



Promoting Intellectual
Property Rights in the
ASEAN Region

Observatory research on counterfeit goods

Nathan Wajsman | 29 April 2021



Funded by the European Union



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OBSERVATORY GOALS

Strengthening the Network

Provide facts and evidence to support effective policies

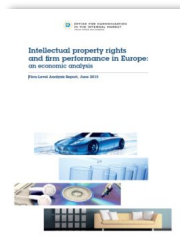
Create tools and resources to sharpen the fight against IP infringement

Raise awareness of the importance of IP and of the negative effects of counterfeiting and piracy

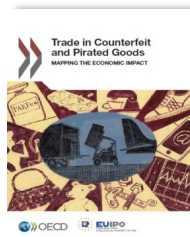
International Cooperation



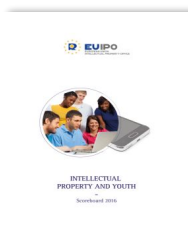
GOAL 1 – FACTS AND EVIDENCE



IP Contribution

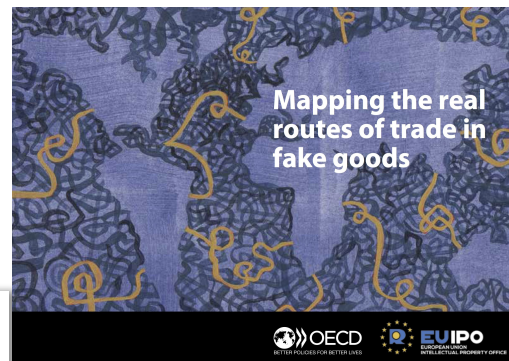
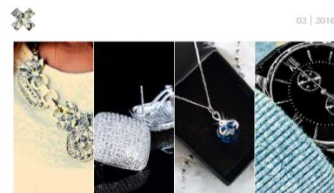
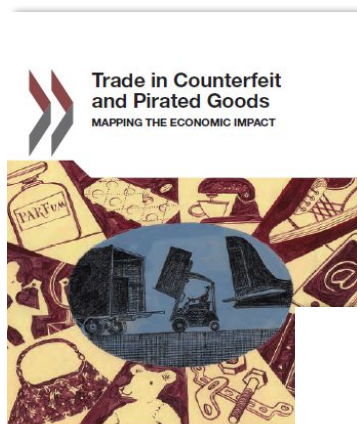


Infringement Quantification



Europeans and IP

INFRINGEMENT QUANTIFICATION



International trade in counterfeit goods – key results

Worldwide

€460
billion

(USD 509 bn)

Trade in fake goods

Corresponds to 3.3%
of global trade

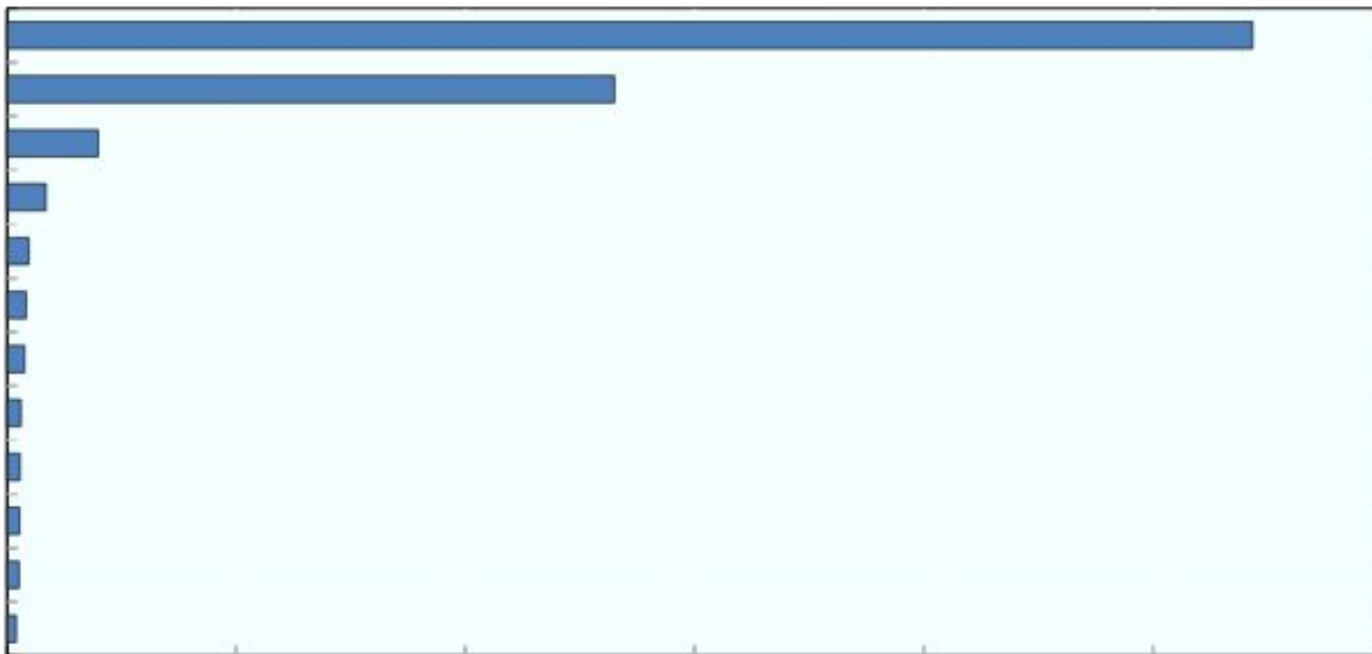
EU

€121
billion

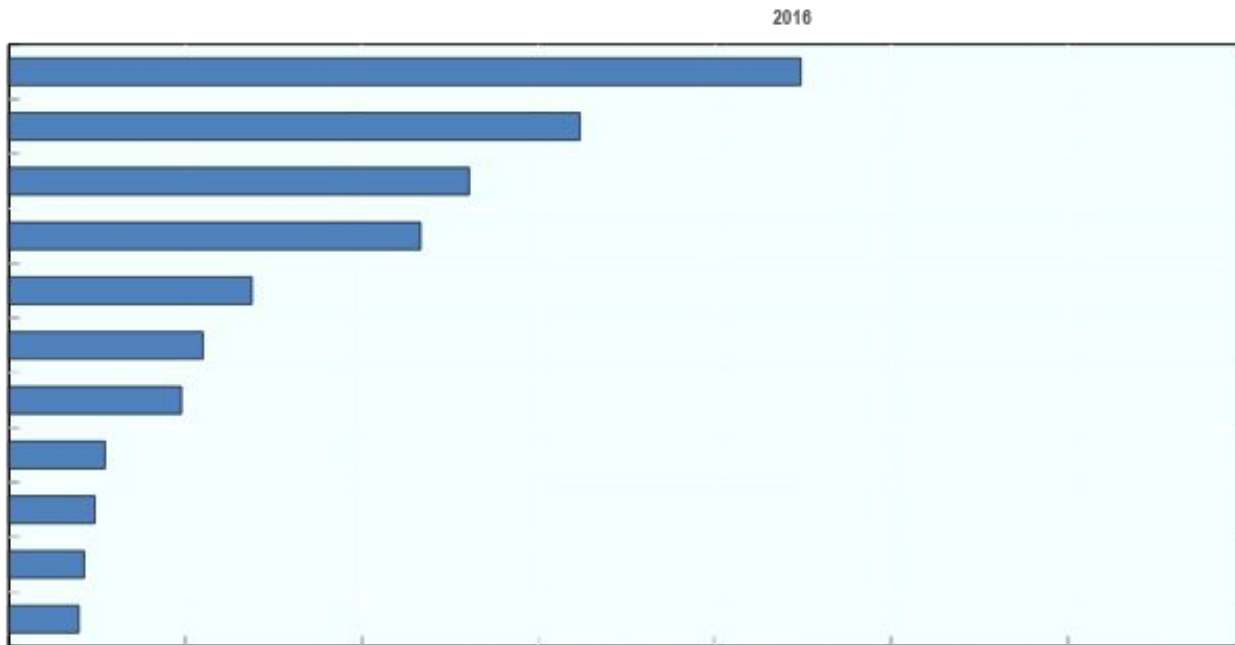
(USD 134 bn)
of EU imports

Corresponds to 6.8%
of total EU imports

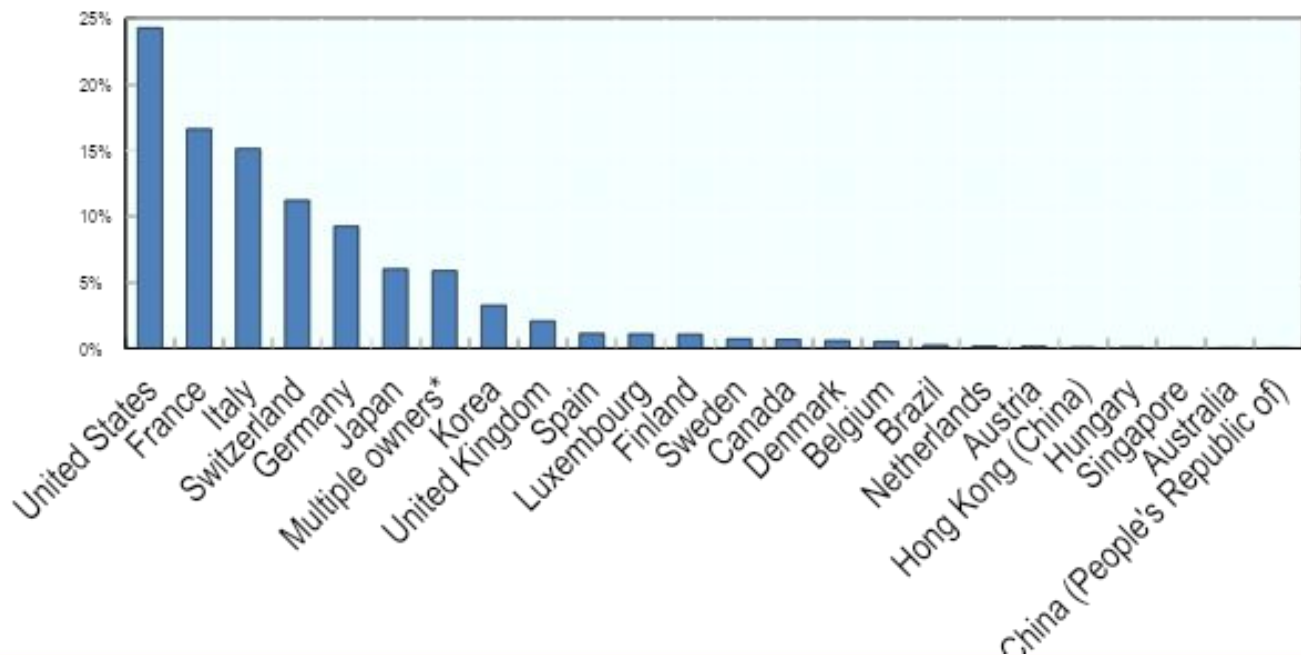
Provenance countries



Targeted industries

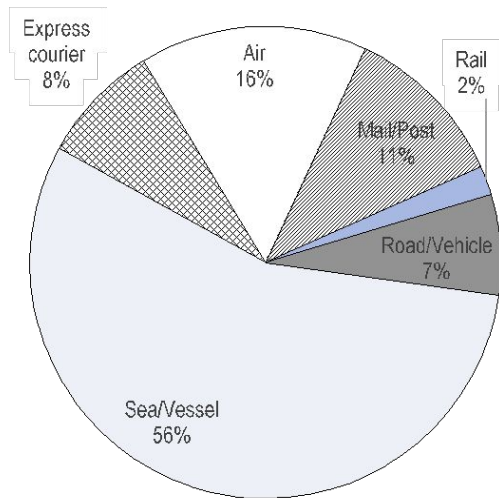


“Nationality” of the brands infringed

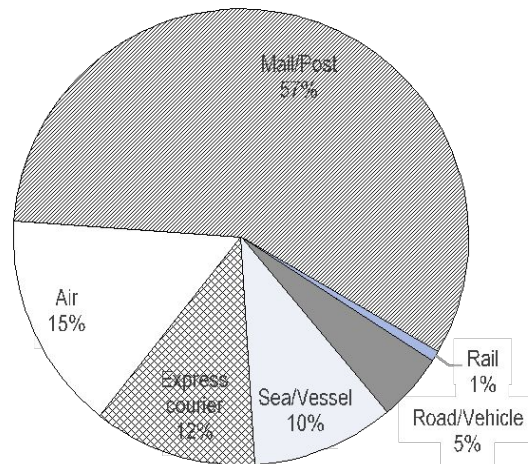


Conveyance methods

Share of seized value



Share of customs seizures



HIGH INTENSITY
of producing or
transiting fakes

Producers

Transits

Undetermined

Map labels: Mexico, Belize, Panama, Paraguay, Morocco, Tunisia, Turkey, Albania, Ukraine, Armenia, Azerbaijan, Kuwait, Iran, Saudi Arabia, United Arab Emirates, Egypt, Nigeria, Ethiopia, Kenya, Yemen, Pakistan, India, Bangladesh, Thailand, Malaysia, Singapore, Indonesia, Cambodia, Macau (China), Philippines, Hong Kong (China), Mongolia, China.

The probability for producing fakes is based on the average GTRIC scores for the analysed economy. For more details on the GTRIC index see the OECD/EUIPO report.

The method:

- Employs **large datasets** to provide more detailed and precise information about the **quantifiable socio-economic conditions** that influence economies' propensities to trade actively fake goods.
- Sets of measures:
 - production facilities
 - governance indicators
 - Free Trade Zones
 - trade facilitation policies
 - logistic capacities and facilities

The set of explanatory variables includes:

1. **Production facilities** (manufacturing VA, minimum wage, annual paid leave per worker)
2. **Governance indicators** (control of corruption, irregular payments and bribes, quality of IP protection)
3. **Number of special zones** (number of FTZ)
4. **Logistic facilities** (e.g. ability to track and trace consignments , ease of arranging competitively priced shipments , efficiency of customs clearance process)
5. **Trade-related measures** (e.g. involvement of trade community, trade information availability, discipline on fees and charges)

WHY DO COUNTRIES EXPORT FAKES – RESULTS

- The level of corruption, as measured by control of corruption, and irregular payments and bribes
 - Low quality of intellectual property protection
 - Good logistics facilities and trade infrastructure
 - FTZs (especially in countries with poor governance)
 - Low wages and generally poor working conditions
- ☐ are associated with a significant increase in the share of fake exports

Trade in counterfeit pharmaceutical products

OECD / EUIPO





Main dataset: Customs Data

Detailed descriptions of seizures of fake medicines (globally).

From: Customs administrations (WCO, DG Taxud of the EC, US DHS CBP).

Additional dataset: Other enforcement data

Cases of fraudulent manufacture, mislabelling of drugs and fraudulent packaging.

From: Enforcement actions carried out by all kinds of enforcement agencies, such as police, health inspection service, customs, etc.

Findings

Markets for fake pharmaceuticals are very attractive for criminals:

- high profit margins
- low risks of detection and prosecution,
- weak penalties,
- ease of consumer deception.



Magnitude



- Between 2014 and 2016 pharmaceuticals were the **10th most counterfeited type of product in international trade.**
 - In 2016, international trade in counterfeit pharmaceuticals reached **USD 4.4 billion**
- this does not include fake medicines manufactured and consumed domestically.

Fake medicines...



Over the period 2014-2016,
seized counterfeits included medicaments for various
kinds of diseases, including:
malaria, HIV/AIDS and cancer.

A review of the customs data shows that **antibiotics**,
lifestyle drugs and **painkillers** were the most targeted
by counterfeiters in international trade.

Global scale

- The scale of trade in fake medicines is global. Trade routes are complex, and region / product specific.
- **India and China are the primary producers** of fake medicines. The United Arab Emirates, Singapore and Hong Kong (China) are the key transit economies.
- Main targets: African countries, Europe and the United States.



Misuse of modern solutions

Some Free Trade Zones – as points of transit, distribution and repackaging.

Container maritime transport (African countries)



Misuse of modern solutions



Growing role of the internet: easy point of entry into even the best regulated markets.

Great extent of misuse of small parcels (postal and express), especially to Europe and the US.

Many areas of negative effects

Health and safety,

including costs of treating patients who have suffered adverse health consequences as a result of consuming counterfeit medicines.



Environmental pollution

Loss of sales and damage to the reputations of legitimate producers.

Additional costs and lost tax revenues to governments and economies.



Illicit Trade

Misuse of Containerized Maritime Shipping in the Global Trade of Counterfeits

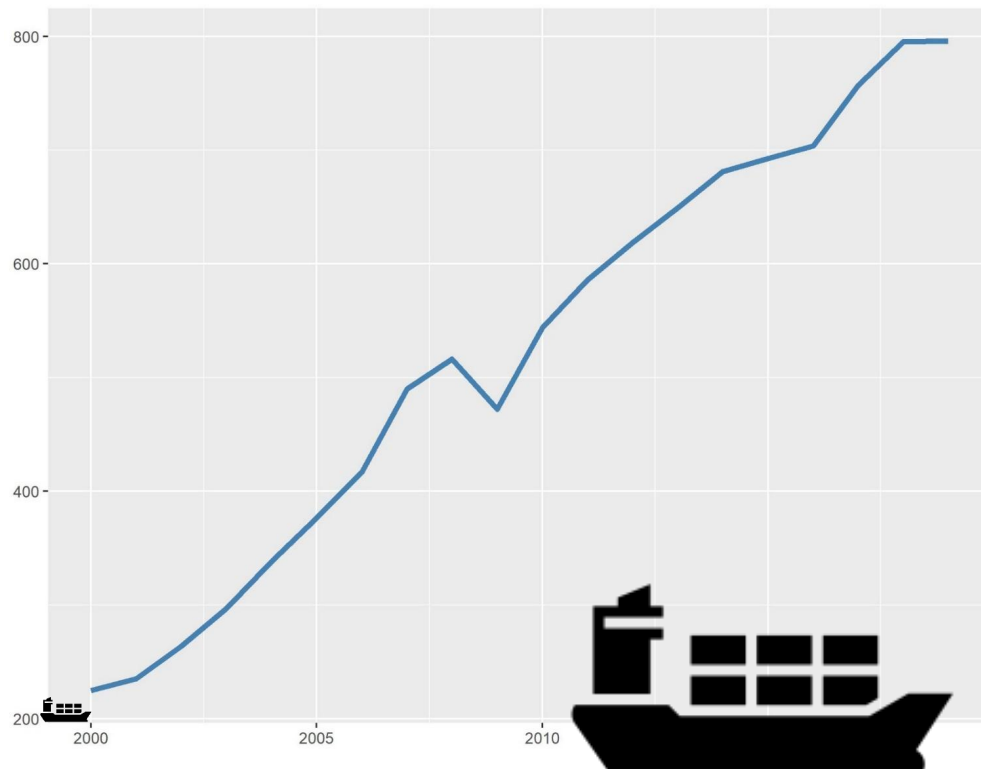


OECD

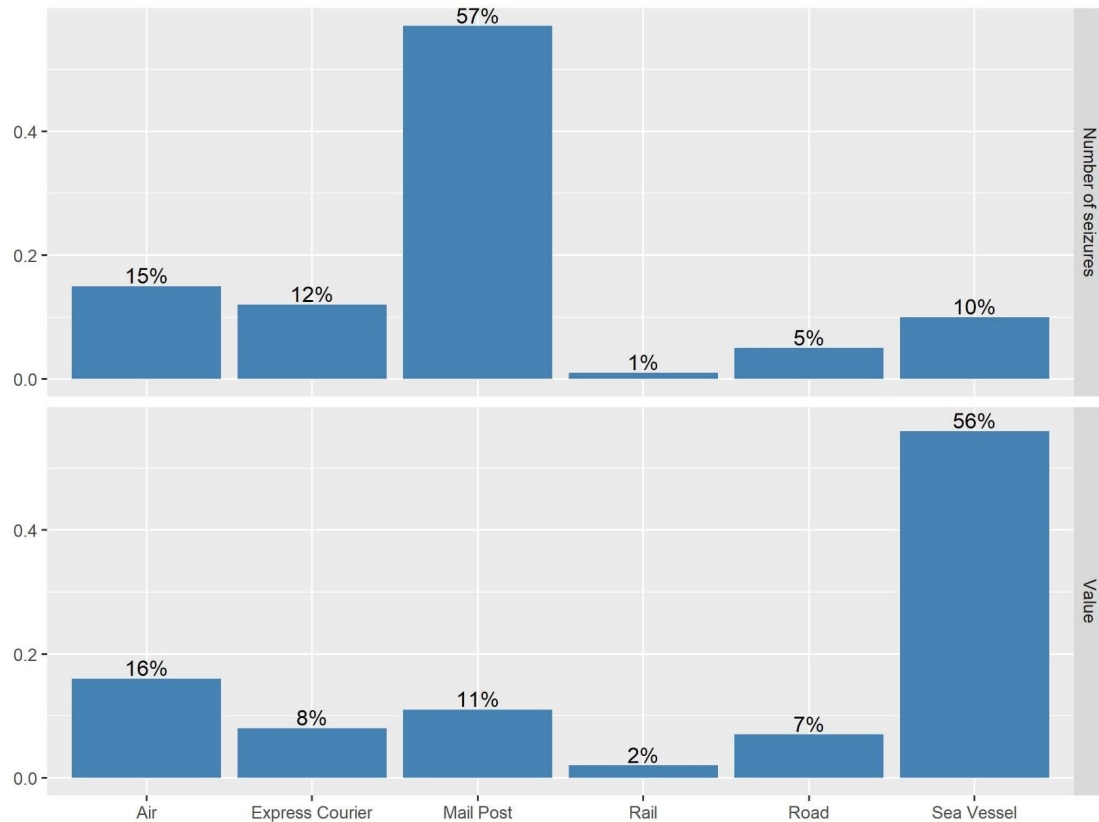


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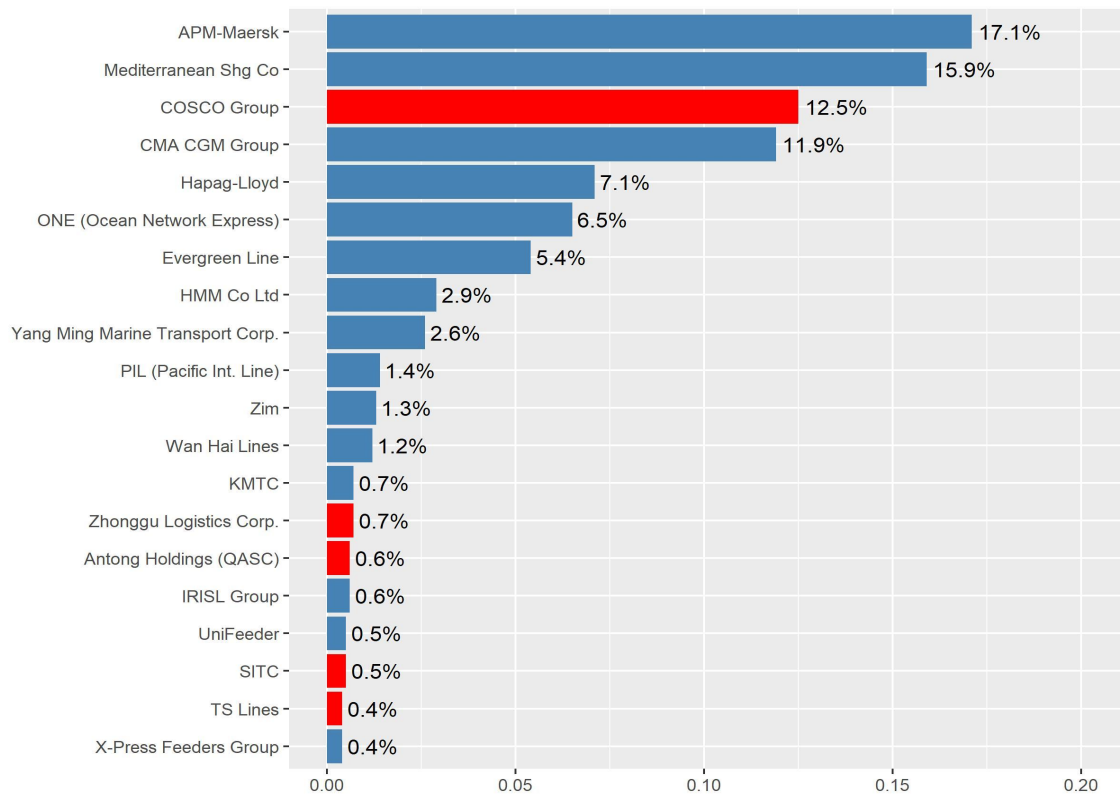
Container shipping volumes (million TEU20)



Misuse of container for counterfeit trade



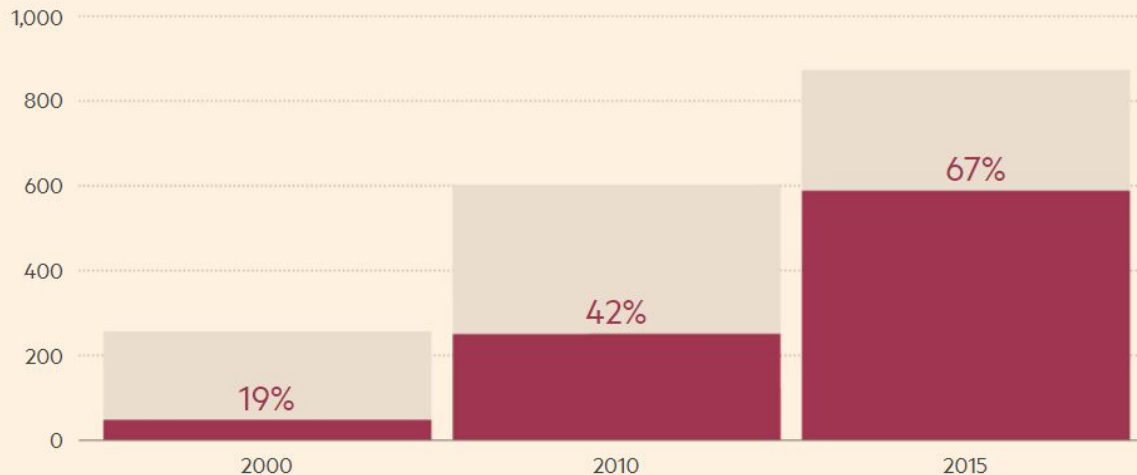
Top container shipping companies



Growing importance of ports with Chinese investment

Two-thirds of container traffic passes through Chinese owned or invested ports

Twenty-foot equivalent units (million) and percentage of total for world's top 50 container ports



Includes estimates of container traffic through ports in which Chinese and Hong Kong companies have investments, even minority stakes

Sources: Lloyd's List Intelligence; FT research

Selected Chinese investments in European ports

Year	Port	Terminal	Company	Majority stake?
2004	Antwerp	Port of Antwerp Gateway Terminal	COSCO Shipping Ports Limited	No
2009	Piraeus	Container Terminals 2# and 3#	COSCO Shipping Ports Limited	Yes
2013	Antwerp	Antwerp Gateway ¹	China Merchants Port Holdings Company Limited	No
2013	Dunkirk	Terminal des Flandres ¹	China Merchants Port Holdings Company Limited	No
2013	Le Havre	Terminal de France and Terminal Nord ¹	China Merchants Port Holdings Company Limited	No
2013	Montoir	Terminal du Grand Ouest ¹	China Merchants Port Holdings Company Limited	No
2013	Fos	Eurofos ¹	China Merchants Port Holdings Company Limited	No
2013	Marsaxlokk	Malta Freeport Terminal ¹	China Merchants Port Holdings Company Limited	No
2015	Kumport	Kumport Terminal	COSCO Shipping Ports Limited	Yes
2015	Kumport	Kumport Terminal	China Merchants Port Holdings Company Limited	Yes
2016	Vado	existing Reefer Terminal S.P.A and the new terminal under construction	COSCO Shipping Ports Limited	No
2016	Rotterdam	Euromax Terminal	COSCO Shipping Ports Limited	No
2016	Piraeus	Piraeus Port Authority	COSCO Shipping Ports Limited	Yes
2017	Zeebrugge	APM/CSP Terminal Zeebrugge	COSCO Shipping Ports Limited	Yes
2017	Valencia	Noatum Container Terminal Valencia ²	COSCO Shipping Ports Limited	Yes
2017	Bilbao	Noatum Container Terminal Bilbao ²	COSCO Shipping Ports Limited	Yes
2018	Thessaloniki	Thessaloniki Port Authority	China Merchants Port Holdings Company Limited	No
2020	Odessa	Odessa Terminal Holdco Ltd ³	China Merchants Port Holdings Company Limited	No
2020	Rotterdam	Rotterdam World Gateway ³	China Merchants Port Holdings Company Limited	No

¹Through purchase of 49% of stakes in Terminal Link company

²Through takeover of Noatum Ports

³Through Terminal Link company

Sources: Chen, Jihong & Fei, Yijie & Lee, Paul & Tao, Xuezhong. (2018). Overseas Port Investment Policy for China's Central and Local Governments in the Belt and Road Initiative. Journal of Contemporary China. 28. 1-20.; Annual reports of companies, press releases and press articles

Conclusions

- Rapid growth of maritime trade using containers;
- Emphasis on cost reduction, speed, efficiency and red tape reduction brings benefits but also makes it easier to use containers for illegal activity;
- Container maritime transport dominates the counterfeit trade as regards the value of intercepted goods;
- Enormous pressure on custom officers;
- Involvement of other stakeholders benefiting from increased maritime transport necessary to reduce the problem of counterfeit trade.

Objective: to quantify the extent and impact of counterfeiting in the EU in sectors thought to be particularly sensitive

- Reduced sales by legitimate businesses
- Reduced tax revenues
- Lower employment
- (Costs of enforcement, both public and private)

Impact of counterfeiting and piracy: Sectorial studies



1st study - Cosmetics and personal care sector



2nd study - Clothing, footwear and accessories sector



3rd study - Sports goods sector



4th study - Toys and games sector



5th study - Jewellery and watches sector



6th study - Handbags and luggage sector



7th study - Recorded music industry



8th study - Spirits and wine sector



9th study - Pharmaceutical sector



10th study - Pesticides sector

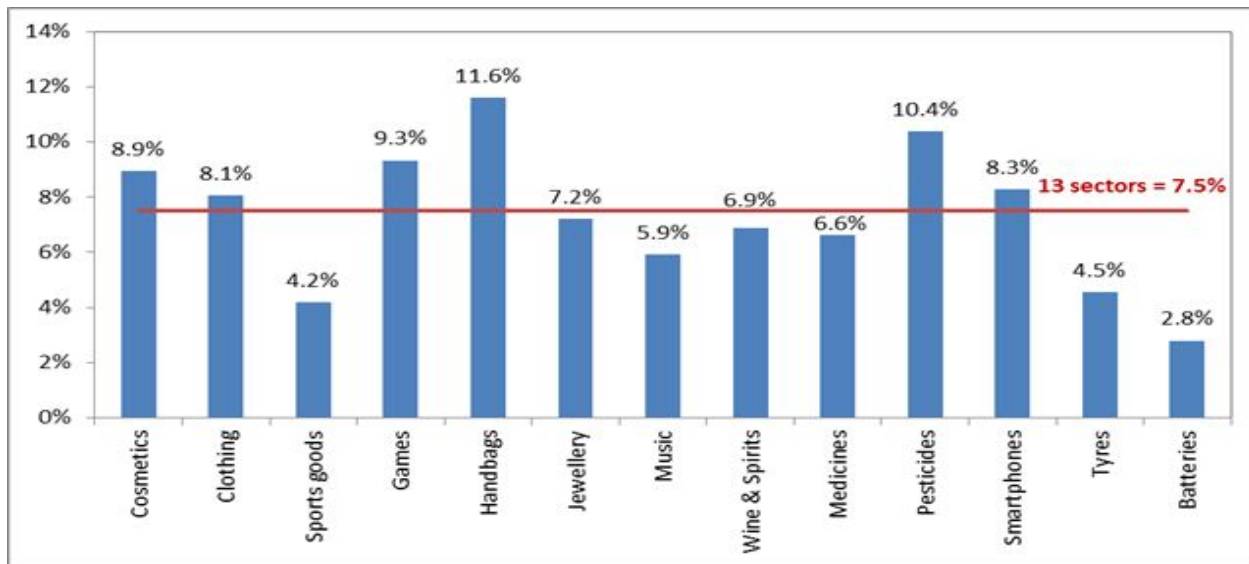


11th study - Smartphone sector



12th study - Tyres and batteries sectors

LOSSES BY SECTOR – EU28 (% OF SECTOR SALES)



Direct effects:

Lost sales: €59 billion

Lost jobs: 443 700

Total effects:

Lost sales: €100 billion

Lost jobs: 744 400

Lost taxes: €14.7 billion

- Real data not yet available, only anecdotal evidence...

...but:

- Counterfeiters and other criminals adapted quickly:
 - Early 2020: fake PPE
 - Mid-2020: fake Chloroquine / Remdesivir / any other drugs mentioned in the media as potential Covid19 cures
 - Late 2020 / early 2021: fake Covid19 vaccines
 - Throughout the pandemic: online fraud, phishing, identity theft...



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THANK YOU



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