

## Global trade in counterfeit products - facts & solutions

HADJ ALI Nora <sup>1</sup> ♦, FOUKA Fatima<sup>2</sup>

<sup>1</sup> LRED.Mascara university (Algeria), [karimagrh06@gmail.com](mailto:karimagrh06@gmail.com)

<sup>2</sup> Chlef university (Algeria), [f.fouka@univ-chlef.dz](mailto:f.fouka@univ-chlef.dz)

**Received: 11/06/2023**

**Accepted: 10/07/2023**

**Published: 20/07/2023**

---

### Abstract:

According to the report issued by international organizations such as OCDE, the counterfeit goods market has grown significantly in the past few years, the latest analysis shows, the value of this market amounts to 3.5% of global trade, at an amount of 540 billion \$. According to the same reports, many factors contributed to encouraging these exchanges, such as the encouragement of some political regimes, the weakness of legislative systems, and the deterioration of purchasing power.

Through this paper, we will try to research the sources of financing the counterfeit goods industry, the international trade routes that it takes, and the reasons that work to develop it. We will also work to clarify the negative effects of the affected industries such as footwear clothing and electrical machinery.

**Keywords :** counterfeit products, international trade, trade in counterfeit

---

♦ Corresponding author.

## 1- Introduction

Consumers always seek out certain brands because of the product quality or other features they have learned to expect from those brands, that's why Counterfeits are goods intended to trick consumers who rely on brand names and logos when deciding what to buy.

The trade in counterfeit products has increased rapidly in recent years and poses major challenges for reputable companies, consumer safety and global trade. The widespread availability of counterfeit products, facilitated by advances in technology and the emergence of e-commerce platforms, has created a complex and ever-changing landscape. Understanding the magnitude of this problem is critical for policymakers, law enforcement, and businesses looking to develop effective strategies to combat counterfeiting.

Brand owners and governments constantly work together to enforce intellectual property rights, raise awareness of counterfeiting and take legal action against counterfeiters to protect consumers and the integrity of their products. However, this seems insufficient given the high numbers that indicate the spread of this phenomenon. Therefore, we will try to solve this problem by asking the following question:

### **What are the reasons for the global spread of counterfeits and what suitable mechanisms are there to curb them?**

The results of this study will complement existing knowledge about the trade in counterfeit products and provide valuable insights into its economic, social and legal dimensions. The results will inform policymakers, law enforcement agencies and businesses about the challenges and opportunities in tackling the trade in counterfeit goods. Ultimately, the study aims to help develop more effective policies and guidelines to protect industry, consumers and society from the harmful effects of counterfeit products

Objectives: This study aims to accomplish the following objectives:

- a. Assess the economic impact of counterfeit goods trade on various industries, including luxury goods, electronics, pharmaceuticals, and consumer goods.
- b. Investigate the risks and implications of counterfeit goods on consumer safety, health, and well-being.
- c. Examine the social consequences associated with counterfeit goods trade, including job losses, tax evasion, and the erosion of brand reputation.
- d. Identify the key actors and mechanisms involved in the production, distribution, and sale of counterfeit goods.
- e. Explore the effectiveness of existing legal frameworks, enforcement efforts, and anti-counterfeiting measures in mitigating the trade in counterfeit goods.

## 2- The Concept of counterfeit goods

counterfeit means to imitate something authentic, with the intent to steal, destroy, or replace the original, for use in illegal transactions, or otherwise to deceive individuals into believing that the fake is of equal or greater value than the real thing.

items that are purposefully created to copy or reproduce authentic items without the required consent from the original brand or producer are referred to as counterfeit goods. Usually, the purpose of producing and marketing these fake goods is to lead buyers to believe that they are buying genuine things.

A vast range of commodities, including designer goods, apparel, accessories, electronics, medications, car components, and more, might be counterfeit. To provide the impression that their goods are legitimate, counterfeiters frequently utilize logos, trademarks, and packaging designs that are very similar to those of the original products.

The creation and selling of counterfeit items are prohibited in the majority of nations and are regarded as a violation of intellectual property. False goods may be of worse quality, pose a risk of damage, and result in financial losses (Moustafa Al Atat, 2020, p 86).

Counterfeiters deceive consumers by placing familiar brand names or logos on fake goods that are not produced by the brand owner. These goods may appear safe and legitimate, but are manufactured and sold illegally, so when we talk about counterfeit, we need to understand that is:

- a) to imitate a think, that means copy it without the agrement of the brend 's owner.
- b) replace it with somethink else using the same brand or the same style of the orignal brand

The two type of counterfeit lead us to conclude that we are talking about fraud. So it's simply becoming a seller of a good not yours, by another form « stealing ».

## **2- The consumer's position in the market for counterfeit goods.**

The consumer is frequently subjected to fraud by being encouraged through deceptive means to purchase imitation goods, but in certain situations, he is complicit and seeks to acquire and bay counterfeit goods knowingly and willingly. It is crucial to remember that customers who intentionally buy fake items are engaging in unlawful conduct, which weakens legitimate companies and may have unfavorable effects, and here comes the big question why the consumer involve in the imitation game? Many behaviorist tried to give an answer to this delima and the price always appears as a logiqual factor that puchs the consumer to look for this type of products in addition to (Moustafa Al Atat, 2020, p 86):

1- Affordability: Fake products are frequently offered for a much less money than real ones. The cheaper price of counterfeit copies may draw customers looking for a particular brand or product, making them more affordable for people with limited financial resources (Cordell, V. & others , 1996, p 49).

2- Perceived Value: Fake products are made to seem and brand like the real thing, in an effort to trick buyers into thinking they are getting a high-quality item. Customers might believe that fake goods offer the same advantages and status as real things at a much lower price (Grossman, G. M., & Shapiro, C, 1986, p 62).

3- Aspirational Consumption: Fake items, particularly those from high-end brands, can serve as status symbols. In order to satisfy their desire for social acceptance and prestige, consumers who aspire to own prominent brands but cannot afford authentic products may turn to counterfeit substitutes (Hall, C. M., & Smith, S. L. 2010, p233).

4- Demand for Limited-Supply Products: In some circumstances, buyers may turn to buying fake items when the real products they want are either unavailable or in short supply. By providing knockoffs of popular products, counterfeiters profit from this demand.

5- Globalization and Online Marketplaces: The emergence of online marketplaces has made it simpler for consumers to access and buy fake items online in an anonymous manner. The spread of counterfeit goods and their accessibility internationally are both effects of globalization and international trade (Nia, A., & Zaichkowsky, J. 2000, p 479).

6- Lack of Knowledge: Some consumers might not be aware of the dangers of purchasing counterfeit items, including the potential safety issues, poor quality, and detrimental effects on reputable firms. Customers may inadvertently assist this market due to a lack of awareness about intellectual property rights violations and the illegality of the counterfeit commerce (Orth, U. R., & Malkewitz, K. 2008, p 920).

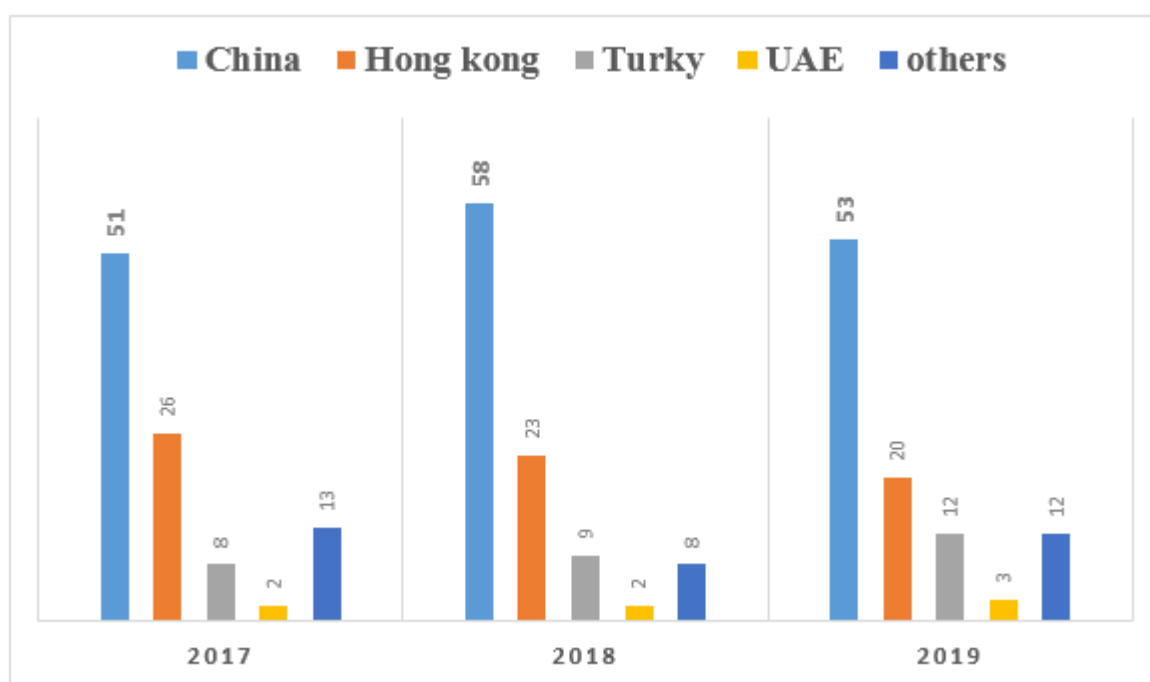
### 3- counterfeit goods is a worldwide problem

Statistics indicate that 180 countries received counterfeit goods between 2016-2019, while it was 184 countries between 2016-2014, so no country is immune from the trade counterfeit goods.

#### 3-1 The trade counterfeit goods worldwide

We conclude from the next figure that China and Hong Kong (China) dominated the global trade in counterfeit goods while Turkey took the 3rd place than Singapore came in the 4th place.

**Figure N 01: The Top exporters of counterfeit goods**



Source : (OECD/EUIPO, 2021, p 20)

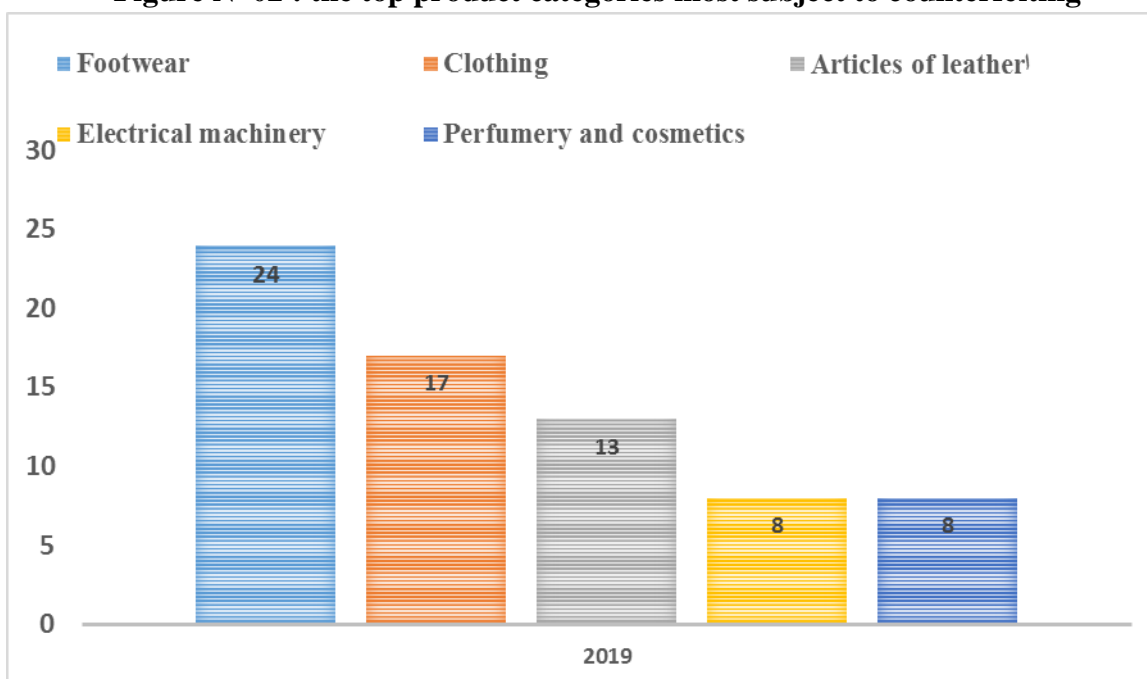
Due to the illegal and undercover nature of the activity, identifying the top exporters of fake products can be difficult. However, a number of investigations and research have identified certain nations as major producers of fake products. It's crucial to remember that as the counterfeit trade develops, these rankings may alter over time. The following nations have been linked to considerable manufacture and export of fake goods (OECD/EUIPO, 2021, p20):

- China: China has long been recognized as a significant producer of counterfeit products in a variety of markets, including those for electronics, luxury goods, clothing, medicines, and other commodities. Due to China's extensive

manufacturing capacity and lax enforcement of intellectual property rights in some areas, counterfeit products made there are frequently shipped to marketplaces across the world.

- Hong Kong: Despite being nominally a part of China, Hong Kong merits special attention due to its function as a center of international trade. The city has a reputation for participating in the transshipment of counterfeit goods, where real commodities are either disguised as legal export-quality goods or diverted to the black market.
- Turkey: Particularly in the garment, footwear, and textile industries, Turkey has grown to be a large supplier of fake products. False apparel and accessories are frequently created in bulk and shipped to different markets.
- United Arab Emirates (UAE): Because of its advantageous position and sophisticated logistical infrastructure, the UAE has been linked to the transportation and distribution of counterfeit products.
- Southeast Asia: The fabrication and shipment of fake products have also been linked to nations including Thailand, Vietnam, Indonesia, and the Philippines. These nations frequently operate as centers for producing counterfeit goods that are subsequently sold all around the world.

**Figure N 02 : the top product categories most subject to counterfeiting**



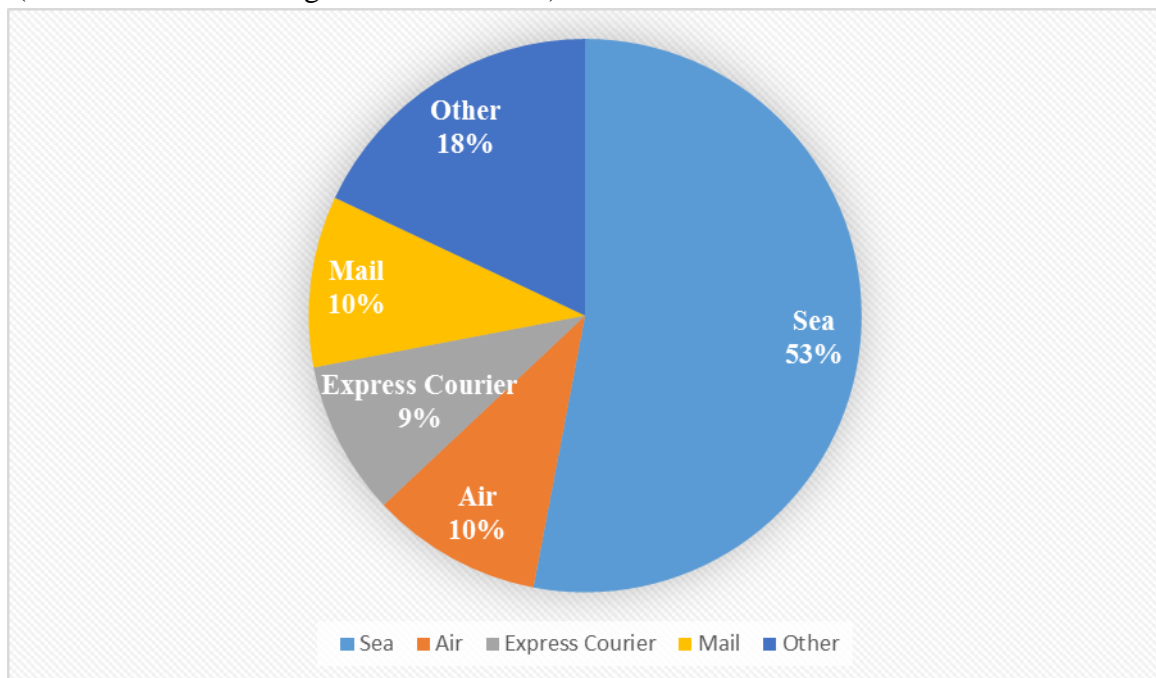
**Source :** (OECD/EUIPO, 2021, p 21):

Figure N 02 indicates the top five product categories most subject to counterfeiting and piracy, we observe that various sectors of the economy and product categories are susceptible to counterfeiting. However, some industries are targeted more frequently because of things like strong demand, brand recognition, profit margins, and simplicity of duplication. The following are some of the top product categories that experience counterfeiting the most (OECD/EUIPO, 2021, p21):

- **Luxury Products & Fashion:** Among the most counterfeited goods are high-end fashion garments, accessories (including footwear, clothing & articles of teather handbags), watches, and jewelry. To trick buyers, counterfeiters sometimes attempt to imitate the designs, trademarks, and packaging of well-known premium brands.
- **Technology and electronics:** The counterfeit market is flooded with fake computers, gaming consoles, cellphones, tablets, and accessories. These products might not operate as well as real goods, they might be of lower quality, or they might not be as safe.
- **Medicines and Pharmaceuticals:** The public's health is seriously threatened by counterfeit drugs and medications. Drugs that are counterfeit may include hazardous chemicals, ineffective or wrong doses, or both. Both prescription and over-the-counter drugs fall under this category.

**Figure N 03 : counterfeit and pirated products transportation**

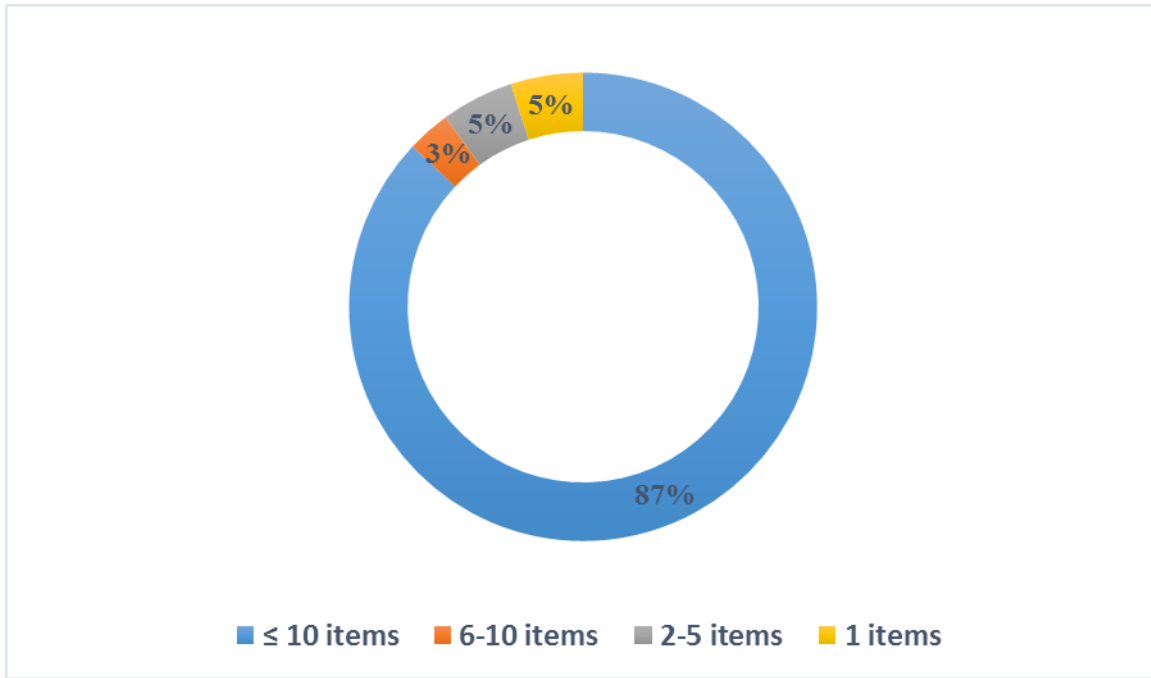
(based on the share of global seized value)



**Source :** (OECD/EUIPO, 2021, p 23)

Distribution of pirated and counterfeit goods is heavily reliant on transportation. These commodities are transported by a variety of means by counterfeiters and illegal dealers, who frequently take advantage of supply chain flaws and the world trading system. According to the figure above we observe that maritime transport remains the most important means of transportation for all commodities, including counterfeit goods, due to its ability to ship in huge quantities. However, it is noted that counterfeit goods also have outlets that make it difficult for customs agents to seize them, similar to express courier and regular mail.

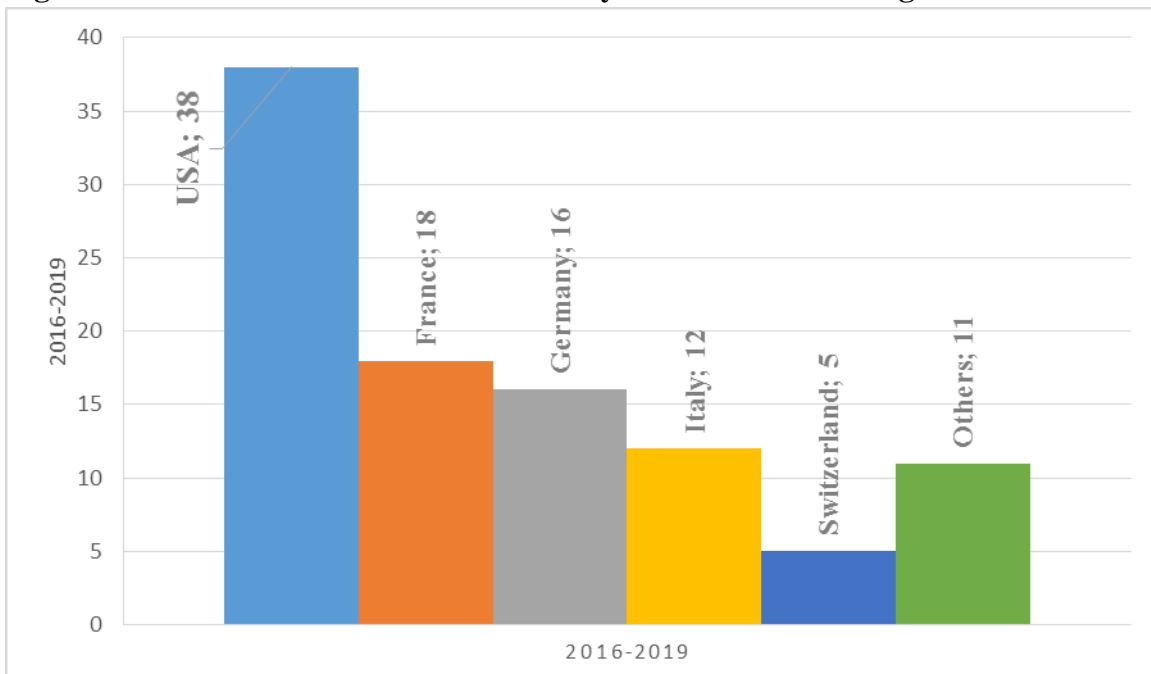
**Figure N 04 : Size of seized shipments, 2017-19**



Source : (OECD/EUIPO, 2021, p24)

Although the number of seized items often exceeds 10 items, it is noted that 10 of the reserved items were less than x items, which serves the observation in the fact that mail of all kinds has become a safe means for Counterfeiters (OECD/EUIPO, 2021, p24):.

**Figure N 05: The economies most affected by trade in counterfeit goods**



Source : (OECD/EUIPO, 2021, p 30)

Both developed and developing economies may experience major economic effects from the trade in counterfeit products. Counterfeiting frequently has a greater impact on nations with robust production capacities, broad worldwide trade networks, and well-known brands. We note from the figure above that the US economy is the economy most affected by trade in counterfeit goods, as 38 percent of the total intellectual property (IP) infringement were registered in the name of US companies, than we find economies of EU (OECD/EUIPO, 2021, p 30):.

### **3- international efforts to confront trade in counterfeit goods**

The worldwide trade community, including businesses, governments, and international organizations, has become more aware of the rise in the trade in counterfeit goods (Gene M. Grossman & Carl Shapiro, 1986, p 64). There are several international efforts and organizations dedicated to combating the phenomenon of counterfeit goods.

#### **4-1 The international institutional system against trade in counterfeit goods**

World Intellectual Property Organization (WIPO): WIPO is a specialized agency of the United Nations focused on promoting and protecting intellectual property rights worldwide. It provides a platform for international cooperation, information sharing, and capacity-building to combat counterfeiting (Pujara, T. & Chaurasia, S. 2012, p 45).

- a. World Trade Organization (WTO): The WTO plays a significant role in addressing intellectual property rights issues, including counterfeiting. Through the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement), the WTO sets standards for intellectual property protection and enforcement, providing a framework for member countries to combat counterfeiting.
- b. International Chamber of Commerce (ICC): The ICC has established the Business Action to Stop Counterfeiting and Piracy (BASCAP) initiative, which brings together companies, industry associations, and governments to fight counterfeiting and piracy. BASCAP promotes public-private partnerships, policy advocacy, and best practices sharing.
- c. World Customs Organization (WCO): The WCO plays a crucial role in facilitating cooperation and coordination among customs administrations worldwide. It provides tools, guidelines, and training to customs officers to enhance their capacity to detect and seize counterfeit goods at borders.
- d. Interpol: Interpol, the International Criminal Police Organization, supports global law enforcement efforts against counterfeiting through its Illicit Goods and Global Health Program. Interpol facilitates information sharing, conducts operations, and provides training to law enforcement agencies to combat counterfeiting and related crimes.
- e. European Union Intellectual Property Office (EUIPO): EUIPO leads various initiatives and campaigns to raise awareness about counterfeiting and support law enforcement efforts within the European Union. It provides training programs, resources, and cooperation platforms for rights holders and enforcement authorities.
- f. Regional Cooperation and Agreements: Many regions and countries have established cooperative frameworks and agreements to combat counterfeiting. For example, the European Union Intellectual Property Office (EUIPO) and Europol



collaborate through the Intellectual Property Crime Coordinated Coalition (IPC3) to combat counterfeiting within the EU.

These international initiatives put a strong emphasis on bolstering legal frameworks, improving enforcement capabilities, raising public awareness, and encouraging collaboration between governments, law enforcement organizations, rights holders, and industry stakeholders.

#### **4-2 Global action against trade in counterfeit goods**

Depending on the legal systems, resources, and interests of each nation or organization concerned, a different combination of techniques may be used.

- a. **Strengthening Intellectual Property Laws:** To better protect trademarks and discourage counterfeiting, nations might create or amend their intellectual property laws. This involves making copying illegal, stiffening the penalty for violators, and expediting the legal processes for enforcing IP rights.
- b. **Enhanced Border Control and Customs Cooperation:** To stop and confiscate fake products coming into or going out of the nation, governments might put in place tougher border control procedures. In order to recognize and target shipments of fake goods, customs officials must cooperate more and share information.
- c. **Law enforcement Operations:** It's crucial to carry out targeted operations and raids to take down counterfeit networks. Law enforcement organizations can engage with brand owners to look into the locations of the production and distribution of counterfeit goods as well as the online marketplaces where they are sold. Arrests (Pujara, T. & Chaurasia, S. 2012, p 47), seizures, and legal action may be beneficial.
- d. **Public Awareness Campaigns:** It is essential to educate customers about the dangers of purchasing counterfeit goods. Governments, brand owners, and consumer advocacy groups can launch public awareness campaigns to inform people about the possible risks, negative effects on the economy, and the legal ramifications of buying counterfeit goods.
- e. **Collaboration with E-commerce Platforms:** The sale of fake products is often facilitated by online marketplaces. The availability of fraudulent goods online can be decreased by working with e-commerce platforms to set strong regulations and procedures for reporting and deleting counterfeit listings.
- f. **International Collaboration:** To effectively combat counterfeiting, governments, organizations, and law enforcement authorities must increase their worldwide collaboration. Transnational counterfeit network detection and disruption can benefit from the exchange of intelligence, best practices, and knowledge.
- g. **Public Awareness Campaigns:** It is essential to educate customers about the dangers of purchasing counterfeit goods. Public awareness campaigns can be launched by governments, brand owners, and consumer advocacy groups to inform the public about potential risks and economic impacts (Hanzaee, K. & Taghipourian, M., 2012, p 1150).
- h. **Product authentication technologies:** Brand owners can track and trace genuine products throughout the supply chain by implementing anti-counterfeiting technologies like holograms, unique serial numbers, RFID tags, and digital

authentication solutions. These technologies can also assist consumers in determining the authenticity of products.

- i. Collaboration within the Industry: It is essential for brand owners, industry groups, and trade organizations to work together. The development of efficient collaborative tactics to prevent counterfeiting can be aided by the exchange of knowledge, best practices, and technical breakthroughs.

## **5- conclusion**

The study draws attention to the extensive and harmful effects of counterfeit goods on global economies, enterprises, and consumers. Significant difficulties are presented by counterfeiting, including as monetary losses, employment displacement, dangers to consumer health and safety, and harm to brand reputation. Global supply chains, internet marketplaces, and smuggling networks all contribute to the trade in counterfeit products, making it necessary to make extensive and well-coordinated measures to stop this illegal activity.

In order to boost the enforcement of intellectual property rights, improve border controls, and foster information sharing, the report underlines the significance of international collaboration among governments, law enforcement agencies, industry players, and intergovernmental organizations. In order to prevent counterfeiting and safeguard the interests of genuine firms and customers, stricter laws, better enforcement strategies, and public awareness initiatives are essential.

The report also highlights the need of working together with the transportation sector to combat the transit of counterfeit products, notably through container shipping, postal and courier services, and online marketplaces. In order to stop the spread of counterfeit goods, it is crucial to implement modern cargo screening technology, perform due diligence on shipments, and encourage industry stakeholders to report suspicious activity.

The study emphasizes the significance of implementing product authentication technologies, bolstering supply chain security, and encouraging collaboration between brand owners, e-commerce platforms, and law enforcement agencies in order to protect key industries, particularly luxury goods, electronics, pharmaceuticals, automotive parts, cosmetics, and entertainment media.

A multifaceted strategy comprising legislative measures, enforcement actions, international cooperation, public awareness campaigns, and technology solutions is needed to combat the trafficking in counterfeit products. Governments, corporations, and individuals may work together to limit the effects of counterfeit goods, safeguard intellectual property rights, and maintain the integrity of international trade.

## **6- References:**

1. Gene M. Grossman & Carl Shapiro (1986): American Economic Review, 78 (1), March 1988, pp. 59-75.
2. OECD/EUIPO (2021), Global Trade in Fakes - A Continuing Threat, OECD Public Governance Directorate.
3. (Moustafa Al Atat (2020), Review of Factors Affecting Non-Deceptive Consumers of Counterfeited Products in Different Regions across Sectors, Management Studies and Economic Systems journal, 5 (3/4), 85-104.

4. Cordell, V. V., Wongtada, N., & Kieschnick Jr, R. L. (1996). Counterfeit purchase intentions: Role of lawfulness attitudes and product traits as determinants. *Journal of Business Research*, 35(1), 41-53.
5. Grossman, G. M., & Shapiro, C. (1988). Counterfeit-product trade. *The American Economic Review*, 78(1), 59-75.
6. Hall, C. M., & Smith, S. L. (2010). Tourism and counterfeit goods. In *Handbook on the Economics of Counterfeit Trade* (pp. 225-244). Edward Elgar Publishing.
7. Nia, A., & Zaichkowsky, J. (2000). Do counterfeits devalue the ownership of luxury brands?. *Journal of Product & Brand Management*, 9(7), 485-497.
8. Orth, U. R., & Malkewitz, K. (2008). Catch me if you can! How consumers avoid deception by counterfeit, "look-alike," and imitation packaging. *Journal of Business Research*, 61(9), 927-934.
9. Pujara, T. & Chaurasia, S. (2012). Understanding the Drivers for Purchasing Non-Deceptive Pirated Products: An Indian Experience. *IUP Journal of Marketing Management*, 11 (4), 34-50.
10. Hanzae, K. & Taghipourian, M. (2012). Attitudes toward Counterfeit Products and Generation Differentia. *Research Journal of Applied Sciences, Engineering and Technology*, 4. 1147-1154.