

## **Letter from the Executive Board**

Dear Delegates,

We take great delight in welcoming you to the United Nations Office on Drugs and Crime at Meluha MUN 2019.

The agenda for the UNODC is *Counterfeit Goods in Large Public Demand: Medicines, Clothes and Foods*. This agenda has been one of topics recommended by the UNODC for simulation: this is enough to make one realise the gravity of the issue at hand.

The UNODC has the mission of making the world safer from crime, drugs, and terrorism. To be effective and sustainable, responses to these threats must include strategies covering the following areas:

- crime prevention, especially urban crime prevention; youth-focused crime prevention; armed violence prevention; prevention of recidivism
- criminal justice reform: police reform, prosecution service, judiciary (the courts), access to legal defence and legal aid, prison reform and alternatives to imprisonment, and restorative justice
- justice for children; support and assistance to victims; gender in the criminal justice system

This Background Guide serves as an introduction to the agenda of this committee and is not intended to replace individual research. We encourage you to delve deeper into the policies of your Member State.

We wish you all the best in your preparations and look forward to seeing you at the conference.

Regards,

Parshva Shah (Chairperson)  
Bhardwaj Vangipuram (Vice Chairperson)  
Tanish Goel (Director)

## Introduction



**Figure 1: Counterfeit Consumer Goods from East Asia to Europe**

*As a global, multi-billion dollar crime, organized criminal groups have not hesitated to cash in on the trade in counterfeit goods. In many parts of the world, international, regional and national law enforcement authorities have uncovered intricate links between this crime and other serious offences including illicit drugs, money laundering and corruption.*

*The involvement of organized criminal groups in the production and distribution of counterfeit goods has been documented by both national and international authorities. Some of the key products are in large public demand, making this specific criminal market exceptionally profitable.*

*Groups such as the Mafia and Camorra in Europe and the Americas, and the Triads and Yakuza in Asia have diversified into the illicit trafficking of counterfeit goods, while at the same time being involved in such crimes as drug trafficking and human smuggling, extortion and money laundering.*

*Delegates report on their experience in the fight against counterfeiting of products, particularly medicines, clothes and foods (including beverages), recommending best practices and innovative solutions. They also deliberate on possible collaboration with the private sector and other relevant stakeholders.*

## Medicines

The World Health Organization (WHO) estimates that as much as 10 per cent of the global pharmaceutical market – a half-trillion-dollar marketplace – is counterfeit. In some countries, the WHO estimates that 25 per cent or more of the entire drug supply is counterfeit.

Why is there such unfortunate growth in counterfeit pharmaceuticals? The answer is multifaceted and complex, but the causal forces can be captured in:

- the profitability of the activity;
  - the relative ease of it;
  - the demand for drug products;
  - the cost of prescription drugs;
  - the web of country-specific regulations;
  - the vast cost disparities between countries on products;
  - the ease of transporting pharmaceuticals (which are generally shipped in cases, not pallets);
  - the practice of relabelling, repackaging, and reimporting controlled substances;
- and
- the low prospect of being caught once the counterfeit pharmaceuticals are integrated into the drug supply.

The global pharmaceutical industry's counterfeiting problem is only exacerbated by the nature of its supply chain. In fact, the industry has been characterized as having “one of the world's most complex and opaque supply chains,” producing “a web of legitimate, quasi-legitimate and illegitimate trade”. With that, the sourcing of counterfeit drugs is now global, as fake pharmaceuticals have come from not only China and India, but also from Central and South American, African and European countries as well.

Law Enforcement Agencies around the world in tandem with governments and organisations is striving hard to try and tackle the issue at hand through specialised operations. Results from this string of law enforcement operations around the world are slowly building a profile of the trade that shocks even regulators familiar with the issue. Health experts believe such operations have only scratched the surface of a flourishing industry in counterfeit medicines that poses a growing threat to public health around the world.

Asia accounts for the biggest share of the trade in counterfeit medicines, according to the industry-funded organization, the Pharmaceutical Security Institute. But, according to Interpol officer Aline Plançon, there are counterfeit medicine cases in every part of the world. “There is a flow of products coming from everywhere and going to everywhere, there are so many hubs,” she says.

The threat from counterfeit pharmaceutical products is hardly new; many national authorities have long waged their own struggle against counterfeit medicines. Although WHO has been working actively on this complex, politically sensitive issue since it was first discussed in May 1998 at the World Health Assembly, enforcement efforts stepped up a notch in 2006 when it launched the International Medical Products Anti-Counterfeiting Task Force

(IMPACT), drawing members from international organizations, enforcement agencies, industry and nongovernmental organizations.

The range of counterfeit products reaching markets has also broadened with the increased commercial use of the Internet to provide a dizzying array of both branded and generic drugs. In more than 50% of cases, medicines purchased over the Internet from illegal sites that conceal their physical address have been found to be counterfeit.

“In a shocking development, it was discovered relatively recently that counterfeit versions of lifesaving prescription medicines for cancer and serious cardiovascular diseases are also being sold to consumers online,” the European Alliance for Access to Safe Medicines reports.

Even though higher-income countries have stringent regulations and better law enforcement, they also offer great rewards. According to the Medicines and Health care products Regulatory Agency in the United Kingdom, counterfeiters now also target the most lucrative markets, copying high-value, high-turnover, high-demand drugs. “Counterfeiting is primarily motivated by its potentially huge profits,” says Kopp. “Criminals are adept at quickly adjusting to where the most money can be made.

Additionally, the scale and ingenuity of the trade in counterfeits poses a formidable challenge to enforcement. Moreover, international trade presents easy opportunities for counterfeiters to insert their products into the supply chain of legitimate pharmaceuticals and to disguise the source. “Even in hospitals, we have seen deliveries where counterfeit medicines have been added to genuine batches of medicines,” says Kopp. “The counterfeiters simply falsify the delivery papers by adding an extra zero to the quantity supplied, then they make up the difference by adding their own boxes to the order.”

## **Clothes**

Counterfeit is technically violation of Intellectual Property Rights. Counterfeit products are generally made from low grade materials, the industries generally do not follow the rules laid down for labour by International Labour Organisation. In the fiscal year 2013, Department of Homeland Security, United States of America reported that about \$1.7 billion worth counterfeit products were seized. Clothing, accessories and shoes alone contribute to about 57% of total revenue generated by counterfeit products and its trafficking. The UNODC's own research estimates that counterfeit products business is above \$250 billion.

Globally, the demand for counterfeit products are created by consumers. The counterfeit trafficking is a victimless business. The multi nationals whose products are counterfeited make no significant damage to their business. The consumers who purchase are benefitted by the low cost offered by counterfeit products. The market for counterfeit products is due to consumers demand for branded accessories at lower costs.

### **Illegal Trafficking of Counterfeit Clothes as Source for Organised Crimes**

The planned attacks on French Satirical Magazine, Charlie Hebdo by brothers Said and Cherif Kouachi which killed more than 12 people was funded by selling counterfeit clothes and accessories in Paris. The Director of U.S. Homeland Security's National Intellectual Property Rights Coordination Centre, Bruce Foucart, suggests that selling luxury products on streets of Paris funded the attacks. He further suggests that there is always a link between "The sales of counterfeit goods to the guns and arsenals purchased". The two brothers were acting on behalf of Al-Qaeda. The purchase of arsenal and radicalization of Muslim youth in France was done using the revenue generated by selling counterfeit goods smuggled from other countries.

Illegal trafficking of counterfeit goods can contribute to funding of organised crimes most of the times. Child labour and harassment, human trafficking and wild life poaching is few of the organised crimes which are funded by selling counterfeit clothes and accessories. Terrorist organisations. In the hearing of One Hundred Ninth Congress before Committee on Homeland Security and Governmental Affairs United States Senate, Counterfeit Goods are termed as Easy Cash for Criminals and Terrorists. In January 2005, International Anti-Counterfeiting Coalition stated that there is ample evidence that terrorist organisation is profiting from manufacture and selling of counterfeit clothes and accessories. The institutions and mechanisms set by countries world wide have hurt terrorist organisations. Thus, they are avoiding formal channels of instead resorting to more riskier businesses such as bulk cash smuggling or illegal trafficking of consumer goods.

### **Role of Anti – Counterfeit Trade Agreement in Curbing Counterfeit Goods:**

Anti – Counterfeit Trade Agreement was proposed by Japan and United States of America in 2008 for curbing infringement of intellectual property rights. The European Union, Australian along with many other countries over the years tried to bring the body into effective similar to World Trade Organisation. During voting in 2010, the motion was dismissed due to fewer number of votes for establishment of such a body.

## **Foods**

Another area that continues to be exploited by counterfeiters — and one that is often not considered in the public mind when discussing fake products — is foodstuffs.

Food fraud is a collective term used to encompass the deliberate and intentional substitution, addition, tampering, or misrepresentation of food, food ingredients, or food packaging; or false or misleading statements made about a product, for economic gain.

Every year consumers throughout the world are deceived into buying expensive counterfeit foodstuffs. A ploy favoured by criminals is to intentionally mislabel and misrepresent foods as luxury items or as originating in certain countries, allowing them to raise prices. A recent estimate based on data from the United Kingdom Food Standards Agency suggested that fraud could affect as much as 10 per cent of all the food bought in that country. One such example is that of “wild” salmon, which, it is estimated, is in fact farmed fish in one out of every seven cases.

The motivation for food fraud is economic or financial, but the result or impact is a real public health vulnerability—whether a public health incident ensues, the adulteration or misbranding creates the potential for harm. In some ways, food fraud threats could be considered more risky than traditional food safety threats since the contaminants are unconventional.

But it is not simply a matter of people being conned into believing that they are eating superior food. In just one example of the life-threatening potential of the trade in counterfeit foodstuffs, thousands of Chinese babies became sick in 2008 after drinking contaminated milk formula containing melamine, a chemical normally used in plastics. While the chemical is banned from use in food, it is added to watered-down milk in order to make the liquid appear higher in protein when tested. The ripples of this food scare were felt internationally, with fears that the contaminated products may have reached other parts of the world. There have also been cases where dangerous chemicals have been found to be present in fraudulent food in place of other more expensive and legitimate additives.

In 2012, counterfeit alcohol killed at least 20 people in the Czech Republic, with many others suffering from serious illnesses and even blindness. The concoctions, which were bottled and labelled to look like genuine brands, were laced with industrial chemical methanol which was believed to have come from windscreen wiper fluid.

Food Safety Risks:

- Allergens
- Pathogens
- Poison or Harmful Chemicals
- Inactive Ingredients or Preservatives
- Other Non-GMP Environment Issues

### **Questions A Resolution Must Answer:**

1. What can be the appropriate legislation to combat the rising counterfeit market?
2. Can an international body such as proposed by Anti – Counter Trade Agreement help in controlling smuggling and manufacture of counterfeit goods?
3. What are the human rights aspect of production of manufacture of counterfeit goods?
4. What measures that can be taken to control cross border trafficking of counterfeit goods?
5. What are the modern and efficient ways of identification of counterfeit goods?

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