

Author feature: Counterfeiting

January 9 2006

A booming knockoff community might be the product of evolving technology and inefficient law enforcement, according to one counterfeit expert.

Counterfeiting is one of the fastest-growing industries in the world, worth more than \$500 billion and accounting for 7 percent of the world's trade, according to business journalist and broadcaster Tim Phillips in his book "Knockoff: The Deadly Trade in Counterfeit Goods."

United Press International interviewed Phillips about the growth of this prosperous but illegal global industry.

"Technology hasn't just made counterfeiting easy, we've made it hard to avoid doing it," Phillips said. "Organizations like the Business Software Alliance now try going to schools to educate 8-year-olds that piracy is wrong, because technology might have helped create a generation of knockoff consumers."

Phillips considers counterfeiting to be the world's most successful example of globalization, since the global phenomenon has created an almost unlimited demand for fakes from countries where real branded products are scarce or too expensive, he says.

Many counterfeiters have been able to gain access to low-cost manufacturing and distribution without having to deal with the inconveniences of quotes, tariffs and trade barriers, he said. As a result, the counterfeiting world has extended beyond luxury items and

entertainment goods to include the dangerous industries of bogus parts in the aero and auto business and fake pharmaceuticals.

"Part of the problem is that we consider each sector as if it's a different crime," Phillips said, "so we think of luxury goods counterfeiting as distinct from consumer goods or clothing or computer games, and often try to investigate the crimes that way. That's not how counterfeiters think. They are looking for the largest commercial opportunity, and can switch between products almost overnight."

However, whereas much of the technology and factories used in Southeast Asia, Russia or Brazil are no different from the 1980s, Phillips says the biggest difference now is factory owners can reach places they will never visit.

"If I was an ambitious counterfeiter in the mid-1990s," he said, "my dearest wish would be for a way to communicate worldwide with potential suppliers and customers that meant I didn't have to meet them, that people would buy from me on trust, and that it would be very difficult to trace me. And then the Internet happened, and today eBay takes down a suspected counterfeit auction every 20 seconds."

But with today's emphasis on technology and digital content, counterfeiters have branched into new arenas.

Once something is digital, anyone can copy the exact thing and paste it, Phillips noted. The digital piracies of DVDs, CDs and computer games have become "predictably exploding markets," beyond the counterfeits of luxury goods, which represent about 4 percent of customs seizures worldwide, he said.

According to Phillips, it has no doubt been easier "for thousands to get a piece of the counterfeiting boom" since two-thirds of the Internet's

capacity is already being used to exchange digital content coupled with the popularity of broadband technology.

"One house in an ordinary street near you can produce hundreds of thousands of pirate CDs or DVDs a week, using commercially available technology that you can buy at the mall," he said.

Moreover, he suggests that consumers who buy knockoffs in many cases do not apply normal standards of intellectual property in action; instead they compromise product safety and ethical standards of sweatshop labor.

"Unless you can make more profit from your own idea than from copying someone else's, there's no incentive to create original, useful things," Phillips said. "That goes even more for the developing world than for Western economies: Unless they create their own original products, developing countries become sweatshops for the developed world. Counterfeiting becomes a way to keep more of the profit."

But who is to blame for this illegal yet prosperous market? Phillips recognizes that the vibrant counterfeiting community can be tied to both terrorism and organized crime. He points out that today's global trade in counterfeits, run by big criminals, is worth \$100 for every person on the planet, therefore becoming especially well-organized.

"It's common sense that if you want to fund terrorism, you need untraceable cash, and if you have scruples about selling drugs for example, then selling fake sunglasses would be an attractive fundraiser," he said. "It beats saving up your tips. Just because no one puts up a sign to say where the money goes doesn't mean it goes to a good cause."

One problem stems from consumers who do not understand the implication of purchasing a knockoff, he says.

"When people ask me whether counterfeiting funds terrorism, I can tell them that in some cases it does," Phillips said. "But also I tell them that if your fake is supplied by organized criminals who reinvest the money in violent and dangerous crimes, and if your fake may even kill you or your family, how bad do you want the problem to be before you find a reason for saying no to knockoffs."

But it's also too easy to just blame knockoff consumers, Phillips said.

"We still have the quaint idea that buying a knockoff is scoring one for the little guy," he said. "In today's knockoff economy, the little guys at the flea market or on eBay have some scary big guys behind them. Two guys in a bar don't organize the manufacture and distribution of 100,000 fake purses, and when it comes to the large-scale manufacturing of fake car parts or medicines, that takes organization, expertise, and a lot of investment capital."

Rather, Phillips blames the growth of the market on "inadequate" and "out-dated" measures taken by brand owners and law enforcement.

"In today's knockoff economy, the rewards are so massive and the risk so low that it is possible to counterfeit just about anything for profit," said Phillips, who mentions he has seen fake tea bags to counterfeit petrol stations. "Twenty years ago the counterfeiting business was 1 percent the size it is today. Everything about it has changed -- except, it seems, the way we fight it."

Because obliterating the problem would take too much time and money, Phillips says better communication must be established between brand owners, law enforcement and consumers.

"Most of all, we have to stop thinking about this as a local problem with local solutions," Phillips said. "It's a global crime epidemic that ruins

businesses, kills people and destroys lives. We tend to tackle big crime problems at the last minute, at one minute to midnight. It's not one minute to midnight here. It's about half past two already, and none of us are facing up to the scale of the problem."

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Citation: Author feature: Counterfeiting (2006, January 9) retrieved 26 April 2024 from <https://phys.org/news/2006-01-author-feature-counterfeiting.html>

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