



EUROLAB Special Briefing

Too Good to be True?

The real price of fake products

One of the biggest issues affecting the European economy is related to the counterfeiting goods industry. Fake goods attract consumers as they are much cheaper than the original product, but they are inferior in quality and may be unsafe and dangerous for every agent of the society. These goods do not meet legal requirements and they are a real threat to consumers' health and safety.

Counterfeit items have a very damaging effect on the economy. Fake goods create unfair competition for European artisans and businesses, harming legitimate enterprises and so increasing unemployment. The 21st century has seen steady growth in the market for fakes. **From 2009 to 2011, the number of cases detected by customs in Europe more than doubled to over 91,000.** In 2011 almost 115 million suspect articles were stopped by customs at the EU's borders. The estimated value of the equivalent genuine products is over €1.2 billion. The European Commission has been working to prevent this phenomenon. **In 2004 it adopted a Strategy for the Enforcement of Intellectual Property Rights in Third Countries.** The recently established European observatory on infringements of intellectual property rights is collecting more detailed data which will clarify this sprawling illegal business and help devising efficient policies to eradicate it.

The following figures characterise the counterfeit market:

- The global volume of trade in fake goods stands at over €200 billion euro per year – a similar magnitude to the market for illegal drugs.
- Between 2010 and 2011, the volume of fake articles detained by European customs grew by 11%.
- In 2009, the value of the top 10 brands in EU countries amounted to almost 9% of GDP.
- Fashion and high-end personal products encompass 54% of the total value of detained goods.
- In 2011 alone, 115 million fake goods were detained at the EU borders, with an overall value of over €1.2 billion.
- Almost one third of the articles detained by EU customs in 2011 were found to be potentially dangerous to the health and safety of consumers, almost double the proportion in 2010.
- In 2011, 27 million fake medicines were detained by European authorities.

- Postal transport is the most common means used to ship fake goods ordered on-line. It was the method used in 63% of cases detected in 2011, followed by air transport (22%) and express courier transport (7%).
- China is by far the biggest source of fake goods detained in Europe, accounting for almost 73% of the total amount of detained articles.
- But it isn't just a problem coming from other countries – the European Commission and national administrations are investigating the scale of the fake goods activity in the European Union.

Considering the data, **all stakeholders, whether they are producers, consumers, workers or entrepreneurs are affected by fake products.** All citizens lose as taxpayers because illegal operators and traders don't pay taxes, thus they have to make up for the loss.

Fakes and jobs:

Illicit products are offered with the intention to defraud and deceive. Such goods emerge from a *shadow economy* which generates no taxes or duties. In addition, they destroy jobs in the EU: companies lose sales, business declines and jobs are lost. Consequently, it determines higher unemployment and higher welfare bills. Bigger bills and lower state revenues in one area mean higher taxes in another.

Fakes and health

The counterfeit goods industry cross every imaginable product sector, including:

- food products
- medicines, chemicals
- textiles
- cosmetics
- vehicle and other spare parts
- power tools and household appliance

Fake **medicines** can cause serious damage to your health, thus they are strongly regulated.

Medical devices are also subject to forgery. They may cost less, but they can have serious adverse effects as they can be of poor quality, made of the wrong materials and have questionable effectiveness.

The European Commission plans to set up a globally compatible device identification system in the EU to facilitate the recognition of illegal products.

Chemicals used in textiles, clothing and footwear in Europe are thoroughly analysed and are prohibited if they are found to be harmful. A comprehensive piece of legislation called REACH insists that all chemicals in the European Union are tested.

Fakes and Safety

Products that could be dangerous to the health and safety of consumers accounted for almost one third of the total amount of articles detained by EU customs in 2011, almost double the proportion in 2010.

Car parts are among the most popular targets: fake **automotive parts** cost suppliers between five and ten billion euro every year. European legislation requires that all parts and components essential for the safety and environmental performance of motor vehicles are subject to controls before they can be placed on the EU market.

Fake **toys** are widespread, as well. They can contain dangerous materials such as paint containing poisonous chemicals, detachable small parts, which are prohibited according to the EU toys safety legislation, being a serious threat for children.

E-commerce is a common way to circulate fake products. Fraudulent websites are increasingly sophisticated, making it difficult to distinguish them from genuine sites. But EU customs officials have ways to tackle this illegal trade.

EU strategy against fakes:

Products legally offered for sale in the EU market must pass a number of quality controls to ensure the safety standards. Currently, the European Commission and EU Member States are enforcing the rules which protect citizens and business against this threat by setting out a plan which involves:

- greater resource sharing
- better IT tools
- tougher and more targeted external controls at the Union borders
- harsher penalties
- phenomenon analysis
- awareness campaigns
- trade flows check

From 2013 authorities in Member States have stronger powers to take non-compliant and dangerous products off the market immediately.

For additional information follow the [link](#) .

Source: *'Too good to be true. The real price of fake products'*, European Commission, Enterprise and Industry Directorate General (DG ENTR), Internal Market and Services Directorate General (DG MARKT)

In case you have further questions, please contact the EUROLAB General Secretariat: info@eurolab.org