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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	1 July 2019
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Subject:	ANNEX to the Proposal for a Council Decision on the position to be taken on behalf of the European Union in the OECD Public Governance Committee and the OECD Council on the draft Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones

Delegations will find attached document COM(2019) 294 final.

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ANNEX

ANNEX

to the

Proposal for a Council Decision

on the position to be taken on behalf of the European Union in the OECD Public Governance Committee and the OECD Council on the draft Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones

ATTACHMENT

Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones

1. This document presents a draft Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones (hereafter the "draft Recommendation"), as reproduced in Annex, developed through the Task Force on Countering Illicit Trade[1] (hereafter the "TF-CIT"), a subsidiary body of the High Level Risk Forum (hereafter the "HLRF") of the OECD Public Governance Committee (hereafter the "PGC"). It is designed to assist governments and policy makers to reduce and deter illicit trade conducted through and inside Free Trade Zones (FTZ).

2. The OECD has developed extensive research on illicit trade in the form of thematic studies and cross country data comparisons to further the understanding and mapping of illicit markets. Its findings provide an evidence base to inform risk management policies that cut across different sectors.

3. As foreseen in the PGC Programme of Work and Budget 2017-2018 [GOV/PGC(2016)9/FINAL], the OECD in collaboration with the European Union Intellectual Property Office (EUIPO), conducted work analysing trade routes for illicit trade in counterfeits across borders, and different types of illicit goods. The analysis has identified a number of policy gaps, and Free Trade Zones is one of them, where there is scope to strengthen oversight and enhance risk informed law enforcement practices. The 2017 Ministerial Council Statement welcomed further work of the OECD Task Force on Countering Illicit Trade, and recognised the need for international cooperation and partnerships to fight international corruption and illicit trade.[2]

Rationale for developing the draft Recommendation

4. In the past decades FTZ have been established at a record rate to attract new business and foreign investment. The aim is to facilitate trade and economic growth by eliminating tariffs, quotas and other taxes and minimizing bureaucratic requirements including certain customs procedures and disclosure requirements. The scope and nature of FTZ vary across countries, depending on the regime and type of activities allowed to take place inside, and can be described under a variety of names such as Free Zones, Enterprise Zones, Export Processing Zones, Special Economic Zones, Foreign Trade Zones, etc. 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.

5. These developments, however, have outpaced the adoption of standards and regulations governing effective oversight of the activities in FTZ in some countries. As a result, 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

[1] The Task Force on Countering Illicit Trade maps and measures the economic impacts of transboundary trafficking in such sectors as counterfeit goods, wildlife and persons.

[2] 2017 Ministerial Council Statement

production facilities for counterfeit and contraband goods, transit illicit goods and facilitate the conduct of illicit services. In some countries FTZ are treated for all purposes as outside the nation's customs territory with the result that goods enter or exit these areas with minimal customs controls. Although the conditions for establishment of FTZ are regulated, the extent of customs controls or interventions is often insufficient or absent. Even where legislation specifically provides jurisdiction for customs authorities to exercise controls in FTZ, enforcement can be weak.

6. Many FTZ produce economic benefits to their local economies, but there is strong evidence to show that illicit trade flows through them e.g. in counterfeits, wildlife, arms, etc. OECD analysis finds a positive correlation between the size of FTZ, in terms of employment and firms established therein, and the value of illicit trade in counterfeits. Some FTZ are found to be key trans-shipment points for illicit goods that have been repackaged or relabelled to conceal their point of origin and to penetrate the legitimate supply chain.

7. At the 2017 meeting of the Council at Ministerial level, Ministers "recognised the need for international cooperation and partnerships to fight international corruption and illicit trade, including by strengthening the implementation of existing standards" and "welcomed further OECD work on illicit trade, including through the Task Force on Countering Illicit Trade".

8. To address these challenges and respond to the Ministers' call, the TF-CIT has worked on a draft OECD Council Recommendation proposing measures to enhance the transparency of FTZ in order to reduce their misuse and make them less attractive to the criminal organisations that currently take advantage of them.

9. The draft Recommendation is grounded on six years of analysis and expert consultation at the OECD, notably through:

10. Meetings of the TF-CIT on the law enforcement challenges that FTZ present across different illicit markets, and two joint workshops with different intergovernmental organisations. The first workshop was organized with the World Customs Organisation (WCO) in Brussels in November 2016, and the second with the EUIPO in Alicante in September 2017;

11. An OECD report on 'Governance Frameworks to Counter Illicit Trade' that, inter alia, reflects the broad lines of these discussions[3] as well as a joint OECD and EUIPO report on 'Trade in Counterfeit Goods and Free Trade Zones' published in March 2018[4], which established statistical correlations between the size of a FTZ (in terms of firms established therein, employees, and contribution to overall export value) and the value of fake goods arriving from a particular jurisdiction.

12. The analysis identifies key challenges that make FTZ susceptible to illicit trade:

- The FTZ 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

[3] Governance Frameworks to Counter Illicit Trade (OECD, 2018)

[4] *Trade in Counterfeit Goods and Free Trade Zones: Evidence from recent trends* (OECD-EUIPO,2018).

customs lack authority to access the physical premises and information on the economic operators conducting business inside.

- Even in economies where the correct understanding of the authority of local customs and other law enforcement to access a FTZ is in place, incentive is low to monitor its activities and transhipments, unless there is sufficient leakage to the domestic market.

13. Bulk cash is easily introduced into FTZ by declaring that it is for retail transactions inside, but there is no official verification process to confirm its end use for lawful business. Furthermore, the lack of integration of electronic cargo tracking systems with competent authorities hinders timely risk analysis.

14. Even though anecdotal evidence of the misuse of FTZ to conduct illicit trade has put some of them in the international spotlight, high-level awareness of the risks from FTZ remains relatively low.

15. The expert meetings and reflections, together with recent OECD publications on free trade zones and previous OECD reports,[5] 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. The weight of these findings supported the call by Ministers at the 2017 MCM for the OECD to mobilise coordinated international action with the aim to increase transparency in FTZ and thereby reduce their utility as conduits for illicit trade.

Process for developing the draft Recommendation

16. At its December 2017 meeting the HLRF agreed that the Task Force should develop a draft set of guidance on countering illicit trade in furtherance of the OECD mission to set global standards and level the playing field for globalisation. The aim of the proposed measures is to reinforce the capacity of law enforcement to take effective actions and to reduce the attractiveness of FTZ to criminal entrepreneurs.

17. A first draft guidance on countering illicit trade: enhancing transparency in free trade zones was discussed and commented on at the March 2018 meeting of the TF-CIT [GOV/PGC/HLRF/TFCIT(2018)1], with written inputs from consultations with the Financial Action Task Force, WCO, and the World Trade Organisation secretariats.

18. The PGC was informed of the process at its 57th meeting on 12 April 2018 and was invited to comment on policy options to strengthen governance frameworks to counter illicit trade including an inclusive consultation process. The PGC also agreed to open up the draft guidance to public consultation [GOV/PGC/A(2018)1].

19. Following the incorporation of further comments on the draft guidance from the HLRF and TFCIT, the on-line public consultation was launched from 8 July 2018 and ran until 3 September 2018. The consultation was open to the participation of all stakeholders and input was received from, among others, OECD Members and non-Members, FTZ operators, their associations, intermediaries (including shippers, freight forwarders and couriers) and the industries that are established in FTZ or use

[5] W*hy Do Countries Export Fakes? The Role of Governance Frameworks, Enforcement and Socio-economic Factors (OECD-EUIPO, 2018); Illicit Trade: Converging Criminal Networks (OECD, 2016).*

them in course of their supply chains. Over 200 individual stakeholders participated in the public consultation with nearly 100 pages of written comments received.

20. In addition, the draft guidance was presented for comments to the Working Party of the Trade Committee on 18 June 2018 and internal consultations were held with the secretariat of the Economics Policy Committee, the Trade Committee, the Working Group on Bribery in International Business Transactions, and the Global Forum on Transparency and Exchange of Information (GFTEI). Further, the secretariat of the Financial Action Task Force on Money Laundering (FATF) was also consulted. Valuable input was received and helped strengthen the consistency and coherence of the draft guidance with already existing instruments.

21. Following the incorporation of all relevant and important comments from the public consultation and consultation of other OECD bodies and secretariat, the revised draft was circulated to the TF-CIT (and HLRF) again as a draft Recommendation. At this point certain delegations raised several questions including how best to monitor whether FTZ are in compliance with the Code of Conduct for Clean Free Trade Zones. These questions were addressed and resulted in the draft text in the Annex, which does not contain a specific provision on monitoring compliance, but includes a statement of the intention to develop a clear means to monitor compliance within one year after adoption of the Recommendation.

22. The revised draft Recommendation is hereby presented to the TF-CIT for approval and transmission to the HLRF, after which it will be transmitted to the PGC for approval and ultimately transmission to Council, via the Executive Committee for adoption.

Aim and scope of the draft Recommendation

23. The draft Recommendation is designed to ensure transparency in FTZs and is framed as part of the broader effort to counter illicit trade. Illicit trade has broad adverse economic, social, environmental and even political impacts - it is holistically destructive to sustainable development. It undermines good governance, erodes trust in government and the rule of law, and potentially creates threats to political stability as its economic actors deflect unwanted attention to protect their illegal market share.

24. The broader aim of the draft Recommendation is to establish over time clear expectations with respect to effective policies to counter illicit trade. The goal of shared standards for globalisation is to ensure its benefits can be fully shared, while the harms are reduced to the extent feasible. This requires countries to further collaborate and invest in the development of suitable institutional capacities[6].

25. The draft Recommendation calls on Members and non-Members having adhered to it (the Adherents) to encourage FTZ to adopt a voluntary Code of Conduct for Clean Free Trade Zones (set out in the Appendix to the draft Recommendation), with the understanding that compliance with its provisions will be assessed and monitored by a mechanism (diagnostic tool) to be established within one year after the adoption of the draft Recommendation. The goal is to ensure the impact of the draft Recommendation and promote transparency in an effective manner, so that FTZ conduct oversight of economic operators established in a zone and cooperate with

6 *Governance Frameworks to Counter Illicit Trade* (OECD, 2018)

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.

26. The draft Recommendation proposes a dual approach that addresses dimensions that are relevant for all stakeholders of good governance in FTZ including customs authorities and as needed the broader law enforcement community (which may include environmental crime authorities, tax authorities and others), FTZ, economic operators within a zone, and civil society.

27. The objective of the draft Recommendation is to support Adherents and provide useful guidance to address the challenges and identify good practices related to the reduction of illicit trade. A comprehensive approach to reducing illicit trade in FTZ requires investment in actions on the part of Adherents, as well as in cooperation to increase the monitoring and control of FTZ where they are being abused to conduct illicit trade. For these reasons the draft Recommendation addresses key needs identified specifically by OECD research, including:

- 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 authorization, at any time, and at any place within any FTZ to facilitate administration of applicable law, regulation or policy instruction.

- International cooperation to set incentives for local authorities to exercise more vigilance and control over FTZ as the negative externalities are not sufficient in their domestic markets to motivate actions that mitigate the risks of illicit trade.

- The generation of political will to advance a solution to the challenges.

Monitoring the implementation, dissemination and non-Member adherence

28. The draft Recommendation instructs the Public Governance Committee to:

- *Use the Task Force on Countering Illicit Trade as a forum for the exchange of information and the conduct of voluntary peer reviews with respect to the implementation of this Recommendation.* This may take the form, for example, of stakeholder engagement to raise awareness of the risk of illicit trade in specific FTZ, to discuss compliance with the Code of Conduct of Clean Free Trade Zones and to compare experiences and examine practice in the reduction and deterrence of illicit trade risks.

- *Establish a mechanism (diagnostic tool) for the assessment of the performance and the compliance of FTZ with the Code of Conduct for Clean Free Trade Zones*. The mechanism would be established through a multi-stakeholder process led by the TF-CIT under the aegis of the HLRF and PGC within one year from the adoption of the Recommendation.

- *Develop a toolkit to support Adherents in the implementation of the Recommendation, including promotion and encouraging compliance of FTZ*

with the Code of Conduct for Clean Free Trade Zones within one year from the adoption of the Recommendation: through a multi-stakeholder process lead by the TF-CIT, under the aegis of the HLRF and PGC, a toolkit would be developed to support Adherents and FTZ in its practical implementation, including with respect to compliance with the Code of Conduct of Clean Free Trade Zones. This toolkit would include the development of a FTZ risk assessment model for companies to gauge the integrity and adequacy of good governance in various FTZ against a range of benchmarks. It would also include a repository of good practices illustrated with concrete examples, and platforms for multi-stakeholder cooperation may be developed incrementally to close the policy, governance and enforcement gaps.

- *Monitor the implementation of this Recommendation and report thereon to the Council no later than five years following its adoption and at least every ten years thereafter*: this report will assess the relevance and impact of the draft Recommendation with a view to ensure that it remains up-to-date, identifying any necessity for revision as appropriate. The report will build on the information concerning good practices gathered in the development of the toolkit, discussions in the PGC and its relevant subsidiary bodies on the implementation of the draft Recommendation, and exchanges through multi-stakeholder platforms of co-operation formed to feed into the work of the PGC and its subsidiary bodies on this matter.

29. The draft Recommendation invites the Secretary-General and Adherents to disseminate it. Once adopted, the draft Recommendation will be available on the online Compendium of OECD Legal Instruments. A booklet containing the text of the draft Recommendation, together with relevant background information will be accessible in PDF format to facilitate dissemination. The Secretariat will share the draft Recommendation through meetings of relevant ministries, parliamentary groups, industry associations, professional bodies and networks of relevant academics and experts.

30. The draft Recommendation will be open to non-Member adherence. Such adherence would represent a political commitment by the Adherents to the principles set out in the draft Recommendation. Having interested non-Members adhere to the draft Recommendation would send a message that they can play a pro-active part in the effort to reduce illicit trade and help further level the playing field globally. Any non-Member Adherents would be included on the activities to support and monitor its implementation.

APPENDIX

Draft Recommendation of the Council on Enhancing Transparency in Free Trade Zones

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Recommendation of the Council to Facilitate Co-operation between Tax and Other Law Enforcement Authorities to Combat Serious Crimes [OECD/LEGAL/0384];

HAVING REGARD to the Recommendation of the Council on Countering the Illegal Trade of Pesticides [OECD/LEGAL/0446];

HAVING REGARD to the 2012 FATF Recommendations, the 1994 WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, and the 2017 WTO Trade Facilitation Agreement;

NOTING the basic principles of Customs procedures and controls laid down in the WCO Revised Kyoto Convention, Specific Annex D, Chapter 2 (Free Zones);

RECOGNISING that illicit trade operates in the shadow of the global economy, with increasingly sophisticated traffickers dealing in a range of prohibited goods and services including counterfeits;

RECOGNISING that illicit trade and criminal networks are a growing security concern globally and that they present threats to communities and societies as a whole, enabling lucrative criminal enterprise, terrorism financing, and greater instability and violence around the world;

RECOGNISING that various international standards are in place to prohibit or regulate different sectors of illicit trade, including the trafficking of humans, narcotics, counterfeits, endangered and illegally harvested species of fauna and flora, antiquities and conventional arms; and promote the implementation of legal, regulatory and operational measures to combat the proceeds of illicit trade;

CONSIDERING the need for additional harmonised guidance that provides governments with efficient tools to detect, deter and reduce illicit trade regardless the commodity, cutting across different illicit markets;

RECOGNISING the need to enact proactive measures to reduce the supply and deter the demand for illicit goods and services across a range of illicit markets;

RECOGNISING that Free Trade Zones (FTZ), can stimulate legitimate economic growth and play a central role in business for many economies and leading manufacturers;

RECOGNISING that standards, oversight and other controls concerning FTZ, while having proliferated, have not in all cases kept up with the growth in number of economic operators and volume of illicit trade in goods and services;

RECOGNISING that in some FTZ competent public authorities may not have timely physical access to the premises, and often face difficulty to obtain information on the activities of economic operators established within the FTZ, as well as information pertaining to the ownership of goods that transit through or are produced or assembled within the FTZ, even where other relevant international standards require them to be able to;

ACKNOWLEDGING that some economic operators may take advantage of inadequate oversight, control and the lack of transparency in FTZ to commit trade fraud, intellectual property rights (IPR) infringement, smuggle contraband, facilitate the proliferation of weapons and launder the proceeds of crime;

NOTING the opportunity to hold to account competent authorities that are complicit with, or negligent in the oversight of, economic operators that conduct or enable illicit trade that is harmful to persons, businesses and the environment;

On the proposal of the Public Governance Committee:

I. AGREES that, 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.

II. RECOMMENDS 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:

1. Ensure that the **legal framework for FTZ**, established in their territory or that are otherwise under their administrative control,

    - 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.

    - Allows for competent authorities to take appropriate actions and measures in accordance with their domestic law.

- 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.

- 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.

- 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.

- Prohibits legal or natural persons convicted of illegal economic or financial activities from operating within FTZ.

- Ensures that the perimeter and entry and exit points of FTZ are subject to competent authorities' supervision.

- Ensures that goods, persons and means of transport entering and leaving the FTZ are subject to effective controls.

- 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.

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.

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:

   - Sharing financial and administrative information spontaneously and upon request, to support the provision of 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.

   - 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.

- 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.

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.

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.

6. **Foster partnerships** among 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.

7. **Monitor the activities of FTZ** and publish annual indicators that help contribute to an evaluation of their risk of facilitating illicit trade.

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.

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.

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 among the competent authorities of the parties to such agreements.

III. RECOMMENDS 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.

IV. RECOMMENDS that Adherents use trade agreements, as appropriate, to encourage adherence to the principles for combatting illicit trade in FTZ contained in this Recommendation.

V. INVITES the Secretary-General and Adherents to disseminate this Recommendation.

VI. INVITES non-Adherents to take account of and adhere to this Recommendation.

VII. INSTRUCTS the Public Governance Committee through the Task Force on Countering Illicit Trade to:

- Serve as a forum for the exchange of information and the conduct of voluntary peer reviews with respect to the implementation of this Recommendation;

- Establish 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 the Council thereon;

- Develop a toolkit to support Adherents in the implementation of the Recommendation, including promoting and encouraging compliance of FTZ with the Code of Conduct for Clean Free Trade Zones, within one year from the adoption of the Recommendation; and

- Monitor the implementation of this Recommendation and report thereon to the Council no later than five years following its adoption and at least every ten years thereafter.

ANNEX

Code of Conduct for Clean Free Trade Zones

Clean Free Trade Zones are those that:

1. Provide unconditional access to the competent authorities, in accordance with their domestic law, to carry-out unobstructed, ex officio enforcement checks of operators in support of investigations of violations of applicable laws and regulations.

2. Notify the competent authorities in advance of any industrial, commercial or service activity taking place in the FTZ.

3. Prohibit operators and persons who do not provide the necessary assurance of compliance with the applicable customs provisions from carrying out an activity in the FTZ.

4. Ensure that economic operators active 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 know what is inside the zone at any given time. The digital records should:

    - Document sales and purchase operations of all goods and services entering and exiting the FTZ, and be provided to the competent authorities upon request.

    - Maintain a complete and accurate record in accordance with domestic law of all commercial transactions to enable full accountability of materials used in production and assembling processes that may be reconciled with the volume and value of their commercial transactions. These records should be:

        – Maintained for a period of at least five years.

        – Made available in a timely manner to the competent authorities upon request.

        – Maintained in a format as required by the competent authorities, such that it can be used for risk profiling by the competent authority.

5. Transmit in a timely manner to the competent authorities the records and information requested in accordance with domestic law and required to be maintained by recordkeeping requirements.

6. Ensure that economic operators active in the FTZ are required to grant access to their detailed digital records upon request of the competent authorities in the jurisdiction where the zone is established.

7. Appoint a dedicated point of contact with the necessary skills and resources to respond effectively to such requests for information from the competent authorities.

8. Incentivise electronic payment for any commercial or financial transaction of the economic operators active in the FTZ occurring inside or originating from the FTZ, and ensure the traceability of cash transactions.

9. Participate in peer learning and dialogues with Adherents to resolve compliance challenges.