ROLE OF SEZS IN THE ECONOMY

SEZs in the world

>7,000
SEZs in 145 countries worldwide[1]

Special Economic Zones (SEZs) are being actively created globally as their value in drawing investment and promoting economic expansion is being increasingly recognized.

There are many forms of SEZs around the world with different functions and names such as free trade zones, export processing zones, industrial parks, innovation hubs and others. Each country adapts the SEZ model to its own economic interests.

There are many different and adaptable approaches to the establishment and operation of SEZs in worldwide practice – from centralized models to entirely decentralized ones. In a number of countries, regional authorities and private companies are involved in the management of SEZs, creating their own conditions and support tools tailored to the needs of specific industries or markets.

For example, the Tatu City mixed-use SEZ in Kenya is managed by a private company that develops infrastructure and organizational conditions for investors, while tax incentives and preferences are determined at the state level.

Another example of a SEZ with a flexible decentralized regulatory system is the Dubai International Financial Centre (DIFC) in the UAE, which has an independent legal system based on English common law and its own court, allowing companies to operate with minimal government intervention.

Russia takes a centralized approach to the establishment and management of special economic zones. Federal Law No. 116-FZ clearly defined four types of SEZs:
- industrial-production,
- tourist-recreational,
- port and technology & innovation zones.

Standardized preferences for all participants ensure uniformity of conditions and regulatory transparency in line with government priorities.

[1] UNCTAD's 2022 estimate.

Global trends in SEZ development

Sustainable development

SEZs are becoming platforms for sustainable development by putting waste recycling systems in place, utilizing renewable energy sources and applying green building principles in infrastructure development

Changes in the supply chain

Reshoring (the returning of the production and manufacturing of goods to the company's original country) and nearshoring (shifting the production and manufacturing of goods to geographically close countries) increase demand for localized production and logistics capacity, leading to the creation of new SEZs and the expansion of existing zones closer to major markets

Digitalization and use of advanced technologies

SEZs provide residents with access to digital infrastructure, laboratories, equipment and expert support, enabling companies to incorporate AI, big data, 3D printing and other technologies into product development and business processes

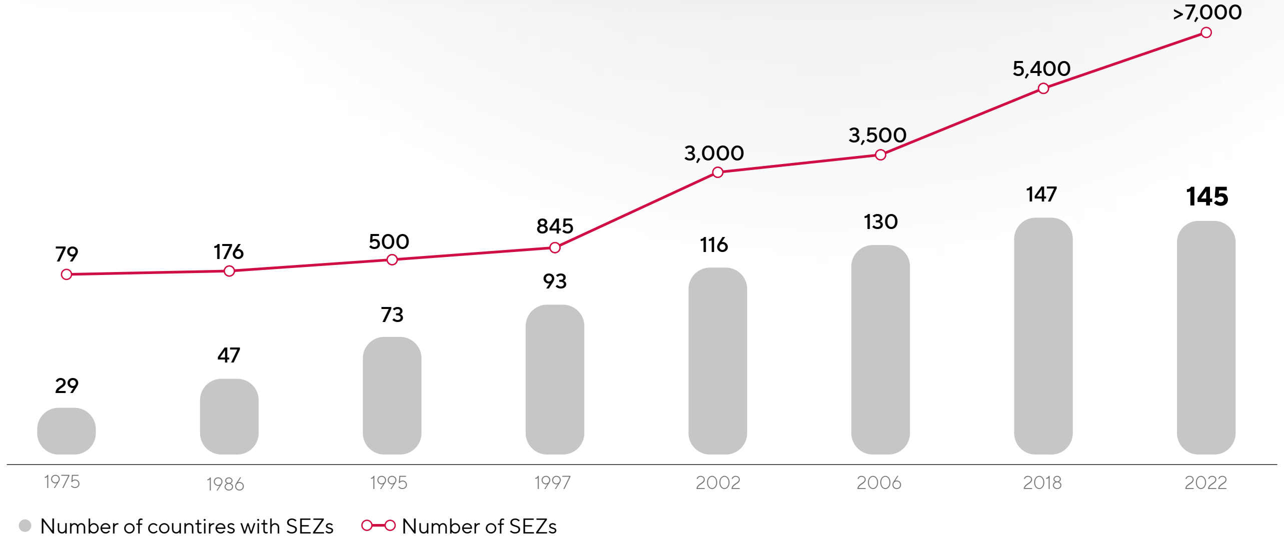
Reduction of bureaucratic burden

SEZs expedite the taxation process, streamline the process of obtaining permits, establish electronic platforms for business registration, and guarantee transparency in communications with government authorities

Industry specialization

SEZs cater to the needs of certain sectors by providing specialized infrastructure, tax incentives and conditions tailored to the needs of areas such as biotechnology, pharmaceuticals, green energy or high technology

Number of SEZs in the world[2]



[2] UNCTAD estimates: data until 2018 , data for 2022.

⌘ In 2021, Technopolis Moscow SEZ was included in the list of the international award – Global Free Zones of the Year of the fDi Intelligence

8 out of 10
nominees of fDi Intelligence Global Free Zones of the Year 2024 award – SEZs in BRICS countries

SEZs are widespread around the world, but most are concentrated in a few countries. About half of the world's SEZs are in China, and there are also a significant number of SEZs in India, the USA and the Philippines. Economic activity in SEZs is also uneven, with a few large SEZs attracting significant investment and generating most exports, while many smaller zones remain inactive.

BRICS countries view SEZs as a strategic tool for modernizing the economy, strengthening industrial potential and integrating into global supply chains. The expansion of SEZs in these countries is fueled by the aspiration to diversify the economy, attract overseas direct investment and create new growth points outside the conventional centers of business activity. In today's context, the SEZs in BRICS countries are advancing to serve not only as export-centric areas but also as multifunctional clusters that integrate production, logistics, scientific and technological progress, and business services.

International SEZ Association: a new stage of BRICS cooperation

In 2024, Russia initiated the creation of the International Association of SEZs of the BRICS countries. Developed by the Association of Clusters, Technoparks and SEZs of Russia together with the Ministry of Economic Development of Russia, this initiative is aimed at uniting and growing special and free economic zones in order to increase their efficiency and assist in business localization. A framework agreement on cooperation was signed as part of the initiative. The II International SEZ Forum in Dubna marked a crucial step towards bolstering international ties between SEZs across different countries, as participants engaged in discussions on pressing SEZ development topics, exchanged insights, and signed multiple cooperation agreements. Currently, there are about 3,000 SEZs in the BRICS countries, which is 40% of the global count. This creates significant potential for deepening engagement, enhancing trade and industrial cooperation.

SEZs in Russia[1]

49 years
length of life of SEZs created in Russia

53 SEZs
running in 44 regions of Russia in 2024

1,324 residents
of Russian SEZs in 2024

Special economic zones play a vital role in the economic development of many countries, and Russia is no exception. The Federal Law on Special Economic Zones in the Russian Federation adopted in 2005 became the basis for the development of domestic SEZs. Thus, SEZs have existed in Russia for more than 19 years and in recent years have demonstrated particularly high efficiency results.

Svyatoslav Sorokin
Deputy Minister of Economic Development of Russia

"Special economic zones continue to be a highly effective tool of state support for investors. In 2024, project investments of residents exceeded RUB 1.2 trillion, which is twice as much as a year earlier. This resulted in the creation of over 25,000 new jobs, up 40% year-on-year. These figures demonstrate the success of businesses operating within SEZ frameworks, which benefit from tax and customs preferences, pre-built infrastructure, administrative assistance, and reduced costs of connection to utilities. These factors make SEZs growth points and boost its attractiveness for long-term investments."

Functions of SEZs in the economy

Attracting investment

SEZs provide incentives for resident companies, which raises the financial attractiveness of regions and industries

Promoting the regional infrastructure

The SEZs allow for the upgrade of transport, energy and utility systems, which contributes to improving the business climate and the life of the population

Stimulating innovative and high-tech production

SEZs support the development of new technologies and scientific research, thus driving up the production efficiency

Creating jobs

The opening of new enterprises in the SEZs generates employment opportunities for the local population, reduces unemployment and improves the social climate

Strengthening export potential

SEZs support export-oriented enterprises, contributing to the growth of foreign trade and consolidating the country's position in international markets

[1] Source: Report on findings from the operation of special economic zones in 2024 and since their inception.

SEZ performance results in Russia cumulatively as of year-end 2024[1]

108,700
jobs created

4.1 RUB trillion
resident revenue

2.7 RUB trillion
volume of private investment by residents

545.9 RUB billion
taxes, customs duties and insurance premiums paid by residents

192.3 RUB billion
exemptions on taxes, customs duties and insurance premiums received

Economic effect of SEZs in Russia cumulated as of September 30, 2024[2]

526 RUB billion
state revenues[3]

–

466 RUB billion
state support costs (infrastructure and benefits)

=

60 RUB billion
net budgetary income

Contribution of SEZs to Russia's GDP in 2023

1.2 RUB trillion
48% – contribution of technology and innovation SEZ

SEZs in Russia have faced a number of challenges in recent years, such as infrastructure problems, shortage of qualified personnel and high logistics costs. Sanctions and changes in global trade chains have restricted access to foreign markets and technologies, creating additional challenges for residents.
However, there are also positive trends, particularly pertaining to the simplification of administrative procedures. In 2024, the Russian Ministry of Economic Development introduced a number of innovations aimed at reducing bureaucratic barriers and speeding up SEZ establishment and management processes. Moreover, a new form of passport and financial model of residents' investment projects was approved, which significantly streamlines the application procedures.

⌘ Technopolis Moscow SEZ belongs to the technology and innovation type

Features of technology and innovation SEZs in Russia

- Area does not exceed 6 km^2.
- No housing facilities shall be permitted.
- Both a commercial organization and an individual entrepreneur can be recognized as a resident.
- Permitted type of resident's activity: industrial-production, technology and innovation or logistics.

Types of SEZs in Russia

[1] Report on findings from the operation of special economic zones in 2024 and since their inception by the Ministry of Economic Development of Russia.
[2] Source: Special Economic Zones. Presentation of the Department of Regional Development of the Ministry of Economic Development of Russia.
[3] Excluding VAT reimbursement of the Ust-Luga SEZ.