

Freeports are a threat to free markets and to the wellb...

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The National newspaper in Scotland has been running what I think to be a very important series on the threats posed by freeports during the course of this week.

I have made my own contribution to this series [in an article](#) in which I describe freeports as having all the characteristics of tax havens. My argument is multifaceted, but does in the first instance address the economic fallacies that underpin the argument for freeports, saying:

The narratives that the proponents of [freeports] use [is always alluring](#). They are, however, always based upon the idea that freedom from regulation and taxation is the foundation for prosperity. This is total nonsense.

It is not chance that the most taxed and regulated countries in the world are all also the most prosperous, but that is always the case, most especially if we take the more obvious tax havens like Luxembourg, Ireland, the Netherlands, and the Cayman Islands out of consideration.

It is also very obviously true, on the basis of even the most superficial observation, that those countries with low levels of taxation and regulation are almost always associated with high levels of crime, low levels of income for the population as a whole, unstable government, and corruption.

Regulation and the taxation that supports it are necessary. Without them, world trade competes without rules, and mayhem results.

A sporting analogy helps here. As we all know, every sport is dependent upon rules and regulations. Sporting competition only exists because there are umpires, referees, and others to monitor compliance with those rules.

Markets are the same. They, too, require regulation, but the whole logic of freeports is to pretend otherwise. They try to create artificial advantages for one team over all others as if your favourite team could always play with 12 people on the pitch when opponents were restricted to 11. Rigging the rules does not help competition. It

destroys it.

One of the commonalities that I have always found present amongst those who have advanced tax haven activity is that, without exception, they say they want to promote free market activity whilst at the same time seeking to undermine compliance with all the conditions that must apply if free market activity is to be beneficial to society as a whole, based upon the theories to which they say they subscribe.

The whole basis of a genuine belief in the virtue of markets is dependent upon those markets not being rigged, and upon the rules that they impose being complied with. Even in his more extreme moments, Milton Friedman always made this point.

The modern proponents of freeports and tax havens, and all other forms of regulatory abuse, have no interest in following Friedman's suggestion. That is because they are not in the slightest way entrepreneurial, and have little or no understanding of what it really means to be free market operators. They are instead only interested in ways in which they can manipulate regulations to extract profits from markets at cost to society at large. That is the single reason for the existence of freeports and precisely why all governments should reject their existence since they represent a threat to their populations as a whole.