

**COUNCIL****Council****REPORT ON THE IMPLEMENTATION OF THE OECD  
RECOMMENDATION ON COUNTERING ILLICIT TRADE: ENHANCING  
TRANSPARENCY IN FREE TRADE ZONES****(Note by the Secretary-General)****JT03565219**

1. This document presents, in its Annex, a Report by the Trade Committee, through its Working Party on Countering Illicit Trade (hereafter, WP-CIT), on the implementation of the OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [[OECD/LEGAL/0454](#)] (hereafter, the “Recommendation”), including on the implementation of its substantive provisions, its dissemination and its continued relevance. The Report also includes conclusions on whether the Recommendation requires revision or whether further actions to support its dissemination and implementation are necessary.
2. The Trade Committee approved, by written procedure, on 27 April 2025, the Report and its transmission to Council to be noted and declassified at the 2025 Ministerial Council meeting [[TAD/TC/WPCIT\(2025\)9/REV2](#)]. Once declassified, the Report will be included on the [online Compendium of OECD legal instruments](#).

## Background

3. The Recommendation was adopted by Council on 21 October 2019 on the proposal of the Public Governance Committee (PGC) and it is now under the responsibility of the Trade Committee [[C\(2023\)66](#)]. It aims to assist governments and policy makers in reducing and deterring illicit trade conducted through and inside Free Trade Zones (FTZs). There are currently 39 Adherents including all OECD Members and the European Union (EU).
4. The 2017 OECD Ministerial Council Statement recognised the need for international co-operation and partnerships to fight international corruption and illicit trade<sup>1</sup>. Subsequently, the OECD High Level Risk Forum (HLRF), under the aegis of the PGC, proposed in December 2017 that its Task Force on Countering Illicit Trade (TF-CIT), then a level III body under the PGC, should develop a draft set of guidance on countering illicit trade.
5. Building on several years of analytical work and expert consultation, an initial draft was discussed in March 2018, which included written inputs from consultations with the Financial Action Task Force (FATF), the World Customs Organization (WCO), and the World Trade Organization (WTO) Secretariats. An online public consultation took place from July to September 2018. A variety of stakeholders provided input, including amongst other representatives from OECD Member and non-Member countries and jurisdictions, FTZ operators, their associations, intermediaries (including shippers, freight forwarders and couriers) and industries established in FTZs or using FTZs in course of their supply chains. Over 200 individual stakeholders participated, with nearly 100 pages of written comments received. Following these discussions, a draft Recommendation was developed by the TF-CIT, HLRF, and PGC and submitted to the OECD Council for adoption.
6. Given the TF-CIT’s growing scope of activities, such as support for the implementation of a Recommendation, as well as interest in increasing visibility and streamlining of processes, several TF-CIT delegates proposed the establishment of the TF-CIT as a level II body under the Trade Committee. Consequently, in 2023 the TF-CIT was transferred to the Trade Committee and became the Working Party on Countering Illicit Trade (WP-CIT). The Council also transferred the responsibility over the Recommendation to the Trade Committee [[C\(2023\)66](#)]. On this occasion, the Council also received an update on the development of the certification scheme to assess the performance and compliance of FTZs with the provisions of the Code of Conduct. The mandate and work of the WP-CIT involves supporting Adherents in the implementation of the Recommendation, notably in ensuring the co-operative aspects amongst Adherents and

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<sup>1</sup> See <https://web.archive.oecd.org/2022-02-28/476679-ministerial-council-meeting-2017.htm>.

relevant actors, and the development of approaches to detect and counter illegal trade in Free Trade Zones globally.

7. In the Recommendation, the Council instructed the PGC, through the TF-CIT (now the Trade Committee, through the WP-CIT), to monitor the implementation of the Recommendation and report thereon to the Council no later than five years following its adoption and regularly thereafter. In line with this instruction, this Report provides an assessment of key activities undertaken to disseminate and implement the Recommendation, as well as conclusions regarding its continued relevance.

## Methodology and process

8. In order to collect information on the implementation, dissemination and continued relevance of the Recommendation, a survey questionnaire was developed by the Secretariat and circulated to the Adherents to the Recommendation [[TAD/TC/WPCIT\(2024\)9](#)].

9. Responses were collected between November 2024 and March 2025. 20 Adherents<sup>2</sup> responded to the questionnaire (also referred to as “Respondents”). Out of these, four Adherents<sup>3</sup> indicated that the questionnaire does not apply to them as they do not have FTZs in their territories. Four additional Adherents<sup>4</sup> indicated that the Special Economic Zones in their territory do not meet the definition of FTZ used in the Recommendation.<sup>5</sup> Responses were also received from Bulgaria, an accession candidate country. For the purpose of this Report, the responses provided by the EU describe the collective activities at the EU level related to implementation and are therefore reflective of activities of Adherents that are EU Member States. However, some Adherents that are EU Member States have additional domestic regulation in place.

10. At its meeting on 17 March 2025 [[TAD/TC/WPCIT/A\(2025\)1](#)], the WP-CIT was updated about the process to develop the Report. The **first draft** of the Report was shared with the WP-CIT for comments by 1 April 2025 [[TAD/TC/WPCIT\(2025\)9](#)]. The **second draft** was approved by the WP-CIT on 13 April 2025 [[TAD/TC/WPCIT\(2025\)9/REV1](#)]. Following approval, the WP-CIT was informed of small adjustments made to the Report to reflect minor editorial comments raised by one Adherent.

11. The Trade Committee approved, by written procedure on 27 April 2025, the Report and its transmission to Council to be noted and declassified. Once declassified, the Report will be included on the [online Compendium of OECD legal instruments](#).

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<sup>2</sup> Australia, Canada, Colombia, Costa Rica, Czech Republic (Czechia), European Union, Finland, France, Hungary, Israel, Italy, Japan, Korea, Lithuania, Slovak Republic, Sweden, Switzerland, Türkiye, United Kingdom, United States.

<sup>3</sup> Australia, Finland, Japan, Sweden.

<sup>4</sup> France, Hungary, Israel, Switzerland.

<sup>5</sup> 'Free Trade Zone' refers to an area designated by a country or jurisdiction, where goods that enter this area are not subject, or are subject to lower import or export duties than those that would apply if such goods were declared for release for free circulation, at the moment when they enter it. Facilities used for temporary storage or for the customs warehousing procedure are not deemed to be Free Trade Zones. See Section I of the Recommendation.

## Summary

### *Implementation*

12. While the Recommendation is overall well implemented by some Adherents, a large portion deem it not applicable, mainly due to lack or minor economic activity of the FTZs sector in its territory, or due to definition issues.

13. The collected survey responses and the information gathered by the Secretariat suggest that most of the provisions set out in the Recommendation are largely implemented by Respondents, in practice or by policy and legal framework. Some Adherents mentioned that the zones in their territory do not meet the criteria of Free Trade Zones used for the purposes of the Recommendation. Other Adherents distinguished that their zones use different nomenclature than Free Trade Zones.

14. Respondents that apply the Recommendation have in place policies largely aligned with the Recommendation. The survey results indicate a diversity of practices that meet the substantive provisions of the Recommendation. Amongst other areas, these highlight that:

- Across all Respondents that apply the Recommendation, the national regulatory framework is in line with the provisions of the Recommendation. These are embedded in customs legislation, taxation laws, and dedicated Free Trade Zone legislation.
- Some Adherents mentioned that they take into sincere consideration all provisions of the Recommendation while in the process of establishing new FTZs activity. They also expressed high interest in encouraging implementation of the Code of Conduct once their national programme is well in place.
- Adherents are using different means of international co-operation to combat illicit trade in FTZs. Notably the use of arrangements for Customs to Customs co-operation.
- Core monitoring and transparency enhancement tools are in place amongst the majority of Adherents that have FTZs. This includes policies allowing for competent authorities to gain access to aggregate statistical data on goods entering or processed at FTZs.
- Some Adherents have taken a strong approach to secure clean FTZs in their territory, by establishing dedicated committees, working groups, and strong enforcement.

15. Still, there remains room for improvement in key areas. Some security aspects as set out in the Recommendation are not implemented by all Adherents at a national level. Many Adherents do not have legal framework that require economic operators to be physically located within the zones, which might result in misuse of FTZ benefits and lack of monitoring of the activities in the FTZs. Only few Adherents are using trade agreements to combat illicit trade in FTZs. Finally, there is so far only partial implementation with regards to actively encouraging clean FTZs via the Code of Conduct for Clean Free Trade Zones (set out in the Annex of the Recommendation and forming an integral part thereof). Nevertheless, in some cases, parallel measures have been implemented, without the use or awareness raising of the Code of Conduct.

16. Challenges in the implementation of the Recommendation are primarily related to awareness-raising of the risks associated with FTZs and trading partners. Amongst those who implemented the Recommendation well, challenges have been identified regarding the need for

enhanced common methodology for co-ordination and co-operation between domestic competent authorities, including common trainings.

### ***Dissemination***

17. Since the adoption of the Recommendation, the Secretariat and Adherents have undertaken various dissemination actions to promote awareness, encourage adherence, and support implementation. These efforts have targeted national and sub-national actors, non-Adherents, and relevant stakeholders, including industry and international organisations. Special sessions dedicated to discussing the implementation of the Recommendation and its Code of Conduct through an FTZ Certification Scheme have been held during key meetings of the TF-CIT (2023), WP-CIT (2024), and the first WP-CIT Forum (2025).

18. The Secretariat has participated in international events to promote the Recommendation and the rollout of the Certification Scheme, including the Illicit Trade Summit of Customs Directors-General Americas Region (Panama City, 2024), the 6th WCO Global AEO Conference (Shenzhen, 2024), the Ibero-American Free Trade Zones Conference (Curaçao, 2024), and the 13th Regional Intellectual Property Crime Conference (Dubai, 2024). Awareness-building and training sessions were conducted in Croatia and Spain (2024) and Costa Rica (2025), while a pilot certification process was launched to validate the Certification Scheme, assess challenges, and refine implementation. The Barcelona Free Trade Zone became the first FTZ certified against the Code of Conduct on March 2025, and Costa Rica is actively participating in the pilot phase and engaging stakeholders. Early discussions have also begun with Colombian authorities to explore certifications.

19. An informal Expert Network on FTZ Transparency serves as a forum for exchanging information and best practices, fostering the dissemination and implementation of the Recommendation. In the same line, an implementation toolkit is under development to support Adherents and stakeholders in implementing the Recommendation effectively.

20. The European Union has encouraged FTZ operators within the EU to implement the Code of Conduct, with the EUIPO Observatory promoting compliance. The Recommendation has been presented at various Customs Expert Group meetings to foster alignment amongst EU Member States. Colombia has taken steps to internalise OECD standards through DIAN's establishment of Internal Working Groups focused on FTZ oversight. The United Kingdom has reinforced dissemination of the Recommendation through its Freeport Programme, while the United States does not rule out the possibility of linking ongoing initiatives on a governmental platform. International organisations and fora, including the WCO, Transparency International, and the Royal United Services Institute (RUSI), have recognised the Recommendation as a key reference for enhancing transparency in FTZs.

21. To further improve dissemination, it is suggested that Adherents and the Secretariat translate the Recommendation into multiple languages to ensure broader accessibility and comprehension amongst national and local stakeholders.

### ***Continued relevance***

22. The Recommendation remains highly relevant in today's global economy, where illicit trade continues to pose significant risks to economic stability, national security, and public health. As illicit activities evolve in complexity and scale, the principles outlined in the Recommendation provide a crucial framework for governments and industry to enhance transparency, strengthen enforcement mechanisms, and foster international co-operation.

23. One of the primary reasons for the continued relevance of the Recommendation is the persistent expansion of illicit trade networks, particularly in FTZs. While FTZs are designed to

facilitate legitimate trade, they have also been exploited for illicit activities, including counterfeit goods, smuggling, and money laundering. The Recommendation's emphasis on enhanced transparency, implementation of the Code of Conduct, and rollout of the Certification Scheme remains critical in recognising the risks, identifying and understanding and ultimately mitigating them to ensure that FTZs operate with integrity.

24. The Recommendation also maintains its relevance in the context of international co-operation. Illicit trade is a transnational issue that requires co-ordinated efforts amongst countries, international organisations, and the private sector. Some Adherents highlighted in different forums that the Recommendation is a tool to improve the operation of FTZs in trading partners, and thus enhance trust and facilitate trade. The OECD's continued engagement with customs authorities, trade regulators, and law enforcement agencies facilitates the exchange of best practices and enhances global enforcement capabilities. Recent OECD-led initiatives, including the informal Expert Network on FTZ Transparency and the development of an implementation toolkit, further demonstrate its ongoing impact in fostering collaboration.

25. Moreover, the Recommendation's alignment with broader policy objectives, such as anti-corruption, sustainable development, and intellectual property protection, reinforces its significance. Governments worldwide recognise that combating illicit trade is not only an economic imperative but also a critical component of ensuring fair competition, protecting consumers, and upholding the rule of law.

## Proposed Action

26. In light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

### THE COUNCIL

- a) noted document [C\(2025\)49](#), in particular the Report set out in its Annex, and agreed to its declassification;
- b) encouraged Adherents to:
  - (i) continue disseminating and implementing the Recommendation, including through continued collaboration with international organisations to leverage compatible frameworks;
  - (ii) address the challenges identified in the Summary and conclusions section of the Report;
- c) invited the Trade Committee, through the Working Party on Countering Illicit Trade, to:
  - (i) support Adherents in addressing the main challenges set out in the Summary and conclusions section of the Report, including through engagement with the Expert Network on FTZ Transparency, development of an implementation toolkit, and further work towards common and consistent definitions;
  - (ii) report back to the Council on the implementation, dissemination and continued relevance of the Recommendation in five years.

## Annex A. Report on the implementation of the OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones

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## Background

### *Origin and scope of the Recommendation*

1. Over the past years, illicit trade has become an urgent and growing threat. Globalisation opens new opportunities for criminal networks to expand the scope and scale of their operations in illicit trade in various sectors, such as counterfeits, pirated goods, fake medicines, illicit tobacco and alcohol, and illegal wildlife products. Illicit trade undermines good governance, the rule of law, citizens' trust in government and can ultimately threaten political stability. Illicit trade also has damaging socio-economic effects; it destroys jobs, reduces tax revenue, kills innovation incentives, and puts public health and safety at risk. The COVID-19 pandemic has intensified the problem: criminal networks have reacted very quickly to the crisis and adapted their strategies to engage in illicit trade and take advantage of the changing landscape, such as booming e-commerce or disrupted trade routes.

2. The OECD Working Party on Countering Illicit Trade (WP-CIT) has been closely monitoring the risks associated with this criminal activity. The WP-CIT has been providing large volumes of robust empirical evidence about the scale, scope, and trends of the vicious problem. For example, the quantitative evidence on illicit trade in counterfeits, developed by the WP-CIT highlights its large scale, and points at the damaging effects it causes for many countries.<sup>6</sup>

3. In addition to gauging the scale and magnitude of illicit trade, the WP-CIT has also identified relevant governance gaps that enable it, one of which includes the abuse of Free Trade Zones (FTZs).<sup>7,8</sup> In the past decades FTZ have been established at a record rate to attract new business and foreign investment. As a result of FTZ proliferation in the dynamic context of globalisation, they have come to play a central role in business for many countries and leading manufacturers. Free Trade Zones can offer substantial economic benefits for host countries and hosted companies alike. FTZs facilitate trade by offering businesses advantageous tariffs and lighter regulations on financing, ownership, labour and immigration, and taxes. They have helped emerging economies to attract foreign investment and generate jobs and growth. There are different forms in which FTZs are established, as detailed in Box 1. For the purpose of this Report, the glossary used in the Recommendation applies.

4. However, the gains from reduced customs in FTZs can offer opportunities for illicit trade. Criminal networks have found ways to abuse the supervisory gaps in some FTZ to smuggle or divert illicit products to the domestic market, set up production facilities for counterfeit and contraband goods, transit illicit goods and facilitate the conduct of illicit services. OECD analysis documents that a lack of monitoring, oversight and transparency about activities conducted in numerous FTZ enables the production, movement, storage and smuggling of illicit goods.<sup>9</sup>

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<sup>6</sup> OECD/EUIPO (2021), *Global Trade in Fakes: A Worrying Threat*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/74c81154-en>.

<sup>7</sup> OECD/EUIPO (2018), *Trade in Counterfeit Goods and Free Trade Zones: Evidence from Recent Trends*, Illicit Trade, OECD Publishing, Paris/EUIPO, Alicante, <https://doi.org/10.1787/9789264289550-en>.

<sup>8</sup> In the Recommendation, it is agreed that 'Free Trade Zone' refers to an area designated by a country or jurisdiction, where goods that enter this area are not subject, or are subject to lower import or export duties than those that would apply if such goods were declared for release for free circulation, at the moment when they enter it. Facilities used for temporary storage or for the customs warehousing procedure are not deemed to be Free Trade Zones.

<sup>9</sup> See OECD (2018), *Governance Frameworks to Counter Illicit Trade*, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264291652-en>; OECD/EUIPO (2018), *Why Do Countries Export Fakes?: The Role of Governance Frameworks, Enforcement and Socio-economic Factors*, Illicit Trade, OECD Publishing, Paris/EUIPO, Alicante, <https://doi.org/10.1787/9789264302464-en> and OECD/EUIPO (2018),

5. To address this issue, the OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones [[OECD/LEGAL/0454](#)] (“the Recommendation”) was developed to support transparency in FTZs and is framed as part of the broader effort to counter illicit trade. The Recommendation was adopted by the OECD Council on 21 October 2019.

6. The Recommendation calls on Members and non-Members having adhered to it (the “Adherents”)<sup>10</sup> to encourage FTZs to adopt and implement a voluntary Code of Conduct for Clean Free Trade Zones (the “Code of Conduct”) set out in the Annex to the Recommendation and forming an integral part thereof, with the understanding that implementation of its provisions will be assessed and monitored by a mechanism to be established within one year after the adoption of the draft Recommendation.<sup>11</sup> The goal is to ensure the impact of the Recommendation and promote transparency in an effective manner, so that FTZ conduct oversight of economic operators established in a zone and co-operate with competent public authorities. The FTZ should foster the availability of information useful to investigations and bring accountability and a level playing field with the positive net result of reducing illicit trade.

### *Developments in the field since the adoption of the Recommendation*

7. Following the adoption of the Recommendation, the WP-CIT started working on the development of a mechanism to assess and monitor implementation of the provisions of the Code of Conduct by FTZs. In close consultation with numerous stakeholders, including experts from the Testing, Inspection and Certification (TIC) Council, the WP-CIT developed such a mechanism.

8. The mechanism is structured in two parts: (i) a Certification Scheme that sets out the scope of audit and processes for the conduct of the audit and certification and (ii) a Process and Criteria for the Selection of Certification Bodies. While the OECD remains the author and owner of the Certification Scheme, the certification process is carried out by external certification bodies, selected by Adherents to the Recommendation. The Certification Scheme is currently being rolled out, involving advocacy and awareness building, pilot certifications, and training.

9. An informal Expert Network on FTZ Transparency fosters collaboration and the exchange of information on policies and best practices amongst Adherents’ agencies and organisations engaged in the fight against illicit trade. The Expert Network serves as a forum for discussing issues related to the implementation of the Recommendation for experts to exchange insights, share best practices, and contribute to the development and monitoring of the Certification Scheme.

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Trade in Counterfeit Goods and Free Trade Zones: Evidence from Recent Trends, Illicit Trade, OECD Publishing, Paris/EUIPO, Alicante, <https://doi.org/10.1787/9789264289550-en>

<sup>10</sup> Currently, all 38 OECD Members and the European Union have adhered to the Recommendation.

<sup>11</sup> The Recommendation calls on the Public Governance Committee (PGC), through the (then) Task Force on Countering Illicit Trade (TF-CIT) (now, the WP-CIT under the OECD’s Trade Committee) to “[e]stablish a mechanism for the assessment of the performance and the compliance of FTZ with the Code of Conduct for Clean Free Trade Zones within one year from the adoption of the Recommendation and report to Council thereon”.

### Box 1. Glossary

Many countries around the world have set up free trade zones (FTZs) as a way to spur economic development. FTZs provide tax advantages and other regulatory exemptions that have been a boost to trade facilitation, business formation and foreign investment. Research indicates that the number of FTZ is growing and that flows moving through them are expanding.

While FTZs were originally established as means to facilitate goods in transit by relieving traders of the need to complete many of the customs formalities that would otherwise apply to goods entering a country for consumption, these zones have evolved over time.

These days, zones come in many forms, and they are subject to the specific laws and regulations of individual countries. The 2019 OECD-EUIPO report *Trade in Counterfeit Goods and Free Trade Zone*, refers to FTZs as: “[...] zones, commonly referred to as free trade zones (FTZs), are designated areas that in most cases lie outside the customs jurisdiction of the economies concerned and are not subject to customs duties or most of the other customs procedures that would otherwise apply to imported merchandise”.

In the Recommendation, the Council agrees to the following glossary:

- I. For the purpose of this Recommendation, the following definitions are used:
- 'Free Trade Zone' refers to an area designated by a country or jurisdiction, where goods that enter this area are not subject, or are subject to lower import or export duties than those that would apply if such goods were declared for release for free circulation, at the moment when they enter it. Facilities used for temporary storage or for the customs warehousing procedure are not deemed to be Free Trade Zones.
  - 'Competent authorities' include, but are not limited to, the following public authorities: police, customs, fiscal, and market surveillance officials with jurisdiction over the relevant persons, places, processes/procedures, or goods.

The same glossary was used for the purpose of the Questionnaire and is applied for the purpose of this Report.

### *Purpose of the Report and methodology*

10. The Recommendation includes a provision instructing the Public Governance Committee through the Task Force on Countering Illicit Trade (now the Trade Committee through the Working Party on Countering Illicit Trade) to serve as a forum for the exchange of information with respect to the implementation of the Recommendation, and to report to Council on the implementation no later than five years following its adoption, and at least every ten years thereafter. This Report provides the first report to Council on the implementation, dissemination and continued relevance of the Recommendation.

11. In order to collect information on the implementation, dissemination and continued relevance of the Recommendation, a survey questionnaire was developed by the Secretariat and circulated to all Adherents to the Recommendation [[TAD/TC/WPCIT\(2024\)9](#)].

12. Responses were collected between November 2024 and March 2025. 20 Adherents provided responses to the questionnaire (also referred to as “Respondents”): Australia, Canada, Colombia, Costa Rica, Czech Republic (Czechia), European Union (EU), Finland, France, Hungary, Israel, Italy, Japan, Korea, Lithuania, Slovak Republic, Sweden, Switzerland, Türkiye, the United Kingdom, and the United States. Responses were also received from Bulgaria, an OECD accession candidate country.

13. Twelve adherents have FTZs in place or a relevant legal framework that allow them to implement the Recommendation and enabled them to fully complete the questionnaire: Canada, Colombia, Costa Rica, Czechia, Italy, Korea, Lithuania, Slovak Republic, Türkiye, United-Kingdom, United States, and the EU (together referred to as “Respondents that apply the Recommendation”).

14. The remaining Respondents reported that they do not have FTZ in their territories; or that the Zones in their territory do not meet the definition of FTZ used in the Recommendation and as further explained in Box 1. An overview can be found in Table 1. An additional Adherent referred to EU regulation as its relevant legal framework without providing further responses to the Questionnaire (Germany). It is therefore not included in the aggregate analysis, but covered by the statistics and analysis of the EU in this Report.

15. The questions for implementation and dissemination were not subjective, requiring responses as ‘yes’ or ‘no’ or selecting from a closed list of answers. They were followed by additional prompts that allowed Respondents to provide further information through examples or further explanations.

16. Finally, additional information was gathered from related OECD activities on information exchange, outreach and capacity-building which are supporting the implementation of the Recommendation and is benefitting from collaboration with the Expert Network on FTZ Transparency.

**Table 1. Survey Respondents**

Respondents that apply the Recommendation	Canada, Colombia, Costa Rica, Czechia, EU, Italy, Korea, Lithuania, Slovak Republic, Türkiye, United-Kingdom, United States	12
Respondents without FTZs	Australia, Finland, Japan, Sweden.	4
Respondents without FTZs as defined in the Recommendation	France, Hungary, Switzerland, Israel.	4
Total Respondents		20
Total Adherents	OECD Members + EU	39

## Implementation

17. This section presents a summary and analysis of responses received to the twenty-four questions in the survey questionnaire, covering all provisions of the Recommendation. With a view to reporting on implementation, the provisions are divided into five substantive principles, as provided in Table 2. The original numbering of the provisions of the Recommendation are kept for ease of reference.

**Table 2. The Principles of the Recommendation**

(1) <b>Implementation of legal framework</b>	II. <b>RECOMMENDS</b> that Members and non-Members having adhered to the Recommendation (hereafter the “Adherents”), promote transparency in order to deter the abuse of FTZ as conduits for illicit trade. To this effect, Adherents should, in a manner which is non-discriminatory and does not create undue barriers to trade:
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	<ol style="list-style-type: none"> <li>1. Ensure that the legal framework for FTZ, established in their territory or that are otherwise under their administrative control, <ol style="list-style-type: none"> <li>a) Provides for the right of competent authorities to require relevant data, documents, samples and other information related to the production and movement of goods, and to carry out, in accordance with domestic law, ex officio checks at any time on goods stored, manufactured or packaged and services provided or activities conducted in FTZ.</li> <li>b) Allows for competent authorities to take appropriate actions and measures in accordance with their domestic law.</li> <li>c) Empowers competent authorities to examine merchandise before or at the time of admission to a FTZ, or at any time thereafter, if the examination is considered necessary to facilitate the proper administration of any law, regulation, or instruction which the competent authority is authorised to enforce.</li> <li>d) Empowers competent authorities to enforce applicable prohibitions and restrictions on activities carried out within the FTZ, having regard to the nature of the goods in question, the requirements of customs supervision, or security and safety requirements.</li> <li>e) Empowers competent authorities to prohibit persons who do not provide the necessary assurance of compliance with customs provisions from carrying out activities in a FTZ.</li> <li>f) Prohibits legal or natural persons convicted of illegal economic or financial activities from operating within FTZ.</li> <li>g) Ensures that the perimeter and entry and exit points of FTZ are subject to competent authorities' supervision.</li> <li>h) Ensures that goods, persons and means of transport entering and leaving FTZ are subject to effective controls.</li> </ol> </li> </ol>
<p><b>(2) Transparency of Economic operators in FTZs and risk assessment</b></p>	<ol style="list-style-type: none"> <li>i) Ensures that the economic operators that are allowed to operate within FTZ are physically located within the FTZ, and that they communicate to the competent authorities the identity of the clients in their operations. Where the client acts as an agent or representative, then the economic operator should also communicate the identity of the principal, that is, the person(s) on whose behalf the agent acts, to the competent authorities.</li> </ol> <ol style="list-style-type: none"> <li>2. Ensure competent authorities have access to aggregated statistical data on goods entering and leaving FTZ on the basis of their tariff classification, and information that identifies the owner(s) of goods.</li> <li>7. Monitor the activities of FTZ and publish annual indicators that help contribute to an evaluation of their risk of facilitating illicit trade.</li> <li>8. Develop relevant prior non-compliance or enforcement statistics, including customs detentions and seizures of illicit goods originating, or in provenance from FTZ, and enforcement actions already taken regarding that FTZ.</li> <li>9. Conduct targeted operations with respect to shipments originating from high risk FTZ, such as those that do not implement the Code of Conduct for Clean Free Trade Zones.</li> </ol>
<p><b>(3) International cooperation and information exchange</b></p>	<ol style="list-style-type: none"> <li>3. Cooperate internationally in the exchange of law enforcement information, and consult with competent authorities and affected industries in investigations and other legal or administrative proceedings concerning specific cases of misuse of FTZ related to illicit trade. This includes means such as: <ol style="list-style-type: none"> <li>a) Sharing financial and administrative information spontaneously and upon request to support the provision of</li> </ol> </li> </ol>

	<p>evidence in judicial proceedings, or to ensure and further the effective supervision and control of FTZ and the prevention of their misuse, in accordance with domestic law.</p> <p>b) Making better use of and adherence to current arrangements for Customs to Customs cooperation, as required through Customs Mutual Assistance Agreements and other law enforcement information sharing and disclosure gateways and protocols.</p> <p>c) Cooperating and assisting in the development and implementation of policies and practices to counter illicit trade in FTZ, including technical assistance to share and develop improved systems for record keeping by competent authorities, FTZ and economic operators.</p> <p>10. Make greater use of existing or new international agreements that include provisions on mutual legal assistance or other forms of enforcement cooperation, in order to combat illicit trade conducted through FTZ. When administering such agreements, Adherents should designate the competent authorities and their points of contacts in order to facilitate the communication between and amongst the competent authorities of the parties to such agreements.</p> <p><b>IV. RECOMMENDS</b> that Adherents use trade agreements, as appropriate, to encourage adherence to the principles for combatting illicit trade in FTZ contained in this Recommendation.</p>
<p>(4) <b>Domestic and inter-agency co-operation and information exchange</b></p>	<p><b>II. RECOMMENDS</b> that Members and non-Members having adhered to the Recommendation (hereafter the "Adherents"), promote transparency in order to deter the abuse of FTZ as conduits for illicit trade. To this effect, Adherents should, in a manner which is non-discriminatory and does not create undue barriers to trade:</p> <p>4. Enhance domestic inter-agency co-operation, including obligations to report suspicions of illegal behaviour to the competent public authorities, information sharing between agencies; and other co-operation mechanisms such as joint investigations and joint intelligence centres.</p> <p>5. Promote awareness amongst competent authorities and private sector stakeholders (e.g. major intermediaries including shipping agents, freight forwarders, customs brokers and logistics companies) to understand the roles and responsibilities of operating in an FTZ, as well as risks related to FTZ operations.</p> <p>6. Foster partnerships amongst stakeholders to counter illicit trade emanating from high risk FTZ, such as those that have not implemented the Code of Conduct for Clean Free Trade Zones, which is set out in the Annex to this Recommendation and forms an integral part thereof. This includes efforts to encourage the business community that makes use of FTZ, or that finances operators within FTZ, to conduct business in or engage with FTZ that are compliant with the Code of Conduct for Clean Free Trade Zones.</p>
<p>(5) <b>Actively encouraging Clean FTZs</b></p>	<p><b>III. RECOMMENDS</b> that Adherents take measures to encourage FTZ to implement the Code of Conduct for Clean Free Trade Zones. Such measures include, but are not limited to the conduct of strict control of consignments arriving from, or for which there is evidence of having transited through, FTZ that do not implement the Code of Conduct for Clean Free Trade Zones.</p>

Note: Adapted from the Recommendation, original numbering of the provision of the Recommendation remains.

### *Implementation of legal framework*

18. The FTZ's operating environment may lack adequate oversight by law enforcement authorities due to the frequent misconception that companies established inside are effectively

operating outside the jurisdiction of a national territory. This leads to the mistaken view that national law enforcement and customs lack authority to access the physical premises and information on the economic operators conducting business inside. Therefore, the Recommendation sets out the main elements of a legal framework for Adherents to regulate FTZs in their territory or under their administrative control.

19. All Respondents that apply the Recommendation reported that their legal framework contains the relevant provisions from the Recommendation to empower competent authorities. As such, it provides for the right of competent authorities to require relevant data, documents, samples and other information related to the production and movement of goods in FTZs; allows competent authorities to carry out ex-officio checks at any time on goods stored, manufactured or packaged and services provided or activities conducted in FTZs; empowers competent authorities to examine merchandise before or at the time of admission the FTZs, or at any time thereafter, if necessary to facilitate the enforcement of any law, regulation or instruction; empowers competent authorities to enforce applicable prohibitions and restrictions on activities carried out within the FTZs.

20. Several Adherents referred to the EU Union Customs Code (UCC),<sup>12</sup> which includes important elements in the governance of FTZs with specific provisions related to designation of FTZs, activities in FTZs, conditions for customs checks, and security aspects of the Zones.

21. Other Respondents referred to a mix of dedicated FTZs legislation (Costa Rica, Türkiye, Korea, the UK and the US), taxation law, and customs legislation (Canada, Colombia). In line with the type of regulations, there are different types of competent authorities in each Adherent, as further detailed in Table 3. For instance:

- In **Costa Rica**, the relevant legal framework consists of General Customs Law,<sup>13</sup> Free Trade Zone Regime Law,<sup>14</sup> Regulations to the Free Trade Zone Law,<sup>15</sup> as well as Customs Facilitation and Trade Regulation that provide operational guidelines for customs officers to perform inspections and enforce compliance with customs and trade-related requirements; and international agreements and frameworks such as of the World Customs Organization (WCO).<sup>16</sup>
- **Canada** and **Colombia** both referred to different sections under their Customs Act<sup>17</sup> and Tax Act respectively.
- In **Türkiye**, the Free Zones Law and Turkish Customs Law have specific rules regarding supervision of the goods, persons and means of transport entering and leaving FTZs, as well as rules on the submission of electronic declarations.
- In the **UK**, the responsible authority for the FTZ must maintain an electronic record of goods and activities in the FTZ and make those records available on request to HM Revenue and Customs (HMRC)<sup>18</sup> and other approved competent authorities. FTZ legislation in the UK also requires businesses within the FTZ to keep more detailed records about the goods and the nature of activities relating to them.
- In the **US**, the Department of Commerce International Trade Administration Foreign-Trade Zones Board is the competent authority to designate locations for FTZs. It is then “activated” by, and remained under direct supervision of, the

<sup>12</sup> (EU) No 952/2013 [EUR-Lex - 02013R0952-20221212 - EN - EUR-Lex](#)

<sup>13</sup> Ley General de Aduanas - Law No. 7557

<sup>14</sup> Ley de Régimen de Zonas Francas - Law No. 7210

<sup>15</sup> Reglamento a la Ley de Zonas Francas - Executive Decree No. 41346 and amendments

<sup>16</sup> including the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures.

<sup>17</sup> [Customs Act](#)

<sup>18</sup> HMRC is the UK’s tax, payments and customs authority.

Customs and Border Protection (CBP). The competent authorities are pursuant to the Foreign-Trade Zones Act of 1934, while the activities in the Zones are subject to all federal, state and local laws and regulations, with the particular exemptions granted from provisions in Customs laws.

**Table 3. Leading institutions in charge of FTZs**

Respondent	Leading Institution
Canada	1) Finance Canada 2) Canada Border Services Agency
Colombia	Directorate of National Taxes and Customs (DIAN) at the Ministry of Commerce, Industry and Tourism, National Planning Department
Costa Rica	Promoter Agency of Foreign Trade (PROCOMER) at the Ministry of Foreign Trade (COMEX)
Czechia	General Directorate of Customs
France*	1) Service de la Douanes et des Droits Indirects (DGDDI) 2) DG Trésor
Italy	1) Italian Customs Agency and Monopolies (ADM) 2) Guardia Di Finanza (GdF)
Israel*	Tax Authority
Korea	1) Bonded Industry Support Division of the Korea Customs Service. 2) Free Economic Zone Planning Office, at the Ministry of Trade, Industry, and Energy.
Lithuania	Customs Department under the Ministry of Finance.
Slovak Republic	Ministry of Agriculture and Rural Development of the Slovak Republic
Türkiye	Free Zone Administration at the Ministry of Trade
UK	1) HM Treasury 2) HM Revenue & Customs (HMRC)
US	1) FTZs Board, Department of Commerce, International Trade Administration 2) Customs and Border Protection (CBP)
EU	European Union, DG Trade

Note: \*Does not apply the Recommendation, however, the Adherent identified competent authorities for special zones in their territory that are not FTZs according to the criteria for the purpose of the Recommendation.

Source: Adherent responses to the questionnaire.

22. On safety aspects of FTZs, ten Respondents (83% of Respondents that apply the Recommendation) reported that their legal framework ensures the perimeter and entry and exit points of FTZ are subject to competent authorities' supervision and that goods, persons and means of transport entering and leaving FTZs are subject to effective controls.

23. However, only six Respondents, 50% of the Respondents that apply the Recommendation reported that their legal framework prohibits persons convicted of illegal economic or financial activities from operating within FTZs, and that this provision does not necessarily arise from FTZ, customs or taxation laws. In Türkiye, for example, the power of the competent authority to prohibit convicted persons from carrying out activities in a FTZ arises from Law No. 6415 on the Prevention of the Financing of Terrorism, and it is also limited to Turkish national terrorist asset freezing mechanism. In three other cases (25% of Respondents that apply the Recommendation), such provision does not exist. Amongst the remaining three Respondents that apply the Recommendation and did not provide an answer to that question, is the EU which refers to the domestic aspect of this provision, and the US which further explained that this provision is circumstantial.

24. In conclusion, all Respondents who apply the Recommendation have various legal frameworks and diverse procedures in place empowering competent authorities to gain access to the economic activities taking place in FTZs. Such legal framework allows them to monitor, examine or enforce prohibitions on merchandise that are passing through, or being processed at,

FTZs. These legal frameworks are embedded in customs legislation, taxation laws, and dedicated Free Trade Zone legislation. However, some security aspects as set out in the Recommendations are not implemented by all Adherents, especially for preventing persons who were convicted of illegal economic or financial activity from operating in or with the FTZs. Finally, the legal frameworks mentioned by Respondents were in place prior to the adoption of the Recommendation, including the EU UCC which entered into force in May 2016.

### *Transparency and Risk Assessment*

25. OECD reports<sup>19</sup> and discussions during the Expert Network on FTZ Transparency meetings, substantiate the conclusion that a lack of monitoring, oversight and transparency about activities conducted in numerous FTZ enables the production, movement, storage and smuggling of illicit goods. To address this issue, the Recommendation includes provisions to enhance transparency of the economic operators located within the zones, including reporting to FTZ managements or to the competent authorities. Such provisions are aimed at reducing the likelihood of abuse of economic operators for unlawful reasons, by enhancing the appropriate identification of their ownership and operational structures.

26. On the question if economic operators in FTZs are required to be physically located within the FTZs, and to communicate to the competent authorities the identity of the clients in their operations, six Respondents, 50% of Respondents that apply the Recommendation, replied YES. Three said NO, all of which apply the Recommendation. All other replied with n/a, amongst which are four Respondents that apply the Recommendation. However, 67% of the Respondents that apply the Recommendation require economic operators in the FTZ to communicate the identity of the client, in cases where the client acts as an agent or representative. This adds a layer of transparency for the Economic operators in FTZs.

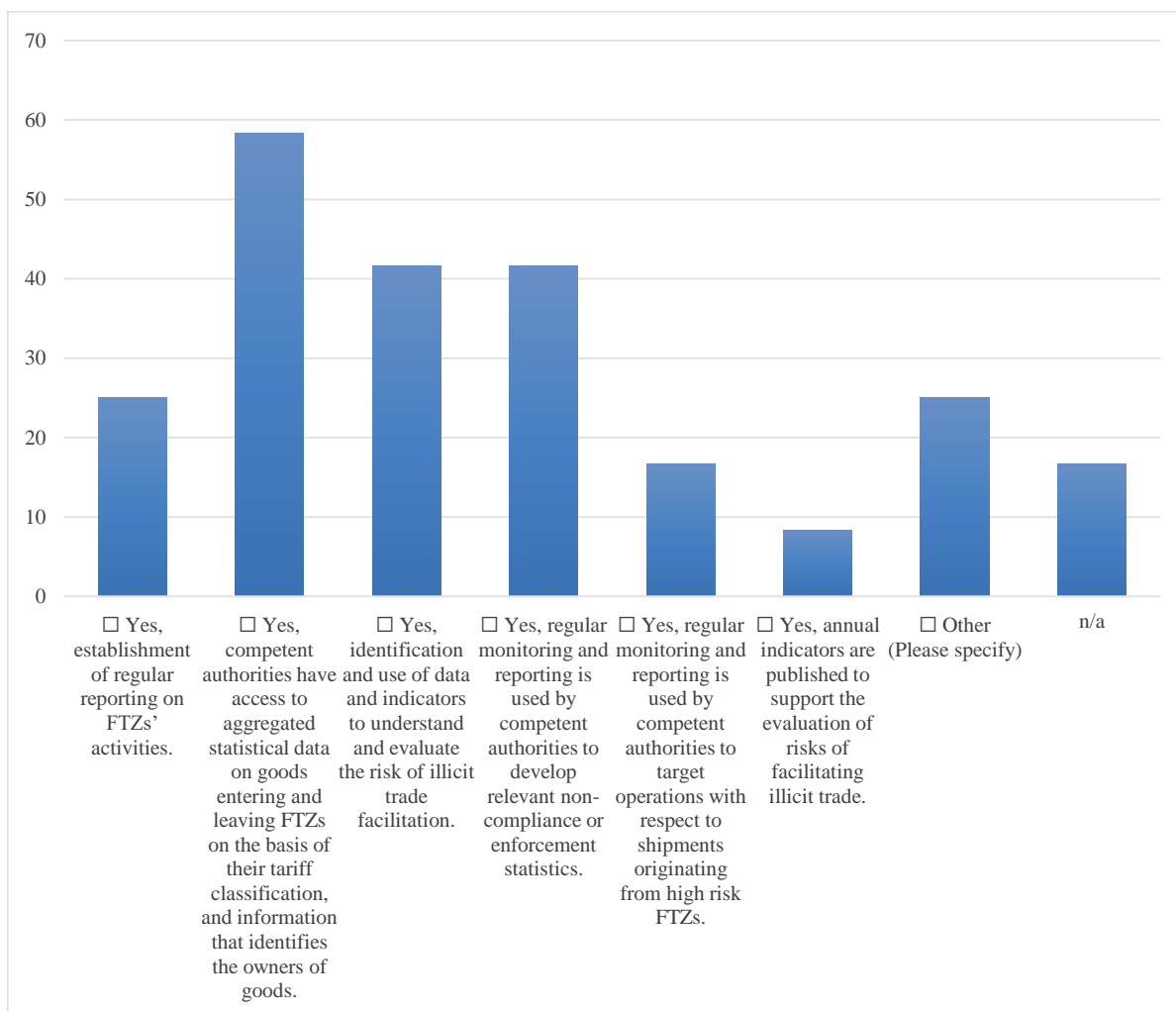
27. Monitoring and reporting on the activities in the FTZs is a core component of the Recommendation. It includes measures such as publication of annual indicators that would serve for risk assessment of illegal activities in zones, development of enforcement statistics, as well as targeted operations on high-risk shipments.

28. The question relative to assessment of relevant monitoring-enhancing actions that have been taken by Adherents since the adoption of the Recommendation, was a multiple choice one. Figure A A.1 shows the distribution of actions amongst Respondents that apply the Recommendation to strengthen the process of monitoring and reporting on the activities of FTZs.

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<sup>19</sup> *Why Do Countries Export Fakes? The Role of Governance Frameworks, Enforcement and Socio-economic Factors* (OECD-EUIPO, 2018); *Illicit Trade: Converging Criminal Networks* (OECD, 2016).

**Figure A A.1. Have actions been taken in the last five years to strengthen the process of monitoring and reporting on the activities of FTZs?**



Note: results presented in %, allowing for multiple answers. Covers Respondents that apply the Recommendation only.

29. Seven Respondents that apply the Recommendation (58%) have reported at least one action, with an additional Respondent which claimed to have monitoring requirements in place prior to the Recommendation. The competent authorities in all of those countries have had, or are having, access to aggregated statistical data on goods entering and leaving FTZs on the basis of their tariff classification, including information that identifies the owners of goods. Five Respondents (41%) reported that regular monitoring is being done by the competent authority to develop non-compliance or enforcement statistics; and they also use data and indicators for risk assessments. For example:

- In the **UK**, in addition to being subject to the usual profiling done on all goods imported to the UK, FTZ data is subject to regular manual evaluation. Where errors have been identified these are being used to target compliance activity and educate other operators. A standardised cross-population and cross sector visit report has been purpose-built to better facilitate both the monitoring, and subsequent evaluation of, FTZ activities.

30. Five Respondents that apply the Recommendation (42%) have replied that no action of this kind has been taken in the last five years or that the question is not applicable as it is a territory-based question (the EU), or the activity in their zones is insignificant (Lithuania, Czechia). The US has reported that its FTZs have always been subject to monitoring and reporting requirements. It further provides an example of risk assessment exercise that was conducted across the US FTZ programme in 2018 based on fiscal data. The analysis reassured low risk levels of US FTZ programme.

31. In conclusion, transparency provisions of the Recommendation have been partly implemented by Respondents. Most of those who implemented provisions to strengthen the process of monitoring and reporting of the activities of FTZs, have applied more than one area of reporting measures. Amongst those who have not reported implementation of such measures in the last five years, such activities were in place prior to the Recommendation, or they are not established due to minor economic activity of the Zones.

### *International co-operation and information exchange*

32. The [C/MIN\(2017\)9/FINAL](#) recognised the need for international cooperation and partnerships to fight international corruption and illicit trade.<sup>20</sup> Following this call, and with regards to international co-operation in order to increase transparency, key points are addressed in the Recommendation:

- A coordinated international effort between national legislative and enforcement authorities to ensure law enforcement and customs officials are expressly empowered to conduct, in accordance with domestic law, effective on-site investigations, examinations or inspections without prior notice or judicial authorisation, at any time, and at any place within any FTZ to facilitate administration of applicable law, regulation or policy instruction. Such actions include spontaneous exchange of financial and administrative information; cooperation in the implementation of policies and practices to counter illicit trade in FTZs and making better use of current Customs to Customs arrangements as well as of existing or new relevant international agreements that include provisions to combat illicit trade conducted through FTZs.
- International cooperation to set incentives for local authorities to exercise more vigilance and control over FTZ.

33. In response to questions to assess the implementation of international cooperation, 67% of the Respondents that apply the Recommendation have a designated competent authority to facilitate and act as contact point to facilitate information exchange between competent authorities at the international level. The same 67% have in place at least one means through which competent authorities cooperate internationally in the exchange of information regarding relevant law enforcement. Half of the Respondents that apply the Recommendation are using Customs to Customs cooperation and also sharing financial and administrative information spontaneously and upon request, in order to support the provision of evidence in judicial proceedings, or to ensure and further the effective supervision and control of FTZs and the prevention of their misuse, in accordance with domestic law.

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<sup>20</sup> “5. [...] recognise the need for international cooperation and partnerships to fight international corruption and illicit trade, including by strengthening the implementation of existing standards. [We] also recognise the need to foster collaboration amongst customs departments and other law-enforcement agencies, international organisations and affected business sectors to combat illicit trade, notably trafficking in human beings, counterfeit goods, and the illegal trade in wildlife. We welcome further OECD work on illicit trade including through the Task Force on Countering Illicit Trade. [...]”

34. In five cases (33% of the Respondents that apply the Recommendation), international co-operation also assists technical subjects of policies and practices to counter illicit trade in FTZs, such as technical assistance to develop improved record keeping by competent authorities.

35. Four Respondents that apply the Recommendation, accounting for 33%, reported to be using trade agreements to encourage adherence to the principles of combating illicit trade in FTZs, or are making greater use of existing or new international agreements to combat illicit trade conducted in FTZs. For example, Costa Rica mentioned being a party to the United Nations Convention Against Transnational Organized Crime (UNTOC) and through which it is committing to cooperation in investigating and prosecuting transnational crime, including trade-related illicit activities. Italy mentioned that its Guardia di Finanza, through the Special Goods and Services Unit, takes part in international customs operations in the sector of the protection of the consumers, promoted by the World Customs Organization (WCO) or by the European Anti-Fraud Office (OLAF) in coordination with the customs agencies of several other EU Member States. Italy further emphasised that these projects, primarily aimed at combating the illicit production and marketing of counterfeit and/or unsafe products, tend to strengthen international cooperation and information exchange between enforcement authorities of the participating states, aimed at identifying and breaking down entire transnational criminal networks.

36. Colombia referred to customs-to-customs cooperation, where requests for information exchange are processed through its Sub-Directorate for Support in the Fight Against Customs and Fiscal Crime and the Sub-Directorate for Customs Auditing. The US referred to intellectual property crimes and provided for example its National Intellectual Property Right Center which brings together domestic and international government agencies, alongside private partners, to combat global IP crimes. Robust provisions to protect IP, which some references to FTZs, are also embedded in the US-Mexico-Canada Agreements (USMCA).

37. In conclusion, information sharing and the use of Customs to Customs agreements and existing or new trade agreements seem to be an active practice by most of the Respondents that apply the Recommendation, and thus by the majority of the Adherents to the Recommendation who have FTZs in their territory. Extended use of existing relevant clauses in trade agreements could further support the efforts to combatting illicit trade in FTZs.

### *Domestic and inter-agency co-operation and information exchange*

38. The Recommendation further provides that Adherents should raise awareness, share information and foster partnership amongst domestic stakeholders with regards to the risk associated with FTZs, as well as information exchange that is crucial for domestic co-ordination to mitigate such risk.

39. On the question if efforts have been made to promote awareness amongst competent authorities and private sector stakeholders to understand the roles and responsibilities of operating in FTZs as well as risks related to FTZ, 75% of Respondents that apply the Recommendation answered “YES”. On a follow-up question if competent authorities were enhancing domestic inter-agency co-operation via at least one mechanism, the implementation rate was significantly high, as shown in Figure A A.2.

40. Ten Respondents that apply the Recommendation (83%) responded YES, with additional one Respondent that chose n/a but further explained that it is done regularly. 67% reported that it is done via obligations by other agencies to report suspicions of illegal behaviour to the competent authorities, whilst amongst 42% it is done also, or solely via information sharing between agencies, or/and via joint investigations or joint intelligence centres.

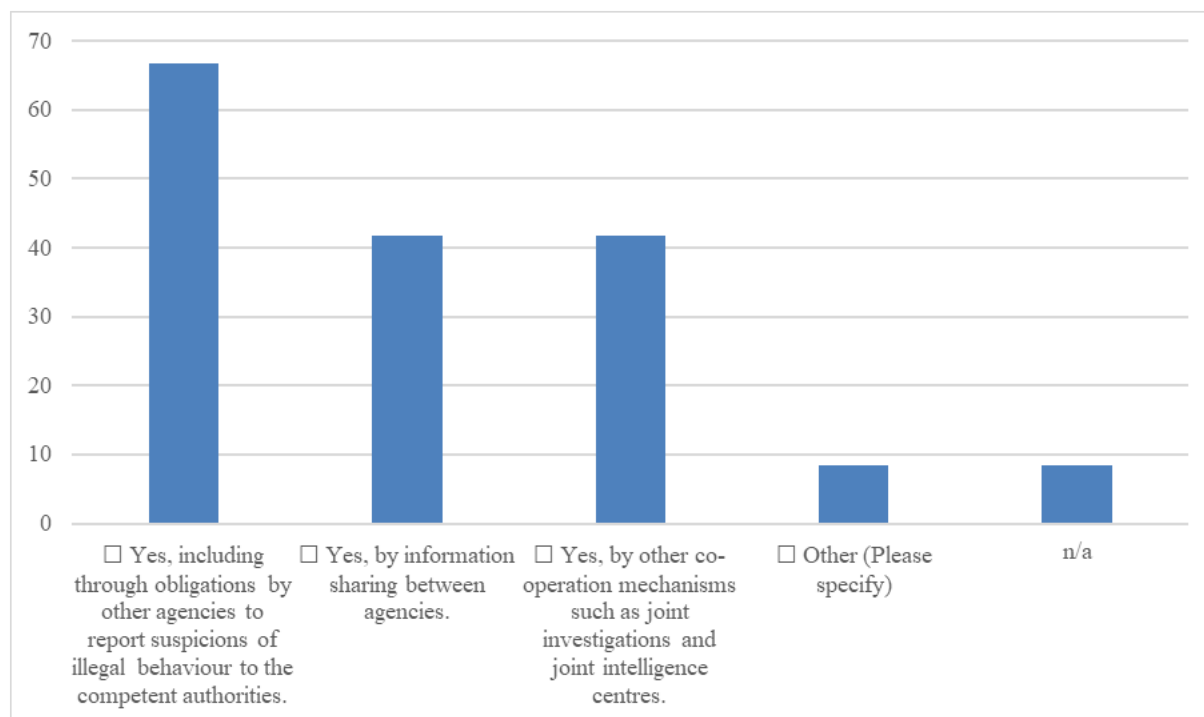
41. For example, in the UK law enforcement agencies regularly cooperate with each other where there is an identified need, including when suspecting illicit activity relating to FTZs. In Colombia, the competent authorities have improved their cooperation by developing, amongst

others, information exchange agreements, for example with the Financial Information and Analysis Unit of Colombia. They also established a joint working group with the Office of the Attorney General (Fiscalía General de la Nación) to coordinate efforts on high-impact investigations in collaboration with the National Tax and Customs Directorate (DIAN), and finally, the exchange of information between operator users and the customs authority is being encouraged.<sup>21</sup> In Türkiye, relevant stakeholders are obliged to report illegal behaviour to the competent authorities. It also reported that in practice, the Free Zone Administration, Customs Administration and The Financial Crimes Investigation Board are in cooperation against illicit trade and suspicions of illegal behaviour.

42. In the EU, Article 47 of the UCC provides the legal basis for cooperation between authorities (including cooperation between the Commission and customs authorities from the EU Member States). Furthermore, detailed rules are set out in Council Regulation (EC) No 515/97 on mutual assistance between the administrative authorities of the Member States and cooperation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters. However, EU Member States are responsible for the operation on FTZs in their territory and for domestic co-ordination.

43. Interestingly, Australia which does not have FTZs in its territory but has in place risk-profiling mechanism for goods arriving to ports, encourages inter-agency co-operation also in the context of goods arriving from FTZs. It does so mostly through inter-agency practice to report suspicions of illegal behaviour to the competent authorities.

**Figure A A.2. Are competent authorities enhancing domestic inter-agency co-operation?**



Note: results are presented in %, allowing for multiple answers. Covers Respondents that apply the Recommendation only

<sup>21</sup> [La DIAN, La ANDI y Las Zonas Francas suscribieron acuerdo contra prácticas ilegales](#)

44. In conclusion, there is a large degree of implementation amongst Respondents of measures to enhance domestic inter-agency co-operation to mitigate the risks associated with FTZs. Most of them are doing so by inter-agency report mechanisms of suspicious behaviour, and to a large extent via more than one of the measures set out in the Recommendation.

### *Actively encouraging Clean FTZs*

45. The Recommendation calls on Adherents to encourage FTZs to implement the Code of Conduct for Clean Free Trade Zones set out in the Annex of the Recommendation. Measures include, amongst others, closer control of goods arriving from, or transited through, FTZs that do not implement the Code of Conduct.

46. For the implementation of this provision, Adherents were asked if the Code of Conduct has been implemented in FTZs established in their territory or under their administrative control. 50% of Respondents that apply the Recommendation replied YES, and 33% replied NO to that question. Two (16%) have not replied to this question, including the EU, as EU Member States are responsible for the operation on FTZs in their territory. Some of those who replied NO, further explained that the activities in FTZs in their territory is rather small, or new, as further explained below.

47. 33% of the Respondents that apply the Recommendation have reported to have taken measures to encourage FTZs to implement the Code of Conduct, and 42% have made efforts to encourage the business community of FTZs, to conduct business in or engage with FTZs that are compliant with the Code of Conduct. While 25% have not replied to these questions, 33% have not taken measures to engage the business community with the Code of Conduct for FTZs, and 42% have not taken measures to encourage FTZ to implement it. In some cases, for example the US, operators rely on the domestic framework to ensure transparency and good governance of the Zones. Similar approach was reported by Canada, which does not have location-specific FTZs and therefore did not actively encourage the implementation of the Code of Conduct. It did, however, implement programmes that offer Canadian businesses similar benefits to FTZs on a national basis regardless of geographic location. Each programme has specific eligibility requirements that meet the Code of Conduct criteria. For instance, Canada's Duties Relief Regulations, provide means to exclude the benefit of duties relief over certain goods, including those that are in non-compliance with Canadian laws.

48. Some of the Respondents that apply the Recommendation, who have been actively encouraging the implementation of the Code of Conduct, have mentioned that this was done in practice and via their own legal framework. For example, in Costa Rica, the legal framework defines the requirements to qualify as a beneficiary of the FTZ regime. As such, companies that fail to adhere to these rules, which are in line with the Code on Conduct, may face administrative proceedings which could result in revocation of their FTZ benefits.

49. In Colombia, operators and individuals who do not provide the necessary security for compliance with applicable customs regulations are prohibited from conducting activities in FTZs. The legal framework in Colombia is aligned with the Code of Conduct, including provisions to deny or revoke authorisations; grant access to the customs authority to conduct compliance inspections of FTZ users and receive input from FTZs operators in support of ongoing investigations; notify the relevant authorities in advance of any industrial, commercial, or service activities intended to be carried out in the FTZs; and ensure that active economic operators in the FTZ maintain detailed digital records of all shipments of goods entering and leaving the zone, as well as all goods and services produced within it, sufficient to determine what is inside the zone at any given time. To further encourage private sector stakeholders to engage with FTZ who follow the Code of Conduct, Colombia's relevant competent authorities (Intersectoral Free Trade Zone

Committee, the Technical Free Trade Zone Committee, and an internal working group for FTZ in the country's main Customs offices) signed an agreement against illegal practices in FTZs.

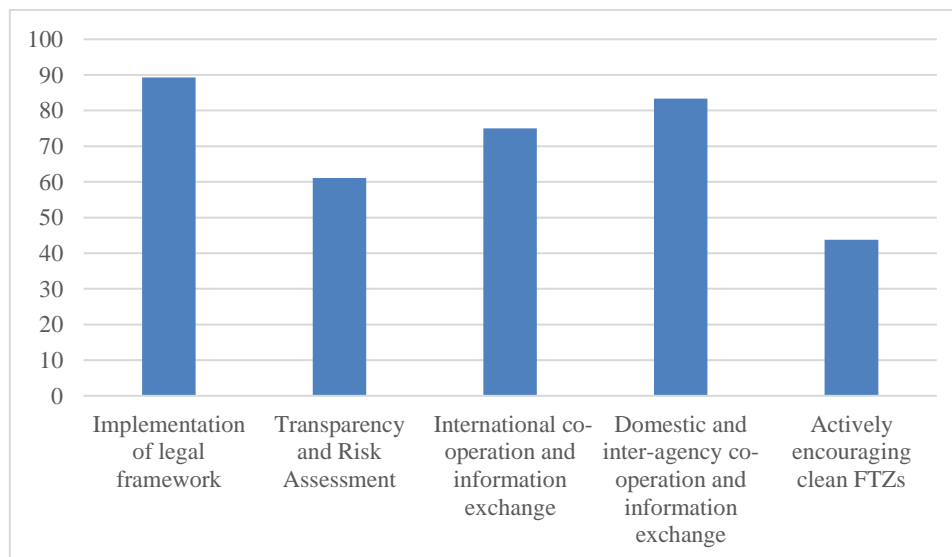
50. The **UK**, which indicated that its FTZs activities are relatively new, stated they will consider the implementation of the Code on Conduct once its FTZ programme will be more established.

51. In conclusion, despite relatively low positive rate for active implementation of the Code of Conduct, details provided by Respondents show that Adherents are actively encouraging clean FTZs. The international standard setting that is pursued by the OECD Code of Conduct for clean FTZs could have a valuable benefit to domestic regulation that seems to be already in place amongst most of the Respondents that apply the Recommendation. However, the business community is encouraged to engage with clean FTZs only in practice, and as a secondary outcome of the legal framework, rather than by explicit regulation.

52. Finally, the collected survey responses, and the information gathered by the Secretariat, suggest that most of the provisions set out in the Recommendation are largely implemented by Respondents, in practice or by policy and legal framework. Amongst the five principles of the Recommendation, identifying legal framework for FTZs regime has the highest implementation rate, with a positive implementation of it amongst almost 100% of Respondents that apply the Recommendation. Actively encouraging FTZs by advancing the implementation of the Code of Conduct has seen the most important implementation gap. Figure A A.3 shows the aggregate implementation rate of the five principles of the Recommendation.

### Figure A A.3. Implementation rate of the Recommendation's five principles.

Amongst Respondents that apply the Recommendation, %



Note: based on responses to the Questionnaire. **Actively encouraging clean FTZs**: Questions 4-7; **Transparency and Risk Assessment**: Questions 8, 16-17; **Implementation of legal framework**: Questions 9-15; **International co-operation and information exchange**: Questions 18-19; **Domestic and inter-agency co-operation and information exchange**: Questions 3, 20.

### Dissemination

53. Since the adoption of the Recommendation, the Secretariat and Adherents have undertaken various dissemination actions to promote awareness, encourage adherence, and support

implementation. These efforts have targeted national actors, sub-national governments, non-Adherents, and relevant stakeholders, including industry and other international organisations.

54. At the Organisation-level, for the past couple of years, the Secretariat has dedicated special sessions and invited speakers to discuss the implementation of the Recommendation and its Code of Conduct, including through the Certification Scheme. This was the case during the (then) Task Force on Countering Illicit Trade meeting in 2023, the WP-CIT meeting in 2024, and specially so with the first WP-CIT Forum in 2025.

55. Outside the Organisation, the Secretariat has participated in several seminars and events to discuss the relevance of the Recommendation, the implementation of the Code of Conduct and the process to rollout the Certification Scheme through dedicated presentations and interventions. This included the Illicit Trade Summit of Customs Directors-General Americas Region that took place in Panama City in March 2024, the 6th WCO Global AEO Conference that took place in Shenzhen, China in May 2024, the 13th Regional Intellectual Property (IP) Crime Conference on Middle East and North Africa held in Dubai, United Arab Emirates. Awareness building and training sessions on the Code of Conduct were held in Croatia and Spain in 2024, and Costa Rica in 2025.

56. To rollout the Certification Scheme, the WP-CIT has set up pilot certifications, to validate the Certification Scheme in a real situation, to identify potential challenges, assess the resources needed for a successful certification, and to make the appropriate adjustments before the wider launch of the Certification Scheme. The Barcelona Free Trade Zone was a key focus of the pilot initiative. With no non-conformities found, Barcelona became the first FTZ certified against the Code of Conduct.

57. Costa Rica has also committed to the pilot phase. Initial activities included visits to Coyoil and La Lima FTZs, where discussions focused on their participation in the certification process. Participation in the Association of Free Trade Zone Companies of Costa Rica (AZOFRAS) event provided an opportunity to present the Free Trade Zone Certification Scheme to the broader FTZ community. Meetings were also held with key stakeholders, including the Ministry of Foreign Trade (COMEX), the Costa Rican Export and FDI Promoter (PROCOMER), and Customs Authorities, to align on expectations and next steps for certification in Costa Rica. A dedicated training for La Lima and Coyoil, alongside PROCOMER, COMEX was provided by the OECD to ensure understanding of the Certification Scheme. A visit in January 2025 of OECD Trade and Agriculture Director to La Lima, Coyoil and her meeting with the Minister of Trade of Costa Rica, confirmed the high-level commitment of the country to the implementation of the Recommendation and the Code of Conduct.

58. Early conversations with Colombian authorities, Ministry of Trade and Customs and the Free Trade Zone community have also taken place.

59. As already mentioned, an informal Expert Network on FTZ Transparency serves to foster collaboration and the exchange of information on policies and best practices amongst Adherents' organisations engaged in the fight against illicit trade. As a forum for discussing issues related to the implementation of the Recommendation, the network is supporting the development of an implementation toolkit.

60. Since the adoption of the Recommendation, both the Secretariat and Adherents have actively engaged in disseminating its principles to a broad spectrum of stakeholders. The European Union, on March 19, 2024, issued a recommendation aimed at combating counterfeiting and strengthening the enforcement of intellectual property rights. This recommendation encourages operators of FTZs within the EU to adhere to the Code of Conduct. Additionally, the EUIPO Observatory on Infringements of Intellectual Property Rights has been tasked with promoting compliance amongst FTZ operators with the Code of Conduct.

61. The Recommendation and Code of Conduct have been presented during several Customs Expert Group meetings. These sessions serve to encourage customs authorities across EU Member States to align with the existing standards, fostering a unified approach to transparency and the deterrence of illicit trade within FTZs.

62. In Colombia, proactive measures have been implemented to internalise the OECD standards. The Directorate of National Taxes and Customs (DIAN) established Internal Working Groups focused on Free Trade Zones, as specified in article 2 of Resolution 69 of 2021. This initiative aims to enhance oversight and ensure that national practices are in harmony with international standards.

63. The United Kingdom has also demonstrated its commitment to the Recommendation through the launch of the Freeport Programme bidding prospectus. This document delineates requirements for FTZ operators, explicitly mandating implementation of the Code of Conduct. Such measures underscore the UK's dedication to fostering clean and transparent trade environments within its freeports.

64. As an accession candidate country and part of the EU, Bulgaria which further provided answers to the Questionnaire, reported to have taken significant steps toward aligning its national framework with the Recommendation and translated the Recommendation into its local language, further contributing to a better understanding and effective dissemination amongst national stakeholders.

65. International organisations and fora have recognised and supported the Recommendation, integrating its principles into their frameworks. The World Customs Organization (WCO), in its December 2020 Practical Guidance on Free Zones, references the OECD standard as a practical resource for customs administrations and stakeholders aiming to implement effective controls within FTZs. Similarly, Transparency International's guide on international anti-corruption commitments acknowledges the OECD's efforts in enhancing transparency in FTZs. The Royal United Services Institute (RUSI) also highlights the Code of Conduct as a pivotal international standard in mitigating risks associated with FTZs.

66. Collectively, these dissemination efforts by the Secretariat and Adherents have significantly advanced the global implementation of the Recommendation, fostering greater transparency and integrity within Free Trade Zones.

## Summary and conclusions

### *Implementation*

67. The collected survey responses, and the information gathered by the Secretariat, suggest that most of the provisions set out in the Recommendation are largely implemented by Respondents, in practice or by policy and legal framework. However, by nature of the Recommendation, many of its provisions do not apply to some Adherents, which is reflected in the aggregated responses. Some Adherents mentioned that the zones in their territory do not meet the functional definition of Free Trade Zone used in the Recommendation and that therefore, the Recommendation does not apply to these zones.

68. All Respondents that apply the Recommendation have legal frameworks in place to regulate the FTZs regime in their territory that are largely in line with the Recommendation. For some Adherents, while the economic activity in its FTZs is minor and therefore the legal framework is not developed to meet all provisions of the Recommendation, it does meet the core ones. Other Adherents mentioned that they take into consideration all provisions of the Recommendation while in the process of establishing new FTZs activity.

69. Across all Respondents that apply the Recommendation, the national regulatory framework is in line with the provisions of the Recommendation. The Recommendation is implemented through various and diverse relevant legal frameworks and procedures empowering competent authorities to gain access to the economic activities taking place in FTZs. These legal frameworks, which to a large extent were in place prior to the adoption of the Recommendation, are embedded in customs legislation, taxation laws, and dedicated FTZ legislation. However, some security aspects as set out in the Recommendation are not implemented by all Adherents at the national level.

70. Notable low implementation was identified for requiring economic operators to be physically located within the zone. This might result in the misuse of FTZ benefits, and a lack of monitoring of the activities in the zones.

71. On international cooperation and information exchange, Respondents that apply the Recommendation are using different means of international cooperation to combat illicit trade in FTZs. Most notable is the use of arrangements for Customs to Customs cooperation, and the least common was the use of trade agreements to combat illicit trade in FTZs. Nevertheless, in some cases Intellectual Property chapters in trade agreements have references to FTZs.

72. While some Adherents have taken strong approaches to secure clean FTZs in their territory, by establishing dedicated committees, working groups, and strong enforcement, there is so far only partial implementation with regards to actively encouraging clean FTZs via the Code of Conduct. Yet in some cases, parallel measures have been implemented, without the use or awareness raising of the Code of Conduct. The international standard setting that is pursued by the OECD Code of Conduct for clean FTZs could have a valuable benefit to domestic regulations that seems to be already in place amongst most of the Respondents that apply the Recommendation. Other Adherents, which are in the process of establishing FTZs programmes, expressed high interest in encouraging implementation of the Code of Conduct once their national programme is well in place.

73. While the Recommendation is overall well implemented by some Adherents, a large portion deemed it not applicable, mainly due to lack or minor economic activity of the FTZs sector in its territory, or due to definition issues. Challenges in the implementation of the Recommendation are mainly related to awareness-raising of the risks associated with FTZs, also for trading partners. Amongst those who implemented the Recommendation well, challenges have been identified regarding the need for enhanced common methodology for coordination and cooperation between domestic competent authorities, including common trainings.

74. To continue to promote efficiencies and effectiveness in countering illicit trade in FTZs, Adherents could build upon the experience gained and practices carried out by other Adherents. Most notable is the establishment of a dedicated competent authority for FTZs which oversees its risks as well as opportunities, and co-ordinates domestically and internationally to mitigate risks associated with FTZs, in order to maximise its economic benefits for the domestic market.

### *Dissemination*

75. Since the adoption of the Recommendation, the Secretariat and Adherents have undertaken various dissemination actions to promote awareness, encourage adherence, and support implementation. These efforts have targeted national and sub-national actors, non-Adherents, and relevant stakeholders, including industry and international organisations. Special sessions dedicated to discussing the implementation of the Recommendation and its Code of Conduct through the Certification Scheme have been held during key meetings, such as the Task Force on Countering Illicit Trade meeting in 2023, the WP-CIT meeting in 2024, and the first WP-CIT Forum in 2025.

76. The Secretariat has participated in international events to promote the Recommendation and the rollout of the Certification Scheme, including the Illicit Trade Summit of Customs Directors-General Americas Region (Panama City, 2024), the 6th World Customs Organisation (WCO) Global Authorises Economic operators (AEO) Conference (Shenzhen, 2024), and the 13th Regional Intellectual Property Crime Conference (Dubai, 2024). Awareness-building and training sessions were conducted in Croatia and Spain (2024) and Costa Rica (2025), while a pilot certification process was launched to validate the Certification Scheme, assess challenges, and refine implementation. The Barcelona Free Trade Zone has become the first FTZ certified against the Code of Conduct, and Costa Rica is actively participating in the pilot phase and engaging stakeholders. Early discussions have also begun with Colombian authorities to explore certifications.

77. An informal Expert Network on FTZ Transparency serves as a forum for exchanging information and best practices, fostering the dissemination and implementation of the Recommendation. In the same line, an implementation toolkit is under development to support Adherents and stakeholders in implementing the Recommendation effectively.

78. The European Commission has encouraged FTZ operators within the EU to implement the Code of Conduct, with the EUIPO Observatory promoting compliance. The Recommendation has been presented at various Customs Expert Group meetings to foster alignment amongst EU Member States. Colombia has taken steps to internalise OECD standards through DIAN's establishment of Internal Working Groups focused on FTZ oversight. The UK has reinforced dissemination of the Recommendation through its Freeport Programme, while Bulgaria translated the Recommendation into its local language for broader dissemination. International organisations and fora, including the WCO, Transparency International, and the Royal United Services Institute (RUSI), have recognised the Recommendation as a key reference for enhancing transparency in FTZs.

79. To further improve dissemination, it is suggested that Adherents and the Secretariat translate the Recommendation into multiple languages to ensure broader accessibility and comprehension amongst national and local stakeholders.

### *Continued relevance*

80. The Recommendation remains highly relevant in today's global economy, where illicit trade continues to pose significant risks to economic stability, national security, and public health. As illicit activities evolve in complexity and scale, the principles outlined in the Recommendation provide a crucial framework for governments and industry to enhance transparency, strengthen enforcement mechanisms, and foster international cooperation.

81. One of the primary reasons for the continued relevance of the Recommendation is the persistent expansion of illicit trade networks, particularly in FTZs. While FTZs are designed to facilitate legitimate trade, they have also been exploited for illicit activities, including counterfeit goods, smuggling, and money laundering. The Recommendation's emphasis on enhanced transparency, implementation of the Code of Conduct, and the rollout of the Certification Scheme remains critical in recognising the risks, identifying and understanding and ultimately mitigating them to ensure that FTZs operate with integrity.

82. The Recommendation also maintains its relevance in the context of international cooperation. Illicit trade is a transnational issue that requires coordinated efforts amongst countries, international organisations, and the private sector. The OECD's continued engagement with customs authorities, trade regulators, and law enforcement agencies facilitates the exchange of best practices and enhances global enforcement capabilities. Recent OECD-led initiatives, including the informal Expert Network on FTZ Transparency and the development of an implementation toolkit, further demonstrate its ongoing impact in fostering collaboration.

83. Moreover, the Recommendation's alignment with broader policy objectives, such as anti-corruption, sustainable development, and intellectual property protection, reinforces its significance. Governments worldwide recognise that combating illicit trade is not only an economic imperative but also a critical component of ensuring fair competition, protecting consumers, and upholding the rule of law.

#### *Next steps*

84. As a next step, it is proposed that the Trade Committee, through the Working Party on Countering Illicit Trade, report again to the Council on the implementation, dissemination and continued relevance of the Recommendation in five years, with the possibility of an earlier review if necessary. Within this timeframe, efforts should focus on further engaging the Expert Network, publishing the implementation toolkit, and working towards a common definition to ensure consistency in terminology. Additionally, continued collaboration with other international organisations will be essential to leverage compatible frameworks. Looking ahead, the OECD should explore the development of a peer review process to assess the effectiveness of the Recommendation's implementation, ensuring its continued relevance and impact in countering illicit trade.