

The Human Cost of Fakes

Counterfeiting has become the crime of the 21st century. But behind the seemingly innocent façade of a fake handbag lies the tragic world of child labor. Jan Goodwin reports

We've all become used to seeing fakes for sale on the sidewalks, but as counterfeiters have grown ever more skilled at reproducing luxury goods, more and more of us risk being the victims of unwittingly purchasing a knockoff. Just ask my fashionable colleague who had this rude awakening at a recent cocktail party: She was nibbling on canapés, a designer bag in the crook of her arm, when a publicist for the brand came over to chat and asked her where she'd bought her handbag. My colleague had received it from her boyfriend—a much-loved first-anniversary gift—and he'd found it online at a great price. "That bag is a fake," the publicist informed her. My colleague asked her how she could tell and was shown the subtle difference in stitching—almost invisible to the naked eye—that separated her handbag from the genuine thing. She was mortified.

Design houses are constantly plagued by high-end fakes being sold on e-commerce sites. Tiffany & Co. is currently suing eBay, the world's largest online auction site, for allowing the sale of counterfeits, and Gucci filed suit against some 30 websites in the United States last year and is currently tackling at least 100 more.

"There isn't a day we don't receive calls from customers complaining that they have purchased products from unscrupulous sellers on websites and received products that do not look real or are falling apart," says Jonathan Moss, legal counsel for Gucci in the United States. "It's the biggest problem by far for us."

Today it is estimated that intellectual-property theft—the business of counterfeit and pirated goods—costs the world economy a whopping \$600 billion a year. Losses to U.S. businesses alone come to \$200 billion to \$250 billion, according to Kevin Delli-Colli, deputy assistant director of financial and trade investigations at U.S.



The director general of Thailand's Customs Department destroys a fake Louis Vuitton bag in Bangkok last August



Underage employees sew garments by hand in a workshop in Guangdong, China

Immigration and Customs Enforcement. Roughly two-thirds of these fakes—including copies of such coveted brands as Cartier, Dior, Hermès, Louis Vuitton, Rolex, and Van Cleef & Arpels—are produced in China, making it the counterfeit capital of the world. Along with Korea and Taiwan, China is now specializing in triple-A mirror-image knockoffs so close to perfect, even the experts have

trouble identifying them as fakes.

Shanghai and Beijing are rapidly becoming the glittering cities of the future, where the more than 250,000 Chinese "dollar millionaires" can now live a life of luxury. International accounting firm Ernst & Young predicts that within a decade, China will surpass the United States as the world's second-largest consumer of luxury goods (Japan is the largest). Yet, at the same time, China's economic restructuring has seen massive unemployment and the collapse of the rural economy. And with the rapid rise of school fees, which can sometimes exceed what a farmer earns in a year, it has become impossible for many children to continue their education. As a result, parents have little choice but to send their sons and daughters to work, not realizing how deplorable conditions for them may be. ▶

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If you buy fakes, even of high-price name brands, you run a risk of buying something that has been produced by a child forced to work under horrendous conditions," says Sharon Hom, executive director of the New York-based organization Human Rights in China. According to one study by the International Labour Organization, some 44.6 million 10- to 14-year-olds were working in Asia a decade ago. "The number is much higher now," says Hom, a Hong Kong-born lawyer. In some enterprises in China, recent reports indicate that child workers make up as much as 20 percent of the workforce.

Wang Yajuan was one of these workers. Because her father was incapacitated from heart disease and the family needed help with his hefty medical bills, she was working at a textile factory, near Shijiazhuang City, Hebei Province, when she was 14. Along with other children, she toiled at least 12 hours a day, 7 days a week, and slept in a ramshackle

factory dorm, unheated in the frigid winter. Exhausted after their long workday, Yajuan and her four roommates lit a primitive charcoal stove one night in December 2004 and went to sleep in the poorly ventilated room. In the morning they were found unconscious from inhaling charcoal fumes and declared dead. The factory owner ordered that the girls' bodies be sealed in coffins immediately and sent off for cremation. A later investigation revealed that at least two of the girls had still been alive when they were entombed.

Despite the local government's effort to suppress what had happened, news of the tragedy leaked out, highlighting the issue of underage workers in China. Their circumstances often tantamount to slave labor, most employees earn a fraction of the minimum wage, if they are paid at all. Their hours may start as early as 7 A.M. and not end until the following day, according to the China Labour Bulletin, an activist organization in Hong Kong. Children as young as 12 and 13 are expected to work these brutal hours, day in and day out, with sometimes only one day off a year.

Even state schools contribute to this crisis. More than a decade ago, with the encouragement of the government, local authorities began instituting mandatory "work and study" programs to fund undersubsidized schools. Children as young as 7 can be required to work from 6 A.M. until dark; if they don't comply, they may be denied diplomas or fined. "Tragically there have been accidents with



Thousands of counterfeit watches are confiscated in Switzerland



Fake Dior and Gucci shoes on display at a Beijing clothing market

"If you buy fakes, you run a risk of buying something that has been produced by a child forced to work under horrendous conditions"

Working Group of the Quality Brands Protection Committee based in Beijing, which counts among its members Burberry, Chanel, Gucci, Louis Vuitton, and Prada. These commercial groups have joined together to take on Beijing's New Silk Alley Market. With five stories and more than 1600 outlets, it is a notorious market for fake name-brand clothing, leather goods, watches, and jewelry. Silk Alley is so infamous, the city's official website lists it as a place to shop for souvenirs. The watches alone take up a space the length of a football field.

But the market's days may be numbered as designer companies try a new tactic. "Our civil trial against Silk Alley's landlord started in September, and we have prepared the evidence for a number of other cases," explains Simone. "We are sending a shot over the bow to landlords everywhere in China. The people who run these factories are scumbags, hiring children, locking employees in production areas where there have been fires and they can't get out. And the landlords are just as responsible. Now they are exposed, and they don't like it." ■

heavy machinery resulting in injury and death," reports Hom.

In China it is illegal for children under 16 to work, but the laws are not always enforced. Compounding the matter are regulations issued in 2000 by the Ministry of Labor and Social Security mandating that child-labor statistics, like many other labor statistics, be classified as state secrets.

The implementation of anticounterfeiting laws is similarly hampered. "The laws are on the books in Beijing, but local authorities in this sprawling country usually lack the resources and motivation to enforce them," says Bruce Lehman, a lawyer and chairman of the International Intellectual Property Institute in Washington, D.C. "Another problem is that under Chinese law, it is criminal to manufacture counterfeit goods, but not to export them."

Under international pressure, the Chinese Supreme People's Court and Procuratorate jointly issued new standards against intellectual-property crimes in December 2004, but there's still a long way to go. "There has been an increase in prosecutions and convictions, but the base is still low, so an increase in convictions of 50 percent is still not enough to have much of an impact," says Joe Simone, a lawyer and spokesman for the Luxury Goods Industry