

# GENERAL ASPECTS RELATED TO COUNTERFEITING OF MATERIAL GOODS

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## ABSTRACT

*In recent years, there has been a noticeable increase in the production of counterfeit goods, ranging from luxury items to products that have serious repercussions on individuals' well-being. This article presents the contributing factors to the rise of counterfeiting and its potential socio-economic impacts, including effects on innovation, business partnerships, environmental issues, employment rates and consumers. Research in the field of counterfeiting goods involves using a diverse set of methods to analyze and understand the phenomenon. Document research, such as legal documents, and analyses from international organizations, will give us information about the types of counterfeit goods, trade routes, and market trends.*

**KEYWORDS:** counterfeiting, counterfeiting, material goods

## 1. Introduction

Counterfeiting goods involves the illegal manufacturing or distribution of goods, deceiving consumers about their origin or quality. This phenomenon affects a wide range of products, from clothing and footwear to electronics, pharmaceuticals, and auto accessories.

Knowledge about counterfeiting goods is essential for protecting consumers, promoting a fair business environment, and maintaining market integrity. Education and awareness play a crucial role in addressing this complex issue.

## 2. The Concept of Falsification and Counterfeiting Goods

Falsification involves the imitation, substitution, refurbishment, or modification of a product to obtain a similar, often inferior, version for financial gain. The distinction between counterfeiting and other controversies lies in the intentional violation of intellectual property rights. To be considered counterfeit, a product

must infringe on industrial property rights intentionally. While the term “counterfeit” is widely used, not every imitation is necessarily a counterfeit.

The term counterfeit refers to “reproducing a document, an original product, fraudulently presenting it as authentic, intentionally distorting, imitating, falsifying” (<https://dexonline.ro/>).

Differentiating between counterfeiting and related controversies like imitation, trademark misuse, non-competitive competition, and piracy is essential. Counterfeiting encompasses various illicit practices, making it crucial to address these issues collectively.

The evolution of technology has significantly contributed to the prevalence of counterfeiting. Illegitimate traders leverage technological advancements, perpetuating the challenge of combating counterfeit goods.

### **3. Effects of Product Counterfeiting on the Economy and Consumer Safety**

Counterfeiting is an on growing phenomenon affecting all sectors, especially global trade and has strong ties to organized crime. The increasing diversity of counterfeit products, for example: food, toys, cosmetics, vehicle parts, and even medicines, poses a direct threat to consumer safety.

Counterfeiting products becomes entwined with illicit activities, fostering the continuous development of criminal networks. The goods resulting from counterfeiting are unsuitable for consumption, presenting a significant hazard to both affiliated producers and consumers. This situation poses substantial risks to the health and safety of the individuals involved.

Innovation has played a pivotal role in economic growth since ancient times, driving development and the exploration of diverse ideas that introduce new products to the market. Recognizing the threats posed to their products, manufacturers have taken a stand against counterfeiting, striving to safeguard their innovations through the use of patents, rights, trade secrets, and trademarks. The concern is that, without adequate protection of intellectual property rights, the ability to generate new concepts might be significantly constrained. All these things ultimately lead to the “*exhaustion of the innovation process*” (Grossman & Shapiro, 1988).

The heightened risks are especially pronounced in industries where the initial expenses associated with research and development for the creation of novel, innovative products are substantial compared to the eventual production costs of the end products. From a financial perspective, this principle stands as a cornerstone in the evolution of the counterfeiting concept over time. Moreover, the counterfeiting of goods has direct repercussions on the environment. Firstly,

the escalating prevalence of counterfeit goods gives rise to environmental challenges, as their disposal necessitates a costly process, resulting in significant waste. Secondly, the production of counterfeit goods adversely affects soil integrity. A notable example is observed in the chemical industry, where the use of contaminated fertilizers has led to severe environmental incidents in regions such as Russia, China, Ukraine, and Italy.

On a global economic scale, there is a noticeable shift in direct employment and employer-conceptualized jobs away from unregulated producers. However, this transition in employment frequently entails substandard working conditions, implicitly impacting the well-being of workers, particularly since these companies with uncertain reliability are often financially precarious. In conclusion, it is important to highlight that “*workers must be aware that recognized companies value their workforce and ensure favorable working conditions according to current norms*” (Commuri, 2009).

Studies indicate that there are two categories of workers affected by this illicit practice: those employed by victimized companies and, implicitly, those working for illicit enterprises. Primarily, companies impacted by these practices curtail their operations, leading to consequences such as workforce layoffs, which prove detrimental when production diminishes. The French National Committee estimates a potential loss of up to 100,000 jobs in Europe and 200,000 jobs globally. The global job losses are a cause for concern, particularly evident in nations involved in the production of counterfeit goods, such as China, where an illicit and inexpensive labor force is emerging. Workers are also exploited in significant proportions within these illicit manufacturing operations, often characterized by their small-scale sizes.

According to a UNIFAB report, workers in the 100 companies

*“consider that 57% of the risk of conflicts have negative effects on businesses from a job point of view”* (<https://www.unifab.com/>). Of the 100 companies surveyed, more than half admit that it causes a direct impact on employment and therefore on workers (dismissal).

In summary, it can be asserted that across various sectors, a considerable number of jobs have been forfeited due to this workforce trend.

Regarding the circumstances of legitimate producers and products susceptible to counterfeiting, the scenario is far from favorable. The challenges they encounter can be outlined as follows:

- *“low volume and underlying sales prices;*
- *damage to the reputation of the company and the value of the brand;*
- *low royalties;*
- *reluctance to invest in new products;*
- *costs and increases in expenditure for the purpose of combating conflict”* (Fill, 1999).

The decline in market share for authentic products is exacerbated by the constant pressure on brand reputation caused by the proliferation of counterfeit goods. In instances involving trademarks and violations of consumer rights, the loss of market share can be attributed to the following dynamics: consumers opt for counterfeit products under the belief that they are secure, knowingly choosing these items at the expense of their own well-being.

Counterfeit goods can profoundly impact the brand image and reputation of respective companies. This erosion of perception intensifies over time, correlating with declining sales and posing increasing harm to consumers. For instance, individuals who initially believed they were purchasing a genuine product but received a counterfeit one may become hesitant to

make future purchases, leading to a loss of consumer confidence. This lack of awareness about being deceived may further discourage these consumers from buying products altogether. In most cases, these grievances *“are transmitted to other potential consumers”* (Gurviez, 1999).

These goods consistently generate direct impacts on companies’ interest in investing in product development, directly influencing the growth of legitimate producers. To preempt potential challenges, established companies choose to allocate substantial resources to combat the counterfeiting phenomenon.

The repercussions of counterfeiting also extend to the state, as it grapples with the reality that taxes are not collected on these illicitly distributed products. Consequently, the state has limited funds available for investments in public services, the construction of schools, highways, hospitals, and other essential infrastructure.

It is crucial to highlight the consequences affecting consumers, raising concerns for public authorities and institutions. Producers of counterfeit goods demonstrate minimal commitment to ensuring the quality, safety, and performance of their products. Consequently, this elevates the potential for adverse effects to be transferred to consumers. Numerous studies across various fields (such as alimentary and pharmaceutical) underscore the negligent impact of counterfeiting on product quality. For instance, in the food industry, some individuals unwittingly purchase counterfeits, exposing themselves to potential health risks, including general discomfort, severe illness, and even loss of life. Often, consumers are misled by the perceived normalcy of the counterfeit products.

Counterfeit products pose risks to health and safety primarily because manufacturing standards are rarely met, resulting in potential allergic reactions and incidents after their usage.

The main reason why manufacturers do not control their products is that these checks cause them to lose profit. Their illegitimate organizational status allows them “*not to have to worry about the rules on manufacturing products*” (Shipman, 2004).

Manufacturers refrain from overseeing their products primarily due to the profit loss incurred by such checks. Their unlawful organizational status grants them the privilege of not being obliged to concern themselves with manufacturing regulations (Shipman, 2004).

In most situations, counterfeit products can be made from poor or even harmful ingredients. For example, counterfeit toothpaste is manufactured from automobile antifreeze, which poses a major danger to users as these products are of inferior quality and are rarely tested. Fake clothing and underwear, often made from low-quality materials, can similarly cause skin problems such as eczema.

Counterfeit cigarettes also harm the health of the consumer. They are often produced in clandestine factories in China (approximately 200 factories in the Yunxiao region) that are not regulated. In these fake cigarettes, we can find insect eggs or even dead insects, wood, and toxic substances. Additionally, these cigarettes also have a very high level of heavy metals and a higher than normal amount of nicotine, posing a real health hazard.

Moreover, the consequences in the food industry manifest promptly. One of the most alarming instances, cited here,

resulted in the loss of human lives (China, 2008). The incident profoundly affected the safety and integrity of milk and its infant formula.

#### 4. Conclusions

Understanding the reality of the counterfeiting phenomenon poses a complex challenge, much like in all realms of illicit activities. The available data heavily relies on estimates and approximations, as in many instances, counterfeiting networks are controlled by clandestine groups that navigate the vast potential and intricacies of these activities with minimal risks of detection. However, not everyone is inclined to explore the aspects that contribute to a genuinely healthy existence. Instead, some individuals prefer to be swayed by mass media and the diverse offers from merchants, offers that may have significant repercussions on their way of life.

If the commerce of such products was confined to luxury items and maintained a “reasonable” proportion of legal trade, it is likely that these issues would have escaped notice within the vast dimensions of the world economy. However, this phenomenon, along with other products intricately tied to people’s lives and safety, has expanded significantly, resulting in consequences of considerable magnitude. This situation becomes a daily concern, emphasizing the need for comprehension and insight into crucial matters, as these are the key avenues for achieving acceptable limits.

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