

# Executive summary

Global trade in counterfeit goods continues to grow in scope and magnitude, with multiple impacts on consumers, rights holders and governments. For consumers, counterfeiting poses dangers for health and safety. It also lowers consumer satisfaction when low-quality fake goods are unwittingly purchased. For intellectual property rights holders, counterfeiting means lost sales as well as brand erosion. For governments, counterfeiting leads to lower tax revenues and higher unemployment, as well as greater expenses in reacting to public safety threats and dealing with anti-counterfeiting legislation.

This report illustrates how trade in counterfeit and pirated goods affects the Swiss economy. It looks at the problem from two perspectives. First, it studies the magnitude and impacts of global trade in counterfeit Swiss goods. Second, it explores the impact on four Swiss industries: watchmaking; the mechanical, electrical engineering and metalworking industry; the fast-moving consumer goods industry (FMCG); and the pharmaceutical industry. The analysis identifies specific product categories targeted, the main economies of origin of counterfeit goods, and the main trade routes and transit points used. The analysis also assesses the losses due to counterfeiting, in terms of forgone sales and lower profits by Swiss innovative companies, taxes forgone by the Swiss government and jobs lost in Switzerland.

The COVID-19 pandemic has affected trade in fake goods that infringe Swiss companies' IP rights. In most cases, the crisis has aggravated the existing trends, but in terms of absolute volumes, the impact seems to be rather moderate. The key trend has been the very intense abuse of the online environment, as, under confinement, consumers turn to online markets to fulfil their needs. This resulted in a massive growth in the online supply of all sorts of counterfeits, including those infringing Swiss IP. This sharp increase in fakes concerned not only medicines and personal protective equipment (PPE), but also many other goods, including watches, fast moving consumer goods, and products of the mechanical, electrical engineering and metalworking industry.

## Key findings

- The total value of world trade in fake goods that infringed Swiss intellectual property (IP) amounted to as much as CHF 7 billion (USD 7.02 billion) in 2018, equivalent to 2.3% of all Swiss genuine exports.
- Among Swiss counterfeit products, watches are by far the most targeted product for counterfeiting. Other Swiss products commonly faked include clothing, leather products and footwear.
- Counterfeit and pirated goods that infringe the intellectual property rights of Swiss rights holders come mainly from China, Hong Kong (China), Singapore and Turkey.
- Over 2017-2019, about 54% of fake goods that infringe Swiss IP were sold to consumers who knew they were buying fake goods. The share of consumers who knowingly demand fake Swiss goods does not seem to recede; between 2013-2016 it amounted to 52.3%.
- Those consumers that demand genuine “Swiss made” goods, but instead receive sub-quality fakes, suffer damage calculated at CHF 2.056 billion (USD 2.068 billion) in 2018.

## Impact on the Swiss economy

- In 2018, the total lost sales of Swiss IP rights holders due to trade in fake goods infringing their rights amounted to more than CHF 4.45 billion (USD 4.48 billion). The clothing, footwear, leather and related products sector experienced the highest losses (12.5% of sector's exports), followed by the watch and jewellery sector (6.1%).
- In 2018, total job losses due to trade in counterfeit goods infringing Swiss IPRs amounted to 10,000 people. These losses were the highest in the watch and jewellery sector, followed by clothing; footwear; leather and related products.
- Lower sales due to counterfeiting mean lower revenues for the Swiss Government from corporate income tax, personal income tax and social security contributions. Altogether, trade in counterfeit and pirated goods resulted in a reduction of Swiss public revenues estimated to equal to almost CHF 157.4 million (USD 158.4 million) in 2018.



From:

## Counterfeiting, Piracy and the Swiss Economy

Access the complete publication at:

<https://doi.org/10.1787/1f010fc9-en>

### Please cite this chapter as:

OECD (2021), "Executive summary", in *Counterfeiting, Piracy and the Swiss Economy*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/f0273549-en>

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