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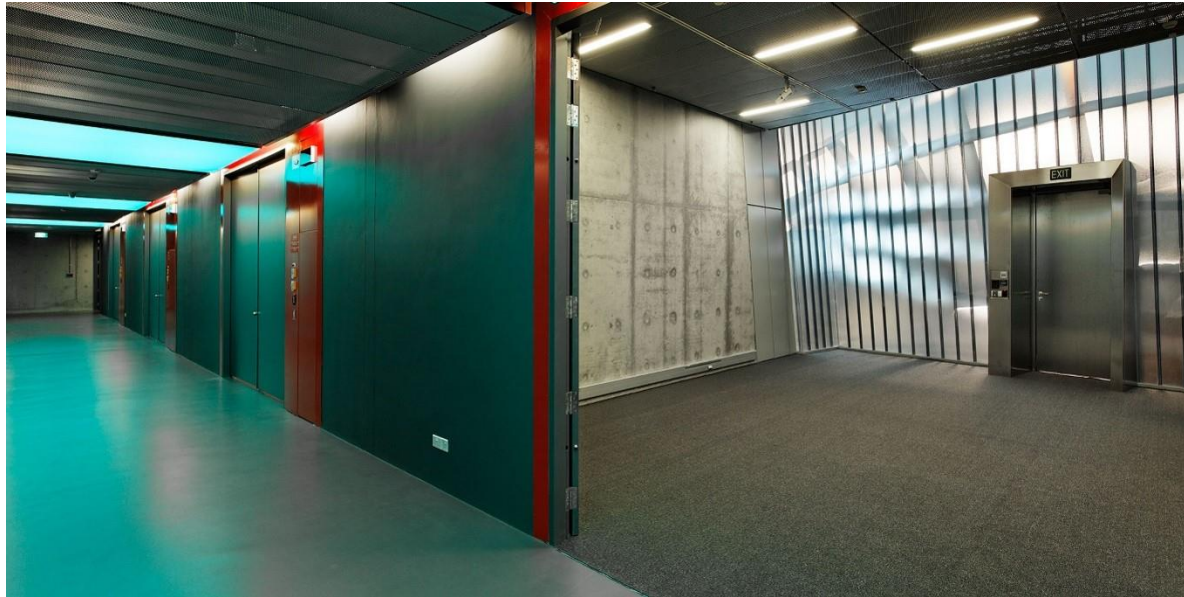


Freeports and illicit trade

Dr Paul Gilmour

Freeports

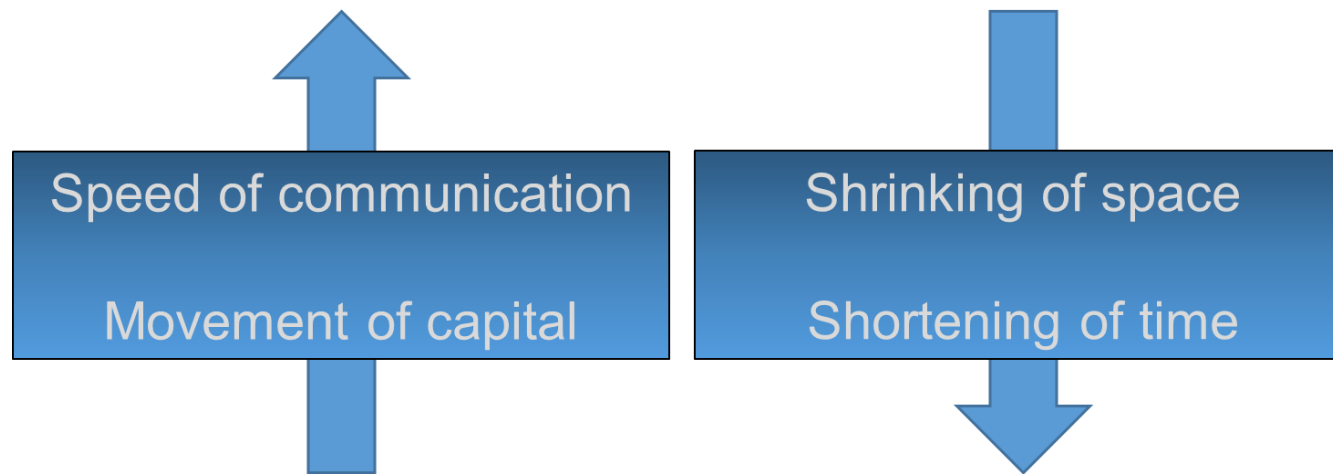
Warehouses located within ‘free-trade zones’ that lie within a country’s geographical border but are designated by that country’s government to be outside its normal customs regime.



Freeports are 'offshore jurisdictions'

- Increased mobility of capital across permeable state borders.
- Advent of offshore jurisdictions made necessary to spread and accumulate global wealth "no longer tied to colonial or national spaces".
- The liberation and deregulation of financial markets.

Compression of time and space



UK Freeports



Holyhead



Milford Haven and Port Talbot



Custom sites

“Secure, enclosed customs zone where some normal tax and customs rules do not apply”.

- ✓ Authorised businesses can:
- ✓ Import certain goods with simplified customs documentation, and without paying tariffs.
- ✓ Hold domestic goods to be used in any manufacturing process.
- ✓ Where certain conditions are met, will not need to pay import duties.
- ✓ Where goods are declared to free circulation (home use) in the UK, relevant duties must be paid before they are released from the customs site.

Tax sites

“Tax sites are independent and separately authorised from Freeport customs sites, but they can cover the same area of land”.

- Each Freeport will have up to three designated tax sites.
- Eligible businesses can benefit from a range of tax incentives.
 - ✓ Enhanced capital allowances.
 - ✓ Relief from Stamp Duty Land Tax and Employer National Insurance contributions (for new employees).
 - ✓ Full business rates relief (for eligible new businesses moving into a Freeport tax site, and some existing businesses that expand).

Risks associated with freeports

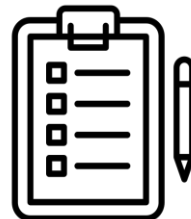
- Secretive 'offshore' spaces.
- Conceal beneficial ownership of companies.
- Lack of regulation and supervision.
- Could enable fraud and other illicit activities.
- Artwork theft, Tax evasion, Money Laundering, etc.
- Shipment of trafficked wildlife specimens, food, drugs, counterfeit good, tobacco products, weapons, and other contraband.
- Food fraud.



Trade-based money laundering

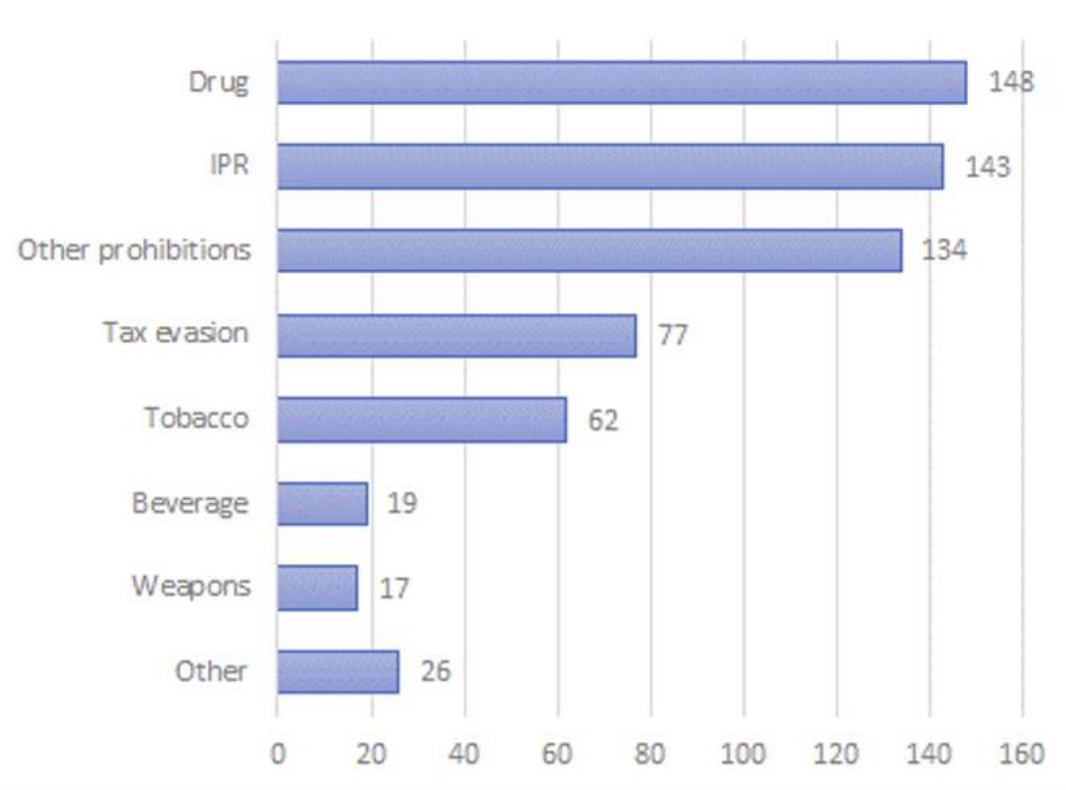
“the process of disguising the proceeds of crime and moving value through the use of trade transactions to legitimise the illegal origin or finance their activities”.

- Dishonest manipulation of trade invoices and freight information to ship goods.
- Misrepresentation of the *quality*, *price* or *quantity* of imported or exported goods.
- Bogus shipments; multiple invoicing of the same shipment; and other methods to fabricate invoices, transfer funds or to ship illicit goods, such as drugs and contraband.



World Customs Organisation

- Total of 626 reported seizures of illicit goods inside free-trade zones
 - 148 of which were drugs (Omi, 2019).



New trend: fentanyl 'zombie' drug

Food safety concerns



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