

Chapter 4.

Conclusions and next steps

The findings of this study should help both public and private sector decision makers to better understand the nature and scale of the trade in counterfeit goods for the UK economy, and to develop appropriate, cohesive, and evidence-based policy responses. Furthermore, the methodology developed for this report can lend itself to a number of additional exercises. These could include other country studies, which could eventually lead to a benchmarking exercise. This methodology could be also re-used to determine the scale of harm caused by counterfeiting on the UK economy once the new data become available.

This report has presented a state-of-the-art quantitative analysis of the scale of counterfeiting in the UK context and of its negative impacts in certain areas, such as on jobs, consumers and public revenue. The study developed a methodology to gauge the magnitude and scale of counterfeit trade in the UK and to quantify its direct economic impact. It relied primarily on a unique international set of customs seizure data, as well as structured interviews with trade and customs experts.

The results show that imports of counterfeit goods to the UK accounted for as much as GBP 9 billion in 2013. This represents 4% of UK imports, well above the 2.5% average share of fake goods in world imports. In the same year global trade in products that infringe UK trademarks or patents accounted for as much as GBP 1.4 billion. This represents 3% of the UK manufacturing production. China is the main provenance country for both counterfeit goods traded to the UK, and counterfeit goods that infringe IP rights of UK firms.

In addition to quantifying the magnitude and scale of counterfeit trade in the UK, the study also estimated its direct, economic effects on the UK. In particular, the best available estimates based on the customs data indicate that global counterfeiting and piracy in 2013 resulted in 60 000 lost jobs in the UK, comprising 40 000 in the retail and wholesale sector, and 20 000 in the manufacturing sector. That same year, counterfeit and pirated trade resulted in almost GBP 3.8 billion of foregone tax revenue for the UK government, of which GBP 2.4 billion were due to counterfeit imports to the UK and 1.4 billion were due to illicit trade in goods that infringe IPR of UK residents.

The magnitude of the issue, and the scale of its impact, should be of concern to both policy makers and the private sector. It has significant implications for the future, including on the UK's highest added value activities and innovation potential, both of which are sources of long-term economic growth.

Next steps

The unique methodology developed for this report can lend itself to a number of additional exercises. These could include other country studies, which could eventually lead to a benchmarking exercise. The potential for additional case studies is particularly

fruitful where the data are abundant and where there is evidence of significant impact by infringements.

The methodology could also be successfully and repetitively re-applied to determine the relative changes of the scale and impacts of counterfeiting and piracy in the UK. In addition, the methodology offers some flexibility to accommodate improvements in research, for on example substitution rates. This could lead to a more detailed analysis that would produce a more complete picture of trade in counterfeit and pirated goods, and its negative impact on right holders, governments and consumers in the UK. Chapter 3 points to a number of areas where methodologies and data collection can be improved.



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