



Information Session

Sustainable Development and
Modernization of the Economic
Zones in Curaçao

SEPTEMBER 2024



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Introduction



BACKGROUND

Curaçao faces challenge of modernizing its economic zones to remain competitive in a global market.

Declining trend in the revenue of the e-zones due to changes in legislation, closure of the border with Venezuela, and high operational costs.



SCOPE

Harbor E-zone
Airport E-zone



RESEARCH PURPOSE

To gain understanding in how the e-zones in Curaçao can become more economically viable and competitive in the global market.



METHODOLOGY

Data obtained through desk research and interviews

Qualitative and quantitative data analysis

Causes of economic decline during the past 10 years

CHANGED OECD GUIDELINES

led to changing legislative frameworks, resulting in much higher corporate taxes and for e-zone companies, from 2% over foreign trade to 15% below 500K guilders and 22% above 500K.

CHANGED RELATIONSHIP WITH VENEZUELA

led to border closure and evaporating that market.

RISING OPERATIONAL COSTS

led to more financial pressure for companies established in e-zones.

LOGISTICAL CHALLENGES

like slow container off-loading, delivery and transport, not enough sea and air connections to neighboring countries.

LACK OF EASE OF DOING BUSINESS

further lessens attractiveness of foreign companies incorporating in the e-zone.

ATTRACTIVE TAX EXEMPTIONS

Colón Free Trade Zone: complete exemption from corporate income tax

Parque Central Zona Franca: 20%

Jamaica Free Trade Zone: 7.75 – 12.5%

LOWER OPERATING COSTS

because of economies of scale

MODERN STORAGE, LOGISTICS, DISTRIBUTION AND MULTIMODAL FACILITIES

For cheaper and faster transportation

WEB APPLICATION

enabling freight forwarders, customs agents, importers and exporters to electronically submit all their documents to the e-zone administration and customs.

ONE-STOP SHOP OR AGENTS

who facilitate doing business within the e-zone.

Competitive advantage of regional e-zones



E-zone Design

Freezone / Economic zone

PURPOSE

Attract businesses by offering tax breaks, reduced tariffs and simplified customs procedures. Focusing on boosting economic activity in a certain region.

TYPES OF ACTIVITIES

Manufacturing, trading, export-oriented businesses

REGULATIONS

Regulatory framework varies between countries and specific zone. Less regulatory flexibility compared to SEZ's.

INFRASTRUCTURE

Transportation links and utility services.

Special (purpose) Economic zone (SEZ)

PURPOSE

Attract domestic and foreign investment. Part of broader national economic policies aimed at promoting industrialization, economic diversification and export growth.

TYPES OF ACTIVITIES

High-tech industries, service sectors, research and development, logistics, aiming to create an integrated economic ecosystem.

REGULATIONS

More extensive tax breaks, less stringent labor laws, greater ease of doing business.

INFRASTRUCTURE

Advanced logistics facilities, research centers, business incubators to offer a more conducive environment for business operations.


Conclusion

THE LEGISLATIVE FRAMEWORK, LOGISTICS, SCALE, COST STRUCTURE IN CURAÇAO MAKE THE BUSINESS MODEL OF TRADING IN LARGE VOLUMES UNPROFITABLE.

Curaçao is unable to compete with regional e-zones, like the CFZ, PCZF and KFZ which have large-volume trading as their business model. Therefore, Curaçao needs to transform its current e-zones to SEZs to accommodate new business models that provide substantial added value.

PREREQUISITES FOR THE REALIZATION OF SEZS

- Develop attractive new legal structures and incentives in compliance with OECD guidelines.
- Transition from the current business model of the Harbor and Airport E-Zones aimed at trading in large volume to SEZs focusing on the new business models.
- Stakeholders must strive to reduce bureaucratic obstacles and streamline business establishment processes within these special economic zones.
- The generation of sustainable energy will make activities more environmentally friendly and reduce long term (energy) costs.

A large school of fish swimming in a dark blue, glowing underwater environment. The fish are densely packed and appear to be moving in a coordinated pattern. The background is a deep blue with a bright, glowing light source in the center, creating a tunnel-like effect. The fish are silhouetted against the light, giving them a shimmering appearance.

Business Models



FREE ECONOMIC ZONE Harbor

Phase out current business model Harbor and Airport E-Zones, with a simultaneous transition to SEZ business models, while ...

IMPROVING EFFICIENCY CUSTOMS

by implementing administrative customs control

EXPEDITING THE HANDLING AND TRANSIT OF CONTAINERS

by for instance imposing operational requirements on the terminal operator.

GENERATING GREEN ENERGY

Install solar panels in both e-zones.

OFFERING A ONE STOP SHOP

For new and existing companies that offer assistance and support with business setup, visa issuance, legal services.



**Designate strategic locations as SEZs.
For example, Bullenbaai.**

RELIABLE LOCATION

in the region for storage of petroleum and perhaps LPG.


Facilities petroleum storage already in place.

INCENTIVES

Perhaps corporate income tax 15% in the future.

No duties or VAT needed

Supplies and services to companies are exempt from sales tax.



Create a Blue Economy Innovation Hub, with...

A RESEARCH CENTER FOR MARINE RESEARCH AND BIOTECHNOLOGY

making use of the presence of Proteus Ocean Group.

A BLUE HIGH-TECH CAMPUS

An above-water campus where tech companies will establish themselves, specializing in renewable ocean energy or companies specializing in collecting and analyzing oceanographic data.

SUSTAINABLE AQUACULTURE AND MARICULTURE

Cultivating high-quality fish, crustaceans, shellfish under controlled and sustainable conditions.



Process and package locally and regionally grown food, sustainably.

**EXPORT TO
SURROUNDING
CARIBBEAN ISLANDS,
THE U.S. AND EUROPE**

stimulating local and regional farmers.

LOCATION

there would be space for such a facility in the harbor as well as the airport e-zone

**GENERATE GREEN
ENERGY**

insulate factory, create safety inspection and waste disposal protocols



Start a state-of-the-art sustainable freezing and cooling distribution center...

SUPPORTING THE FOOD PACKAGING AND PROCESSING FACILITY.

A group of local entrepreneurs are already setting this up and this business idea could be part of the SEZ as part of offering substantial added value in a sustainable way.

LOGISTICALLY ATTRACTIVE TO SET THIS UP

Next to the food packaging and processing facility



Launch a multi-commodities screen trading platform.

TRADING PLATFORM BY THE DCSX IN COLLABORATION WITH D-MCC.

for high-value goods within an SEZ context, catering to the Americas, while D-MCC caters to the East.

LEGAL STRUCTURE DCSX

would need to be expanded to accommodate this activity and legislation written to accommodate a digital SEZ.



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