

## **Advisory Committee on Enforcement**

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT FREE  
TRADE ZONE CERTIFICATION: A VOLUNTARY TOOL TO STRENGTHEN RESPECT  
FOR INTELLECTUAL PROPERTY, ATTRACT INNOVATION AND COMBAT  
INFRINGEMENT

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### **ABSTRACT**

Free trade zones (FTZs) are vital engines of trade, investment and innovation, increasingly hosting intellectual property (IP)-intensive industries such as pharmaceuticals, electronics and advanced manufacturing. However, some FTZs remain vulnerable to IP infringement. This contribution examines how the Organisation for Economic Co-operation and Development (OECD) FTZ Certification, as a voluntary tool, can complement traditional enforcement efforts by promoting transparency, stronger governance and practical measures that support legitimate trade and respect for IP. The OECD FTZ Certification complements the approach of the World Intellectual Property Organization (WIPO) to building respect for IP, serving as a powerful tool to advance its core objectives by strengthening respect for IP in operational trade environments.

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\* The views expressed in this document are those of the author and not necessarily those of the Secretariat or of the Member States of WIPO.

## I. INTRODUCTION: FTZS AT A CROSSROADS

1. FTZs are designated areas within a country in which goods can be imported, stored, processed and re-exported through simplified customs procedures and often with fiscal incentives. These incentives typically include duty- and tax-suspension regimes while goods remain within the FTZ, in accordance with national regulations. While goods may enter domestic markets, this is typically subject to applicable duties and regulatory controls. These features make FTZs attractive hubs for logistics, manufacturing and distribution.
2. The OECD FTZ Certification builds on these operational realities. To obtain the Certification, FTZs are subject to an independent assessment of their governance and operational practices against a set of criteria derived from the OECD Recommendation of the Council on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones.<sup>1</sup> The process evaluates both the framework established by public authorities and the practices implemented by zone operators and businesses, including due diligence, traceability and cooperation with the enforcement authorities. Certification is granted to zones that demonstrate alignment with the relevant standards and a commitment to continuous improvement.
3. FTZs<sup>2</sup> have become critical nodes in global value and supply chains. By offering streamlined customs procedures, fiscal incentives and modern infrastructure, they play a key role in attracting foreign direct investment, supporting exports and fostering industrial development. Increasingly, FTZs are also home to high-value and innovation-driven industries in which IP is a core asset, including pharmaceuticals, medical devices, electronics and advanced manufacturing.
4. At the same time, the rapid expansion of global trade, combined with the growth of e-commerce and complex logistics networks, has exposed vulnerabilities. Some FTZs have been misused for illicit trade, including the trafficking of IP-infringing goods. These activities are detrimental to legitimate businesses, erode trust in trade systems and undermine respect for IP.
5. For IP authorities, this reality presents both a challenge and an opportunity. While enforcement frameworks and legal protections are essential, there is an increasing need for practical, operational tools that help prevent IP infringement in real-world trade environments. In this context, the OECD FTZ Certification represents a complementary, voluntary tool that supports capacity-building, enhances transparency and promotes respect for IP at the operational level.
6. While FTZs are subject to customs oversight, certain operational features may be exploited by illicit actors to introduce IP-infringing goods into trade channels. For example, goods can be repackaged, relabeled, or consolidated within a zone, making it more difficult to trace their origins. They may then be re-exported to third countries or shipped in small consignments linked to e-commerce, which can reduce the likelihood of detection. In some cases, falsified documentation or misuse of transit procedures may further obscure the origins of goods. These risks do not stem from FTZs themselves, but from gaps in the oversight, coordination or compliance practices that the OECD FTZ Certification seeks to address.

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<sup>1</sup> OECD (2019), Recommendation of the Council on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0454>.

<sup>2</sup> Free trade zones, also referred to as foreign trade zones, free zones, etc.

## II. THE CHALLENGE: ILLICIT TRADE AND IP RISKS IN CERTAIN FTZS

7. Evidence from OECD research highlights that certain FTZs can be exploited by illicit actors seeking to circumvent customs controls and obscure the origin of goods (OECD, 2018;<sup>3</sup> OECD/European Union Intellectual Property Office (EUIPO), 2018<sup>4</sup>). Common practices include repackaging and relabeling counterfeit products, falsifying documentation and using FTZs as trans-shipment hubs for small parcels linked to e-commerce. These activities are particularly challenging for enforcement authorities, as they often involve fragmented supply chains and multiple jurisdictions.

8. Several structural factors contribute to these risks. In some cases, oversight mechanisms within FTZs may be limited, or coordination between key authorities (including customs, FTZ management and IP authorities and enforcement bodies) may be insufficient. Additionally, businesses operating within FTZs may lack awareness of IP risks or the tools needed to manage them effectively.

9. However, it is important to emphasize that these challenges do not affect all FTZs equally, as many operate at high standards, with robust governance frameworks and strong cooperation with competent authorities. In fact, some of the most successful FTZs are built around industries that depend heavily on IP protection. The key policy challenge, therefore, is not to restrict FTZs, but to identify and promote those that operate with integrity.

10. A notable gap in the current policy landscape is the absence of widely recognized mechanisms to identify and reward FTZs that perform well. Without such tools, it is difficult for governments, investors and IP rights holders to differentiate between high-risk and low-risk environments.

## III. THE OECD FTZ CERTIFICATION: A VOLUNTARY BENCHMARK

11. The OECD FTZ Certification was developed in response to the gap in the policy landscape. Building on the aforementioned OECD Recommendation of the Council on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones, the Certification provides a structured, voluntary framework for assessing and recognizing FTZs that implement high standards of governance, transparency and compliance.

12. The OECD FTZ Certification reflects a shared responsibility model. Governments establish the legal and institutional framework, including customs oversight and regulatory requirements, while FTZ management and economic operators are responsible for implementing day-to-day compliance measures. The OECD Recommendation of the Council encourages governments to promote transparency and ensure access to information, while FTZs and firms adopt a voluntary Code of Conduct through operational practices. The Certification Scheme itself was developed as a public-private partnership involving the OECD, FTZs and conformity assessment bodies (the testing, inspection and certification (TIC) sector).

13. The OECD FTZ Certification is designed to be practical and accessible. It is not a regulatory instrument, nor does it impose additional legal obligations. Instead, it focuses on identifying and validating existing good practices, offering FTZs a credible way to demonstrate their commitment to preventing illicit trade and protecting IP.

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<sup>3</sup> OECD (2018), Governance Frameworks to Counter Illicit Trade, Illicit Trade, OECD Publishing, Paris, <https://doi.org/10.1787/9789264291652-en>.

<sup>4</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>.

14. The assessment process examines several key dimensions, including:

- Due diligence procedures for companies operating within the FTZ
- Cooperation with customs and enforcement authorities
- Risk management and traceability of goods
- Internal policies to address illicit trade, including counterfeiting

15. A defining feature of the OECD FTZ Certification is its minimalistic approach, as it is designed to minimize administrative burden while delivering tangible benefits. As already demonstrated in the pilots, the certification process is relatively fast, cost-effective and scalable, making it accessible to a wide range of FTZs.

16. For IP authorities and enforcement bodies, the OECD FTZ Certification offers a valuable entry point for engagement. By contributing expertise on IP risks and enforcement practices, IP authorities and enforcement bodies can help shape the assessment process and ensure that certification criteria effectively address the realities of IP infringement.

#### **IV. CAPACITY-BUILDING AND PROMOTING RESPECT FOR IP THROUGH THE FTZ CERTIFICATION**

17. Beyond its role as a recognition mechanism, the OECD FTZ Certification serves as a platform for capacity-building and awareness-raising. These elements are central to efforts towards building respect for IP, emphasizing the importance of education, cooperation and practical tools in fostering a culture of compliance.

18. Certification processes are typically accompanied by training and dialogue involving FTZ authorities, businesses and public institutions. The results of these activities are as follows:

- Increasing awareness of IP risks among FTZ management and economic operators
- Strengthening internal compliance systems
- Promoting cooperation between customs, IP authorities and enforcement bodies and private sector actors

19. This approach directly supports the objectives of the capacity-building programs of WIPO. By embedding IP considerations into the daily operations of FTZs, the OECD FTZ Certification helps bridge the gap between legal frameworks and practical implementation.

20. There is significant potential for synergies in this area. Joint initiatives could include the following:

- Development of tailored training modules for FTZ stakeholders
- Creation of practical toolkits on IP risk management
- Integration of FTZ-related content into existing WIPO training programs

21. For IP authorities and enforcement bodies, participation in such initiatives offers multiple benefits. It enhances their visibility within broader trade ecosystems, strengthens relationships with industry and provides new tools to support enforcement efforts.

22. During the pilot phase of the OECD FTZ Certification roll-out, IP rights protection emerged as a key area requiring further development across zones. Practical experience showed that some economic operators in FTZs focus primarily on storage and logistics services and often do not have access to all of the commercial documentation related to the goods they handle. This highlights the need for tailored awareness, guidance and practical tools that are adapted to the operational realities of FTZs.

23. Both FTZ managers and economic operators expressed a strong will to further strengthen their knowledge and capacities in this area. Dedicated training can help improve understanding of IP-related risks, reinforce internal procedures, support supplier due diligence and promote proper inventory and documentation practices.

24. The integration of regular IP-focused capacity-building into FTZ governance would foster a proactive and risk-based culture of compliance, helping zones remain competitive and transparent, while maintaining their status as trusted trade hubs. Investing in IP capacity-building in FTZs is therefore a practical step to strengthen respect for IP, attract innovation and combat IP infringement.

## **V. CASE STUDIES: TRUSTED FTZS SUPPORTING IP-INTENSIVE INDUSTRIES**

25. The OECD FTZ Certification has already been applied in several pilot zones, which demonstrates its practical relevance and impact.

26. In Costa Rica, the Coyol and La Lima Free Zones have emerged as leading examples. They host a concentration of medical device and life sciences companies, sectors that rely heavily on IP protection and regulatory compliance. The OECD FTZ Certification has reinforced their reputation as secure and reliable environments for high-value investment, helping to attract and retain the presence of global firms.<sup>5</sup>

27. Similarly, the Zona Franca Barcelona in Spain represents a European benchmark for governance and innovation. With alignment to European Union standards, Zona Franca Barcelona has positioned itself as a hub for advanced manufacturing and technology-driven industries. Certification has further strengthened its international profile, signaling its commitment to transparency and integrity.<sup>6</sup>

28. These examples illustrate a broader trend: FTZs that prioritize IP protection and compliance are better positioned to attract high-quality investment and integrate into global value chains. The OECD FTZ Certification supports this model by providing external validation and enhancing credibility.

29. These case studies also demonstrate that the OECD FTZ Certification is not about imposing new requirements, but rather about recognizing and amplifying existing strengths. This makes the OECD FTZ Certification particularly attractive for zones that need to differentiate themselves in a competitive global environment.

## **VI. POLICY IMPLICATIONS AND WAY FORWARD**

30. The OECD FTZ Certification has important implications for IP authorities and enforcement bodies, policymakers and international organizations.

31. For IP authorities and enforcement bodies in countries hosting FTZs – particularly in regions such as ASEAN and Southeast Europe – the OECD FTZ Certification offers a practical tool to strengthen national IP ecosystems. By engaging in certification processes and supporting related training activities, IP authorities and enforcement bodies can help ensure that FTZs operate in a manner that is consistent with international standards and best practices.

32. For IP authorities and enforcement bodies in countries with no FTZs, but with IP-intensive industries that invest abroad, the OECD FTZ Certification provides a means to protect IP assets

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<sup>5</sup> OECD (2026a) Implementation of the OECD Free Trade Zones Recommendation: OECD FTZ Pilot Certification – Costa Rican Free Trade Zones: Coyol and La Lima.

<sup>6</sup> OECD (2026b) Implementation of the OECD Free Trade Zones Recommendation: OECD FTZ Pilot Certification – Barcelona Free Trade Zone.

abroad. By encouraging investors to operate in certified zones, they can reduce exposure to risks and promote more secure supply chains.

33. For WIPO, the OECD FTZ Certification is a tool that can enhance and be complementary to existing capacity-building efforts. By integrating FTZ-related components into its programs, WIPO can expand its impact and address emerging global trade-related challenges.

34. More broadly, the OECD FTZ Certification contributes to a shift in how FTZs are perceived. Rather than being perceived primarily as areas of potential risk, certified zones can be recognized as trusted trade hubs that support innovation, protect IP and foster sustainable economic development.

## **VII. CONCLUSION**

35. FTZs are not inherently a source of risk; rather, they are a policy tool whose outcomes depend on how they are governed. The OECD FTZ Certification demonstrates that a voluntary, practical approach can effectively promote transparency, integrity and respect for IP.

36. By combining recognition, capacity-building and stakeholder engagement, the OECD FTZ Certification offers a scalable solution to a complex global challenge. Its alignment with the approach of WIPO to building respect for IP makes it a valuable addition to the international IP protection toolkit.

37. Strengthened cooperation between the OECD, WIPO and national IP authorities and enforcement bodies can further enhance the impact of the OECD FTZ Certification, helping to transform FTZs into trusted environments that support innovation, protect rights holders and contribute to sustainable economic growth.

[End of contribution]