



GEOS Group International and Competitive Risk Newsletter, n° 98, July 2010

## COUNTERFEITING

# MEDICATION : Fake drugs market reaches 200 billion

For the first time, counterfeit drugs have become a \$200-billion-a-year industry. Bogus drugs range from harmless to dangerous and deadly and have significant implications for public health. They are the direct cause of some 200,000 deaths each year, with over half of those casualties occurring in Africa where counterfeit medications account for 30 % of the market. Packaging used by bogus drugs manufacturers is increasingly elaborate to give the illusion that the fake drugs sold are produced by real laboratories which spend billions of dollars in R&D and provide guarantees to consumers. The counterfeit medicines market grew by 596 % between 2007 and 2008. In Africa, fake anti-malarial drugs pose the greatest public health risk among

poor communities who cannot read or write and are not informed of the dangers. Fake drugs to fight tuberculosis and fake antiretrovirals are the second and third most prevalent counterfeit drugs in circulation. The black market deprives governments in Africa of 2.5 - 5 % of their annual revenue. Industrialised countries are also impacted by the phenomenon, with online shopping making cheap, fake drugs easily available to unwitting customers. In Western Europe, bogus drugs are an estimated euro 10.5 billion-a-year industry, according to a report by Pfizer.

### International response

The Brussels-based World Customs Organisation (WCO) has drafted a new declaration which will be presented to the

organisation's 176 member states. The declaration was praised by the Chirac Foundation, chaired by the former French President, which is heavily involved in promoting decent health care in Africa. The Council of Europe is also seized of the problems raised by this industry which some experts believe is 25 % more profitable than narcotics trafficking. The Council will propose the Medicrime bill in November for ratification by its members. The European Union is also preparing its response to the issue and plans to use technology to fight fake drugs. The EU plans to update Directive 2001/83/EC and will focus on the identification, authentication and traceability of drugs using RFID chips and two-dimensional bar codes.

**EDITORIAL  
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▶ Counterfeit medicines, according to the WHO, is a 45 billion dollar industry, i.e. 10% of the global pharmaceutical market. It is a highly attractive market (25% more profitable than the narcotics trade), with comparatively lenient penalties given the issues at stake (3 to 5 year prison terms in France, for example). The volume of counterfeit pharmaceutical and cosmetic products has increased exponentially over the last few years, and is not limited to the wellness sector (sexual health, weight-loss). Fake medicines are a serious threat to consumer health, as they are often placebo quality, and raise issues of under-dosing or over-dosing and toxicity. Bogus drugs directly impact employment, R&D investment, and the image of the pharmaceutical industry. To fight this problem, GBI provides a comprehensive range of services to its clients. GBI enables clients to identify players who are violating industry principles, identifies how parallel supply chains operate and provides advisement on appropriate legal provisions (intellectual property infringement, unfair competition, organised fraud, endangering public health).

### GOVERNANCE GEOS, DIRECTORATE & SUPERVISORY BOARD

▶ General Jean Heinrich (President of the Supervisory Committee since the foundation of the Group) will chair the newly established Management Board.

Michel Campioni has been appointed member of the Board and Group Secretary General. Guillaume Verspieren, who was Chief Executive Officer of GEOS since 2009, has been appointed President of the Supervisory Board of the GEOS Group.

### PUBLICATION 2010 MOCI COUNTRY RISK ATLAS

▶ Our Country Risk Tracking Centre contributed security reports on payment, logistics, customs and security-related risks in 103 countries for the Atlas. [www.lemoci.com](http://www.lemoci.com)

### PARTNERSHIP GEOS RENEWS PARTNERSHIP WITH AFGHANISTAN DEMAIN

▶ GEOS has renewed its sponsorship of the Afghanistan Demail association and will continue to fund its computer training programme. [www.afghanistan-demail.org](http://www.afghanistan-demail.org) & [www.nouvellesdekaboul.blogspot.com](http://www.nouvellesdekaboul.blogspot.com)

**TURKEY  
ATTACKS AGAINST  
SECURITY FORCES  
IN ISTANBUL**

▶ At the beginning of June, fifteen people were injured in a bomb blast targeting a police car. At the end of the month, a similar type of attack killed six people and injured a dozen others when a homemade bomb exploded targeting a military vehicle in the city. TAK, a Kurdish group, claimed responsibility for the second attack.

**EGYPT  
SECURITY MEASURES  
FOR GAS PIPELINE  
TO ISRAEL**

▶ The Egyptian authorities have introduced new security measures around the pipeline that connects Egypt and Israel. The Cairo security services received intelligence that a group of Bedouin in the Sinai threatened to sabotage the pipeline. The leader of the group, Salim Lafi, escaped from a prison truck last February, when his



followers laid an ambush and killed one of the police officers escorting the prisoner. Security measures have been ratcheted up throughout the border area, in particular around El-Arish airport and the Al-Ouja crossing with Israel. The pipeline supplies 1.7 billion m<sup>3</sup> of gas each year.

**COLOMBIA  
FARC TO  
STEP UP  
ACTION**

▶ Following the election of Juan Manuel Santos, who belongs to the same party as Alvaro Uribe, to the presidency, the Farc announced that they will step up operations to denounce an election which they claim was rigged. The Army, over the last weeks, succeeded in releasing two hostages and neutralised the commander of the 33<sup>rd</sup> Front of Farc known as "El Boyaco".

**SOMALIA  
ISLAMIC  
GROUPS STRIKE  
AGREEMENT**

▶ Hizbul Islam and Al-Shebaab, two groups active in the region of Hiiraan in the south, have merged. The idea of an agreement was floated by Al-Shebaab. The group threatened that if the agreement was refused, Hizbul Islam would be considered as an enemy force. The main hardware owned by Hizbul Islam are Toyota pickups fitted with rocket launchers.

**UNITED STATES  
BOMB  
SCARE AT  
OAS HQ**

▶ The headquarters of the Organization of American States (OAS) in Washington was cordoned off after a bomb alert. OAS staff remained in their offices during the inspections. A suspicious device was discovered not far from the building on 19th and F Streets, near other official buildings, the IMF and World Bank.

**IRAQ  
EXPLOSION  
AT MAIN  
PIPELINE**

▶ A rebel group attacked one of Iraq's main pipelines, to the north of Baghdad, in Rachidiyeh. It connects the refinery of Dora in the capital to the city of Baiji not far from the oilfields of Kirkuk. The same city was the scene of a suicide bombing against a police patrol that killed five and injured eighteen.

**INDONESIA  
THREATS  
AGAINST  
DANISH EMBASSY**

▶ The Chief of Police in Indonesia has revealed that an Islamic group was planning a car bomb attack against the Embassy of Denmark. The terrorist operation was meant to mark the 64<sup>th</sup> anniversary of the establishment of the Indonesian police force and avenge militants killed during recent police raids.

**SECURITY**

**Taliban again target  
foreign NGOs  
Insurgents develop strategy against NGOs**

**T**he chief of staff of the commanders of the Islamic Emirate of Afghanistan are currently implementing a strategy to directly target foreign nationals working in the country. Qari Ziaur Rehman, a Taleban commander, declared that Indian expatriate workers would be the main target. South Korean nationals were targeted in a rocket launch attack against their facilities, near a construction site in Parwan Province. An UN Afghan official was murdered in a sniper attack as he drove a UN-marked vehicle in the capital. The threat is being taken very seriously by NATO, as well as by other countries such as India and Japan. The issue was on the agenda during a summit meeting between the Deputy Foreign and Defence Ministers of both countries held in Delhi. The Taliban have

also threatened all foreign mining companies who attempt to begin production in Afghanistan. The same goes for petroleum companies. Afghanistan has an estimated 1.6 billion barrels of petrol, 16,000 billion cubic meters of natural gas and 600 million barrels equivalent of concentrated gas. In the coming months the Kabul government will call for bids from international energy firms to develop Iraq's oilfields. *The situation in Afghanistan is more difficult than planned, says the Director of the CIA, Leon Panetta. But as the recent firing of General Stanley McChrystal shows, the Obama administration appears ever more determined to end a conflict that has, as far as American involvement goes, lasted more than thirty years.*

**AQIM continues its operations**

**A**l-Qaeda in the Islamic Maghreb, AQIM, continues its terrorist operations in the region, in particular in Algeria. At the beginning of June, four people including two gendarmes were killed in a bomb blast at a barracks in Ammal. The police was also struck a severe blow in an ambush near Tinzaoutine in the province of Tamanrasset. According to Soumeylou Boubeye Maiga, former intelligence director and Mali's current Defence Minister, AQIM seeks to gain control of the southern area of the Sahara, a borderless zone between Mali, Niger and Algeria. The group is currently building bunkers. Mali has accepted to open its borders to allow Algerian forces track down terrorists who cross over into Mali. The operation was justified by the

recent killing of 11 police officers, and it may be prolonged as part of counterterrorist cooperation between the two countries. Algeria plans to boost the numbers of its national gendarmerie, a corps established on the French model that has an extensive, nationwide network, an essential factor when fighting an organisation like AQIM. Algiers plans to increase the numbers of gendarmes by some 9,000 servicemen, to add to the 60,000 members of the force currently employed. Algiers also plans to establish a single communications network, known as Ronital, in Algiers, Tizi Ouzou and the province of Blida. *Today, AQIM mainly targets the security forces and local population, but could strike at expatriates at any time.*

#### CANADA CSIS TAKES AIM AGAINST PUBLIC SERVANTS

▶ Richard Fadden, head of the Canadian counterespionage agency, declared in an interview that certain public servants have a dual allegiance. According to Mr. Fadden, some cabinet ministers were under the general influence of foreign governments. The situation is particularly alarming given the risks facing the economic interests of Canada.

#### UNITED KINGDOM IPHONE BANNED AT WESTMINSTER

▶ The Communications Electronics Security Group (CESG), the GSHQ unit in charge of testing the security of government communications, has banned members of government from using the iPhone. They must content themselves with RIM's smartphone. Other countries had banned the Blackberry, for reasons that do not apply to members of the Commonwealth.



#### SOUTH KOREA CASES OF INDUSTRIAL ESPIONAGE ON THE RISE

▶ The South Korean counterintelligence agency identified 43 cases of industrial espionage in-country in 2009, one more than in 2008. 48.3 % of cases concern the hi-tech sector.

#### UNITED STATES IS SHELL SPYING ON THE US NAVY ?

▶ The Pentagon must answer this question. Following a review by different intelligence agencies, the Navy Intelligence arm of the community will examine the allegations. It is claimed that the Dutch petroleum major attempted to obtain classified data on deep sea drilling.

#### GERMANY CHINESE DELEGATIONS UNDER SURVEILLANCE

▶ Counterintelligence is particularly active when it comes to the surveillance of Chinese business delegations. These delegations often include undesirable types. The last case in question involved a delegate who took photos at a restricted access area inside an industrial plant. He was sentenced to an 80,000 euro fine and a one-year suspended prison sentence.

## Major corporations and a small case of spying Stolen formula could have killed off Dell and other firms

The affair began in Japan. According to a classic espionage scenario, an engineer left Rubycon Corporation and crossed the China Sea in 2002 to offer his services to Luminous Town Electric co. There he sold the formula for a computer capacitor. Several weeks later, the formula was stolen a second time. This time, the formula ended up in Taiwan, where 30 % of the world's capacitors are produced. With this series of thefts, small errors crept into the formula as it changed hands, making the capacitor formula useable but faulty once it came to market. The trap was set. Dell bought the device at a low price, as part of an aggressive sales campaign in the PC market, unaware of the device's backstory. The company proceeded to manufacture millions of computers, all defective.

Then, new details of the affair emerged recently in an article in the New York Times. The newspaper claims that Dell lost 300 million dollars following its decision in 2005 to replace computers manufactured between 2003 and 2005. The faulty capacitor caused computers to overheat and catch fire. Apart from Dell, many other American computer firms bought the Taiwan-made device. Millions of defective capacitors were produced. It was finally revealed, during a major court-case, that the company was actually aware all along that the Asian-produced devices were likely to breakdown. ***This legal saga is an illustration of how companies must take infinite precautions to avoid endangering their reputation and the future of their business.***

## Czech intelligence services speak out

With the end of the Warsaw Pact, the international intelligence community witnessed the establishment of the Czech secret services, BIS and VZ. Previously close to Moscow, they now play an integral role in America's geopolitical strategy for central Europe. The BIS (Bezpečnostní informacní služba - Security Information Service) published its 2009 annual report earlier in the month, where it denounced the activities of the Russian secret services in Czech Republic. The report claims that Russian spies are particularly active in the Republic. According to the BIS, the Russian foreign intelligence service, SVR, benefits from the extensive diplomatic community in the Czech Republic, a presence justified by the country's large Russian-speaking community,

to run a vast spy network. BIS accuse Moscow of spying on the Czech economy, in particular on energy and science R&D. In addition, the BIS explained how it participated in the investigation into a cyberattack on G20 delegates in Seoul. G20 Finance Ministers received malware email messages that enabled remote control of their computers. The Czech Republic was then the President of the European Union. The other agency to speak out is the directorate of military intelligence, the Vojenské zpravodajství (VZ). It claims in its latest report that Chinese spies are the most active in the Czech economy. ***Many countries in Eastern Europe have proprietary industries and scientific research that attracts the curiosity of foreign governments.***

#### UNITED STATES ENGINEER PLEADS GUILTY TO DATA THEFT

▶ Kevin Crow, 57 years of age, has elected to plead guilty to charges of data theft and industrial espionage. He worked for TECT (Turbines Engines Components Technologies) before joining Precision Components International (PCI) with over a hundred CD-roms containing original engine schematics and confidential information in his possession.

#### UNITED STATES INDUSTRIAL ESPIONAGE AT BAKERY

▶ Bimbo Bakeries, the owner of Thomas' English Muffins has launched legal proceedings against a former manager for industrial espionage. The company accuses Chris Botticella of stealing their cupcake recipe. He now works for Bimbo Bakeries' main competitor, the Hostess corporation. Amid the evidence brought before the courts, it emerges that only seven managers of Thomas' English Muffins have knowledge of the recipe that generates revenue of 500 million dollars each year for the company. Worse still, the plaintiffs allege that Botticella took part in a series of strategic meetings on competition with Hostess. The meetings took place as the defendant was negotiating his severance package.



## Pharmaceuticals Industry

### Context

GEOS Business Intelligence is a subsidiary of the GEOS Group. GBI delivers operational support to both companies and public authorities to enable them better control their environment.

**GBI implements an innovative approach with a dual focus: decision-making services and fraud and litigation support.**

For over 10 years, GEOS Business Intelligence (GBI) has acquired and developed **expertise to deliver customised solutions to the pharmaceuticals industry**. We deliver a comprehensive range of bespoke services.



### GEOS Solutions

#### Investigation

- » Protecting corporate image and reputation
  - ✓ **Quantitative and qualitative analysis** of corporate image through information and data processing
  - ✓ **Identification of influencers** and distribution channels
- » Protect against fraud and counterfeiting
  - ✓ **Track and monitor** the API environment
  - ✓ Counterfeit and fraud **detection**
- » Litigation support
  - ✓ **Provide evidence** for legal proceedings or an out-of-court settlement
- » Market access & business development
  - ✓ **Collect information necessary** for international development (product launch, establishment of subsidiary or foreign office, screening of local business partners, etc.)
  - ✓ **Monitor the political and regulatory landscape** (key people, map of market players, etc.)
- » Competitive intelligence
  - ✓ **Track markets and the operations of competitors**
  - ✓ **Identification** of new market entrants

#### Strategic monitoring

**Three timescales and three types of deliverables** for comprehensive operational support:

- » Track: **Monitoring reports**
- » Capitalise: **Monographs**
- » Emergency response: **Alerts**



### GEOS Leading the Industry

**GBI, a wholly-owned subsidiary of the GEOS Group, is a dedicated business intelligence and investigation company. The subsidiary is run by a team of project managers, includes a specialised monitoring centre, and has the support of an international network of experts and correspondents.**

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