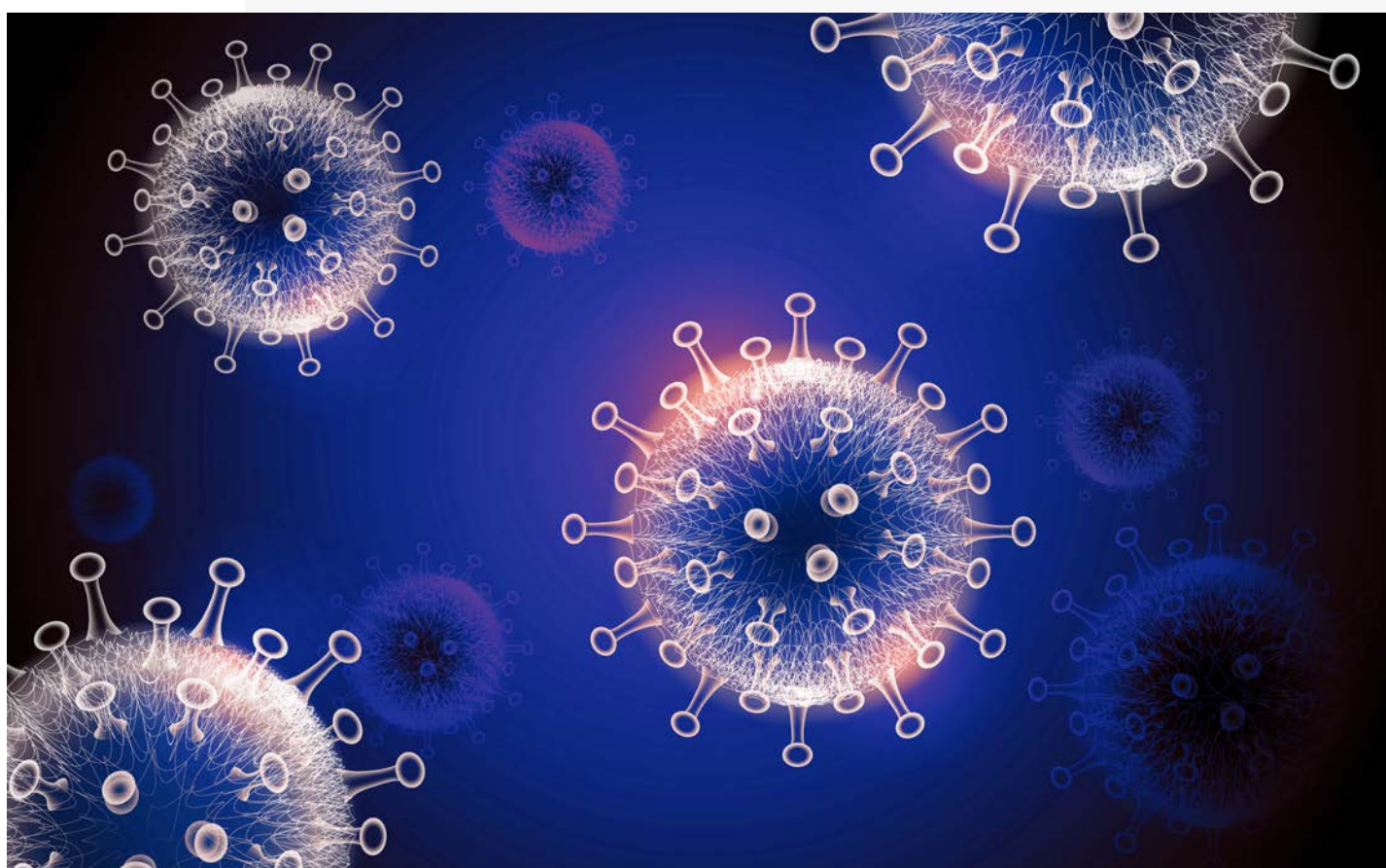


10 JUNE 2020

CHAIR'S NOTE

TRADE IN FAKE MEDICINES AT THE TIME OF THE COVID-19 PANDEMIC



THIS DOCUMENT PRESENTS A CHAIR'S SUMMARY OF THE WEBINAR "THE COVID-19 PANDEMIC AND ILLICIT TRADE IN FAKE MEDICINES" ORGANISED BY THE OECD TASK FORCE ON COUNTERING ILLICIT TRADE ON 10 JUNE 2020.

BACKGROUND

Illicit markets for counterfeit pharmaceuticals have been a massive threat to modern economies and public health. According to the recently launched OECD-EUIPO report, international trade in counterfeit pharmaceuticals reached in 2016 USD 4.4 billion, threatening public health and safety, while enriching criminals and organised crime. Counterfeit medicines not only cause economic damage for the sector but are also a significant threat to public health because they are often not properly formulated and may contain dangerous ingredients.

These challenges become even more significant with the COVID-19 pandemic, which opens new opportunities for profits for criminals running illicit trade networks. Broken supply chains, strong demand for medicines, protective equipment and tests, and limited capacities of law enforcement officials – all these factors shape the landscape of illicit trade in fake pharmaceuticals.

On April 23, the OECD Task Force on Countering Illicit Trade organised an online webinar to scope the main areas of impact that the COVID-19 pandemic has on illicit trade. One of the main findings of

the webinar was that the pharmaceutical industry is particularly at risk for fraud and illicit activity. People, industry, and governments demand medicines, tests and protective equipment to combat the pandemic, and these demands often cannot be met in a timely fashion.

Building on the conclusions of the April 23 webinar, and taking into account the concerns of illicit trade in fake medicines flagged by multiple officials, the OECD Task Force on Countering Illicit Trade organised a seminar on the impact of the COVID-19 pandemic on illicit trade in fake medicines. The main purpose of the webinar was to identify the areas of impact that the COVID-19 crisis has had and will have on illicit trade in fake and substandard medicines, and to identify the relevant governance gaps that should be further addressed in dedicated dialogues.

The seminar was held on 10 June 2020. It gathered about 150 participants from the TF-CIT public and private stakeholder networks. Ms. Susan Wilson (USPTO), member of the TF-CIT Bureau, chaired the seminar. Speakers at the seminar represented both the public and private sector.

COVID-19 PANDEMIC SHARPENS THE RISKS OF FAKE MEDICINES

The COVID-19 pandemic has had and will continue to have an impact on illicit trade in counterfeit and substandard medicines. Because of the pandemic people, industry, and governments demand medicines, tests and protective equipment to combat the pandemic, and these demands often cannot be met in a timely fashion. Consequently, the COVID-19 pandemic creates additional opportunities for criminals that run illicit trade networks.

used against COVID-19. This investigation looks at different fraud types (counterfeit, substandard, scams and falsified medicines). It has thus far revealed that detained substandard and counterfeit products do not comply with EU standards, and often have falsified certificates of conformity.



Broadening scope of fake products related to the pandemic

The scope of illicit medicines related to COVID-19 keeps broadening. OLAF has recently spotted a new growing trend – trafficking of Chinese traditional medicines that allegedly cure COVID-19, but their efficiency was never proven. These ineffective medicines are smuggled to the EU in huge quantities.

In addition to the increased demand for COVID-19-related products, other markets for criminals emerge because of medical supply restrictions related to the pandemic. These restrictions are introduced by local authorities (e.g. supply restriction for Chloroquine and Azithromycin) or occur because of air traffic reduction. Over 60 countries have implemented export restrictions and 25% of restricted products were medicines. Enforcement authorities monitor the situation, and report on concerns and illicit-trade threats that emerge in certain markets (e.g. cancer treatments) that suffer locally from shortages.



Enforcement – Sharp growth of fake medicines related to the pandemic

Criminals are clearly taking advantage of the global pandemic, and enforcement authorities report a sharp increase in seizures of fake and substandard medicines, test kits and personal protective equipment (PPE), as well as other medical products.

For example in the United States, the Homeland Security Investigations (HSI) arm of the Department of Homeland Security (DHS) agency has recently reported 668 seizures related to COVID-19, including counterfeit masks, counterfeit COVID-19 tests, and fake pharmaceuticals that according to the media releases might have little or no curative effects on Coronavirus.

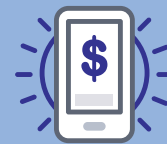
These trends have been highlighted also by the World Customs Organization, which reported around 200 seizures related to COVID-19 products, such as medicines, gloves, facemask, test kits, etc.

Another example is an investigation opened in March 2020 by the European Commission's Anti-Fraud Office (OLAF), focused on medical supplies



Global trade routes – China is the main source

Infiltration of substandard or counterfeit products into the legitimate supply chain poses grave threats to public health and safety as well as to the efforts to combat the spread of COVID-19. Trade routes for fake medicines, tests, PPE and other illicit medical products related to COVID-19 are global. Most of these products are produced in China, although some fake medicines are also produced in India.



Growing scope of misuse of the on-line environment

Online trade plays a key role in the distribution of fake pharmaceuticals. For example, advertisements of illicit COVID-19-related medical products have been reported on social media platforms, such as Instagram. According to the industry, online distribution becomes predominant and about 50% of purchases of illicit medicines are done on-line.

Enforcement agencies turn their attention to the on-line environment. For example in the United States, DHS HSI has been analysing 37,000 suspected domains related to COVID-19. To address these risks, enforcement officials and agencies engage in co-operative partnerships with the main online platforms, such as Alibaba and Amazon.



Threat for public health

Fake medicines are a real threat for public health. Use of substandard medicines increases the resistance to treatment of many diseases. Fake medicines can also directly cause illnesses, disabilities and, in some cases, death. For patients, the presence of illicit, fake and substandard medicines on the markets erodes trust in the health care system.



Awareness matters

Information campaigns are urgently needed, as many consumers and patients are not aware of the risks presented by illicit counterfeit and substandard medicines purchased online. For example, a study on online purchases carried out in Latin America by Sanofi revealed that only less than a third of respondents are aware that fake medicines can be found in the online environment.



Focus on e-commerce

Due to the lockdown, the online environment has become more intensely misused, and cyber law enforcement has reported skyrocketing volumes of various e-crimes. E-commerce is becoming the main platform for illicit products, including fake and substandard medicines, test kits and other COVID-19-related goods. Enforcement officials also highlight that fake medical products related to COVID-19 are often bought online and shipped by air cargo in small parcels.

Dedicated awareness raising efforts are also targeted at enforcement officials. For example, the World Customs Organization has offered remote training sessions for customs officers. These trainings have enhanced the capacities of customs officers to identify fakes related to COVID-19.

THE WAY FORWARD

Participants at the seminar formulated several messages to policymakers to counter this threat effectively:

- Strengthening and co-ordination of information sharing across borders becomes crucial to monitor the threat. In this context, continued monitoring of the risk as carried out by the TF-CIT is essential in developing a global standard for unbiased and robust evidence on illicit trade.
- Focus on e-commerce and the on-line environment. In particular, consider the domain name registration system to ensure registries and registrars are comprehensively accountable. “Know Your Customer” policies can have a positive impact on ensuring safety and legitimacy of information found on sites.
- In-depth dialogue with private stakeholders must continue, in particular in such areas as misuse of small parcels and the role of e-commerce. In this context, the Business at OECD initiative – Anti-Illicit Trade Experts Group is very relevant.

