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The Global Counterfeit Challenge (2)

Ladies and Gentlemen,

■ This year, the TFWA World Exhibition is taking place in a very specific macro-economic context, marked by a difficult economic situation and a serious crisis of confidence.

The current worldwide economic slowdown will affect every sector of the economy, including that of luxury goods.

First, because luxury goods are what economists like to call "superior goods", and there is a strong connection between them and increase in income. When growth resumes, spending on luxury goods takes off along with it. When growth slows, these same goods suffer.

Second, because this sector is very open to international trade, an area in which there is the risk of a slowdown.

■ Paradoxically, however, when the economic situation is going badly, when the storm threatens to break, that is the moment to forge ahead and to invest in the future. And the economic future of industrialised nations can be expressed in a single word: innovation.

Today, it is vital for anyone who wants to remain competitive vis-à-vis emerging nations to invest in creativity. We have no choice – today, a nation's strength depends on its ability to dream up concepts, to produce ideas, to create symbols, signs and references on a global scale. In short, intangible capital has become an asset in global competition.

Our strength lies in our patents, our brands, our designs and models, and in our copyrights!

■ Creativity and innovation are, in a way, the flip side of globalisation; they represent the triumph of developed countries. Europe is being inundated with low-cost textiles – this is a reality. But let us look at the other reality, another field of possibility. Thanks to strong brands and bold inventions, companies can go out and tackle markets around the world. In short, while emerging countries are the planet's factories and grain silos, we, the wealthy countries, can and must be its reservoir of ideas, offering the world high value-added goods and services.

■ The luxury goods industry is a good example of this. It represents a powerful source of growth for industrialised countries, and a market that is today estimated at more than 200 billion euros, excluding the hotel industry.

For Europe, luxury is a highly strategic sector. Europe has a market share which exceeds 70%, and most well-known brands are born in Europe. In France, as an example, there are 110,000 people who are directly employed by the luxury sector, guardians of sometimes centuries-old techniques. "Made in Italy", "Swiss Made", the "French

Touch": these are terms that have real resonance in the world, thanks to the image of the brands themselves, but also thanks to the image of European countries.

■ But what is the Achilles heel of creativity? Illegal copying and counterfeits. This is why we cannot rely solely on innovation, without simultaneously being at the forefront of the battle against counterfeiting.

1. Counterfeiting: a growing scourge on a global scale

■ We have to look the facts in the face on this subject, and recognise that, despite all of our efforts, counterfeiting is still on the rise.

It has become a veritable industry, one which takes full advantage of globalised trade and the explosive growth in new technologies, such as the Internet.

According to the OECD, in 2005, international trade in counterfeit or pirated goods represented at least 200 billion dollars. This is greater than the value of the luxury goods market!

- Counterfeiters are expanding their field of action. Every economic sector has been affected, and every State. This cross-border threat is often linked to organised crime.

- Counterfeiters are also becoming more professional. Counterfeiting production has become organised on an industrial scale, and is

increasingly affecting cutting-edge technological products. The use of the Internet makes pirates' job easier.

■ Why are we making the fight against counterfeiting a major part of our industrial policy?

Our fight against counterfeiting is not only motivated by non-pecuniary or moral loss – real though it may be. It is primarily due to the fact that counterfeiting represents enormous economic damage.

Because of it, the payback from R&D, design, marketing and advertising expenses – in short, every sort of intangible investment – is not commensurate with the risks taken by the private sector. In other words, counterfeiting poisons the creative urge.

Counterfeiting is also the enemy of skilled labour, and counterfeit products destroy jobs in our countries.

In addition, counterfeiting is a scourge for consumers. By engendering constant confusion about what is real and what is fake, counterfeiting blurs the stable boundaries of value, quality and price. Nor are those who buy counterfeit goods spared, particularly when it comes to product safety.

■ In the face of this scourge, we must play an informational role, explaining over and over to consumers that counterfeiting is theft. It is usurpation of identity. Every citizen must understand that everything is not free, and we must say straight out that there is no such thing as getting something for free. Getting something for free really means making others pay, other people who actually purchase goods.

But information, although necessary, is not enough. The full range of criminal sanctions also has a role to play.

2. At a national level, France takes the fight against counterfeiting very seriously

■ France has an effective and dissuasive legal arsenal to deal with counterfeiting.

- In France, counterfeiting is a criminal offense punishable by up to five years' imprisonment and fines of up to 500,000 euros.

- The Law of 29 October 2007 gives us greater scope for dismantling counterfeiting networks, more effectively judging cases involving counterfeiting and better compensating the victims of counterfeiting.

■ France has mobilised the customs authorities, the General Directorate for Competition Policy, Consumer Affairs and Fraud Control, the police, the Justice Ministry and the INPI, or the French Patent and Trademark Office. All have been informed that coordination is key.

In all this, France's National Anti-Counterfeiting Committee (CNAC) is the linchpin. I commend the work of both its public- and private-sector participants, led by Chair Bernard Brochand and with the support of the INPI, whose Director General, Benoît Battistelli, serves as General Secretary.

The Committee is a place for exchange and cooperation, as well as a body offering both analyses and proposals.

By year's end, I will call a plenary session in order to take stock of the Committee's actions and to look ahead to what new measures might be taken.

3. At both a European and an international level, France is leading efforts to provide answers to the challenges posed by the rise in counterfeiting

Just as coordination is essential at a national level, I am convinced that it is also crucial at an international level.

It means extensive work, culminating in the signing of bilateral agreements and large-scale international negotiations, such as the Anti-Counterfeiting Trade Agreement.

■ Today, I would like to emphasize the initiative taken within the framework of the French Presidency of the European Union, which I hope will serve to make some real changes.

On 25 September 2008, the Competitiveness Council adopted a resolution for a comprehensive European plan for fighting counterfeiting and piracy.

■ This comprehensive European plan calls for Community-level action against counterfeiting, using every lever at our disposal, including:

- Developing awareness and communication campaigns, particularly through the creation of a European Anti-Counterfeiting Day
- Encouraging partnership agreements between the public and private sectors

- Calling on professionals to work together

■ The Council also called on the European Commission to implement a European Monitoring Unit for Counterfeiting and Piracy in order to have access to ongoing evaluations and more precise analyses of the scope of the phenomenon. Such a unit would be a powerful tool for transparency, an essential pre-requisite for concrete, effective actions against counterfeiting.

I will personally ensure that the Council's resolution quickly results in concrete actions. Specifically, it is essential that the process of creating the monitoring unit get underway before the end of 2009, and I would like to thank the European Commission for its commitment to this topic.

4. The Mediterranean basin also has a role to play in the fight against counterfeiting

Through its National Anti-Counterfeiting Committee, France has taken the initiative to bring together the Mediterranean countries that are active in the fight against counterfeiting – including Bulgaria, Spain, Italy, Morocco, Portugal, Romania, and Tunisia – in order to reaffirm our desire to strengthen cooperation in the fight against counterfeiting.

I have asked Bernard Brochand, Chair of the Committee, and Benoît Battistelli, Director General of the INPI, to adopt a Joint Declaration on the fight against counterfeiting with these countries.



The "Cannes Declaration" is a result of the cooperation between these Mediterranean countries, and will plant the seeds, I hope, for a much larger union in the future.