



## UNCTAD Illicit Trade Forum

3-4 February 2020

Palais des Nations, Geneva

*Remarks by*

**Shelley Duggan**

*Founding member and Co-Chair of TRACIT*

*Chief Trade Mark Counsel & Global Brand Protection Leader at Procter & Gamble*

### Introduction

- Good morning.
- I'd like to start by saying that I'm here today wearing two hats:
  - I'm a founding member and Co-Chair of TRACIT, and,
  - I'm Chief Trade Mark Counsel & Global Brand Protection Leader at Procter & Gamble.
- As Co-Chair of TRACIT, let me begin by expressing my appreciation to Secretary General Kituyi and Director Hamilton for:
  - hosting this Forum and,
  - for prioritizing the challenge of illicit trade.
- Companies that join TRACIT do so because we believe that stopping illicit trade is a social and economic imperative.
- We are committed to supporting your work against illicit trade, and we will do so by:
  - Sharing our business expertise, experience and best practices,
  - Raising awareness on the risks of illicit trade and,
  - Helping—when and where we can—to shape practical regulatory structures.

### Counterfeiting as a form of illicit trade

- As we heard this morning, the types, risks and damages of illicit trade are not limited to one product, one sector or a single company. Illicit trade is wide-ranging – from conflict diamonds and illicit alcohol to unregulated fishing and substandard pharmaceuticals.
- Another dangerous form of illicit trade—and possibly the one that people are most familiar with—is the problem of counterfeiting.

- So now—with my P&G hat on—I'd like to speak to you about counterfeiting.
  - I will concentrate on the size and shape of counterfeiting,
  - Explain how it negatively impacts achievement of the SDGs,
  - And share some views on measures that can be undertaken to stop it.
- For starters, the illicit production and trafficking of counterfeits is an accelerating global phenomenon, and it accounts for the largest economic value of all forms of illicit trade.
  - The Organization for Economic Co-operation and Development (OECD) reports that counterfeiting has grown from US\$250 billion annually in 2007 to more than US\$461 billion now.
  - This is an increase of more than 80% in less than five years and represents more than 2.5% of world trade.
  - It also represents as much as 5% of all goods imported into the European Union.
- Examples include:
  - High-end luxury goods such as counterfeit watches, perfumes and leather goods.
  - Personal electronic products, such as mobile phones, computers, and gaming devices.
  - Pharmaceuticals and medical devices.
  - Household and personal care products such as laundry detergents, cosmetics and shampoos.
- Our products are used by billions of consumers as a part of their daily routines and lives. Consumers wash their hair with our shampoo, brush their teeth with our toothpaste, use our diapers to keep their babies dry and our razors to shave. As such, P&G takes counterfeiting very seriously.

### **Counterfeiting and sustainable development**

- An important objective of the Forum is to raise awareness on how illicit trade undermines economic and social development.
- So, I'd like to make a few points on this subject.
- Counterfeits are produced outside normal channels of commerce with little regard to environmental, health and safety regulations, posing risks to long term economic growth, consumer health, livelihoods and the environment.
- For example, the prevalence of counterfeit goods poses direct and indirect health and safety risks to consumers and the broader society.

- At P&G, we manufacture our products pursuant to good manufacturing practices and in compliance with applicable laws and regulations. Contrast this with counterfeiters who manufacture without any regard for consumer health and safety or product integrity. Counterfeit products are always substandard and can be harmful to consumers' health and safety. P&G's investigations regularly discover unsanitary and dangerous counterfeit manufacturing operations.
- Consumer health and safety is further jeopardized when the content of the counterfeit products is unknown and untraceable. If a safety issue arises, there is no reliable way of tracing the counterfeit product's origins. If there is an issue with a legitimate P&G product, the Company has processes and detailed records that can be used to quickly identify the issue and respond accordingly.
- Protecting consumers against counterfeits and illicit trade is consistent with P&G's purpose to touch and improve the lives of consumers around the world.
- Another example is the negative impact of counterfeiting on innovation.
- Today's increasingly knowledge-based economy is driven by innovation.
- Counterfeiting stifles economic growth and job creation by discouraging innovation, reducing incentives for companies to invest in R&D and inhibiting creative industries from realizing their full potential.
- Innovation has been core to P&G for more than 175 years and is key to the Company's future growth. We invest heavily in creating and manufacturing products, spending about 2 billion per year on R&D that enables us to create new products, upgrade existing products and improve our manufacturing processes.
- P&G relies on intellectual property protections for these investments and the consumer trust the Company has earned over its long history. Counterfeiters' theft of P&G intellectual property encroaches upon P&G's market share, suppresses profitability, hinders business growth and hurts the equity of our brands. Counterfeiters' theft frustrates the Company's capability to innovate and slows down the pace of upgrade.
- Counterfeiters challenge every company's ability to recover R&D and brand building investments and, if counterfeiters are not effectively contained, ultimately make innovation financially unsustainable.
- I think it's important to emphasize that the role that IPR protection and enforcement has in facilitating innovation...and thereby contributing to the achievement of the 2030 sustainable development agenda...has received broad international recognition, including several UN bodies.

## Looking Forward

- Illicit trade is a multi-stakeholder problem requiring multi-stakeholder solutions.
  - Laws and codes of practice need to be enforced by governments and regulatory bodies,
  - And, businesses need to keep track of their supply chains to ensure that they do not become exploited by illicit trade, with all the risks to revenue and brand reputation that implies.
- Consequently, there is tremendous value in a global forum like this – to connect us and to promote multidisciplinary solutions.
- Among these solutions, I believe we would all benefit from UNCTAD’s expertise in developing international trade policy and promoting guidelines and best practices.
- P&G's well-known, trusted brands touch the lives of consumers in more than 180 countries – most of them developing. International organizations like UNCTAD can help improve capacity building and technical assistance to developing country governments to support the implementation and enforcement of policies and rules like IP Rights to fight illicit trade.
- Collaborative relationships between business, law enforcement and government agencies around the world demonstrate the public-private partnership that is a crucial element to effectively fighting illicit trade.
- Areas where business and government efforts intersect, include:
  - Working with law enforcement agencies to identify and shut down large facilities manufacturing counterfeits.
  - Conducting training sessions for law enforcement and customs officers around the world on how to distinguish genuine P&G products from counterfeits.

In closing, your work provides us all with more tools to fight illicit trade. This complements the efforts we take at P&G and with TRACIT.

Counterfeiters and other illicit traders are criminals and P&G fully supports law enforcement efforts to identify, prosecute and bring them to justice.