



A Maersk Company

HOW POSTAL PROSPERITY ZONES (PPZ) CONNECTED BY A **TRADE SUPERHIGHWAY** CAN CONTRIBUTE TO GROWTH AND PROSPERITY

Research and pilot projects on the use of postal services in the parcelization of trade in free zones



LIST OF ABBREVIATIONS

ABBREVIATION	DEFINITION
AEO	Authorized Economic Operator
AVSEC	Aviation Security
B2C	Business-to-Consumer
DNL	Do Not Load
ENS	Entry Summary Declaration
EDI	Electronic data interchange
EU	European Union
FDI	Foreign Direct Investment
GCI	Global Competitiveness Indicator
GDP	Gross Domestic Product
GCF	WEF Global Competitiveness Network
HAWB	House Airway Bill
IMPC	International Mail Processing Center
IOSS	Import One Stop Shop
IT	Information Technology
OE	Office of Exchange
OECD	Organisation for Economic Co-operation and Development
OGA	Other Government Agencies
PAWB	Postal Airway Bill
PPZ	Postal Prosperity Zones
PTC	Postal Technology Centre
RFI	Request For Information
RFS	Request For Screening
SEZ	Special Economic Zones
SME	Small and Medium-sized Enterprise
UPU	Universal Postal Union
VAT	Value Added Tax
WCO	World Customs Organization
WEF	World Economic Forum
World FZO	World Free Zones Organization
WTO	World Trade Organization

LIST OF FIGURES

■ Figure 1. Project phases and activities.....	10
■ Figure 2. UPU Pre-Study Project Plan.....	11
■ Figure 3. Overview of identified stakeholders.....	13
■ Figure 4. Universal Postal Union: Postal Prosperity Zone Concept Model.....	18
■ Figure 5. Gross Domestic Product Graphs (1960-2010).....	30
■ Figure 6. Gross Domestic Product Graph (1994-2012).....	31
■ Figure 7. Foreign Direct Investment Graph (1970-2010).....	32
■ Figure 8. Foreign Direct Investment Graph (1994-2012).....	32
■ Figure 9. Control: Revenue v Benefit Comparison.....	33
■ Figure 10. Control and Revenue Enhancements: Revenue v Benefit Comparison.....	34
■ Figure 11. Special City Designation with Tax and Certain Other Autonomy: Revenue v Benefit Comparison.....	35
■ Figure 12. E-City: Revenue v Benefit Comparison.....	35



EXECUTIVE SUMMARY

On a request from Universal Postal Union (UPU) we have conducted a pre-study project to explore areas of synergy between postal services and free zones. During the project's development, we discovered such synergies.

We live in a complex, complicated, and globalized world, where a range of events poses challenges for the global trading system. While international supply chains and value chains are becoming more and more integrated, we are witnessing trade wars, rising protectionism, supply chain disruption, swift policy changes (such as Brexit) and 'black swan incidents' like the Suez Canal container stop and natural disasters, all of which pose significant challenges to international trade. We have also been in the midst of a global pandemic for several years that have affected people of every country on the planet.

Today, we know that international trade is a driver of growth and prosperity, a means of developing our society, combating poverty, creating employment – and an important instrument for recovering our economies following the pandemic.

The globalization of trade has created new markets and arenas for businesses, leading to exponential growth for e-commerce and post. Consumer's buying habits have changed as a result of trade globalization, and these trends have accelerated throughout the COVID-19 crisis. We see parcelization of trade growing rapidly, creating

tremendous pressure on existing trade models, international supply chains, and global value chains.

This demands innovation and the creation of new solutions for international trade, as well as an agile revision of relevant international standards and conventions.

We recommend that the UPU explore these synergies further in accordance with a concept model presented in this report.

We have also determined the viability of using the unique value proposition of postal operators in free zones and how this may be utilized to solve challenges in global trade, while employing the skills, experience, and existing postal systems in innovative ways to create added value and a new business model.

We explored and identified the conditions that free zones should fulfil in order for postal operators to conduct sustainable postal operations within the instrument. In this project, we also defined the minimum regulatory operational and Information Technology (IT) requirements for postal operators to support parcelization of trade in free zones, facilitating compliance with international regulations.

We have developed a full-scale model in line with the objectives, that in our opinion, is based on and fully in line with international regulations, standards, and best practices, and a model that, if implemented, can and will become a new commercially successful business line for UPU and its member postal operators. The model includes a template cooperation and partnership framework that has been tested in comprehensive stakeholder engagement during the project.

The existing UPU technology platform (Postal Technology Centre (PTC)) should be utilized to a maximum extent for the Postal Prosperity Zone (PPZ) concept. This should be done in close cooperation with the PPZ Integrator, who should be the technology integrator of the PPZ. There is a need for several new applications, but it is our opinion that these can be easily designed, developed, and connected with the UPU technology platforms and the PPZ Integrator systems.

The PPZ concept and model presented in this report has been validated for proof-of-concept in a conceptual stakeholder pilot, in line with the customer agreement.

All stakeholders engaged in this project have been positive to the concept and model. The concept, approach, and conclusions of this report have also received support from key stakeholders, including the World Free Zones Organization (World FZO).

It is our opinion that we have met all the objectives in the terms and conditions for this project, and that we have explored a solution for the challenges detected. Further work is needed to take this concept to the next level if there is an interest in doing so.

In conclusion, we have designed a PPZ concept that can become a key to the future of parcelization of trade. It is now up to UPU to decide if this model can and should be further developed, operationally tested, introduced, and implemented. This concept model is fully in line with international conventions, standards, and best practices.

We are convinced, based on the extensive work we have done on this project and on our knowledge and experience, that this is a concept possible to implement and integrate in postal operations as a successful new business line, offering customers a new viable route for their trade and an alternative method of parcelization management in the ever-changing international trade landscape.

We conducted a comprehensive case study to demonstrate the value of establishing a UPU PPZ for a country, using Morocco as an example. **The study highlights the fundamental value of implementing PPZs.**

Based on these findings, we recommend that UPU take the PPZ concept to the next level, transforming it into a UPU program, product, and service, and operationally testing the model in at least two countries for a period of 3-6 months. The UPU Postal Prosperity Zone concept can become a trusted compliance hub of international trade.

TABLE OF CONTENTS

01 INITIAL WORDS FROM PROJECT MANAGEMENT	07
02 PRE-STUDY PROJECT OBJECTIVES	09
03 PROJECT METHODOLOGY, PROCESS, AND PROGRESS	10
04 OUR DELIVERY	12
05 STAKEHOLDER ENGAGEMENT	13
06 KEY OBSERVATIONS DURING THE PROJECT	14
07 GLOBAL OUTLOOK RELEVANT REFERENCES AND EXPERIENCES	16
08 UPU PROSPERITY ZONES	17
09 FREEZONES OF THE FUTURE	17
10 CONCEPT DESIGN – POSTAL PROSPERITY ZONES (PPZ): THE MODEL	18
11 IDENTIFIED CHALLENGES TO SOLVE AND THE SOLUTIONS	24
12 ACCREDITATION OF POSTAL PROSPERITY ZONES (PPZ)	26
13 BUSINESS MODEL: THE BENEFITS OF AN INTRODUCTION, A WIN-WIN-WIN	27
14 THE PPZ TRADE SUPERHIGHWAY: CONNECTING THE DOTS	36
15 A UPU GLOBAL CAPACITY BUILDING FUND: SOLVING THE INITIAL INVESTMENT	36
16 PILOT PHASE: TESTING THE CONCEPT	38
17 CONCLUSIONS AND RECOMMENDATIONS	41
18 ANNEXES	44



INITIAL WORDS FROM PROJECT MANAGEMENT

This has been an exciting pre-study project in a dynamic area that is undergoing huge changes right now. The project was carried out amid a global pandemic, with travel restrictions limiting the ability to visit stakeholders, meet people, and analyze activities on the ground. These difficult situations were entirely managed and overcome by an outstanding and experienced project team. This project was completed entirely online through an extensive number of digital workshops and meetings.

PROJECT TEAM



Mr. Lars Karlsson
KGH/Maersk, PMO &
Supervisor

Global Head of Trade and Customs Consulting at AP Møller-Maersk and a visionary, result-oriented executive leader with management experience from all levels in multinational institutions and corporations, as well as in government and the private sector.

Former Director of the World Customs Organization and DG Swedish Customs.

Doctor of Education (honoris causa) and a Master of International Customs Law and Administration.

Worked in over 120 countries, active Chair and board member of international think tanks and research networks. Influencer, author, and speaker.



Mr. Shanker Singham
Competere Ltd, Senior
Advisor, Trade Policy &
Free zones

Shanker A Singham is one of the world's leading international trade experts. He is a recognized author and adviser to governments, companies, and an Academic Fellow of the Institute of Economic Affairs. Shanker is the CEO of Competere Ltd, a company which provides trade and competition law and policy advice to governments and companies, with a focus on promoting international trade and competition policy worldwide.

Shanker has also worked on Anti-Competitive Market Distortions and the efforts to reduce barriers to free trade on a global basis.

Recently, Shanker's work, as the lead author of Plan A Plus for the Institute of Economic Affairs, was nominated for the Templeton Freedom Prize, given for the work of the top global think tank in advancing the cause of economic freedom.

PROJECT TEAM



Mr. Christopher Kristensson

KGH, Deputy PMO
Customs and
e-commerce expert

Senior Customs Adviser and Expert at KGH Global Consulting. Former Senior Advisor for EU and International Affairs, Swedish Customs (31 years), ICS2 Risk Management National Implementation Programme Manager, E-Commerce, World Trade Organization Trade Facilitation Agreement, Risk Management Policy Advisor and Expert, Authorized Economic Operator Expert, World Customs Organization-accredited Expert. Worked for the EU Commission and the World Customs Organization Secretariat, and conducted numerous missions and technical assistance throughout the globe.



Ms. Zoë Harries

Impact Zones, Senior
Advisor, Free Zones
Expert & Stakeholder
Engagement

An independent provider of Foreign Direct Investment (FDI) and Economic (Free) Zones Advisory, Zoë offers intellectual guidance and support to governments, multilateral organizations, and economic zones to increase competitiveness in attracting FDI. She has a proven track record in effectively managing multi-stakeholder projects across the globe. Zoë also provides cross-border expansion and supply chain optimization services to companies.

Based in Dubai, Zoë heads the Advisory Division at World FZO. She is the founder and CEO of Impact Zones Global and Middle East, and a Partner and Director at EZDA Alliance, UAE-based end-to-end economic zone advisory firm.

She is a keynote speaker and lecturer at leading universities in Europe and Middle East on topics such as FDI Trends, Economic Zones, Global Value Chains, Location Competitiveness, Sustainability (SDGs). Zoë holds a BSc. In Economics and International Business Administration from Amsterdam University of Applied Sciences.

PRE-STUDY PROJECT OBJECTIVES

KGH Global Consulting **was tasked with providing** assistance in the field of parcelization of trade.

The objectives of this pre-study project **were as follows:**



Determine the **areas of synergy** between **postal services and free zones**, and identify how the UPU and World FZO can leverage their strengths to take advantage of the parcelization of trade;



Determine the viability and **unique value propositions of postal operators** in establishing **sustainable postal operations within free zones**;



Investigate the primary **conditions** that free zones must fulfill in order to provide a conducive environment and ecosystem for postal operators **to successfully implement postal operations within free zones**;



Establish the **minimum regulatory, operational and IT requirements** for postal operators to effectively support the parcelization of trade in free zones and for free zones to **facilitate compliance with international regulations**, particularly with regard to electronic data;



Develop a **template cooperation and partnership framework** between postal operators and free zones:



Identify any **policy and regulatory requirements** that postal operators should take into consideration in **order to maximize the opportunities** presented by free zone operations, particularly in the area of business-to-business e-commerce.



Validate the concept of using postal services in the parcelization of trade in free zones, by implementing a pilot project between two or more postal operators and free zones.

PROJECT METHODOLOGY, PROCESS, AND PROGRESS

We used a standardized project methodology in line with international best practices. The project was formally launched on August 13, 2021, and was completed on February 20, 2022.

The work has relied heavily on close cooperation and collaboration with the customer (Universal Postal Union), as well as extensive

interaction with a wide stakeholder group. The stakeholders were identified in close cooperation with the customer (UPU).

Morocco was first recommended by the customer (UPU) as a relevant pre-study country, and we have verified during the project that this was an excellent choice.

Project lifespan.

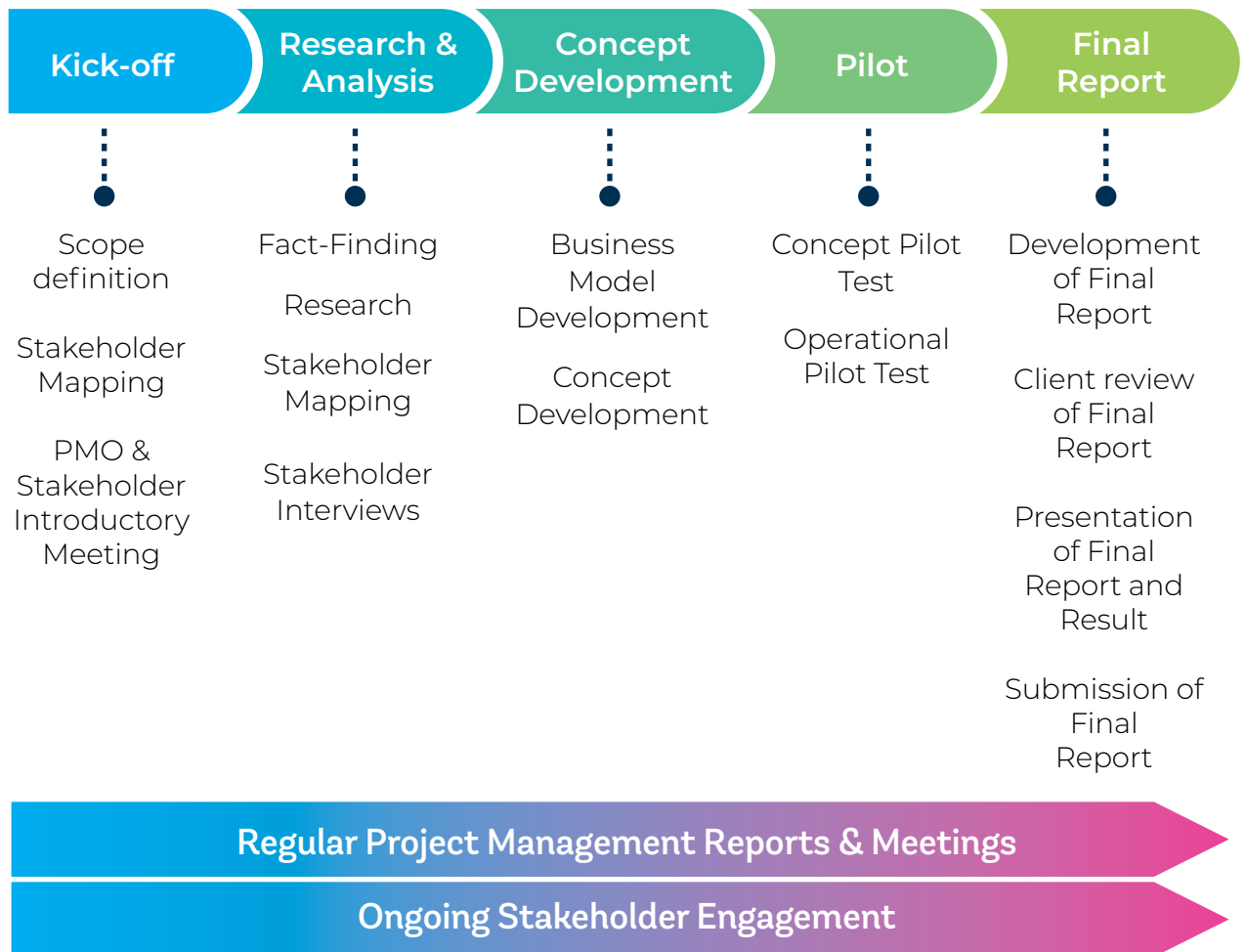


Figure 1. Project phases and activities.

Based on initial discussions between UPU and World FZO, the scope of the postal integration in free zones concept model pilot project was fine-tuned and translated into activities and deliverables.

UPU stakeholders such as national post operators, free zones, e-commerce experts, aviation associations, logistics services providers, and customs were identified and mostly introduced by UPU.

A Project Management Office and Stakeholder Introductory Meeting was held at the beginning of the project on September 23, 2021 to introduce the project and project team. The fact-finding process was based on secondary (desk) research and primary research through a series of twelve stakeholder interviews. An informal dialogue and briefing with Moroccan Customs has been established.

Based on research and key findings during stakeholder interviews, the project team developed a Business Model which was integrated into a PPZ concept.

The PPZ concept has been piloted with Morocco Post and ZonAmerica. The operational pilot test is proposed to be implemented in Q2 – Q3 2022.

Our final report was delivered on February 25, 2022 and it was presented to the UPU project management team on February 28, 2022.

UPU Postal Services & Free Zones

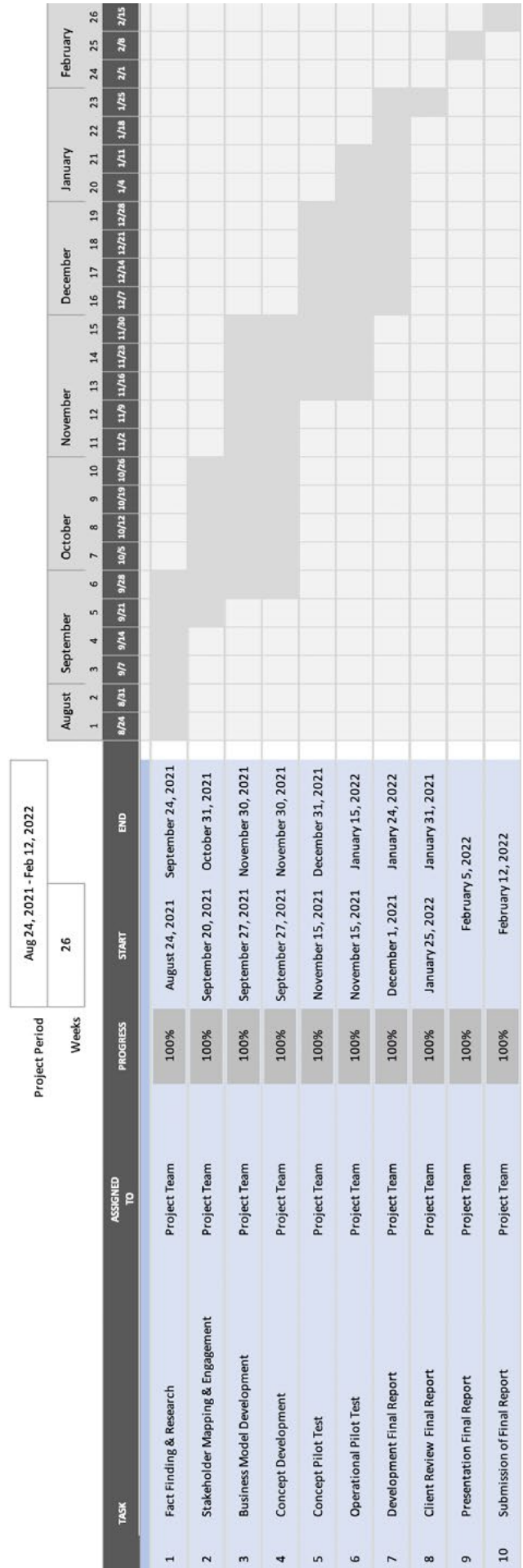


Figure 2. UPU Pre-Study Project Plan.

Identifying areas of synergy between postal services and free zones, as well as how the UPU and World FZO may leverage their strengths to take advantage of the parcelization of trade.



Investigation of the primary conditions that free zones must fulfil in order to provide a conducive environment and ecosystem for postal operators to successfully implement postal operations within free zones.



Establish the minimum regulatory, operational, and IT requirements for postal operators to effectively support the parcelization of trade in free zones, and for free zones to facilitate compliance with international regulations, particularly with regard to electronic data.



Development of a model framework for cooperation and partnership between postal operators and free zones. Unique value proposition development of postal operators in establishing sustainable postal operations within Special Economic Zones (SEZs).



Development of a model framework for cooperation and partnership between postal operators and free zones. Unique value proposition development of postal operators in establishing sustainable postal operations within Special Economic Zones (SEZs).



Validation of the concept of the use of postal services in the parcelization of trade in free zones, by implementing a pilot project between two or more postal operators and free zones.





Following the project's kick-off meeting on September 23, 2021, the project team conducted a series of twelve interviews with UPU stakeholders immediately to gather key insights related to synergies between postal services

and free zones, the commercial viability for postal operators in establishing sustainable postal operations within free zones, as well as regulatory and IT requirements.



Figure 3. Overview of identified stakeholders.

KEY OBSERVATIONS DURING THE PROJECT

We started this project by doing extensive complementary research into areas relevant for the objectives of this pre-study project.

We then conducted an extensive round of stakeholder engagements to discuss a proposed way forward for developing a model capable of meeting future challenges outlined in the project objectives, with the aim of testing a method for improving current practices and addressing some new challenges of tomorrow.

Following the initial round of stakeholder engagement, the

project team developed a concept design for a new model. This model was then discussed with the stakeholders during the second round of workshops and dialogue.

After comprehensive discussions, an updated draft model was constructed. This concept was then tested and validated with stakeholders.

During this process, a number of observations were made and considerable work was carried out to address these observations and concerns.

Several key observations include the following:

- The Need for advanced technology integration:
 - ◆ Digitalization – trace back to original and create HS codes.
 - ◆ Free zones can offer advanced harmonized inventory system.

- The need for data collection at the post office in the country of origin was identified as key to feed into system for tracking back (for end user).

- The need to validate and certify entities at fulfilment centers in free zones/in bonded warehouses in order to:
 - ◆ Create upfront upstream data compliance; and
 - ◆ Ensure safety and compliance for pre-loading and pre-arrival.

- Trade Highways/Green Corridors are now possible to introduce through the integration of postal services in free zones, based on available compliance management models and systems, available advanced technology developments, experience from global practices, and existing best practices and routines.

- Increased information sharing and connectivity reduce inefficiencies at current hubs and spoke models.



Supply chain stakeholders are increasingly using various voluntary risk and compliance models, system solutions, and self-assessment models, which makes it possible to connect supply chains to digitally monitored data and goods pipelines.

Customs and regulatory agencies need more pre-arrival data, as well as mechanisms for monitoring and management of compliant supply chain stakeholders and traders.

Over the last decade, the free port instrument has undergone a major change and rapid expansion, resulting in the establishment of a large number of new freeports, free zones, and SEZs

The World FZO, Organisation for Economic Co-operation and Development (OECD), and other organizations have introduced models and concepts to increase voluntary compliance, transparency, and security in freeports, free zones and SEZs, creating segmentation based on compliance quality and risk.

Freeports, free zones, and SEZs have been specifically developing in emerging economies, creating incentives and opportunities for developing countries to participate in global trade in new and enhanced ways that benefit everyone.

There is a need for new solutions to handle the extreme exponential growth of trade, including small parcels.

The postal system, governed by the UPU and operated by national postal services, consists of a number of components that can be used for development of new products and services that can handle parcelization of goods and enhance the global trade system.

New models to meet the consequences of globalization, global challenges, and exponential growth are critically important for emerging economies and developing countries to achieve inclusivity and market access.

The postal system and its documented strengths, if combined with the freeport instrument and the new paradigm of free zones, have a great deal of potential to offer new ways to manage parcelization of trade.

GLOBAL OUTLOOK, RELEVANT REFERENCES AND EXPERIENCES



We live in a complex, complicated, and globalized world, where a range of events poses challenges for the global trading system. While international supply chains and value chains are becoming more and more integrated, we are witnessing trade wars, rising protectionism, supply chain disruption, swift policy changes (such as Brexit) and 'black swan incidents' like the Suez Canal container stop and natural disasters, all of which pose significant challenges to international trade. We have also been in the midst of a global pandemic for several years that have affected people of every country on the planet.

Today, we know that international trade is a driver of growth and prosperity, a means of developing our society, combating poverty, and creating employment – and an important instrument for recovering our economies following the pandemic.

The globalization of trade has created new markets and arenas for business, leading to exponential growth for e-commerce and post. Consumer's buying habits have changed as a

result of trade globalization, and these trends have accelerated throughout the COVID-19 crisis.

This demands innovation and the creation of new solutions for international trade, as well as an agile revision of relevant international standards and conventions.

There are a number of initiatives from international institutions addressing these questions, including the World Economic Forum (WEF), World Trade Organization (WTO), World Customs Organization (WCO), United Nations institutions, UPU, OECD, World FZO, European Union, World Bank, International Monetary Fund, Inter-American Development Bank, and many more.

KGH has collaborated with all of these institutions and is involved with several of the initiatives in this sector as thought-leaders and global market leaders in our industry. In developing the proposal at hand, we applied our expertise and experience from these initiatives, as well as insights from the ongoing work described above.

UPU PROSPERITY ZONES

Prosperity Zones are the latest and most modern iteration of the original free trade zone concept, which consisted of an exemption to the tariff payable for products entering the zone as it is technically not part of the host country's customs territory. Products can be assembled in the zone and tariffs would only be payable once the final product was released into free circulation.

These SEZs became significant generators of economic activity for host governments. The newest iteration, Prosperity Zones, combine tariff exemptions, customs

and trade simplifications, tax benefits, and regulatory relief to generate significant economic gains. Examples include Panama Pacifico, which includes regulatory easements in immigration law that differs from the host country's immigration law, and the SEZ at Duqm in Oman, which includes exemptions from certain Omani labor and distribution laws. The UPU Prosperity Zone takes full advantage of this next generation SEZ and is designed to address the particular challenge which faces postal companies with regard to the movement of e-commerce.

FREEZONES OF THE FUTURE

The World FZO's Safe Zone Program is a voluntary compliance model built on five pillars that aims to protect free zones from illicit activity taking place within their borders and to help them in promoting their integrity, transparency, safety, security, and governance to clients, partners, and stakeholders. Safe Zone aims to integrate compliant, low-risk zones into the evolving international supply chain and global value chains, offering companies a clean and accessible alternative.

This program is designed to complement other initiatives by incorporating key elements from the WCO SAFE Framework Authorized Economic Operator

(AEO) concept, the WTO Trade Facilitation Agreement's Authorized Operator model, and the OECD TF-CIT Code of Conduct for Clean Free Trade Zones (CoC) for maximum compatibility between these established standards to maximize implementation on the ground. It is an introductory practical step in ensuring that free zones comply with global regulations in the fight against illicit trade and a means to support the implementation of global compliance initiatives, as well as being a pathway to improved transparency and good governance. This will distinguish free zones that demonstrate a strong commitment to clean trade, establishing them as significant participants in Global Value Chains.

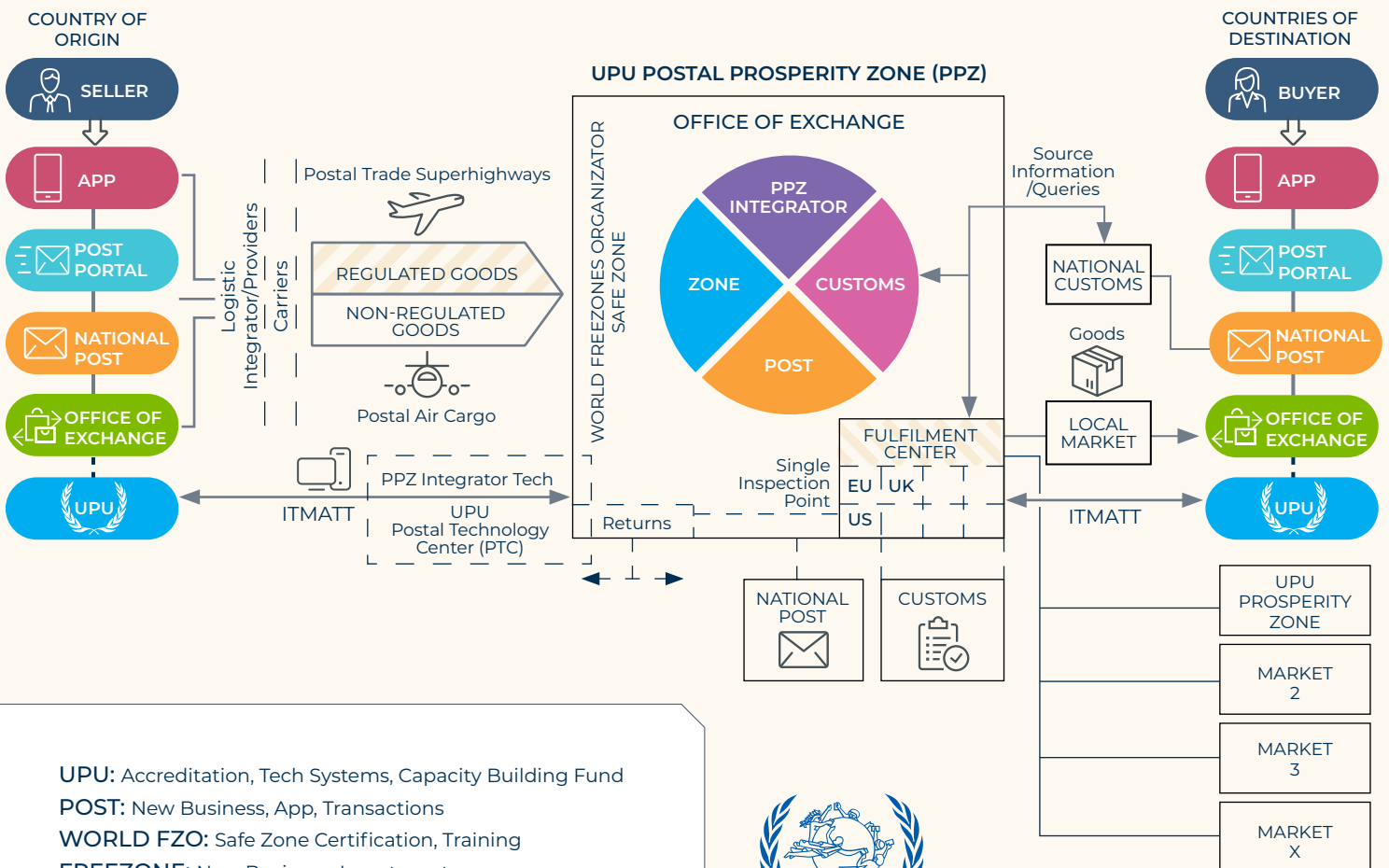
CONCEPT DESIGN – POSTAL PROSPERITY ZONES (PPZ): THE MODEL

During the process, we have designed and developed a concept model for a PPZ instrument, which meets the challenges detected and the requirements outlined in the project’s objectives.

The below figure presents the concept model of a PPZ (see also Annex 2), as described in this report

Figure 4. Universal Postal Union: Postal Prosperity Zone Concept Model.

UNIVERSAL POSTAL UNION: POSTAL PROSPERITY ZONE (PPZ) CONCEPT



- UPU: Accreditation, Tech Systems, Capacity Building Fund
- POST: New Business, App, Transactions
- WORLD FZO: Safe Zone Certification, Training
- FREEZONE: New Business, Investment
- LOGISTIC PROVIDER: New Business, Speed, Predictability, Maintained liability level
- CUSTOMS: Transparency, Compliance, DAT
- PPZ INTEGRATOR: Operations, Tech Systems, Returns



IN GENERAL, WILL THE MODEL WORK?

This model will enable a smooth flow from the point of sale to the final delivery of regulated and non-regulated goods, from the country of origin to country of destination via a Prosperity Zone in which the Fulfilment Center ensures that requirements of the destination country/market are complied with.

Step-by-step process from A to Z

STEP 1 Seller

The process starts when the transaction between the buyer and seller takes place (Point of Sale).

The seller in turn makes use of the PPZ software application where the following data is entered:

- ◆ Number of items
- ◆ Goods description
- ◆ Harmonized System (HS) code (6-digit)
- ◆ Weight (item level)
- ◆ Value (item level)
- ◆ Total gross weight
- ◆ Total value
- ◆ Manufacturing country
- ◆ Security declaration indicating that the information given are correct and that the items do not contain dangerous goods or prohibited by legislation or other regulations.
- ◆ Drop-off location
- ◆ IOSS identification number (Business-to-Consumer (B2C) flow only)

STEP 2 Origin (local) post portal

The post receives the information, prepares, and sends the outbound package to the international mail processing center (IMPC) that is both an Office of Exchange (OE) and a mail unit.

STEP 3 Office of Exchange (OE)

The OE process electronic messages to:

- ◆ **Postal operators** within the ITMATT (communicated to the PPZ OE's Fulfilment Center and final destination OE about an item); and
- ◆ **Assigned carrier** for the conveyance and final booking of space on the transport (CARDIT or paper delivery bills CN 38 and CN 41), and receives a response confirming which receptacles were taken into receipt by the carrier and which were returned (RESDIT).

UPU Postal Prosperity Zone (PPZ)

The arrival and presentation at the PPZ consist of:

- ◆ Procedures pursuant to requirements stipulated between the PPZ Integrator and local customs authority regarding the arrival procedure into the PPZ.
- ◆ Procedures where the carrier or its ground handler delivers the consignment to the OE Fulfilment Center, who in turn reads off/scans and confirms its possession and subsequent processing within ITMATT (communication and status changes within the system that the shipment has arrived and been presented).

PPZ Fulfilment Centre (information processing unit within the OE)

Depending on the final destination, the Fulfilment Center checks whether each item in a shipment is subject to regulatory requirements at the final destination country/union, and ensures that the shipment fulfils the regulatory requirements for the respective destination, and processes subsequent information electronically, including whether the drop-off location is to be used for pick up or delivery to the end recipient (last-mile-delivery). It also ensures electronically that the IOSS identification number is known by the destination OE or, depending on who submits the declaration at the customs office of destination, the carrier processes the electronic message to

- ◆ **Destination OE** within the ITMATT; and
- ◆ **Assigned carrier** for the conveyance and final booking of space on the transport (CARDIT or paper delivery bills CN 38 and CN 41) and receives a response confirming which receptacles were taken into receipt by the carrier and which were returned (RESBIT).

STEP**6****Postal Pre-loading,
European Union (EU)
only (currently)**

If goods are to be sent to the EU the Fulfilment Centre also has to

- ◆ Submit an Entry Summary Declaration (ENS) to the destination customs authority via ITMATT when goods are destined to the EU.
- ◆ Await a response message via ITMATT from Customs indicating either that the shipment is ready to be loaded (assessment complete message), or
- ◆ Receive a referral request where either additional information (RFI) or request for a screening (RFS1) is required by Customs; or
- ◆ That the shipment cannot be loaded (“Do Not Load” (DNL)).
- ◆ The PPZ Integrator and the Fulfilment Center recommunicate via ITMATT in coded format for additional information or the result of screening performed and wait to see whether the response is eventually deescalated into an assessment complete message or becoming a DNL
- ◆ If a DNL message is being initiated, prompt actions must be taken pursuant to AVSEC protocol stipulated between Customs-AVSEC-Postal and Carriers

STEP**7****Destination OE**

- ◆ At the destination, the receptacle is unloaded from the unit load device, the receptacle is emptied, and the individual parcel is retrieved.
- ◆ A Rescon message is triggered confirming that the consignment was received from the carrier at the destination air mail unit, containing information regarding the receptacles that have been scanned by the destination OE at handover from the carrier or its ground handler.
- ◆ A Resdes message is triggered to confirm arrival at destination OE and to provide information regarding the receptacles within a dispatch that have been received to the PPZ OE.
- ◆ A customs declaration is submitted either by the OE or the carrier to the customs authority, and once released, the shipment is handed over to either the end recipient (buyer) or a drop-off center for pick up.

Returns

Returns when the import declaration is invalidated by the postal operator (declarant)

If the goods were imported as a low value shipment, the postal operator may return them to the seller using the ten-digit barcode (receptacle/PAWB). If a new barcode is created for the return, a cross reference must be created in ITMATT for presentation to Customs if proof of return is required. In the absence of low value shipment, an electronic export declaration needs to be submitted to Customs.

Returns when the import declaration is invalidated by the express carrier

Similar to the postal operator, low value goods can be re-exported when there is a single transport document issued (HAWB), the particulars of which can be presented for Customs if required. A cross reference HAWB needs to be made in the new HAWB. If a new HAWB and no low value shipments; an electronic export declaration needs to be submitted

Returns initiated by the buyer (after receiving goods)

If the consignee (i.e. the importer) accepted the delivery of the initial shipment and later decides to return it, the process will depend on how the consumer decides to organize the return and the procedure applicable in the relevant member state regarding the request for the reimbursement of Value Added Tax (VAT).

In the PPZ, a UPU certified PPZ Integrator is working for the Free Zones Operator and owner to handle the PPZ flow with specific technology developed in line with guidelines from UPU (PTC).

National customs has transparent access to data and information and, based on risk, may manage and monitor compliance with respect to the flow of goods in collaboration with the PPZ Integrator. There are established data pipelines to customs in any destination country for source information queries and exchange of information.

In the PPZ, the PPZ integrator in cooperation with the Free Zone Operator and other players, may establish specific fulfillment centers. The PPZ Integrator offers supportive data and technical support for these operations, ensuring that they meet the requirements from UPU, Customs, World FZO, and OECD.

National post handles the last-mile-delivery of the goods to the local market in the country of destination. Using the PPZ postal portal and PPZ app, the receiver data can be updated and used for the delivery, offering various options for the customer/buyer.

Players/Roles

UPU: Owner of PPZ concept, providing international standards, guidelines, and regulation for the concept and programme. As the global owner of this new concept, UPU will promote and cooperate with other international institutions, as well as national member post operators and organizations to manage and monitor the programme. UPU also provides technology solutions (from PTC), including the crucial standard messaging network (ITMATT) between the designated (postal) operators, accreditation of PPZs (certification), and together with national post organizations, appoints new PPZ OE, and offers capacity building and technical assistance. We propose that UPU extends its capacity building support by initiating and implementing a specific capacity

building fund to support developing countries in establishing PPZs.

PTC (Postal Technology Centre):

PCC supports and develops UPU applications, network, training, and help desk service to the users of UPU applications, products, and services. The PTC designs and develops standards for the involved technology solutions and applications, as well as new applications and system functionality.

Postal Operators: Packaging and processing of information for postal consignments between origin, PPZ, and final destination post and delivery of last mile.

Logistic Provider: Carrier that undertakes the delivery of postal consignments from origin to PPZ and from PPZ to final destination of goods, and its ground handler, which loads and unload goods to and from aircrafts.

Free Zone Operator: Owner of the Free Zone, operating, running, and securing the free zone premises in line with rules and regulations. In order to host a PPZ, the free zone must become a World FZO Safe Zone and OECD Clean Zone certificate owner. The Free Zone operator works with a specific PPZ Integrator operator when UPU accreditation is granted, which differentiates the PPZ from other free zone inhabitants, customers, and activities. PPZ becomes a new business line for the free zone and improves its status, offering further opportunity for investments and attracting new customers. With PPZ status, the free zone will be connected to the global supply chain, international value chains, and a postal trade superhighway. The

free zone will, in this context, become specifically interesting for companies and supply chain stakeholders holding an AEO status under the WCO Framework of Standards.

PPZ Integrator: The PPZ Integrator is the operator of the PPZ area within the free zone, the owner of the UPU accreditation, and is responsible for the PPZ rules and regulations in the free zone, cooperation with the Free Zone operator, technology solutions and communication, facilities, and operations vis-a-vis Customs for operations within the PPZ. This is a key function and a new role required for the model to work. The PPZ Integrator is the technology integrator within the PPZ area of the Free Zone.

Fulfilment Centre: An entity of the OE which has its physical location at the PPZ that is responsible for receiving and storing of goods and data, data processing for acknowledge receipt and ICT status updates, submitting and ensuring the regulatory framework of destination countries or unions are complied with, including audit and controls of data submitted.

World Free Zones Organization: Member Organization for free zone owners providing accreditation for Safe Zone certification, as well as guidelines and capacity building for the free zones and future PPZs.

Customs: Customs gets transparency, increased governance and compliance, for postal and free zone activities through improved visibility and access to data

IDENTIFIED CHALLENGES TO SOLVE AND THE SOLUTIONS

This new concept offers a simplified model for non-standard e-commerce goods. During the project, we have identified a list of challenges that has been addressed.

Challenges:

01

The need to convince carriers that the proposed solution would not raise their liability or cause any delays at customs:

- a. Stakeholders involved are the national customs administration and OGD to the extent liability issues need to be addressed in a regulatory framework for the PPZ.
- b. The national customs administration needs to be comfortable with the model and proposed solution, and they must make this information public so that carriers can receive the comfort they need

02

In order for the minimum data necessary to be pulled from the source country, the portal with the source country post office must contain an irreducible set of information. This is particularly critical for the movement of regulated goods. We need to conduct a discovery activity to determine the minimal data required and how this corresponds with the requirements of destination markets.

03

The Fulfilment Center needs to satisfy minimum compliance requirements to serve as a single intervention point for customs and regulatory authorities of destination countries.

04

Links between the post office of the destination country and the customs authority and regulatory authorities of the destination country needs to be clear. This will be a significant challenge in many destination markets.

05

What happens if things go wrong? Goods cannot be moved from the Fulfilment Center. There must be a route for these goods, especially if they cannot be returned.

The proposed model includes solutions for these challenges. These challenges must be tested in an operational pilot at the next stage of the project, if the model is approved for further investment and development.

What is the issue that the UPU PPZ is trying to solve? Answer: To ensure that e-commerce will flow for both standard and regulated goods.

The current problem confronting national post offices is declining business as a result of e-commerce. National post offices, on the other hand, have a high

level of confidence from the general population. It is this trust that represents their competitive advantage. The UPU PPZ takes advantage of the national post office's relationships with customers to give them a role in the overall flow of e-commerce trade in these two sectors.

This will enable local post offices to benefit from new business that would not otherwise be possible. If post offices do not operate in this manner, business will continue to decline, threatening the revenue streams and long term viability of post offices.



A few remarks for further work:



TRACK & TRACE FUNCTIONALITY THROUGHOUT THE SUPPLY CHAIN

In the next step, UPU/PTC should consider developing a simple track and trace mechanism enabling traceability for the buyer and other relevant stakeholder to track where the package is situated in the supply chain. This could be achieved by incorporating a functionality that would, when the barcode is registered (read) at various OEs, it automatically triggers an ICT update, combined with an automated service message submittance to the buyer (and other interested parties) of the consignment location.



MARKETPLACE

The marketplace and its intermediaries were not included in this phase since they are separated from the physical movement of goods, but they should be included in the next phase given that there is interlinkage that should be reviewed to further explore how the model would be beneficial.



TECH SOLUTIONS

The existing technological platform of the UPU (PTC) should be utilized to the greatest extent possible for the PPZ concept. This should be done in close cooperation with the PPZ Integrator, who will be the technology integrator of the PPZ. There is a need for a number of new applications, but it is our opinion that these can easily be designed, developed, and connected with the UPU tech platforms and the PPZ Integrator systems.

12

ACCREDITATION OF POSTAL PROSPERITY ZONES (PPZ)

The PPZ concept and program will be owned by the UPU. UPU should develop a framework and processes for voluntary companies who want to become PPZ integrators. This accreditation should be performed by UPU or by UPU-dedicated validators and auditors. The accreditation process should be a commercial

model, with transparent routines for application, validation, self-assessment, and certification. The accreditation process should be followed by routines for monitoring and re-evaluation every 2-3 years. The monitoring and re-evaluation should be done either by UPU, or by a UPU delegated competent third-party body.

BUSINESS MODEL: THE BENEFITS OF AN INTRODUCTION, A WIN-WIN-WIN

The business model is based on creating a system that will accelerate the flow of e-commerce, especially e-commerce of products which are subject to government regulation whose movements are restricted due to the need to satisfy the regulations of the destination country.

The critical USP of the UPU PPZ is that we can use the postal network around the world to generate the minimum data required for the satisfaction of customs and

regulatory compliance through the network of trust of the post offices of country of origin and destination. This makes it simple for the supplier in the country of origin to provide the information necessary for the customs process. It also allows the country of destination to receive the necessary information, particularly in the regulatory space. Finally, it allows key interventions to be made at the Fulfillment Center within the UPU PPZ itself. This enables an acceleration of e-commerce trade.



Looking at the many stakeholders engaged in the model, the following are some of the benefits for each party if the PPZ concept and model are introduced:

UPU: The UPU will, in line with its traditions, offer international world trade a future concept that will address challenges with parcelization of trade and e-commerce, ensuring trade facilitation in a secure and compliant manner, providing a new business line for its members (national postal organizations), and simply access to new markets for Small and Medium-sized Enterprises (SMEs) - by reusing and further developing already established competence, international networks, modern systems, and experience.

National Postal Operators: The PPZ concept offers a new growing business opportunity by utilizing the strengths of the core business, using competence, customer knowledge, networks, and exceptional last-mile delivery capacity.

World Free Zones Organization: The organization represents a large number of freeports, free zones, and SEZs in its membership by providing Safe Zone status, guidance, and capacity building for its members to become free zones of the future. The PPZ concept suits perfectly with the World FZO strategy, and it offers its members with new business opportunities as well as an attractive new offer for international trade.

Free Zones: Freeports, free zones, and SEZs are all competing on a worldwide scale. The PPZ concept provides a new business opportunity, while also bringing status and positive image

through the PPZ accreditation, Safe Zone certification, and OECD Clean Zone status. This will attract new customers from international supply chains and integrated value chains.

Customs administrations: Customs need new tools and instruments to manage, monitor, and control the parcelization of trade and e-commerce. To do so, a combination of digitalization and access to new data for risk management with compliance management of supply chain stakeholders – in conjunction with increased transparency, compliance, and access to the Safe Zone accreditation of a Prosperity Zone (using the OECD Code of Conduct)- is needed. This is a novel and previously unheard-of potential to manage risk in the face of ever-increasing trade flows, minimizing risks in terms of security, safety, and profitability.

Logistic companies: New business for companies in international trade also means new opportunities for logistic providers. The PPZ concept with a postal trade superhighway option connecting the postal system through free zones with increased speed, predictability, and compliance, means new business for the logistic sector.

Traders: The PPZ concept offers a new and improved alternative means to access new markets and customers. This is especially important for SMEs and emerging economies, creating trade inclusiveness.

Countries: See below in the next paragraph.



Why should a country support implementation of this model?

Since several of the involved stakeholders of this project with advice from the customer (UPU) are situated in Morocco, we used Morocco as an example and applied our productivity simulator (explanation of the established and well-tested methodology used is available on request) to determine the potential Gross Domestic Product (GDP) per capita increase in a Prosperity Zone.

There are many ways of measuring the potential success of any Prosperity Zone project. We utilized a productivity simulator to determine the potential uplift in economic activity in the wider zone by reference to GDP per capita. This is the best approach of explaining the potential impact of a successful project to the Moroccan economy as a whole.

However, one may also look at the overall investment in the region, as well as the many economic zones and the degree of investment they have been able to secure. Gross investment is also factored into the overall GDP calculation. Other indicators such as GVA seek to exclude the impact of subsidies and taxes from the overall contribution of the area to the overall national economy.

However, it is important to point out that even these calculations do not take full advantage of the powerful network effects of being in both jurisdictions simultaneously.

The Simulator is based on a number of scenarios. Control is simply the current situation with no boundary condition changes. EEZ1 – EEZ3 are different levels of soft and hard interventions that can be made by the government to improve the boundary conditions for investors and traders. Based on the list of potential activities that fall within EEZ1 and EEZ2, it is likely that if these activities can be realized, we are likely to be somewhere between EEZ1 and EEZ2 projections for the UPU PPZ in Morocco. Precisely, where on the curve between EEZ1 and EEZ3 depends on how much the government is willing to delegate to the Zone Authority and precisely, where the project will lie on the curve of economic development potential between control and EEZ1, 2 and 3. Typically, EEZ1 consists of basic changes such as the World Bank Doing Business Index elements, EEZ2 consists of more customs and trade simplifications and facilitations, and EEZ3 involves full regulatory, trade and competition maximisation across all policy dimensions.

Measuring Impact of GDP Per Capita Increase – Sample Projections

Productivity increases, as reported by GDP per capita, are an important measure of success. As GDP per capita increases in the EEZ, so will population, making overall economic output contribution much more significant. Projections based on economic growth increases can be estimated once the overall customs, trade and regulatory facilitations are agreed with the government.

The preliminary analysis of Morocco suggests that the Moroccan government has taken some recent steps to improve the economy, including the Programme Emergence, Acceleration of Business Zones.¹ The industrial acceleration program is expected to generate half a million jobs from 2014-2020, and increase

the share of industry in GDP from the current 14% to 23%². All of this is part of Morocco's industrialization strategy. Recognizing that industrialization is an important element of moving a country from developing to developed status, Morocco has developed a number of programs to increase its GDP growth rate. However, when Morocco's GDP growth rate between 1994 and 2014 is compared against that of some other comparable emerging economies, we discover that these programs are not doing enough to stimulate much-needed development. However, if Morocco's GDP growth rate between 1994 and 2014 is plotted against some other equivalent developing markets we see that these Programmes are not doing enough to stimulate much needed growth. The figure below demonstrates that Morocco has substantial economic prospects in developing a Prosperity Zone.

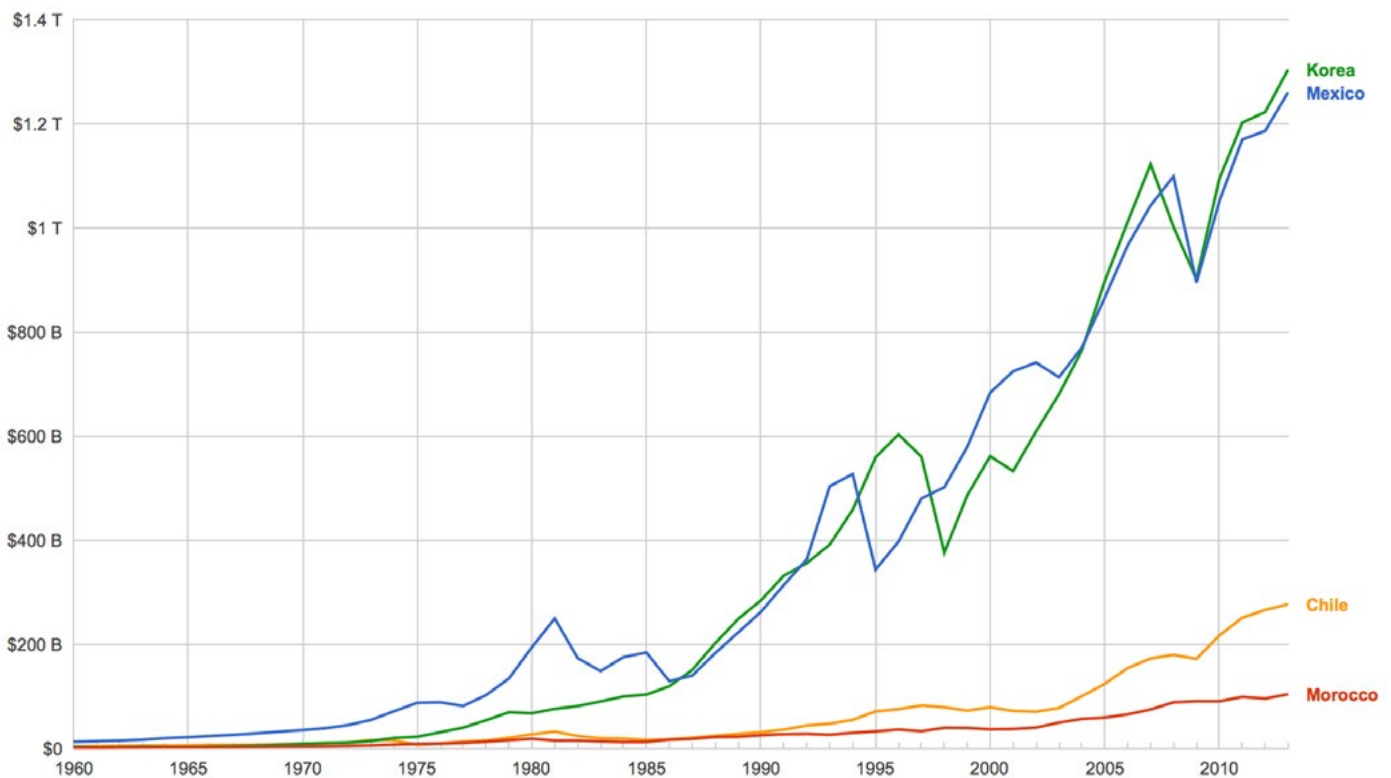


Figure 5. Gross Domestic Product comparison of Chile, Korea, Mexico, and Morocco (1960-2010)

1 - "National Pact for Industrial Emergence." Emergence. Moroccan Government, Web. 10 Dec. 2014.

2 - "Morocco Launches Wide-Ranging Industrial Acceleration Plan." BusinessWire. Web. 11 Dec. 2014.

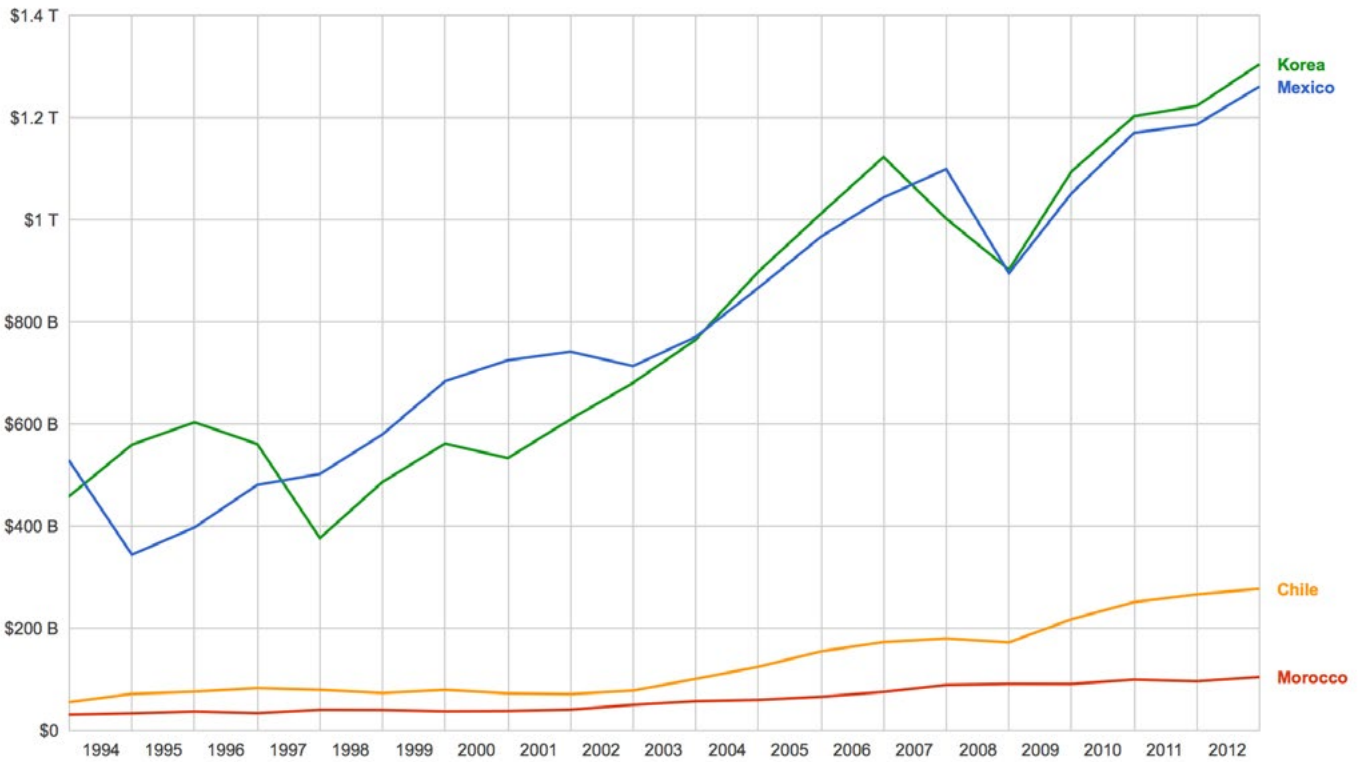


Figure 6. Gross Domestic Product comparison of Chile, Korea, Mexico, and Morocco (1994-2012)

The figure above illustrates GDP growth for selected countries, Morocco, Korea, Chile and Mexico over two time periods – 1960 - 2012, and 1994 – 2012. The gradient of the curves demonstrates that rate of growth of Moroccan GDP over both periods has been dwarfed by the selected countries. The other countries are important controls for Morocco because, as in the case of Mexico and Chile, both began to open and transition from import substitution economics in the late 1980s/early 1990s. Korea experienced rapid economic growth since the 1960s, when its economy and that of Ghana were on level.

Similarly, Morocco’s Foreign Direct Investment (FDI) growth has been positive in recent years, but it lags behind that of other emerging markets (see figures above). Once again, the gradient of the curves is an important indicator of relative increases in foreign investment. And once again, Morocco’s increase in FDI is dwarfed by the rate of increase in FDI by Mexico and Chile in particular. It is interesting to note that Korea’s mercantilist trade policy was not rewarded with foreign investment where

it lags, supporting the idea that it is open trade and more of a level playing field for competition that encourages foreign investment. One of the failed ideas behind mercantilist policies is that in an economy where exports are facilitated and imports blocked, investment will flow as a way of taking advantage of the export platform that the country offers. However, the facts do not support this.

Morocco’s industrialization plan builds towards the development of ecosystems and clusters. While financial bottlenecks are referred to, and as noted elsewhere in this document, a lack of access to financial capital is a key constraint to growth, and a more pro-competitive approach that fosters a more competitive financial services sector will be required. We note that the approach is still very much incentive and fund-based, and does not tackle the more deep-rooted causes of Morocco’s inability to achieve the sort of growth required to reduce unemployment rates. A fund and incentive-based approach will lead to the potential creation of many start-ups, but we are less likely to see the kind of scaling up of businesses

that is so valuable to a country's economic development. The value of entrepreneurial activity is realized not so much during the immediate start-up phase, as it is during the 3-5 year period when the business begins to scale and has far-reaching employment

consequences (including higher rates of employment than the more settled firms). However this start-up phase requires a different set of regulatory solutions than the launch phase of entrepreneurial business.

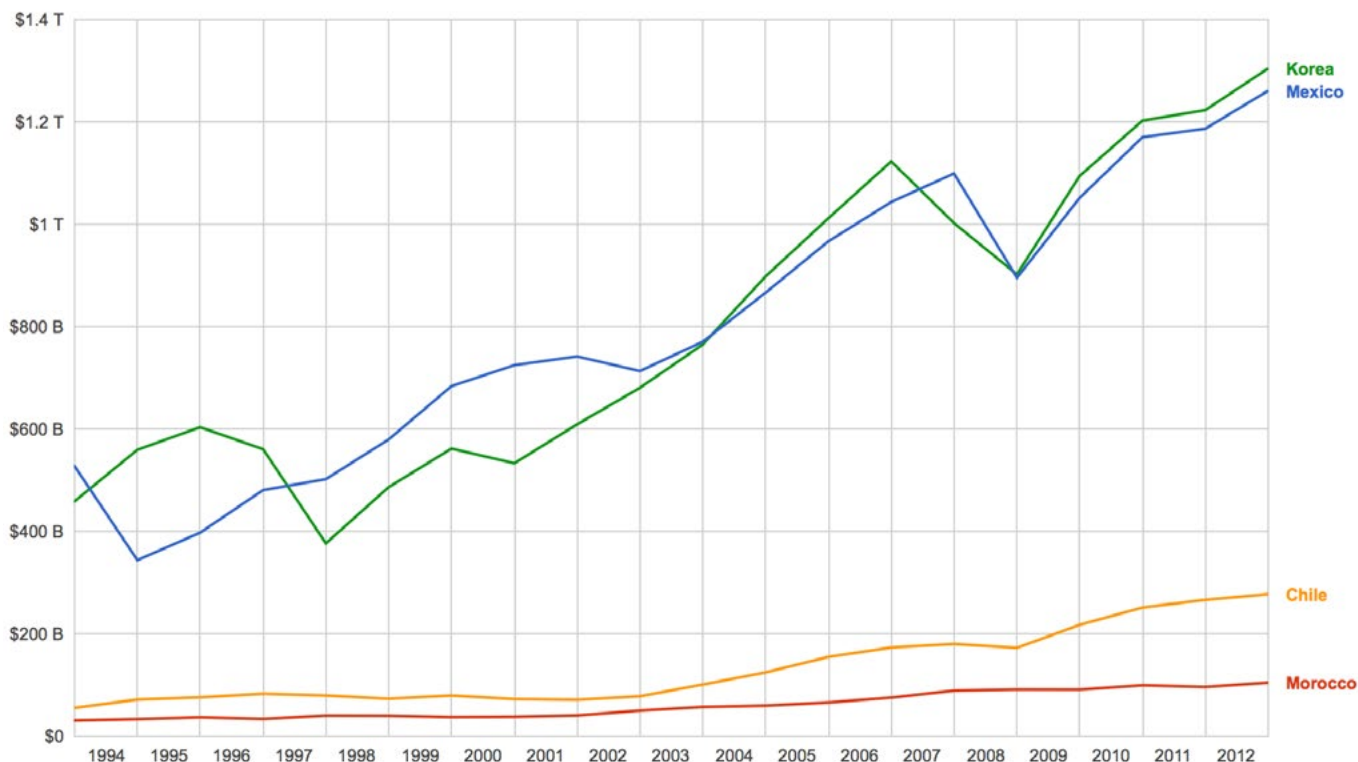


Figure 7. Foreign Direct Investment comparison of Chile, Korea, Mexico, and Morocco (1970-2010)

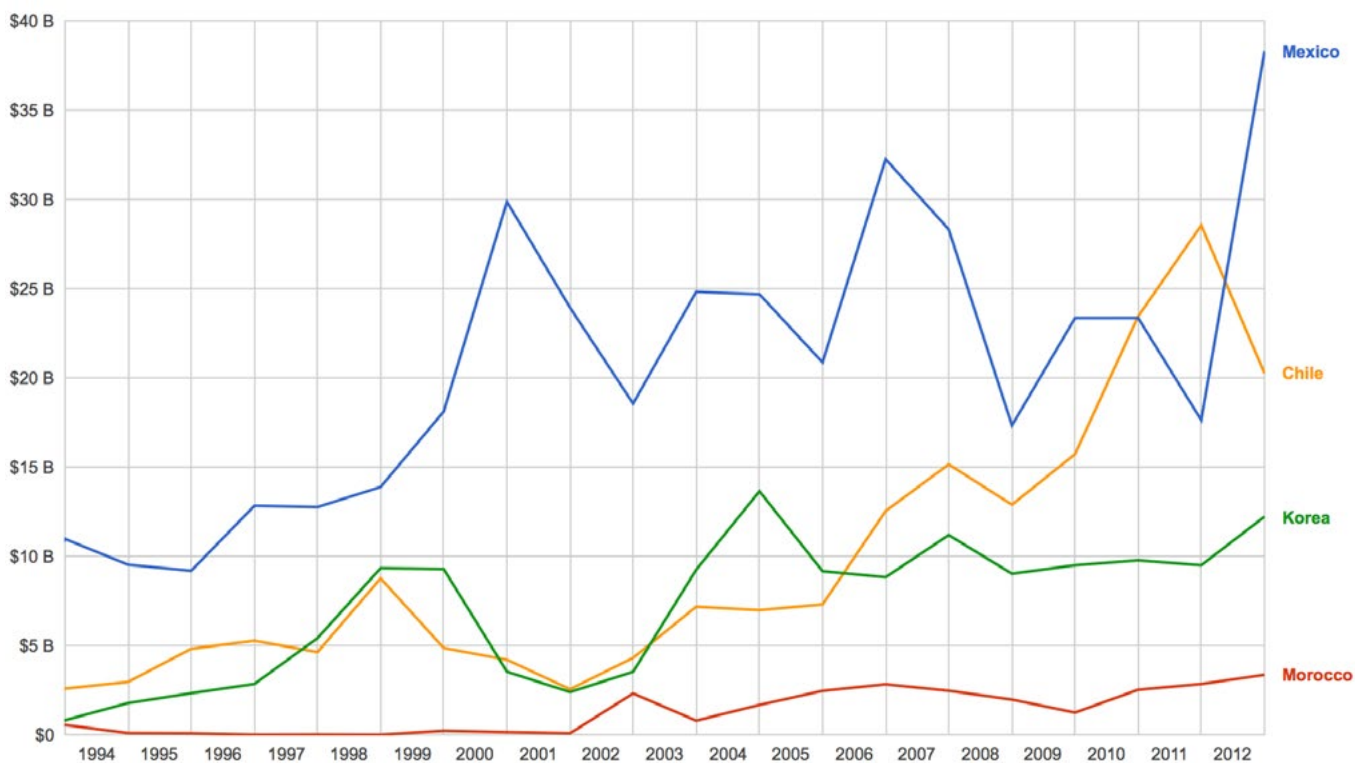
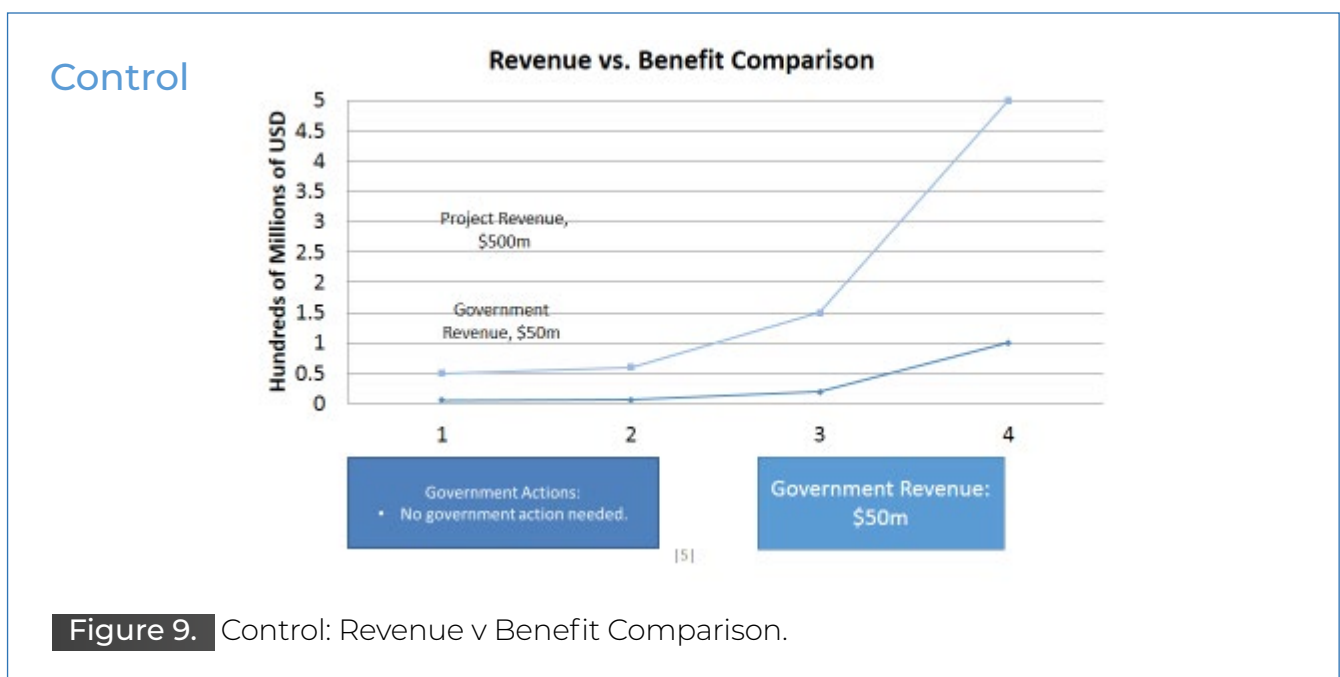


Figure 8. Foreign Direct Investment comparison of Chile, Korea, Mexico, and Morocco (1994-2012)

Project Emergence, launched in 2005, identified seven priority sectors and developed these as engines of growth for the Moroccan economy. The object was to increase GDP by 1.6% and reduce the trade deficit by 50% over a ten-year period ending in 2015. In 2007, the Program Emergence was established. The Programme Emergence was aimed at improving access to infrastructure, especially technological infrastructure. The government also announced the creation of special zones for focus on offshore activities, such as the Tanger MED zone, which has become a powerful export location due to its logistical location and multimodal platform. At the time of Morocco's TPR in 2009, it was projected that offshoring would generate 15bn DH (just under \$2bn) into the Moroccan economy by 2015 with the expansion of CasaShore, RabatShore, TangerShore, and MarrakechShore. While these programmes have ensured that Morocco has made incremental gains, they did not fully achieve their goals due to lack of capital.

The three core principles of a successful regulatory system that can provide growth are based on a PPZ's openness to trade competitiveness of its regulatory system, and how effectively it protects property rights, especially intellectual property. The various factors in indices such as the WEF Global Competitiveness Indicator (GCI), the World Bank Doing Business Index, and the Heritage Foundation Economic Freedom Index may be indexed into the three main concepts outlined above. The weighting for each of these factors is determined by the context in which they are used. The implications of improving on these are then estimated.

The data below demonstrate the extent of the economic activity unleashed. We assumed a 10-square-kilometer region and a \$500 million project as an academic exercise, which is assumed to be generated without any customs, trade, and regulatory changes as the initial level. Various facilitations, simplifications, and regulatory easements are then added at three specifically designated levels, and an approximate calculation of net economic activity is calculated based on the productivity simulator described above.



preliminary analysis suggest a



1.2%

increase in productivity for EEZ1

230%

increase in productivity for EEZ2

1800%

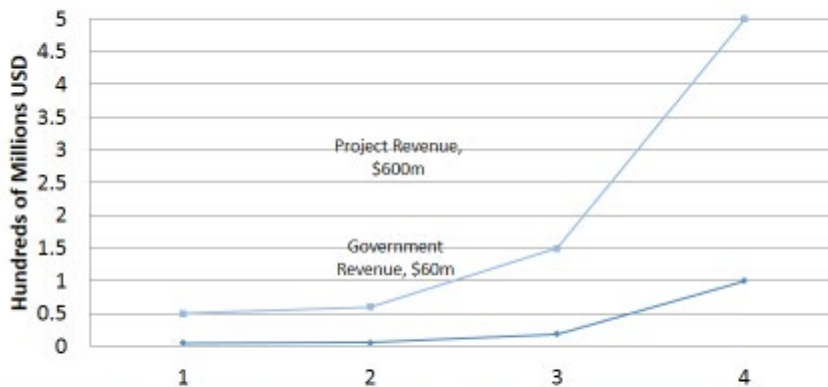
increase in productivity for EEZ3

The estimate of \$500m is based on a projection of similar projects around the world, and it is used as a base to compute the gains in GDP per capita (as a measure of productivity) that are possible in various iterations of the UPU PPZ. The gains projected in the preliminary analysis suggest a 1.2% increase in productivity for EEZ1, 230% increase for EEZ2, and a 1800% increase in productivity for EEZ3. It is important to point out that the gains from EEZ3 represent the maximum as

they constitute a radical transformation where the UPU PPZ is maximized to the top of global indicators for all areas of trade, competition, and property rights (something that not be possible). The likely scenario will depend precisely on what interventions and facilitations are actually implemented. This will determine where on the curve the UPU PPZ will land. It is crucial that this is at least beyond EEZ1, when the gains are marginal.

Control + Revenue Enhancements

Revenue vs. Benefit Comparison



- Government Actions:
- Tax incentives and tax breaks
 - Designate a 100 acre free trade zone
 - Remove poultry, livestock, etc. restrictions on foreign ownership

Government Revenue:
\$60m

Figure 10. Control and Revenue Enhancements: Revenue v Benefit Comparison.

The figure above is based on applying the most basic improvements in doing business, for example making it easier to

register a business, creating a one stop shop for a business, and so forth.

The figure is based on a special city designation with tax autonomy. Here, we can also apply some of the things that cities generally do, such as allowing foreign investment in certain sectors over which cities typically have autonomy (water, wastewater and sewage treatment systems). We could also apply a better insolvency law, and better protect intellectual property law.

Special City Designation with Tax and Certain Other Autonomy

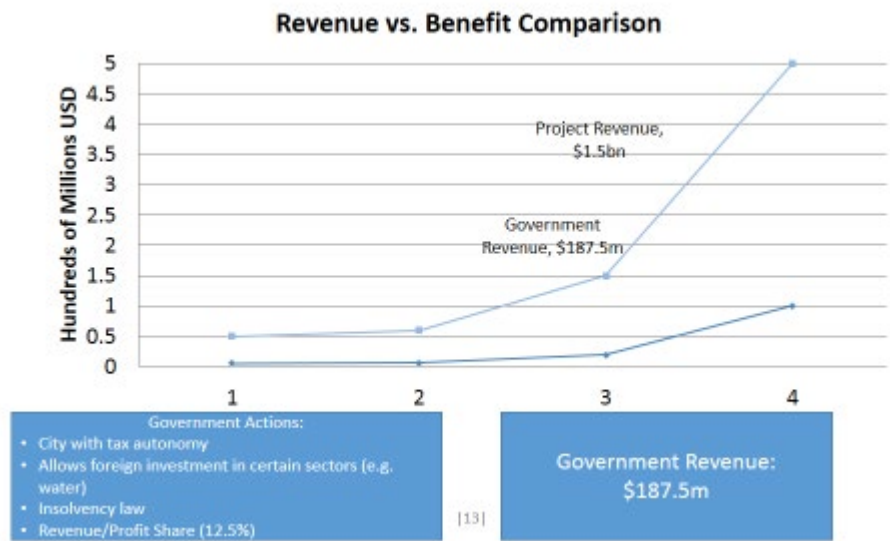


Figure 11. Special City Designation with Tax and Certain Other Autonomy: Revenue v Benefit Comparison.

The figure shows the fully maximised PPZ concept with regulatory autonomy and pro-competitive regulatory frameworks to encourage large scale infrastructure investment. The reason this scenario generates an exponential increase in economic activity is because these are the final stages of reform that maximize consumer welfare and remove existing distortions and constraints. It is tantamount to catapulting the zone in Morocco to the top of WEF GCF and other rankings. It also requires a governance mechanism that will foster trust for investors, consumers, and participants in the zone.

E-City

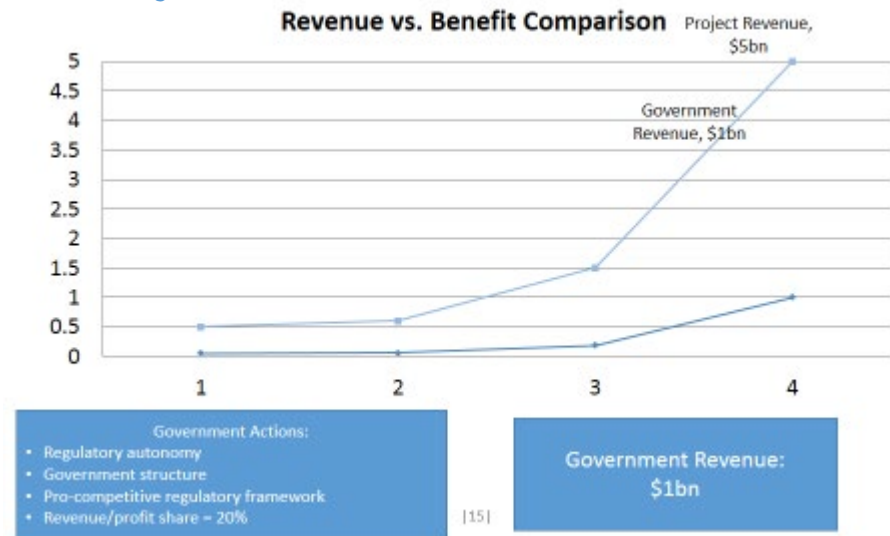


Figure 12. E-City: Revenue v Benefit Comparison.

The economic projections are preliminary projections of the Productivity Simulator. These economic benefits are project benefits that accrue to the individual parties, as well as the Moroccan government. It shows result from gains to different actors in the ecosystem, as well as job creation and tax accruals for the government.

THE PPZ TRADE SUPERHIGHWAY: CONNECTING THE DOTS

While the UPU PPZ is a pilot project, it is anticipated that there will be similar projects in key hubs around the world. As noted in an academic article published in the *World Customs Journal*, Volume 15, Number 1, March 2021, by Karlsson, Singham, and Gottschald [<https://worldcustomsjournal.org/archive/volume-15-number-1-march-2021/>],

we anticipate that these PPZs will increase the flow of trade to each other. Connecting a network of PPZs using the model proposed in this document, can create new trusted trade lanes in the future.

A UPU GLOBAL CAPACITY BUILDING FUND: SOLVING THE INITIAL INVESTMENT

As part of the PPZ concept, model and programme, we propose that UPU initiate and implement a global capacity building fund dedicated for the roll out of PPZs.

The criteria of the capacity building fund should indicate a focus on supporting the establishment of PPZs in emerging economies and developing countries.

The aim of the UPU PPZ capacity building fund is to raise financial support to make it possible for all UPU member countries, if interested, to implement the concept.

The PPZ capacity building fund should be handled in line with international best practice principles to offer maximum transparency, effectiveness, and governance at the lowest possible management cost.

Such a fund will provide government and private sector donors and sponsors a transparent means to support the overall goal of the PPZ programme.

International best practices for these types of funds often fulfill a number of fundamental requirements, such as:



Being governed by an independent international bank;



Being handled separately on a specific account from the ordinary budget process with full transparency, integrity, and governance;



Being open for both institutional and private sector donors and sponsors;



Being handled with financial transparency and proper oversight;



Being managed by a dedicated fund manager;



Being annually audited by a third party in line with international principles and best practices;



Being entirely dedicated to purpose of the fund (in this case to PPZ implementation support worldwide. If there as an example is a requirement that all or parts of the fund will be dedicated to supporting emerging economies it can be defined transparently in the fund rules); and



Acting within a governance framework ensuring that financial contributions is making a difference on the ground.

It is our suggestion that such a capacity building fund is initiated and implemented, if the UPU decides to implement the PPZ concept, as this would facilitate the model's usage faster and more effective, especially in countries where it is needed the most.

PILOT PHASE: TESTING THE CONCEPT



The UPU PPZ is a concept for integrating postal services in free zones in order to overcome the challenges with parcelization of trade and e-commerce exponential growth.

PPZ is a concept model to utilize the strengths of the international postal system in combination with the great opportunities that World FZO Safe Zone accredited freeports, free zones, and SEZs can bring in trade facilitation and regulatory reform. Together, this creates a safe and compliant new concept that offers a postal trade superhighway for both regulated and non-regulated goods in small parcels.

We have developed the PPZ concept and model together with the stakeholders of the postal supply chain and the regular e-commerce flow.

In collaboration with UPU, the draft model was then proof-of-concept tested in a round of interaction with key stakeholders and in two existing case study settings.

The purpose of this project was to explore what these setups do today and whether the PPZ model may be applied as an enhancement to current operations. If so, it would be advantageous for the setup to do so. This model for pilot testing was agreed with the UPU customer.

An operational test pilot is proposed for the next step of the process.



CASE STUDY A: TANGER MED

The Poste Maroc pilot illustrates an e-commerce Fulfilment Center or so-called “Office of Exchange” set up at Tanger Med Zones, a strategically located free zone in northern Morocco.

Tanger Med Zones (free zone), located on the Strait of Gibraltar and accessible to 186 ports worldwide, has a processing capacity of 9 million containers, 7 million passengers, 700,000 trucks, and 1 million vehicles. Tanger Med is an industrial hub for more than 900 companies from different sectors, such as automotive, aeronautics, logistics, textile, and trade, with an annual amount of approximately 8 billion USD.

The PPZ model, proposes operating a Fulfilment Center in the free zone, receiving bulk parcels shipped to Casablanca airport from China, to be cleared by customs and introduced into the postal system.

Currently, all parcel imports into Morocco flow via Casablanca airport, where Poste Maroc already has an

infrastructure in place through its subsidiary ChronoPost Maroc.

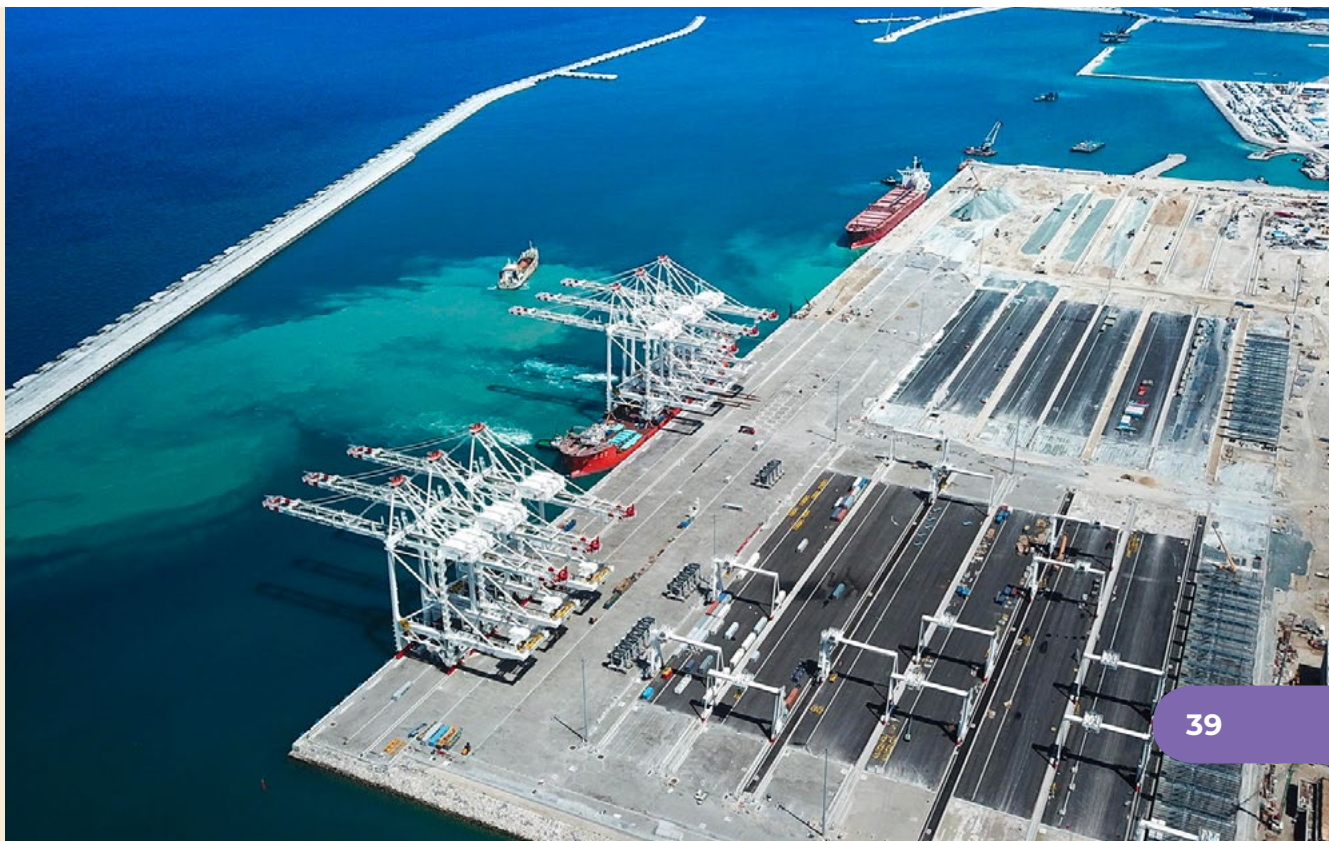
To validate the PPZ model, with a Fulfilment Center/OE in the free zone, Poste Maroc requires clarification on:

Operational - how to shift from traditional postal concepts based on exchange of mail bags at the international level between designated operators.

Commercial – postal services revenue model and which party/parties would be responsible for the investment in the Fulfilment Center.

Regulatory – the role of customs in the postal process and control mechanisms.

The dialogue with stakeholders and our analysis of the operations clearly indicates that a PPZ implementation is feasible and would bring considerable benefits in comparison with the current setup.



2

CASE STUDY B: COSTA ORIENTAL, ZONAMERICA, URUGUAY

With a vision to being the e-commerce gateway to Brazil, Costa Oriental has launched a cross-border e-commerce initiative between their fulfillment center in Zonamerica free zones, Correos Uruguay, and Brazil Post. Costa Oriental is a third-party logistics services provider located in Zonamerica, Uruguay, and located near Montevideo's international airport 'Carrasco'. Carrasco airport hosts Uruguay's "Office of Exchange" (outside the free zone) and links directly with e-commerce hub Curitiba, Brazil.

Brazil accounts for 50% of all cross-border e-commerce in South America, with Argentina as the second important market.

Costa Oriental has initiated collaboration with Correos Uruguay and Brazil, via e-commerce hub Curitiba, to fulfil expedited shipping demands between the two countries. Timing is key and the bottlenecks identified are at the authorization and validation stages.

The free zone offers a safe environment for fulfilment operations, with due diligence (KYC) procedures in place. From a regulatory viewpoint, the e-commerce supply chain should be validated, preferably by UPU.

From a commercial perspective the main limitation identified during this pilot is that B2C e-commerce deliveries are not permitted to the Uruguayan mainland. Increase in volume is crucial for the operational and commercial success of this model. The restriction of not allowing delivery to the mainland makes it challenging to onboard clients. However, omnichannel deliveries are sensitive to WTO, WCO, and OECD compliance.

The dialogue with stakeholders and our analysis of the operations clearly indicates that a PPZ implementation would be possible and would bring considerable benefits in comparison with the present setup.



This has been a visionary and exiting exploratory journey investigating new avenues towards the future, building an agile new model for parcelization of trade based on the successful development work the UPU has done during the last decade.

It has not been a simple undertaking because this is novel material and there are many perspectives to consider and questions to be answered when designing and developing new international models.

The intensive stakeholder engagement methodology used has proven to be a successful way to conduct a study like this, as it has in our opinion, created stakeholder engagement, understanding, and ownership.

We explored areas of synergy between postal services and free zones during the project and discovered such synergies. We recommend that UPU investigate these synergies further in accordance with the concept model described in this report.

We have also assessed the viability of using the unique value proposition of postal operators in free zones to address global trade challenges, while employing the skills, expertise, and existing postal infrastructure in innovative ways to create added value and a new business model.

We explored and determined the conditions that free zones must meet in order for postal operators to conduct sustainable postal operations inside the instrument. In this project, we

also defined the minimal regulatory operational and IT requirements for postal operators to allow parcelization of trade in free zones, facilitating compliance with international regulations.

We have developed a full-scale model in line with the objectives, that in our opinion, is based on and entirely in accordance with international regulations, standards, and best practices, a model that can and will – if implemented - become a new commercially successful business line for UPU and its member postal operators. The model includes a template cooperation and partnership framework that has been tested in comprehensive stakeholder engagement during the project.

The existing technology platform of the UPU (PTC) should be utilized to the greatest extent possible for the PPZ concept. This should be done in close cooperation with the PPZ Integrator, who will be the PPZ's technology integrator. There is a need for a number of new applications, but it is our opinion that these can easily be designed, developed, and connected with the UPU tech platforms and the PPZ Integrator systems.



The PPZ concept and model presented in this report has been validated for proof-of-concept in a conceptual stakeholder pilot, in line with the customer agreement.

All stakeholders engaged in this project have been positive to the concept and model. The concept, model, and conclusions have received endorsement from key stakeholders, including the World FZO.

We believe that we have met all of the project's objectives. More effort is required to take this concept to the next level, if there is a desire to do so.

In conclusion, we have designed a PPZ concept that is a key to the future of parcelization of trade. It is now up to UPU to decide if this model can and should be further developed, operationally tested, introduced, and implemented.

Based on the extensive work we have completed during this project and the knowledge and experience we have, we are convinced that this concept is feasible to implement and integrate in postal operations into a successful new business line, offering customers a

new viable route for their trade and an alternative to managing parcelization in the ever-changing international trade landscape.

Based on these findings, we recommend that UPU take the PPZ concept to the next level, transforming it into a UPU program, product, and service, and operationally testing the model in at least two countries for a period of 3-6 months. The UPU Postal Prosperity Zone concept can become a trusted compliance hub of international trade.

We have in this report demonstrated with the academic productivity simulator, that a Postal Prosperity Zone is an excellent investment for a country creating huge potential benefits. We have during the project work estimated that this model will generate a win-win-win situation for involved stakeholders. It is our opinion that the Return Of Investment (ROI) is short for an implementation of the concept. This should be further explored as an integrated part of the proposed operational pilot, providing estimations of needed investments, costs, ROI and gains (size of benefits).

WAY FORWARD - NEXT STEPS

As next steps, we propose the following

- 1 UPU should analyse the contents of this report and have a discussion with the UPU membership, all relevant UPU parties, and stakeholders concerning the model proposed.
- 2 If there is an interest to proceed with the next steps of the process to make this concept an operational programme, we suggest the following steps:
 - a. Initiate a second project with the task to create the framework for an operationalization of the PPZ concept and model.
 - b. The project should also include an operational pilot in at least two countries during a time frame of 3-6 months.
 - c. Select two voluntary member countries with the basic requirements for an operational pilot test.
 - d. Engage and get commitment from all relevant supply chain stakeholders for an operational full-scale pilot test.
 - e. Monitor and manage the operational pilot.
 - f. Evaluate the operational pilot, update, further develop, and specify the PPZ concept model, including an estimation of needed investments, costs involved, ROI and size of benefits.
 - g. Initiate and implement a UPU PPZ capacity building fund including a framework for governance.
 - h. Develop and implement the accreditation mechanism of PPZ integrators.
 - i. Launch the PPZ programme for the UPU membership.

ANNEX 1: STAKEHOLDER ENGAGEMENT AND MEETINGS (LIST)

During this project we have worked in close cooperation with the following officials from Universal Postal Union as internal UPU Project Management Office (PMO):

Mr. A. Bousseta, Director of Postal Operations, UPU

Mr. Lati Matata, Director. Postal Technology Centre, UPU

Mr. Fredrick Omamo, Project Manage, UPU

Mr. Alexander Thern-Svanberg, Deputy Project Manager, UPU

Mr. Walter Trezek, Chairman of the UPU Consultative Committee

Aside from meetings with the client(UPU), the project team has organized multiple engagement meetings, interactions, and interviews with the following stakeholders:

No.	Name	Title	Organziation	Position	Country	Website
1	Chris Bu	Mr.	Speedaf Express	Product Department - Africa Regional Head	China	www.speedaf.com
2	Eddy Richauvet	Mr.	ShopRunBack	CEO	France & Can	https://www.shoprun-back.com/en/hestia-front/
3	Laurent DECLEMY	Mr.	La Poste Groupe	Area Manager Russia, Africa and Middle-East Area manager EMS and UPU postal networks manager for parcel	France	https://www.laposte.fr
4	David Gomez Rodriquez	Mr.	Spanish Post / Correos	Head of e-Commerce Solutions	Spain	https://www.correos.es/

No.	Name	Title	Organization	Position	Country	Website
7	Carlos Rodriguez	Mr.	Spanish Post / Correos	Product Development Import & Export	Spain	https://www.correos.es/
5	Yan JIN ZHUANG	Ms.	La Poste Group	Head of Asia Pacific, Middle East, Africa and Americas	France	https://www.laposte.fr
6	Mehdi Belkacem	Mr.	Tanger Med	Logistics Development Manager, Port Authority of Tanger Med	Morocco	https://www.tangermed.ma/en/
6	Heinz Friedrich Schymura	Mr.	Asendia (JV La Post and Suisse Post)	Head of e-Commerce Solutions	Switzerland	https://www.asendia.com
8	Suresh Poduval	Mr.	World FZO	Operations Director	UAE	https://www.worldfzo.org
9	Walter Trezek	Mag.	Document Exchange Network GmbH	Chairman of the UPU Consultative Committee	Austria	www.commerce-logistics.com
10	Glyn Hughes	Mr.	The International Air Cargo Association	Director General	Switzerland	https://tiaca.org
11	Youssef Slaoui	Mr.	Groupe Poste Maroc	Directeur Projet E-Commerce	Morocco	
12	Azahar Ariff	Mr.	Pos Malaysia	Group Head, Corporate Planning and International	Malaysia	https://www.pos.com.my
13	Adawiyah Jafar (Ada)	Ms.	Pos Malaysia	Head, International Postal & Courier Services	Malaysia	https://www.pos.com.my

No.	Name	Title	Organization	Position	Country	Website
14	Christian Piaget	Mr.	International Air Transport Association	Head, Cargo Border Management	Switzerland	https://www.iata.org
15	Andre Majeres	Mr.	International Air Transport Association	Manager Cargo, Mail & e-Commerce Operations and Standards	Switzerland	https://www.iata.org
16	Henk Mulder	Mr.	International Air Transport Association	End-to-end data driven digital cargo networks	Switzerland	https://www.iata.org
17	Mauricio Papa	Mr.	Costa Oriental	General Manager	Uruguay	https://www.costaoriental.com
18	Juan Opertti	Mr.	Costa Oriental	Director-Grupo Katoen Natie	Uruguay	https://www.costaoriental.com
19	El massoudi Abdeladim	Mr.	Groupe Poste Maroc		Morocco	https://www.poste.ma/wps/portal
20	Adnane Mouddeh	Mr.	Groupe Poste Maroc		Morocco	https://www.poste.ma/wps/portal
21	Abdelhak Ouahid	Mr.	Chronopost International Maroc (Ems Cima)		Morocco	https://www.chronopost.me
22	A. Quahibi	Mr.	Chronopost International Maroc (Ems Cima)		Morocco	https://www.chronopost.me

STAKEHOLDER ENGAGEMENT AND MEETINGS (LIST)

These are the formal meetings that we held during the project. Moreover, we have had several bilateral interactions with a variety of stakeholders during the process.

No.	Stakeholder Name & Organization	Meeting Date	Key Takeaways
1	<p>1. Mr. Chris Bu, Product Department - Africa Regional Head, Speedaf Express,</p> <p>2. Mr. Eddy Richauvet, CEO, ShopRunBack</p> <p>3. Mr. Laurent Declémy, Area Manager Russia, Africa and Middle-East Area manager EMS and UPU postal networks manager for parcel, La Poste Group</p> <p>4. Mr. David Gomez Rodriguez, Key Account Manager Africa Middle East and Asia, Correos</p> <p>5. Ms. Yan JIN ZHUANG, Head of Asia Pacific, Middle East, Africa and Americas DIRECTION, EUROPEAN AND INTERNATIONAL RELATIONS, La Poste Group</p> <p>6. Mr. Mehdi Belkacem, Logistics Development Manager, Port Authority of Tanger Med</p> <p>7. Mr. Carlos Rodriguez, Product Development Import & Export, Spanish Post / Correos</p> <p>8. Mr. Heinz Friedrich Schymura, Head of e-Commerce Solutions, Asendia (JV La Post and Suisse Post)</p> <p>9. Mr. Walter Trezek, Geschäftsführender Document Exchange Network GmbH & Current Chairperson of the UPU Committee</p> <p>10. Mr. Glyn Hughes, Global Head of The International Air Cargo Association (TIACA)</p>	<p>Meeting: 23 September 2021 (MS Teams), 16.00 -17.30 CET (GMT+1)</p>	<p>-Introductions project team</p> <p>-Introductions stakeholders</p> <p>-Project objectives, activities and timeline</p>
2	<p>Youssef Slaoui Poste Maroc</p>	<p>Tuesday 12 Oct, 2 – 3 PM CET</p>	<p>-Focus on facilitating ecommerce between China and Africa</p> <p>-Will facilitate the building of this busin</p>

No.	Stakeholder Name & Organization	Meeting Date	Key Takeaways
3	Chris Bu Speedaf Express	Tuesday 12 Oct, 2 – 3 PM CET	<ul style="list-style-type: none"> -Place certifying entities in bonded warehouse in Morocco - Digitalization – track back to original and create HS codes - Corridor Morocco + Spain
4	Eddy Richauvet ShopRunBack	Tuesday 12 Oct, 2 – 3 PM CET	<ul style="list-style-type: none"> Place certifying entities in bonded warehouse in Morocco - Digitalization – track back to original and create HS codes - Corridor Morocco + Spain
5	Laurent Declémy La Poste	Thursday 14 Oct, 11 - 12 CET	<ul style="list-style-type: none"> -How can FZ benefit La Poste?
6	Mehdi Belkacem Tanger Med	Tuesday 26 Oct, 10 - 11 AM CET	<ul style="list-style-type: none"> - Developed e-commerce portal Corridor - Morocco - France
7	Walter Trezek Document Exchange Network GmbH	Monday 25 Oct, 11 AM - 12 PM CET	<ul style="list-style-type: none"> - Free zone can offer advanced harmonized inventory system
8	Glyn Hughes The International Air Cargo Association (TIACA)	Monday 25 Oct, 4 – 5 PM CET	<ul style="list-style-type: none"> - Data can provide 'selling up' of compliance
9	Christian Piaget, Head, Cargo Border Management at International Air Transport Association (IATA) Andre Majeres, Manager Cargo, Mail and e-Commerce Henk Mulder, IATA - End-to-end data driven digital cargo networks International Air Transport Association (IATA)	Thursday 4 Nov, 10.30 -11.30 AM CET	<ul style="list-style-type: none"> - E-hub concept (Alibaba) - Pre-loading and pre-arrival - End-to-end digitization - Upfront upstream datacompliance - Morocco already cooperates with Liège airport as logistics hub - Increase Sustainability and connectivit

No.	Stakeholder Name & Organization	Meeting Date	Key Takeaways
10	Mauricio Papa Costa Oriental Juan Opertti	Tuesday, 23 Nov , 6.30 - 7.30 PM CET	<ul style="list-style-type: none"> - Collaboration with Correos Uruguay and Brazil - Bottleneck is supply chain authorization/validation <ul style="list-style-type: none"> - Chain certified by customer - Authorized Economic Operator (AEO) - e-Commerce services not permitted to mainland - "Office of Exchange" in Carrasco international airport (Montevideo)
11	Adawiyah Jafar (Ada) Pos Malaysia	Wednesday, 15 Dec, 6 - 7 AM CET	<ul style="list-style-type: none"> - POS Malaysia hub "Office of Exchange" is the only designated Office of Exchange in Malaysia - Special benefits outside of free zone. Privileges since 2020: <ol style="list-style-type: none"> 1. In-house customs 2. Access to air site 3. Semi-deregulated pricing - Competing with DHL, etc.. Customs are integrated in FTZ. 1- Digitalization - UPU systems and customs declaration system connect to domestic systems. Integrate with local customs system - Before COVID net exporter. Now mainly inbound - Pricing is semi- deregulated allowing POS to adjust and be competitive (DHL, etc) in e-commerce operations - POS is 100% privately owned - POS needs to on the one hand remain competitive with regards to express service providers and also serve the domestic market, including remote rural areas - With in-house customs and access to air site there is no need to (re)locate in a FTZ Key take-aways: <ul style="list-style-type: none"> - Manage regulators - Seamless customs clearance process (challenge: Incomplete customs declarations form - contact number missing)

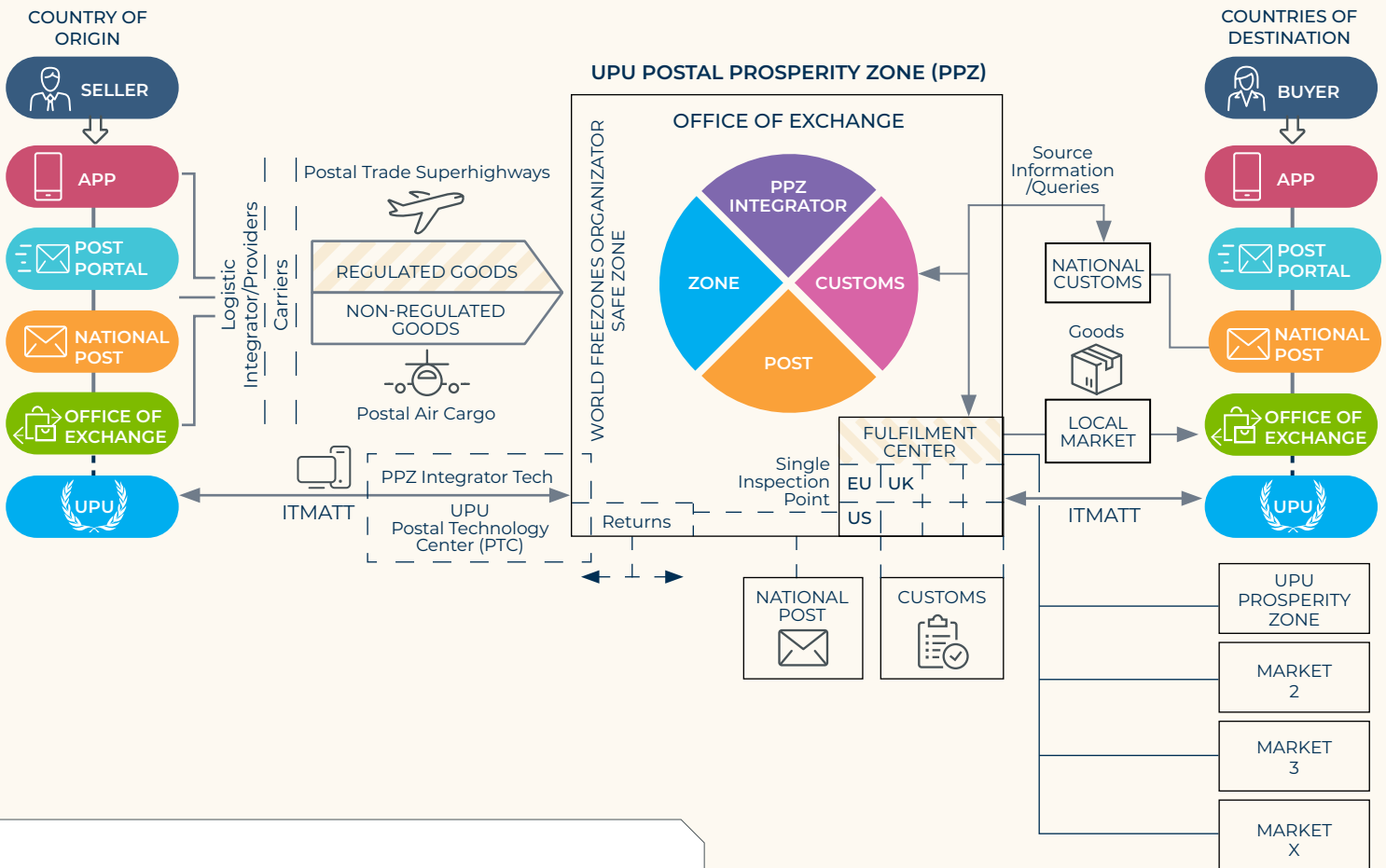
No.	Stakeholder Name & Organization	Meeting Date	Key Takeaways
12	Youssef Slaoui Poste Maroc	Thursday 20 January, 1.30 – 2 PM CET	<ul style="list-style-type: none"> - Project team presented Postal Prosperity Zone Model aimed towards accerating e-commerce flows - Model takes advantage of trust relationship <ul style="list-style-type: none"> - Brings buyers and sellers together and their perspective (buyer in Morocco will see Morocco Post) - Fulfilment center in Tanger Med (free zone) <ul style="list-style-type: none"> - Mr. Slaoui will send feedback on model 1st week of February
13	Morocco Customs (coordination in process)	February 2022	Informal discussion



ANNEX 2:

UNIVERSAL POSTAL UNION: POSTAL PROSPERITY ZONE (PPZ) CONCEPT

UNIVERSAL POSTAL UNION: POSTAL PROSPERITY ZONE (PPZ) CONCEPT



- UPU: Accreditation, Tech Systems, Capacity Building Fund
- POST: New Business, App, Transactions
- WORLD FZO: Safe Zone Certification, Training
- FREEZONE: New Business, Investment
- LOGISTIC PROVIDER: New Business, Speed, Predictability, Maintained liability level
- CUSTOMS: Transparency, Compliance, DAT
- PPZ INTEGRATOR: Operations, Tech Systems, Returns



HOW POSTAL PROSPERITY ZONES (PPZ) CONNECTED BY A TRADE SUPERHIGHWAY CAN CONTRIBUTE TO GROWTH AND PROSPERITY

Research and pilot projects on the use of postal
services in the parcelization of trade in free zones



A Maersk Company