

## Chapter 4. The overall effect of counterfeiting on Sweden

### Trade in fake goods: The overall impact on Sweden

This report has assessed two particular categories of effects of counterfeiting and piracy on Sweden: those of imports of counterfeit and pirated products in Sweden; and those of global trade in goods that infringe Swedish IP.

Concerning the total impact of counterfeit trade in Sweden, the best available statistics show that the total consumer detriment due to consumer deception by counterfeiters in 2016 amounted to almost SEK 4.5 billion (USD 540 million). The sales losses to Swedish wholesale and retail industries in 2016 amounted to SEK 4.3 billion (USD 521 million), or 0.7% of total sales of retail industries affected by counterfeiting in that year. The total volume of foregone sales by Swedish rights owners due to infringement of their IP in 2016 amounted to SEK 16.7 billion (USD 2 billion), or 2.4% of their total sales in that year. These sale losses subsequently translate into lost jobs and lower tax returns (see Table 4.1).

**Table 4.1. Total direct impact of counterfeit and pirated trade in the Swedish context, 2016**

Total lost sales (wholesale and retail)		Total lost sales (Swedish IP right owners)		Total lost jobs		Total lost taxes	
USD 0.521 billion	1.5% of sales	USD 2 billion	2.4% of sales	About 7.1 thousand lost jobs	0.7% of full- time equivalent employees	USD 0.905 billion	0.2% of Swedish GDP

A comparison of the scale of losses due to counterfeiting in Sweden on the one hand and due to infringement of IP rights of Swedish firms on the other yields some relevant observations.

In absolute terms, losses experienced due to infringement of Swedish IP abroad are much greater than those due to imports of fakes to Sweden. In terms of damage to Swedish revenue, they amounted to SEK 5.7 billion (USD 682 million) of foregone taxes versus SEK 1.8 billion (USD 222 million) caused by imports of fakes to Sweden. This is for at least two main reasons:

- Sweden is a relatively small economy with high dependence on exports of IP intensive goods. In addition, these goods enjoy an excellent reputation worldwide becoming attractive targets for counterfeiters. This means that globally, trade in counterfeit and pirated goods poses a vital threat to Swedish companies and can undermine their innovative efforts and investment.
- Second, Sweden has an efficient governance response system that seems to be effective in reducing the overall damage of counterfeit imports to Sweden, and temper the demand for fakes in Sweden.

Regarding IP infringement of Swedish products worldwide, it should be also noted that it varies significantly between impacted sectors. In cases of fake clothes or watches, it is

supply driven, whereas for fake bearings it is driven by final consumers. In addition, structured interviews conducted with the Swedish industry reveal a need for stronger international engagement to counter this scourge. This calls for continued strong involvement of Sweden in international, plurilateral and multilateral initiatives to counter the risk of trade in counterfeit and pirated goods.

The magnitude of the issue and the scale of its impact should remain of high priority to both Swedish policymakers and the country's private sector. There are significant implications for the future, including those for activities that generate high value-added and those for innovation potential, both of which are sources of long-term economic growth.

### Next steps

The unique methodology developed for this report can lend itself to a number of additional exercises. These could include other country studies, which could eventually lead to a benchmarking exercise. The potential for additional case studies is particularly fruitful where the data are abundant and where there is evidence of significant impact by infringements.

The methodology could also be successfully and repetitively re-applied to determine the relative changes in the scale and effects of counterfeiting and piracy in Sweden. In addition, the methodology offers some flexibility in accommodating improvements in research, for example on substitution rates. This could lead to a more detailed analysis that would produce a more complete picture of trade in counterfeit and pirated goods, and its negative impact on rights holders, governments and consumers in Sweden.



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