

TRACIT Side Event

*WIPO Advisory Committee on Enforcement,
Sixteenth Session
Geneva, February 2, 2024, 13.00 – 14.15
Room B, AB Building*



Room document

Investigating the societal costs of IP infringement

Negative impacts on human rights, sustainable
development and inward investment

INTRODUCTION

Illicit trade has emerged as a major policy and regulatory challenge worldwide. It encompasses a wide spectrum of illegal activities, conducted both offline and online, including narcotics and arms trafficking, robbery and resale of antiquities, falsified and substandard medicines, environmental and wildlife crime, and intellectual property (IP) theft.

IP infringement in the forms of trademark counterfeiting and copyright piracy account for the largest economic loss of all forms of illicit trade. The problem has intensified to staggering levels, and the OECD reports that it accounts for as much 2.5 percent of global trade.

The ubiquity and high profits from counterfeit and pirated goods, coupled with low risks of detection, prosecution and penalties, generates significant illicit proceeds for criminal enterprises. As a result, money laundering is frequently a major element of IPR crime, with illicit proceeds also used to finance other crimes, such as drug and human trafficking.

Societal costs of IP infringement

Counterfeit trade not only undermines core economic growth but also presents substantial risks to public health, safety, and the environment. In today's dynamic and forward-thinking global economy, combatting this form of illicit trade is crucial for fostering genuine progress and ensuring the well-being of societies worldwide.

Counterfeiting has detrimental social and economic consequences and it:

- Poses a triple threat to development by crowding out economic activity, depleting government revenues, and raising costs for achieving the UN SDGs.
- Presents consumer health and environmental risks because counterfeits are produced outside normal channels of commerce with little regard to environment and health and safety regulations.
- Fuels human rights abuses including the demand for forced and child labor.
- Drives corruption of public officials and encourages illicit revenue streams.
- Adversely affects a country's capability to attract foreign investment.

Effective IPR enforcement is crucial in safeguarding the health of consumers, maximizing the value of human creativity and innovation, and promoting economic development.

If governments want to achieve their sustainable development goals and protect human rights. If they want to attract foreign investment and mitigate the debilitating economic impacts of corruption, then they must intensify measures to mitigate illicit trade and stop counterfeiting and piracy.

PUBLICATIONS

Investigating the societal costs of illicit trade

1. MAPPING THE IMPACT OF ILLICIT TRADE ON THE U.N. SUSTAINABLE DEVELOPMENT GOALS



Despite the recognition of international trade as an important means to achieve the UN SDGs, insufficient attention has been given to the substantial impact that illicit trade has on holding back progress. To help governments and business better understand how their efforts to achieve sustainable development must account for the negative forces of illicit trade, TRACIT evaluates the impact of illicit trade on the 17 UN SDGs in the following sectors: agri-foods, alcohol, fisheries, forestry, petroleum, pharmaceuticals, precious metals and gemstones, pesticides, tobacco, wildlife and all forms of counterfeiting and piracy. Illicit trade compromises the attainment of the UN SDGs in significant ways, crowding out legitimate economic activity, depriving governments of revenues, dislocating legitimate jobs and causing irreversible damage to ecosystems and human lives.



2. UN SDGS AND ILLICIT TRADE IN COUNTERFEIT AND PIRATED GOODS



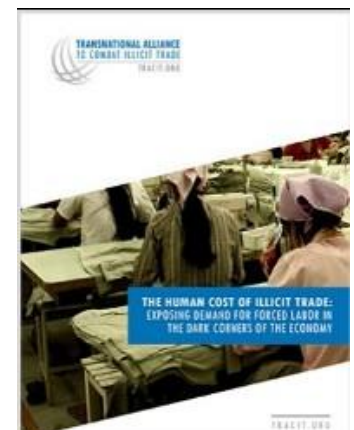
The illicit production and trafficking of counterfeit and pirated goods represents a direct threat to the achievement of the UN SDGs. These goods are produced outside the normal channels of commerce with no regard to environment, health and safety regulations – and as a result pose risks to long term economic growth, consumer health, livelihoods and the environment. Consequently, it is not surprising that illicit trade in counterfeit and pirated goods negatively impact nine of the 17 SDGs. Effective IPR enforcement is crucial in safeguarding the health of consumers, maximizing the value of human creativity and innovation, and promoting economic development.



3. THE HUMAN COST OF ILLICIT TRADE: EXPOSING DEMAND FOR FORCED LABOR IN THE DARK CORNERS OF THE ECONOMY



Amongst the worst crimes associated with illicit trade is the demand it creates for forced and child labor to carry out the tasks of making counterfeits, sewing fake logos on luxury apparel, or harvesting illegal fish. Women, children and men of all ages and race are forced to work in illicit sectors, where they are abused by organized criminals pursuing clandestine profits. Occurrences of forced labor are examined in illicit activities in several sectors including counterfeiting, pharmaceuticals, mining, fishing, tobacco, pesticides, and timber. TRACIT's report finds that ending these human rights abuses will only be possible by eradicating illicit trade and the demand for forced labor associated with it.

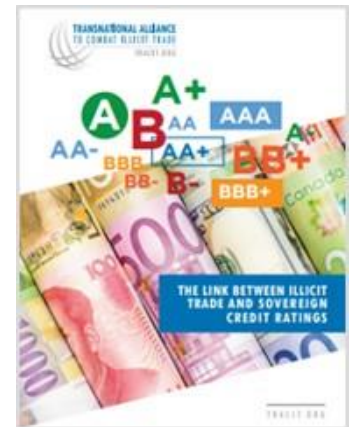


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4. THE LINK BETWEEN ILLICIT TRADE AND SOVEREIGN CREDIT RATINGS



There is a statistically significant and positive correlation between the Global Illicit Trade Environment Index and the credit ratings assigned by the major international rating agencies. Countries with high scores on their capacity to fight illicit trade also had the highest credit ratings. Conversely, countries with inadequate regulatory environments and weak institutions also had low credit rating scores. The correlation can be explained by the fact that illicit trade has a direct negative impact on the very economic, social, and institutional risk factors that credit rating agencies evaluate to determine countries' ability to honor their debt. Correcting the regulatory environment and economic circumstances that enable illicit trade can improve sovereign credit ratings and reduce the cost of raising capital in the international financial markets.



5. MONEY TALKS: THE CROOKED CONNECTION BETWEEN ILLICIT TRADE AND CORRUPTION (RELEASING ON 22 FEBRUARY 2024)



One of the key underlying conditions that makes countries more vulnerable to illicit trade is corruption, which erodes controls designed to prohibit illegal goods to move across borders, undermines law enforcement operations to detect or interrupt illicit trade, and contributes to impunity of illicit traders. By revealing unambiguous acts of corruption occurring in specific economic transactions vulnerable to illicit trade, a typology of trade-related corruption can be established as a basis for purposeful policy and legislative remedies. Among the key findings in the report are that (i) corruption is emergent in every economic sector where illicit trade occurs and (ii) corrupt actions are often common across sectors such that corruption in one sector is emulated in other sectors. It will be critical to fortify policies and controls to prevent corruption and corrupt actors from compromising the integrity of the global supply chain.



About TRACIT

The Transnational Alliance to Combat Illicit Trade (TRACIT) is an independent, private sector initiative to drive change to mitigate the economic and social damages of illicit trade by strengthening government enforcement mechanisms and mobilizing businesses across industry sectors most impacted by illicit trade.

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