

Chapter 1. Introduction

Illicit trade in counterfeit and pirated goods¹ is a growing and significant problem. Globalisation opens up new opportunities for criminal networks to expand the scope and scale of their operations in illicit trade in counterfeit and pirated goods. Trade in fakes also undermines good governance, the rule of law and citizens' trust in government, and can ultimately threaten political stability.

In order to improve the factual understanding of counterfeit and pirated trade and provide evidence for policymakers to formulate policies, the OECD and the European Union Intellectual Property Office (EUIPO) together carried out a comprehensive economic assessment of the problem (OECD/EUIPO, 2016) and helped to identify key provenance economies of intellectual property (IP)-infringing goods (OECD/EUIPO, 2017). These studies have found that imports of counterfeit and pirated goods amounted to up to USD 461 billion in 2013, or around 2.5% of global trade (OECD/EUIPO, 2016), and that some provenance economies are more important sources of counterfeit and pirated products than others, either as key producers or strategic points of transit (OECD/EUIPO, 2017).

The counterfeits are shipped by land sea and air, in both large containers and in small packages. A vast majority of the products that were seized from postal and express services concerned small parcels. Between 2011 and 2013, 63% of the total number of customs seizures of counterfeit and pirated goods worldwide referred to postal and courier routes. A recent study by DG Taxud of the European Commission states that 76% of fake goods intercepted in the EU in 2017 were courier and postal small shipments (DG TAXUD, 2018). The main fake product categories shipped via small parcels to the EU include foodstuffs, toys and tobacco goods. In the case of the United States, the share of seizures involving mail and express services was close to 90% in recent years, as compared to 80% in 2010.

For traffickers, small shipments reduce the risk of bulk losses in the event of interception but criminal groups are also becoming adept at evading postal checks (Europol/OHIM, 2015).² They are, for example, using stickers/stamps from international postal services to give the impression that shipments are coming from another EU member state, when in fact they may have arrived from a country known for exporting fake products, a technique known as “drop shipping”. To prevent interception, products are imported into the European Union in bulk via a member state believed to exercise laxer controls and the packages are then re-directed with an EU postal stamp/sticker. Moreover, criminals have routed postal packages containing counterfeit pharmaceuticals via Canada, known for its high standards and quality, thereby giving consumers a false sense of confidence in the product. The OECD 2018 report on strengthening governance frameworks to counter illicit trade flags small parcels as a significant issue (OECD, 2018).

There are also heightening concerns about the misuse of free trade zones as conduits for illicit trade. The OECD/EUIPO (2017 and 2018) reports analyse the important role that zones play in facilitating shipments of counterfeit products to end markets, by, for example, enabling parties to: i) break down cargoes into a series of smaller shipments, with view

towards lowering the risk and cost of detection in end markets ; and ii) carry out counterfeiting activities in zones. Finally, the 2018 OECD report on strengthening governance frameworks to counter illicit trade also flagged the issue while making a number of recommendations to counter illicit trade in free trade zones (OECD, 2018).

The current report builds on previous analysis, focusing on the use of small shipments by counterfeiters to avoid detection and interception. Previous results (OECD/EUIPO, 2018) show that during 2011-13, the largest share of intercepted counterfeit and pirated products used the post as a means of transit. In addition, most of them included only one item. The current report completes these previous results by focusing on the means through which small shipments are principally channelled: the post and courier and express services, assisted by Internet retail platforms.

These findings should be interpreted in a broad context of booming parcel trade for the express and postal industries. In fact, recent statistics suggest that the markets for small parcels have grown exponentially. The total number of parcels, cross-border and domestic, shipped in 2016 reached 216 billion. International dispatches were highest in Asia (42%). The vast majority of these dispatches end up in OECD countries, as only 3% of all parcel trade end up in developing countries. At the same time, the small parcel market is fast increasing, with two digit growth rates expected in coming years. Currently, international dispatches are increasing at a greater rate than domestic, with an average 7% annual growth and more than 15% in some EU member countries, such as the Netherlands, Poland and Romania (Salehi, F., D. van de Voorde and J. Matuska, 2017).

This report completes these previous analyses with an in-depth study of one particular channel of trade in counterfeit and pirated goods: small parcels shipped either by postal or courier services. In particular, this report examines i) their evolution and the international legal framework in which small parcel services operate and ii) the role small parcels play in the trade of counterfeit and pirated goods.

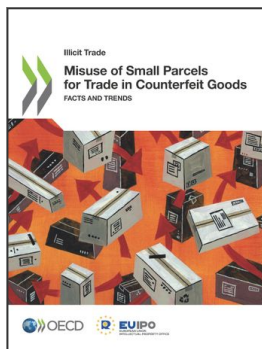
Notes

¹ Goods that infringe trademarks, copyrights, patents or design rights.

² In 2017 OHIM (Office for Harmonization in the Internal Market) was re-named the European Union Intellectual Property Office (EUIPO).

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