

Forum:*Economic and Social council*

Issue: Establishing the necessary frameworks to minimize the production of counterfeit goods.  
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1. **Introduction**

Counterfeit goods are clothing items, accessories, bags, and other products made and sold under a brands name without the brand owner’s authorization. These goods are usually made and produced in much lower quality and care. Counterfeit good’s sellers infringe on either the patent, copyright, or trademark of the brand name by attempting to pass the goods off as made by the brand owner. Counterfeit goods and online piracy is a market that has grown in by over 80% in just the past 10 years. however, the purchasing of counterfeit goods has posed a serious threat to original brand owners, consumers, along with the economies of countries around the world

Firstly, counterfeit goods are produced and manufactured by the labor force of overworked, underpaid workers employed under unhygienic, and unsafe working conditions usually from third world countries. Along with that the production of counterfeit goods is already illegal, and for that reason counterfeit goods don’t go through a fraction of the background checks and testing placed by legitimate manufacturers in order to ensure that product is safe for consumers. As a result, consumers are put at risk into buying potentially faulty, and even dangerous items that can put innocent lives at risk. This includes goods such as Counterfeit drugs, electrical equipment, appliances, and even makeup products. Moreover, counterfeit goods are also putting an extreme risk on the global economy from all over the world. As previously mentioned, in just over 10 years the value of international trade and trafficking of counterfeit goods/ online pirating has risen by over 80%. This means that more people are spending money, causing inflation of prices of goods for illegal and undisclosed company manufacturers. In fact, by 2022, over 4.2 trillion dollars is expected to be drained from the global economy as a result of counterfeit goods, and the outcome of 5.4 million jobs being lost.

On an even more serious note, the trafficking of counterfeit goods is often linked to the increase in other serious crimes. Due to the very nature of the black market in which counterfeit goods feed into, reports made by the UNODC (united nations of drug and crime) provide evidence that criminal networks use the same routs to move counterfeit goods as they do to smuggle firearms, people, and illegal drugs. Not only that, evidence also supports that the proceeds from correlating drug rings feed into the production of counterfeit goods. Thus creating a dangerous profit cycle for criminals to enter.

1. **Definition of Key Terms**

**Online Piracy**

The practice of downloading or distributing copyrighted content on a digital scale without permission from the original manufacturers and owners. This includes movies, music, television shows, video games ETC.

**Consumers**

A person who purchases goods and services, either via online or in person, for personal use. A consumer is the main driving force of the counterfeit goods industry.

**Black Market**

An illegal underground or “shadow” economy. A market for various illegal and dangerous items to be registered, distributed, and purchased all within the market. Over 60% of illegal counterfeit goods are purchased from distributors in the black market.

**Global Economy**

The economies of every individual country around the world grouped together to create a single, powerful economic system. the range in change in the economy of a single country will impact on the global economy as a whole.

**Trafficking**

Trafficking is the dealing or trading of something illegal. Counterfeit goods are trafficked between countries and different illegal markets for distribution and purchasing.

**Inflation**

Inflation is the consistent increase of the overall value and general price of a good or service in the economy over a certain period of time. Inflation in the economy results in the increase of prices of counterfeit goods.

1. **General Overview – Background information**

**General Statistics**

In the year 2013, the trading of counterfeit goods made up 2.5% of the worlds global market. In 2016, the percentage increased to 3.3% of the worlds global market and estimating a total of 509 billion dollars. The majority of counterfeit items made originate from countries such as mainland China and Hong Kong, whom of which make up 86% of the industry of global counterfeits. Other major countries include Turkey, Singapore, United Arab Emirates, India, etc. Moreover, footwear is found to be the top trading/ manufacturing item for counterfeits as of 2016. Footwear makes up 22% of the counterfeit trade with famous brands (i.e. adidas, Nike, Jordan air forces) being forged. Following after, popular goods also include clothing items (16% of global trade), leather goods (13% of global trade), and electric equipment (12% of global trade).

The recent rapid growth and modernization of the internet and e-platforms is one of the main driving points that has led to the increase of counterfeit good values. Over 40% of consumers purchase counterfeits from websites (such as Amazon and eBay) or black-market platforms. In the United States of America for example, e- retail sales grew by 13.3 percent in the year 2019. On the other hand, regular retail sales only increased by 3.2 %. Furthermore, although e-platforms have gained in popularity, global trade routes are still the number one method of moving counterfeit goods across the globe for purchasing. This is partially due to the nature of illegal industries, as through global trade routes inspection of goods and items are rarely enforced, while manufacturers can import and move larger loads of items (along with possibly other illegal goods) without as much tests and procedures conducted.

**Effect on national economies**

China, Hong Kong and Turkey are the top leading countries in the manufacturing of counterfeited goods onto the market. Forgery of items from luxury and expensive brands have become extremely developed. The name “real Fakes” has been given to counterfeit items that are nearly identical to the original item. Moreover, counterfeit goods are a profitable industry, and many countries rely on their exports of counterfeit goods items to maintain their economies. For example, Turkey is the number 1 exporter of counterfeit goods to Europe.

As mention in the introduction, the trafficking and distribution of counterfeit goods has been linked to a definite increase in the prevalence of other serious crimes. This is because many manufacturers are involved with other illegal industries and as a result counterfeit goods feed into the black-market and other illegal platforms. However, it is still a struggle for countries such as China, Turkey, and Hong Kong as to combat the increasing counterfeit goods industry. The global trade for all counterfeit items on a global scale is estimated to be worth 509 billion dollars and almost 3.3% of global trade as of 2016.

Countries such as the United States of America, France, and Britian have economies which are being drained as a result of the consumption of counterfeit products. The United states is the number one country being negatively impacted by the counterfeit goods industry. In 2019 alone US customs seized around 1.5 billion dollars’ worth of goods. Furthermore, the French economy has been drained over 30 million dollars’ worth in under 5 years. This is mainly due to the fact that French goods are the most forged items globally. “Real fakes

are increasingly concentrating the markets. All around the world the majority of countries are introducing more and more tactics to combat the minimize item forgery. Along with this, combat the potential 4.2 trillion-dollar drainage to the global economy by 2022 as a result of the counterfeit industry.

**Effect on original brand owners**

Counterfeit products have a major negative impact on the sales and profit of brand owners. Many counterfeits are forged from popular, more expensive brands such as Gucci, Prada, Supreme ETC that are in return sold for cheap. This results in cheaper, less ethical, and less durable items. Counterfeit manufacturers will then sell the forged items by the same brand leading to “reputational damage”. Especially if consumers are harmed or put in danger as a result of the products (such as prescription drugs and electrical appliances) this can lead to the brands name being tarnished in the eyes of the consumer. As a result, the brand is tarnished in the eyes of the consumer especially of brand is blamed for the counterfeits issues. This leads to a decrease in value of the item and ultimately the brand itself. Moreover, more luxury, expensive brands also face the risk of losing costumers and being bought out by the counterfeits. This is because especially in the case of “real fakes” counterfeit items such as shoes and clothes can look virtually identical to the consumers eye while being still less than half of the price. The more appealing aspect of counterfeits drive down the popularity of certain products which in turn will deflate down the price of items leading to a potential loss in profits for brand owners. Overall, the counterfeits industry is one of the biggest potential competition against brand owners and is the leading cause to the depletion of attraction of various luxury, high-class, and expensive brands all over the world.

1. **Major Parties Involved and Their Views**
2. **China**

Mainland China (and Hong Kong) make up 80% of all counterfeit goods being distributed and sold around the globe. The counterfeit goods business started up in china specifically in 197, the ruler at the time Deng Xiaoping who began to reform china’s economy. One of the ways he did so, was by appealing to foreign investments during this time, brand culture began to rise around the world and soon enough Chinese manufacturers began creating counterfeit items in order to appeal to the foreign markets. Counterfeits became a cheap and easy opportunity for industries to manufacture and sell large quantities of products on a global scale. During this time until roughly around the 1990’s, the recovery and improvement of the Chinese economy was greatly due to the prevalence of the counterfeit goods industry. However, in recent years China today faces the threats of damage to Chinese brand integrity, trademark dilution, and common property disputes leading to a recent drain in China’s economy. Although China’s counterfeit items have a total value of 461 billion dollars and almost 2.5% of global trade, as of 2018, to control and minimize the counterfeit goods industry in China. Moreover, the Chinese government as well has announced strict punishments for online platforms and a larger push for more intense regulation of products.

1. **United States of America**

The United States of America is the most affected country as a result of the counterfeit good industry. The United States economy is drained over 2 billion dollars every year from the presence of counterfeit manufacturers and goods. Because of this, The United states has many procedures and laws emplaced to keep counterfeit goods from entering the country and increasingly put a negative impact on its economy. Firstly, over 100 billion dollars’ worth of counterfeit goods and online piracy are found and seized by the United states government every year (105 billion worth in 2019). Along with that, As per the US customs, any foreign company must record a registration of its trademark and copyright into the CPB (US customs and border protection) before being allowed to enter its goods into the country. Furthermore, if counterfeit goods enter into the country, usually through illegal trafficking routes into the United states, any person caught purchasing a counterfeit item can face a ranging sentence from a fine to a 10-year sentencing depending on severity. In the United States extreme measures are taken limit and diminish the number of counterfeit good manufacturers and items within the country.

1. **Turkey**

Turkey is the top manufacturer of counterfeit goods after China (and Hong Kong). In 2017, turkey made up for 5% the European union’s total imports of counterfeit goods and foreign piracy totaling about 85 billion euro’s. Aside from clothes and cosmetics, Turkey is one of the top producers of fake foods and counterfeit prescription drugs. Alarmingly in 2012, a counterfeit version of drug for cancer treatment was found being distributed in The United States of America causing over 3000 cases of hospitalizations. Moreover, alarmingly in the recent years Turkeys counterfeit industry has allowed an opportunity for manufacturers to take advantage of the surplus of e Syrian refugees fleeing from the war ridden Syrian country. Most counterfeit good companies illegally employ refugees, desperate for work into goods production, however there are no official documents proving that refugees are illegal working in manufacturers even after evidence from police raids in the country. On a brighter note, as of 2016 numerous anti- counterfeiting laws have been placed in turkey including prison sentences up to 15-year sentences depending on severity. As well as improved trademarking and copyright rights to brand owners in turkey. Yet the counterfeit industry is a booming business within Turkey and has so far shown no signs of stopping.

1. **France**

French items and brands (such as Yves Salamon, Balenciaga, and Givenchy) are the most forged/ pirated items in the world. Because of this, France has implemented some of the strictest Anti- counterfeiting laws and IP rights as well as intense border control procedures across France. In France, border control in defense of the of counterfeit goods is not only introduced within national territory, but also at the border of the European union (EU). This is done in an effort to block the introduction of counterfeit goods and other forged items into the internal markets and platforms within the EU and France. In 2019 alone, over 5 million counterfeit goods were seized off of the borders by French authorities. Furthermore, IP rights (trademark, copyright ETC) infringement can be condemned through either civil or criminal action. Criminal action is more heavily sentencing on infringers and is usually decided based off of the judge’s rule for the fairest possible sentencing. Sentences are usually 3 to 7 years along with a fine ranging from 300,000 to 750,000 euros. Overall, France has implemented some of the most rigorous and firm procedures done in order to protect the many famous and culturally respected French brands within the country.

1. **Timeline of Events**

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| **DATE** | **EVENT** |
| **400 BC** | The first recorded instance of counterfeited items. Greek coins were commonly counterfeited by covering cheap metals in a layer of precious metal and molded to the shape of the coin. |
| **1800-1850** | In the Unites States of America, various banks started creating their own currencies. Other countries soon followed suit. The market was so competitive soon banks started counterfeiting popular currencies of other banks. |
| **1862** | Great Britain introduces the first law, “ the merchandise and trade act” to combat Counterfeiting aimed against German companies. |
| **1865** | The United States follows after Britain quickly by introducing the secret service created to combat counterfeiting in he country. The secret service did in fact help reduce counterfeiting numbers. |
| **1900 – 1930** | the number of counterfeit money created in Europe increases by 35% in the span of 30 years. counterfeit prescription drugs such as sulfa drugs, penicillin, and vitamins began to become more and more popular goods. |
| **1939- 1945** | During World War 2, Operation Bernhard was an operation by the German Nazi that forged between 132.6 million to 300 million pounds worth of British bank notes. The movement was done to weaken and potentially collapse the British economy. Copycat methods were then used by various other countries during the war. |
| **1950s – 2000** | As the world begins to modernize, the value of counterfeit goods inflates as brands such as Nike, supreme, Air Jordan’s are founded while companies like Gucci and Louis Vuitton rise in popularity. Counterfeit goods value increases by rover 90% |
| **2013** | Total international trade costs in counterfeit goods on a global scale reaches 461 billion US dollars. Moreover, an Improvement in Anti-counterfeiting tactics in various countries to combat counterfeiting (i.e changing currencies) |
| **2010- 2020+** | Counterfeit goods/ online piracy market grows by over 80% and over 4.2 trillion dollars expected to be drained from the global economy by 2022 so far. |

1. UN Involvement, Relevant Resolutions, Treaties and Events:

* Strengthening international cooperation in combating transnational organized crime in all its forms and manifestations, 17 December, 2012 **(E/RES/2012/19)**

This resolution is expressing alarm against the prevalence of prescription drugs in the world. The resolution itself is expressing deep concern over the effects of counterfeit and fraudulent drugs in the market and emphasizes on the need for countries and particularly the UNODC to provide measures in order to create a framework of national legal systems to combat against the counterfeit drugs**.** the resolution also aims to raise awareness against the lack of notice against counterfeit items globally and to reflect on the procedure and measures taken within the member states to minimize the number of counterfeit and fraudulent prescription drugs entering borders.

* Advancing effective and innovative approaches, through national, regional and international action, to address the multifaceted challenges posed by the non-medical use of synthetic drugs, particularly synthetic opioids, 2019. **(E/RES/2019/62)**

This resolution discusses the various regional, national, and international actions that need to be implemented on a global scale in order to combat against the medical use of synthetic, and fraudulent drugs, particularly fraudulent opioids. The resolution also stresses on the international challenge, particularly in the public health and law enforcement of countries, and the social/ health damages posed on the population with the introduction of fraudulent drugs. Moreover, the need for collecting of statistical data and information on a global scale in order to have a larger understanding of the prevalence of certain fraudulent drugs and opioids in ordinance with region of country and area. Overall, the resolution aims to encourage member states and the UNODC to implement basic generic controls and legislation over the non-medical use of opioids and drugs. As well as taking measures to prevent trade with materials and equipment used by independent manufacturers.

1. Evaluation of Previous Attempts to Resolve the Issue

It should be noted that the United nations does not have any resolutions that particularly target the impact of counterfeit goods such as clothing, handbags, machinery etc. In reality, the only resolution made on the topic of counterfeit items was that of counterfeit and fraudulent prescription drugs/ opioids. The United Nations however has introduced campaigns such as the “Counterfeit: Don’t buy into organized crime” campaign done by the UNODC. This campaign was done with the intention to raise awareness between the link of the trade and distribution of counterfeit goods, along with organized crime, “which amounts to 250 billion a year”. The “Don’t buy” campaign informs consumers of the risk of buying counterfeit goods, and the underlying potential that buying these goods could be funding organized crime groups. The campaign also looks beyond the ethical, social and health concerns that the counterfeit industry puts the consumer in (not to mention the labor workers producing the goods). Moreover, the UN has also in the past regularly mentioned a need for more national action needed towards anti-counterfeiting laws to be implemented and measures taken. In 2011, the UN spoke out on the “Dire economic, potentially lethal, impact of counterfeiting” during a UN meeting with over 800 delegates from governments, 3rd party organizations, and enforcement agencies/ businesses. From over 100 countries delegates came to address combating counterfeiting and piracy. The two-day 2011 conference spoke out on various aspects of the counterfeiting industry, from its global economic impact to the two millions jobs put on risk every year due to the dangerous industry. The president of the international trade mark association, Gerhard Bauer, said “It (the meeting) allows committed governments and organizations from all over the world to strengthen their coordinated efforts to combat counterfeiting, and to further educate the public on the economic, social and health risks posed by these crimes.” Although there is little actual resolutions being done to find solutions towards minimizing the production/ distribution of counterfeit goods on a global scale, the UN has still executed and brought into effect many motives to increasingly strive for change and raise public awareness against the counterfeit goods industry.

1. Possible Solutions

One solution that can be considered is implementing and developing develop stricter inspection and guideline procedures for manufacturing companies within countries. In countries where counterfeits are made the main issue found is a lack of inspection and testing behind the goods before putting out into the market. This is specifically targeted for the counterfeit foods, alcohols, and prescription drugs which can potentially have a detrimental and even lethal effect if purchased by consumers. By introducing more security checkups and regulations against all manufacturing companies and owners, this will help to distinguish the number of counterfeit producers within the country and the goods that are being distributed. Which in turn, can be seized from markets and help to minimize its quantity and impact of the counterfeit goods.

Another solution is to encourage more brands to follow through with taking legal action against a copycat counterfeit. When it comes to extremely large and successful businesses a couple counterfeit designs is usually not as important. However, especially for smaller brands or brands that supply items that can potentially be dangerous if counterfeited, in this case legal action against counterfeiting companies should be highly encouraged. Although it would likely take a longer time than usual, there is a high chance that the company would win the lawsuit and on the plus side revoke all items from a manufacturing company off the market. Quick action is the ultimate key to stopping the influence of counterfeit products.

1. Guiding Questions
2. What are counterfeit goods?
3. What is the black market?
4. Why are counterfeit goods illegal?
5. What impact can the increase of counterfeit goods have an impact on my countries economy?
6. What countries are most affected by the counterfeit goods industry
7. What countries produce the largest number of counterfeit goods?
8. What problems have broken out as a result of purchasing counterfeit goods?
9. Which global companies are most affected by the counterfeit goods industry?
10. Do counterfeit goods provide a positive impact in any way?
11. Are there any background checks and tests for the production of counterfeit goods?
12. Can counterfeit goods potentially increase drug trafficking/selling rates?
13. Is my country trying to minimize the production/ distribution of counterfeit goods?
14. Appendices and useful links
15. <https://www.businessinsider.com/the-worlds-largest-producers-of-fake-goods-2016-4>
16. <https://www.unodc.org/documents/counterfeit/FocusSheet/Counterfeit_focussheet_EN_HIRES.pdf>
17. <https://www.smartrac-group.com/the-very-real-problem-of-fake-products.html#:~:text=EN-,The%20Very%20Real%20Problem%20of%20Fake%20Products,massive%20threat%20to%20people's%20lives.&text=And%20by%202022%2C%20counterfeit%20goods,risk%20in%20the%20process%20%C2%B9.>
18. <https://www.theguardian.com/technology/2018/dec/02/whether-youre-unaware-or-dont-care-counterfeit-goods-pose-a-serious-threat>
19. <https://www.strategy-business.com/blog/The-Attraction-of-Counterfeit-Goods?gko=cc012>
20. <https://news.un.org/en/story/2014/01/459622-new-un-campaign-spotlights-links-between-organized-crime-and-counterfeit-goods>
21. <https://www.fact-uk.org.uk/consumer-advice/counterfeit-goods/>
22. <https://www.nytimes.com/wirecutter/blog/amazon-counterfeit-fake-products/>
23. <https://www.wipo.int/wipo_magazine/en/2008/05/article_0008.html>
24. <https://www.unwto.org/archive/global/press-release/2013-04-05/un-tourism-and-crime-bodies-call-tourists-play-role-reducing-illicit-traffi>
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