



# Counterfeit and Pirated Goods



# Illegal trade in counterfeit and pirated goods

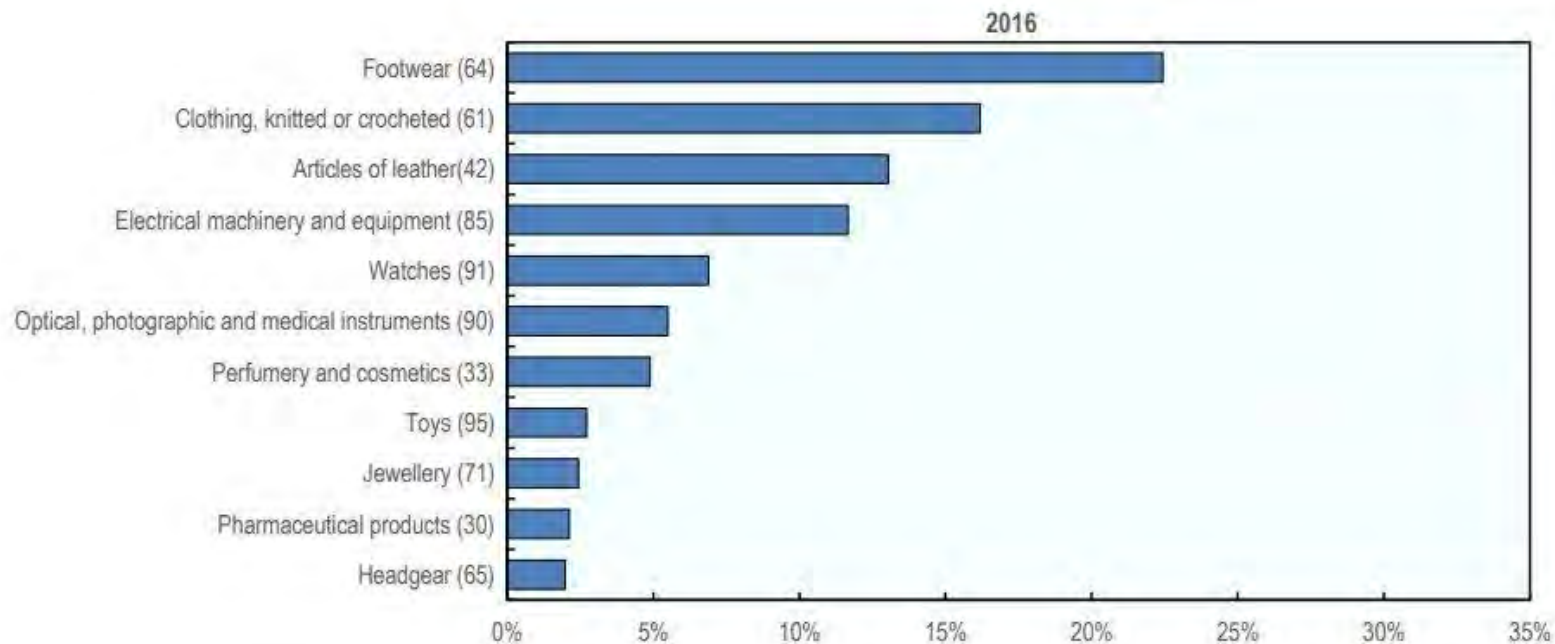
Counterfeiting and piracy are highly pervasive across countries, representing a USD 461 billion industry that continues to increase. Counterfeiting is an infringement of copyright, trademarks, design rights and patents of an intellectual property's owner. The activity includes the illegal trade of common consumer goods, business-to-business products, IT goods and luxury items. Fake products are no longer confined to streets and flea markets: consumers might not realize it but the most popular online services such as eBay, Amazon, and App Store have been also undertaken by a wide variety and large volume of counterfeit and pirated goods ([US Homeland Security](#)). This illicit practice is facilitated through the misuse of free trade zones, taking advantage of legitimate trade mechanisms and thriving in economies with weak or unstable governance.

## Impacted industries

Commercial counterfeiting is driven by suppliers who seek to maximize their profits through significant competitive advantages over legitimate traders. Counterfeiters do not incur the research, development, marketing, and advertising costs, nor costs of compliance with environmental and safety regulations. From the demand side, critical drivers are the products themselves, the individual consumer characteristics or the institutional environment of the consumers ([OECD EUIPO](#)).

According to the Organisation for Economic Co-operation and Development and the EU's Intellectual Property Office, due to its steady rise, illicit trade of counterfeit and pirated goods reaches 3.3% of world trade, with an estimated annual worth of USD 461 billion ([OECD EUIPO](#)). Illegal products can be found in a range of industries. Counterfeit trade includes the trafficking of:

- Personal electronic product;
- Fake luxury goods and jewellery;
- Perfumes and cosmetics;
- Toys;
- Household and personal care products;
- Pharmaceuticals and medical devices;
- Copyright piracy of movies, television, music, live performances, computer software and video games ([Tracit](#)).



Seizures of counterfeit and pirated goods: Top industries

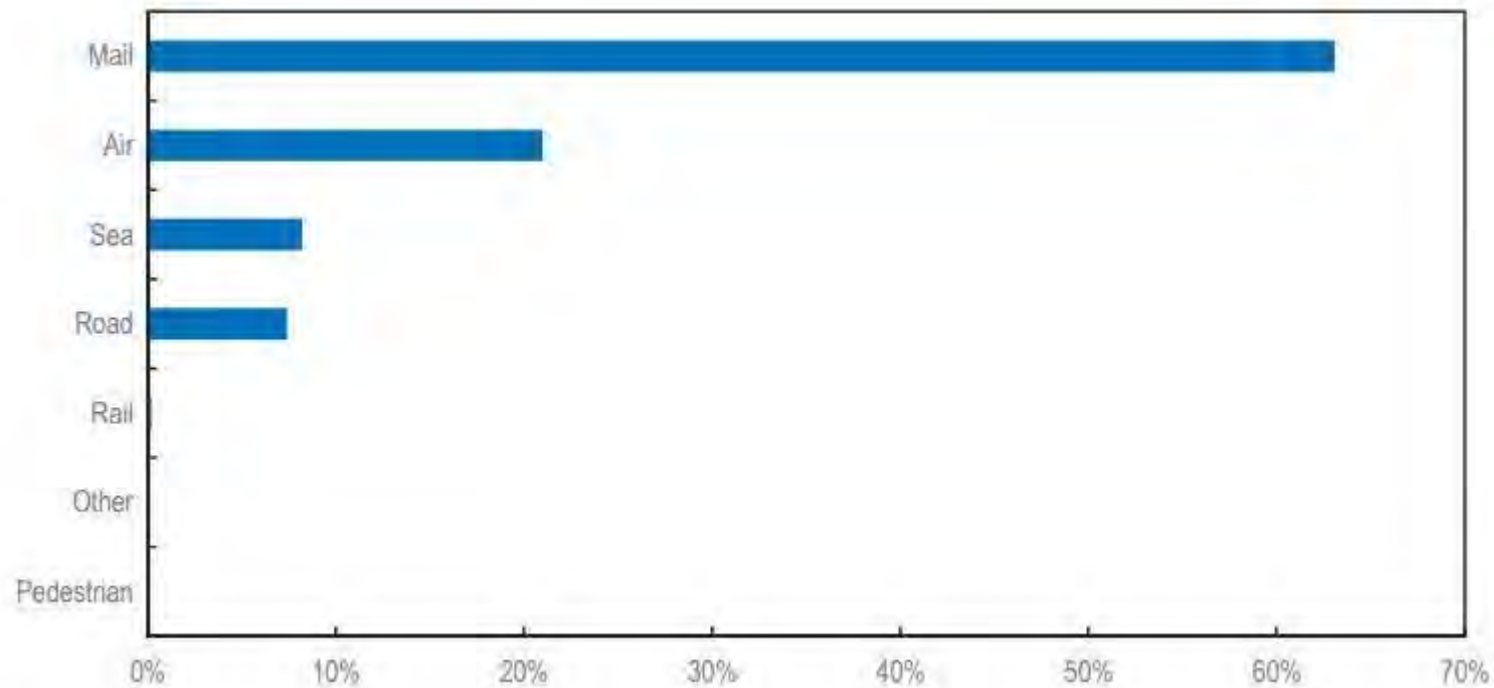
Source: [OECD](#)

## The spread of fake products

Fake products follow complex trading routes and major Free Trade Zones (FTZs). These are important hubs of international trade, however, several transit points include economies with weak governance or with a strong presence of organised criminal activities. FTZs are just as attractive to organized criminal groups as to legitimate traders. They use the routes and zones to obscure the original point of departure, to establish distribution centers for

counterfeited products, and to illegally repackage or re-label items with a protected trademark ([WCO](#)).

To avoid detection, counterfeiters have established complex distribution networks. The OECD highlights that the most popular ways of shipping fake products between 2011 and 2013 were postal parcels. An average of more than 60% of seizures worldwide concerned postal shipments, followed by air and sea transport ([OECD](#)). Counterfeit goods are increasingly distributed via online marketplaces. According to the International Chamber of Commerce, the physical and online trade of fake goods had a global net worth of USD 1.7 trillion in 2015. Importantly, E-commerce and social media platforms provide a platform for counterfeiters and other criminals for sharing pirated digital content and capitalize on the success of legitimate businesses. The most popular web services such as Amazon, eBay, App Store, and AliExpress are highly vulnerable for piracy and counterfeiting. Others, such as, Pirate Bay and Ncore are dedicated to these activities and encourage users to fill the sites with infringing content ([ICC](#)).



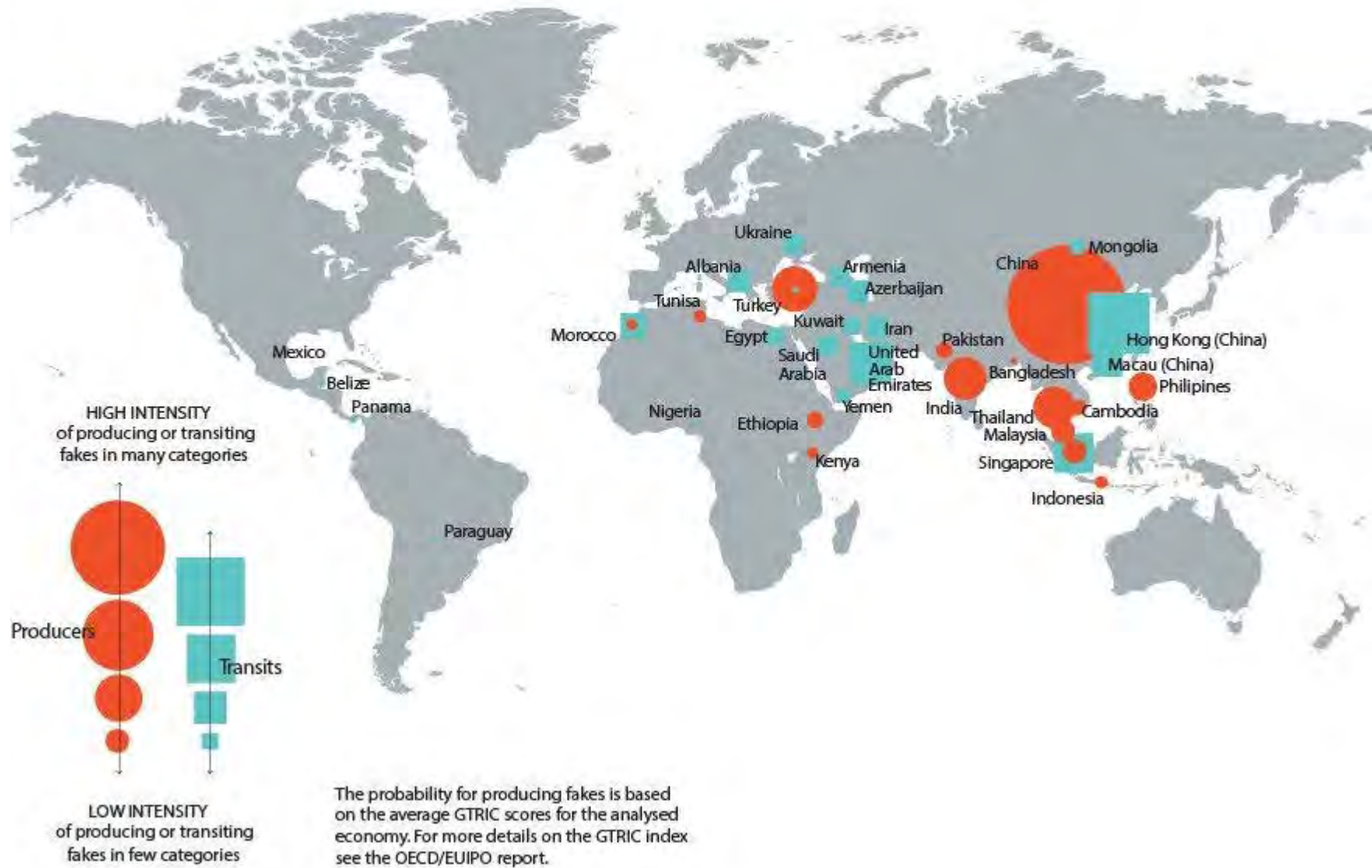
Conveyance methods (2011-2013, average)

Source: [OECD](#)

The highest number of counterfeit shipments being seized originates from East Asia, particularly, from China and Hong Kong. Other smaller Asian economies are also significant points of origin such as Singapore, India, Thailand, UAE, Turkey, Malaysia, and Vietnam. Nevertheless, the OECD states that counterfeit and pirated products can originate from virtually all economies in all continents. At the same time, the most affected by these illicit activities are the OECD countries, notably, the United States, Italy, France, Switzerland, Japan, Germany, the United Kingdom, and Luxembourg ([OECD EUIPO](#)).



Main **producers** and **transit** points for fake goods.



Main producers and transit routes of fake goods

# Impacts of counterfeiting

Infiltration of fake products creates an enormous drain on the global economy – crowding out billions in legitimate economic activity and facilitating an "underground economy" ([Frontier](#)). As such, the activity threatens economic growth, weakens the viability and sustainability of industries, feeds corruption and generates major illicit financial flows. Furthermore, it poses dangers to the health, safety and privacy of consumers. Not only fake pharmaceuticals and medicines jeopardize the livelihood of people but also counterfeit parts in aircraft and other vehicles can cause serious injuries or death.

Counterfeiting and piracy are also linked to transnational criminal organized groups. The UNODC reports that groups such as the Mafia and Camorra in Europe and the Americas, and the Yakuza in Asia have diversified into the illicit trafficking of counterfeit products while being involved in drug and human trafficking, money laundering, extortion etc. In addition, opportunistic criminals commonly use the profit of illicit trade of fake goods to fund other illegal practices, even terrorism ([UNODC](#)). Consequently, this illicit practice challenges not only effective governance but also national and international security.

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