



СРПСКА АКАДЕМИЈА
НАУКА И УМЕТНОСТИ

Огранак у Нишу



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II Међународна научно-стручна конференција
РЕГИОНАЛНИ РАЗВОЈ И ПРЕКОГРАНИЧНА САРАДЊА
Пирот, Република Србија

УЛОГА СЛОБОДНИХ ЗОНА У СПРЕЧАВАЊУ НЕЛЕГАЛНЕ ТРГОВИНЕ

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15. децембар 2018. године



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THE ROLE OF FREE ZONES IN THE PREVENTION OF ILLEGAL TRADE

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Апстракт

The gray economy and illegal trade are phenomena that negatively affect all sectors of the economy. Companies that are struggling with unfair competition from the gray zone are not able to generate planned revenues, invest in education and employment, and invest in further research in order to meet consumers with new and better quality products and services.

Апстракт

In addition to the outflows of assets from legal flows and preventing inflow to the budget, illegal trade is channel through which consumers are supplied with products of unknown origin and unverified quality, which significantly threatens their safety.

Апстракт

In recent years, it has been recorded an increase in the number of free zones in the world. By that zone, they became an important part of global trade. It is very important in their business to avoid the traps of illicit trade by balancing the simplified procedure of delivering goods in the zone and ensuring a safe business process.

Апстракт

For these reasons, it is very important to implement, in all areas of the world, a program that will prevent illegal trade. Such a program includes activities that will increase the security of trade in zones and ensure the control of international supply chains.

Апстракт

The cooperation of all stakeholders in this process, and especially customs and tax administrations with the private sector, is crucial to meeting the protection of international trade.

Апстракт

The World Free Zone Organization (WFZO) launched the Safe Zone program as the first step towards including free zones in the legal trade protection program.





Illicit Trade: Converging Criminal Networks

TWO IMPORTANT REPORTS



FATF Report

Money Laundering vulnerabilities of Free Trade Zones

March 2010

As is the case with other counterfeit goods, some free-trade zones are known to be key trans-shipment points for counterfeit medicines.

These free-trade zones are characterised by relaxed regulations, which allow counterfeiters to repackaging their goods and conceal the point of origin (UNODC, 2013).

It is believed that the free-trade zones present entry channels that are then used to penetrate the legitimate supply chain.

“Cheap whites” or “illicit whites” (sometimes referred to as “off-brand”) are cigarettes legally produced in one jurisdiction for the sole purpose of being exported and illegally sold in a jurisdiction where they have no legitimate market.

These cigarettes may not meet the health and manufacturing regulations of the destination country, nor are the appropriate duties paid in the destination country.



In the country of production, appropriate taxes may be paid and the cigarettes may be lawfully exported (INTERPOL, 2014a). According to INTERPOL, well-known sources of illicit white production are located in Belarus, Viet Nam, Indonesia, Philippines, India, Cambodia, Paraguay, Ukraine, Russia, Montenegro, United Arab Emirates (UAE), Kenya and a number of free-trade zones (INTERPOL, 2014a).



Free trade zones

Free trade zones (FTZs) have been linked to the illicit trade in tobacco products, possibly as a facilitator or as an important trade and economic zone that is being exploited by criminals.

As the magnitude of smuggling has changed around the globe, attention has turned to the role of FTZs, which, paradoxically, were created to facilitate legitimate business and economic growth, but have turned out to be vulnerable to illicit activity and transnational crime.



Free trade zones

The FTZ offers a preferential environment for manufacturing, wholesale, warehousing, import and export facilities, and goods introduced into a zone can undergo a range of economic operations, including assembly, processing, repackaging and transshipment. This environment can be exploited by criminals and organised crime.



Free trade zones

FTZs have proliferated in recent years. The 2010 Financial Action Task Force (FATF) report Money-Laundering Vulnerabilities of Free Trade Zones stated that there were “approximately 3 000 FTZ in 135 countries around the world, with a total turnover of billions of US dollars” (FATF, 2010a).



In October 2014, the WCO announced the results of its first global operation against the illicit trade in tobacco. The operation, codenamed **Gryphon**, confirmed that FTZs play



Gryphon, confirmed that FTZs play an important role in the smuggling of cigarettes. “Consignments arriving in these zones are subsequently repacked into other containers, enabling the illicit cigarettes to be lost or disappear. They then leave the zone as low-value goods (e.g. textiles) either mis-declared or concealed in other shipments” (WCO, 2014a).



Meanwhile, the concentration of cigarette manufacturers operating in the FTZs in the United Arab Emirates (UAE) continues to grow. The 2013 European Union (EU) strategy “Stepping up the fight against cigarette smuggling and other forms of illicit trade in tobacco products” claims “whilst in the past, the UAE appeared mainly as a point of transshipment, current information clearly points to its new role as an important production location for other brands, particularly in its free zones” (Communication from the European Commission to the Council and the European Parliament, 2013).



In Central America, Insight Crime reported claims that an FTZ in the Corozal district of Belize has become a hub for the illicit cigarette trade in the region, highlighting how lax customs controls create criminal opportunities, with regional distribution of cigarettes from India, China, Switzerland, Paraguay and Panama (Cawley, 2013).



In common with Jebel Ali, the Colón Free Trade Zone (CFTZ) occupies a strategic trading position, geographically situated at the Atlantic gateway to the Panama Canal, with access to both the Atlantic and the Pacific. The CFTZ is the world's second-largest and handles more than USD 16 billion in imports and re-exports each year.

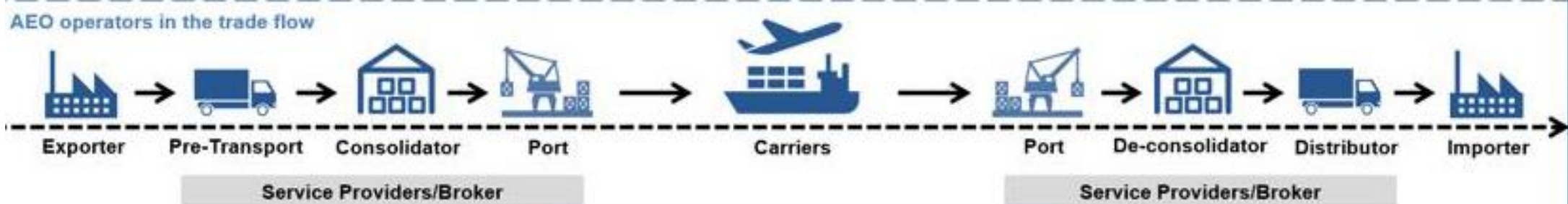
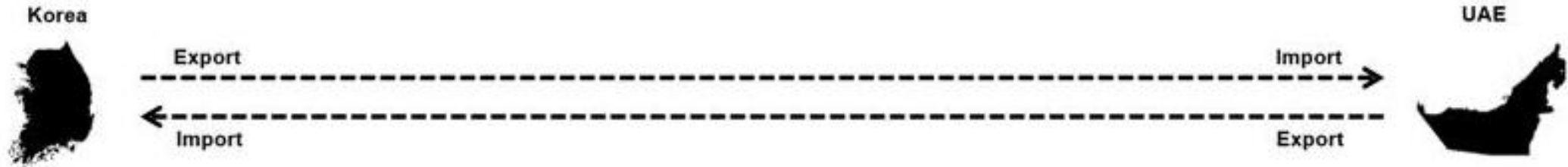


WTO Trade Facilitation Agreement (TFA), entered into force on 22 February 2017 following its ratification by two-thirds of the WTO membership.

The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.

TFA increases global exports by between US\$ 750 billion and US\$ 1 trillion
TFA adds between 2.1 to 2.7 % a year to world export growth
TFA adds more than 0.5% a year to world GDP growth

AEO Connect & Trusted Trade Lanes



Secure Supply Chain
Reduction in operational costs
Faster and Predictable clearance of cargo

ALL PARTS OF THE GLOBAL SUPPLY CHAIN NEEDS TO BE SECURE



FREEZONES NEED TO BECOME AN INTEGRATED PART OF THE SECURE SUPPLY CHAIN

The Vision

- WFZO vision is to establish the **Free Zones of the Future Programme**
- The Award & Certificate programme is an important step to achieve this vision
- The Safe Zone is one of the key success criteria in this respect

Green Zone Certification



Smart Zone Certification



Safe Zone Certification



THE TACTICS FOR SAFE ZONE

2. Set standard

1. Develop model

4. Add value
to business &
greater good

3. Mutual Recognition
of Global Supply Chain
Standards

Setting a Global Standard

- The proposal is to implement an international full scale operational WFZO SAFE ZONE Concept and SAFE ZONE CERTIFICATE Award Model in line with international standards and best practices, compatible with the World Customs Organization (WCO) SAFE Framework of Standards Authorised Economic Operator (AEO) and WTO FTA, possible to be use as a basis also for AEO Certification



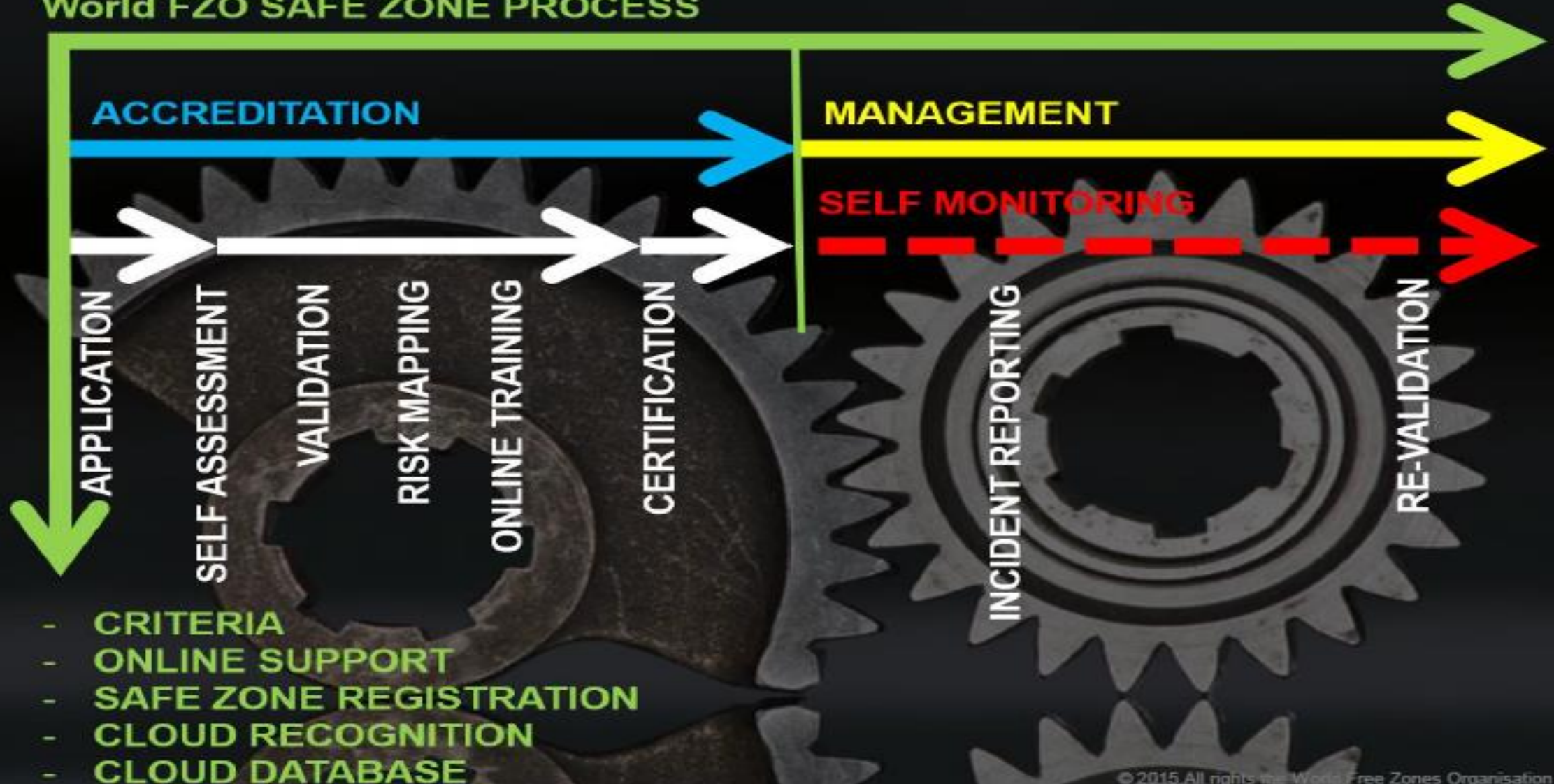
The SAFE ZONE Model will have the following process steps:

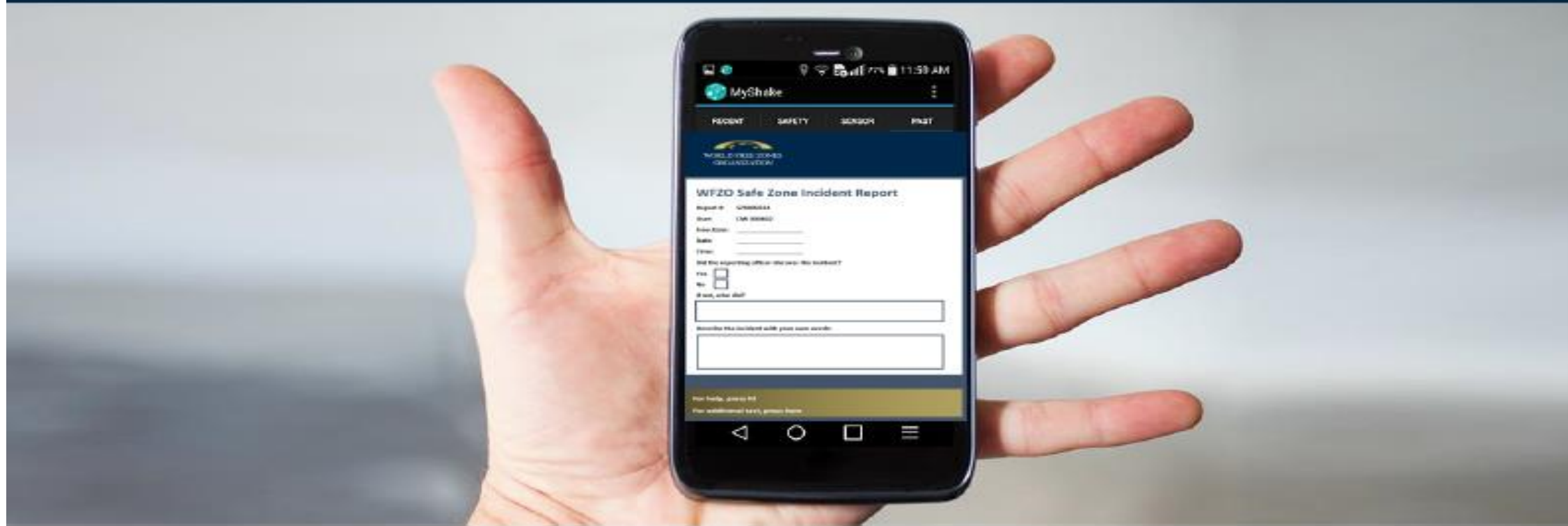
- ✓ Application (based on criteria)
- ✓ Accreditation* (with five elements)
- ✓ Certification
- ✓ World FZO Management/Monitoring (including incident reporting)
- ✓ Re-validation and annual reporting

SAFE ZONE Accreditation will include the following elements;

- ✓ A Self-Assessment Questionnaire
- ✓ A Risk Mapping Model
- ✓ A Validation Model
- ✓ An On-line Training Platform
- ✓ Digital Reports

World FZO SAFE ZONE PROCESS





Risk incidents are reported online to the World FZO SAFEZONE database and is used to detect and address risk patterns and global trends in risk and compliance management related to IPR, safety, security, contraband & terrorism

SAFE ZONE INFRASTRUCTURE



World FZO Control Tower: A Global Risk Management Centre

In Summary

- The goal is to design, develop, introduce and implement a SAFE ZONE Model that adds value to the society and to business by integrating Free Zones into the Global Secure Supply Chain without losing its advantages and competitive edge for world trade – creating a win-win for the international community
- The SAFE ZONE Concept will be developed together with maximum ten pilot free zones in two project phases during 2017
- The first WFZO SAFE ZONE Certificates will be presented to pilot Free Zones in January 2018
- **The SAFE ZONE is here!**





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ФАКУЛТЕТ ЗА
МЕНАѢМЕНТ
ЗАЈЕЧАР

