

# United Nations Office on Drugs and Crime

## Topic B: Counterfeit goods in large public demand; regarding organized crime

### INTRODUCTION

In 1997, the United Nations Drug Control Programme and the Centre for International Crime Prevention merged; such event ended up creating the United Nations Office on Drugs and Crime (UNODC). UNODC battles against illicit drugs and international crime; it confides on voluntary contributions from governments of any nation. It relies on three pillars. The first one focuses on battling against illicit drugs and armed groups; the second one is based on the research and analysis of drugs, as well as their relationship with crime; finally, the third one encourages Member States to join international treaties to solve any matter regarding drugs, crimes, and belligerent acts. (UNODC, n.d.)

The production of counterfeit goods is a multi-billion dollar industry and international problem that must be addressed immediately due to the consequences it has brought to society. Counterfeit businesses have grown due to higher demands of cheaper goods. These businesses have lower production and distribution costs; however the way they manufacture these products is completely illegal. These type of goods have less quality, sometimes don't function correctly and can even damage people's health. The people in these businesses use different routes of transportation, distribution and markets around the world. However, the main problem is that it is affecting the international capitalist system by reducing the sales of companies and making less the work of people in legal jobs. (Counterfeit goods: a bargain or a costly mistake? UNODC)

The counterfeit goods are a problem that include different parts of the market, in many areas like food, clothes, and toys, electronic devices, building materials, pharmaceuticals, drugs and armament. The consumers are in some cases unaware of where those products come from and how they, as customers, are being

affected. The consumption of counterfeit goods started around the 90's, but throughout the years it has become stronger. In fact, fake products are now 3.3% of global trade; and unfortunately this percentage is rising. (OECD, 2019)

The main countries that are being affected are France, EU, Finland, China, Colombia, United Kingdom, Ireland, Spain, Italy and North Africa. The reason is because most of these countries are at the middle of the transportation network; this means that counterfeit products can make their way into those countries, reducing the sales of legal businesses in the area. Nevertheless, more than 170 countries are involved in actions to stop organized crime locally and internationally.

The counterfeiters illegal actions include the establishment of a company or business that doesn't exist in order to have false documents that help exporting, distributing and in some cases manufacturing the genuine product replication. Of course, in the control and regulation processes these products have to go through, bribes and loss of moral are involved.

Only in Europe, 30% of OCG's (Organized Crimes Groups) are involved in drug trafficking like an opportunity to monopolize the business in Europe. Around the world, one third of OCG's are of illegal drugs, human trafficking, armament, extortion and fraud. The statistics of a world count in the increase of the counterfeit goods is of about 7%. The firearms trafficking increased 10% more in the past four years than at the beginning of the illicit markets, the illicit drug traffic is increasing every year, however, this increment depends on the kind of substance (cocaine, morphine, opium, cannabis, others). The human trafficking stepped up to 2.4 millions of people who are in danger of suffering from it, this is a reflection of the increasing insecurity. Finally, more than 250,000 people die because of counterfeit medicines increasing 5% from Africa and Asia to Europe.

The principal producers that are affected by this problems are pharmaceutical organizations, because it affects international laboratories and industries, since the official products are no longer being sold or bought because there are many other places where you can get cheaper medicines. Another way that the

counterfeit goods damage the producers and designers is by affecting the credibility of the brand since the products being sold claim to be the originals but are not of good quality. UNODC is having a multilateral cross-border investigation with equipping officials to identify counterfeit goods with the help of organizations like INTERPOL and the World Customs Organization, with the purpose of persecuting illegal actions and capturing workers or people involved.

The UNODC is trying to support and fight with many actions. The most important efforts to decrease this problem are the plans for regulation of counterfeit goods, drug trafficking, and organized crime with the Regional Action Plan, the AIRCOP, the Container Control Program, the West African Coast Initiative and the Network of West Africa Coast Initiative.

#### HISTORICAL BACKGROUND

Counterfeit goods have existed since the 1990's, and started in Europe and America with the organized crime (drugs). The illicit market stays like a second option for the people, because the products are cheaper and almost equal than the originals, this has allowed the

illicit market to expand, create new routes and solid organizations. From 2001 to 2006 the sells started to increase around 25%, especially in pharmaceutical counterfeits and organized crime. In 2008 and 2009 the illicit market expanded almost 90% more than in 2006; the traffic of counterfeit goods were in almost all the world, the routes of China, Africa, Europe and EU were increasing, the demand of counterfeit of clothes, drugs, pharmaceuticals, cigarettes, was estimated in 870 billions of dollar, almost of 7% of worldwide exports in one year.

The illegal match fixing started in 2008 with a market of 4.5 billion dollars per year. In 2010 the human trafficking estimate was of 150 billion dollars worldwide, especially in Nigeria, China, Eastern Europe and part of America. The use of internet helped; the illicit market started to extend, selling products online, and digitals counterfeits products like films, games, and electrical equipment. In fact, since 2009 the INTERPOLE and WHO have conducted investigations to reduce the counterfeit products worldwide. However, it is still a problem nowadays.

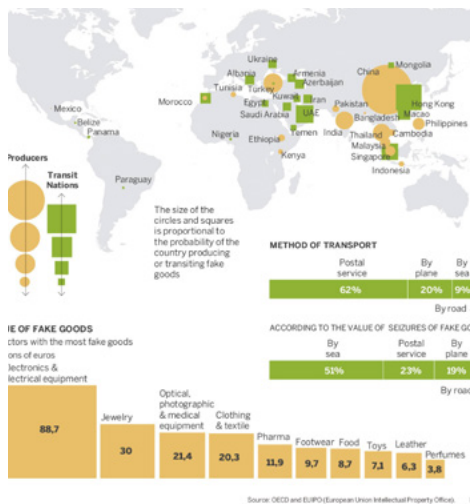


Figura 1

## CURRENT RELEVANCE

The counterfeit goods regarding the organized crime is an issue that is affecting all countries. The counterfeit of goods, nowadays, has to do with the distribution of goods while using the name of someone else and selling the product with the use of lower quality components than the actual ones that are used in the original product. Today this is used from trafficking makeup and clothes, to the traffic of drugs and other illicit substances.

Figura 1. El País. (2017). Fake consumer goods: where do the world's counterfeit goods come from? [Image]. Retrieved on July 8th, 2019 from [https://elpais.com/elpais/2017/06/22/inenglish/1498121880\\_945362.html](https://elpais.com/elpais/2017/06/22/inenglish/1498121880_945362.html)

There are different types of counterfeit of goods, as said before it could go from brands under others name to illicit substances. These goods are being distributed with the cooperation of multiple countries; which means this issue is not only of one country, in fact, it is carried out by the participation of at least more than three countries. The relation between them is the fact that a product may be sold from one country to another one

that will distribute them and sell them to other one. One if not the main source of counterfeit goods, is the internet; a network that involves all countries.

"The goods making up the biggest share of 2016 seizures in dollar terms were footwear, clothing, leather goods, electrical equipment, watches, medical equipment, perfumes, toys, jewelry and pharmaceuticals (OECD, 2019)"

This issue is important because it is affecting the customers of each involved country. The problem with these good is that because of the affordable materials used for their production, they constantly cause health issues to the consumers. These are several ways the customers could be affected by the counterfeit of goods nowadays:

- . When an engine or mechanical part is counterfeit it could be used in a car or any other vehicle; the use of them could cause an accident where not only the user, but also the people nearby get hurt.
- . When toxic ingredients are added to counterfeit food or

beauty products, people may have an allergic reaction or get intoxicated.

. In medicine when the amount of substance in it is too much or too little, or when the substance use is not even “pure”, the customer can have strokes or other lethal secondary effects. Counterfeit medicine also contributes to drug-resistant diseases.

. In the illicit trafficking of drugs there is a bigger risk because the drug may have been stored in incorrectly provoking later repercussions in the consumer. Counterfeit cigarettes, for example, are even more harmful than original cigarettes, as they may contain higher levels of nicotine and other dangerous chemicals such as arsenic, benzene, cadmium and formaldehyde.

In 2017 The Organisation for Economic Co-operation and Development (OECD) and European Union Intellectual Property Office (UIPO) made an investigation looking for the reason why the countries participated in counterfeiting and how. From 2011 to 2013 around 164 countries participated in the trafficking of counterfeit goods. In that year, the counterfeiting of good earnings was around 461 billion dollars or roughly 2.5% of world trade. This report noticed that in the

year of 2017 China was the main and larger producer of counterfeit goods besides pharmaceuticals which its main producer was India; other countries also involved in the trafficking of pharmaceuticals or drugs were Egypt, Belarus, Hong Kong, Albania, Iran, Saudi Arabia, Kuwait, Turkey, Panama and Yemen. This things happen because the government's allowance to do so. Even though it is illegal, the laws are still not strong enough and the control for their fulfillment is not the adequate.

“Counterfeit goods also undermine employment, as products are copied and produced illegally, thereby displacing sales of original merchandise and reducing the turnover of legitimate companies. [...] The prices of products also go up because companies increase security systems to counter organized criminal activities and have to invest more in research and development. (Counterfeit goods: a bargain or a costly mistake?, UNODC)” Not to mention that due to this problem governments have more burdens on taxpayers and invest a lot of money dismantling these organized crime networks.

Counterfeit products are affecting all countries worldwide; thus, it is crucial to find a possible solution in this committee. This issue is not only affecting the countries' economy but also the citizen's health and safety. As mentioned before, these products are cheaper, being the main reason of why the consumers prefer them over the original products.

#### INTERNATIONAL ACTIONS

Europe is one of countries with initiatives to decrease the counterfeit of goods, one of their programs is the Parliamentary Assembly. The Parliamentary Assembly of Council of Europe (PACE), improves the control of products and protects proprietary rights. The Anti-Counterfeits Group (ACG) is also an organization that is included in the Parliament Assembly to guarantee the protection of consumers and factories. In addition, the UK and the WIPO (World Intellectual Property Organisation) are finding strategies to protect intellectual properties.

The International Institute of Research Against Counterfeit Medicines (a French association) has partnerships with The World Customs Organization, the

INTERPOL, the European Commission, IFPMA, among other organizations to intercept transport containers in Africa, conduct research on medicine counterfeiting, organize educational conferences in different countries, etc. Their main goal is to work together to combat "crimes which harm human health and integrity in general" (IRACM, 2013).

#### UN ACTIONS

Over the past years, the counterfeit of goods regarding organized crime have increased critically. This has raised United Nations' attention towards counterfeit goods, thus, making it take action to solve this issue and call for other countries' help. These are the most important actions that the United Nations has taken:

- . The United Nations convention against Transnational Organized Crime has currently 179 countries committed to fight and collaborate against organized crime.
- . UNODC World Customs Organization Container Control Programme is helping trained officials to confiscate counterfeits and illicit goods.

. UNODC is currently working with INTERPOL to track down networks and involved in illicit trade.

. There's a campaign from UNODC which tries to make awareness to possible consumers about the counterfeit of goods: "Counterfeit: Don't Buy into Organized Crime".

. UNODC has also given some tools in order to identify counterfeit goods to prevent reaching customers.

The UN has taken many actions to address the problem; for example the organizations made by UN have informed and prepared officials on this topic. The UN has also worked with the Interpol and reached many important cartels involved in trafficking. Although this actions have helped; the problem still remains.

the criminal networks who do this? This type of products are sometimes really hard to spot. How can we do it? Should a pilot programme be launched in a certain country with full support of its police to see if it works?

. How can people be encouraged to stop buying these products?

. How can these criminals be pursued and punished?

. Control in ships and planes to track down factories and people who are distributing or making these products.

. Digital platforms being continuously monitored so counterfeit products are not sold online.

. The case of China (producing tons of fake products)

## POINTS TO DISCUSS

. What are some possible solutions? How could we launch a project to protect the authors and dismantle

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