

OECD High Level Risk Forum 2017  
Task Force on Countering Illicit Trade



# Joint Experts Meeting on Enhancing Transparency in Free Trade Zones

## Agenda

29 September 2017, 09:00 - 17:00  
EUIPO, Alicante, Spain





## **Joint Experts Meeting on Enhancing Transparency in Free Trade Zones**

**Friday, September 29, 2017. 9:00 – 18:00**

**EUIPO, Alicante, Spain**

### **Introduction**

Many countries have set up Free Trade Zones (FTZs) as a tool to boost economic development. Research indicates that the number of FTZ is growing and that flows moving through them are expanding. In this context the recent OECD/ EU IPO report on ‘Mapping the Real Route of Trade in Fake Goods’ highlights the phenomenon of illicit trade in counterfeits transiting through FTZs, and the risks associated with enforcement gaps.

FTZ provide tax advantages and other regulatory exemptions that have been a boost to trade facilitation, business formation and foreign investment. In some cases they have been used by criminal organisations to traffic and smuggle prohibited and counterfeit goods. Profits from such trafficking activities can generate significant resources for criminal networks.

There is therefore a growing interest to review the role that Free Trade Zones can play in promoting “Clean Trade” to reap the trade and investment benefits while countering illicit trade. This joint OECD-EUIPO workshop is organised in the context of the OECD Task Force on Countering Illicit Trade (TF-CIT)<sup>1</sup>, which operates under the auspices of the OECD High Level Risk Forum. The workshop will build on previous discussions, and in particular those held at the spring 2017 meeting of the TF-CIT that highlighted the need to review the role free trade zones in the area of illicit trade.

### **Objective**

The goal of this meeting is to convene experts from across relevant policy communities in government and the private sector to discuss specific measures that would help strengthen transparency in Free Trade Zones and thereby reduce vulnerability to trafficking. The sessions will consider the development of a global set of standards and good practices that could be agreed to by countries with input from all relevant stakeholders, and implemented through enforcement bodies, FTZ operators and their client industries. The sessions are designed to give voice to the interests of multiple stakeholders from the beginning phases of discussions on how to reduce illicit trade through FTZ. One possible outcome of developing this work under the TF-CIT could be a voluntary code of conduct for FTZs.

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<sup>1</sup> The OECD EUIPO cooperation for 2017-2018 is detailed in the document: GOV/PGC/HLRF/TFCIT(2017)5  
OECD - EUIPO work on trade in counterfeit products, 2017-2018 and beyond



## Background

FTZs are created within national territories and jurisdictions to promote trade, support new business formation, and encourage foreign direct investment. The Revised Kyoto Convention offers the following definition: Free Trade Zones are “a part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory”<sup>2</sup>. Commercial activities in FTZs may include warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations, but they also include manufacture, assembly, repackaging and re-labelling. Indeed labour-intensive manufacturing takes place in some FTZ that involves the import of raw materials or components and the export of factory products, but also service industries such as software, back-office operations, research, and financial services.

FTZs have been instrumental in the evolution of trade routes into the fast-paced, globally integrated trade chains of today. In 1975 there were just 79 FTZs; that number has grown beyond 3,500. FTZs are responsible for 68 million direct jobs and over USD 500 billion of direct trade-related value<sup>3</sup>. The growth in FTZs and the volume of trade through these specialized economic zones has far outstripped the total growth in global trade over recent years. The economic advantages associated with FTZs derive from reduced regulatory burdens and red tape that include the waiving of customs declarations and other regulatory processes that typically increase the cost of trade. Consequently, FTZs have become a preferred tool used by economic operators to conduct trade and trade related activities.

The expansion in the number of FTZs, in particular in middle income and developing economies, suggest that FTZs are a viable means to promote trade facilitation objectives. However; in order to maintain a competitive edge, some FTZs may ignore basic requirements that ensure safe, transparent and secure trade. The subsequent “race to the bottom” of FTZs has in some parts enabled illegal activities such as counterfeiting, smuggling, parallel trade, unregulated gambling, money laundering and organized criminal activities to take place. In areas where national regulatory frameworks and legislation are not effectively enforced, FTZs are attractive to criminal elements. To meet this growing global challenge this workshop will consider what measures could be designed to enhance transparency while ensuring the successful continuation of benefits from the use of FTZs.

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<sup>2</sup> World Customs Organisation (1999) Revised Kyoto Convention Specific Annex D, Chapter 2.

<sup>3</sup> BASCAP (2013). Controlling the Zone: Balancing facilitation and control to combat illicit trade in the world’s Free Trade Zones. International Chamber of Commerce



## Agenda

**Chair:** Chris Martin, HMRC, United Kingdom

8:30 Shuttle bus departing from downtown Alicante, Hotel Meliá to EUIPO

**9:00 – 9:30** **Opening remarks**

*Setting the scene. Highlighting the role of Free Trade Zones (FTZs) as a tool to boost economic development, while recognizing the phenomenon of illicit trade transiting through FTZs, and the risks of associated enforcement gaps.*

- António Campinos, Executive Director, EUIPO
- Rolf Alter, Director for Public Governance, OECD

**9:30-9:45** **Keynote speech:** FTZs and trade facilitation: What is the economic evidence?

Prof. Jean-Marc Siroën, Université Paris-Dauphine, Paris, France

**9:45-11:00** **Session 1:** Strengthening the evidence base on the role of FTZ in the illicit trade chain

*The first session will present qualitative signs and quantitative facts that point to the role of FTZs in illicit trade.*

- Piotr Strykowski, OECD
- Pedro Velasco-Martins, Head of Unit, DG TRADE
- Chris van Steenkiste, Europol
- Siegmund Reiss, Head of Sector, European Anti-Fraud Office (OLAF)
- Ambassador Bruno Delaye, Entreprise & Diplomatie

*Questions for discussion:*

- *What are the key economic incentives to create and use the FTZs?*
- *What are the potential opportunities and risks for market failure?*
- *How is the evidence on fraudulent activities collected in relation to FTZs?*
- *What are the forms of illicit activities that have been detected in FTZs through intelligence gathering reports and ongoing research?*

**11:00-11:30** Coffee break

**11:30-13:00** **Session 2:** Promoting clean trade through FTZs

*This session will discuss how to ensure that FTZ could facilitate clean trade, by supporting the access of enforcement authorities to FTZ to conduct their regulatory and oversight responsibilities, report violations to licensing authorities and investigate crimes.*

- Roger Kampf, WTO
- Natalia Fraćin, Croatian Customs Administration
- Erling Vestergaard, EUIPO
- Michelle Marie Medina Millian, WCO

*Questions for discussion:*

- *What are some existing regulatory frameworks for FTZs and how can these be leveraged more broadly for higher transparency of FTZs activities?*
- *What are the options for addressing enforcement gaps in FTZs?*



- *What incentives can drive the agenda for FTZs that promote clean trade and avoid high-risk clients and activities?*

**13:00-14:00** Lunch break (buffet)

**14:00-15:30** **Session 3:** Strengthening an enforceable operating environment: transparency in FTZ

*A transparent inventory of information about incoming and outgoing goods, and on production of goods and services inside FTZs, would support effective monitoring of FTZ activities and flows. This session will discuss how to improve the collection, storage and access to reliable and comprehensive information about activities inside FTZ.*

- Dr. Samir Hamrouni, World Free Zone Organization
- Michael Morantz, OECD
- George Agius, Malta Customs
- Manuel Larragoity, ICE, DHS, United States
- Peter Meerschaut, DG TAXUD

*Questions for discussion:*

- *How can governments incentivize actors to efficiently and proactively collect, identify and share the crucial information?*
- *What can be done to improve the chain of information sharing and exchange between the economies that play host to the FTZs and those that receive the imports from FTZs?*
- *How can we ensure that FTZs do not become information-free zones?*

**15:30-16:00** Coffee Break

**16:00-17:30** **Session 4:** Next steps: Discussion on an international standard on transparency in FTZs

*This session will discuss what actions the TF-CIT could take to develop a government and businesses led standard for transparent and ethical behavior in FTZ. In particular it will discuss the development of a voluntary code of conduct to promote transparency by FTZs and how to ensure in practice adaptation of such voluntary code of conduct.*

- Erik Autor, US National Association of Foreign Trade Zones
- Susan Wilson, US IP Attaché to the EU
- Jack Radisch, OECD

*Questions for discussion:*

- *How can we encourage or provide incentives for the uptake of voluntary transparency measures by FTZs? What could be the benefits for FTZs?*
- *What could be the role of a voluntary code of conduct and what challenges would this face?*
- *How can the private sector, including logistics and shipping companies, banks, and export and credit insurance agencies be involved in those efforts? What additional consultations may be required?*

**17:30-18:00** Closing remarks

Chair's summary: Chris Martin, HMRC, United Kingdom

- Paul Maier, EUIPO
- Stéphane Jacobzone, OECD

18:00 Bus to downtown Alicante (hotel Meliá)



## Information on European Union IP Office

### Address:

Avenida de Europa, 4 E-03008 Alicante

EUIPO's headquarters in Av. de Europa is located approximately 3 km south of the centre of Alicante, off the N-322 (Av. de Elche).

### Travelling by air:

Alicante Airport (ALC) is 5 km south of EUIPO – 15 minutes by taxi (around 15€). The C-6 bus from the airport to the centre of Alicante has a stop on the main road within walking distance of the Office.

### Travelling by rail:

Alicante's main train station, with a daily service to most major Spanish cities, is in Av. de Salamanca. It is a 5 km taxi ride from the Office (around 15€).

### Getting from Alicante city centre to the EUIPO

On Friday transfer will be offered for workshop participants between Plaza del Puerto (hotel Meliá) and the EUIPO.

A list of hotels close to Plaza del Puerto is below.

A taxi from the city centre to the EUIPO would cost around 20€ each way.

## Hotels near Plaza del Puerto:

### **MELIA ALICANTE \*\*\*\***

Plaza del Puerto, 3; 03001, Alicante

T. (+34) 965 205 000; F. (+34) 965 204 756

[melia.alicante@melia.com](mailto:melia.alicante@melia.com)

[www.melia.com](http://www.melia.com)

### **PORTA MARIS & SUITES DEL MAR \*\*\*\***

Plaza Puerta del Mar, 3; 03002, Alicante

T. (+34) 965 147 021; F. (+34) 965 216 945

[reservas@hotelspportamaris.com](mailto:reservas@hotelspportamaris.com)

[www.hotelspportamaris.com](http://www.hotelspportamaris.com)

[www.suitesdelmar.com](http://www.suitesdelmar.com)

### **EUROSTARS MEDITERRANEA PLAZA \*\*\*\***

Plaza del Ayuntamiento, 6; 03002, Alicante

T. (+34) 965 210 188; F. (+34) 965 206 750

[reservas@eurostarsmediterraneaplaza.com](mailto:reservas@eurostarsmediterraneaplaza.com)

[www.eurostarsmediterraneaplaza.com](http://www.eurostarsmediterraneaplaza.com)

### **HOSPES AMERIGO \*\*\*\*\***

C/ Rafael Altamira, 7; 03002, Alicante

T. (+34) 965 146 570; F. (+34) 965 146 571

[amerigo@hospes.com](mailto:amerigo@hospes.com)

[www.hospes.com](http://www.hospes.com)

The goal of this meeting is to convene experts from across relevant policy communities in government and the private sector to discuss specific measures that would help strengthen transparency in Free Trade Zones and thereby reduce their vulnerability to the conduct of illicit trade. The sessions will consider the development of a global set of standards and good practices that could be agreed to and implemented through enforcement bodies, FTZ operators and industries that make use of them. The sessions are designed to give voice to the interests of multiple stakeholders from the beginning phases of discussions aimed at reducing illicit trade through FTZ. One possible outcome of developing this work under the TF-CIT could be a voluntary code of conduct for FTZs.