



## Navigating the World of Counterfeit Syndicates and Transnational Organized Crime: What You Need to Know

*I first wrote and published this article in April 2014 and decided to review what I uncovered back then to see if the counterfeiting situation and its links to transnational organized crime had changed for the better..... unfortunately, it has not!!!*

*Many brand owners continue to see their brand protection problem as epitomized by low level standalone targets and success in the main continues to be judged by the number of fake products seized.*

Companies still spend an inordinate amount of time, resources, and money on attacking the problem at the "street cleaning" level, but do little or nothing to confront the causation factors.

Unfortunately, we still witness brand owners continuing to ignore the ever-increasing body of evidence that counterfeiting is an organized criminal activity which is not constrained by borders, political or cultural norms, this is particularly the situation in South-East Asia where counterfeiters have moved from local to global with the capacity to disrupt markets halfway around the world at lightning speed.

**In this newsletter, you can expect:**

Overview of the global counterfeiting situation.

Involvement of organized crime

Impact of organized group

The impact of Covid 19

The role of China

What brand owners can do.



KEY RISK CONSULTING ASIA  
**ROBERT YOUILL**  
 EXECUTIVE DIRECTOR  
 +6013-772 2503 / +603 6411 2593  
 robert.youill@keyriskconsultingasia.com  
 www.keyriskconsultingasia.com

# The Scene of the Crime: Taking a Look at Today's Counterfeiting Landscape

There continues to be no shortage of evidence to demonstrate the growing trend and nature of counterfeiting and transnational organized crime.

An OECD/EUIPO (Organisation for Economic Development & European Union Intellectual Property Office) report estimates that trade in counterfeit and pirated products today accounts for as much as 2.5% of the value of global international trade.

*OECD & EUIPO Global Trade in Fakes Report 2021*

BASCAP (Business Action to Stop Counterfeiting & Piracy) has reported that counterfeiting and piracy continue to grow at an astounding rate and despite increased efforts by the private sector, governments, international government organizations and a growing number of NGOs, conclude the problem is getting worse, not better.

*BASCAP Counterfeiting & Piracy in Vietnam Report 2019*

"Entrupty -in its State of The FakeReport 2023" concludes that current trends in counterfeiting show a significant increase in the global problem.

- **\$28 Trillion in confiscated goods globally 2022**
- **\$959 Billion in domestically produced & consumed counterfeit products**
- **\$856 Billion in digital piracy, movies, music & software.**

*Entrupty State of the Fake Report 2023*

In 2022 the U.S. Customs and Border Protection seized IP infringing products valued in excess of \$ 2.98 Billion.

*U.S Customs and Border Protection Annual Report 2023*



A recent report from the US Senate found that counterfeiting helped support terrorist organizations, including Hezbollah, Al-Qaeda, extremist Kosovo groups, and Chechen rebels and concluded that counterfeiting is a more profitable industry for organized crime than drug trafficking or human trafficking.

*U.S Senate Intelligence Committee Report 2022*



Approximately 86 million fake items were detained in the European Union in 2022 (at the EU external border and in the internal market), according to a joint report by the EUIPO and the European Commission published in 2023. The estimated value of fake items detained in the EU amounted to over EUR 2 billion.

*EUIPO UE Enforcement of Intellectual Property Rights Report 2023*

The Transnational Alliance to Combat Illicit Trade Report May 2023 concluded that criminal networks engaged in counterfeiting are often also involved in trafficking other forms of illicit goods including arms and weapons, engage in smuggling, money laundering and human trafficking, all which undermine the rule of law.

*Transnational Alliance to Combat Illicit Trade Report 2023*



*COVID Pandemic Fuels Surge In Fake Medical Products: Counterfeiting Incidents Increased By 47% -www.thehealthsite.com*

Following the Covid-19 pandemic rapid economic recovery across Asia has led to the proliferation of criminal networks profiting from alternative money-making schemes. A report by the United Nations' Office on Drugs and Crime (UNODC) examined international organized crime across much of the APAC region and found an increasingly diverse range of illicit product flows continuing to support emerging and established criminal networks, with counterfeit goods firmly assessed as being as profitable as illegal drug trafficking. The report goes on to state the emergence of increasingly sophisticated criminal enterprises alongside the development of legitimate commerce in Asia, is now similar in proportion to the key growth industries of each respective country. Indeed, the UNODC report assessed that about a third of the illicit trade flows in the East Asia and the Pacific region were accounted for by counterfeit goods

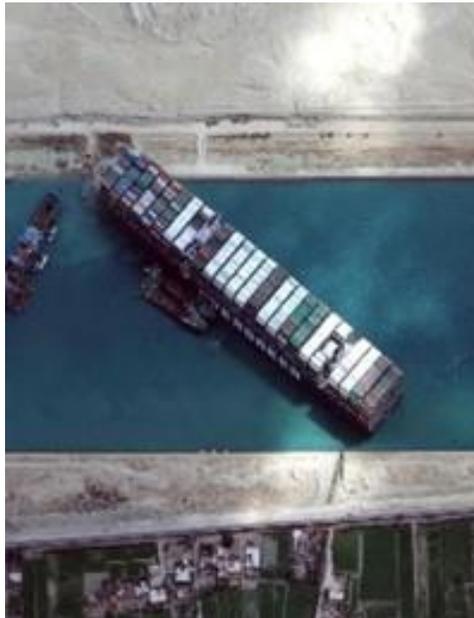
*"OECD The Impact of Covid 19 on Drugs & Crime Report 2022".*



The Covid-19 pandemic has also impacted Government enforcement agencies via labor shortages and diverting of resources to enforcing disease control measures, which required officials to reduce anti-counterfeiting efforts across the globe.

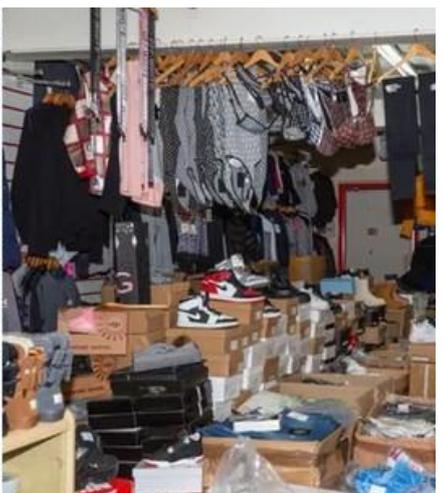


The explosion of e-commerce during Covid-19 has also created a picture-perfect market channel for counterfeit goods. Shutting down a website selling fake products is relatively easy, however these entities merely open up another platform the next day. Evidence shows that as e-commerce sales have grown from 10% of retail sales some 10 years ago to more than 40% during Covid, a phenomenon that offered a perfect opportunity for counterfeiters to exploit consumers buying products from their desktop



## Evergiven cargo ship blocks the Suez Canal

When the Evergiven cargo ship blocked the Suez Canal for several weeks in March 2021, the counterfeit industry quickly took advantage of the global supply chain disruption that this accident generated, and many government agencies reported significant spikes in counterfeit goods seizures during that time



Police seize £6m of counterfeit gear from infamous Manchester street (Picture: MEN Media)

*"The global counterfeiting threat continues to shift in many countries from the secondary market, where consumers know they are purchasing infringing goods, to the primary market where retailers deceive them into believing they are buying genuine goods."*

## Manchester's infamous "Counterfeit Street".

During police raids in February 2023 U.K police discovered that organized crime was exploiting the labour of child refugees on Manchester's infamous "Counterfeit Street".



Counterfeit Products in Shipments from China Seized at Port Complex

## A Global Problem That Requires Global Action

The UNODC and other detailed studies have concluded offenders participating in intellectual property violations, are supported by organized crime groups and terrorist organizations. These groups are involved in various phases of the manufacturing, distribution, and sales of infringing goods on a global scale. The substantial increase in worldwide use of the Internet has fueled the threat, giving counterfeiting syndicates increased access to customers, facilitating deception regarding the nature of the goods offered and altering the ways in which infringing goods move from their source to the consumer.

Over the past few years China has continued to be the number one player and has been reported to be the source of almost 60 percent of counterfeit pharmaceutical products seized worldwide, while other fake branded products originating from China include handbags and clothing, health care products, electronic consumer goods, amongst a variety of other merchandise are increasingly trafficked. These examples show the extent to which Chinese counterfeit syndicates are enabling Asia's criminal gangs to expand, developing complex supply chains in order to avoid the regulatory red tape faced by legitimate business. But the greatest concern is the ever-increasing sophistication adopted by these syndicates to mirror branded products. A recent trend has shown an ever-increasing level of high-quality counterfeits deliberately being fed into the legitimate supply chain.

***In the first three quarters of 2022, US drug enforcement agents seized nearly 10 million counterfeit pills - more than the previous two years combined. 40% contained lethal amounts of fentanyl, the highly-potent synthetic opioid.***

UNODC has in place a programme to fight the illegal drug trade through collaborative efforts. Coordinated by the UN and the UN Convention on Transnational Organized Crime, the project provides for the exchange of information, the application of investigative powers and intelligence sharing via the Global Container Control Programme, which was originally established to assist in the detection of illegal narcotics, and is now applying those resources over the past several years to detect and interdict counterfeit medicines, which it claims is a main stream income for many organized crime groups.

***But why should brand owners be concerned with fake brands bearing their trademarks being used to fuel organized crime?***

It is a fact that brand owners can only do so much, and it is the involvement of conventional law enforcement agencies that must inevitably position themselves at the forefront of fighting organized crime. While this is true, brand owners who spend millions protecting their brands and fighting the counterfeit trade have in their possession a key ingredient to helping law enforcement take on the counterfeiting syndicates, and that ingredient is known as "intelligence." We so often observe brand owners conducting standalone investigations and raid actions, then making no efforts to process the intelligence and information they inevitably obtain from such activity: in other words, there is no attempt made to 'join the dots.' Significant key intelligence goes to waste and sits unprocessed in investigation and raid files.

## Looking to the Future

Rather than focusing on the single target approach, the next step therefore is for brand owners to develop partnerships within their respective trades and law enforcement to share the intelligence they develop, thereby greatly assisting enforcement agencies as they look to identify and target transnational organized counterfeiting syndicates.

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***"The need for police, customs and the private sector to work together to combat the global counterfeiting crime problem has never been more important than now."***

***Ron Noble former Secretary General-INTERPOL***

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### HOW CAN WE HELP?

Key Risk Consulting Asia is an Asia based business risk and investigations advisory firm dedicated to helping organizations protect and enhance enterprise value and mitigate their risk in an ever increasing complex legal, regulatory environment. Key Risk Consulting Asia operatives work closely with our clients to anticipate, illuminate, and overcome complex business risks in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and asset protection.

*Thank you for reading!*

**KEY RISK CONSULTING  
ASIA**

**Mobile** +6013 7722503  
**Office number:** +603 2785 6866

**Website**  
[www.keyriskconsultingasia.com](http://www.keyriskconsultingasia.com)

**Email:**  
[robert.youill@keyriskconsultingasia.com](mailto:robert.youill@keyriskconsultingasia.com)

