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**An action oriented strategy against counterfeiting:
a major challenge posed by organized crime
to the world economy**

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Counterfeiting is a constantly expanding criminal activity. This sentence could very well represent the actual situation related to this phenomenon. Recent Reports published by various International Organizations propose alarming estimates on the economic impact of counterfeiting and piracy. I think that all of us are familiar with those estimates quantifying counterfeiting as a percentage comprised among 5 or 7% of World Trade, while, more recently, the OECD quantified this impact in 200 billion USD for the year 2005. As well clarified by the OECD, this disturbing figure does not take into account domestically produced and consumed counterfeits, nor pirated digital products distributed via the Internet.

The Report recently produced by my Institute collected data made available by the Taxation and Customs Union of the European Commission to show the increase of seizures of counterfeit goods witnessed by the EU in the recent years: from 68 million goods seized in the year 2000 to more than 128 million goods in 2006.

This immense growth should also be interpreted as an increase in the categories of products that are today counterfeited and as an increase in the number of parties involved in this illicit activity. It is in fact true that almost every product on the market could be replicated. The diffusion of technology at cheaper prices and the noticeable amount of money at disposal of the counterfeiters, gives them the possibility to put into the market goods whose external appearance resembles very closely the original product. Many times, the producers themselves experienced difficulties in identifying, at the naked eye, the genuine from the counterfeit.

But such an immense expansion of the phenomenon would not be possible without the involvement of organized structures devoted to the realization of this activity. Attracted by the huge profits and the low risks which are connected with counterfeiting, not only ordinary criminals but organized crime is undoubtedly involved. We can clearly affirm that Transnational organized crime is today the manager of the production and distribution of the so called "Fakes".

More attention should be posed on the concept of profitability. From an economic point of view, counterfeiting is extremely profitable for organized crime for at least two reasons. Being produced with low quality raw materials, the cost of production of a replicated product is low, while its sale price could well be "not as cheap as we think", depending on the destination of the replicated product and in particular if it will be

offered to a conscious or unconscious buyer. The profit margin is consequently high, possibly higher than that obtainable from drug trafficking.

But the profitability of counterfeiting depends also from the low level of risk that is associated with this criminal activity. Sanctions are in fact very often not deterrent and counterfeiting is not considered as a priority by the law enforcers.

Why is it so? First of all, there is a lack of awareness regarding the involvement of organized crime in this illicit activity. Counterfeiting is often considered as a second class crime or as a victimless crime. This attitude is not only spread among the law enforcers but is also common among the majority of the general public. When buying a counterfeit from a street seller, one rarely thinks that the money will end up in the pockets of organized crime and that the very same money could be then utilized to finance other illicit activities. Secondly, the law enforcers and the general public are not always aware of the risks created by counterfeiting. Counterfeiting is all but victimless and could be hardly considered as a second class crime

Counterfeiting makes its own victims. They are connected with the numerous negative consequences which derive from its perpetration. Economic consequences are suffered by producers and by Governments.

Producers' losses not only derive from lower sales as a consequence of the existence of cheaper versions of their products on the market. Having already noted the low quality of these replicated goods, we should expect that they present a higher level of defectiveness, which will be attributed directly to the producer by any unconscious buyer, resulting in a loss of reputation for the producer. Moreover, less profits means less funds to invest in research and development, harming the competitiveness of the entrepreneur on the market. On a longer period this will result in an even more restricted market share.

Producers can't simply compete with the low production costs of their counterfeiting competitors and, in numerous occasions, this unfair and "criminal" competition forced small and middle entrepreneurs to close their activity.

Economic consequences are also suffered by Governments. Counterfeit products are in fact produced and traded without any respect for the tax regulations that are in force, creating a loss in taxes and revenues collected by Governments. Even more alarming are the social consequences that derive from counterfeiting. When a producer faces a reduced market share is very probable that he will reduce his production volume and with it the personnel employed. Numerous jobs are lost every year in the World because of counterfeiting while organized crime exploits the work of poor and desperate people to produce fake goods and earn huge profits.

But the most worrisome aspect is perhaps the one related to the health and safety of consumers. Counterfeiters replicate almost every product, especially those that are more profitable in consequence of their market share or of their selling price. But some of these products could be extremely dangerous if the production safety standards are not respected. This is the case, for examples, of medicines, toys, electrical components, spare parts for cars and for aircrafts. All these products have been

associated with tragic events. Especially in the case of medicines, numerous cases have been reported in which the toxic substances contained in the fake product killed several people.

Not every counterfeit medicine contains toxic substances, some may contain a lower level of active pharmaceutical ingredients or no pharmaceutical ingredient at all. But these kinds of fakes are not less dangerous. A vaccine for malaria that does not contain active pharmaceutical ingredients could well be lethal. And if it contains an insufficient level of these ingredients it could improve the virus resistance to the vaccine itself.

Furthermore, multiple risks for the public order and the safety of citizens are directly linked with the involvement of organized crime.

Counterfeiting is a golden mine for organized crime. From an operative point of view, the immense profits deriving from counterfeiting constitute a source of money ready to be spent in other illicit activities, like drug trafficking, arms smuggling or even human trafficking. These links have been proven during different criminal investigations. The same investigations confirmed that almost all the major criminal organizations are interested in the management of this illicit business, from the Italian Camorra, to the Russian Mafia, from the Chinese Triads to the Japanese Yakuza.

But from the same operative point of view, counterfeiting performs another important function for the criminal organization. It is in fact one of the preferred means through which proceeds of crime can be laundered. This characteristic makes counterfeiting a strategically fundamental activity, bringing in and laundering money.

The involvement of organized crime brings on the scene an actor which has a great corruptive and intimidating potential. Local shops or small distributors are often forced by organized crime to buy counterfeit versions of the products they sell and this practice has, in some cases, replaced the payment of a "protection money fee". Counterfeiters can in this way infiltrate the licit supply chain and reach the unconscious purchaser.

The profitability and the strategic value of counterfeiting are so important, that it has been turned into a real mass scale activity, whose production and distribution are well structured and organized. The seizures of great consignments of replicated goods, leave no doubt about the level of organization that is behind this illicit activity.

The research project conducted last year by UNICRI identified some priorities and formulated a list of recommendations.

With the aim of improving our knowledge on the phenomenon and enhance the efficacy of our responses, data collection and analysis should be improved, in particular for what concerns the identification of which kind of data that could be more useful for a better understanding of the problem. A public-private partnership in this regards and the creation of national or international databases would contribute to a better collection and confrontation of the available data.

One of the most attracting elements of counterfeiting for organized crime is the profit/risks ratio. We can reduce this attractiveness by increasing the risks connected with the perpetration of the crime. It is for this reason that more severe and deterrent criminal sanctions are needed. These sanctions should be proportioned to the multiple consequences and high risks for consumers that are associated with the crime of counterfeiting.

But more severe sanctions should also be flanked by other interventions on the law enforcement side. Training and awareness raising programmes for police officers and prosecutors are strongly needed to support the idea that counterfeiting is not a victimless or a second class crime and to share those investigation or detection techniques that have been proven to be the most effective. In these regards, investigation protocols would also greatly benefit the effectiveness of the law enforcers' actions. These protocols could contain a series of guidelines to deepen the investigations, taking into account, for example, an examination of the bank accounts of the alleged counterfeiters, possible connections with other crimes and with organized crime.

Furthermore, we all know the difficulties that are connected with the work of the national customs agencies. International trade has reached huge volumes and customs officers face a very difficult task in trying to identify counterfeit products among the immense number of containers that are traded every day. It is extremely important that human resources are utilized properly and that customs officers concentrate their activity on high risk shipments. This is why the adoption of computerized risk management systems would support and improve the efficacy of the work carried out by the customs.

The private sector should also be involved. Good practices and codes of conducts aimed at increasing the transparency of the production and distribution chains are of fundamental importance to safeguard consumers' choices as well as their health and safety.

And we should not forget that counterfeiting is also based on a very high demand coming from the general public. It is for this reason that consumers must be informed about the consequences and risks associated with counterfeiting and about the involvement of organized crime in its management. The organization of awareness campaigns becomes a key point in any strategy that is aimed at countering the phenomenon from a multidisciplinary point of view.

Finally, unilateral efforts or individual actions addressed to only one aspect of counterfeiting are not sufficient. We need to share information, we need to coordinate our strategies and we need every stakeholder involved to bring its own peculiar knowledge of the phenomenon. We need the support and expertise of the law enforcement agencies, we need the involvement of the private sector and we need to coordinate all our efforts. That is why, I believe, that cooperation at all levels is the base upon which we may build a new multi disciplinary strategy against counterfeiting.

Cooperation and coordination are the basis of UNICRI strategy on counterfeiting. The Inter-Agency Permanent Observatory on counterfeiting that we are creating will, first of all, operate as a common platform for discussion and evaluation of the different aspects of the phenomenon and of its recent trends. It will involve representatives of the public and the private sector, with different backgrounds and working in different fields (law enforcement, international organizations, producers).

The aim is to facilitate a needed sharing of experience, good practices and information and to discuss the implementation of possible common international and national strategies. This will avoid duplications and increase the efficacy of our response to counterfeiting.

The Permanent Observatory will not only facilitate a multidisciplinary discussion on counterfeiting and the elaboration of possible responses. It will also concretely support the realization of specific strategies in a given sector or political/social/economic context, through the creation of a set of services. The set of services will cover specific areas of intervention and, thanks to the identification of a roster of experts, will provide knowledge and expertise in some key areas.

These key areas have been identified in: Training and awareness; Customs cooperation; and standards to improve the security of the production and supply chains. This is the operative level of the Permanent Observatory and, as we can see, it covers some of the priorities that have been earlier identified. The set of services could later be expanded, depending on our expertise and on the needs that will arise in the future.

Strategies and interventions suggested and implemented through the Permanent Observatory will be periodically evaluated by the Observatory itself during the ordinary sessions of the common platform for discussion. This will facilitate the progressive identification of our strategies' strengths and weaknesses and will constantly improve our response to counterfeiting.

Without cooperation and coordination we cannot simply defeat this crime. It is too widespread and it involves too many sectors of activity. If we do not cooperate we miss the chance to enrich our point of view with the knowledge and experience deriving from those people and those organizations that are already fighting this crime. Without coordination we risk to duplicate our actions and miss the chance to render our approach more comprehensive and more effective.

Thank you very much for your attention.