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# Anti-counterfeit and illicit trade – lessons from the front lines

Combating illicit trade and protecting your IP and brand in the Middle East can be a complex, time-consuming and often an overwhelming prospect. Take the following example from a recent Kroll case: a factory in China was running a third shift producing counterfeit products. The goods were sent to Hong Kong and then shipped to a Gulf state. Portions of the shipment were subsequently ‘re-exported’ to an African state, while a surplus remained in the Free Zone. Finally, the remaining counterfeit goods were shipped to a warehouse ‘onshore’ where they were distributed to retailers through the same distribution channels as the regular product.

When investigating counterfeit products, the goods seized on the street are usually just a fraction of the full shipment and a tiny portion of the overall problem. Unravelling this chain across national borders, which in the majority of cases leads to multiple opaque jurisdictions, requires specialist skills, a global reach, well-placed contacts and, most of all, expediency. The harsh reality is that by the time you make progress, the network has changed and you are left chasing empty warehouses and defunct entities.

Preventative steps and safeguards, such as local trademark registration, can help prepare your company to react, but in the modern world illicit trade is global, complex and managed by people who know how to exploit the gaps in inter-regional regulations and export and import procedures. In order to tackle a multinational problem in a globalised world, you need to be able to reach out across a global distribution network that can often be more extensive than your own. To do this effectively, you need visibility on how this is happening and, armed with intelligence, a robust strategy to combat the counterfeiters.

From Kroll’s experience, combating counterfeit and illicit trade is about information, and in the majority of cases ‘real time’ information. Gathering intelligence on the where, how and who are the crucial first steps. Truly effective and responsible action can only be taken once you have identified (a) where the items are being produced and by whom, (b) how

they are leaving the country, being shipped and entering destination markets – i.e. the supply chain, (c) who is responsible for their distribution, where and how, and (d) what is the scale of the problem? Action based on anything less is just skimming the surface.

In the Middle East, we have found that illicit trade and counterfeit products are not just problems for high-end brands and Hollywood film makers. At Kroll we are actively working on assignments involving vehicle parts, alcohol, tobacco, electronics, engineering equipment, building materials, pharmaceuticals, and even well-known domestic products.

Amongst consumers, and even within enforcement agencies, there is often the prevailing conviction that counterfeiting only hurts major multinationals, but this is far from true. In a recent case in northern Iraq, counterfeit medicine led to over 30 people being blinded. In Egypt, counterfeit electrical equipment led to a spate of fires made worse by the presence of counterfeit fire extinguishers.

Equally drastic is that the existence of illicit trade and distribution of counterfeit products leads to the devaluation of not only the brand, but also the integrity of the city or country where the activity is taking place. This is an unquantifiable loss of revenue – and reputation.

One of the biggest issues when combating counterfeiters in the Middle East is the absence of robust public and private-sector partnerships to develop and implement regulations to protect businesses as well as to provide conduits of information to assist authorities in enforcement. While both sectors are developing these processes, in the interim, the most effective weapon is real-time intelligence and speed.

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