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For Asian Gangs, Fake Goods as Profitable as Drugs

By CAROLINE HENSHAW



Peddling counterfeit pharmaceuticals to Southeast Asia and Africa earns Asian criminals \$5 billion a year, the U.N. estimates. The WSJ's Caroline Henshaw tells Deborah Kan why the plague of fake drugs is hard to stop.

SYDNEY—Counterfeit goods, mainly from China, have become as profitable for Asia's criminal gangs as illegal drug trafficking, the United Nations said in a report published Tuesday.

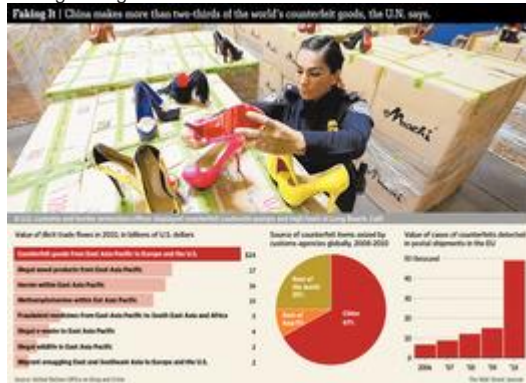
The U.N.'s Office on Drugs and Crime, or UNODC, looked into international organized crime across much of the Asian-Pacific region. Its report, the first ever published by the agency on the topic, catalogs how rapid economic growth has led to the proliferation of criminal networks profiting from illegal trade in goods and people.

A surge in Asia's exports, which have nearly quadrupled in the past decade or so to \$5 trillion, according to the World Trade Organization, has been accompanied by a

rise in the trafficking of fake-branded products including handbags and medicines, the U.N. report found.

Counterfeit goods accounted for about a third of illicit trade flows in what the report, based on data in the years between 2008 and 2010, defines as the East Asia and the Pacific region. The \$24.4 billion earned from fake goods, combined with the \$5 billion of annual profits the U.N. estimates the region makes from trafficking fake pharmaceutical products to Southeast Asia and Africa, is close to what the international body estimates criminals made from illegal narcotics.

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Overall, the U.N. agency estimates that the smuggling of drugs, people, counterfeit goods and wildlife was worth around \$90 billion a year on average during the period—more than eight times the economic output of Cambodia.

"Illicit trade is growing rapidly," said Jeremy Douglas, UNODC's regional representative for Southeast Asia and the Pacific, in an interview. "As globalization occurs and you have the integration of economies, you also have the integration of criminal economies."

Much of the trade in counterfeit goods can be traced back to China, which is the direct source of about two-thirds of the world's counterfeit goods, the UNODC report said. Customs data from its largest trading partners, the U.S. and Europe, put the figure even higher, at more than 75%, the report said.

China's foreign ministry said it couldn't immediately comment.

China's growing role has irked both the U.S. and Europe, which say that failure to rein in the country's counterfeit-goods trade has undermined the intellectual property of

companies and poses dangers to consumers. Last year, U.S. health authorities warned that several fake batches of the cancer drug Avastin had made their way into the country's medical system.

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