

## Foreword

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.

Even though FTZs bring clear economic benefits to their host economies, there is the possibility that they can be misused by criminal organisations to traffic and smuggle counterfeit and pirated goods. This raises the double concern of the impact of crime and illicit trade activities on good governance, public safety and the rule of law, as well as the negative effect that counterfeit trade has on legitimate competitive advantage of rights holders, and consequently on innovation, employment and long-term economic growth. The recent OECD-EUIPO report, *Mapping the Real Route of Trade in Fake Goods*, identified the risks posed by illicit trade in counterfeits transiting through FTZs, and the underlying challenges in terms of enforcement gaps. The findings led to the hypothesis that a significant portion of total illicit trade in fakes seem to transit through, or rely upon, FTZs, and that this needed further examination.

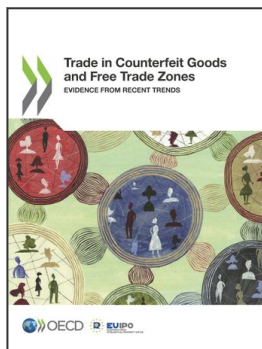
This joint OECD-EUIPO report investigates the empirical links between trade in counterfeit and pirated goods and free trade zones. The report provides robust empirical evidence that documents these links, building on previous studies carried out by the OECD and the EUIPO on trade in counterfeit and pirated goods. At the OECD, this study was supervised by the Task Force on Countering Illicit Trade (TF-CIT), which focuses on evidence-based research and advanced analytics to assist policy makers in mapping and understanding the market vulnerabilities exploited and created by illicit trade.

This report was prepared by Piotr Stryszowski, Senior Economist at the OECD Directorate for Public Governance jointly with Michał Kazimierzak, Economist at the European Observatory on Infringements of Intellectual Property Rights of the EUIPO, under the supervision of Stéphane Jacobzone, Deputy Head of Division, OECD and Nathan Wajsman, Chief Economist, EUIPO. The authors are grateful to Peter Avery and Florence Mouradian (OECD) and to Claire Castel (EUIPO) for their contributions.

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