



Universidad del Azuay

Faculty of Law

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**Elaboration of a Guide for the Implementation of a Special Economic
Development Zone in the Industrial Eco-park Chaullayacu-Cuenca for
Operations of Industrial Diversification**

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Dedication

I dedicate this work of titling to my mother, Lupe Cordova, because thanks to her, her patience, love and concern I was able to continue with one more challenge in my life, although several times this titling work became an anguish, because daily in the long and endless hours of work it seemed that there would be no days to elaborate and complete this research, however my mother was always ready to wake me up at dawn and prepare my food so that there is nothing more that interrupts my inspiration for this writing that carries more of me than I imagined. Looking up to where God has brought me and how he has sustained me through my mother has been the most precious gift of this struggle against myself, my fears and my daily challenges. That is why this text is dedicated to my mother, the woman who also wept several pages here written.

I dedicate my heart to my second city, Cuenca, the city that opened the doors and awakened in me even more the character of service and progressive vision. I dedicate to every small company that day by day forges its future, to the municipal authorities and other possible involved, that I am sure, will be able to see with another eyes the Chaullayacu Eco-park, icon of the productive development of the country.

Gratitude

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Summary

The Special Economic Development Zones (ZEDE) constitute a new growth opportunity for the municipalities that intend to implement them. The project for the creation of the industrial eco- park Chaullayacu has been taking place since 2012, however, several reasons have not been implemented. This is why the present work aims to develop a guide for the implementation of a ZEDE in the Industrial Eco-park Chaullayacu-Cuenca for industrial diversification operations, through an analytical study of the legal basis that allows its establishment and arguments of the future beneficiaries of this project and thus promote the economic development integrating the public and private sector of the city. Finally, an action plan for the implementation of this project is proposed.

Abstract

Special Economic Development Zones (ZEDE in Spanish) constitute a new opportunity for the growing of the local governments that intend to implement them. The project to create the Industrial Eco-park Chaullayacu has been taking place since 2012, however, several reasons have not been implemented yet. This is why the present investigation purposes to develop a guide for the implementation of a ZEDE in the Industrial Eco-park Chaullayacu-Cuenca for industrial diversification operations, through an analytical study of legal basis that allows its establishment and arguments about the future beneficiaries of this project and thus promote the economic development integrating the public and private sector of the city. Finally, this project is proposed throw an action plan to its implementation.

Chapter 1

Introduction

1.1. Background Information: Reference to the Regulations

1.1.1. Introduction

The Special Economic Development Zone is a new scheme to replace in a more innovative way the previous model, Free Trade Zone, with custom tax benefits.

In the development process of the country, the national government decided to form a comprehensive change of the institutions that granted tax incentives to encourage production and export. As a result of previously not having clear regulations for authorization and control, these benefits were often granted disproportionately. As such, it became necessary to institute a new project that not only grants tax incentives, but also incorporates aspects that allow for remuneration for benefits granted to be paid to the state, in keeping with the national development objectives established in the National Plan of Good Living. To achieve this, a technical proposal was formed which enhances the comparative advantages and the creation of new poles of development which favor investment in economically depressed areas and prioritized strategic sectors. In this way, the ZEDE proposal was hatched (Vásquez Moreira, 2012).

However, in order for the next chapters of this thesis to be better understood, it is essential to establish a brief comparison of these two benefit models with respect to production and industrialization. The previously model is called the Free Zone, and is currently replaced by the second, Special Economic Development Zone.

1.1.2. Development

According to Myrian Tasiguano in his thesis, the Free Zone was introduced in 1991 with the approval of former President Rodrigo Borja (Tasiguano Morales), its legal framework being the Free Zone Law and its regulations, as well as the Organic Law of Customs (LOA) with its General Regulations. In these normative bodies, the Free Zone was defined as a special regime:

... That by the principle of extraterritoriality, allows the entrance of goods, free of taxes, to authorized and delimited spaces in national territory. Goods entered in the Free Zone are subject to the control of the Customs Administration.

Free zones are classified as commercial and industrial:

- a) Commercial free zones are those in which the admitted goods remain without any transformation, pending their future destination; and,
- b) Industrial free zones are those in which the goods are allowed to undergo authorized processing and refinement operations, pending their subsequent destination (H. National Congress, Organic Law of Customs (2000) Supplement R.O. 158).

The free zones eliminated the disadvantage of companies regarding expenses, tariffs, and taxes that the government imposed on imported goods. The free zones could be observed in the results of the legal and institutional conditions of the country. In turn they were

subject to a great amount of pressure: on the one side pressure from the FTAA, free trade agreements and bilateral trade agreements, and on the other, pressure from the World Trade Organization (WTO) (Tasiguan Morales).

Regulations for the LOA established that in addition to the aforementioned legal framework, the Free Zones were subject to the provisions issued by the former Ecuadorian Customs Corporation (CAE), currently the National Customs Service of Ecuador (SENAE) (Chapter VI Customs Regimes, Section II SPECIAL SCHEMES, articles 130 to 133). For the entry of domestic or nationalized goods to the Free Zone, the latter had to comply with all the formalities of exportation. On the other hand, goods coming from the free zone with the purpose of being imported into the country were subject to the requirements of the regime to which they were declared. Finally, those products whose origin corresponded to free trade zones, which entered free zones and were destined to the national territory, enjoyed the benefits established in the Agreements and / or National Conventions validated and signed by Ecuador (H. National Congress, Organic Law of Customs (2000) Supplement R.O. 158).

The governing body to which the free zones were subject was the National Council of Free Zones (CONAZOFRA), which was attached to the Presidency of the Republic, as an autonomous body with its own legal status. It was composed of:

- The President of the Republic or his delegate, who directed him;
- The Minister of Foreign Trade, Industrialization, Fishing and Competition or his delegate;
- The Minister of Economy and Finance or his delegate;
- The Minister of National Defense or his delegate;
- A representative of the Chamber of Free Zones of Ecuador;
- And, a representative of the users of the free zones, chosen by an electoral college. (H. National Congress, Organic Law of Customs (2000) Supplement R.O. 158).

In other words, these legal frameworks sought to depolarize the growth of the country through the establishment of free zones in spaces with a large force of labor but where business and technological development was scarce.

The Law of Free Zones was modified in August 1994 due to the incorporation of the tourism in the system. In March 1999 there was another law reform, published in Official Gazette No. 462. The last reform to the Free Zones occurred on December 29, 2010, when these zones were officially changed to the current ZEDS.

The Economic Development Special Zones were established with the approval of the National Assembly, the legal framework of this new customs destination being the Organic Code of Production, Trade and Investment, COPCI, specifically Book II of VI and the corresponding regulations (RG to Book II of the COPCI). It is worth mentioning that this code is periodically updated in accordance with legal requirements, and that this year reforms are being made to the COPCI as the result of two consultative councils working jointly with the productive sector of the country.

Book II of COPCI, entitled: THE DEVELOPMENT OF PRODUCTIVE INVESTMENT AND ITS INSTRUMENTS, Title IV SPECIAL AREAS OF ECONOMIC

DEVELOPMENT, Chapter I: THE OBJECT AND CONSTITUTION OF THE SPECIAL AREAS OF ECONOMIC DEVELOPMENT. (Art. 34. [Special Areas of Economic Development (ZEDE)]), defines them as:

... Customs destination, in delimited spaces of the national territory, so that new investments are based, with the incentives detailed in these regulations; Which will be conditioned to the fulfillment of the specific objectives established in this Code, in accordance with the parameters that will be set by regulation and those foreseen in the territorial planning plans (COPCI Book II - Corporation for Studies and Publications, Organic Code of Production, Trade and Investments (2010) Supplement R.O. 351).

This means that ZEDES are spaces where new manufacturers are established to promote domestic production at lower costs, with better opportunities for importing raw materials and machinery, as well as greater ease in the exportation of their products.

Furthermore, it is important to note that these are not tools of comparative advantage, but rather seek to strengthen existing advantages. ZEDES are also an element of public policy in the drive for industrial investments that pursue certain objectives. Among them, aligning politics with the purpose of creating added value and stimulating exports. Likewise, ZEDES seeks to improve and be competitive in transport—especially air—by areas of logistic services that allow increasing cargo and thus lower costs. Similarly, ZEDES has the intention to carry out technological transfers in order to innovate manufacturing with respect to sectors with comparative advantage, such as food production (occurring all year), biotechnology and software (Tasigano Morales).

In regard to ZEDES, the public rectory is in charge of the Sectorial Council of Production, Employment and Competitiveness.

Members of the Council

The Sectorial Council for Production is made up of the following state portfolios:

Full Members:

- Coordinating Ministry of Production, Employment and Competitiveness
- Ministry of Transport and Public Works
- Ministry of Tourism
- Ministry of Industry and Productivity
- Ministry of Agriculture, Livestock, Aquaculture and Fisheries
- Ministry of Labor
- Ministry of Foreign Trade
- National Secretary of Planning and Development
- Technical Secretary for Training and Professional Formation
- National Public Procurement Service
- National Transit Agency

Associate Members:

- Ban Ecuador

- National Financial Corporation
- National Customs Service of Ecuador
- Internal Rent Service
- Ecuadorian Institute of Intellectual Property
- National Secretary for Higher Education, Science, Technology and Innovation (Coordinating Ministry of Production, Employment and Competitiveness).

1.1.3. Conclusion

The two models have several differences. Once such difference can be seen in the definition of each model, the Free Zone a “special customs regime,” which is within the customs destinations, and the ZEDES a “customs destination.” The legal framework in which they were developed is also different. The Free Zone was developed with the LOA and its regulations, and the Law of Free Zones with its regulations. On the other hand, ZEDES was developed with COPCI (Book II) and its corresponding regulations. The governing body, which was initially the CONAZOFRA, is currently the Sectorial Council of Production, Employment and Competitiveness. The great contrast between the Free Zone and ZEDES is that previously the Free Zone did not have a neutral regulation and consequently gave rise to corruption. This was due to the fact that the governing body was a member of the Free Zone itself and therefore a biased, resulting in possible gaps or lack of execution in sanctions or compliance with legal provisions. ZEDES, however, has the overarching authority of the Sectorial Council, which oversees ministries associated with areas in which ZEDES are developed.

1.2. Background: (Local) Particular Reference to the EDEC EP, Municipal Company that has Legal Basis for the Creation of ZEDES.

1.2.1 Introduction

In the local area, the background of this thesis work is focused on presenting a brief historical scenario of the current Industrial Eco-Park Chaullayacu, one of the projects of the EDEC EP. This Industrial Eco-Park started as a Free Trade Zone and failed. Also, it is about the current Municipal Company of Public Economic Development (EDEC EP), which in its founding by the Municipal Ordinance gives all legal opening to the creation of ZEDES in the case that it is considered necessary.

1.2.2. Development

In Ecuadorian territory there were 15 free zones, one of which being in the city of Cuenca (Tasiguano Morales). Cuenca’s Free Zone (ZOFRAC), located in Chaullayacu, Zhucay, a former plant of the company Artepractico, failed. The main cause of this was due to the ambition of those in power and the lack of interest shown by industrialists and traders who did not take into account the magnitude of economic and social benefits this mega project would bring. This project was approved in 1997 with an executive decree signed by the then President of the Republic, Fabian Alarcon, authorizing the creation of a free

zone in Zhucay, parish of Tarqui, in the south of Cuenca (Central Bank of Ecuador Library, 1997).

The majority shareholder of this project acted with negligence. Well, it can be said that he obtained most of the shares only for his personal benefit rather than for the greater good of those involved. Another cause of failure was the lack of resources, which were not given in account in order to implement the proper infrastructure.

However, not all efforts made on this project were in vain. After the failed attempt of the Free Zone, the Minister of Industries and Productivity (MIPRO), Dr. Xavier Abad Vicuña, took the necessary steps for these facilities to be equipped in order to establish a new Industrial Park for Cuenca. Thus, it had to comply with all the institutions with which there were outstanding accounts, one of them being the National Finance Corporation.

Due to the efforts of Dr. Xavier Abad Vicuña, the National Secretary of Planning (SENPLADES) was granted the rights of 7% of the shares held by the Zhucay Industrial Park belonging to the Azuay Economic Reconversion Center, Cañar and Morona Santiago (CREA). When transferred to the agency, MIPRO was able to take over the productive sectors of Austro, and boosted the productivity and competitiveness of Cuenca (Editorial, 2009).

The territory considered for the establishment of a Special Economic Development Zone for industrial diversification has undergone a number of surprising events regarding the way in which it has changed owners overtime, and how these tenures have been handled. For these facts to be understood effectively, a timeline will be presented from 1978 to the present. It should be noted that this study was carried out by reviewing the deeds of The Industrial Park of Cuenca with permission from the Municipal Corporation EDEC EP by the National Finance Corporation.

Table 1. Timeline

Date	Fact
January 4, 1978	Acquired by Artepractico Industries by the purchase of Arcesio Pulgarin and Adelaida Guerrero.
April 30, 1991	Acquired by Company LIGOZZI S.A. from Artepractico Industries S.A.
April 26, 1993	Awarded to the ex-employees of Artepractico in within the trial against Artepractico Industries.
November 29, 1994	Purchased by Cuenca Industrial Park, a mixed economy company, from the former employees of Artepractico Industries, specifically the property located in the sector Zhucay, Tarqui.

1999	Sold as individual lots by Cuenca Industrial Park as self-issued by the Coactive Trial in favor of the CFN.
June 26, 2001	Plan and Regulation for Land Use, Occupation and Division was registered in the Free Zone of Cuenca.
November 28, 2009	<p>Agreement No. 09119 was concluded between the Ministry of Industry and Production and the Municipality of Cuenca, objective being the creation of a public enterprise for the management and economic development of the canton, equipped with efficient and effective infrastructure and complementary services to facilitate The optimum operation of business units, contributing to the proper use of the land and the territorial order of the city, to provide facilities of location and location for the benefits of small businesses that encourage the creation of new jobs. Also allow the acquisition of land for industrial development, improving the quality and delivery of the services of the current industrial park of Cuenca and boost the project City of Science. In order to achieve these objectives, including the formation of the public company, the ministry in question transferred to the Municipality of Cuenca, the sum of \$10,000,000 according to the disbursement schedule detailed in the mentioned convention.</p> <p>This is how the Municipal Public Company for Economic Development (EDEC EP) was formed.</p>
June 23, 2011	The Extraordinary Session of the Cantonal Council of Cuenca met to discuss the information and resolution of the acquisition of the Chaullayacu Estate, Zhucay sector, Tarqui, by the CFN on the part of the EDEC EP, and it was emphasized that municipal property lots do not enter into negotiation.
July 13, 2011	The directory of the EDEC EP approved the acquisition of the properties acquired by the CFN excluding those of municipal domain.

October 19, 2011	The CFN board authorized the sale of the Cuenca Industrial Park to the Municipal Public Economic Development Company, EDEC EP.
October 19, 2011	The draft is incomplete. Economist José Luis Espinoza Abad, legal representative and maximum authority of EDEC EP in regards to the CFN, gives the sale.

By: Aguilar, Katherine

Source: (Sale, Mortgage and Prohibition of Disposal, Chaullayacu)

Upon mortgaging the Industrial Park Cuenca, currently the Industrial Eco-Park Chaullayacu, it would be prohibited to alienate, lease, tax or limit its domain. In the event that any future action is required, the Financial Corporation must be authorized until all obligations have been completed. Likewise, the corporation may inspect the property as collateral and demand, if necessary, to improve its value. Therefore, anticipating possible depreciations for any cause.

The Free Zone of Zhucay began to undergo some changes. The Cantonal Council of Cuenca, through a municipal ordinance, decided to regulate the creation, constitution and operation of the Municipal Public Economic Development Company (EDEC EP) of the canton Cuenca in November 2011. It was, at that point, a "legal entity of public law, with its own assets, endowed with budgetary, financial, economic, administrative and managerial autonomy, which operates on a commercial basis" (Cantonal Council of Cuenca).

Article II of the aforementioned municipal ordinance establishes the object and scope of the ESDP ES, which must be known to understand the legal structure that will implement a Special Economic Development Zone, which is an objective of this research. The article in question has several numerals, of which the first and fourth are considered.

Art. 2. - Purpose and Scope

The MUNICIPAL PUBLIC ENTERPRISE OF ECONOMIC DEVELOPMENT (EDEC EP) will orient its action with criteria of efficiency, rationality and social profitability, preserving the environment, promoting sustainability, integral and decentralized development of the economic activities in accordance with the constitution, and its corporate purpose is as follows:

a) Participate actively in the construction of an economic system, fair, democratic, productive, solidary and sustainable, based on the equal distribution of the benefits of development, the means of production and the generation of decent and stable work;

[...] d) To promote business units, which encourage the creation of new places of employment (Cantonal Council of Cuenca).

Observing this, it is clear that the EDEC EP has responsibility and influence for this type of public-private investment. It is important to recognize that, as explained on the website of this municipal public company, there was an agreement, No. 09 119, signed between the Ministry of Industries and Productivity and the Decentralized Autonomous

Government (GAD) in 2011 in the canton of Cuenca for the implementation of the Industrial Eco-Park Chaullayacu, which promised the beginning of the EDEC EP, for this very purpose and others. The park has an area of 72.44 ha; to 7.5 km of city limits; from Puerto Bolívar in Machala, 107 km, to the Port of Guayaquil, 137 km (Public Company of Economic Development EDEC EP, s.f.).

In order to reaffirm the purpose of this work, it is necessary to take into account the second and third paragraph of h) of the Ordinance ejusdem, followed by letter j).

h) In accordance with the Constitution of the Republic of Ecuador and the Organic Law of Public Companies, the EDEC EP, as a public law entity, may establish subsidiary companies, subsidiaries, agencies or business units for the development of its activities. For this purpose, the approval of the Board of Directors with an absolute majority of votes of its members will be required.

For this purpose, you may set up subsidiaries, agencies, business units and any form of commercial association allowed by law.

j) Establish in accordance with the law, following the procedure established therein, Special Zones of Economic Development (Cantonal Council of Cuenca).

1.2.3. Conclusion

Now that the story behind the failure of the Free Zone of Cuenca in Chaullayacu is known, and taking into account what was concluded in antecedents 1.1, the Industrial Eco-Park Chaullayacu, project of the EDEC EP, has all the necessary legal elements for a correct, ethical and appropriate Special Economic Development Zone. The past experiences remind us in what areas we failed in order to grow and not make the same mistakes in future investments and decisions.

Chapter 2

Special Economic Development Zones

2.1. Introduction

The second chapter of this thesis work is aimed at establishing the concepts necessary to understand the scenario in which the Special Economic Development Zones are managed according to the current regulations, as set forth by the Organic Code of Production, Trade and Investment. For this reason, the reference of *customs destinations* will play an important role since the ZEDE constitutes one of them. After that, the basic concept of ZEDE will be given, in which localities of territory can be located one, along with its types. Following, the requirements necessary to fulfill Chaullayacu, as well as the activities authorized for development by the administrators and operators of the special zone, will be analyzed. To conclude, an explanation of the customs control to which the ZEDE must abide to will be given, taking into account clearly what constitutes a fault, a contravention and a customs crime and the way in which these infractions should be corrected.

2.2. Development

2.2.1. Customs Tariffs

According to Article 115 of Chapter VII, *customs destinations* are defined as "the destruction, abandonment, or entry to a customs regime; and, admission to a Special Economic Development Zone or a Free Zone" (COPCI [Corporation for Studies and Publications, 2015]).

When dealing specifically with the Special Economic Development Zones, article 119 of the cited code, which deals with the entry of goods into a ZEDE or Free Zone, is very important. It is explicit in that all merchandise subject to entry of this type of customs destination must be submitted to the regulations determined.

2.2.2. ZEDE, Location and Types

As previously mentioned, a Special Economic Development Zone is a customs destination that must be authorized by the National Government in order to be established. This can be installed in delimited areas of the Ecuadorian territory, so that new investments can be established in it, with the help of incentives detailed in the corresponding COPCI regulations. It is important to emphasize that such incentives will be conditioned to the fulfillment of the objectives established in the above code.

In Article 35 of the ejusdem code, it is stated that certain conditions must be considered, in the location of ZEDES, such as:

Preservation of the environment, territoriality, potential of each locality, road infrastructure, basic services, connection with other points of the country, among others previously determined by the governing body in productive development, and in coordination with the entity in charge of planning, and shall be subject to special treatment of foreign trade, tax and financiers (COPCI [Corporation for Studies and Publications, 2015]).

The following article refers to the three types of ZEDE. The first is "to carry out activities of transfer and disaggregation of technology and innovation" (COPCI [Corporation for Studies and Publications, 2015]). With this characteristic, it is possible to carry out projects of any nature and plans that promote technological development, biodiversity, electronic innovation and energetic or sustainable environmental improvement.

The second kind of ZEDE aims at the execution of industrial diversification operations that consist of industrial enterprises oriented to the export of goods, with human talent of quality. The activities that can be carried out in this type of ZEDE are focused on transformation, elaboration—including assembly and adaptation to other products—and the restoration of any goods. In addition, there must be a purpose to export and import substitution strategically.

The latter aims to develop logistics services including:

Cargo storage for the purposes of consolidation and deconsolidation, classification, labeling, packaging, repackaging, refrigeration, inventory management, handling of dry ports or internal cargo terminals, coordination of national or international merchandise distribution operations, as well as the maintenance or repair of ships, aircraft and land transport vehicles (COPCI [Corporation for Studies and Publications, 2015]).

Preferably, these types of zones are created within or adjacent to ports and airports, or in border regions. "The exclusive storage of cargo or storage cannot be authorized within this type of zone" (COPCI [Corporation for Studies and Publications, 2015]).

2.2.3. Requirements (Application for ZEDE)

According to economist Rafael Correa, a request addressed to the Sectorial Council for Production by an interested party should be submitted by the public sector or decentralized autonomous governments (Correa, Ministry of Industries and Productivity, 2011).

For the development of a ZEDE, public, private or mixed investments may be used. Likewise, the company in charge of administration could be natural or legal people of national or foreign, public, private or mixed nature.

In addition, in order for a Special Economic Development Zone to be accepted, the following is prepared, presented and assessed: a general description of the project including all the requirements established in the code regulations, such as the Regulation of Structure and Institutionalism of Productive Development, Investment and Mechanisms and Instruments of Productive Development, established in the COPCI.

A ZEDE cannot be created in spaces that are part of the National System of Protected Areas, within the State's Forest Patrimony, or that have been declared as protective forest/vegetation or fragile ecosystems.

The incentives of both perspective administrators and operators that apply in each particular case will also be detailed in the authorization of a ZEDE operation (COPCI, Article 40 [Corporation for Studies and Publications, 2015].

When submitting the requirements, the project must be complete, detailing all that the ZEDE would propose in respect to industrial diversification operations at Eco-Park Chaullayacu, for which this thesis work would be a primary reference.

The guidelines that the Sectorial Council of Production states for the establishment of a ZEDE are those found in Article 46 of Executive Decree 757 entitled *Regulation to the Structure and Institutionalism of Productive Development, Investment and Mechanisms and Instruments of Productive Development, as established in the Organic Code of Production, Trade and Investment*:

1. Geographical area of the national territory where its establishment is aimed, will be prioritized according to the policies that the National Government dictates in terms of territorial development and the management policies defined by the Decentralized Autonomous Governments within the scope of its competence;
2. Potentialities of the area in which the installation is aimed, should be in keeping with the activities that are prioritized in the productive transformation agenda;
3. Adequate conditions of road infrastructure and communication with other parts of the country;
4. Adequate conditions of the basic services of the locality;
5. Environmental conditions;
6. Source of investment (public, private or mixed);
7. Amount of investment in relation to the projects to be implemented;
8. Type of projects to be implemented; and,
9. Impact on the priority areas that would generate the projects that are intended to implement (Correa, Executive Decree No. 757, 2011).

The above details must be fulfilled in their entirety, or the objective of a Special Economic Development Zone would be lost, and the necessary approval by authorities denied.

2.2.4. Activities of the Administrators

Article 41 of the above-mentioned code, regulates the activities that can be given by the administrators of a ZEDE. It states that once the application of ZEDE has been approved, administrators can be appointed. Those who apply must be legal entities and can be private, of mixed economy or public, national or foreign provided that they obtain the necessary authorization to execute activities according to the type of Special Development Zone in question, in this particular case, operations for industrial diversification.

The activities to be carried out would be "the development, administration and operational control of the ZEDE," as well as the obligations established by the RG of Title V of the COPCI (Corporation for Studies and Publications, 2015).

2.2.5. Activities of Foreign Trade Operators

To begin with the description of the activities of the Foreign Trade Operators, it is necessary to indicate who the ZEDE operators are. As stated in article 42 of the COPCI:

The operators are natural or legal people, public, private or mixed economy, national or foreign, proposed by the company managing the ZEDE and qualified by the Sectorial Council of Production, that can develop the authorized activities in these delimited areas of the national territory (COPCI [Studies and Publications Corporation, 2015] Organic Code of Production, Trade and Investment [2010]. Supplement R.O. 351).

Also, in that same article, continuing with the second paragraph, it is possible to focus on each of the activities that can be performed by the operators, all of them previously authorized in the corresponding classification based on this code: its implementing regulation, customs legislation (also resolutions issued by the director general of SENA), the regulations issued by the Sectorial Council, and all that is applicable. The actions to be carried out must comply with the parameters of the environmental and labor regulations, of national and international nature, and if necessary, must resort to methods of environmental licensing or transfer of technologies and training to national personnel.

2.2.6. Operational Activity: Control

Among the activities that would be carried out by the Technical and Operative Unit responsible for the supervision and control of the ZEDE, is the prohibition of managers and operators being linked to the operative area under any circumstance, either economically or corporate with punishment being their possible dismissal. In this case, the exception could be given in the case that the managers are a public or mixed economy company.

With regard to support services, Article 44 of the COPCI cites the following:

Any natural or legal person, national or foreign, who wishes to establish a Special Economic Development Zone to provide support services or support to operators located in the authorized zone, must submit their request to the respective

administration company, who will approve or deny this request prior favorable opinion of the Technical-Operative Unit, responsible for supervision and control of ZEDE (COPCI [Studies and Publications Corporation, 2015] Organic Code of Production, Trade and Investment [2010]. Supplement R.O. 351).

The following paragraph emphasizes that those companies, whose goal is to support the operators of a ZEDE, will have to implement all the rules that proceed from the code under study, the Regulation to the Title of the Trade Facilitation of Book V of COPCI, as well as of the precepts required by the Sectoral Council of Production.

If the case requires the establishment of institutions of private financial systems, the Superintendence of Banks will establish the requirements to authorize them, keeping in accordance with Articles 2 and 171 of the General Law on Financial Institutions.

Regarding the responsibilities of the operators and administrators of the Special Economic Development Zone, Article 45 of the COPCI stipulates that they shall be jointly and severally liable in relation to, "... entry, possession, maintenance and final destination of any merchandise introduced or processed in the authorized zones, and will be legally liable for their use and proper destination" ([Corporation for Studies and Publications, 2015] Organic Code of Production, Trade and Investment [2010]. Supplement R.O. 351.) This established joint liability applies to broken customs duties and economic sanctions imposed for infractions committed, which are communicated in this code, specifically in Chapter II of the Administrators of Special Economic Development Zones, corresponding to Title IV and in its respective implementing regulation.

According to the first article of the Regulation of Responsibilities issued by the Comptroller General of the State, all officials, authorities and other servants of state institutions are responsible; executives, workers or representatives of legal entities and private law entities that have state participation or third parties, must conduct themselves diligently in the activities they perform, otherwise they will account for their actions or omissions. As stated in Article 5 of the same regulation, liability may be, for the purpose: criminal, administrative, guilty, civil guilty; and, by the subjects, can be: principal and subsidiary, direct and solidarity. For this specific case, the operators and administrators have joint liability rather than subsidiary. The subsidiary liability refers to a server, administrator or operator who, due to improper payment or omission, should be liable for their actions, even if the beneficiary of such undue payment has primary responsibility. In contrast, joint liability, which is applicable, refers to responding to any action or omission, which transgresses any regulations, in a manner shared with whom is designated as directly responsible, that being both operators and administrators. ([Comptroller General of the State] Regulations of Responsibilities [2006] R.O. 386).

The subsequent article regulates the customs and foreign trade treatment that must be given to foreign goods, taking into account that a ZEDE is also a legal structure of exception, since as it has been known to manifest; these are given the customs destination treatment. Thus, under the legal customs regime ZEDES are granted an, "exemption from the payment of tariffs on foreign goods entering these zones for the compliance with the authorized process" ([Corporation for Studies and Publications, 2015] Organic Code of Production, Commerce and Investments (2010). Supplement R.O. 351).

It is important to know the difference between exemption and exception. As mentioned in Article 31 of the Tax Code, exoneration from taxes is the elimination of taxes or tax liability for economic, public or social reasons. On the other hand, tax exemption has to do with dispensing taxes in particular cases ([National Legal Office] Supplement R.O. 242-3S, 29-XII-2007). Article 125 of the COPCI indicates 13 customs tax exemptions. What concerns the ZEDE in this article is in paragraph d), which states:

The following goods are exempt from the payment of all taxes on foreign trade, except for customs services, on imports for consumption:

[...] d). Those that concern the state, institutions, companies and bodies of the public sector, including decentralized autonomous governments, and companies whose capital belongs at least 50% to some public institution ([Corporation for Studies and Publications, 2015] Organic Code of Production, Trade and Investment [2010]. Supplement R.O. 351).

Therefore, in proposing a Special Economic Development Zone based on a mixed economy, this article would be the legal basis for the importation of goods deemed necessary.

For the entry and exit of goods from the Special Zone, as well as for the treatment of waste or surplus, in the case of nationalization, re-export or destruction of damaged goods, the correct process must be followed according to the regulations as stated in the Title of the Customs Trade Facilitation of Book V of the COPCI.

For purposes of customs operation, the aforementioned regulation also establishes the measures in which the entry of a good into a Special Economic Development Zone is considered an export. Likewise, it gives qualifications for when the entry of a good from an authorized zone into the national customs territory is considered an import (Articles 119, 120 and 121).

On December 18, 2015 a reform of the Organic Law of Incentives for Public Private Partnerships and Foreign Investment was published in the Official Gazette, which in its first reformatory provision requires that COPCI, in accordance with article 46, be added to the following:

Art. 46.1. Taxes on foreign trade in the design and construction phase in ZEDES: natural or legal persons who sign engineering, procurement and construction ("IPC") contracts with ZEDES operators or administrators, shall enjoy the same benefits as contractors in the matter of imports, provided that they are destined to the execution of these contracts and that they are maintained in the ZEDE ([Corporation for Studies and Publications, 2015] Organic Code of Production, Trade and Investment [2010]. Supplement R.O. 351).

By analyzing this article, it is easy to note the facilities and incentives promoted by this code to all involved in the development of a Special Economic Development Zone.

Continuing with the same body of legislation, Article 47 regulates capital goods admitted to the country by means of a customs regime that liberates or suspends the payment of taxes on foreign trade, stating that they can finalize their regime with the re-export of the

goods to a Special Economic Development Zone, provided that an operator has requested their respective entry for use in accredited activities.

Article 48 regulates the valuation given to capital goods of foreign origin and are used in an authorized area; to be nationalized, they must be valued according to the state in which they are at the time of the process of the declaration of consumption.

2.2.7. Infractions

The third chapter, *The Organic Code on Production, Trade and Investment*, deals with different types of serious infractions and penalties to the Special Economic Zones of Title IV, Book I. Finally, it explains the sanctions and the cases for which they would be applied.

The infractions foreseen in this matter will be applied by the Operative Technical Unit which is in control of Special Zones, or by the Sectorial Council of Production, according to its competences, while taking into account the seriousness of omissions made, without prejudice to the civil and criminal actions that may have occurred.

Minor infractions are sanctioned with written warning or a paid fine according to the following possible events:

- A. Failure to comply with the obligations of the administrator that appear in the authorization and that do not constitute serious infractions;
- B. When the operator does not inform the management company of the entry, use and exit of all goods and inputs to be elaborated, transformed, processed, marketed or consumed; as well as the use of labor and the sale of foreign currency that they carry out of the country, within the periods established in the regulation;
- C. Failure to submit in due time the internal regulations for the operation of each ZEDE;
- D. When administrators do not submit the following information through the online computerized systems, a direct online communication with the Internal Revenue Service, the Customs Service of Ecuador and the ZEDE:
 - 1. Ingresses and expenditures of goods of the ZEDE, with identification of origin and destination;
 - 2. Integration tables of raw materials that are to be converted into intermediate or final products in the ZEDE;
 - 3. Partial processing operations to which the legal regulations refer;
 - 4. Regime changes that are authorized;
 - 5. Inventories of operators;
 - 6. Tax-free transactions performed;
 - 7. Sales made within the territory of the ZEDE, with buyer identification.

E. Non-compliance with established procedures for entry and exit of goods from ZEDE;

F. Failure to comply with progress schedules as relating to work, equipment and investment, which must be fulfilled at the given times in the documents that serve as the basis for the qualification of an operator in the ZEDE or for granting of the authorization as an administrator;

G. Failure to comply with any other regulatory rule not foreseen as a serious infringement ([Corporation for Studies and Publications, 2015] Organic Code of Production, Trade and Investment [2010]. Supplement R.O. 351).

Serious offenses are understood to be those acts in which is evident an inexcusable lack of care and diligence. These are corrected with suspension, cancellation of the qualification of operator or revocation of the authorization, as appropriate, for the following:

A. Failure to comply with any objective indicated in the authorization of the Special Economic Development Zone, which is found in the code of this research.

B. Failure to comply with the prohibition of intentional links provided for administrators and operators.

C. If the management does not control or verify the activities of its operators, managing legal mechanisms of the RG to COPCI's Book V of Customs Facilitation, COPCI, and other applicable rules, as well as in the event of failing to report infringements to the appropriate authorities, in order to implement relevant administrative and legal measures.

D. Refuse or obstruct inspections or audits by the competent bodies of ZEDE.

E. The entry of high-risk goods into the ZEDE, such as: narcotics of any nature, weapons or their derivatives, goods that affect health, the environment and public safety, which are not authorized by the ZEDE operational technical unit.

F. When the movements executed by the operators generate environmental damage or violate the Environmental Management Plan, in the case of having one.

In the event of any of these events, or the recurrence of a slight fault, the operator or administrator shall be suspended for a term of up to three months, or may be punished with an economic penalty, as applicable. In the case of recidivism, the sanction will be "... the cancellation of the qualification of operator or revocation of the authorization, depending on whether it is an administrator or operator" ([Corporation for Studies and Publications, 2015] Organic Code of Production, Trade and Investment [2010]. Supplement R.O. 351).

2.2.8. Sanctions

In addition to the above, penalties will be given according to the seriousness of the infraction. From the slightest incurred penalty being a written warning to a greater

pecuniary penalty with a minimum value of ten and a maximum of one hundred unified basic salaries of the employee. According seriousness of the infringements, the minimum value is from fifty to a maximum of two hundred basic salaries. Among greater measures taken for misconduct, is the definitive cancellation of the operator's certification within the Special Zone, or the possible revocation of the authorization of a ZEDE. Penalties for this type of infraction may be imposed by the unit competent for the operational control of the Special Zones.

In the case of environmental damages, those responsible, in addition to the sanctions indicated, will be obliged to comply with the remediation process, in accordance with the current environmental legal framework, while maintaining adherence to the rules of the constitution.

The sanctions provided for minor infractions will be adopted by the unit competent for the operational control of the Special Zone. The sanctions provided for serious infringements, however, will be the responsibility of the Sectoral Council of Production. In order to apply the precepts as described above, the relevant administrative process should be instituted in advance, the procedure of which is found in *The Regulation of Title V of the Organic Code of Production, Trade and Investment*. It is important to observe that the suspension of authorizations, or in such case, the revocation or cancellation, lead to the termination of the tax incentives granted, for the same period of time as the sanction imposed.

2.2.9. Customs Violations

The violations that occur in the event of failure to comply with the formalities required for customs control within the ZEDE, or in the event of illegal activity, will be punished according to what is stated in the general provisions of the Comprehensive Criminal Organic Code, Hereinafter COIP.

The fourth provision states that in respect to offenses against the customs administration, such as in the case of goods in which the value does not exceed the amount established to be considered a crime, it will be punished as an administrative neglect of the customs authority, with 50% of the maximum fine determined for each offense ([National Assembly, 2014] Comprehensive Organic Criminal Code [2014] Supplement R.O. 180).

2.2.10. Customs Crimes

With regard to this issue, it is necessary to review what COIP, Article 301, numeral four dictates on contraband, citing the following:

Article 301. Smuggling

A person who, in order to evade customs control and the surveillance of goods and whose amount is equal to or greater than ten unified basic wages of the worker in general, performs one or more of the following acts, shall be punished with imprisonment from three to five years and a fine of up to three times the customs value of the merchandise subject to the crime, when:

4. It internalizes the national territory goods of a Special Zone of Economic Development or subject to a special regime, without the fulfillment of the requirements established in the corresponding legislation ([National Assembly, 2014] Comprehensive Criminal Code [2014] Supplement R.O. 180).

On the other hand, misusing customs tax exemptions, through the sale, transfer or misuse of goods whose amount exceeds one hundred and fifty SBUs, or when importing goods under the figure of special regimes without obtaining the required authorization from the competent customs authority, shall be punished with a fine of up to ten times the value of the taxes that were intended to be exempt and a custodial sentence of three to five years.

2.3. Conclusion

This chapter focused on explaining the concepts necessary to form a complete idea of what it really means to undertake a Special Economic Development Zone, the requirements for it, and all the regulations to which it will be subjected under the code mentioned, which govern the nature and character of customs. The eight guidelines established by the Sectorial Council in order to approve the Special Zone have been proven feasible by the investigation and interviews conducted concerning this topic. Therefore, should a company, given that it has taken into account the analysis of this particular project, choose to be responsible and take on the arduous task to complete these requirements, a great contribution would be made to the economic sectors of the city of Cuenca, and hence the city itself.

Chapter 3

Plan for the Implementation of a Special Economic Development Zone in the Industrial Eco-Park Chaullayacu for Industrial Diversification Operations

3.1. Introduction

The purpose of this chapter is to make known to the citizens of Cuenca and to generally inform of a public and private nature people and organizations, such as governmental entities, guilds or associations; to present a plan of action to be followed to implement a Special Economic Development Zone; And thus following the guidelines provide the generalities of the Chaullayacu Project, and finally discuss the agreed proposition.

3.2. Project Overview

3.2.1. Location of the Project

The project will be located in the Chaullayacu sector of the Tarqui parish, exactly 7.5 km from the urban boundary of the city, 107 km from Puerto Bolívar, Machala, and at a distance of 137 km from the Port of Guayaquil, approximately in an area of 72.44 ha mentioned previously.



Figure 1. Industrial Eco-Park Chaullayacu
Source: (EDEC 2012)

3.2.2. Beneficiaries of the Project

The main beneficiaries of this project will be small and medium-sized enterprises, henceforth SMEs. These small businesses are at a disadvantage compared to the large industries in Cuenca as they have a low competitiveness in local, national and international markets. The small and medium industry of the canton is concentrated in the sectors of clothing, metal mechanics, food, wood and chemicals, mainly. As Mr. Carlos Rojas mentioned in the interview that was conducted, the demand for industrial land is high, so the Local Government and the EDEC EP have taken on the challenge of working with a proposal to guarantee the population conditions for overcoming poverty and raising their quality of life by promoting access to economic and social development (Rojas, 2017).

There are many benefits for the industrial sector, including:

- Equipping 62 lots of modern industrial land with basic and complementary services.
- Promotion of SMEs in their productivity and competitiveness.
- Encourages the associativity of SMEs and value chains.
- Industrial activities conforming to land use (Public Company of Economic Development EDEC EP, s.f.).

Municipal Economic Development Company of Cuenca's website lists the benefits that the parish and community will have with the culmination of the Industrial Eco-Park Chaullayacu, and with the inclusion of the ZEDE, the benefits will be even greater. The benefits listed are as follows:

- Generation of 1,200 jobs
- Streamlining the local economy
- Access to complementary services: commissary, pharmacy and training
- Community with access to improved drinking water and electricity services
- Facilities for hiring female and disabled workers
- Improved safety, fire, health and public transportation services
- 3,600 inhabitants of Tarqui linked to activities and services

Benefits to the city:

- Contribution to territorial ordering
- Generation of strategic alliances that will boost the local economy
- Important source of employment and new ventures
- Strengthening the SME sector
- Greater growth and dynamism of the cantonal economy
- Generation of greater added value to the economy of the canton

Benefits for business diversification:

- Introduction into new markets, business possibilities increase likelihood of economic benefits
- Risk diversification, companies that focus their investments in a single sector are more at risk of losses in crisis situations or in the face of inherent threats in their commercial activity.
- Efficient use of productive resources, raw materials, labor, accessibility and sustainability
- Greater presence of brands, companies gain in presence and, if expectations are met, will consolidate their position in the new market
- Higher added value, due to the benefits of production development, giving incentive to the incursion of this element into products and services
- Customs benefits, for the entrance of raw materials and products
- Tax benefits, according to the COPCI for different economic activities (Public Company of Economic Development EDEC EP, s.f.).

It is necessary to emphasize that this accumulation of advantages will be obtained as long as a consolidation is formed between the private productive sector and the respective state bodies, resulting in corporate governance.

3.3. Definition of Corporate Governance

Corporate governance encompasses the set of relationships between the ZEDE administration, its advisory board, investors and stockholders (community and sectional government). It will also provide the structure through which the objectives of the ZEDE

are set and determine the means by which to achieve those objectives and monitor performance.

3.3.1. Organizational Structure

The design of the ZEDE operating structure in Chaullayacu will be oriented to promote activities to strengthen the industrial, investment, and foreign trade value chain by integrating all such related companies and providing them with competitive advantages through cooperation and support, contributing their activities to the sustainable growth of the entire sector.

Thus, the organizational structure must respond to the sum efforts of all its members in order to strengthen the sector and be more competitive. The basic principles of the organization are cooperation and integration. The four areas of work will be: administration, investment, production and foreign trade.

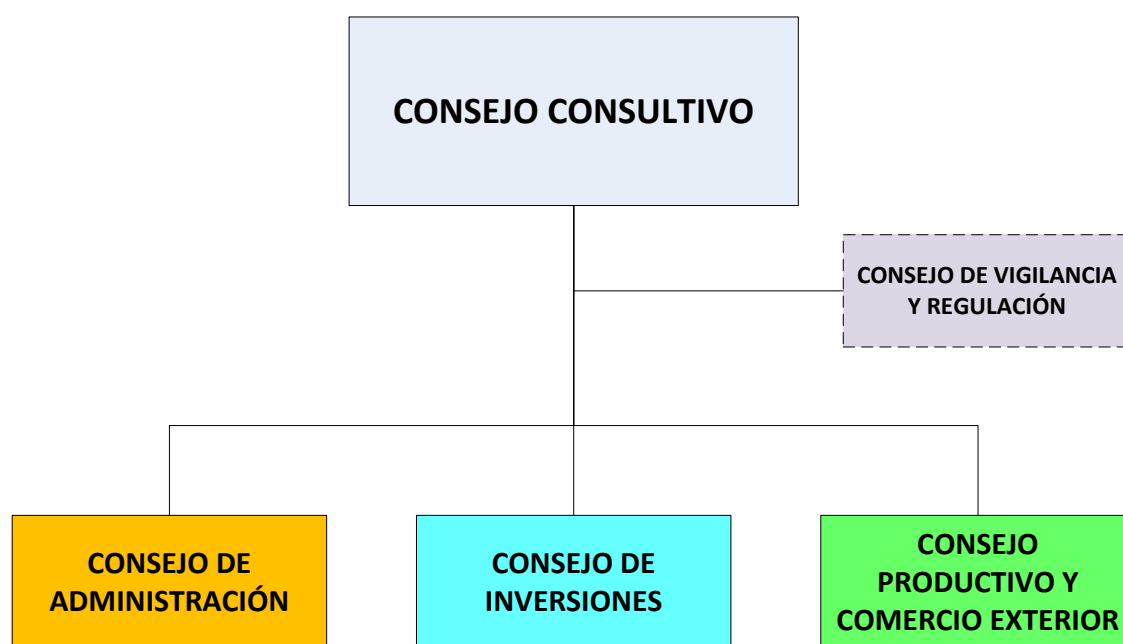



Figure 2. Organizational structure of the ZEDE Eco-park Chaullayacu

3.3.2. Functional Structure


A functional structure is essential for the constitution of the document that makes institutional operation possible and, in particular, defines the general and specifically implicit activities, tasks and responsibilities of those responsible for each area of work.

From the Advisory Board:

<div></div> <div>PARQUE ECOLÓGICO CHAULLAYACU ZONA DE DESARROLLO ECONÓMICO</div>		FUNCTIONAL STRUCTURE	
CODE:		PEC-ZEDE-001	
FUNCTION:		ADVISORY BOARD	
RESPONSABLE:		EDEC MANAGER	
<div><div>– PURPOSE:</div><div>To establish policies for productive development and investment in the Chaullayacu ZEDE, as well as implement mechanisms for its monitoring.</div></div> <div><div>– CONFORMATION:</div><div>The Advisory Council will be composed as follows:</div><div><div>– The EDEC Manager or his representative</div><div>– The Administrator of the ZEDE</div><div>– Three representatives of the investors</div><div>– Three representatives of the companies</div><div>– A representative of the SRI</div><div>– A representative of the SENAE</div></div><div><div>– RESPONSIBILITIES:</div><div><div>– To determine investment policies, in accordance with the objectives, policies and strategies of the ZEDE, both of a general order, as well as with the national and international commitments assumed.</div><div>– To establish and design programs and projects that promote the productive development of ZEDE.</div><div>– To approve the entry of MYPIMES and large companies, according to the current regulations.</div><div>– To approve the necessary regulations for the formation and operation of the ZEDE.</div><div>– To approve the investment contracts, in the terms discussed in the COPCI.</div><div>– To approve the criteria on which ZEDE companies will be administered.</div></div></div></div>			

- To establish the parameters to be met by investments that request to be subject to the terms of the investment contracts in the ZEDE.
- To establish the general guidelines that serve as the basis for the formulation of the ZEDE's multi-year strategic investment promotion plan.
- To promote the necessary mechanisms to obtain and channel national and international financial resources to carry out the development of investments, in coordination with the relevant financial entities and authorities.
- To issue the resolutions and administrative acts that, within the framework assigned by the law, are necessary for the execution and development of the policies that it dictates.
- To request and approve the technical reports required by the inspection bodies in the field of competence.
- To apply sanctions to ZEDE companies, within the scope of their competence.
- To qualify and inform the Internal Revenue Service about the companies that make up the ZEDE to obtain tax benefits.
- To design a technical training plan by the Inter-Institutional Training and Vocational Training Committee with the purpose of fostering innovation and entrepreneurship activities.
- To monitor, through the Supervisory and Regulatory Council, compliance with the legal and contractual obligations of the investors who have signed investment contracts.
- To know and resolve appeals filed by investors belonging to the ZEDE.
- To resolve all aspects that are directly related to the productive area, to have a thorough understanding that is not attributed to another entity of the public sector.
- The rest as determined by the law and the corresponding secondary legislation.

From the Monitoring and Regulation Council:

 PARQUE ECOLÓGICO CHAULLAYACU ZONA DE DESARROLLO ECONÓMICO		FUNCTIONAL STRUCTURE
CODE:	PEC-ZEDE-002	
FUNCTION:	MONITORING AND REGULATION BOARD	
RESPONSABLE:	PRESIDENT OF THE MONITORING AND REGULATION COUNCIL	
1. PURPOSE: To act as an advisory body of the Consultative Council, preparing reports and studies that are required for the definition of its resolutions.		
2. RESPONSABILIDADES: <ul style="list-style-type: none">– To coordinate the interaction of entities that, according to their field of competence, must participate in the implementation of ZEDE productive development, trade and investment policies, as well as in activities related to the identification, development, promotion, financing and execution of investment projects.– To conduct an evaluation of national or foreign investment projects that aim at signing an investment contract, seeking the de-concentration necessary for the full implementation of the ZEDE.– To supervise and evaluate the management of programs, activities and projects approved and undertaken in the field of investments, according to the guidelines given by the Advisory Board.– To request information from economic agents who are constituted recipients of direct investment and perform functions of information, registration, statistics and coordination regarding the national and foreign investments of ZEDE.– To collect information and the results of the control that must be exercised by public sector entities, with respect to the obligations contracted by investment owners, whether or not covered by investment contracts.		


- To monitor the fulfillment of legal and contractual obligations assumed by the investors that allow access of information and to develop early warnings of potential noncompliance.
- To monitor the fulfillment of the previous assumptions for the application of the incentives, in accordance with the procedure established by the SRI and SENAE.
- To request quarterly information from the SRI in detail concerning the companies related to the incentives established in the COPCI.
- To promote the proper attention of the procedures before different agencies that must inform or grant their previous authorization, for the approval of diverse requests presented by investors and for the proper materialization of the corresponding administrative actions.
- To approve the budget for the meetings of the Consultative Council and coordinate its work session.
- To recommend the Advisory Council to adopt sanctions established by the control organisms.
- All other powers assigned by the Advisory Board.

From the Board of Directors:


<div></div> <div>PARQUE ECOLÓGICO CHAULLAYACU ZONA DE DESARROLLO ECONÓMICO</div>		FUNCTIONAL STRUCTURE
CODE:	PEC-ZEDE-003	
FUNCTION:	BOARD OF DIRECTORS	
RESPONSABLE:	ADMINISTRATOR OF THE ZEDE	
1. PURPOSE: Manage the ZEDE under the guidelines established by the regulations established in the COPCI.		
2. RESPONSABILITIES: <ul style="list-style-type: none">– To attract new productive sustainable investments.		

- To promote the transfer of technology and innovation, research and development.
- To generate eco-efficient industrial and service activities with high added value for export.
- To increase and facilitate net flows of foreign trade.
- To consolidate the supply and export of multimodal logistic services and improve the competitiveness of transport.
- To establish new poles of territorial development.
- To orient the ZEDE to the development of geographic areas of the country, prioritized and defined according to the National Territorial Strategy, territorial ordering and planning for development.
- To diversify the supply of goods and services in economic sectors with growth potential through the ZEDE.
- To direct the inclusion of national suppliers in clusters that will be developed in the ZEDE, in order to generate productive links and economies of scale.
- To produce ZEDE goods and services with a high Ecuadorian component, oriented to the substitution of imports or promotion of exports.
- To direct the efforts of logistics to export facilitation and consolidation of local and regional production chains, from border areas, logistics nodes or multimodal transport platforms (maritime and fluvial ports, airports, railway stations, land terminals and load transfer centers).
- To promote scientific research, disaggregation, transfer and technological development in the ZEDE, allowing the generation of new technology-based goods and services, as well as innovative production processes aimed at changing the productive matrix.
- ZEDE will significantly promote the recruitment of national human talent, prioritizing the surrounding geographical areas.
- An industrial ZEDE should be aligned to the National Strategy for Change in the Productive Matrix and will focus on the development of one or more of the following industries and their affiliations: 1) strategic; 2) basic; 3) informative and communicative technologies; 4) chemical and pharmaceutical; and, 5) machinery, equipment, engines, vehicles and parts.
- All other powers assigned by the Advisory Board.

From the Investment Council:


 PARQUE ECOLÓGICO CHAULLAYACU ZONA DE DESARROLLO ECONÓMICO		FUNCTIONAL STRUCTURE
CODE:	PEC-ZEDE-004	
FUNCTION:	INVESTMENT COUNCIL	
RESPONSABLE:	PRESIDENT OF THE INVESTMENT COUNCIL	
1. PURPOSE: To promote national and foreign investors, as well as contribute in their investments, to extend national development, and to observe and comply with the laws of the country.		
2. RESPONSABILITIES: <ul style="list-style-type: none">– To control compliance with the inherent records and formalities established in the respective laws and other applicable regulations, according to the corresponding investment modality.– To provide information regarding investments, whether for statistical or control purposes in the terms provided by the COPCI, which states that a ZEDE will protect any confidential information, commercial or financial, from disclosure that could harm the competitive position of the investor or investment.– To promote compliance with investors in regards to the corporate management standards that guarantee transparency.– To control compliance with the legal and regulatory provisions applicable to the sector in which the investment is made.– to oblige investors to submit to due administrative or judicial proceedings, to civil liability, to the different regulations of the Organic Code of Production, Commerce and Investments for acts that violate said obligations, or that lead to related damages.– All other powers assigned by the Advisory Board.		

From the Productive Council and Foreign Trade:

 <p>PARQUE ECOLÓGICO CHAULLAYACU ZONA DE DESARROLLO ECONÓMICO</p>		FUNCTIONAL STRUCTURE
CODE:	PEC-ZEDE-005	
FUNCTION:	PRODUCTIVE COUNCIL AND FOREIGN TRADE	
RESPONSABLE:	PRESIDENT OF THE PRODUCTION COUNCIL AND FOREIGN TRADE	
1. PURPOSE: <p>To propose technical guidelines for the construction of policies by the Consultative Council, as well as other competent bodies in matters regarding to their attention such as: The Ministry of Industries and Productivity (MIPRO) in relation to productive development, the Institute for the Promotion of Exports and Investments of Ecuador (PROECUADOR) in respect to the promotion of exports, and the Committee on Foreign Trade (COMEX) with regard to foreign trade, etc.</p>		
2. RESPONSABILITIES: <ul style="list-style-type: none">– To know in the area of investment and trade the approaches, concerns, suggestions or complaints of representatives in the private sector, associations, or any representative group of civil society, and channel them with due attention, according to the procedure established by the Production Council.– To make technical reports and request that they be reviewed and considered by the board.– All other powers assigned by the Advisory Board.		

3.4 Procedures of operation of the ZEDE " Industrial Polygon Eco-Park Chaullayacu"

According to the information established in the COPCI, the operational procedures for the establishment of a Special Economic Development Zone for the Industrial Eco-Park Chaullayacu are determined as follows:

 <p>PARQUE ECOLÓGICO CHAULLAYACU ZONA DE DESARROLLO ECONÓMICO</p>	OPERATING PROCEDURES
ADVISORY BOARD	
<p>I. OBJECTIVES</p> <ol style="list-style-type: none"> 1. Attract new sustainable productive investments with the purpose of: <ul style="list-style-type: none"> • Promoting transfer of technology and innovation, research and development. • Generating eco-efficient industrial and service activities with high added value for exports. • Increasing and facilitating net flows of foreign trade. 2. Consolidating the offer and export of multimodal logistics services and improving the competitiveness of transport. 3. Establishing new poles of territorial development. 4. Establishing quality employment. 5. Attracting foreign exchange and thus contributing towards a healthy balance of payments. 	
<p>II. GENERAL GUIDELINES</p> <ol style="list-style-type: none"> 1. The geographical area of the national territory of the intended establishment will be prioritized according to the policies dictated by the National Government in terms of territorial development and management policies defined by the Decentralized Autonomous Governments within the scope of its competence. 2. Capacities of the area in which the installation is intended, which should be in keeping with the activities that are prioritized in the productive transformation agenda. 3. Appropriate conditions of road infrastructure and communication with other parts of the country. 	

4. Appropriate conditions of the basic services of the locality.
5. Acceptable environmental conditions.
6. A source of investment (public, private or mixed).
7. A proper amount of investment in relation to the projects to be implemented.
8. Acceptable types of projects to be implemented.
9. Impact on the priority areas that would generate projects on the agenda.

BOARD OF DIRECTORS

III. GENERAL REQUIREMENTS FOR THE AWARD OF AUTHORIZATION FOR THE ADMINISTRATORS OF THE ZEDE

1. Request addressed to the Sectorial Council of Production, with an exact indication of the ZEDE that he/she hopes to administer.
2. Single Taxpayer Registration.
3. Legal accreditation of the legal representative of the legal entity.
4. Deed of the incorporation in whose corporate purpose is the administration of Special Zones of Economic Development and is consigned with exclusivity.
5. Affidavit that the applicant has not previously been a concessionaire of the Free Zones regime whose concession has been revoked or terminated, or a user of a Free Zone whose registration of qualification has been sanctioned. If the applicant is a legal entity, the affidavit must indicate that the shareholders of the applicant's legal entity have not previously been shareholders of companies whose concession has been revoked or terminated, or registration of qualification canceled.
6. Location and property plan, specifying boundaries and dimensions, which must be in accordance with the public deed of the ownership of the property or of the instrument that accredits the use and enjoyment of the area for the validity period of the authorization of the ZEDE, duly registered in the Property Registry.
7. Documents accrediting the applicant's financial capacity to fulfill the activity of administrator of a ZEDE.
8. Supporting documents that demonstrate that the applicant has the operational capacity for the administration and control of a ZEDE.

9. Complete description of the project with the determined typology or typologies the applicant hopes to apply in the ZEDE, all of which must be based on a market study that determines the feasibility of installing the project.
10. Description of the investment for the installation of the administrator including: composition, origin, and amount, all of which must be adjusted to the specific requirements established by the Sectorial Council of Production.
11. Certificate of the Superintendence of Companies with the amount of subscribed and paid capital of the company.
12. Term of authorization requested, which may not exceed 20 years.
13. Investment schedule, which will conform to the required authorization period.
14. Description of the buildings required for the installation of the administrator and the offer of service to potential operators.
15. Detail of the generation of employment by the applicant.
16. Description of the processes of transfer and disaggregation of technology and innovation that will develop the applicant.
17. An environmental impact study and a clear outline of the processes to be applied to achieve eco-efficient activities, which will be in accordance with the typology or typologies to be applied.
18. Details of the potential operators that may be qualified in the ZEDE, according to the typology or typologies requested, indicating the possible operations they will develop, as well as the projection of the workplaces that will be generated by them.
19. Detail of the potential support services to be provided in the ZEDE.
20. All other requirements established by the Sectorial Council of Production.

1. GENERAL REQUIREMENTS FOR QUALIFICATION OF OPERATORS

2. Request addressed to the Sectorial Council of Production, indicating the ZEDE in which the applicant wishes to operate.
3. Single Taxpayer Registration. The operator who qualifies will be able to carry out economic activities only within the ZEDE; this must be specified in the authorization of his RUC.
4. Certificate of citizenship, in case the applicant is an Ecuadorian. Identification card or passport in the case of a foreigner.

5. Legal representation of the legal representative in case the applicant is a legal entity.
6. Deed of the incorporation, if the applicant is a legal entity, whose corporate purpose is to record the activity for which the qualification is requested, in accordance with the typology to be developed.
7. Sworn declaration that the applicant has not previously been a concessionaire of the Free Zones regime whose concession has been revoked or terminated, or user of a Free Zone whose registration of qualification has been sanctioned. Likewise, an affidavit is required, if the applicant is a legal entity, indicating that the shareholders of the applicant legal entity have not previously been shareholders of companies administering or operating Free Zones whose concession has been revoked or terminated, or their registration canceled by penalty.
8. Commitment of lease, or the deed of purchase of a space that must be related to the area required for the development of its operations and provided by the administrator of the ZEDE in which the applicant wants to be installed. In the case of land purchase, the deeds must include the commitment of the buyer to strictly comply with the conditions of the ZEDE, as well as the approval of competent authorities.
9. Documents accrediting the applicant's financial capacity for the implementation of his/her business plan within the ZEDE.
10. Determination of the activities to be developed in the ZEDE, according to the typology or typologies that the Sectorial Council of Production authorized to the administrator of the ZEDE at the time of the granting of its authorization, all of which should be based on its detailed description of the project, with a precise indication of the activities of transfer and disaggregation of technology and innovation, industrial diversification operations or development of logistics services to be carried out, describing the entire productive process to be fulfilled, including a detail of the raw materials, packaging, machinery and equipment to be used, goods to be produced, services to be provided, accompanied by the respective flow of operations.

11. Description of the investment for the installation of the operator: composition, origin, and amount, which is subject to the regulations of the Sectorial Council of Production.
12. Certificate of the Superintendence of Companies with the amount of subscribed and paid capital of the company, if the applicant is a legal entity.
13. Requested qualification period, which may not exceed the authorization period validated to the administrator of the ZEDE.
14. Investment schedule, which will be adjusted to the required qualification period.
15. Description of the facilities required for the development of its activities and whether these will be provided by the administrator or charged to the investment.
16. Detail of the level of employment to be generated by the applicant with an indication of the deadline in which this would be fulfilled according to the proposed project, for which it will issue a written pledge.
17. An environmental impact study and a clear outline of the processes to be applied to achieve eco-efficient activities, which will be in accordance with the typology or typologies to be applied.
18. All other requirements established by the Sectorial Council of Production.

MONITORING AND REGULATION

IV. EVALUATION PROCEDURE

1. In order to evaluate the level of administration by managers and operators of Special Economic Development Zones, controls will be implemented through performance evaluations every 6 months, without hesitation to controls carried out at such intervals as the ZEDE Technical Unit of Supervision and Control Operation deems appropriate.
2. The aspects of evaluation are oriented to determine the levels of compliance with the specific objectives of the Special Economic Development Zones.
3. The evaluated points have direct relation with the project as proposed at the time of its granting by authorization of the administrator, or the qualification of the operator.

4. The points evaluated in the application of these control processes will allow for the analysis of annual management indicators, in order to establish the origin of maintaining the granting of the tax incentives established by the COPCI.
5. The authorization or qualification of the manager or the operator, respectively, will establish in general terms the aspects of evaluation, which will be used by the Technical Oversight and Control Technical Unit of the ZEDE for the construction of annual management indicators.
6. The main evaluation points will consider the following items, according to the activities and authorized typologies: levels of investment executed, exports, employment generated, technological development and productive chains.

V. SANCTIONARY PROCEDURE

1. Prior to the application of sanctions for minor or serious infractions, an administrative process will be established, ex officio or at the request of an interested party, which will be subject to the provisions of the Statute of the Legal and Administrative Regime of the Executive Function (ERJAFE).
2. For minor infringements, the administrative process of the Technical Supervisory and Control Unit of the ZEDE may be initiated. For grave breaches, only the Sectorial Council for Production can initiate the administrative process with a preliminary report from the Technical Supervisory and Control Unit of the ZEDE.
3. On its own initiative or at the request of a party, the Technical Oversight and Control Technical Unit of the ZEDE shall draw up a report according to the alleged infractions incurred.
4. If the report determines only presumptions of minor infractions, the Technical Supervisory and Control Technical Unit of the ZEDE will open an administrative file with said report, notifying the administrator or allegedly infringing operator, and granting him/her a term of 15 days to present the tests and assessments deemed pertinent.
5. If the conclusions of the report of the Technical Oversight and Control Technical Unit of the ZEDE contain a presumption that serious infringements have been committed, the administrative file will be opened by the Sectorial Council for Production, notifying the accused administrator or operator and granting the term indicated in the preceding paragraph for the presentation of evidence and dismissals deemed pertinent.

6. With the discharges filed, or the term granted expired without any response from the notification of initiation of the administrative file, the authority that substantiates shall provide, within a period of 15 days, a report on the proceedings, conclusions and subsequent recommendations.

7. Once the term referred to in the preceding article has expired, the authority that substantiates the administrative file shall resolve the issue by means of a duly motivated decision for the sanctions applicable, within a 15-day period.

INVESTMENT COUNCIL

VI. ON THE DEVELOPMENT OF PRODUCTIVE INVESTMENT

Investment modalities that contribute to the development of an economic activity in Ecuadorian territory are the following:

1. The participation in the capital of a new or existing company in any of the corporate forms indicated in the companies' legislation, made by contributions in cash or in kind, including intangible assets.
2. The acquisition of participation, shares, social quotas and general contributions that represent rights over the capital of a company.
3. The acquisition of rights in autonomous assets constituted by a commercial trust agreement, duly registered, as a means to develop an economic activity.
4. Equity securities issued as a result of a securitization process, whether through a public or private offering.
5. The acquisition of real estate and tangible furniture, such as industrial plants, machinery and equipment in operation, as well as spare parts, pieces and packaging, as well as inventories of raw materials, inputs, intermediate and finished products.
6. Contractual rights, such as those derived from contracts of collaboration, concession, participation, provision of administrative services, license or those involving the transfer of technology.
7. The rights as conferred by law such as licenses, authorizations and permits.
8. Intangible technological contributions such as trademarks, patents, industrial models, patented or non-patented technical information, or commercial models such as franchises and licenses, covered by contracts.
9. Reinvestment by means of the capitalization of profits for the fiscal year, optional reserves or free disposal, in the proportion represented by the rights of partners or shareholders.

VII. OF INVESTMENT CONTRACTS

The investment contract will establish the general guarantees for investment, recognized by the constitution, the code on which this study is based (COPCI), and the international agreements ratified by Ecuador. These guarantees will be ratified and specified in the investment contract part of which will contain the following data:

1. Description of the investor (s) subscribing to the investment with specification of the information concerning the investor (s) and the origin of the resources invested or to be invested.
2. Description of the company receiving the investment (s).
3. Modality or modalities of the investment (s).
4. Description of the project, including the amounts of each investment, deadlines and relevant information.
5. In the event that the investment is constituted in accordance with a contract, permit, license, concession or authorization, granted under a current sectorial law, a summary description of the terms and conditions of the respective contract, permit, license, concession or authorization is being included.
6. Guarantees and rights of the investor (s) and the company receiving the investment, and the commitments and obligations they assume.
7. Accuracy of the general guarantees recognized by the constitution, the Organic Code of Production, Trade and Investment, its respective code in Book V of Customs Facilitation, and the international agreements pertaining to Ecuador.
8. Validity of the investment contract and the term of the tax stability and its scope.
9. Specific treatment as an incentive granted to the investor (s) and / or the company receiving the investment.
10. Registration of investments.
11. Resources of the investor (s) and the receiving company in case of non-compliance by the state with the obligations and commitments assumed by the latter in the investment contract.
12. Options and process of recall, suspension or early termination in case of non-compliance.

VIII. OBLIGATIONS OF INVESTORS

Investments must be subject to the establishment and operation formalities validated and must:

1. Comply with the inherent records and formalities established in the respective laws and other applicable regulations, according to the corresponding investment modality.
2. Provide information regarding the investments, either for statistical or control purposes in the terms provided by the COPCI and the corresponding code in Book V. The state will protect any confidential commercial or financial information from disclosure that could harm the competitive position of the investor or the investment.
3. Comply with corporate management standards that guarantee transparency.
4. Comply with the legal and regulatory provisions applicable to the sector in which the investment is made.
5. Be subject to due administrative or judicial process, civil and criminal liability, for conduct that violates said obligations or leads to damages, directly related to performance.
6. Understand that national and foreign investors who do not submit to the observance and compliance with the established codes, regulations, and other laws of the country applicable in reference to obligations related to labor, environment, tax and social security, may be deprived of benefits.
7. Understand that failure to provide the necessary information for the follow-up of the investment project required by the Technical Secretary within the period indicated shall be considered non-compliance with the obligations of the investors.
8. Comply in a timely manner with the obligations assumed in the investment contract, in particular, to pay in the amounts and estimated periods provided as dictated in investment agreement, except under the event of force majeure or a fortuitous case to be duly verified.

PRODUCTIVE COUNCIL AND FOREIGN TRADE

IX. OF THE CUSTOMS CONTROL

General Information:

1. In order that both operators and administrators of a ZEDE receive the benefits of simplified customs procedures, they must be qualified as Authorized Economic Operators in the National Customs Service of Ecuador.

2. Customs control by the SENAE may be applied to the entry, permanence, transfer, circulation, storage and exit of goods, cargo units and means of transport entering or leaving a ZEDE.
3. For the purposes of customs control, the competent authority of the district management of the respective jurisdiction shall provide that customs officers be required to work in the customs office area of a ZEDE.
4. If the SENAE detects violations by the operators or administrators of the authorized operations, it must report the individual to the Operational Technical Unit of supervision of the ZEDE.

Procedures for the Entry and Exit of Goods:


1. Special Economic Development Zones shall enjoy the customs procedure established in the customs legal regime, with the exemption of the payment of tariffs and VAT on imports of foreign goods entering these zones.
2. The Special Consumption Tax (ICE) and the Development Fund for Children (FODINFA) will only charge goods that leave a ZEDE for nationalization, in view of the fact that taxes are generated.
3. The person responsible for authorizing the entry and exit of all merchandise used for the fulfillment of the authorized processes for its operators is the administrator.
4. The administrator shall be governed by a referential list of goods established by the Technical Supervisory and Control Technical Unit of the ZEDE.
5. This list may be updated at any time, with the certification of the administrator stating that new goods will be part of the production process.
6. If the operator is required to add items to the referential payroll, he / she must notify the Operational Supervision and Control Technical Unit of the ZEDE for the corresponding registration.
7. To authorize the entry and exit of foreign goods used by the administrators to fulfill their authorized process, the Technical Supervisory and Control Technical Unit of the ZEDE shall be competent.
8. The provisions of Article 110 of the COPCI shall govern the value of the goods included in the application for admission submitted by the operator to the administrator.

9. The administrators of the ZEDE will grant the authorization of entry and exit by computer and must transmit electronically the authorizations granted to the SENAE and the Operational Technical Unit for supervision and control of the ZEDE.
10. For the control of the inventories of goods entering or leaving a ZEDE, the administrator is obliged to remain connected online with the customs authority so that it is possible to verify at any moment the movements of the inventories of the ZEDE operators and managers.
11. The customs authority may not require any additional customs declaration to be made to the authorizations issued by the administrators or the Technical and Operational Supervisory and Control Unit of the ZEDE.
12. Those in charge of authorizing the entry and exit of goods must require that the information provided by operators and administrators provide a clear identification of the goods entering the zone, and, in the event of the nationalization of the goods, provide a report of the tax base on foreign trade that corresponds to said goods.
13. For the nationalization of goods entered and processed in a ZEDE, the instructions issued by the Sectorial Council of Production must be taken into account in relation to the percentages of nationalization of each type of merchandise, according to the authorized activity.
14. The administrator is also responsible for granting all authorizations for the entry and exit of goods that are not considered in processes authorized to operators, as well as assets that enter by the support of service providers.
15. Record the input and output of goods that are made for consumption and use, which do not constitute merchandise used in the process authorized in the incorporation of a ZEDE.
16. Entry and exit authorizations will be requested by the operator from the administrator by electronic means, in the format and by the procedure established by the regulations issued by the Technical Supervisory and Control Unit of the ZEDE.
17. Evidence documented for the authorizations of entry and exit will be transmitted by the requesting operator to the administrator by electronic means,

- and the administrator must keep a digitized record of this transaction for five years to the date.
18. The custodian of the physical files must maintain a file of these for the same term established for the digital file of the administrator.
 19. The participation of a customs agent will not be obligatory for all the procedures that are carried out under the customs destination ZEDE.
 20. Following the clearance of the ZEDE by the administrator, the operator must present, within 15 days, the transport document covering the exit of the goods from the national customs territory to the outside and the commercial invoice.
 21. The procedure for corrections or adjustments to the information contained in the release of goods authorization from a ZEDE shall be subject to the Operational Technical Unit for supervision and control of the ZEDE.
 22. For the exit of perishable goods from a ZEDE to the exterior by air, the procedure dictated by the Technical Supervisory and Control Technical Unit of the ZEDE will apply.
 23. The release of the goods that, by being processed in a ZEDE have gained national origin, will receive the same treatment of national merchandise for any operation or customs procedure after their departure from the ZEDE.
 24. The control of foreign goods admitted to a ZEDE, as well as those processed in said zones, will be regulated by the codes established by the Sectorial Council of Production.
 25. This regulation will also contain the parameters of origin compliance, for the nationalization or exportation of foreign goods processed in a ZEDE, incorporating national components.
 26. For operators providing logistical services, the value recorded in the request for the exit of third-party goods shall be declared by the owner of the goods in the document for which he / she requested the service.
 27. The Operational Supervision and Control Technical Unit of the ZEDE may regulate the special requirements and conditions that the operators require for the exit of the goods from a ZEDE destined to the exterior, in view of any peculiarities.

3.5. Plan of Action for the Implementation of the ZEDE "Industrial Polygon Eco-Park Chaullayacu" for Industrial Diversification Operations

Abiding to the legal structure established by the COPCI for the implementation of a ZEDE, a plan of action is proposed, which details information ranging from a general character to specific issues required to give the project viability:

 PARQUE ECOLÓGICO CHAULLAYACU ZONA DE DESARROLLO ECONÓMICO	PLAN OF ACTION	
OBJECTIVE: To establish the activities, responsible parties, costs and scheduling for the implementation of the ZEDE "Industrial Polygon Eco-Park Chaullayacu" for industrial diversification operations.		
Ord.	Activity	Responsible Parties
1.	Preliminary meetings	Project participators
2.	Definition of corporate government	Project participators
3.	Appointment of representatives	Project participators
4.	Determination of the operational procedures of the ZEDE "Industrial Polygon Eco-Park Chaullayacu"	Advising Council
4.1.	Determination of the general requirements for granting the authorization of ZEDE managers, and general requirements for the qualification of operators	Monitoring and Regulation Board
4.2.	Establishment of assessment and sanctioning procedures	Board of Directors
4.3.	Determination of procedures for the development of productive investment, investment contracts, and the obligations of investors	Investment Council
4.4.	Determination of customs control procedures	Productivity and Foreign Trade Council

5.	Development of the preliminary draft for the establishment of a ZEDE, as established by the COPCI	Advisory Board and representatives
5.1.	First Phase, Project Details: <ul style="list-style-type: none"> – Economic activity of the project. – Geographical location and area of land to be occupied by the project. – Portfolio of final products or services that will be generated, specifying the added value which will be contributed. – Detail of the market to which the products will be destined. – Type and detail of the investments to be made, and corresponding schedule. – Total cost of the project. – Design of production process and services. – Objectives and justification of the project. 	Advisory Board and representatives
5.2.	Second Phase, Market Analysis: <ul style="list-style-type: none"> – Products and services to be generated. – Background behavior of the external market. – Requirements of countries of destination. – Bilateral agreements. 	Advisory Board and representatives

	<ul style="list-style-type: none"> – Expansion strategy. 	
5.3.	Third Phase, Raw Materials: <ul style="list-style-type: none"> – Detail of raw materials, supplies and materials. – General characteristics. – Estimation of required annual amounts of raw material, inputs and materials. – Possible alternative sources of supply for raw materials. 	Advisory Board and representatives
5.4.	Fourth Phase, Administrative Organization and Requirements of Human Talent: <ul style="list-style-type: none"> – Definition and assignment of functions. – Requirements of human talent. – Establishment of requirements 	Advisory Board and representatives
5.5.	Fifth Phase, Investments: <ul style="list-style-type: none"> – Precise calculation of the required investment. – Schedule of investments, including amounts and dates. 	Advisory Board and representatives
5.6.	Sixth Phase, Financing: <ul style="list-style-type: none"> – Detail of the sources of financing. – Programming the cancellation of financing sources. 	Advisory Board and representatives
5.7.	Seventh Phase, Projected Results:	Advisory Board and representatives

	<ul style="list-style-type: none"> – Estimation of exports in value and units of products or services. – Estimated income from sales of products or services. – Detail of the projected impact for the economic development of the area. – Contribution to the development of the area where the project will be implemented. – Projection of workplaces that will generate the project. – Estimated quantification of project contribution to value added. – Detail of the contributions in regard to to eco-efficiency. 	
5.8.	Eighth Phase, Financial Analysis of Profitability: <ul style="list-style-type: none"> – Net Present Value. – Internal rate of return. – Cost benefit relationship. 	Advisory Board and representatives
5.9.	Ninth Phase, Environmental Impact Study	Advisory Board and representatives
5.10.	Tenth Phase, Elaboration of a Plan to Attract Investors of Small, Medium and Large Industries at National and International Level: <ul style="list-style-type: none"> – Definition and establishment of incentives for productive investment. – Tax incentives. 	Advisory Board and representatives

	– Customs incentives.	
6.	Preparation and presentation of requirements for the establishment of a ZEDE, as established by the COPCI.	Advisory Board and representatives
6.1.	Definition of the geographical area of the project, which will be prioritized according to the policies dictated by the National Government in regard to territorial development and the management policies defined by the Decentralized Autonomous Governments within the scope of its competence.	Advisory Board and representatives
6.2.	Identify the potential of the area in which the installation is aimed, which should keep in line with the activities that are prioritized in the productive transformation agenda.	Advisory Board and representatives
6.3.	Establish the conditions of road infrastructure and communication with other parts of the country.	Advisory Board and representatives
6.4.	Identify the conditions of the basic services where the project will be established.	Advisory Board and representatives
6.5.	Establish environmental conditions.	Advisory Board and representatives
6.6.	Determine sources of investment.	Advisory Board and representatives
6.7.	Establish the amount of the investment in relation to the project.	Advisory Board and representatives
6.8.	Define the priority areas that the project would generate.	Advisory Board and representatives

7.	Presentation of the general requirements for granting authorization to the administrator of the ZEDE.	Advisory Board and representatives
7.1.	Submit the application addressed to the Sectorial Council of Production.	Advisory Board and representatives
7.2.	Presentation of RUC.	Advisory Board and representatives
7.3.	Perform the legal accreditation of the legal representative and legal status.	Advisory Board and representatives
7.4.	Carry out the deed of incorporation, whose exclusive corporate purpose is the administration of Special Economic Development Zones.	Advisory Board and representatives
7.5.	Submit the affidavit that the applicant has not previously been a concessionaire of a ZEDE or Free Zone regime.	Advisory Board and representatives
7.6.	Present the map of location and property, specifying boundaries and dimensions.	Advisory Board and representatives
7.7.	Submit the documents proving the financial capacity to comply with the activity of an administrator of a ZEDE.	Advisory Board and representatives
7.8.	Submit supporting documents that demonstrate the operational capacity for the administration and control of the ZEDE.	Advisory Board and representatives
7.9.	Complete the project description with the typology or typologies that are intended to be applied in the ZEDE.	Advisory Board and representatives
7.10.	Description of the investment for the installation of the administrator, including composition, origin and amount.	Advisory Board and representatives

7.11.	Request certification from the Superintendence of Companies with the amount of subscribed and paid capital of the company.	Advisory Board and representatives
7.12.	Submit the investment schedule, which will be adjusted to the required authorization period.	Advisory Board and representatives
7.13.	Description of the buildings that need to be raised for the installation of the administrator and for the offer of service to the potential operators.	Advisory Board and representatives
7.14.	Present the detailed projection of employment generation.	Advisory Board and representatives
7.15.	Description of the process of transfer and disaggregation of technology and innovation.	Advisory Board and representatives
7.16.	Carry out the environmental impact study and determine the necessary process to achieve eco-efficient activities, which will conform to the typology or typologies applied in the ZEDE.	Advisory Board and representatives
7.17.	Establish the details of the potential operators that can be qualified in the ZEDE, according to the typology or typologies requested, indicating possible operations that can develop, as well as the projection of the jobs to be generated.	Advisory Board and representatives
7.18.	Define in detail the potential support services to be provided by the ZEDE.	Advisory Board and representatives
8.	Preliminary meetings with authorities and participating entities.	Advisory Board and representatives
9.	Project execution.	Project participants

3.6. Conclusion

The plan described should be socialized as necessary for the thorough understanding of all parties involved in this project. The promoted project involves both foreign and national investment, as well as the economic revival of Cuenca and Austro with the large number of jobs that would be generated by the ZEDE in Chaullayacu. Not only the growth of employment but all types of economic activity that is linked directly or indirectly to the project. Therefore, it is essential to take into account every detail described in this comprehensive guide in order to take steps that would ensure the effectiveness and efficiency of the implementation of a Special Economic Development Zone in the Industrial Eco-Park Chaullayacu.

Chapter 4

Qualitative Analysis of Potential Benefits to Cuenca's Economy

Introduction

The design of this research has a qualitative approach conducted by collecting data that does not contain numerical measurement in order to discover or refine research questions in the process of interpretation. Likewise, the type of research is conducted through a descriptive study "which sought to specify the properties, characteristics and profiles of individuals, groups, and processes, objects or any other phenomenon that is submitted to an analysis" (Hernández, 2014). Thus it is necessary to conceptualize certain essential aspects for a better understanding of this chapter.

4.1. Research Methods

For the development of the present work, different research methods were used such as the historic-logic strategy, which established the antecedents and the elements of the investigation; the analysis-synthesis, in which the conceptual aspects and the processing of data obtained in the different applied instruments were related; and the induction-deduction method, used to establish a plan for the implementation of a Special Economic Development Zone in the Industrial Eco-Park Chaullayacu for industrial diversification operations (Albert, 2013).

4.2. Research Techniques and Tools

In addition to the above mentioned strategies, different techniques were used in the collection of information, including interviews; which is defined as "a meeting to discuss and exchange information between one person (the interviewer) and another (the interviewee)" (Albert, 2013). The structured interview conducted was directed to seven experts that include officials of public and private entities. The guide used for the interview can be defined as "a tool that allows us to carry out a reflective work for the organization of the possible topics that will be addressed in the interview" (Hernández, 2014).

4.3. Information Processing

In the analysis of the information collected, descriptive and deductive techniques were used in order to organize, summarize and analyze the results obtained, as well as to obtain valid conclusions and make reasonable decisions.

4.4. General Interview Data

Objectives of the Interview:

To obtain the opinion of the interviewee concerning the advantages and disadvantages of the implementation of a ZEDE in the Industrial Eco-Park Chaullayacu, Cuenca for industrial diversification operations.

Characterization of the Interviewees:

The following is the general data of the interviewees:

Table 2. Characteristics of the Interviewees

Interviewed	Name	Position	Entity
1	Jimmy Macias	Official	National Customs Service of Cuenca
2	Gabriela Moscoso	Official	Internal Revenue Service, Cuenca
3	Carlos Rojas Pacurucu	Manager	Public Municipal Company of the Economic Development of Cuenca
4	Jaime Moreno	Leader	Chamber of Commerce of Cuenca
5	Andres Robalino	Leader	Chamber of Industries of Cuenca
6	Eulalia Cardenas	Businesswoman	Small industry
7	Xavier Patiño	Businessman	Medium industry

Organized by: Aguilar, Katherine

4.4.1. General Interview Data Interview with an Official of the National Customs Service in the District of Cuenca

1. How do you conceptualize a ZEDE for industrial diversification operations?

ZEDE has a concept similar to what is known in other countries as Free Zones, with the special feature in that it benefits several social and economic sectors, and is aligned with the objectives set by the current government through the productive matrix which promotes diverse economic sectors in a productive development framework considering geographical locations that meet the requirements established in the COPCI.

2. What are the advantages and disadvantages that a ZEDE for industrial diversification operations has to offer?

The advantages are that it promotes productive development in a legislative framework consistent with the needs of several economic sectors of the country, benefiting small and medium enterprises in aspects such as technology, training, productive momentum, foreign trade, tax benefits, etc. I believe there are no real disadvantages, since everything that benefits the productive sector, will promote the social and economic development of the country.

3. If the development of a ZEDE for industrial diversification operations would be promoted in the city of Cuenca, do you think it would contribute to the economic and social development of the city and its inhabitants?

Yes, definitely, since the different factors presented in the ZEDE, help to promote national production, national and foreign investment, exports and other aspects that benefit the community.

4. Do you believe that a ZEDE would allow for the development of productive activities, national and international investment, as well as exports and imports?

This is the purpose of a ZEDE; these activities would be allowed.

5. Knowing the reality of the city in regards to the lack of industrial land, do you believe that Chaullayacu could be a favorable place to implement a ZEDE of this nature?

According to the geographical characteristics, as well as the services it presents, both infrastructure and accessibility make this area a suitable place for the implementation of a ZEDE.

6. Do you believe that the regulatory framework regarding taxation and customs that currently exists in our country limits or makes feasible the implementation and operation of a ZEDE for the city?

[The implementation of a ZEDE] is feasible. As SENAE officials, we are able to give advice and the technical assistance needed for the operation of a ZEDE under a legal regulation that clearly establishes the benefits and advantages of this type of activity.

7. Do you believe that small, medium or large companies would welcome the implantation of a ZEDE in Chaullayacu for industrial diversification operations?

Definitely, since what companies need most today are the facilities to promote their economic activities, and there would be no better place [than a ZEDE] where they could obtain benefits to develop their productive and commercial activities on a national, and even international, scale.

8. Do you believe that the development of a guide with the objective of the implementation of a ZEDE in Chaullayacu would help the project to be viable?

Logically yes, since the necessary steps would be established according to current regulations in order to meet the expectation of both entrepreneurs and the population of Cuenca.

9. What are your conclusions and recommendations with regard to the topic that was discussed in this interview?

To conclude, it would be necessary to gain the proper momentum to start this project. Considering the advantages that are presented for both entrepreneurs and the community of Cuenca, and the subsequent generation of greater economic diversification for a large number of beneficiaries that would be included in the project, it is advisable to implement the project urgently, with the support of all involved.

4.4.2. Interview with an Internal Revenue Service Official in Cuenca

1. How do you conceptualize a ZEDE for industrial diversification operations?

ZEDE is a specialized area to promote economic development, through the application of various benefits, mainly tributary and productive, the promotion of investment and foreign trade, and to benefit a geographical or economic sector of the country.

2. What are the advantages and disadvantages that a ZEDE for industrial diversification operations has to offer?

In the tax area, it has great advantages, since ZEDE encourages investment, through the application of tax incentives such as the non-payment of income tax for five years when a new investment is made, as well as other incentives depending on the economic activities developed.

3. If the development of a ZEDE for industrial diversification operations would be promoted in the city of Cuenca, do you think it would contribute to the economic and social development of the city and its inhabitants?

Yes, since these activities are definitely related to the population, since they are the main beneficiaries both economically and socially.

4. Do you believe that a ZEDE would allow for the development of productive activities, national and international investment, as well as exports and imports?

Yes, because it was designed for that.

5. Knowing the reality of the city in regards to the lack of industrial land, do you believe that Chaullayacu could be a favorable place to implement a ZEDE of this nature?

Yes, because it has the necessary infrastructure; it's also a goal set by the cantonal authorities.

6. Do you believe that the regulatory framework regarding taxation and customs that currently exists in our country limits or makes feasible the implementation and operation of a ZEDE for the city?

As far as taxation is concerned, yes. If the implementation and operation of a ZEDE for the city is feasible, I believe the necessary facilities will be provided as far as customs is concerned.

7. Do you believe that small, medium or large companies would welcome the implantation of a ZEDE in Chaullayacu for industrial diversification operations?

Yes, I believe most companies are seeking to develop their economic activities and the ZEDE would be able to promote business development.

8. Do you believe that the development of a guide with the objective of the implementation of a ZEDE in Chaullayacu would help the project to be viable?

Yes, as long as the guide sets out all the necessary procedures for an adequate execution of the project.

9. What are your conclusions and recommendations with regard to the topic discussed in this interview?

The conclusion is being that the ZEDE has the characteristic of presenting important benefits, especially in the tax field which would promote investment and economic development. Therefore, I recommend that the authorities responsible for making the project viable provide the necessary impetus to do it in the shortest time possible.

4.4.3. Interview with the Manager of the Public Municipal Enterprise of Economic Development of Cuenca - EDEC EP

1. How do you conceptualize a ZEDE for industrial diversification operations?

The ZEDE are specialized geographic areas for the development of productive activities and services under a regulation established by the COPCI, which promotes national and foreign investment through the application of a series of tax and customs incentives.

2. What are the advantages and disadvantages that a ZEDE for industrial diversification operations has to offer?

It has great advantages and very few disadvantages, for this reason our company seeks to promote it.

3. If the development of a ZEDE for industrial diversification operations would be promoted in the city of Cuenca, do you think it would contribute to the economic and social development of the city and its inhabitants?

Of course, and for this reason our company has been working on the development of a project that promotes Chaullayacu as a ZEDE for the development of industrial diversification activities.

4. Do you believe that a ZEDE would allow for the development of productive activities, national and international investment, as well as exports and imports?

Of course, since that is its main objective.

5. Knowing the reality of the city in regards to the lack of industrial land, do you believe that Chaullayacu could be a favorable place to implement a ZEDE of this nature?

Yes, because it is necessary to take advantage of all the investments the city has made in promoting Eco-Park Chaullayacu as an area of productive and economic development.

6. Do you believe that the regulatory framework regarding taxation and customs that currently exists in our country limits or makes feasible the implementation and operation of a ZEDE for the city?

Although there is a wide normative framework, there are still many limitations; the COPCI should look to create a greater tax incentive.

7. Do you believe that small, medium or large companies would welcome the implantation of a ZEDE in Chaullayacu for industrial diversification operations?

Yes, since what the companies are looking for are places where they can carry out their activities more efficiently and the Eco-Park Chaullayacu has been promoting productive and economic activities since its conception.

8. Do you believe that the development of a guide with the objective of the implementation of a ZEDE in Chaullayacu would help the project to be viable?

Yes, the important thing is that it gives the project viability and can be introduced to the city in the shortest possible time.

9. What are your conclusions and recommendations with regard to the topic discussed in this interview?

Our company is currently looking for the mechanisms needed in order to convert the Eco-Park Chaullayacu into a ZEDE, so it would be advisable to design a feasible guide to the project, it would be a tool that can be used to meet our goal in the shortest possible time.

4.4.4. Interview with A Leader of the Chamber of Commerce of Cuenca

1. How do you conceptualize a ZEDE for industrial diversification operations?

A ZEDE is an area where productive activities are promoted, through the application of tax and customs benefits.

2. What are the advantages and disadvantages that a ZEDE for industrial diversification operations has to offer?

It has more advantages than disadvantages, for example, it would boost national or foreign investments through the application of tax benefits to businesses, as well as the community.

3. If the development of a ZEDE for industrial diversification operations would be promoted in the city of Cuenca, do you think it would contribute to the economic and social development of the city and its inhabitants?

Yes, clearly.

4. Do you believe that a ZEDE would allow for the development of productive activities, national and international investment, as well as exports and imports?

Yes, that's what they are designed for.

5. Knowing the reality of the city in regards to the lack of industrial land, do you believe that Chaullayacu could be a favorable place to implement a ZEDE of this nature?

Yes, thanks to the infrastructure available.

6. Do you believe that the regulatory framework regarding taxation and customs that currently exists in our country limits or makes feasible the implementation and operation of a ZEDE for the city?

I believe that it is feasible, however, existing regulations should be improved.

7. Do you believe that small, medium or large companies would welcome the implantation of a ZEDE in Chaullayacu for industrial diversification operations?

Yes, companies are always looking to develop and what better way than to participate in a ZEDE that provides great benefits for the promotion of production and exports.

8. Do you believe that the development of a guide with the objective of the implementation of a ZEDE in Chaullayacu would help the project to be viable?

Yes, since the procedures to comply with this project are expected to be implemented as soon as possible.

9. What are your conclusions and recommendations with regard to the topic discussed in this interview?

The conclusion would be for Chaullayacu to be utilized as a ZEDE as soon as possible, which in turn would greatly benefit the city and its inhabitants.

4.4.5. Interview with A Leader of the Chamber of Industries of Cuenca

1. How do you conceptualize a ZEDE for industrial diversification operations?

A ZEDE is a geographical sector that allows the development of productive and economic activities with various incentives that promote national and foreign investment.

2. What are the advantages and disadvantages that a ZEDE for industrial diversification operations has to offer?

It has more advantages than disadvantages, however, it still does not meet a more specific objective that allows for the more efficient development of the productive apparatus of Ecuador.

3. If the development of a ZEDE for industrial diversification operations would be promoted in the city of Cuenca, do you think it would contribute to the economic and social development of the city and its inhabitants?

I believe yes, however, considering the experiences of other ZEDE at the national level, it is not yet known if they have contributed to the social and economic development of the sectors where they have been implemented.

4. Do you believe that a ZEDE would allow for the development of productive activities, national and international investment, as well as exports and imports?

If a better legal framework is built, reforms are made, taxes are reduced and other actions are taken; productive, investment and foreign trade development could be achieved.

5. Knowing the reality of the city in regards to the lack of industrial land, do you believe that Chaullayacu could be a favorable place to implement a ZEDE of this nature?

Yes, it would be an excellent place since it has sufficient structure which would guarantee that the requirements for the implementation of a ZEDE can be met.

6. Do you believe that the regulatory framework regarding taxation and customs that currently exists in our country limits or makes feasible the implementation and operation of a ZEDE for the city?

Yes, however, it is not a complete framework since other countries, such as Panama, have achieved better results in terms of jurisdiction and the promotion of productive and commercial activities.

7. Do you believe that small, medium or large companies would welcome the implantation of a ZEDE in Chaullayacu for industrial diversification operations?

The small and medium entrepreneur always has an iron will to continue their activities. The ZEDE would improve their situation, and therefore I think it would be well received.

8. Do you believe that the development of a guide with the objective of the implementation of a ZEDE in Chaullayacu would help the project to be viable?

Yes, definitely.

9. What are your conclusions and recommendations with regard to the topic discussed in this interview?

As previously mentioned, regulations should be improved by taking into account the experiences of other countries that have been successful in implementing this type of zone for productive and economic development. I would recommend the implementation of under a permanent evaluation and control.

4.4.6. Interview with a Small Industry Entrepreneur

1. How do you conceptualize a ZEDE for industrial diversification operations?

ZEDE is a place where productive operations are carried out with several tax benefits, which encourage the production and the competitiveness of the investors.

2. What are the advantages and disadvantages that a ZEDE for industrial diversification operations has to offer?

I think it only has advantages; I don't know how it could have disadvantages.

3. If the development of a ZEDE for industrial diversification operations would be promoted in the city of Cuenca, do you think it would contribute to the economic and social development of the city and its inhabitants?

Yes, absolutely.

4. Do you believe that a ZEDE would allow for the development of productive activities, national and international investment, as well as exports and imports?

Yes, we could participate as companies seeking to improve our position within the market, considering the economic activity and the tributary aspects.

5. Knowing the reality of the city in regards to the lack of industrial land, do you believe that Chaullayacu could be a favorable place to implement a ZEDE of this nature?

If the infrastructure of Chaullayacu can be taken advantage of.

6. Do you believe that the regulatory framework regarding taxation and customs that currently exists in our country limits or makes feasible the implementation and operation of a ZEDE for the city?

I think so, since the COPCI, which is the normative enforcement of a ZEDE, presents a clear and precise regulatory framework.

7. Do you believe that small, medium or large companies would welcome the implantation of a ZEDE in Chaullayacu for industrial diversification operations?

Yes, most companies are trying to be included in the ZEDE development project.

8. Do you believe that the development of a guide with the objective of the implementation of a ZEDE in Chaullayacu would help the project to be viable?

Yes, since it would facilitate the implementation and execution of the project.

9. What are your conclusions and recommendations with regard to the topic discussed in this interview?

I believe that the plan to create a ZEDE in Chaullayacu is a very important project for the city and its inhabitants as well as for the productive sector, so I would recommend its execution as soon as possible.

4.4.7. Interview with a Medium Industry Entrepreneur

1. How do you conceptualize a ZEDE for industrial diversification operations?

A ZEDE is a geographical sector that facilitates the development of productive activities with some benefits that the government proposes in areas such as taxation and productive development.

2. What are the advantages and disadvantages that a ZEDE for industrial diversification operations has to offer?

More advantages than disadvantages.

3. If the development of a ZEDE for industrial diversification operations would be promoted in the city of Cuenca, do you think it would contribute to the economic and social development of the city and its inhabitants?

Yes, it would, since it has economic and social significance for the productive development of a sector of the national economy.

4. Do you believe that a ZEDE would allow for the development of productive activities, national and international investment, as well as exports and imports?

Since that's the purpose of its creation, so it would encourage the development of this type of activities.

5. Knowing the reality of the city in regards to the lack of industrial land, do you believe that Chaullayacu could be a favorable place to implement a ZEDE of this nature?

Yes, since it has adequate space and infrastructure.

6. Do you believe that the regulatory framework regarding taxation and customs that currently exists in our country limits or makes feasible the implementation and operation of a ZEDE for the city?

I think it does.

7. Do you believe that small, medium or large companies would welcome the implantation of a ZEDE in Chaullayacu for industrial diversification operations?

Yes, companies are always looking for sectors that allow the proper development of their productive activities, with benefits that value work and economic development.

8. Do you believe that the development of a guide with the objective of the implementation of a ZEDE in Chaullayacu would help the project to be viable?

Yes, so it would be feasible.

9. What are your conclusions and recommendations with regard to the topic discussed in this interview?

ZEDE is a very important project for the economic development of the city, since it would promote production; it would be advisable to achieve a sustainable project as established by the rules.

4.5. Interview Evaluation Matrix

The interview evaluation matrix allows for the establishment of a correlation between the questions asked and the answers provided by each of the interviewees in order to draw valid conclusions for the investigation.

Table 3. Interview Evaluation Matrix

Questions	Results						
	Interviewed 1	Interviewed 2	Interviewed 3	Interviewed 4	Interviewed 5	Interviewed 6	Interviewed 7
Question 1	The concept is clear	The concept is clear	The concept is clear	The concept is clear	The concept is clear	The concept is clear	The concept is clear
Question 2	Yes, it has advantages; it has no disadvantages	Yes, it has advantages; it has no disadvantages	It has advantages and a few disadvantages	It has more advantages than disadvantages	It has more advantages than disadvantages	Yes, it has advantages; it has no disadvantages	It has more advantages than disadvantages
Question 3	Yes, I would contribute	Yes, I would contribute	Yes, I would contribute	Yes, I would contribute	Yes, I would contribute	Yes, I would contribute	Yes, I would contribute
Question 4	Yes, it would be allowed	Yes, it would be allowed	Yes, it would be allowed	Yes, it would be allowed	Yes, it would be allowed	Yes, it would be allowed	Yes, it would be allowed
Question a 5	Yes, since it has appropriate the infrastructure	Yes, since it has the appropriate infrastructure	Yes, since it has the appropriate infrastructure	Yes, since it has the appropriate infrastructure	Yes, since it has the appropriate infrastructure	Yes, since it has the appropriate infrastructure	Yes, since it has the appropriate infrastructure
Question 6	Yes, it would lend to viability	Yes, it would lend to viability	Yes, it is feasible, but with many limitations	Yes it does, improving existing regulations	It is feasible, but it is an incomplete legal framework	Yes, it would lend to viability	Yes, it would lend to viability
Question 7	Yes, it would be welcome	Yes, it would be welcome	Yes, it would be welcome	Yes, it would be welcome	Yes, it would be welcome	Yes, it would be welcome	Yes, it would be welcome
Question 8	Yes, it would help	Yes, it would help	Yes, it would help	Yes, it would help	Yes, it would help	Yes, it would help	Yes, it would help
Question 9	Give impulse to the project in the shortest possible time since it is an aspiration of the economic sector of the city	Give impulse to the project in the shortest possible time since it is an aspiration of the economic sector of the city	Give impulse to the project in the shortest possible time since it is an aspiration of the economic sector of the city	Give impulse to the project in the shortest possible time since it is an aspiration of the economic sector of the city	Give impulse to the project in the shortest possible time since it is an aspiration of the economic sector of the city	Give impulse to the project in the shortest possible time since it is an aspiration of the economic sector of the city	Give impulse to the project in the shortest possible time since it is an aspiration of the economic sector of the city

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4.6. Conclusions

The interviews established the following results:

1. The interviewees in general have a clear concept of what a ZEDE is, due to the fact that most are involved in the development of this project in the city of Cuenca.
2. Most interviewees consider that a ZEDE has advantages for project participants; however, they believe that there is still an incomplete legal framework and that it needs to be improved.
3. The interviewees agree that ZEDE would contribute to the productive, social and economic development of the city of Cuenca.
4. Likewise, all the respondents completely believe that a ZEDE would allow the development of productive activities, national and international investment, as well as exports and imports.
5. The interviewees are in agreement that the Eco-Park Chaullayacu has the infrastructure, space and facilities to convert and administer as a ZEDE.
6. The interviewees state that the normative framework would make it feasible to develop productive and economic activities in the ZEDE; however, they suggested that due to certain limitations, the legislation standard should be revised to create more favorable conditions for the productive sector of Cuenca.
7. Respondents unanimously believe that ZEDE would be well received by small and medium-sized entrepreneurs.
8. This question is important for the research process as it seeks to give viability to the implementation plan of a Special Economic Development Zone in the Industrial Eco-Park Chaullayacu for industrial diversification operations. All of the interviewees consider it to be an appropriate tool in taking the initial steps to start the project.
9. The interviewees conclude that it is necessary to give due recognition to the project and recommend that it be started as soon as possible as it would be an important project for the development of the productive sector of the city.
10. Since The Industrial Estate in Cuenca is an optimal place for the development of a Special Economic Development Zone, it is suggested that the legal framework for its implementation ensure juridical-tax stability, and the elimination of barriers in

tramitology. Most importantly, the Sectorial Council of Production is considered a highly technical, nonpolitical entity, as explained in the second chapter of this thesis, and has the power to approve a ZEDE and under its parameters allow it to be developed saving time and resources. All this has been considered over the last seven years since this legislation was put into effect in 2010. Thus, it can be concluded that the demand of certain taxes, such as 5% on the exit of foreign exchange when importing raw material by part of the industrialists of the ZEDE in Chaullayacu, stagnates rather than promotes investment. While in writing it is possible to have the most inclusive and propelling laws, the real test is how they are put into practice in a real world full of bureaucracy. As such it is important to give recognition to the fact that the proposition and implementation of a ZEDE can never succeed without the dedication of business owners and entrepreneurs working together and investing to make it happen.

Chapter 5

Conclusions and Recommendations

5.1. Conclusions

When analyzing all of this research it can be concluded that SMEs are at a disadvantage when compared with the large industry in the canton of Cuenca due to their low competitiveness in local, national and international markets. Since the demand for industrial land is high, the local government, such as the Municipal Corporation through the EDEC EP, has taken upon the challenge of guaranteeing the population conditions to overcome poverty, raise the quality of life, and promote access to economic and social development, all of which could be achieved through the implementation of a ZEDE.

The concept and the requirements needed in order to form the complete idea of what it really means to undertake a Special Economic Development Zone have been considered, including the control to which it will be subjected, as dictated in the COPCI. Customs character. A plan for the implementation of a Special Economic Development Zone in the Industrial Eco-Park Chaullayacu for industrial diversification operations was designed under a structure that allows the project to be made feasible to execute through the application of the given procedures and the establishment of the responsible parties

The interviews showed that a ZEDE has advantages for project participants; although, it was stated on several occasions that the legal framework was incomplete and needed to be revised. It was agreed by interviewees that ZEDE would contribute to the productive, social and economic development of the city of Cuenca. Likewise, they were in complete agreement that ZEDE would promote the development of productive activities, national and international investment, as well as exports and imports. Furthermore, the Industrial Eco-Park Chaullayacu has the infrastructure, space and facilities required to convert and administer it as a Special Economic Development Zone.

It can also be stated that the local regulatory framework would give viability to the development of productive and economic activities in the ZEDE; although, national legislation has limitations and it is therefore suggested that this standard be reformed

to improve conditions in favor of the productive sector of the city of Cuenca. As such, it is necessary that professionals with a clear understanding of the matter at hand and pertaining to a guild of the merchants or industrialists form a proposal to address the shortcomings of the current regulations and take the necessary steps to present said proposal to the National Assembly. Finally, it was established that ZEDE would be well received by small and medium entrepreneurs, confirming that it is an adequate project implement in the city of Cuenca.

5.2. Recomendations

The Industrial Eco-Park Chaullayacu, project of the EDEC EP, has all the necessary legal elements for a correct, ethical and appropriate Special Economic Development Zone, and would therefore be right and logical to execute.

The guidelines established by the Sectorial Council in order to approve the Special Zone have been proven feasible by the investigation and interviews conducted concerning this topic. Therefore, should a company, given that it has taken into account the analysis of this particular project, choose to be responsible and take on the arduous task to complete these requirements, a great contribution would be made to the economic sectors of the city of Cuenca, and hence the city itself.

The plan for the implementation of a Special Economic Development Zone in the Industrial Eco-Park Chaullayacu for industrial diversification operations would allow the project to be viable provided that the various procedures and actions required are considered correctly.

In addition, to reinforce what was previously concluded, the Faculty of Legal Sciences which although has a greater focus on foreign trade with respect to its professional profile has reviewed the laws pertaining to customs legislation. Due to a lack of professional training in law, the subject could not be explored in great depth and must be left to the future effort of both the guild of traders and industrialists in conjunction with students of law.

The interviewees concluded that it was necessary to give recognition to the project; furthermore, as it is a project of high relevance for the development of the productive sector of the city of Cuenca, that it be carried out as soon as possible.

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Attachments