

# TRADE IN COUNTERFEIT GOODS AND THE ITALIAN ECONOMY

2021 update





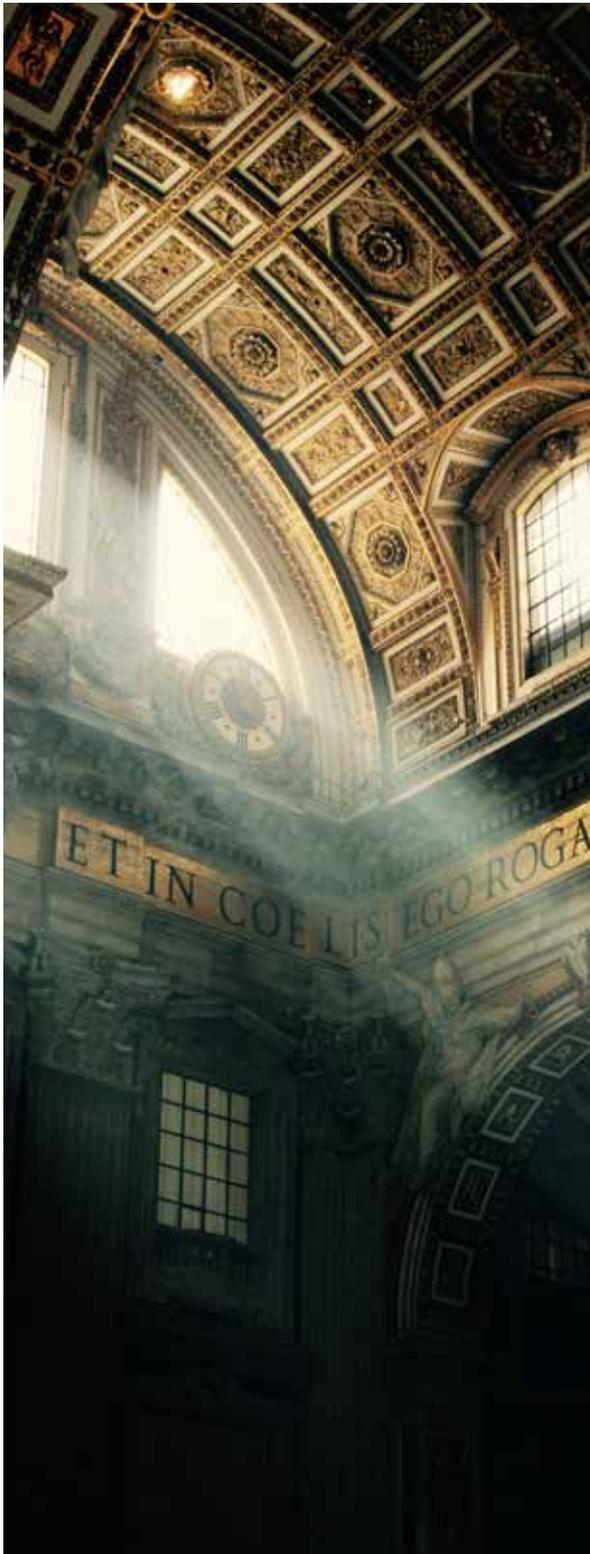
Trade in counterfeit goods is a vital threat that continues to evolve in both: scope and magnitude. Illicit trade in counterfeits trigger significant risks to innovation, efficient business and the well-being of consumers, while it becomes simultaneously a key source of income for organised criminal groups.

- For consumers, counterfeiting leads to big dangers for the health, safety and privacy. It may also lower consumer satisfaction, when deceived consumers buy low-quality fakes.
- For industries — rights holders and their legitimate retail companies — counterfeiting leads to revenue losses, and in the longer term continuously erode brands' value.
- For governments, counterfeiting means lost tax revenues, higher unemployment and greater expenses incurred in ensuring compliance with anti-counterfeiting legislation, and in reacting to public safety threats and labour market distortions.

In case of Italy this is particularly damaging as Italy is a modern innovative economy that focuses on exports. "Made in Italy" is a good, global brand on its own, and counterfeiters know it.

# KEY FINDINGS

- Global trade in counterfeit and pirated products infringing Italian trademarks amounted to as much as 24.3 billion euros in 2018, equivalent to 3.6% of total Italian manufacturing sales (domestic plus exports) of impacted sectors.
- Sectors that were particularly targeted in absolute terms (i.e. in terms of the absolute value of trade) include: clothing, footwear, leather and related products as well as electronic, electrical and optical products and scientific instruments (figure). In relative terms (as percentage of total trade in a given product category), electronic, electrical and optical products and scientific instruments, perfumery and cosmetics and household cultural and recreation goods; including toys and games, books and musical instruments were the most often faked type of products worldwide.
- Over the past years, counterfeiters have focused on core Italian manufacturing sectors such as clothing, footwear and leather goods and optical products. For example, the Italian clothing industry lost almost 10% of sales due to counterfeiting of their products worldwide.
- China, Turkey and Hong Kong (China) are the main provenance of counterfeit and pirated goods that infringe the IPRs of Italian right holders.
- Market for counterfeit products in Italy accounted for as much as EUR 8.7 billion in 2019, the equivalent of 2.1% of Italian imports. The intensity of counterfeiting in Italy varies considerably across product categories. In absolute terms, electronic, electrical and optical products and scientific instruments and clothing were by far the most counterfeit type of goods, with an estimated value of EUR 2.6 and 2.5 billion of fakes sold in Italy in 2019. In relative terms, household cultural and recreation goods; including toys and games, books and musical instruments and clothing, footwear, leather and related products were most targeted by counterfeiters, with fakes accounting for 10% and 7.1% respectively of Italian sales from these product categories.
- 62% of counterfeit products sold in Italy in 2019 were actually sold on secondary markets, to consumers, who know they buy fakes. The remaining share was therefore unwittingly bought by consumers on primary markets. The share of fakes destined for secondary markets in Italy varies significantly by product, ranging from 31.9% for motor vehicles and motorcycles to 64.4% for clothing, footwear, leather and related products.
- The results indicate that between 2016 and 2019, more than a half of goods that infringe Italian IPRs traded worldwide were offered on primary markets, i.e. they were sold to unsuspecting consumers that believed to buy genuine goods. This share varies between product categories, ranging from 11.1% for fabricated metal products (e.g. machine spare parts) to 53.5% for clothing, footwear, leather and related products.

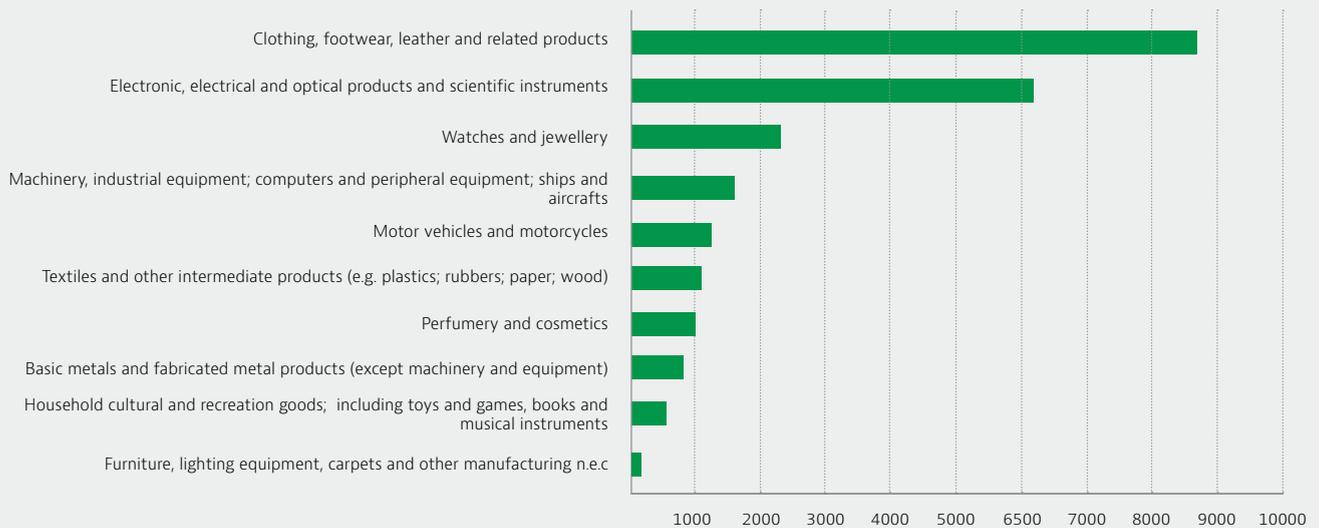


## IMPACTS ON ITALY

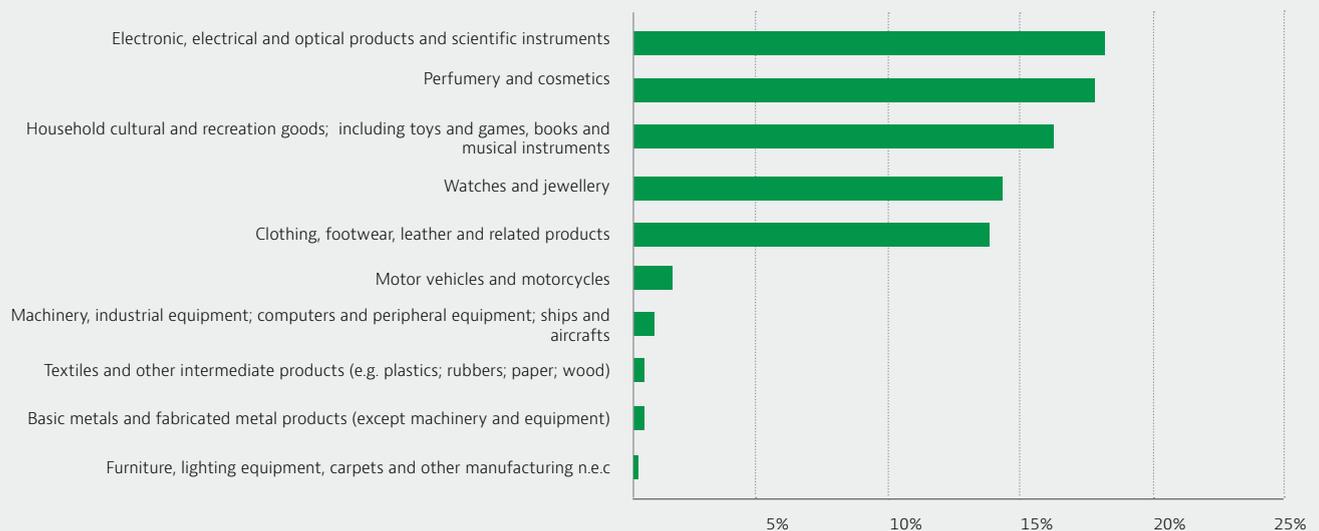
- The estimates for consumer detriment in Italy due to consumer deception on primary markets in 2019 amounted to almost EUR 6.7 billion.
- The total volume of foregone sales in the Italian wholesale and retail sector due to counterfeit and pirated imports in 2018 was EUR 4.2 billion. This is equivalent 3.2% of total sales in the Italian wholesale and retail sectors impacted by counterfeiting in that year.
- The total volume of foregone sales by Italian innovative companies due to infringement of their IP rights in 2018 amounted to 16.9 billion of euros, or 2.5% of total sales of these Italian companies in that year (domestic plus exports).
- Lower sales reduce demand for labour, and consequently kill jobs. The total job losses in the Italian retail and wholesale sector in 2018, due to illicit markets for counterfeits amounted to more than 20 thousand employees, equivalent to more than 2.1% of all people employed in the impacted sectors. The total number of jobs lost in the Italian innovative industries due to the global theft of their trademarks amounted to more than 51 thousand jobs. It is an equivalent of 2.1% of the total number of employees in the Italian manufacturing impacted sectors.
- Lower sales due to the counterfeiting markets in Italy mean lower tax revenues for the Italian government from value-added tax (VAT) revenue, corporate income tax (CIT), personal income tax revenues and social security contributions. In 2018, this foregone tax revenues from the retail and wholesale sector amounted to EUR 1.7 billion, 0.5% of total revenue of Italian government.

**Figure 1. "Made in Italy?" Infringement of Italian IP worldwide, by sector**

*A. In terms of value (EUR mn)*



*B. In terms of share within the product category*





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