Counterfeit Medicines and Criminal Organizations

Report presented by IRACM
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Public alert on growing phenomenon and threat to worldwide public health

Counterfeit Medicines are a major threat that is spreading dangerously across the globe and the International Institute of Research Against Counterfeit Medicines (IRACM) has decided to present a study report to decipher the relationship between organized crime and medicine counterfeiting. Today, every country, every person can come into contact with counterfeit medicines.

The risk of taking counterfeit medicines “involuntarily” is increased exponentially for any potential patient of the “global village”. This risk can become a real danger to individual lives, but also a global threat to public health.

The IRACM wishes to alert the public by publishing this report to raise awareness among governments and citizens and help consumer-patients to make careful choices, whether on the internet or at markets in developing countries where drugs are sold on stalls at lower prices.

The purpose of such a report is a hot topic as medicine counterfeiting issues have escalated to worrying heights with the growth of international trade and the Internet. This problem now generates major public health issues on an international scale.

As for criminal organizations, they are often perceived simplistically in public debate and this research on this new subject seeks to attempt to characterize the structures that exist. The study focuses not only on Western countries but also on Russian and especially Chinese aspects, often regarded as strategic. This novel research report includes the best international academic sources and seeks to identify the logic behind the most significant criminal strategies rather than provide a hypothetical exhaustive list of organizations involved in such illegal trafficking.

Many criminal organizations

Based on our research, it is clear that criminal organizations are involved in medicine counterfeiting and three types of organization can be identified:

Small-sized organizations (two to five people) often created by opportunistic individuals motivated by short-term gains. These organizations offer specific products at attractive prices.
Medium-sized transnational organizations whose criminal profile varies: these may be structures stemming from organized crime (Wuppertal case\(^1\)), opportunistic businessmen using sophisticated techniques to manage their organization (Arnaud B. case\(^2\)) or people more directly connected to the pharmaceutical industry (Gillespie case).

Large-scale and transnational organizations as seen in two significant cases:

- The RxNorth case involving a Canadian distributor which, in parallel with its business, organized a complex system to import counterfeit medicines made in China into the United States, transiting them through Hong Kong, the Middle East, the UK and the Bahamas.

- Another, even more complex example: a so-called “Jordanian-Syrian” network created in 2003 during the U.S. invasion of Iraq and which, through a succession of opportunities, evolved into multiple subnetworks in the region (Jordan, Palestinian territories, Egypt, Syria), then moved to the West with a counterfeit cancer drug whose network transited through several countries (Egypt, Turkey, Switzerland, Great Britain) before finally reaching the U.S. market. This case, which has received little media coverage, is thought to be the largest criminal network of medicine counterfeiting still active.

Chinese organized crime has a very strategic role and it is important to distinguish Chinese criminal cases involving the Western market (the case of Kevin Xu, a businessman who specialized in exports), from cases mostly involving the local market where the criminals often have connections to the healthcare sector. Lastly, there are foreign structures that create local companies that serve to build transnational networks based in this leading region for the manufacture of counterfeit medicines.

Cybercrime: a territory without borders

On the Internet there are two types of criminal structures. The first category includes opportunistic online networks set up on an ad hoc basis by being grafted onto “real” trade with the end consumer in the distribution phase. The second category of organizations is dedicated exclusively to online distribution with globalized affiliation techniques and aggressive advertising on search engines or through spam. The most significant case of a cybercrime organization in recent years involves the Russian Glavmed and SpamIt affiliation programs. The affiliates of these two networks benefited from “prefabricated” online pharmacies and a dozen SpamIt affiliates earned over $1 million in commission on their website.

Vast criminal organizations

Generally speaking, certain analytical limitations in deciphering these organizations have been identified and differentiate our analyses from most sources on the subject.

Despite the proven involvement of Italian criminal organizations in the counterfeiting of luxury goods and the healthcare sector, their presence in the organization of counterfeit medicine trafficking is difficult to prove. However, the report raises the theoretical possibility of the Mafia’s involvement in certain strategic locations such as harbours. As for the Chinese Triads, analysing their involvement has proven to be difficult, as research in mainland China is complex. In short, we must be cautious regarding the presence of traditional criminal organizations in our field of study.

The involvement of terrorist organizations is also difficult to prove, despite many reports seeking to document money laundering linked to counterfeit medicine trafficking. But the explanations given are often related to broader geopolitical issues, raising doubts over the objectivity of such analyses (Hezbollah for example). However, the involvement of the IRA in the organization of a vast counterfeit veterinary drug trafficking network in the early 90s between Northern Ireland and Florida has been clearly proven.

\(^1\) The name of the case has been changed as it is on-going.
\(^2\) The name of the case has been changed as it is on-going.
In sum, the report identifies these criminal organizations and their activities and characterizes them in several ways:

- Fragmented crime through better access to illegal activities. The “massification” of printing, production and distribution techniques has clearly facilitated such developments.

- Criminal organizations often operate based on a “structural holes” approach, seeking to maximize the systemic flaws in the supply chain or on a broader scale (free trade zones, tax havens, servers hosted in “protected” areas, etc.).

- On a large scale, these organizations are characterized by a hybrid network structure, where licit operators can cooperate with illicit ones or be directly involved in such criminal trafficking.

- In terms of timelines, it is important to distinguish between organizations likely to generate a major risk over a relatively short period of time, and that need to be dismantled as quickly as possible, and large hybrid organizations whose total elimination can take years.

- To our knowledge, there are no sustainable large-scale transnational criminal organizations that combine trafficking on the Internet and trafficking in the “real” world.

- Paradoxically, networks on the Internet often seem to have a more structured and consistent organization than organizations involved in medicine counterfeiting in the “real” world, which are more difficult to observe.

- The counterfeit medicines distributed are no longer limited to “convenience” drugs but also include major diabetes and cancer treatments.

How to prevent medicine counterfeiting

The report’s recommendations include:

- Avoiding automatically comparing criminal organizations involved in medicine counterfeiting with traditional criminal organizations, but also identifying when legitimate economic players seriously derail, particularly when connected to the healthcare sector. Indeed, analysing the slightest warning signs of such high-risk structures is essential. This requires, for example, more audits in the supply chain of medicines in the West.

- On a theoretical level, the organizational aspects of criminal networks are not sufficiently formalized on a global scale and this means that we have to reconsider the rigid boundaries of traditional criminology.

- The use of researchers from different disciplines (geography, economics, urban planning, logistics, etc.) is underestimated in criminological methods. Furthermore, it is important to encourage the work of whistleblowers and truly independent experts in crime analysis for the credibility of public debate.

- In intelligence, it is important to insist on greater centralization of information and an improvement in the quality of this information as criminal risk appears to be so volatile and variable. It would, for example, be useful to develop new intelligence techniques to better assess the psychosocial profile of counterfeiters, or even real-time mapping techniques that include spatial risks dynamics. Information sources also need to be improved in certain regions (Asia and Africa particularly).

- It is essential to foster cooperative approaches (by sector and geographical area) in the face of rapid and complex criminal networks.

- Developing a holistic approach to issues by trying to consider virtuality in relation to reality, especially in its local production phase, is also strategically important.

- On the Internet, it is necessary to promote standards enabling consumers to clearly identify legitimate websites. Proactive initiatives involving customer-patients on the Internet would be useful in this regard.

- Some flexible and independent Anglo-American approaches are providing a boost to analytical work and law enforcement. This is particularly the case for investigative blogger Brian Krebs, American firm Legitscript’s reports on online counterfeiting or the pragmatic approaches of Britain’s MHRA.
Such initiatives deserve to be mirrored in continental Europe where bureaucratic and compartmentalized approaches are too common.

- The fight against professional criminal organizations is becoming increasingly complex and cannot rely solely on public or private security services. It is also essential to urge political authorities to take greater interest in public health arguments.

In conclusion, it is clear that counterfeitors are taking advantage of the latest drug purchasing systems - virtual or real - and are making the most of a complex and ever-changing environment. Organized medicine counterfeiting networks are therefore making light of the flaws in the global system.

In this context, law enforcement agencies, pharmaceutical companies and government authorities need to devise adequate strategies to curb medicine counterfeiting. Teamwork is needed to act effectively, especially since the Internet adds to the complexity, making the situation so difficult to control.

ABOUT IRACM

A non-profit association, the Institute of Research Against Counterfeit Medicines (IRACM) was created in October 2010. Its mission: to raise public and authorities awareness concerning the scourge that counterfeit medicines represents, to train the committed actors in the fight against fake medicines, to centralize knowledge, good practices and know-how and to serve as a proactive interlocutor and advisory body proposing advice and solutions to national and international political and judiciary authorities. After about three years, the IRACM has trained over a thousand Senior Executives of Customs, Police and Health agencies, more than 50 different countries, and sensitized thousands of people to fight against fake drugs.

ABOUT THE AUTHOR

This whole study report « Medicine Counterfeiting and Criminal Organizations » was written by Eric Przyswa, Associate Researcher at the centre for research on risk and crises - Mines ParisTech. The report is presented by IRACM. Eric Przyswa writes in many French and foreign academic journals (Hermès Futuribles, Tribune de la Santé, Information and Society, etc.) and conducts research on human security.

The whole report is available on: www.iracm.com