

László Kovács

European Commissioner in charge of Taxation and Customs Union

Press conference

Brussels, 8 February 2005

Stepping up action against counterfeiting and piracy

1 Introduction

I am here today as the Commissioner responsible for Customs to talk about a problem which is already serious and is getting worse. Counterfeiting undermines competitiveness, destroys honest jobs and threatens the health and security of citizens around the world.

EU Customs are in the forefront of this battle and, according to our understanding, seize more fakes than any other enforcement agency in the world. In 2003 EU Customs seized about 100 million fake items - which represents a 900% increase in four years.

Even though these seizures are reckoned to correspond to more than 1 billion Euros - they are only the tip of the world's "fake iceberg" which is estimated to involve more than 400 billion Euros.

We are faced by a growing flood of illegal and dangerous products and we must take firm and concrete steps to counter this growing fake traffic. I would therefore like to take a few minutes of your time to outline this problem and to inform you of measures we will be taking to further protect society from the all too "real" threat of fakes.

WHAT IS THE PROBLEM?

A quick look at the latest customs seizures for 2003 and some samples of the goods seized shows what we are up against.

Look at the overall figures which show more than 92 million articles seized. This figure is an under-representation of the total as we do not include many tons of items seized where it is not possible to count the numbers, nor do we include cases where customs decide to seize counterfeit under other legislation - such as the excise law - where the penalties may be greater. This applies particularly to counterfeit cigarettes. The 2003 figures show a 9% increase compared to 2002. Of greater concern is the growth in some health threatening sectors - such as foodstuffs, where seizures have increased by more than 77% in comparison to the previous year. EU Customs seized almost 1.5 million foodstuffs in 2003 (samples include mineral water,

sweets, chewing gum, and olive oil). Or children's toys, where more than 12 million fakes were seized, almost 1000% more than in 2002.

You will also see that DVDs, software and the like remain a big favourite with criminals. This is partly because they can make more profit out of this traffic than from some forms of drug smuggling, but also because large scale production is relatively easy.

If we turn to the source of the counterfeit products, you will see that most of the production is from the Asian region, China alone represents the source of more than 60% of the fakes stopped by Customs in Europe.

China is now actively trying to stop this trade and we welcome the recent strengthening of their customs law and its similarity to the EU Customs anti-counterfeiting legislation. However, with more than 5000 sea-containers arriving daily from China and 1000 flights a week coming to Europe from Asia, we face a difficult challenge.

The EU Customs co-operation agreement recently signed with China will, however, provide both sides with a new weapon we can use together to help stop the flow of fakes.

WHAT ARE WE UP AGAINST?

We have seen the problem, let us turn to who are we fighting against. You do not have to be a genius to see that you cannot produce large quantities of the high quality fakes that you see before you without serious equipment and very good organisation. We are talking about organised crime producing fakes on an industrial scale.

Look at complete mobile phones; HP laser ink cartridges; car parts such as this complete brake assembly or pharmaceuticals perfectly presented. This level of production needs investment in technology and skill. The fact that these criminals are prepared to produce extremely dangerous fake products such as medicines and car parts shows they have no scruples whatsoever.

The range and quality of the fakes now being stopped by customs illustrates already one of the difficulties they face in tackling this traffic. However, distinguishing the fakes from the real thing is only part of their problems. Criminals increasingly turn to smuggling to get their illegal goods past Customs. Let me show you a few examples and you will see exactly what I mean. These techniques, and the avoidance of direct routes for many shipments, are very similar techniques to those used by drug smugglers - which indicates the type of organisations we are facing.

WHAT NEXT?

The first Customs returns for 2004 – which include the results from new Member States – show that the problem continues to grow. This is not surprising, as many very large countries are rapidly increasing their industrial capacity and criminals are not slow to see an opening for quick and very large profits.

We already have a number of measures in place and we have firstly to make sure we fully exploit the possibilities they offer. These include the new EU Customs law which has been in force for just over six months. This law means Member States can no longer charge business for Customs interventions and makes it much easier for businesses to use legal means to protect themselves. It also makes it possible to destroy fakes without the need for lengthy and expensive legal proceedings. Keeping costs down is important, especially as more Small and Medium Enterprises are now suffering from counterfeiting. In addition, it introduces many new possibilities for improving the effectiveness of controls, particularly via greater co-operation and information exchange between Customs and business.

We must also act on the international front. I have mentioned already the new Customs agreement with China. We will use existing and future agreements with our main trading partners to share information and experiences with our colleagues in these countries in order to fight this traffic wherever we can.

Counterfeiting is a worldwide phenomenon and needs a global response. We must therefore also encourage our partners to introduce the same customs checks on export and transit traffic as we have in the Community. An amendment to the Customs element of the TRIPS agreement in this direction could bring real benefits.

That's enough about the issues. What are we going to do in practice?

We need a number of concrete initiatives involving the key players - that is Business, Customs and the International Community.

In terms of increasing co-operation and information exchange with business, we want to:

- Use Memoranda of understanding to promote co-operation with key players such as shipping lines, express carriers, airlines

- Work with business to produce practical guides for customs and promote targeted actions in high risk areas
- Establish regular meetings with business to focus joint efforts
- Provide training for business on customs requirements

Together with customs administrations we want to develop the following concrete actions:

- A task force of specialists to work in Member States and overseas
- Joint controls for high risk areas
- Real time exchange of risk information via a secure system

International actions would include:

- Using the Customs co-operation agreements to create feedback systems to cut off counterfeiting at source, and
- Increased partnership with other international organisations such as the World Customs Organisation and Interpol

CONCLUSION

I hope I have given you a flavour of the latest situation as evidenced by the EU Customs information, and our intended response. My colleagues are available if you require additional technical information.

We are faced with a dangerous and growing traffic. Customs results following enlargement show that the Customs seizures continue to increase significantly as do the number of cases where they are required to intervene. This is not unexpected, we are after all faced by criminals who know what they are doing and do not care too much who gets hurt in the process. We have to think just as practically as they do and act decisively if we are to protect ourselves and the world from this threat to our safety and our economy.

Customs have done a lot already – we now need them to step up their actions further. However, any significant improvement will be dependent upon having political engagement at all levels, making available the necessary resources and a strong commitment from business.

To get the best results, we have to take these practical actions forward in a structured way. I stress the term "practical actions" because we face a real threat which requires "action not words" in response. I am currently

considering the publication of a strategic plan, possibly in the form of a Communication, which will ensure this important subject receives the political attention it merits.

Some of you may think I have banged the anti-counterfeiting drum a little too loudly today. I would agree that sometimes the real scale and scope of counterfeiting is so shocking that presentations such as this can appear exaggerated. So, if the samples and figures we have presented have not convinced you, allow me to close by leaving you with a few images of just how far counterfeiting can go.