



University of Azuay

Faculty of Legal Sciences

International Studies Career

**ANALYSIS OF THE DEVELOPMENT OF
FREE ZONES IN ECUADOR**

Author:

Darla Gissela Tinoco Alba

Director:

Dr. Claudia Inés Campoverde Cárdenas

Cuenca – Ecuador

2024

DEDICATION

I dedicate this achievement to the fundamental pillar of my life, my extraordinary and beloved mother Gissela Alba, who, with some scolding and wise advice, supported me unconditionally throughout the process that has led me to this moment, and despite everything, she never regretted the efforts and sacrifices she has made to open the way to a better version of myself. Without it, none of my successes that have been achieved and are yet to be achieved would be possible.

I also dedicate this final work to the memory of my little angel with a cheerful tail and four restless little legs, he did not arrive with me until the end, but he faithfully accompanied me during the long mornings of anxiety and effort, which forged my long-awaited professional career.

ACKNOWLEDGEMENTS

First of all, I would like to thank those who contributed their knowledge and experience to the development of this thesis, the engineer Paquita Cucalón, the lawyer David Márquez, and with special gratitude, the master's degree Patricio Moyano.

I extend my thanks with a deep feeling of esteem and admiration, to my thesis advisor, Dr. Claudia Campoverde, who in addition to giving me the opportunity to be guided in this process under her tutelage, patiently knew how to direct and correct my knowledge during this research. I would also like to thank Antonio Torres for sharing his experience, which contributed significantly to the development of the degree project.

I am infinitely grateful to my family, to my adored grandparents Diana and Santiago, for always encouraging me to keep going, to my two earthquakes, Alli and Santi, and above all to my uncle Boris, who no matter how far apart we are, is always around to remind me how proud he is of me. I finally thank my dad, Adrian.

Last but not least, I thank my stubborn little best friend, Kalu, thank you for being the grounding that came to complement and stabilize my sidereal world.

ABSTRACT:

The main objective of this thesis is to analyze the development of Ecuador's Free Trade Zones, from its benefits beyond tax and customs incentives and its impact in comparison to international free trade regimes, to the identification of the main obstacles and shortcomings with which it has faced, to finally refer to the opportunities that Ecuadorian Free Trade Zones have to encourage foreign trade. The focus of this research work is qualitative, so interviews with experts in the field have been applied, in order to expand and complement with their experience, the existing information of the free regime in Ecuador.

Keywords: Free Trade Zone, ZEDE, Special Regime, Regulations, Foreign Trade.

SUMMARY:

El presente trabajo de titulación, tiene como objetivo principal analizar el desarrollo de las Zonas Francas del Ecuador, desde sus beneficios más allá de los incentivos tributarios, aduaneros y su impacto en comparación a regímenes francos internacionales, hasta la identificación de los principales obstáculos y falencias con los que ha lidiado, para finalmente referir las oportunidades que tienen las Zonas Francas ecuatorianas para incentivar el comercio exterior. El enfoque de este trabajo de investigación es de carácter cualitativo, por lo que se han aplicado entrevistas a expertos en el tema, con la finalidad de expandir y complementar con su experiencia, la información existente del régimen franco en Ecuador.

Palabras Clave: Zona Franca, ZEDE, Régimen Especial, Normativa, Comercio Exterior.

INDEX

DEDICATION	i
ACKNOWLEDGEMENTS	i
ABSTRACT:.....	i
SUMMARY:.....	i
INDEX	ii
INDEX OF TABLES, FIGURES AND APPENDICES	iv
INTRODUCTION.....	1
CHAPTER 1.....	2
1. FREE ZONES	2
1.1 Elementary concepts	5
1.1.1 Typologies.....	6
1.2 Operation of Free Trade Zones	8
1.3 Special Distinctions.....	9
1.3.1 Extraterritoriality principle.....	9
1.3.2 Customs Control.....	10
1.3.3 Customs Transfer Operation	12
1.3.4 Entry and exit of Goods from Free Trade Zones.....	12
1.3.5 Customs tax exemptions and exceptions in relation to foreign trade.	13
1.3.6 Process Simplification.....	14
CHAPTER 2.....	15
2. COMPARATIVE ANALYSIS	15
2.1 Methodology	15
2.1.1 Participants	15
2.1.2 Instruments	15
2.1.3 Procedure.....	16
2.2 International Models	16
2.2.1 China	17
2.2.2 Singapore.....	17
2.2.3 Spain.....	18
2.2.4 Costa Rica	18
2.2.5 Colombia	18
2.3 Key Factors for Success or Failure	19
2.3.1 Legal certainty and political stability.	20
2.3.2 Infrastructure	22
2.3.3 Innovation and transparency	24
2.3.4 Progressive Vision.....	26
2.3.5 Knowledge sharing and preservation	27

2.4	Analysis of Ecuador's Free Trade Zones	28
2.4.1	Risk	30
2.4.2	Political environment	32
2.4.3	Economic environment	36
2.4.4	Business environment	38
2.5	Shortcomings of Ecuadorian Free Trade Zones	39
2.5.1	Radical regulatory changes	39
2.5.2	Poor spread of the regime and lack of effective communication	41
2.5.3	Coordination of Customs Control	42
2.5.4	Non-compliance with projects.....	42
2.5.5	Poor infrastructure and lack of industrial land	43
2.5.6	Late Innovation	44
CHAPTER 3	46
3.	OPPORTUNITIES FOR ECUADORIAN FREE ZONES	46
3.1	Reasons to invest in Ecuador's Free Trade Zones	46
3.1.1	Balance of trade.....	46
3.1.2	Trade Agreements	46
3.1.3	Human Talent.....	47
3.1.4	Successful Free Trade Zones within Ecuadorian territory	48
CONCLUSIONS	50
RECOMMENDATIONS	54
APPENDICES	59

INDEX OF TABLES, FIGURES AND APPENDICES

Index of Tables

Table 1 Procedure for the Simplified Customs Export Declaration	14
Table 2 Research Work Participants	15

Index of Figures

Figure 1 Category of Clusters operating within Free Trade Zones	19
Figure 2 Components assessed to qualify a country's infrastructure.....	23
Figure 3 Key factors for innovation	24
Figure 4 Ecuador Country Risk Index.....	31
Figure 5 Factors Determining Ecuador's Rule of Law Score.....	34
Figure 6 Inflation levels of CAN members	37
Figure 7 Ranking doing business Ecuador	38

Index of Appendices

Appendix 1 Informed Consent 1	59
Appendix 2 Informed Consent 2	60
Appendix 3 Informed Consent 3	61

INTRODUCTION

Free Trade Zones have been successfully implemented and disseminated around the world regardless of the level of development of their economy, since both European and Asian countries considered economic powers, as well as those in the Latin American and Caribbean region, defined as developing economies, have Free Trade Zones internationally recognized for promoting and encouraging Foreign Trade. In Ecuador, however, the free trade regime, despite having been implemented since 1991, and promoted to date, does not present a significant or remarkable performance, so in the following research the analysis and recognition of the shortcomings that hinder the development of the Ecuadorian Free Trade Zones will be carried out, as well as the factors that can encourage national and foreign investment in the aforementioned customs destination.

This thesis will be developed through 3 chapters, which will deepen the analysis of the development of Free Trade Zones in Ecuador, identifying the benefits and obstacles that they go through; These chapters will comply with the specific objectives set out in the protocol prior to the completion of the thesis, which are:

1. Analyze the evolution of Free Trade Zones in Ecuador.
2. Identify the shortcomings that have allowed the demotivation and closure of the Free Trade Zones and the ZEDES that have been created within Ecuadorian territory.
3. Refer to the opportunities that are to come with the Organic Law of Economic Efficiency and Employment Generation.

ANALYSIS OF THE DEVELOPMENT OF FREE ZONES IN ECUADOR

CHAPTER 1

1. FREE ZONES

Foreign trade is the fundamental pillar of the active participation and diversification of countries in the international community, as it leads to the expansion of markets that facilitate the transfer of knowledge, promote innovation to achieve more efficient processes, and generate employment, which consequently confers a significant improvement in the economic well-being of the inhabitants of a territory. In the same way, from the interdependence that originates between countries interested in achieving commercial exchanges, internal needs arise, which drives them to improve their infrastructure, competitiveness, and production capacity through global supply chains, which as a result attract foreign direct investment (Serna, 2023).

Free Trade Agreements or trade agreements, encourage the convenient exchange of goods and services between nations in order for them to better develop their internal economy, one of the infallible tools for the development and internal economic improvement of a country is the implementation of Free Trade Zones.

Not only huge countries such as China or the United Arab Emirates stand out for having been taken advantage of by this tool, but also Latin American territories such as Costa Rica, which has also been able to benefit from the aforementioned special regime, with its Free Trade Zone "*Coyol Free Zone*" which has been awarded three consecutive years by fDi magazine as the best Free Trade Zone in America. Likewise, Colombia, which according to statistical data taken from the Association of Free Zones of the Americas, has more than 100 Free Trade Zones that encourage domestic industry, trade and job creation, the latter being the most important, since it has increased jobs from 2014 to 2017 by 118%. (Wa-Chong, 2022) (Moreno et al., 2020)

Despite the fact that Free Trade Zones with attractive benefits have existed and exist in Ecuador, they have not achieved the success or influence that is expected to attract investments and opportunities. According to, the solution for Ecuadorian Free Trade Zones to regain their attractiveness compared to neighboring countries such as Colombia, is to define a clear, predictable and enforceable Free Trade Zone law. (Moya, 2023)

Bald Pine (2013) agrees that the customs destination, currently known as the "Special Free Trade Zone Regime", is indeed an instrument that attracts foreign direct investment, but for this to happen, the legislation must be clear and there must be no restrictions on foreign exchange; It also states that the development of special economic zones depends almost entirely on the conditions defined by the National Government, which for the effectiveness of such zones must offer a good business environment, optimal infrastructure on roads, ports and airports and reform of procedures to the minimum possible.

The first regulated Free Trade Zone in Ecuador was implemented in 1991, during the presidency of Dr. Rodrigo Borja Cevallos, with the Free Trade Zone Law. In 2010, under the presidential mandate of economist Rafael Correa Delgado, with the Organic Code of Production, Trade and Investment, these customs destinations were modified, being renamed Special Economic Development Zones or Zedes. It is until December 2023, when in the government of President Daniel Noboa Azín, the Organic Law of Economic Efficiency and Employment Generation comes into force, which seeks to reform and optimize the Free Trade Zones to recover their international competitiveness, which will allow the reactivation of the national economy. (Stairs, 2023)

In Ecuador, the revitalization of the economy had a boom with the creation of Free Trade Zones strategically located within the country, these zones have favored economic mobility and promotion of foreign trade, around 20 of these spaces have been created. However, with the passage of time, variations in the economy, political instability, which leads to constant changes in ideologies and external factors, such as the lack of Foreign Direct Investment (FDI), the country reduced the number of Free Trade Zones. The factors mentioned above are external and almost impossible to control, but they are not the only ones that affect the proper development of a Free Trade Zone, internal factors such as the lack of cooperation between the Executive Branch (the President of the Republic) and the Legislative Function (the National Assembly of Ecuador) interfere more.

Former President Guillermo Lasso, as a way to resolve the country's political crisis in 2023, activated the emergency law. Given this situation, the former president submitted on May 23, 2023 to the Constitutional Court of Ecuador, the "Decree Law for the Attraction and Promotion of Investments for Productive Development", in which he proposed important reforms and exemptions for the use, implementation and preservation

of Free Zones and Special Economic Development Zones, highlighting the importance of strengthening private initiatives, public or mixed. Among the advantages of the aforementioned Decree, the following stand out:

- Exemption from Income Tax (IR) for 10 years. 15 years for border sectors.
- Once the IR exemption period is over, a reduction of 10 percentage points in this tax will be available, for the time remaining in the validity of the Free Trade Zone or ZEDE authorization.
- Exemption from taxes on foreign trade, except for customs service fees for imports of inputs, capital goods and raw materials destined for the Free Trade Zone or ZEDE.
- Value Added Tax (VAT) with a 0% rate for the acquisition of imported inputs, raw materials and capital goods, which are destined exclusively for the authorized area.
- Exemption from the Foreign Exchange Exit Tax (ISD) on imports of goods and services related to the authorized activity.
- The ZEDES and Free Trade Zones, valid for 20 years, will be installed in delimited geographical areas, prior to the authorization of the Strategic Committee for the Promotion and Attraction of Investments (CEPAI). The administrators of the Zones are provided with a minimum investment of \$100,000 for the first five years; and for traders there will be no minimum investment amount (General Secretariat for Communication of the Presidency, 2023, paragraph 3-8).

However, in June of the same year, this Decree received an unfavourable Opinion 2-23-EU/23. The Constitutional Court of Ecuador justified its decision to this project, pointing out that it does not meet the category of "economic-urgent", which would contravene article 148 of the Constitution of the Republic of Ecuador; A similar situation and the same response were obtained by the second attempt of the former president, when he sent a second Decree that favors the aforementioned Zones.

After analyzing the situation that the country experienced, it concludes that, in order to build a successful model of Special Economic Zone, the name by which the author calls the current Free Trade Zones, two key points must be reformed. First of all, to define who can apply to be constituted as a Free Trade Zone, with the aim of promoting private initiative. As a second substantial change, the simplification of processes for users and operator users must be taken into account. Muñoz-Torres (2023)

On the other hand, Xavier Rosero, executive vice president of the Ecuadorian Federation of Exporters (Fedexport), mentions that Ecuador needs a tax incentive scheme to attract investment, but it is also essential to make regulations and procedures for exporting and producing easier, since the countless licenses, certificates and enabling documents, necessary to operate in a Special Economic Development Zone, they must be processed in different public entities, which entails a delayed bureaucratic process (La Hora Newsroom, 2023)

Having a clearer context of the reality of Free Trade Zones in Ecuador, among others, we identify as crucial problems, the absence of FDI, due to the lack of cooperation and understanding that existed between the highest authority of the Executive and the National Assembly of Ecuador, which generates political instability and little credibility to those who wish to invest in Free Trade Zones within the country. Also the bureaucratic problems discourage potential users of these Zones.

1.1 Elementary concepts

The Regulations on Customs Facilitation for Trade, Book V of the Organic Code of Production, Trade and Investment (Executive Decree No. 758), hereinafter, consider in Chapter VII, Article 115, as customs destinations: destruction, abandonment, entry into a customs regime and entry into a Special Economic Development Zone or a Free Zone. The Free Trade Zones must be located in a delimited space within the national territory for new investments to be established, since they are oriented exclusively to the export and strategic substitution of imports, with the purpose of improving logistics and transport services, stimulating exports of value-added products and establishing poles of development, generation of employment and foreign exchange. RCOPCI (2011)

With regard to the designation of the Free Trade Zones as customs destinations, this designation was under the protection of the previous law, so that, by order of the President of the Republic, the Master in Administration, Daniel Noboa Azín, the Free Zones will be distinguished from now on as part of the "Special Regimes" in matters of foreign trade. customs, tax, financial, among others; In other words, the Free Trade Zones will not cease to be customs destinations, since granting these Zones the exclusive characteristic of "Special Regime" will mean, among other special treatments, allowing all goods entering the Free Zones to be considered as outside Ecuadorian territory, so they

will be exempt from the payment of local taxes. taxes on foreign trade, and import customs formalities.

In the words of Herrera (2016)

The Free Trade Zone is a delimited geographical area within a territory, in which industrial activities of goods and services or commercial activities are carried out, under special regulations on tax, customs and foreign trade. Goods entering these Zones are considered outside the national customs territory for import and export tax purposes.

Free Zones are strategically located in seaports, airports, or tourist areas, where they can exercise the principle of extraterritoriality. The main objectives of these customs destinations are: tax exemption, trade promotion, stimulating the country's wealth, reducing logistics costs, generating jobs, allowing expansion abroad, promoting freedom of investment, diversifying local businesses and facilitating foreign trade operations (Equality, 2023) .

According to the lawyer, specialist, with a master's degree in foreign trade, and current Minister of Production, Foreign Trade, Investments and Fisheries of Ecuador, Sonsoles García, extraterritoriality, it is intended to ensure and maintain the investments that enter the country, that is, since in these delimited territories the same regulations that the rest of the country governs do not apply. Free Trade Zones are flexible and adaptable to the legal needs of investors. (Garcia, 2022)

1.1.1 Typologies

Within Title VIII of the Free Zones, Chapter I, it is determined that the Free Zones will be multi-company, that is, within this territory different companies may be established that will be authorized as Users to carry out the activities allowed in Article 37 of the COPCI. Regulations of the Economic Efficiency and Employment Generation Law (2024)

Likewise, Article 101 of the Regulations of the Law on Economic Efficiency and Employment Generation details three types of Free Trade Zones, starting with the type of Free Trade Zone that is approved for industrial activities of goods intended for processing, transformation, assembly, repair and others indicated by the Strategic Committee for the Promotion and Attraction of Investments. hereinafter referred to as CEPAI. Continuing

with the Free Trade Zone in which industrial service activities may be carried out for the development, creation, innovation and/or research of tourism, repair, cleaning, quality testing of goods, auditing, consulting, administration, and similar services, telecommunications, technology in general, medical assistance, scientific research, technical support and the others indicated by CEPAI. Finally, the typology of Free Trade Zone for commercial and/or logistics purposes intended for the activities of trade of goods for import, export or re-export, covers all logistics services such as transport, storage, stockpiling, packaging, labeling, classification, packaging, repackaging, distribution, handling, recycling, display, assembly, refining and others defined by CEPAI.

Although the typologies of Free Trade Zones mentioned above are those that can be carried out at present, and will be able to operate until a new law is enacted that repeals them, before December 20, 2023, the date on which the Law on Economic Efficiency and Employment Generation was approved, four similar typologies were established in the COPCI, but not the same as those described above.

Thus, in Title IV, Chapter I, prior to the reform, we found four typologies of Special Economic Development Zones, starting with the special economic zone that executes technology transfer and innovation activities, where entrepreneurship, technological development projects, electronic innovation, biodiversity, sustainable environmental or energy improvement are carried out. The second type of ZEDE has the purpose of executing industrial diversification operations, in which inward processing is carried out, which includes the transformation, processing and repair of goods of all types of goods for the purposes of export and strategic import substitution. Thirdly, there is the special economic zone for logistics services, cargo storage for consolidation, classification, labeling, among others, management of dry ports or inland cargo terminals, maintenance and repair of ships, aircraft or land transport vehicles of goods aimed at enhancing physical facilities of ports, airports and border crossings. Finally, the special economic zone dedicated to the provision of tourism services, which will operate only for the development of tourism projects according to the Public Policy of Prioritization of Cantons or Regions, which for this purpose is dictated by the Economic and Productive Sector Cabinet. The other typologies cannot be developed here. Organic Code of Production, Trade and Investment, COPCI (2010)

The reform carried out by means of Executive Decree No. 157, that is, the Regulations of the Law on Economic Efficiency and Employment Generation, in Title

VIII of the Free Trade Zones, provides for the reduction of the existing typologies of Free Zones or ZEDES and to reduce them from four models to only three, avoiding excluding any of the existing ones. and instead merge them to optimize and facilitate their operation.

1.2 Operation of Free Trade Zones

For its proper functioning, the Free Trade Zone must have an Operator User, which according to Article 38 of Title IV, Chapter III of the , is the legal entity, designated by Ministerial Agreement, issued by the Ministry of Production, Foreign Trade, Investment and Fisheries (MPCEIP), which fulfills the function of governing body in matters of production, foreign trade, and investments, which holds operating permits and whose main activity is to acquire, lease land, develop infrastructure, sell and/or rent physical facilities, provide promotion, management and administration services of the Free Trade Zone, so that companies can establish and exercise, this includes port or logistics services. It should be noted that the Operating companies may be legal persons under private or public law, with a national or foreign mixed economy. The Operator User detailed above, reforms the figure of Administrator that is established in the COPCI for the operation of the ZEDES. Organic Law on Economic Efficiency and Employment Generation (2024)

As part of their proper development, Free Trade Zones require Users. Article 39 of Title IV, Chapter III, determines that Users are referred to as a legal entity of private, public and national or foreign mixed economy law, qualified by the User Operator, to exclusively carry out the activities in Free Zones permitted by Law. In other words, the User may carry out, within the special regime referred to, only industrial activities of goods, industrial services, commercial and logistics.

Finally, they will also have Support Services, which are detailed in article 40 ejusdem, as natural or legal persons of private law established within the Free Trade Zone area, to provide services to Users and Operator Users. They can carry out activities of guardianship, maintenance, cafeterias, restaurants, basic medical and dental care, for employees of users and user operators, financial services, and transportation. It is necessary to emphasize that the Support Services will not benefit from any special regime or incentive applied to Free Trade Zones.

1.3 Special Distinctions

The distinctive characteristic of Free Trade Zones is to encourage trade and industrial activities, in order to promote the international competitiveness of the nation that intends to implement them. With the intention of fulfilling this purpose, the Free Trade Zones have been developed based on exclusive qualities that generate interest from foreign and national investment (Martinez, 2018).

Abiding by the principle of extraterritoriality, allowing greater flexibility in customs control, offering simplification of administrative processes and granting tax incentives in order to reduce costs, is extremely attractive to both foreign and domestic investors. It is these, among other distinctions, that make a Free Trade Zone an ideal "special" space for the implementation of projects that consequently lead to the internationalization and, therefore, successful economic development of the countries that have one of these Zones.

1.3.1 Extraterritoriality principle

The main characteristic that distinguishes Free Trade Zones from other special regimes is the principle of extraterritoriality. This principle refers to the fact that the Free Trade Zones may enjoy a special tax, customs and foreign trade treatment, different from the treatment given in the national customs territories, in order to obtain benefits that generate investment and employment in the delimited territories to promote the technological and economic development of the country. Barbosa and Barone (2017)

In order to understand how this principle is applied, in the case of Ecuador, in 2011 a Popular Consultation was carried out within Ecuadorian territory, which included in one of its paragraphs the question: Do you agree with allowing the operation of casinos, gaming halls, betting houses or businesses dedicated to the realization of games of chance [...]? The citizens decided, through their participation in this Popular Consultation, that they did not agree with the operation of these establishments. Due to the decision of the people, exercised through participation in the Popular Consultation, not to allow the operation of casinos or similar within Ecuadorian territory, it is understood that any activity that implies this concept would be punishable by law; However, Free Trade Zones, being extraterritorial, are not governed by the general law applied in the nation,

so if an investor, national or foreign, decides to implement a business of this type within a Free Zone, he or she could do so without any consequences and legally. (Celi, 2024)

Even so, the extraterritoriality applied in the Free Zones cannot be absolute, so that, although the aforementioned Zones are not under the jurisdiction that governs the entire State, they are subject to the authority, regulations, supervision, customs custody and other laws of the country in which they are located.

In other words, the principle of extraterritoriality allows Free Trade Zones to be attractive for investment, since they provide flexibility and adaptability to the needs of each potential investor who wishes to operate within one, however, the permissive nature offered by these geographical areas is not intended to give way to illicit or irregular operational activities. therefore, although Free Trade Zones enjoy exemptions that do not exist in national customs territories, it does not mean that they will not have regulatory standards and control bodies that supervise their activities.

1.3.2 Customs Control

Although it is mentioned that the Free Trade Zones will be controlled in a special way, it does not mean that they will only be monitored internally, because despite not being subject to the regulations that are established throughout the country, they are under the jurisdiction of a legal base that will supervise their operation. The structure of the legal basis that regulates the procedures and control of the Free Trade Zones is headed by the Supreme Charter, following in order, international norms, national norms, codes, organic laws, regulations of laws, executive decrees and agreements.

Following the aforementioned hierarchy of control according to the legal basis that governs it, of a supranational nature, it determines that customs control will apply to the entry, stay, transfer, circulation, storage and exit of goods, cargo units, means of transport, to and from Community customs territory; This control shall be exercised over persons involved in foreign trade operations and over those entering or leaving the customs territory. Subsequently, national regulations, in the case of the Republic of Ecuador, establish that persons, goods and means of transport entering or leaving a Free Trade Zone, boundaries, access and exit points, must be subject to customs surveillance. Finally, for the internal control of each Free Zone, and in accordance with the provisions of the Free Trade Zone, all merchandise from any part of the world, from national customs

territory or from another Free Zone may enter the area of a Free Zone, provided that the user operator coordinates through a computer system compatible with the interactive system of the customs authority. In addition, the user operator must be jointly and severally liable to the customs authority for all goods entering or leaving the Free Trade Zone without control. Commission of the Andean Community (2004) Organic Code of Production, Trade and Investment, COPCI (2010) Regulations of the Economic Efficiency and Employment Generation Law (2024)

The Andean Regime on Customs Control, established since 2004 and still in force, with the aim of facilitating foreign trade operations, by virtue of the customs authority, i.e. the powers of Customs to control the entry and exit of goods, provides for three phases to carry out customs control, which are detailed for national execution in the RCOPCI (2011) , Here's how:

- 1) Prior control: exercised by the customs administration before the presentation of the Customs Declaration of goods. These are the actions of inspection or direct investigation on operators and foreign trade and goods selected through the system of risk profiles, the investigation may be extended to transport, unit loads, temporary storage, or others, for which a physical inspection of the goods may be carried out in the presence of the consignee or his representative. if applicable.
- 2) Concurrent control: exercised from the moment of presentation of the customs declaration until the release or shipment of the goods. The Customs Authority may request additional documents in addition to those supporting and accompanying documents, in order to determine the accuracy and veracity of the aforementioned data.
- 3) Subsequent Control: refers to all customs declarations or investigation actions that are initiated from the release or shipment of goods abroad, cleared for a specific customs procedure. Specifically, the subsequent control may be carried out within 5 years from the date on which the foreign trade taxes are paid and must be completed within a maximum of one year from the date of notification of the initiation of the process.

1.3.3 Customs Transfer Operation

Under the protection of the current and current regulations, it is provided that the entry of goods from Third Countries to a Free Trade Zone will be carried out as a transfer operation, unless there is a case of direct unloading. Likewise, the departure of goods from the Free Trade Zone to Third Countries will also be mobilised through the customs transfer operation from the Free Trade Zone to the corresponding port, airport or border area (Regulations of the Economic Efficiency and Employment Generation Act, 2024).

Free Trade Zones are not always established in the limits or borders of the country, it is enough that they are located within the national territory, they can be located both in provinces with border seaports, such as in the seaport of Guayaquil or the deep-water port of Posorja, located in the province of Guayas; but they can also be established in cities that are not necessarily on the edge of the territory, for example, Free Trade Zones can be developed in cities that are in the interior of the country such as: Cuenca, Azogues, Quito, etc. In addition, merchandise arriving in a primary zone (port or airport of entry) should not necessarily be nationalized there, since several importers usually choose to clear customs of their goods in the district closest to the city where they have their tax domicile, and this could be that of one where there is an internal Customs Office. as is the case of Cuenca, which has jurisdiction for Azuay, Cañar and Morona Santiago

The customs transfer operation, then, is absolutely necessary for the special regime of Free Trade Zones. Article 60 of the current regulations defines the transfer as the customs operation by which the goods under customs control and authority are transported, essentially from one primary zone to another, as long as it is within the Ecuadorian customs territory, to conclude, the customs control must be carried out at the point of final destination. RCOPCI (2011)

1.3.4 Entry and exit of Goods from Free Trade Zones

Consequently, the Free Trade Zones, being managed as extraterritorial geographical areas, according to Chapters VIII, IX, and X, of Title VII of the Treaty, all merchandise entering or leaving said territory, will be managed as follows: Regulations of the Economic Efficiency and Employment Generation Law (2024)

- Any merchandise that "enters a Free Trade Zone from third countries or national territory" will be considered export, will not pay taxes as long as the merchandise

remains in the Free Trade Zone, and in case of entering from national territory, it will enjoy a VAT refund on local purchases. The National Customs Service of Ecuador will implement, under its control power, the actions it deems pertinent for the monitoring of the operations of the Free Trade Zones.

- Regarding the "Departure of goods from the Free Trade Zones to third countries and to other Free Trade Zones"; these will not be subject to the customs export formalities, and in the event of the need to move goods to port areas, airports, or the corresponding border, this will be carried out through the customs transfer operation, in accordance with the regulations established for this purpose by SENAE.
- Finally, merchandise that "enters the national territory from a Free Trade Zone" will be considered imports. Up to a maximum of 20% of the goods produced in Free Trade Zones can be destined for the national territory. (Moya, A, 2023, paras. 30-33)

1.3.5 Customs tax exemptions and exceptions in relation to foreign trade.

For a correct understanding and use of the tax exemptions that are applied within the Free Trade Zones, it is essential to start by differentiating the exemptions from the exceptions, despite the similarity in their writing and pronunciation, their concepts and form of use are different.

It Tax Code of Ecuador (2005) defines the Exemption or exoneration as the legal exclusion of a tax obligation, established for reasons of public order, economic or social, which may be modified or repealed by subsequent law. At the same time, the Pan-Hispanic Dictionary of Legal Spanish (2023) defines exemption as the "singular exclusion from the application of the rule that imposes a duty or burden by reason of a specific factual case", while, on the other hand, it specifies the exception as "singular non-application of a rule". In other words, exemption refers to total or partial exemption, in this case, from tax obligations; for example, Free Trade Zones that pay 0% income tax are exempt from paying this tax. On the other hand, the exceptions refer to the fact that only in special or justified situations, the general rule will not be followed; For example, within the customs sphere, it is established in the RCOPCI that any used merchandise is prohibited from importation, with the exception of the belongings of a migrant who returns to the country, such subject may enter his goods, even if they are used.

Once the difference between exemption and exception has been clarified and understood, it should be noted that naturally Free Trade Zones around the world are popular for having tax exemptions and exceptions that are attractive to investors. Free Trade Zones are considered an effective trade policy instrument that, if correctly applied, meets the objective of generating employment, attracting investment and promoting exports. (Arévalo-Luna & Arevalo-Lizarazo, 2019)

1.3.6 Process Simplification

In order to harmonize and facilitate customs processes within the Free Trade Zones, the General Directorate of the National Customs Service of Ecuador, for reasons of agility, will admit the submission of Simplified Customs Declarations. Below is the procedure to be carried out:

Table 1
Procedure for the Simplified Customs Export Declaration

No.	Activity	Input Product	Activity Description	Responsible	Output Product
1	Filling out the DAE/DAS.	Data required in the Customs Export Declaration (DAE/DAS).	Fill out the DAE/DAS, attaching the required digital support and accompanying documents, as appropriate.	DAE: Customs Broker or Qualified Exporter. DAS: Courier	Export Customs Declaration Ready to be sent.
2	Sending the DAE/DAS	Export Customs Declaration (DAE/DAS) ready to be sent.	Proceed to electronically sign the DAE/DAS and carry out the transmission.	DAE: Customs Broker or Qualified Exporter. DAS: Courier	Delivery number generated by SENA's computer system.
3	Reception of the DAE/DAS	Delivery number generated by SENA's computer system.	Receives the data entered in the DAE/DAS.	SENAE computer system.	Export Customs Declaration (DAE/DAS) received by the SENA computer system.
4	Data Validation	Export Customs Declaration (DAE/DAS) received by the SENA computer system.	Validate DAE/DAS information, supporting and accompanying documents.	SENAE computer system.	Export Customs Declaration (DAE/DAS) validated by the SENA computer system.

Fountain: SENA, 2013.

CHAPTER 2

2. COMPARATIVE ANALYSIS

2.1 Methodology

In order to develop this section, the qualitative methodology has been applied, because it focuses on the review of documents, collection and analysis of data, which can be audiovisual evidence, images, texts or verbal symbolic information; this methodology seeks to combine the realities of the participants and the researcher. with the purpose of deepening and contextualizing the environment with details or experiences that expand the existing information (Roberto. Hernandez et al., 2014) .

2.1.1 Participants

By using a qualitative methodology, the research participants are the interviewees, who have been selected after analyzing their professional profile and experience in the subject of Free Trade Zones.

Table 2

Research Work Participants

Professional interviewed	Occupation and/or position
Engineer Paquita Cucalón	General Manager of the ZEDE del Litoral
Attorney David Marquez	Director of Foreign Trade Services at EMPSA
Master's Degree Patricio Moyano	Expert in Foreign Trade and Customs Control

2.1.2 Instruments

The main instrument for the collection of qualitative information was interviews, specifically those of the semi-structured type. This type of interviews are characterized by previously determining a guide of open and flexible questions, which will allow the interviewer and interviewee to flow at the beginning of the conversation, even, as they are unstructured questions, new concerns are generated throughout the dialogue, which will provide useful information for the research work. (Folgueiras Bertomeu & Pilar, 2016)

2.1.3 Procedure

Complying with the qualitative method and the instrument selected for it, interviews have been conducted with professionals and experts on the subject of Free Trade Zones, which have been essential sources to acquire relevant information on their operability and importance. The attitude and openness of the interviewees allowed them to form a favorable environment in which they were allowed to share their experiences, knowledge and opinions.

2.2 International Models

Free Trade Zones have contributed positively to the growth of contemporary trade, providing the opportunity for diversification for the exports of each and every one of the countries that use them, also adding the possibility that through this customs destination, nations are integrated into profitable production processes, such as value chains, that are coupled to their economy, in order to improve their productive capacities and national wealth. (García-Cáceres & Ospina-Estupiñan, 2017)

It should also be noted that one of the advantages to which minimal importance is given is that this instrument stimulates competitiveness between nations, especially among developing countries, since through this tool, they seek to become more attractive to foreign investors, since internally they establish exclusive rules that will be applied within the territories called Free Zones. They usually seek to offer a variety of quality, cost, and workmanship.

The World Customs Organization (2020) Declaration that Free Trade Zones, by offering important benefits such as economic incentives, limited regulatory supervision, special provisions for customs, exemptions, among others, play an important role in the economic and industrial development of several countries, and also assures that their rapid expansion is largely due to political decisions closely linked to domestic national economic development strategies.

The Free Trade Zones have been a resounding success in countries currently considered as superior models in terms of the correct application of strategies for foreign trade, from the Asian giants such as China and Singapore, the influential Spain within Europe, and the Latin American in continuous growth, Costa Rica and Colombia, each of the

aforementioned with international recognition for the notoriety of the profitable and decisive use of their Free Trade Zones.

2.2.1 China

The Shenzhen Special Economic Zone in China has been the greatest success in achieving the transformation and industrialization of the small fishing town of Shenzhen, located in the province of Guangdong.

Between 1978 and 1993, they managed to establish their Free Trade Zone based on tax exemptions, simplified customs processes and a flexible regulatory environment. At present, the city is known worldwide as "International City" and the second financial capital of the Asian giant, even due to the support and state planning for the progress of this area by the President of the People's Republic of China, Xi Jinping, who installed an advanced management system, within it operate important industries that promote technology and innovation through consecutive rounds of investment. which have allowed continuous improvements to the city's infrastructure and internal economy. (Oskarlyss, 2023)

2.2.2 Singapore

Jurong Port, established in 1965, is the most important seaport in Singapore and the second busiest in the world. In September 2022 it was named by the *Asian Freight, Logistics and Supply Chain* awards, for the second time in a row as the "Best World Seaport" and the "Best Seaport in Asia" for the 34th time.

Its success is attributed to three factors, the first is the optimal planning that effectively exploits the geographical advantage it has, being located at the southern tip of the Malaysian peninsula, allowing the connection with approximately 600 ports in 123 countries around the globe. The second refers to its innovative infrastructure with sophisticated automated systems that adapt to the user and to any type of vessel that arrives at the port. Finally, favorable government policies have led to the formation of a profitable environment for business. (Marinno Logistics and Innovation, 2022)

2.2.3 Spain

Established in 1916 and popularly known as "The gateway to the European Union", the Barcelona Free Trade Zone, located in the port of the Sants-Montjuïc district, stands out mainly for offering a space for the basic chemical industry and promoting sustainable solutions, it has achieved advances such as:

- The implementation of a strategic plan to reduce greenhouse gas emissions, waste management and environmental protection.
- The Green Port Project, which investigates the procedures to transform Free Trade Zones into a carbon-neutral port.
- Promote investment in sustainable companies through incentives and support for innovation. . (Editorial staff Diario económico del negocio exterior España, 2023)

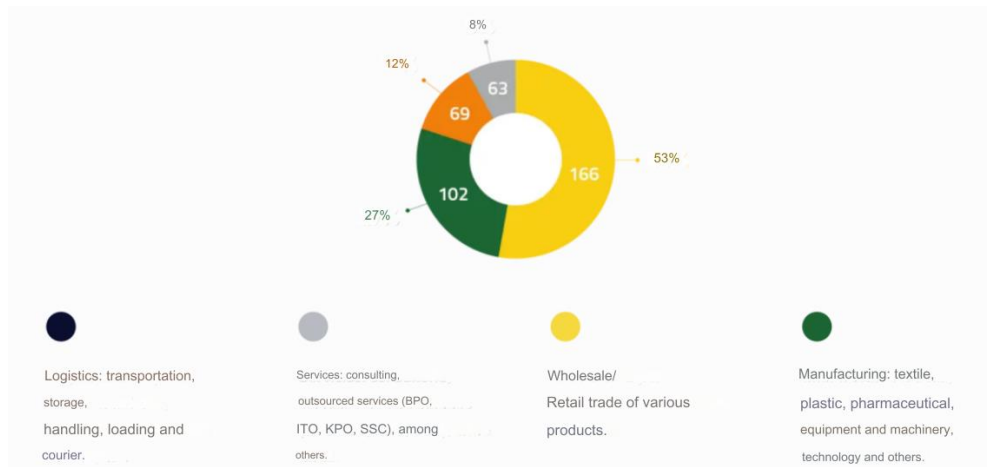
2.2.4 Costa Rica

Founded in 2007, *Coyol Free Zone*, located in the province of Alajuela, is Costa Rica's most prominent Free Trade Zone in terms of exports. Listed as one of the best options for investment in the life sciences and advanced manufacturing industry. It is presumed that its well-known success is due to the fact that, in addition to offering incentives characteristic of Free Trade Zones, such as tax exemptions, among others, it provides optimal conditions to facilitate the productive development of its users, that is, it offers fundamental services that complement the operations that take place within the area; The presence of companies dedicated to packaging, molding, assembly, sterilization and logistics, speeds up the departure of goods directly from Costa Rica to the world, significantly saving the logistics and storage costs that users would have to pay. (CINDE, n.d.)

2.2.5 Colombia

The Zona Franca de Bogotá S.A., is a business park located in the urban area of Bogotá, intended for the development of industrial activities, goods and services, within it there is a fairly large and diverse cluster of approximately 400 international and national companies.

Figure 1
Category of Clusters operating within Free Trade Zones



Note: From "ZFB business cluster", by Zona Franca de Bogotá S.A, 2024 (<https://zonafrancabogota.com/parque-empresarial/quienes-somos/>). In the public domain.

Despite not being located in a seaport unlike the other Free Trade Zones referred to above, it continues to enjoy the benefits of being in a strategic location, as it is 6 kilometers from the "El Dorado" international airport, to which it has direct access through Calle 13, known for being the main route for the circulation of goods entering and leaving the Colombian capital; the ease of transit through This route gives it a logistical advantage in terms of moving goods. Likewise, the opportunity for users to exchange strategic contacts, which allow them to lower costs between companies operating within the Free Trade Zone, for example, a company installed within the Free Trade Zone of Bogotá S.A. that is dedicated to wholesale trade, considerably reduces its storage costs if it decides to hire a logistics and storage company that is also installed within this space. This last characteristic has given it the necessary added value to be recognized as "Best Free Trade Zone in the Americas" in the "*Global Free Zone of The Year 2017*" awards. (Zona Franca Bogotá S.A., n.d.)

2.3 Key Factors for Success or Failure

Taking into account the examples referred to above as successful models of Free Trade Zones around the world, a certain pattern of determining factors stands out, which allow us to recognize, generally with international awards, whether the operation and administration of Free Trade Zones in each country is successful.

In addition to Foreign Direct Investment, which is the main driver of any Free Trade Zone, there are internal factors that directly influence the present and future of the aforementioned Zones.

2.3.1 Legal certainty and political stability.

The fundamental and first element, considered as the basis for the success or failure of a Free Trade Zone, is the adequate control for the optimal development of the State, or by default, its deficiency. Starting with legal certainty, which is defined as the certainty acquired by subjects of law, in which their legal situation can only be modified through previously established procedures, preventing possible political changes from interfering with their activities. (John. Hernández & Ramiro, n.d.)

It should be noted, then, that this guarantee of compliance, established internally by each State, is an essential requirement for companies or investors who wish to establish themselves within the Free Trade Zone of a country, since the objective of those referred to is to establish themselves in a territory that allows them to make their investments profitable in the long term, without running the risk of changing the regulations in the middle of a contract and that event harming them.

Despite the fact that governments seek to prioritize the economy of their territories, they cannot attract investment by offering incentives, mostly tax exemptions, and then retract and take advantage of their power to collect taxes, which at first they offered not to collect, specifically to the Users of a special territory, such as a Free Trade Zone; in the words of Safe (2020) , it would be counterproductive to change the conditions under which companies decided to invest in the country, as this act would become a disincentive both for the permanence of already established companies, and for future interested investors, in addition, it must be remembered that countries are in constant competition with other countries to attract foreign direct investment, and the investor will not hesitate to redirect his investments to the country that he considers most legally qualified as safe, offering in exchange to the country that meets his needs and supports him, sources of employment and the opportunity to trade with local companies that can supply them with raw materials, which, consequently, would allow the inhabitants of that territory to improve their economic situation.

On the other hand, there is political stability, understood as the ability of a country to maintain an equitable, secure and functional political system, in which all government institutions operate efficiently, thus transmitting to its citizens confidence in the integrity and legitimacy of its rulers. The causes that have a direct impact on political instability in a State are:

- Corruption: which strongly questions the structure and functioning of a government due to acts such as abuse of power or illegal processes by government institutions.
- Lack of transparency: information on the management of public resources or decision-making made by the President of the Republic or the National Assembly, which is not available to citizens, or, where appropriate, the absence of accountability on the part of any government entity, raises doubts about the veracity and transparency of processes. (Written by the School of Government and Economics, 2023)

Thus, legal security and political stability are based on the correct administration and transparency of the legislation of a country that, through its rulers, must comply with the aforementioned requirements, since they are elementary to keep companies installed and operating within the country, remembering that, if such investment companies, if they decide to leave the territory in which they settled, they would eliminate a much-needed source of employment.

Another key and essential point, in which the intervention of government authorities of each country stands out, especially those previously referred to as outstanding models in the correct administration of their Free Trade Zones, is the support and attention that the rulers provide, generally through investment and public policies, in order to encourage and promote the use of these spaces.

In other words, it is in the highest authorities of each country, where the responsibility for a large part of the success or failure of a Free Trade Zone falls, for example, in Ecuador, it is established in which the structure of the Ecuadorian State is made up of five functions: Constitution of the Republic of Ecuador (2008)

- Legislative Function: executed by the National Assembly, it issues, amends and repeals laws, in addition, it supervises the acts of the other functions of the State.

- Executive function: it is exercised by the head of state, who is fundamentally responsible for the public administration in a decentralized manner, establishing the country's National Development Plan and defining foreign policy.
- Judicial and Indigenous Justice Function: in charge of administering justice by sentencing those who break the law. Likewise, the indigenous justice system, based on its ancestral traditions within its territory, will apply its own procedures to resolve its conflicts, even so, they may not be contrary to the Constitution or human rights.
- Transparency and Social Control Function: Promotes the control of public and private entities, also seeks to prevent and combat corruption, in addition to encouraging citizen participation.
- Electoral Function: mainly, it guarantees the exercise of rights through suffrage, and also, organizes electoral processes in a transparent manner.

Above all, the Executive Branch, together with the Legislative Branch, are the main administrators of the allocation of resources through the country's internal budget and, in turn, they are the managers of ensuring that the internal regulatory order respects the supranational order and that at the same time it is public knowledge. (Grosso & Svetaz, 2001)

2.3.2 Infrastructure

Another of the decisive factors to attract and retain investors, companies or user operators within the country is the quality of infrastructure present in the territory where the Free Trade Zone will be established. In the words of Guajardo Soto (2023) , an infrastructure becomes the set of endowments and services necessary for the proper functioning of a country. High-quality infrastructure, in addition to being a fundamental pillar for a nation's internal economic development, makes it more competitive compared to countries with less quality infrastructure. It should be noted that a State that stands out in this area is because its telecommunications system, public spaces, waste management systems and its transport routes, whether by land, air, sea or rail, meet the following specific objectives:

- Reduced marketing costs.
- Market integration.
- Promotion of internal and external mobility.

- It allows access to new markets.
- Diversify the country's options (Ferrovial, 2024) .

The effective fulfillment of the aforementioned objectives will give the country the advantage of strengthening its value chains and attracting greater investment, in addition to obviously improving its internal management.

In order to allow a correct analysis focused on this factor to those who need it, every year, the World Economic Forum publishes the competitiveness index of each country based on the quality of their infrastructure. To carry out this analysis, it takes into account six important aspects:

Figure 2

Components assessed to qualify a country's infrastructure.



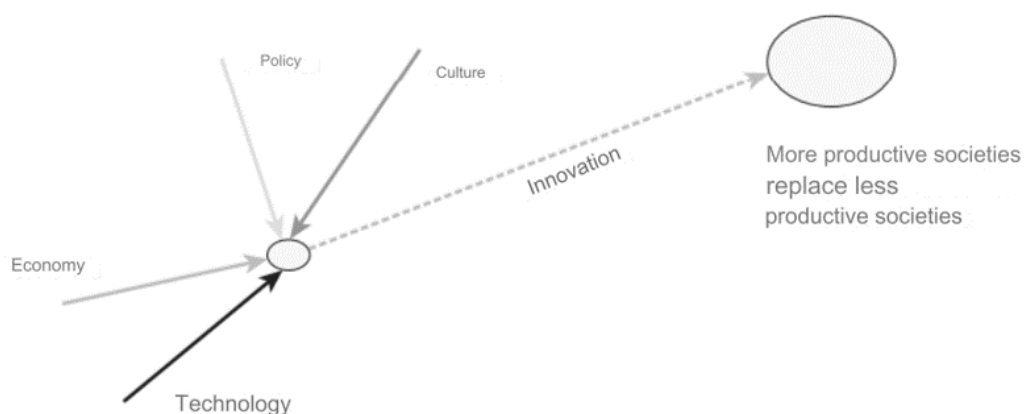
Note: From "Global Competitiveness Report 2019-2020", by World Economic Forum WEF, 2019 (<https://www2.deloitte.com/content/dam/Deloitte/gt/Documents/finance/191009-Deloitte-Reporte-Global-Competitividad.pdf>). In the public domain.

2.3.3 Innovation and transparency

In order to maintain international competitiveness and preference in the market, the Free Trade Zones must be constantly updated according to the commercial trends that arise over time, the necessary additions to achieve innovation must include merger and acquisition processes, both of qualified labor and modern machinery, in order to reach a high degree of diversification.

In the book *Management for Innovation* (2019) the authors establish that success in innovation does not depend solely on one actor, it is not only the work of companies or the government separately, it is about achieving a balance between national influences, such as culture, economy and politics, with the impact of globalization that together with trade and the development of technology, they are a supranational determinant.

Figure 3
Key factors for innovation



Note: From "Innovation Management", by Pervaiz K. Ahmed, Charels D. Shepherd, Leticia Ramos Garza, Claudia Ramos Garza, 2019 (https://www.academia.edu/36127513/Administracion_de_la_Innovacion_K_Ahmed). In the public domain.

The authors also argue that, in order to obtain an adequate indicator of the effectiveness of a country's innovation, it should not only be based on the results of the economic and financial factor, because despite being an important element, it is not the only one that must be taken into account to respond to the general level of innovation in a country. It lists factors that are strongly related to the innovative advance or regression of a territory, these are:

- Expenditure on research and development.
- The variability of patents within the nation.

- Human resources for innovation.
- Creation of new knowledge.
- Transmission and application of acquired knowledge.

Currently, innovation is not necessarily about creating or inventing a completely new product, service or process, which usually involves investing time, money and incalculable labor, rather, another alternative to achieve innovation without spending resources unnecessarily, is "innovation by diffusion", which aims to acquire and adapt processes, products or services, already implemented and developed in other countries, in their own territory. (Ahmed et al., 2019)

The world of business and commerce is in constant transformation, there are more and more market demands, especially those focused on efficient time management, therefore, transparency and easy access to information, have become fundamental requirements to attract potential users or customers.

Websites are currently the most used digital tool by companies, they are created with the aim of providing their potential customers with access to information about the products and services they offer. At the same time, such a website manages to expand the reach of the company or organization, and reaches a more diverse audience. Therefore, making relevant content, data and contacts available to those who consult the website breaks down two barriers that are usually the main problem faced by investors when exploring business options in which to get involved; Starting with removing the geographical barrier, since, regardless of location, anyone with access to the internet can visit the site or web page of their choice. Secondly, the aforementioned digital tool facilitates interaction and quick advice, since it reduces the waiting time for a response and rules out the possibility of receiving an inaccurate answer (CIS Informatics, 2024)

Even so, having a digital platform that is functional is not enough, it is essential that the administrators of the website keep it updated regularly, both in content created by the company promoted on the page, as well as in sources and references from other sites, for example, incorporating news and trends that directly involve them.

The information on the Free Trade Zones previously referred to as successful models has been mostly extracted from the websites managed by the users and owners of the same. These websites meet the following requirements:

- They facilitate access to information: through articles that summarize their history, and statistical analyses carried out based on real data of their operations, published on the same page, without any type of restriction.
- Speeding up the response: On the home page, there are several contact options according to the needs of those who require it, from direct telephone numbers, contact emails with specific departments, to a section to write the query directly and that the administrator is in charge of redirecting it, without the user leaving the Free Trade Zone website.
- Key information: These websites have a section of news directly related to the development of their activities, and also include a section in which they display their awards and honorable mentions.

It should be noted that, through this innovative technological strategy, countries increase the visibility of their Free Trade Zones, and promote them attractively to foreign and national entrepreneurs who are exploring investment possibilities.

2.3.4 Progressive Vision

The vision, defined from the business context, is the future projection of a company, in other words, it is the setting of objectives to be met in the long term, in order to increase the performance of its business, prioritizing elements that it considers subjectively important. This last part refers to the fact that not all companies have the same approaches or needs, and, therefore, they will not have the same perspective to propose a vision that allows them to improve their performance; So, while company X plans its vision based on guaranteeing the quality of the goods it produces, company Y sets its own objectives with the intention of expanding its coverage, they are two different strategic visions (Pérez, 2021) .

For a better understanding, taking as an example, the Free Trade Zones of China and Singapore, Shenzhen Port and Jurong Port respectively, have developed similar visions, based on improving their infrastructure with modern and sophisticated technology that automates processes, while the Barcelona Free Trade Zone in Spain focuses on offering sustainable and environmentally friendly projects. Another closer example, *Coyol Free Zone* of Costa Rica, which prioritizes facilitating the export of its users' products directly from the Free Trade Zone, for this they have been incorporating

logistics, packaging and storage services that meet this objective; while La Zona Franca de Bogotá S.A., although it shares the vision of *Coyol Free Zone*, by seeking to facilitate the processes of its users, offers a completely different solution, as it gives the opportunity for the operators of its Free Trade Zone to join in strategic alliances that allow them to lower the costs of their productions.

2.3.5 Knowledge sharing and preservation

The last factor identified in the previously analyzed examples, being of all those mentioned, the operational component most disregarded, to such a level that if applied or not, would mean a transcendental change in the Free Trade Zone, is the value given to the importance of the exchange or transfer and conservation of knowledge.

The transfer of knowledge is successful when the recipients of it are not limited only to correctly absorbing the information, but also intend to master and transform it, depending on the need they have, because in this way they reduce costs and accelerate their production processes, the correct integration and accumulation of knowledge will be reflected in the performances. Likewise, the success of knowledge transfer will also be affected by the ability of the recipients to manage the knowledge acquired (Blanco-Valbuena & Pineda, 2019) .

The knowledge obtained, transformed and developed to be correctly applied according to the needs of a sector, will allow it to establish its own added value and exclusive knowledge, that is, to create its own "*know how*"; This term, literally translated into Spanish as "know-how", refers to the confidential knowledge that a company or sector has properly developed, positioning it in a better range of productivity. (Santander Universities, 2022)

Within the Free Trade Zones, minimizing an element as important as this one delays its productivity, because due to the time required for planning and dedicating the necessary resources to acquire new technology, labor, and knowledge in general of another region, it is a fairly high cost when at the time of carrying out the maintenance of everything implemented, Suppliers or third parties who have the necessary knowledge and tools to repair or service the foreign machinery incorporated must be constantly used. Without forgetting the concept of *Know-how*, a Free Trade Zone, due to its characteristics,

can develop or improve methods that position it as an exclusive and competitive area for internal knowledge management.

2.4 Analysis of Ecuador's Free Trade Zones

The Economic Commission for Latin America, hereinafter ECLAC, considers that due to the flexibility given to investments through the Free Trade Zones, the Ecuadorian economy has one of the best economic performances in the region. For its part, the World Economic Forum considers that the Republic of Ecuador, hereinafter Ecuador, is a reliable destination for foreign investors, since the country stands out for its rapid development in Latin America. Finally, Ecuador, being a member of the Andean Community of Nations (CAN), has reached important trade agreements that enhance its opportunities to attract investors, since in addition to forming a strong economic integration, through the establishment of a free trade area with the members of the aforementioned regional bloc, which are also its neighboring countries, Peru, Colombia and Bolivia; As a community they have managed to consolidate trade agreements with the European Union and MERCOSUR, resulting in access to a wider market of consumers (BLITA International, 2022) .

The success of Ecuadorian Free Trade Zones has often been hindered by the lack of complementary measures, since, although the implementation of the Free Trade Zone within the territory is an important step forward, the country has not achieved the expected competitiveness compared to the Free Trade Zones in the same region. It lists 3 complementary measures necessary for Ecuador's Free Trade Zones, which are: Acosta-Burneo (2024)

1. Trust: through legal certainty.
2. Services: infrastructure of airports, ports and roads.
3. Personnel: implementing competitive labor legislation and trained personnel.

Currently in Ecuador, under the name of ZEDES (Special Economic Development Zones) there are 3 of these spaces: two of an industrial and logistical type, which are Contecon, in the port of Guayaquil and the Deep Water port of *DP World*, located in Posorja, and one destined to technology which is the ZEDE of the Litoral. There are no more spaces under this name that are currently operating, since the ZEDES Progreso, Yachay and Santa Rosa were completely liquidated. In addition, there are three Free

Trade Zones, EMPSA, at the Quito airport, TAGSA, at the Guayaquil airport, and Turisfranca, at the Quito Cable Car. (América Economía Newsroom, 2023)

In an interview with the current Director of Foreign Trade Services of the Metropolitan Public Company of Airport Services and Management of Free Zones and Special Regimes – EMPSA, the lawyer David Márquez, to begin with, determines that it is important to have clear regulations for the development of Free Trade Zones, in the sense that not only a law is established for this regime, but also but also a regulation that allows the correct operation of the same, since the constant repeal of laws has given way to the closure of the Free Trade Zones that were once established in the country.

The expert also states that, with the issuance of the Organic Law on Economic Efficiency and Employment Generation, there is no transcendental change for the Franco regime, because although the denomination was harmonized, going from ZEDES to Free Trade Zones, a term better known regionally, "the only thing we did was a change or update of regulations, But in practice they are still the same processes, there is no competitive improvement that really allows a, so to speak, a simplification or a facilitation issue for foreign trade." According to Márquez, in order for the Free Trade Zones to allow important economic development, they must be that space where a logistics hub is formed , a business *cluster*, where these raw materials that are exported to international markets go through a production process where there is an incorporation of added value, since Ecuador continues to export raw materials of products such as shrimp. like cocoa, like bananas, and it can't get past that gap.

When talking about promoting competitiveness, it refers to identifying the advantages of a territory, whether in terms of resources, human capital, infrastructure, and informing potential international actors or investors so that they see the country as a destination where they can develop their economic activity, but Free Trade Zones are not called to promote competitiveness. instead, Free Trade Zones are called upon to promote business competitiveness, since it is through them that several companies that are related or should be related to certain sectors are grouped; For example, the coffee sector, the cocoa sector, the floricultural sector, there is the opportunity not only to export flowers or these products, but also to incorporate added value, so the cooperation between a company that is in charge of drying, a company that is in charge of grinding, another of making some additional souvenirs, another company in charge of packaging, boxes, labeling, freight forwarding, among others; And these countless companies come together

to give that added value to a line of products. So, as long as it is possible in the free zones to consolidate these business clusters, it will be really positive to talk about promoting competitiveness.

Finally, as his recommendations for the use of the Free Zones, he determines that as long as there is no *benchmark*, and it is not implemented in the entities, not only of public stewardship, but also of control and regulation, it is not possible to achieve a significant change that promotes industrial competitiveness. Also he confirmed that as long as the procedures were not harmonised or standardised with the countries that have trade relations, our own regime could not be improved.

With the background presented above, and for a better understanding of the Free Trade Zones of Ecuador, its analysis will not only be from an economic approach, because despite the fact that the economic environment is fundamental for the critical interpretation of the correct or deficient functioning of the special regime studied, it must be complemented with the perspective of other equally important factors. such as those previously mentioned in the analysis at the international level.

2.4.1 Risk

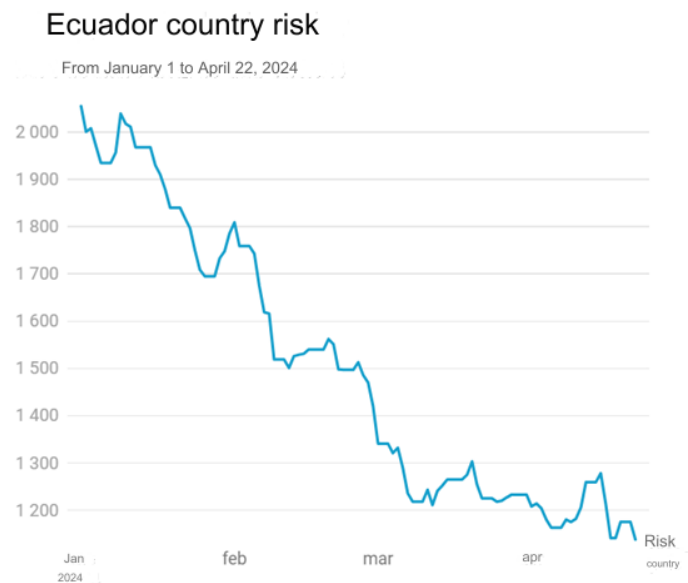
Country risk is the exposure to financial loss faced by investors, caused by macroeconomic and/or political problems that arise within the country that receives their investment, in other words, it is the degree of political-economic stability that is manifested in a territory. The higher the country risk, the higher the cost of international or domestic financing faced by potential investors, and the lower the possibility of attracting Foreign Direct Investment. José Luis Esparza (n.d.)

Attached to country risk, as determinants of its increase or decrease, are political risk and economic-financial risk.

- Political risk, being the expectation of losing investment due to the actions and governmental trajectory of the host country, both in unstable fiscal regulations, and in political changes that entail administrative risks, and therefore, a deficit in the quality of its public services (electricity, infrastructure, communication network).
- Economic-financial risk, in reference to the uncertainty of the response of the investment project, with the possibility of being positive or negative depending on the economic situation of the country.

The Republic of Ecuador is in the country risk indicator of the Central Bank of Ecuador until April 2024, with 1138 points, the lowest score in the year since the current President, Daniel Noboa Asín, assumed power in the country. The indicator exceeded 2000 points since November 2023, however, after the positive response of citizens in the popular consultation held in April of this year, confidence together with the possibility of accessing loans from international markets, increased significantly and favorably for the nation. (Vásconez, 2024)

Figure 4
Ecuador Country Risk Index



Note: From "Ecuador's country risk reaches 1138 points after popular consultation 2024", by the Central Bank of Ecuador, 2024 (<https://www.elcomercio.com/actualidad/negocios/riesgo-pais-ecuador-1138-puntos-consulta-popular-2024.html>). In the public domain.

Country risk directly affects the performance of Free Trade Zones, as they operate mainly through Foreign Direct Investment, or sometimes domestic investment. Despite offering all kinds of incentives, without interested investors, establishing a Free Trade Zone would not be viable, and instead, it would be counterproductive as it would waste the country's resources.

2.4.2 Political environment

It is stated in the first article that: Constitution of the Republic of Ecuador (2008) Ecuador is a constitutional state of rights and justice, social, democratic, sovereign, independent, unitary, intercultural, plurinational and secular. It is organized in the form of a republic and is governed in a decentralized manner. Sovereignty is vested in the people, whose will is the foundation of authority, and is exercised through the organs of public power and the forms of direct participation provided for in the Constitution. (p.3)

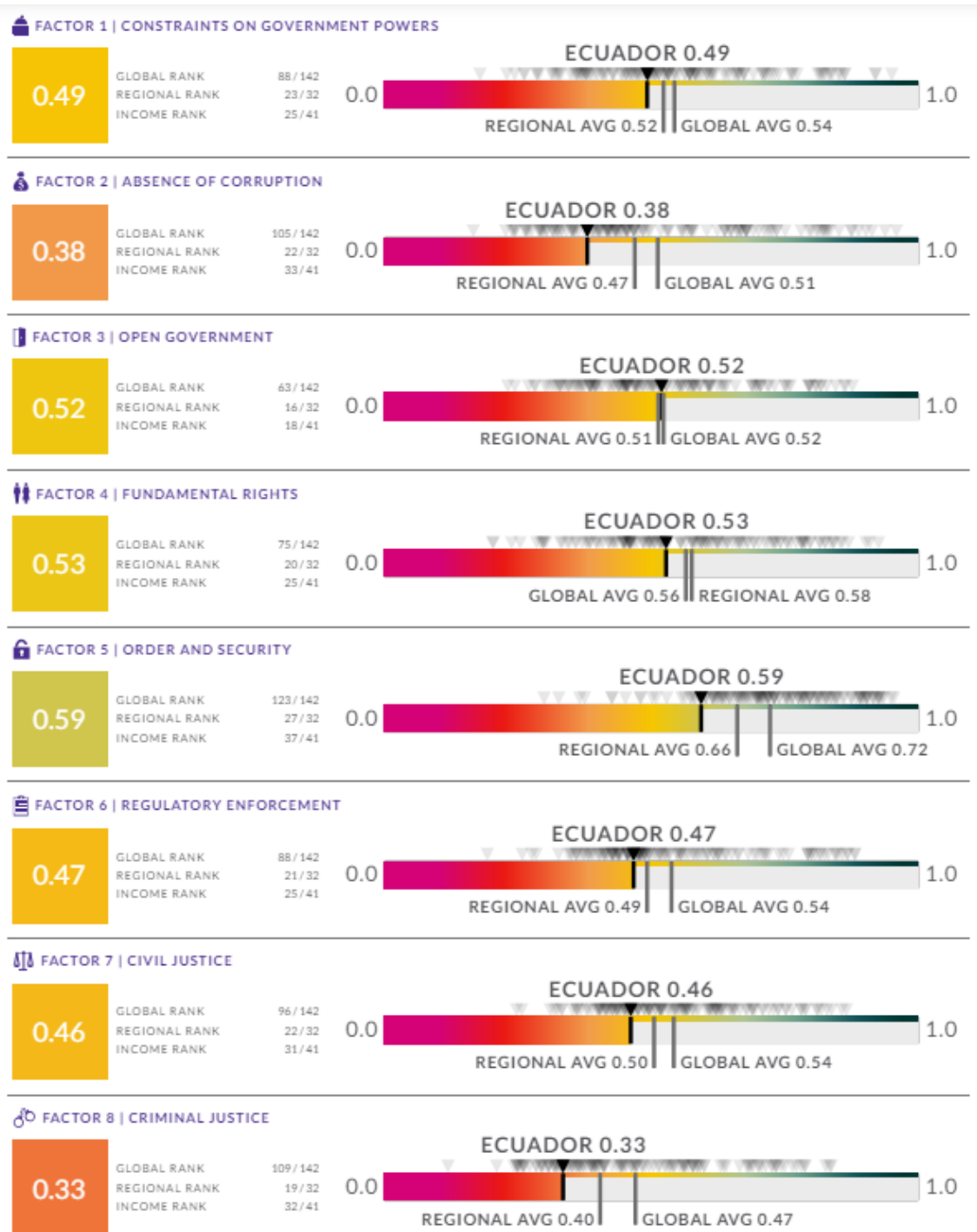
That is to say, Ecuador is a State of Law, which, in accordance with its Constitution, respects sovereignty and diversity, in the same way, abides by the law that has been established by the Legislative function of the Republic, which should make the country a safe place in which justice is properly administered. Even so, there are shortcomings in the democratic practice of the Ecuadorian nation, which are still in the process of positive restoration, in order to increase the confidence of investors who wish to establish themselves in the territory.

Since the political situation of a State is a determining factor for the establishment of new investments, the tool used worldwide to measure the level of compliance with justice within each Nation is the "WJP Rule of Law Index". Considered as a source of reliable data, which allows the implementation of the rule of law to be easily observed and understood. To determine a country's position, both globally and regionally, the index analyzes 8 determining factors, which are:

- Limitations on the powers of government.
- Absence of corruption.
- Open government.
- Fundamental rights.
- Order and security.
- Regulatory Enforcement.
- Civil justice.
- Criminal justice.

Based on the latest analysis carried out in 2023, and taking into account that the higher the figure, from 1 to 142, which are the total number of countries that have been studied, the less control there is over the condition specified among the 8 factors mentioned. In the specific case of Ecuador, it occupies position 96 out of 142 worldwide, and position 23 out of 32 at the regional level (Latin America and the Caribbean).

Figure 5
Factors Determining Ecuador's Rule of Law Score.



Note: From "WJP Rule of Law Index," by World Justice Project, 2023 (<https://worldjusticeproject.org/rule-of-law-index/global>). In the public domain.

As can be seen in the graph, one of the most worrying indicators, both globally and regionally, is order and security. Due to the different internal conflicts that the country has

gone through, from the wave of insecurity, the prison crisis and several attacks against citizens.

For this reason, the current Ecuadorian government, through the Popular Consultation that was held in April of this year, established most of the proposals focused on reforming national security and justice. Of the eleven questions between the Referendum and the Popular Consultation, nine, which are directly related to the increase of security and justice within the State, were approved by the voting citizens. These questions, which obtained the "Yes" of Ecuadorian citizens, are, in summary:

- Accept that the Armed Forces provide complementary support to the National Police to combat organized crime.
- Allow the extradition of Ecuadorians.
- Establishment of specialized constitutional jurisdictions.
- That the Armed Forces carry out control of weapons, ammunition, explosives and accessories, permanently in the streets.
- Increase the penalties for the crimes of terrorism and its financing, illicit production and trafficking of substances, organized crime, murder, contract killings, human trafficking, kidnapping for extortion, arms trafficking, money laundering and illegal activity of mining resources.
- That persons deprived of liberty serve their entire sentence.
- To establish the crime of possession or carrying of weapons, ammunition or components that are for the exclusive use of the Armed Forces or the National Police.
- That the weapons that were instruments or material objects of a crime may be destined for the immediate use of the National Police or the Armed Forces.
- That the State proceed to be the holder (owner) of the assets of illicit or unjustified origin (Written by BBC News World, 2024) .

With the support of the responses collected during the process of citizen participation through the Popular Consultation, the President must submit a reform bill after a maximum of 5 days from the official publication of the results, so that the approved reforms can be implemented, in addition the National Assembly must decide whether or not to approve them. within a maximum period of 60 days (Sanchez, 2024) . One of the reasons why the Popular Consultation was necessary is because with the implementation of these reforms to the Constitution of the Republic of Ecuador, the government is projected to generate a safer

environment, both for civilians visiting or residing in the country, as well as to maintain and in turn, attract investment.

2.4.3 Economic environment

The economic advantage that notably differentiates Ecuador from the rest of the region (Latin America and the Caribbean), and which is fundamental to understanding the country's economic analysis, is its monetary policy. The Ecuadorian state has not had the possibility of issuing its own currency since the beginning of 2000, a period in which, under the presidential mandate of lawyer Jamil Mahuad, Ecuador renounced its own monetary regime, the sucre, adopting the US monetary policy, the dollar.

Despite the unfortunate circumstances that led the country to implement the dollar as the official currency, this system, despite the limitations it implies, has evolved from its application to the present, generating monetary and financial stability, necessary to allow optimal conditions to receive Foreign Direct Investment. The use of the dollar, being a strong currency controlled from abroad (the United States being the main issuer), provides a certain security and confidence to businessmen who consider investing their money in Ecuador, since international markets feel supported by a solid financial system guaranteed by the Ecuadorian State. (El Comercio Newsroom, 2023)

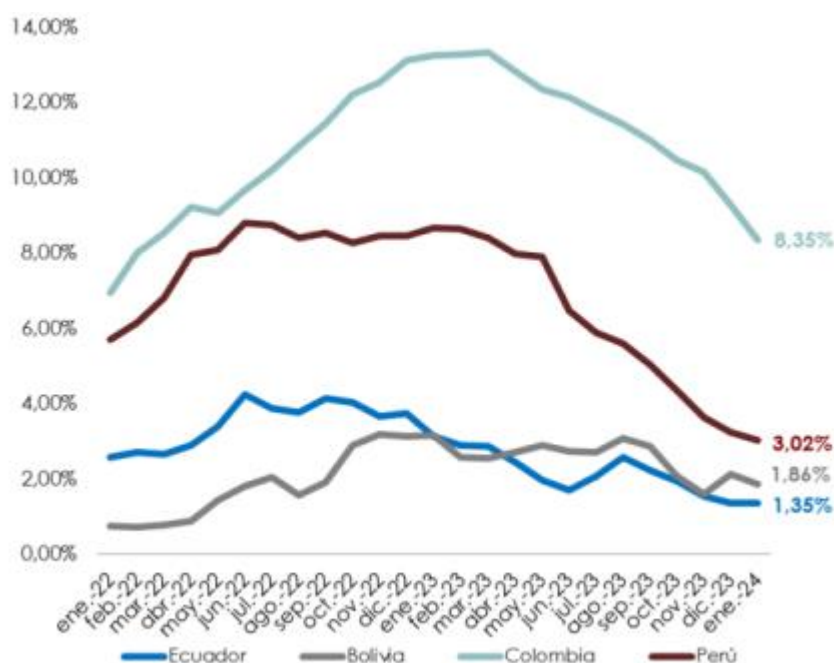
The Republic of Ecuador is the preferred destination in Latin America for foreign investors, since, compared to the economic-financial environment of other Latin American countries that manage their own currency, Ecuador has been able to maintain stability in the face of inflation.

Inflation directly affects the purchasing power of citizens and the sales of companies, that is, the higher the inflation, the lower the purchasing power of people, so consumption will decrease significantly, affecting the sale and production of companies. In this way, inflation inevitably causes the devaluation of the local currency, since, if a country is going through high inflation rates, its currency tends to decrease in value compared to other foreign currencies, putting at risk the investments that are in the country, since the expected return of these will no longer be the same. due to the increase in prices and expenses implied by inflation. For example, supposing that a Colombian businessman makes an investment in a company that operates in dollars within Colombia, the country where the Colombian peso is handled, and the same nation, due to a financial crisis, devalues its currency, by transforming

said investment, and converting the dollars to Colombian pesos, the investor loses money because of this devaluation. Because of the devaluation of the peso against the dollar, you will receive less money than you invested in your initial investment. (My Finances Writing, 2024)

Ecuador, by managing a dollarized monetary system, which is not typical of the nation, completely lacks the option of devaluing the currency that circulates internally, definitively eliminating the risk that businessmen run of losing money in long-term or short-term investments, in addition, managing such a system allows the country to maintain its annual inflation lower than the other countries in the region.

Figure 6
Inflation levels of CAN members



Note: From "Technical Bulletin No. 02-2024-IPC", by INEC, 2024 (https://www.ecuadorencifras.gob.ec/documentos/web-inec/Inflacion/2024/Febrero/Boletin_tecnico_02-2024-IPC.pdf). In the public domain

As can be seen in the chart, Ecuador, compared to its neighboring countries, which are also members of the CAN, maintains the lowest level of inflation until January 2024.

Stable and controlled inflation within the Ecuadorian State has allowed it to register an average growth of 2.8% in its domestic economy in the last 20 years, according to data from the International Monetary Fund, Ecuador registered a growth of 1.8% in 2023, projecting a growth of 1.8% in 2024 and 2% in 2025. In terms of GDP, the sectors that contribute to GDP are the manufacturing sector, contributing 14.8%, and Trade, contributing

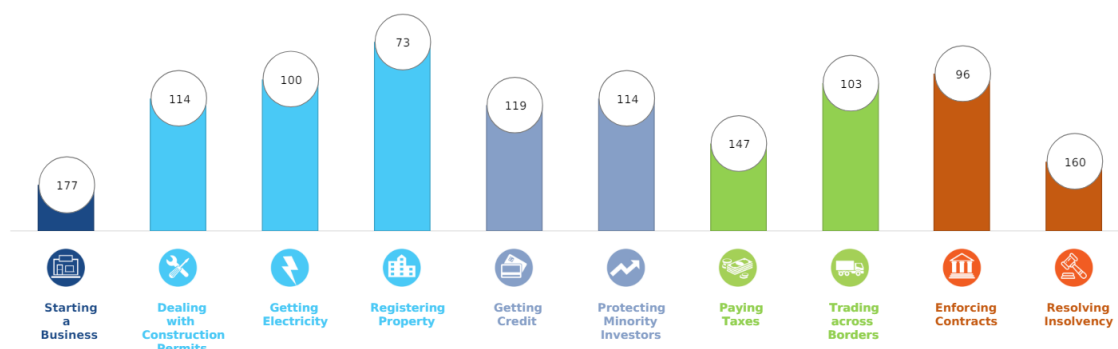
10.3%. Regarding the flow of FDI, the second economic activity that receives the most investment in Ecuador is trade, which received around 67 million dollars in 2023, this investment, in order to facilitate trade, has been channeled as far as possible to improve strategic sectors, such as the development of port and airport infrastructure, among others (*Tourism Doing Business – Investing in Ecuador.* , 2024) .

The government's effort to channel investments to the improvement of infrastructure that facilitates foreign trade, through ports and airports, where Free Trade Zones are generally established, greatly improves their chances of success, since it must be remembered that one of the factors that make one Free Trade Zone competitive and distinguishes it from another, it's the modern infrastructure.

2.4.4 Business environment

In order for a company to establish itself in a territory, it analyzes the business environment offered by the countries it considers as options, to facilitate this analysis, there is the *Doing Business* report , a tool created and updated annually by the World Bank, this report gathers and compares fundamental information that allows evaluating the business environment established by each economy. The rating ranges from 1 to 190, interpreted in such a way that the higher the range, the less beneficial your environment is. Ecuador, until the latest *Doing Business* report that analyzes the year 2019, after averaging the individual rating of each factor, ranks 129 out of 190 at the regional level.

Figure 7
Ranking doing business Ecuador



Note: From "ease of doing business in Ecuador", by Doing Business, 2020 (<https://archive.doingbusiness.org/es/data/exploreconomies/ecuador>). In the public domain.

In the breakdown observed in the figure, the rating that stands out as the most worrying is "starting a business", this factor mainly analyzes the number of procedures and the time it takes to start a business. The rating assigned to Ecuador in this area presumes that the main obstacle that hinders the attraction of investments to the country is the inefficient management of the internal bureaucracy and the time it takes an investor to investigate the current situation of the country.

To mitigate this rating, and project the country to a better regional ranking, in 2019, the Ministry of Production, Foreign Trade, Investment and Fisheries, together with the Inter-American Development Bank, hereinafter IDB, signed a financing agreement aimed at the creation of the "Single Window for Investments in Ecuador", hereinafter VUI. This project, currently implemented, seeks to facilitate and reduce the times, costs and number of procedures for the start of the investment process. The way the VUI operates is through physical spaces, in which the necessary state entities meet to provide effective accompaniment and facilities to the investor. (Ministry of Production, Foreign Trade, Investment and Fisheries, 2019)

The VUI provides services that streamline and simplify the settlement of foreign and national investments in Ecuador. Through its digital platform, which can be easily accessed through any technological device with internet access, and from anywhere in the world, this website offers options such as:

- Download the Investor's Guide: which summarizes the current profile of the country, the current and necessary processes to operate within Ecuadorian territory, competitive advantages, incentives and investment opportunities.
- Personalized advice according to the needs of the interested party.
- Up-to-date news section, among others.

2.5 Shortcomings of Ecuadorian Free Trade Zones

2.5.1 Radical regulatory changes

The legal framework governing Ecuador's Free Trade Zones, which was in force until 2010, is summarized in the following legal bodies, starting with Law No. 1267, which created the Free Trade Zone Regime in 1985, then the General Law on Free Zones, together with its regulations in 1991, the latter being reformed in 1994 and then in 1999, to finally

have the COPCI in force since 2010, last reformed in 2023, through the Organic Law on Economic Efficiency and Employment Generation, and its respective regulations.

One of the first, and among the most relevant, Free Trade Zones in Ecuadorian territory was "Zoframa", strategically located 15 kilometers from the port of Manta; which, through the favorable opinion of the regulatory body at that time, the National Council of Free Zones, was approved to operate within Ecuador in 1996; likewise, under the Free Zones Law, Within the area delimited for the operation of Zoframa, 4 activities could be carried out, industrial, commercial, services and tourist services, even so in Zoframa only industrial and commercial activities were carried out. Although the Manabi Free Trade Zone initially had 17 operational users, who contributed positively to the economy and offered a high rate of employment, mostly in maquila, they themselves, for different reasons, left the area over time, leaving only 3 companies to operate. One of the reasons for its definitive closure was the evident lack of profitability, both for the owners of the companies and for the administrators of Zoframa, but the cause with greater weight was the abrupt change of regulations, by establishing new requirements, including the change of name to ZEDE and repealing the Free Trade Zones Law. Zoframa ceased operating under the free regime in 2010 (Pinargote-Alonzo, 2015) .

The constant reforms and repeals to the law, mainly those that affect the operation of the Free Trade Zones, have been one of the first shortcomings that hinder their proper performance, especially in Ecuadorian territory, since there is no clarity and security in the regulations, negatively influences the expectations given to the customs regime and gives way to the demotivation of potential investors. starting from national investment. It should be noted that updating the law to improve the operability of Free Trade Zones at a global level is necessary, because with the constant innovation around the world of trade, not doing so would be a notable disadvantage, in fact, many countries constantly update the regulations of their free trade regimes to make the most of them. However, in the Ecuadorian State, the reforms and repeals of the Law are mainly due to the change of the political leaders and their ideologies, since most of the time, their thinking is contrary to what the government proposed prior to its mandate, which results in that, when trying to implement its new vision for the Free Trade Zones in the time that its government lasts (4 years), they drastically change the laws and do not give the necessary results. Expected results, creating instability and confusion as to the aforementioned customs destination, that is, all the effort put into the

process of adapting to the regulations and enacting them, is totally ruined and useless when the rulers are changed.

2.5.2 Poor spread of the regime and lack of effective communication

The scarce or almost non-existent dissemination of the Free Trade Zone regime in Ecuador has been another of the shortcomings that have hindered the attraction of national and foreign investments, because although there are articles on the free trade regime in Ecuador, as well as tools that disseminate information on investment processes, they focus on promoting only tax and tariff incentives. There are few publications that detail the true operation of the Free Trade Zones and the added value they provide from the national to the international level.

Through an interview with the expert in Foreign Trade and Customs Control, Patricio Moyano, who shares his experience after having participated in Customs Control within what was one of the first, and among the most important Free Trade Zones in the country during the year 2008, "Zoframa"; It establishes that one of the determining factors for the closure of the same, and which directly affects the others, is the lack of effective communication directly with the population of the sectors that are proposed to be part of the free regime. At the time of spreading the free regime in the country, SMEs are ignored, which are the companies that have the immediate potential to boost the economy within this customs destination, because although due to their size, many of them do not have the economic or productive capacity to form part of a Free Trade Zone on their own, By coming together, they can form clusters or value chains, which would ignite an effective and immediate economic engine for the operation of the regime in the country. When considering the union of SMEs in order to operate in a Free Trade Zone, it is essential that there is adequate communication in the first instance, not only to encourage them to be part of the customs destination, but also to be a way of training them for the same, which is a preparation so that, using their products, they can be able to use their products. collaborate with more companies in the same sector in which they operate.

Among the solutions to give visibility and promote Free Trade Zones, the current Minister of Production, Foreign Trade, Investment and Fisheries, lawyer Sonsoles García, has facilitated several interviews in the media in which she explains not only the tax and customs benefits of Free Trade Zones, but also discloses the details of operability and advantages that are generated. both for the users or investors of the Free Trade Zones, as

well as for Ecuadorian citizens in general, especially emphasizes the opportunity to form clusters with Ecuadorian SMEs and move them to a Free Trade Zone, it has approached all types of entrepreneurs through public and private conferences, seeking to motivate them to be part of the free trade regime. In addition to the previously mentioned activities by Minister García, with the aim of facilitating the understanding of concepts and making them accessible to the public at any time, she disseminates accurate, summarized and short information on the Free Trade Zones through her official social networks.

2.5.3 Coordination of Customs Control

Magister Patricio Moyano, having participated directly in the Customs Control of a Free Trade Zone as relevant for the country as Zoframa was, shares that, during his service to it in 2008, the novelty of the free regime within customs matters, was the omission of some processes that are carried out as part of the Customs Control. As the Free Trade Zones are considered extraterritorial, they are not subject to the customs formalities that apply in the rest of the country, which leads to the facilitation and acceleration of Customs Control within the free trade regime. Even so, the Customs Surveillance Corps (CVA) remained 24 hours a day in the area established as a Free Trade Zone, as in this way they carried out the necessary inspections, which consisted of everything from the correct review and control of the documents for the entry and exit of the goods, to tours of the surroundings of the establishment in order to prevent illegal actions from being discussed. such as the clandestine entry and exit of goods, in addition to this route, they had an internal video-surveillance circuit that facilitated supervision. The main obstacle to Customs Control is when assigning AVC officials to the Free Trade Zone, expert Mgtr. Moyano comments that there were few personnel to carry out Customs Control, since there was only a rotation of two people for a full 24-hour shift, thus leaving a single official in charge of carrying out all the activities mentioned above. which, by default, complicated the objective of streamlining Customs Control processes.

2.5.4 Non-compliance with projects

The President of the Republic may issue bills according to the needs of the State, there have been several bills that have been approved by the National Assembly of Ecuador for their execution, but several have also been denied by it. Whether due to issues of political preference or internal conflicts, the approval and fulfillment of projects is hampered by the lack of cooperation between the entities involved. Generally, dissent begins between the

Executive and the Legislative branches, which, if they do not agree, end up rejecting project proposals; In the event that collaboration is achieved by the two functions, and the project obtains a favorable opinion, the next obstacle is to obtain financing for its execution, which will depend on the Ministry of Economy, in charge of administering the national budget, and so consecutively, the approval and support of the different ministries is needed.

For example, the Austro dry port project, despite having been strongly promoted by SENAE and having government support, has not made significant progress so far, in addition to the fact that there is no clarity or depth in the little information published. Likewise, the project is not among those approved for execution, because according to lawyer Pablo Cevallos, secretary of Public-Private Investments, the only project planned, and not yet fully approved to be carried out in the province of Azuay, is the minimum maintenance of roads (El Mercurio Newsroom, 2024) .

2.5.5 Poor infrastructure and lack of industrial land

The determining factor that has hindered the development of Ecuadorian Free Trade Zones is the lack of basic infrastructure. The importance of infrastructure, mainly ports and airports, which are the entry and exit gates for goods, is mentioned repeatedly throughout the research. Although Ecuador has international airports within its territory, very few have good capacity to develop foreign trade activities. The lack of budget is the main cause of the country's deficient infrastructure, according to the former head of the Vice Ministry of Infrastructure, architect Carolina Ormaza, the budget assigned to the Ministry of Transport and Public Works will be used for the late payment of projects that are in execution, and for the minor maintenance of main roads. among them the Cuenca-Girón-Pasaje road, which requires urgent reconstruction, since it connects internally the flow of goods between the coast and the mountains of the country (Bnamericas Newsroom, 2024) .

The Austro dry port project, mentioned in the previous section, is planned to be established in the province of Cañar, benefiting the circulation of goods in the south of the country, especially for the provinces of Azuay and Morona Santiago; the dry port of the Austro, being a primary area destined to carry out the same customs operations that are carried out in the Customs of the Maritime Port of Guayaquil, and which will be located in the interior of the country, its operation will inevitably depend on the customs operation of transfer, which, in short, is the transport of goods from one primary zone to another under customs authority, The transfer may be by sea, air or land. (Villacis, 2024)

The specific location planned for the dry port is in the Xavier Loyola parish of Azogues, so the highway that connects the city of Cuenca with Azogues, is one of the first options for the arrival of the goods, however, the land route that connects Azuay with the province of Guayas, where the Maritime Port of Guayaquil is located, It is in deplorable condition. In order to draw the attention of the MTOP, the Citizen Assembly "Great Crusade for the Roads of Azuay" formed in 2023, has developed efforts in order to be assigned an adequate budget for the maintenance of this road, without obtaining favorable results to date, since the Cuenca-Molleturo-El Empalme road is considered one of the most dangerous in Ecuador, both due to natural disasters, such as landslides and landslides, among others, that affect the road infrastructure, and due to criminal gangs that assault vehicles that circulate on it. (Campoverde, 2024a)

The second option for the arrival of goods to the dry port from the Maritime Port of Guayaquil is by air, although Azogues does not have an airport, the closest is located half an hour away, in the city of Cuenca. However, the Mariscal La Mar airport in Cuenca is located within the urban area, so its runway does not have the capacity or breadth for the safety of the landing of cargo planes, in addition, it is constantly subjected to various maintenance processes, so its operation is paused for indeterminate periods of time. As a response to this obstacle, the current mayor of Cuenca, engineer Cristian Zamora, has correctly managed with the mayor's office of Guayaquil, the loan of meteorological equipment necessary to carry out the feasibility study of implementing a new airport in the limits of the city, specifically in Tarqui, in order for it to fulfill the function of an international airport. (Campoverde, 2024)

2.5.6 Late Innovation

Through an interview with the current General Manager of the ZEDE del Litoral, engineer Paquita Cucalón, she contributes from her professional experience, establishing in the first place that it is not enough to create rules or regulatory regulations for Free Trade Zones, since the country must offer in the first instance, an appropriate scenario for the needs of the company that comes to invest in the territory. Taking into account that it arrives with a strongly advanced dynamism, the country must be coupled with the necessary agility and flexibility to avoid extensive bureaucratic processes that demotivate investors.

He also contributes, with his point of view on the lack of vision that the governments of the day give to the Free Trade Zones, because it is not a question of these spaces

flourishing overnight, or in 3 years, but that a future vision of at least 50 years is needed, and in addition to the time that must be dedicated to them, You should also think about what kind of investments you want to attract and keep in the country. For example, during the construction of the deep-water port of Posorja, the international companies that participated in the construction of the port arrived, made money for the construction of the port and left, without leaving any knowledge, limiting the port to hiring their services every time maintenance is required, which leaves this Free Trade Zone at a disadvantage. It should aspire to the transfer and maintenance of knowledge so as not to depend on the skills of a third party, and instead apply this acquired knowledge and improve it according to its needs.

She concludes her speech with the reflection that, currently, it is not even necessary to invent new products to stand out in development, but they must focus on innovating existing processes, successfully applied in other countries and disseminating them, "we need people who think differently so it is very good to share it, I received it and I transmit it because I am convinced that this is how it should be".

From the interview conducted with the expert in ZEDES and Free Zones, the engineer Paquita Cucalón, it can be concluded based on her contributions that Ecuador does not have a competitive level of innovation, since the vision to which governments should aim for the Free Trade Zones that are developed in Ecuador is that they attract investments in order to transfer and maintain knowledge. not only to attract investors who see Ecuadorian Free Trade Zones as an extension of their wealth that will depend on third parties for their maintenance and operation.

CHAPTER 3

3. OPPORTUNITIES FOR ECUADORIAN FREE ZONES

3.1 Reasons to invest in Ecuador's Free Trade Zones

3.1.1 Balance of trade

Ecuador's Trade Balance, according to ECB data in the months of January and February 2024, registered a surplus of USD 1,118.2 million, which represented an increase of USD 862.4 million, compared to the same period in 2023. In other words, Ecuador imports fewer products and services than it exports, generating more income than outflows. It must be taken into account that, in this period, traditional exports were below non-traditional exports, as the latter experienced an increase of 3.8%, this percentage presumes that the export of *commodities* is lower, and that the diversification of exportable products is growing, especially in manufactures ("Evolution of the Trade Balance by Product January – February 2024", 2024).

The Trade Balance of a country is a key indicator of trade growth at the international level, if there is a surplus, as mentioned in the case of Ecuador, it means that the country obtained profits that are reflected as an additional budget to the nation, which can be used to increase the standard of living of citizens through public investment. (Avatrade Newsroom, n.d.)

Investing in an Ecuadorian Free Trade Zone would further increase the diversification of exports, which would benefit both foreign investors and residents of the country, since it must be remembered that these spaces provide the opportunity to form value chains and clusters that, in addition to lowering the costs of producing merchandise for export, attract more FDI to the Free Trade Zones.

3.1.2 Trade Agreements

Free trade is beneficial for countries, since, through trade agreements, they are allowed to expand their markets, increase competition and achieve economies of scale that contribute to the development of both the global and domestic economy. that encourages them to promote the development of implementing an added value to their products, so that they evolve and are not only exporters of raw materials and *commodities* (Jaramillo & Tonon, 2023).

Ecuador is an active member of the World Trade Organization, which according to the official website of the Ministry of Production, Foreign Trade, Investment and Fisheries, currently has 12 trade agreements in force, which are:

- 1) Cartagena Agreement (Subregional Integration with the Andean Community of Nations).
- 2) Partial Scope Agreement on Economic Complementarity with Cuba.
- 3) Partial Scope Agreement with Mexico.
- 4) Economic Complementarity Agreement with Mercosur.
- 5) Economic Complementarity Agreement with Chile.
- 6) Partial Scope Agreement on Economic Complementarity with Guatemala.
- 7) Multi-Party Trade Agreement with the European Union (EU).
- 8) Partial Scope Agreement with Nicaragua.
- 9) Partial Scope Agreement on Economic Complementarity with El Salvador.
- 10) Inclusive Economic Partnership Agreement (EPP) with EFTA countries (Iceland, Liechtenstein, Norway and Switzerland).
- 11) Agreement with the United Kingdom.
- 12) Free Trade Agreement with China.

Ecuador maintains good trade relations with its entire region through Economic Complementarity Agreements, but it also maintains strategic foreign trade relations with countries on the European continent, and recently, through the FTA with China, on the Asian continent. Its trade agreements allow the country to diversify its options for importing and exporting goods and services, i.e., by activating trade agreements, importers benefit from the low price at which they can purchase foreign products, while exporters benefit from being able to enter their products into foreign countries by paying minimal or no foreign trade tariffs.

3.1.3 Human Talent

The investment aimed at strengthening the higher education of Ecuadorian citizens, until 2023 was approximately 1.3 million dollars, the largest amount invested in the education sector in the last decade. In order to improve the skills and training of students, the Secretariat of Higher Education, Science, Technology and Innovation (Senescyt), in addition to having established priority lines of research, intends to open a Public Institute

of Artisans, in which citizens can validate and formalize their craft profession ("Investor's Guide," 2023) .

Free Trade Zones are an opportunity for innovation, which require qualified labor for the management of technology that they handle in the development processes of their activities, so, in addition to generating jobs for professionals trained in the host country and avoiding the brain drain from the territory where they are established, According to the needs of the company established under the free regime, it will provide the necessary training and knowledge transfer to its employees, which significantly improves the internal production and capacity of the local workforce.

3.1.4 Successful Free Trade Zones within Ecuadorian territory

The Special Economic Development Zone, ZEDE del Litoral, created in 2017, and operating since 2018, is located in Guayaquil, Ecuador. It focuses on creating spaces for innovation, which contribute to the development of new industries based on technology transfer to improve the country's competitiveness.

The ZEDE del Litoral is the most successful free trade regime in Ecuador today, due to the fact that it effectively complies with factors from the smallest to the most complex. Starting by listing its minimal but noteworthy elements such as:

- Its website: updated up-to-date on news related to the ZEDE del Litoral, and in which you can find the summary of its vision and mission.
- Ease of contact: On its website, an e-mail address is available to anyone who is interested in the activities of the ZEDE, which efficiently and quickly manages the requirements and doubts of those who consult it, giving the experience of personalized attention to those interested in its activities.
- Openness and transparency: the good attitude and openness of the employees of the ZEDE del Litoral, gives a significant value to it, because from the first contact by email, to the willingness and transparency with which the General Manager provides the necessary information, they create a favorable environment, which undoubtedly facilitates the negotiation with their potential investors.

In addition to the small details that facilitate the creation of a favorable negotiation environment with the ZEDE del Litoral, it meets key factors for the success of its development, such as:

- Strategic location: It connects directly with the largest road network in Ecuador through the Perimetral road, which crosses Guayaquil from north to south, and if necessary, emergency services such as police or firefighters are nearby.
- Constant innovation: Collaborating with the University "Escuela Superior Politécnica del Litoral" ESPOL, allows the ZEDE to have access to advanced research laboratories and trained professionals.

CONCLUSIONS

The implementation of Free Trade Zones worldwide has generated a business environment and a competitive economic environment, which encourages the nations that implement one of these spaces, to improve from their internal factors, and seek their own added value, to compete abroad for the settlement of investments in their territories. The attraction of FDI is increasingly complex according to the evolution of the needs of the different sectors of the economy, so the adaptability and flexibility offered in the first instance by host countries must be positioned at a strategic level that can highlight them among other Free Trade Zones. The adaptability of countries to receive FDI in their Free Trade Zones and maintain it is reflected in determining factors such as:

- Legal certainty and political stability: in addition to clear and concise regulations, government support is essential to fully exploit the performance of a Free Trade Zone.
- Infrastructure: If there are not optimal conditions and basic resources for the efficient development of a company in a country, the company will find more options that do meet its requirements.
- Innovation: The demands of companies are in constant development, the most successful Free Trade Zones worldwide easily adapt to the requirements of their investors, often without the need to invent new processes, instead, they achieve it by adapting to processes already developed in other territories, thus saving resources and facilitating activities for their users.
- Strategic vision: No Free Trade Zone is the same as another, there are several typologies around the world, generally classified to offer spaces focused on the development of commercial or logistics activities, but there are also Free Zones focused on the development of environmental sustainability, or new technologies, both typologies, completely different, but equally successful according to the objectives they have set themselves to meet.
- Knowledge exchange: One of the main objectives of a Free Trade Zone should be to create spaces that allow different companies, generally dedicated to the same sector, to coexist with each other and form strategic alliances (clusters) that allow mutual benefit, to form value chains and generate their own knowledge, which they can disseminate in the long term.

When analyzing the development of Free Trade Zones in Ecuador, it can be seen that the main shortcomings that have discouraged their implementation are mainly due to conflicts that originate from the country's government administration. The experts in Free Trade Zones and Zedes of Ecuador who were interviewed agree from their experience that the key points that hindered and continue to hinder the development of Free Zones are:

- Political instability: experts agree that the constant repeal of the regulations, which entails changes in the name of the free regime, and its operability, confuses and discourages foreign and national investors, not having the guarantee of compliance and being at the mercy of the law issued by the government of the day. It does not give an environment of confidence to the investor, so he prefers to settle his investment in another territory.
- Vision of Free Trade Zones: those established in ports and airports, have worked well in the country, however, they have stagnated to be only for the import and export of primary products that enter and leave Ecuador with tax exemptions, there is no real evolution, nor a transcendental regulation that highlights and promotes the Free Trade Zones of the country, to attract the attention of foreign investors.
- Promotion and promotion of competitiveness: Márquez contributes significantly to the research with his point of view that differentiates the promotion of competitiveness and promoting it, he highlights that the country does not need to promote its Free Trade Zone, since it is a well-known regime that has been implemented internationally, however, business competitiveness must be promoted, grouping companies dedicated to the same sector to form a cluster, in which, with the necessary cooperation, a value chain can be formed.
- Knowledge exchange: The operation of Ecuador's Free Trade Zones is affected by the lack of trained labor, which leads to dependence on third parties to implement and maintain the technology that is acquired, Cocalón affirms that, as long as knowledge is not maintained and transferred, Ecuadorian Free Trade Zones will run the risk of permanently depending on third parties.
- Lack of effective communication: the expert in Foreign Trade and Customs Control, Mgst. Patricio Moyano, considers from his experience, that another of the shortcomings that stagnate the performance of the Free Trade Zones, is the

lack of communication, especially aimed at SMEs, who are unaware of the opportunity they have to cooperate with each other to form clusters within the Free Trade Zones, they lose the possibility of activating and promoting the domestic economy, which would benefit them and the country as a whole.

In addition to meeting the objectives set at the beginning of the titling work, during the process of identifying the shortcomings that obstruct the development of Free Trade Zones in Ecuador, this research work also provides information collected and analyzed on the solutions and possible options that the current government has proposed to improve performance and attract more FDI. One of the main problems when investing in Ecuador is country risk, which has been strongly affected by legal instability and State insecurity, for this reason, the current President of the Republic, through the Popular Consultation held in April 2024, proposed solutions to control the country's insecurity. Once they obtain the positive support of Ecuadorian citizens, they will be implemented after the acceptance of the National Assembly of Ecuador. In the same vein, the ranking of the Ecuadorian State in the doing business indexes is not the best, especially in terms of the inefficient control of the bureaucracy, in order to improve its rating and facilitate its bureaucratic processes, the Ministry of Production, Foreign Trade, Investment and Fisheries, together with the IDB, implement the VUI, a physical and digital service that greatly facilitates access to relevant information about the country.

Despite the shortcomings found in the evolution of Ecuadorian Free Trade Zones, there are reasons that encourage investment in them. The Trade Balance, for example, in the last period, January-February 2024, presents a surplus, which gives Ecuador a competitive advantage, since a country that exports and sells in greater quantity than it imports and buys, is a characteristic that raises the visibility of the nation among investors.

Another little-mentioned reason, which also gives the country an advantage, is the Trade Agreements it has; The opportunity to import and export goods and services to countries that facilitate the possibility of their circulation, and also offer exemption from the payment of tariffs, greatly diversifies the Ecuadorian market.

Without leaving aside the opportunity provided by Free Trade Zones to develop trained human talent, and avoid the brain drain from the country, it is one of the most undervalued reasons today. Generally, the companies that set up in the Free Trade Zones bring with them advanced machinery and technology, so they offer employment to trained

professionals, or instead, the companies themselves are in charge of disseminating knowledge to their employees so that they can develop the necessary activities.

Finally, despite the fact that the Organic Law on Economic Efficiency and Employment Generation is a great step forward in improving and encouraging the operation of Free Trade Zones in the country, even so, it does not correctly cover all the needs faced by the analyzed customs destination, so it could be considered as the first step to improve the performance of the Ecuadorian customs regime. but not the definitive solution to achieve the success that other countries have had.

RECOMMENDATIONS

Derived from the analysis and research carried out during the titling work, several improvements are necessary to focus on the strategies for the promotion of the creation and use of Free Trade Zones in Ecuador, since there are several shortcomings that are still not resolved to improve the performance of the studied customs destination. The following recommendations are proposed:

Begin to promote the participation and establishment of Ecuadorian SMEs within the free trade regime, facilitating training and creating spaces that allow their owners to interact with other entrepreneurs who work in the same sector, giving them the option of cooperating with each other according to their needs. Likewise, assume the responsibility of communicating effectively about the operation of the free regime.

Seriously consider measures to curb or reduce legal instability, since the constant repeal of Ecuadorian laws that affect Free Trade Zones has led investors to establish themselves in territories that do guarantee compliance with the clauses they sign at the beginning of a contract.

Give a different approach to the establishment of new Free Trade Zones, coupling the idea of innovation as part of the production process, in order to leave aside commodities, and prioritize the export and circulation of value-added goods.

Prioritizing basic infrastructure within the country, international mobility such as seaports and airports, is important, even so, the maintenance of roads that allow internal mobility should not be neglected, taking into account that the land roads that connect the country are essential when moving goods to or from the Free Trade Zones.

REFERENCES

- 5 benefits of dollarization in Ecuador, after 23 years. (2023, January 10). *Trade*. <https://www.elcomercio.com/actualidad/negocios/dolarizacion-ecuador-aniversario-enero-2023.html>
- Acosta-Burneo, A. (2024). The FREE ZONES are an important step forward, but their SUCCESS requires complementary measures: In X. <https://twitter.com/ALBERTOACOSTAB/status/1737860547998044287>
- Ahmed, Pervaiz., Shepherd, Charles., Ramos, Letincia., & Ramos, Claudia. (2019). *INNOVATION MANAGEMENT* (1st ed.). <https://dspace.itsjapon.edu.ec/jspui/bitstream/123456789/531/1/Administracion%20de%20la%20Innovacion%20K.%20Ahmed.pdf>
- Arévalo-Luna, G. A., & Arevalo-Lizarazo, G. A. (2019). Free Trade Zones in Colombia: Business and Regional Development 2009 - 2016. *Notes from Cenes*, 38(68), 151–184. <https://doi.org/10.19053/01203053.v38.n68.2019.8406>
- Barbosa, J., & Barone, V. (2017, July). The extraterritoriality, exclusivity, and obligatory nature of the master plan, among other issues, become necessary to understand the figure and its important tax effects. *TAX MAGAZINE N°:202*, 19–24.
- Blanco-Valbuena, C. E., & Pineda, W. (2019). Knowledge transfer as a critical factor for the management of science, technology and innovation in Maloka Bogotá, Colombia. *Inter-American Journal of Research, Education and Pedagogy, RIIEP*, 12(2), 41–70. <https://doi.org/10.15332/25005421.5008>
- Technical Bulletin No. 02-2024-IPC. (2024). In *The National Institute of Statistics and Censuses (INEC)*. https://www.ecuadorencifras.gob.ec/documentos/web-inec/Inflacion/2024/Febrero/Boletin_tecnico_02-2024-IPC.pdf
- Calvopiña, S. (2013). *Analysis and evaluation of the Free Trade Zone Regime "Metrozona - Quito" and its impact on foreign trade*. [Master's Degree in Taxation]. Universidad Andina Simón Bolívar, Ecuador.
- Campoverde, F. (2024a). Azuay Highways: Citizens' Assembly insists that the Government deliver resources. In *El Mercurio*. <https://elmercurio.com.ec/2024/05/10/vialidad-azuay-asamblea-insiste-entrega-recursos/>
- Campoverde, F. (2024b, May 9). *New airport in Cuenca: Municipality of Guayaquil approves the loan of equipment to measure its feasibility*. <https://elmercurio.com.ec/2024/05/09/nuevo-aeropuerto-cuenca-concejo-guayaquil-presta-equipos/>
- Celi, E. (2024, January 8). Popular query: the question about casinos raises alarms about money laundering. *Firstfruits*. <https://www.primicias.ec/noticias/politica/consulta-popular-casinos-empleos-lavado-dinero/#:~:text=Aseguran%20que%20cuando%20se%20cerraron,que%20operaban%20en%20el%20pa%C3%ADs.>
- Cevallos, P. (2024, April 21). We have 8 projects to attract private investment. *The Mercury*.
- CIS computing. (2024, April 9). *Websites: The key ingredient for business success in the digital age*. <https://www.cisinformatica.cat/es/evolucion-de-la-ciberseguridad/>
- Organic Code of Production, Trade and Investment, COPCI*. (2010). www.lexis.com.ec.
- Tax Code*. (2005).
- Commission of the Andean Community. (2004). ANDEAN REGIME ON CUSTOMS CONTROL: Cartagena Agreement Decision 574. At the *National Customs Service of Ecuador*. https://www.aduana.gob.ec/files/pro/leg/tra/a2_may_2015_Acuerdo_Cartagena574.pdf
- Constitution of the Republic of Ecuador*. (2008). [Lexis.com](http://www.lexis.com)
- Constitution of the Republic of Ecuador*. (2008). <https://zone.lexis.com.ec>
- What is the importance of the Port of Singapore for international trade?* (2022, November 10). Marinno Logistics Innovation. <https://marinno.com.mx/cual-es-la-importancia-del-puerto-de-singapur-para-el-comercio-internacional/>
- Doing Business-Ecuador*. (2020). DOING BUSINESS. <https://archive.doingbusiness.org/es/data/exploreconomies/ecuador>

- Ecuador can increase its exports by up to US\$ 7,000 million with a decree of free zones. (2023, May 25). *America economy*. <https://www.americaeconomia.com/economia-y-mercados/ecuador-puede-aumentar-hasta-us-7000-millones-sus-exportaciones-con-decreto-de>
- Stairs, B. (2023, September 1). *Benefits of Free Trade Zones in Ecuador*. Tessère Bureau, boutique law firm. <https://tesseraebureau.com/es/2023/09/beneficios-de-las-zonas-francas-en-ecuador/>
- Written by the School of Government and Economics. (2023, April 28). *What factors affect political stability?* Universidad Panamericana. <https://blog.up.edu.mx/posgrados-de-gobierno-y-economia/que-factores-afectan-la-estabilidad-politica>
- Esparza, J. L. (n.d.). *COUNTRY RISK*. Retrieved April 30, 2024, from <http://web.uqroo.mx/archivos/jlesparza/acpef139/Unidad%201.3%20Riesgo%20Pais.pdf>
- Evolution of the Trade Balance by Product January – February 2024. (2024). In *Central Bank of Ecuador*. <https://contenido.bce.fin.ec/documentos/Estadisticas/SectorExterno/BalanzaPagos/balanzaComercial/ebc202404.pdf>
- Ferrovial. (2024). *Infrastructure*. <https://www.ferrovial.com/es/recursos/infraestructura/#:~:text=%C2%BFQu%C3%A9%20es%20una%20infraestructura%3F,soportan%20el%20desarrollo%20de%20actividades.>
- Folgueiras Bertomeu, P., & Pilar. (2016). *The Interview*. <http://www.recercat.cat/handle/2072/262207>
- García-Cáceres, R. G., & Ospina-Estupiñan, H. R. (2017). Evolution of the model of permanent free zones in the world: With an emphasis on the Latin American case. *DYNA*, 84(202), 221–229. <https://doi.org/10.15446/dyna.v84n202.59402>
- García, S. (2022). Free Trade Zones, a tool that boosts employment and investment. At *the Chamber of Industries and Production (CIP)*. <https://www.cip.org.ec/2022/05/08/zonas-francas-una-herramienta-que-impulsa-el-empleo-y-la-inversion/>
- Grosso, Beatriz., & Svetaz, Maria. (2001). LEGISLATIVE TECHNIQUE: THEORETICAL FRAMEWORK. At *the Inter-American Court of Human Rights*. <https://www.corteidh.or.cr/tablas/a13086.pdf>
- Guajardo Soto, G. (2023). What is infrastructure? Origins, twists and continuities of the concept. *ARQ (James)*, 114:4–15. <https://doi.org/10.4067/S0717-69962023000200004>
- Investor's Guide. (2023). In *Ventanilla Única de Inversiones Ecuador*.
- Hernández, Juan., & Ramiro, Pedro. (n.d.). Legal certainty. In *Observatory of Multinationals in Latin America (OMAL)*. Retrieved April 7, 2024, from <https://omal.info/spip.php?article4808>
- Hernandez, Roberto, Fernandez, Carlos, & Baptista, Pilar. (2014). *Research methodology* (McGraw-Hill, Ed.; 6th ed.).
- Herrera, A. (2016). *Economic importance of free zones*. <https://observatorio.desarrolloeconomico.gov.co/comercio-exterior/importancia-economica-de-las-zonas-francas>
- WJP Rule of Law Index*. (2023). World Justice Project. <https://worldjusticeproject.org/rule-of-law-index/country/2023/Ecuador/Constraints%20on%20Government%20Powers/>
- Jaramillo, S., & Tonon, L. (2023). Advantages and disadvantages of signing free trade agreements. *Management Studies: International Journal of Management*, 14, 155–177. <https://doi.org/10.32719/25506641.2023.14.7>
- The Trade Balance, Economic Indicators*. (n.d.). AVATRADE. Retrieved May 7, 2024, from <https://www.avatrade.es/educacion/indicadores-economicos/balanza-comercial#:~:text=Cuando%20un%20pa%C3%ADs%20vende%20m%C3%A1s,de%20los%20ciudadanos%20del%20pa%C3%ADs.>
- Free trade zones have the potential to reduce export costs by 30% and make the country more competitive. (2023, June 5). *1 to time*. <https://www.lahora.com.ec/pais/zonas-francas-costos-exportacion-competitividad-ecuador/>
- Organic Law on Economic Efficiency and Employment Generation*. (2024).
- Martines, J. (2018, April 10). Free zone or special customs zone, what's the difference? *Economis*. <https://economis.com.ar/zona-franca-o-zona-especial-aduanera-cual-es-la-diferencia/>
- Moreno, C., Hernández, A., & Chivará, C. (2020). STATISTICAL BOOK OF THE FREE ZONES OF COLOMBIA 2020. In *ASSOCIATION OF FREE ZONES OF THE AMERICAS*.

- https://www.media.asociacionzonasfrancas.org/media/estadisticas-pais/Colombia/2020/Book_Est._-_Colombia.pdf
- Moya, A. (2023). Tax Bulletin, Organic Law on Economic Efficiency and Employment Generation. In *CorralRosales*. <https://corralrosales.com/ley-organica-de-eficiencia-y-generacion-de-empleo/>
- Moya, M. (2023, October 11). Free Trade Zones. *Forbes EC*. <https://www.forbes.com.ec/columnistas/zonas-francas-n42111>
- Muñoz-Torres, M. (2023, December 13). Special Economic Zones in Ecuador and the Need for Reform of Their Regulation. *UDA LAW REVIEW*, 23–30. <https://revistas.uazuay.edu.ec/index.php/udalawreview>
- World Customs Organization. (2020). *Practical Guide to Free Trade Zones. 1*.
- Oskarlyss. (2023, September 9). *Shenzhen: China's economic and technological hub*. Bolivarian Government of Venezuela / Ministry of People's Power for Foreign Affairs. <https://mppre.gob.ve/2023/09/09/shenzhen-polo-economico-tecnologico-china/#:~:text=Conocida%20como%20el%20E2%80%9CSilicon%20Valley,m%C3%A1s%20del%20gigante%20asi%C3%A1tico>
- Pérez, Anna. (2021). How to define the business vision of my business? At *OBS Business School*. <https://www.obsbusiness.school/blog/como-definir-la-vision-empresarial-de-mi-negocio>
- Profile of Ecuador*. (2022). BLITA International. <https://www.blita.com/es/perfil-ecuador>
- Pinargote-Alonzo, L. D. (2015). *THE MANABÍ FREE ZONE (ZOFRAMA AND MANTA ZONE) AND THE "ELOY ALFARO" SPECIAL ECONOMIC DEVELOPMENT ZONE: COMPARATIVE ANALYSIS 2014* [MASTER'S DEGREE IN TAXATION AND FINANCE]. University of Guayaquil.
- Ecuador's infrastructure projects would remain stalled in 2024*. (2024, March 12). Bnamericas. <https://www.bnamericas.com/es/analisis/proyectos-de-infraestructura-de-ecuador-seguirian-estancados-en-2024>
- WHAT IS CURRENCY DEVALUATION, WHAT ARE ITS CAUSES, AND HOW CAN IT AFFECT YOUR INVESTMENTS?* (2024, April 7). My finances. <https://www.misfinanzasparainvertir.com/como-afecta-la-devaluacion-a-sus-inversiones/#:~:text=La%20devaluaci%C3%B3n%20de%20una%20moneda%20puede%20tener%20un%20impacto%20significativo,el%20rendimiento%20de%20las%20inversiones>
- Editorial team *Diario económico del negocio exterior España*. (2023, November 9). The Barcelona Free Trade Zone is recognised as one of the 50 most important free trade zones in the world in relation to the Sustainable Development Goals. *Foreign Company*. <https://empresaexterior.com/art/90139/la-zona-franca-de-barcelona-es-reconocida-como-una-de-las-50-zonas-francas-mas-importantes-del-mundo-en-relacion-a-los-objetivos-de-desarrollo-sostenible>
- Written by BBC News Mundo. (2024, April 22). Consultation in Ecuador: partial results show support for the new security measures proposed by President Noboa in the midst of a crisis of violence. *BBC NEWS*. <https://www.bbc.com/mundo/articles/c2vwq51g720o>
- Regulations on the Title of Customs Facilitation of the Organic Code of Production, Trade and Investment*. (2011).
- Regulations of the Law on Economic Efficiency and Employment Generation*. (2024).
- Sanchez, K. (2024, April 20). The 11 questions of the consultation on security in Ecuador, under magnifying glass. *Voice of America*. <https://www.vozdeamerica.com/a/las-11-preguntas-referendo-consulta-popular-ecuador-/7577531.html>
- Santander Universities. (2022, December 23). *What is business know-how?* Santander Open Academy. <https://www.santanderopenacademy.com/es/blog/que-es-el-know-how.html>
- General Secretariat for Communication of the Presidency. (2023, May 23). *PRESIDENT LASSO ISSUES THE DECREE LAW FOR THE ATTRACTION AND PROMOTION OF INVESTMENTS FOR PRODUCTIVE DEVELOPMENT*. <https://www.comunicacion.gob.ec/el-presidente-lasso-emite-el-decreto-ley-para-la-atraccion-y-fomento-de-inversiones-para-el-desarrollo-productivo/>

- Sure, David. (2020, November 16). Free Trade Zones: Legal Security and Stability are essential for the development of the country. *The Republic*. <https://www.larepublica.net/noticia/zonas-francas-seguridad-juridica-y-estabilidad-son-indispensables-para-el-desarrollo-del-pais>
- SENAE. (2013). Guide for Foreign Trade Operators for the Management of Export Customs Declarations (General) and Simplified Customs Export Declarations. At *the National Customs Service of Ecuador*. <https://www.aduana.gob.ec/files/pro/pro/occe/2013/SENAE-GOE-2-2-001-V1.pdf>
- Serna, A. (2023). *Foreign Trade: Driving Economic Growth and Global Cooperation*. <https://comcenoreste.org.mx/el-comercio-exterior-impulsando-el-crecimiento-economico-y-la-cooperacion-global/>
- Tatiana Gutierrez Wa-Chong. (2022). Coyoil Free Zone is recognized as the best free zone in the Americas for its sustainable operation. *The Republic*. <https://www.larepublica.net/noticia/coyol-free-zone-es-reconocida-como-la-mejor-zona-franca-de-america-por-su-operacion-sostenible>
- Tourism Doing Business – Investing in Ecuador*. (2024). World Tourism Organization. https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2023-06/invirtiendo_en_ecuador_guia.pdf
- Vásconez, L. (2024, April 23). Ecuador's country risk reaches 1138 points after popular consultation 2024. *Trade*. <https://www.elcomercio.com/actualidad/negocios/riesgo-pais-ecuador-1138-puntos-consulta-popular-2024.html>
- The Single Window for Investment will contribute to the increase in private investment*. (2019, August 28). Ministry of Production, Foreign Trade, Investment and Fisheries. <https://www.produccion.gob.ec/ventanilla-unica-de-inversiones-contribuira-al-aumento-de-inversion-privada/>
- Villacis, M. (2024, March 10). *Ecuador will have its first Dry Port*. MercoJuris.com. <https://mercojuris.com/ecuador-contara-con-su-primer-puerto-seco-ab-miguel-villacis-desde-ecuador/#:~:text=El%20Puerto%20Seco%20del%20Austro%20es%20el%20resultado%20de%20un,autorizaciones%20requeridas%20para%20su%20funcionamiento.>
- Zona Franca Bogotá S.A. (n.d.). *Bogota Free Trade Zone - Who are we?* 2024. Retrieved April 4, 2024, from <https://zonafrancabogota.com/parque-empresarial/quienes-somos/>
- Coyoil Free Trade Zone. (n.d.). *IN THE AREA, the IN the* Retrieved April 4, 2024, from <https://www.cinde.org/es/zonas-francas/zona-franca-coyol>
- FREE ZONES: WHAT ARE THEY? ADVANTAGES AND DISADVANTAGES*. (2023, January 13). Equality. <https://www.equality.es/zonas-francas-que-son-ventajas-y-desventajas/>

APPENDICES

Appendix 1

Informed Consent 1

Addressed to the General Manager of the ZEDE del Litoral, Eng. Paquita Cucalón.

CONSENTIMIENTO INFORMADO

DESARROLLO DE LAS ZONAS FRANCAS EN EL ECUADOR

Usted ha sido seleccionado como posible participante en el estudio titulado "Análisis de Desarrollo de las Zonas Francas" llevado a cabo por Darla Tinoco Alba, estudiante de la carrera de Estudios Internacionales de la Universidad del Azuay. Con esta investigación se pretende recolectar información relevante y de calidad para el desarrollo del trabajo final de titulación de la estudiante.

Si accede a participar se compromete a proporcionar toda la información solicitada de forma honesta. Si tiene dudas podrá hacer preguntas en cualquier momento de este proceso de investigación. Asimismo, si siente alguna incomodidad durante su participación, puede informarlo al investigador para recibir orientación o retirarse, sin que ello lo perjudique de ninguna forma.

La información recolectada durante esta investigación será ANONIMA y se usará solo con fines académicos e investigativos.

Para cualquier información adicional o incomodidad relacionada con su participación en la investigación, puede comunicarse con el investigador responsable: Darla Tinoco Alba, al correo electrónico karla.tinoco@es.azuay.edu.ec.

Yo Paquita Cucalón E...... luego de haber leído y entendido el contenido de este documento, acepto de manera voluntaria participar en la investigación.

Cuenca, ..11..... de ..NOVIEMBRE... del 2024.



Firma del participante

Appendix 2

Informed Consent 2

Addressed to the Director of Foreign Trade Services of the Metropolitan Public Company of Airport Services and Management of Free Zones and Special Regimes – EMPSA, lawyer David Márquez.

CONSENTIMIENTO INFORMADO

DESARROLLO DE LAS ZONAS FRANCAS EN EL ECUADOR

Usted ha sido seleccionado como posible participante en el estudio titulado “Análisis de Desarrollo de las Zonas Francas” llevado a cabo por Darla Tinoco Alba, estudiante de la carrera de Estudios Internacionales de la Universidad del Azuay. Con esta investigación se pretende recolectar información relevante y de calidad para el desarrollo del trabajo final de titulación de la estudiante.

Si accede a participar se compromete a proporcionar toda la información solicitada de forma honesta. Si tiene dudas podrá hacer preguntas en cualquier momento de este proceso de investigación. Asimismo, si siente alguna incomodidad durante su participación, puede informarlo al investigador para recibir orientación o retirarse, sin que ello lo perjudique de ninguna forma.

La información recolectada durante esta investigación será ANONIMA y se usará solo con fines académicos e investigativos.

Para cualquier información adicional o incomodidad relacionada con su participación en la investigación, puede comunicarse con el investigador responsable: Darla Tinoco Alba, al correo electrónico karla.tinoco@es.uazuay.edu.ec.

Yo David Esteban Márquez, luego de haber leído y entendido el contenido de este documento, acepto de manera voluntaria participar en la investigación.

Cuenca, 20 de marzo del 2024.



DAVID ESTEBAN
MÁRQUEZ CRAVEZ

.....

Firma del participante

Addressed to the expert in foreign trade and customs control, Mgtr. Patricio Moyano.

CONSENTIMIENTO INFORMADO

DESARROLLO DE LAS ZONAS FRANCAS EN EL ECUADOR

Usted ha sido seleccionado como posible participante en el estudio titulado “Análisis de Desarrollo de las Zonas Francas” llevado a cabo por Darla Tinoco Alba, estudiante de la carrera de Estudios Internacionales de la Universidad del Azuay. Con esta investigación se pretende recolectar información relevante y de calidad para el desarrollo del trabajo final de titulación de la estudiante.

Si accede a participar se compromete a proporcionar toda la información solicitada de forma honesta. Si tiene dudas podrá hacer preguntas en cualquier momento de este proceso de investigación. Asimismo, si siente alguna incomodidad durante su participación, puede informarlo al investigador para recibir orientación o retirarse, sin que ello lo perjudique de ninguna forma.

La información recolectada durante esta investigación será ANÓNIMA y se usará solo con fines académicos e investigativos.

Para cualquier información adicional o incomodidad relacionada con su participación en la investigación, puede comunicarse con el investigador responsable: Darla Tinoco Alba, al correo electrónico karla.tinoco@es.uazuay.edu.ec.

Yo Patricio Efraín Moyano Alvar, luego de haber leído y entendido el contenido de este documento, acepto de manera voluntaria participar en la investigación.

Cuenca, 08 de mayo del 2024.



PATRICIO EFRAÍN
MOYANO ALVARO

.....
Firma del participante