

Free Economic Zones and Offshore Territories

Academic Level: BSc

Credit Value: 5 ECTS

Hours in class: 32 hours

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Course description

The course covers main aspects of operation of "shady" world of legally and administratively delimited territories the main purpose of which is predominantly to attract foreign capital and to involve it into circulation for the sake of economic development of a certain territory or a small nation.

The most simple is a free custom zone i.e. just a political territory of the certain country that is out of its' custom territory. The more complicated form is free trade zone that assumes some trade services. The more complicated is a free processing zone that assumes some manufacturing activities. On the very top of all zones are complex zones that include all types of zones mentioned above. The course covers such topics as possible objectives of zone creation, the attractions of free economic zones to domestic enterprises, the promotion of zones, training, education, management and administration of free economic zones. The financial dimension time dimension, risks management and operating expenditures are also included into the course.

By all means a special reference is made to tax planning and offshore activities.

The world of tax havens has become a hot-bed of competition. This is being fuelled by increasingly mobile entrepreneurs, expatriate employees, wealthy retirees and still increasing international trade and business activity. Added to that the phenomenal improvement in communications in recent years and the fact that the infrastructural and development costs of establishing of tax haven are relatively affordable to underdeveloped countries and one can appreciate how and why this competition is growing. Many of established tax havens have experienced considerable growth over the past ten years. A few have suffered major set-backs arising from scandals relating to fraud or drug offences. Still the products that are now available offshore have substantially grown by market pressure typically a tax haven gets along with offshore banking centre. Put together they many of the following products or services: low or no taxation on offshore activities, banking services offshore and onshore, offshore fund management(including mutual and pension funds), professional support services, trusts and foundations, captive insurance, shipping registry, patent and trademark registry, tax privileges for expatriate employees ,tax privileges for resident foreigners etc. To large extent such events reinforced the pressure that for some years has been coming from a variety of sources- such as national tax and currency control authorities- for better regulation of international business services to prevent illicit black market activities. Still this pressure is too strong to meet conformist participants of the market.

Course objectives

One of the consequences of this range of services and the consequent regulatory legislation is that the legislation itself grows and becomes more complex and different practices and concessions emerge- and the larger is the menu, the more difficult is to make the right choice. The course makes it clear to the students what

kind of zone they should select for their future business and how they should deal with the bodies of exports, financial and currency controls to facilitate sound financial and tax planning within their business entity. They are also trained to develop zone in the position of administrative worker i.e. evaluation and selection of the main selling points, selection and targeting of perspective foreign investors, instruments and tools in zone marketing. Above all the skills in offshore business allows them to save funds of the enterprise by avoiding go-between.

Course outline

1 Typology of the zones

1.1. Zones definition Different types of the zones.

1.2 Custom zones, free trade zones, export processing zones, import substitution zones,

1.3 Service zones, tax havens, offshore banking centers complex zones.

2. Zones in different groups of countries.

2.1 Zones in industrial nations: experience of America, Europe and Japan.

2.2 Zones in the less developed countries: zones in Korea, Taiwan, Indonesia and Mexico.

2.3 Zones in emergent market countries experience of Poland Hungary and Romania.

2.4 Special Economic zones of China.

3.3 Zones in Russia.

3.1 History of free economic zones in Russia Concessions policy of Soviet Russia in the Twenties.

3.2 Free economic zones under perestroika and the early stage of economic reform in Russian Federation

3.3 Contemporary situation in the field of free economic zones with special reference to Kaliningrad and Nakhodka.

4 Offshore enterprises.

4.1 Tax free zones. Offshore banking units. Offshore zones

4.2 Types of offshore enterprise. Merchant company, shipping company

4.3 Financial activities in offshore zones. Offshore bank, captive insurance company, trust

4.4 Offshore funds

5 Groups of Offshore Territories

5.1 "Classical" offshores. Second group of offshores

5.2 European offshores.

5.3 Pacific generation of offshores

Teaching materials

The contents of the course is based mostly on articles from periodical editions: "Resident Abroad", "CA Magazine", "Far Eastern Economic Review". Still two or three books may be recommended, John Pepper "International Financial and Tax Planning" NY 1999, Katherine Daggart "Tax Havens and Their Uses" L EIU 1997, "Debrette Offshore Finance" among others.

Course Schedule

Time	Topic	Number of class hours	Recommended reading
1 week	Typology of zones	4hrs	Lecturing materials
2 week	Complex zones	4hrs	Lecturing materials
3 week	History of zones	4hrs	Lecturing materials
4 week	Tax havens	4hrs	J.Pepper
5 week	Offshore companies	4hrs	K.Doggart
6 week	Offshore finance	4hrs	Debrett
7 week	Caribbean offshores	4hrs	K.Doggart
8 week	European and Pacific offshores	4hrs	K.Doggart
Total 32 hrs			