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EU Survey Cites China as Primary Source of Counterfeits

By John Zarocostas

GENEVA — A European Union business survey identified China, the source of two-thirds of all counterfeit goods seized in the EU, including luxury items and textiles and apparel, as the top priority in the battle against counterfeiting.

Luxury goods and textiles and apparel account for the bulk of EU customs seizures, although less than they did a few decades ago, given the explosion in counterfeiting in a whole range of goods, said Peter Mandelson, a spokesman for EU trade commissioner. Between 1998 and 2004, EU customs seizures of counterfeited goods were valued at 103 million euros (about \$129 million at current exchange rates), but officials noted that amount likely represents only a fraction of the black-market commerce.

The survey by the EU's executive arm, the European Commission, drew on about 290 replies from enterprises and trade associations in 63 countries. It also concluded that counterfeiting of European branded goods is enormous in emerging countries where enforcement is weak.

Replies from foreign-owned companies and agents based in China noted that local manufacturers have resorted to the "corporate veil" and "shell game" to avoid enforcement of license and patent right accords.

"A complex network of thinly capitalized companies are established," the survey said. "These corporate siblings use similar business names, share trademarks, customer bases and supplies."

The licensing revenues lost in China were estimated in excess of 100 million euros (\$125 million) in 2005 alone.

Among the problems were corruption, lack of criminal prosecution of counterfeiters, poor coordination among enforcement authorities and failure by customs to adequately inspect and detain shipments of counterfeit goods.

The survey said in Hong Kong counterfeiting of trademarks and designs is found mainly in luxury goods such as apparel, handbags and watches, and noted that counterfeiting remains a problem "due to Hong Kong's proximity to Guangdong province" in mainland China.

In Argentina, the study said the spectrum of counterfeiting is "quite wide" and includes the infringement of trademarks in textiles, apparel, footwear and luxury products. Infringement is also widespread in neighboring Brazil, on goods including textiles and apparel.

In Turkey, a major textiles and apparel exporting country, activity is widespread in the counterfeiting of trademarks and designs in textiles and sporting goods. The study said counterfeit textile manufacturers not only supply the Turkish market, but also "produce a substantial portion of the counterfeit products found in Western European markets."

The report identified the Turkish cities of Adana, Bursa, Istanbul, Izmir and Mersina as major counterfeit production areas for textiles. Turkey, along with Russia, Ukraine and Chile, have been identified as second-level priority countries after China.

In Mexico, the survey estimated counterfeit textiles and apparel mainly imported from China account for 58 percent of the market and said the country is used as a transit point for counterfeit goods destined for the U.S. and sometimes the EU. The study said counterfeit textiles and apparel were also a major problem in Egypt, Indonesia, India, Pakistan and Thailand. The EU indicated it does not exclude the possibility of action in the World Trade Organization against major violating countries.