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**Expert Talk**



# Global Sporting Events The Counterfeiters' Bazaar

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In the 2010 FIFA World Cup in South Africa, the overt availability of counterfeit football memorabilia visibly became a major issue for the organisers and South African authorities. In the first five months of 2010 over USD 13 million worth of counterfeit football apparel was seized in South Africa. Like all other international sporting events, vendors have flooded the streets with counterfeit memorabilia; original England or Brazil team jerseys that would normally be priced at ZAR600 (USD80), counterfeit versions sold on the street for less than half the price at approximately ZAR250 (USD30).



*Counterfeit football shirts.  
Photo by Hector Garcia, Wikimedia Commons*

The issue of counterfeit sports memorabilia is nothing new for international sports events such as the FIFA World Cup; however most may be unaware of the far reaching influence counterfeit goods present for organised crime and other illicit activities. In addition, pre-existing South African issues such as illegal immigration and the permeation of foreign organised crime groups present additional unique dynamics that may have further negative compounding effects.

There is in fact often a close relationship between commercial counterfeiting activity and illegal immigrants. Commercial counterfeiting fundamentally focuses on profitability - as lower costs are the primary priority of these operations. Therefore, the exploitation of child labour and illegal immigrants is a common trend in these operations. In Italy and many other parts of Europe for example, the street distribution of counterfeit goods are almost exclusively conducted by illegal immigrants from Senegal, Morocco, South Asia and other African states.

In 2006, authorities in Prato, Tuscany seized a factory that produced counterfeit luxury brand handbags - the factory was found to exclusively employ illegal immigrants who were made to live in the factory under inhumane conditions. With usually no access to legal employment, the commercial counterfeit trade presents an appealing income avenue with lower risks for illegal immigrants compared to other illicit activities.

It is estimated that there are between 200 and 240 major criminal syndicates active in South Africa, of which at least 32 of these criminal syndicates are purported to be involved in transnational crime beyond sub-Saharan Africa. International criminal syndicates from East Asia, Eastern Europe and Nigeria have been particularly successful in infiltrating the South African illicit market - with increasing partnerships between international criminal syndicates and local crime gangs. Today many of the larger transnational crime groups outsource their street level operations to these local gangs.

The Russian Mafia are known to be active in the region; primarily involved in fraud, money laundering and trafficking in precious stones and weapons. The Nigerian criminal syndicates have been mostly involved in financial fraud schemes, organised theft and the narcotics trade. In the 1990s, Chinese triads began to emerge in South Africa - in the early stages, the primary focus was the trafficking of shark fins and abalone to Asia. While they continue to control the shark fins and abalone trade, they have today expanded their criminal portfolio to include a wide spectrum of criminal activities that include human trafficking, prostitution, importation of counterfeit goods, narcotics trafficking, fraud, extortion, illegal gambling and naturally money laundering operations.



*Money laundering is a common occurrence*

Commercial counterfeiting and piracy is today a major income source for many organised crime groups worldwide. According to recent news reports, the seized counterfeit World Cup memorabilia found in South Africa mostly originated from manufacturers in China and other Asian countries. This is unsurprising as research conducted in 2001 indicated that the Chinese triad's involvement in the global counterfeiting trade exceeds \$16 billion. The lucrative commercial counterfeiting and piracy trade has encouraged numerous criminal syndicates worldwide to forge commercial partnerships with these Chinese criminal organisations.

A unique characteristic of the commercial counterfeiting trade is that this activity is mostly conducted through the legitimate global trade infrastructure. Counterfeit goods are imported, exported and paid for using legitimate trade channels. Commercial counterfeiting therefore is not only a lucrative illicit activity but also an effective instrument for laundering the proceeds of crime.

*"It is an immense source of profits which are readily reinvested in other illegal activities or used to launder money derived from other crimes,"*

Sandro Calvani (Former Director of the United Nations Interregional Crime and Justice Research Institute)

Commercial counterfeiting and piracy in reality has become a major typology in anti-money laundering. Besides the obvious understanding that profit from commercial counterfeiting and piracy is considered criminal proceeds, the trade aspect of counterfeit and pirated goods has also increasingly been used as a method for laundering illicit finances. Trade-based money laundering is one of the oldest and most popular methods of laundering illicit proceeds and in applying this method the commercial counterfeiting trade has added new opportunities and dimensions.

In a case study published by the Financial Action Task Force (FATF), criminal groups involved in the commercial counterfeit trade have been known to utilize the trade-based money laundering method - invoicing counterfeit and pirated goods as genuine products. This method is particularly ideal for moving and laundering criminal proceeds from commercial counterfeiting. Additionally, using this technique, they have been able to establish a greater appearance of legitimacy operating through seemingly lawful front companies, thus reducing their risk of detection.

#### **Trade-based money laundering techniques**

Trade-based money laundering techniques involve over or under invoicing of goods and services; multiple invoicing of goods and services; over and under shipments of goods and services; and falsely described goods and services. Using the monetary value discrepancy as a result of false invoicing, these finances can be effectively moved and laundered.

Considering the tremendous volume of international trade and the fact that only a very minor fraction of shipments are ever inspected by customs officials, trade-based money laundering will continue to be an effective and popular method for the commercial counterfeit trade as it satisfies both requirements of enshrining the import and export with added appearance of legitimacy, and the ability to efficiently move the criminal proceeds back to the country of manufacture.

The subject of organised crime is one of immense complexity; the various dimensions of organised crime such as money laundering, plus the wide variety of illicit activities involved often have broad and unanticipated implications. While physical order and security will rightly be the priorities of law enforcement and security planners; government agencies and financial institutions must be aware of the varying vulnerabilities presented by other criminal activities.