

Executive summary

Trade in counterfeit goods is a longstanding, worldwide socio-economic problem that is growing in scope and magnitude. It challenges effective governance, efficient business and the well-being of consumers, even as it becomes a key source of income for organised criminal groups.

For consumers, counterfeiting poses dangers to health, safety and privacy. It may also lower consumer satisfaction, notably when low-quality fake goods are purchased unknowingly. For rights holders and their authorised vendors, rising counterfeiting increases revenue losses, while trademark infringements continuously erode brands' value. For governments, counterfeiting means lost tax revenues, higher unemployment and greater expenses incurred – both to ensure compliance with anti-counterfeiting legislation, and to react to public safety threats and labour market distortions.

This report presents the findings of the Italy case study of trade in counterfeit and pirated goods. It examines the scale of counterfeit and pirated products smuggled into Italy, and the effect on consumers, industries and the Italian government, as well as the scale and effects of global trade in counterfeit goods that infringe on the rights of Italian trademark holders. This dual analysis is based primarily on a quantitative assessment of global trade in counterfeit products within and outside the Italian economy, using a rich database on seizures of counterfeit products, compiled from various sources. The findings can help both public and private sector decision makers better understand the nature and scale of the problem for the Italian economy, and develop appropriate, cohesive and evidence-based policy responses.

Key findings

- The best estimates indicate that counterfeit and pirated imports in Italy accounted for as much as EUR 10.4 billion in 2013 – the equivalent of 3% of Italian imports in genuine goods.
- The degree of counterfeiting in Italy varies considerably across product categories. In absolute terms, ICT devices were the most counterfeited type of goods, with an estimated value of EUR 2.3 billion of fakes imported in Italy in 2013. In relative terms, articles of leather and handbags, toys and games, and clothing were most targeted by counterfeiters, with fakes accounting for 15.3%, 14.3% and 13.4%, respectively, of Italian imports from these product categories.
- The analysis shows that around half of imported counterfeit and pirated goods in Italy in 2013 were sold to consumers who actually knew they were buying fake products, with the remaining share purchased unwittingly. The share of fakes bought knowingly in Italy varies significantly by product, ranging from 15% for foodstuff to 60% for watches and ICT devices.
- Available data show global trade in counterfeit and pirated products that infringed Italian trademarks amounted to as much as EUR 35.6 billion in 2013, equivalent to 4.9% of total Italian manufacturing sales (domestic plus exports).

- Sectors where Italian IPR were particularly targeted, in terms of the absolute value of trade, include (i) electronic, electrical equipment and optical products; (ii) clothing, footwear, and leather articles; and (iii) foodstuff. As a percentage of total trade in a given product category, clothing, footwear, leather articles; electronic, electrical and optical products, and perfumery and cosmetics, were the types of Italian products most often faked worldwide.
- Counterfeit and pirated goods that infringe the intellectual property rights (IPRs) of Italian right holders come mainly from Turkey, China and Hong Kong, China.
- The results indicate that between 2011 and 2013, over half of the goods traded worldwide that infringed Italian IPRs were offered on primary markets – that is, they were sold to unsuspecting consumers who believed they were buying genuine goods. This share varies among product categories, ranging from 32% for jewellery and watches to 85% for foodstuffs.

Impact on Italy

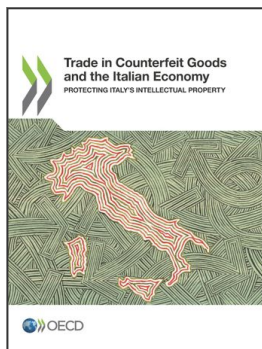
- The estimates for consumer detriment – that is, the price premium unjustly paid by consumers in the belief they are buying a genuine product – in Italy due to deception on primary markets in 2013 amounted to almost EUR 2 billion.
- The total volume of forgone sales in the Italian wholesalers and retailers due to counterfeit and pirated products smuggled in Italy was EUR 6.9 billion in 2013. This is equivalent to 2.7% of total sales in the Italian wholesale and retail sector in that year.
- The total volume of Italian companies' forgone sales due to infringement of their IP rights in global trade amounted to EUR 25.1 billion, or 3.1% of total sales of these Italian companies in that year (domestic plus exports).
- Lower sales reduce the demand for labour. Job losses in Italy that inevitably result in the retail and wholesale sector due to counterfeit and pirated imports totalled over 23 thousand in 2013, equivalent to more than 1.3% of all people employed in the sector. The total number of jobs lost in Italian industries due to the global infringement of their trademarks amounted to over 64 thousand, equivalent to 2.4% of the total number of employees in the Italian manufacturing sector.

Altogether, at least 87 500 jobs were lost due to counterfeiting and piracy. That represents 2% of full time equivalent employees in Italy.

- Lower sales due to the counterfeiting markets in Italy mean lower revenues for the Italian government from value-added tax (VAT), corporate income tax (CIT), personal income tax and social security contributions.

In 2013, forgone tax revenues from the retail and wholesale sector amounted to EUR 3.7 billion. That same year, forgone tax revenue from Italian right holders to the Italian government amounted to EUR 5.9 billion.

Altogether, trade in counterfeit and pirated goods resulted in a reduction in Italian public revenues equal to almost EUR 10 billion, the equivalent of 1% of the taxes collected on value-added, personal and corporate incomes, and social security contributions, or 0.6% of Italian GDP.



From:
Trade in Counterfeit Goods and the Italian Economy
Protecting Italy's intellectual property

Access the complete publication at:
<https://doi.org/10.1787/9789264302426-en>

Please cite this chapter as:

OECD (2018), "Executive summary", in *Trade in Counterfeit Goods and the Italian Economy: Protecting Italy's intellectual property*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264302426-4-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.