption | Yes- but only 20%   |
|                                   |   |
| <b>Tax Exemptions</b>             |   |
| Income tax                        | Yes for 5 yrs, then reduced rate  |
| Other                             | Sales tax refundable, exempt from capital gains tax, shareholder's taxes, non-resident's taxes on interest fees, royalties and remittances. Exempt from fringe benefit tax for emp. |
| <b>Regulatory exemptions</b>      |   |
| Environmental                     | No  |
| Labor                             | No  |
| <b>Restrictions</b>               |   |
| Manufacturing for export only     | No  |
| Export certain percent            | Yes - 80%   |
| <b>Misc.</b>                      | Infrastructure provided in industrial parks. No duty on production or construction equipment. Must be new investment.   |
| <b>Sources</b>                    | MAC<br>www.zic.co.zw<br>www.epz.co.zw   |

## SOURCE ABBREVIATIONS

The tables in Appendix I contain several abbreviations for frequently used sources. The abbreviations and full descriptions are available below.

| <b>Abbreviation</b> | <b>Source</b>  |
|---------------------|--|
| CCG                 | Country Commercial Guides, U.S. and Foreign Commercial Service, U.S. Department of Commerce                    |
| Diamond             | <i>Tax Free Trade Zones of the World</i> , 1998 ed., Walter Diamond  |
| FCS                 | Information provided by the US and Foreign Commercial Service, U.S. Department of Commerce                     |
| FTAA                | FTAA Negotiating Group on Market Access, Tripartite Committee, Systemization of Information on Special Regimes |
| MAC                 | Information provided by Market Access and Compliance, U.S. Department of Commerce                              |
| State               | Information provided by cable from U.S. embassies abroad   |
| TPR                 | Trade Policy Reviews, World Trade Organization   |

## **APPENDIX II**



UNITED STATES DEPARTMENT OF COMMERCE  
International Trade Administration  
Washington, D.C. 20230

May 7, 2004

**MEMORANDUM FOR** Dennis Puccinelli  
Director, Office of Foreign Trade Zones

From: Carole Showers  
Director, Subsidies Enforcement Office

Subject: Subsidy Issues with Respect to Free Trade Zone Programs

The purpose of this memo is to provide an explanation of (1) the types of subsidy issues that arise in the context of foreign trade zone programs, or similar programs, and (2) subsidy disciplines with respect to these types of programs in developing countries.

#### *Subsidy Issues*

In the course of countervailing duty proceedings, the Department has investigated foreign trade zone programs, or similar types of programs, in several countries. In general, such programs are found to be countervailable when a government provides subsidies that are limited to industries or enterprises that are located in such zones. Of particular concern are programs that contain prohibited export or import substitution elements, e.g., programs that require companies in the zones to export a certain percentage of their production or use a certain amount of domestic content in their production, as well as programs that provide tax holidays, exemptions or rebates that are contingent upon export or the use of local content.

The Foreign Trade Zone (FTZ) program in the United States is an example of a program that complies with WTO commitments made by the United States with regard to subsidies. The U.S. FTZ program is seen by other countries as a program to emulate as they try to establish similar programs or bring existing ones into compliance.

An important aspect of our future work together, will be to ensure that the U.S. FTZ program remains consistent with any new subsidy disciplines that are agreed to in the context of the Doha Round. As you are aware, one of the Administration's goals in this Round is to negotiate stronger subsidy disciplines, especially in the area of prohibited subsidies. Therefore, we will need to evaluate the current program, as well as any suggested changes, based on those new disciplines.

#### *Export Subsidies - Explanation of Developing Country Disciplines*

Under the WTO Subsidies Agreement, most developing countries were obligated to eliminate their export subsidies by December 31, 2002. Article 27.4 of the Agreement allows for

an extension of this deadline provided consultations were entered into with the Subsidies Committee by December 31, 2001. The WTO Subsidies Committee has the authority to decide whether an extension is justified by considering the “economic, financial and development needs” of the developing-country Member. If the Committee grants an extension, annual consultations with the Committee must be held to determine the necessity of maintaining the subsidies. If the Committee does not affirmatively sanction a continuation, the export subsidies must be phased out within two years.

In an attempt to try and address the concerns of small exporting developing countries, a special procedure within the context of Article 27.4 of the Agreement was adopted at the Fourth Ministerial Conference, under which countries whose share of world exports was not more than 0.10 percent and whose Gross National Income was not greater than \$20 billion could be granted a limited extension for particular types of export subsidy programs subject to rigorous transparency and standstill provisions. Members meeting all the qualifications for the agreed upon special procedures are eligible for a five-year extension of the transition period, in addition to the two years referred to under Article 27.4.

Altogether, the Committee conducted a detailed review of more than 70 export subsidy programs for which extensions were requested. Many of these were foreign trade zone-like programs. Throughout the review and approval process, the United States took a leadership role to define as narrowly as possible the scope of the extensions and to ensure that the conditions imposed on the extensions will strengthen the ability of the developing countries involved to come into compliance with their obligations upon expiration of the extension.

cc Ronald Lorentzen



## **APPENDIX III**

**DEPARTMENT OF COMMERCE****Foreign-Trade Zones Board****Proposals to Facilitate the Use of Foreign-Trade Zones by Small and Medium-Sized Manufacturers**

As part of the Department of Commerce's manufacturing initiative, the Foreign-Trade Zones (FTZ) Board (the Board) has analyzed foreign zone programs to determine whether there are features that the Board can implement in the U.S. FTZ program to enhance access and reduce the program's costs for small and medium-sized manufacturers, thereby helping to improve such companies' international competitiveness. Based on this analysis, the Board is inviting public comment on two proposals. The first proposal involves a procedural change whereby the Board would delegate authority to the Board's Executive Secretary for decision-making on certain requests for manufacturing authority. The second proposal includes enhancements to the Board's pre-application counseling procedures and application guidelines for small and medium-sized manufacturers.

The proposed delegation of authority would only authorize the Board's Executive Secretary to grant temporary or interim authority for zone manufacturing. Permanent authority would continue to require full Board review. The consideration of all proposals for temporary or interim manufacturing (T/IM) authority would take into account the Board's existing criteria for manufacturing (see 15 CFR 400.31(b)). Prior to making a decision on an application for T/IM authority, the Board's Executive Secretary would publish a **Federal Register** notice seeking public comment, and could also contact Department of Commerce industry specialists for an assessment of the application. The Board's Executive Secretary would retain the discretion to deny any T/IM application<sup>1</sup> if opposition or any other complicating issues or concerns arise.

Several threshold criteria would need to be met to qualify for consideration for T/IM authority<sup>2</sup>. T/IM applications would be limited to manufacturing operations within pre-existing FTZ space (*i.e.*, within the boundaries of FTZ sites already approved by the Board at the time of the T/IM application's

submission to the Board), and proposals would need to be consistent with government policy and prior Board actions and (1) non-complex<sup>3</sup> in nature and clearly presenting no new, complex, or controversial issues or (2) for export only. T/IM authority could only be granted for a period of up to two years, although circumstances might lead the Board's Executive Secretary to impose a stricter time limit on a particular proposal. Finally, the Board's Executive Secretary and the FTZ Board would have the authority to revisit any approval of T/IM authority should it be warranted by policy considerations, including subsequent industry opposition or a determination that the activity results in a negative net economic effect for the United States.

The proposed enhancements to the pre-application process for small and medium-sized manufacturers include: (1) Expanded pre-application counseling by the FTZ Board staff; (2) availability of completed sample applications to help guide potential applicants; and (3) simplified guidelines/formats for small and medium-sized manufacturers applying to the FTZ Board to conduct non-complex activity.

Public comment on this proposal is invited from interested parties. We ask that parties fax a copy of their comments, addressed to the Board's Executive Secretary, to (202) 482-0002. We also ask that parties submit the original of their comments to the Board's Executive Secretary at one of the following addresses:

1. Submissions Via Express/Package Delivery Services: Foreign-Trade-Zones Board, U.S. Department of Commerce, Franklin Court Building—Suite 4100W, 1099 14th St. NW., Washington, DC 20005; or

2. Submissions Via the U.S. Postal Service: Foreign-Trade-Zones Board, U.S. Department of Commerce, FCB—Suite 4100W, 1401 Constitution Ave. NW., Washington, DC 20230.

The closing period for the receipt of public comments is April 30, 2004. Any questions about this request for comments may be directed to the FTZ Board staff at (202) 482-2862.

<sup>3</sup> Generally expressed in terms of the number of inverted tariffs (*i.e.*, instances of imported inputs with higher duty rates than the resulting finished products proposed for manufacturing under FTZ procedures). After consultations with stakeholders, the Board's Executive Secretary would publish guidelines clarifying the criteria for consideration of T/IM applications.

Dated: March 29, 2004.

**Dennis Puccinelli,**

*Executive Secretary.*

[FR Doc. 04-7530 Filed 4-2-04; 8:45 am]

BILLING CODE 3510-DS-P

**DEPARTMENT OF COMMERCE****International Trade Administration**

**A-427-009, A-428-803, A-580-805, A-588-812, A-570-802, and A-412-803**

**Industrial Nitrocellulose from France, Germany, Korea, Japan, the People's Republic of China, and the United Kingdom: Notice of Initiation of Changed Circumstances Reviews and Consideration of Revocation of the Antidumping Duty Orders**

**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.

**ACTION:** Notice of initiation of changed circumstances reviews.

**SUMMARY:** On February 12, 2004, in accordance with 19 CFR 351.216(b), Wolff Cellulosics GmbH (Wolff), a German manufacturer of industrial nitrocellulose (INC), filed a request for a changed circumstances review of the antidumping duty order on INC from Germany. On March 9, 2004, the Valspar Corporation (Valspar), an importer of INC and an interested party in multiple proceedings, filed requests for changed circumstances reviews of the antidumping duty orders on INC from France, Germany, Korea, Japan, the People's Republic of China (PRC), and the United Kingdom (UK), as described below. In response to these requests, the Department of Commerce (the Department) is initiating changed circumstances reviews of the antidumping duty orders on INC from France, Germany, Korea, Japan, the PRC, and the UK.

**EFFECTIVE DATE:** April 5, 2004.

**FOR FURTHER INFORMATION CONTACT:** Ron Trentham or Tom Futtner, Office of AD/CVD Enforcement 4, Group II, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, DC 20230; telephone (202) 482-6320 or (202) 482-3814, respectively.

**SUPPLEMENTARY INFORMATION:****Background**

On August 10, 1983, the Department published in the **Federal Register** the antidumping duty order on INC from France. See 48 FR 36303 (August 10, 1983). On July 10, 1990, the Department

<sup>1</sup> In cases where T/IM authority is denied, or that are ineligible for T/IM consideration, the applicant may opt to request manufacturing authority through the FTZ Board's standard procedures (*i.e.*, evaluation of the proposal by the full Board).

<sup>2</sup> See footnote 1.