

Chapter 5. The European Union case study

IP intensity of the EU economy

Intellectual property rights are of fundamental importance for the competitiveness of the EU economy as a whole. At the macroeconomic level, the IP-intensive industries have generated on average 45% of the EU GDP between 2014 and 2016. This corresponds to EUR 6.6 trillion annually. In addition, IP-intensive industries contributed directly to 29.2% of employment.

Table 5.1. Contribution of IP-intensive industries to GDP in the EU, 2014-16 average

IPR intensive industries	Value added/GDP (EUR million)	Share of total EU GDP (%)
Trade mark-intensive	5,447,857	37.3%
Design-intensive	2,371,282	16.2%
Patent-intensive	2,353,560	16.1%
Copyright-intensive	1,008,383	6.9%
Geographical indication-intensive	20,155	0.1%
Plant variety -intensive	181,570	1.2%
All IPR-intensive	6,551,768	44.8%

Source: EPO-EUIPO (2019), "IPR-intensive industries and economic performance in the European Union", Industry-Level Analysis Report, September 2019, Third edition.

Table 5.2. Direct and indirect contribution of IPR-intensive industries to employment, 2014-16 average

IPR intensive industries	Employment (direct)	Share of total employment (direct) (%)	Employment (direct + indirect)	Share of total employment (direct + indirect) (%)
Trade mark-intensive	46,700,950	21.7%	65,047,936	30.2%
Design-intensive	30,711,322	14.2%	45,073,288	20.9%
Patent-intensive	23,571,234	10.9%	34,740,674	16.1%
Copyright-intensive	11,821,456	5.5%	15,358,044	7.1%
GI-intensive	n/a	n/a	399,324	0.2%
PVR-intensive	1,736,407	0.8%	2,618,502	1.2%
All IPR-intensive	62,962,766	29.2%	83,807,505	38.9%

Source: EPO-EUIPO (2019), "IPR-intensive industries and economic performance in the European Union", Industry-Level Analysis Report, September 2019, Third edition.

A recent report by the EUIPO and the EPO, covering the period 2007-2019, delves deeper into the role of IPRs for individual firms. It analyses a representative sample of over 127 000 European firms from all 27 EU member states and the UK. According to this report, firms that own IPRs generate 20% higher revenues per employee in comparison to their counterparts without an IPR portfolio. Firms that own IPRs also pay on average 19% higher wages than firms that do not. The premium associated with IPR ownership is particularly high for SMEs and firms registering bundles of IPRs.

IPRs provide incentives for investment in R&D, innovation, and development of intangible assets. Therefore, IP protection is of crucial importance for stimulating growth and economic development in advanced economies such as the economies of EU Member States.

Imports of fakes to the EU: the updated picture

As shown in Table 5.3, imports of fake goods to the EU were most likely luxury goods, with articles of leather and handbags, footwear, watches, clothing and jewellery having the highest propensity to be counterfeited. Intermediary products imported to the EU such as toys and games, electronic goods and auto spare parts were also subject to counterfeiting.

Apart from luxury goods, EU customs officers reported significant volumes of fake goods that pose health and safety issues entering the EU. Products like toys and games, perfumery and cosmetics or spare auto parts – which are all manufactured by industries ranked among the top 15 most sensitive – can be dangerous for consumers, as often they do not meet sanitary or security standards.

Table 5.3. Top 15 EU industries likely to be targeted for counterfeit imports, 2017-19

GTRIC-p for the EU, average 2017-19

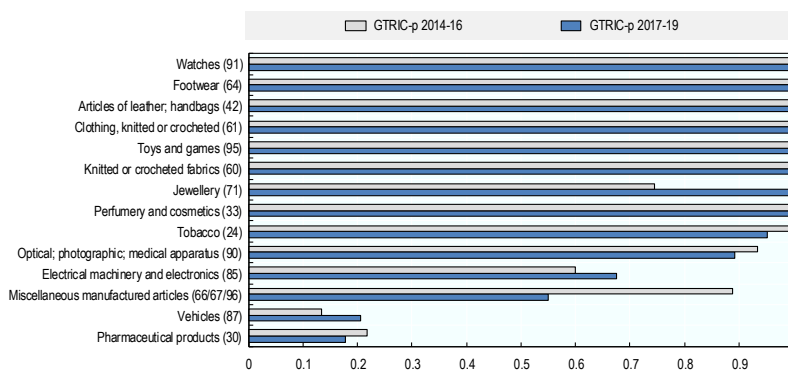
HS Code	GTRIC-p
Articles of leather; handbags (42)	1
Footwear (64)	1
Watches (91)	1
Clothing, knitted or crocheted (61)	1
Toys and games (95)	1
Knitted or crocheted fabrics (60)	0.999
Jewellery (71)	0.999
Perfumery and cosmetics (33)	0.997
Tobacco (24)	0.952
Optical; photographic; medical apparatus (90)	0.893
Electrical machinery and electronics (85)	0.676
Musical instruments (92)	0.669
Clothing and accessories, not knitted or crocheted (62/65)	0.583
Miscellaneous manufactured articles (66/67/96)	0.549
Vehicles (87)	0.205

Source: OECD calculations.

The list of the top 15 EU industries most likely to be targeted for counterfeit imports from 2017 to 2019 is comparable to the one from 2014 to 2016. However, the descriptions of customs seizures indicate that counterfeiters are continually adapting their strategies. The main change over this period has been the increase in the propensity of the jewellery sector (HS 71) to be targeted and the decrease in prevalence of other manufactured articles (HS 66/67/96).

Figure 5.1. Changes in propensities for products categories in EU imports to be targeted for counterfeiting

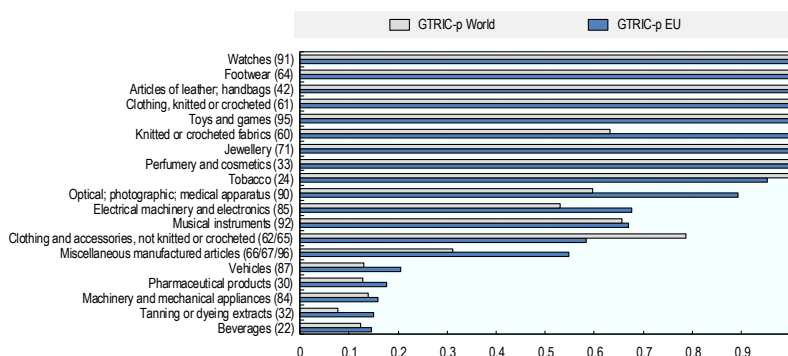
GTRIC-p for the EU, averages 2014-16 and 2017-19



Source: OECD/EUIPO database.

Figure 5.2 compares the industrial composition of the trade in counterfeits globally with EU imports for 2017 to 2019. Despite the fact there is a wide range of counterfeit goods destined for both global and EU markets, some differences can be highlighted. Tobacco, clothing and accessories not knitted or crocheted were less targeted in EU trade than in world trade. Conversely, counterfeit optical, photographic and medical apparatuses (HS 90) – the interceptions in this category are mainly sunglasses – and knitted or crocheted fabrics are more prevalent in EU trade than in world trade. Industries such as beverages (HS 22) and pharmaceuticals (HS 30) are also more prevalent in EU trade than in world trade, placing citizens at substantial risk.

Figure 5.2. Comparing the industrial composition of the trade in counterfeits globally with EU imports, 2017-19



Source: OECD/EUIPO database.

Regarding the provenance economies of counterfeit goods destined to the EU, the GTRIC-e index shows that the scope is large, with provenances located in all world regions. The propensity to export counterfeits to the EU was the highest for Benin, Hong Kong (China), the Syrian Arab Republic and Afghanistan. They were closely followed by Senegal, China, Turkey and the UAE.

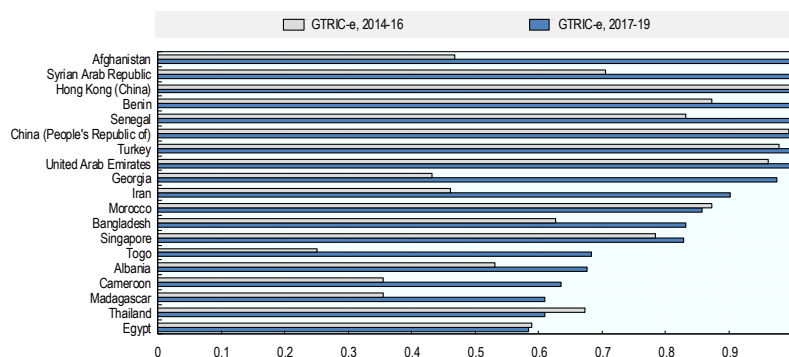
Table 5.4 Top 20 provenance economies of counterfeit goods entering the EU, 2017-19

GTRIC-e for the EU, average 2017-19

Provenance economy	GTRIC-e
Benin	1
Hong Kong (China)	1
Syrian Arab Republic	1
Afghanistan	1
Senegal	0.9997
China (People's Republic of)	0.9986
Turkey	0.9963
UAE	0.9956
Georgia	0.9745
Lebanon	0.9355
Iran	0.9019
Morocco	0.8573
Bangladesh	0.8316
Singapore	0.8284
Togo	0.6835
Albania	0.6767
Cameroon	0.6353
Madagascar	0.6106
Thailand	0.6090

Figure 5.3. Changes in exports to the EU from provenance economies

GTRIC-p for the EU, averages 2014-16 and 2017-19



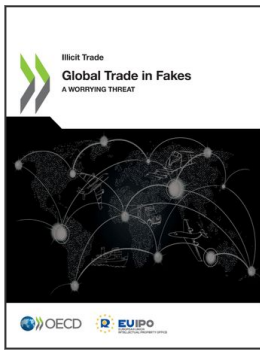
Source: OECD/EUIPO database.

Estimates of counterfeit and pirated imports to the EU

Estimates based on the GTRIC methodology indicate that total trade in counterfeit and pirated goods destined to the EU amounted to as much as USD 134 billion (EUR 119 billion) in 2019. This number implies that as much as 5.8% of EU imports were in counterfeit and pirated products.

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From:
Global Trade in Fakes
A Worrying Threat

Access the complete publication at:
<https://doi.org/10.1787/74c81154-en>

Please cite this chapter as:

OECD/European Union Intellectual Property Office (2021), “The European Union case study”, in *Global Trade in Fakes: A Worrying Threat*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/59e5b134-en>

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