
NCIPs: Illicit Products Wearing a "Legal Mask"

- A Growing Global Threat to Health, Economy, Environment, and Security, with OECD Taking Action-

Kaori Shiraishi

1. What Are NCIPs (Non-Counterfeit Illicit Products)?

In recent years, a new emerging threat has been steadily infiltrating our daily lives—Non-Counterfeit Illicit Products (NCIPs). Unlike traditional counterfeit or pirated goods, NCIPs do not involve clear violations of intellectual property rights such as trademarks or patents. Instead, they are products that, while wearing a "legal mask" and appearing legitimate, in fact violate safety standards, environmental regulations, or taxation laws, fail to comply with applicable rules, or exploit loopholes within existing regulatory frameworks to circulate in the market. This category also encompasses so-called "look-alike" products—items that may not technically be illegal but so closely resemble legitimate goods that they mislead consumers into believing they are authentic.

Disguised under a "legal mask," such products often evade detection by consumers and regulators, proliferating through regulatory blind spots. Beneath this veneer of legitimacy lies a far more insidious reality: profound risks to health, the economy, the environment, and security. The scope of NCIPs spans a remarkably wide range of sectors, including tobacco, automobiles, alcohol, pharmaceuticals, pesticides, electronics, cosmetics, steel and aluminum, toys, and clothing. Because they do not infringe intellectual property rights, NCIPs are difficult to prosecute, and they continue to spread across borders by skillfully evading national regulatory frameworks.

The risks are not abstract; they are already manifesting in real-world harm. In 2024, at a tourist destination in Southeast Asia, at least six foreign visitors died after consuming alcohol containing methanol (*1). Methanol is an extremely hazardous substance that can cause blindness or even death if ingested. Yet, because it is visually indistinguishable from drinkable ethanol, illicit operators continue to mix it into alcoholic beverages for profit. Japan is no exception. Among so-called "beauty supplements" promoted through social media advertising, some products contain unapproved ingredients. Increasing numbers of consumers who purchased such items online have suffered health damage as a result (*2).

This report, drawing on the author's participation in the OECD (Organization for Economic CO-operation and Development)'s first international conference on NCIPs, examines the realities and challenges of this emerging threat and explores the course of action that Japan and the international community should pursue.

2. The Four Risks of NCIPs

Although NCIPs may appear legitimate on the surface, they leave profound scars on society. Their risks manifest across four dimensions: health, economy, environment, and

security.

(1) Health Risks

NCIPs pose direct threats to consumer health and safety. As noted earlier, unapproved or illegal ingredients contained in foods or dietary supplements—often purchased online—have led to cases of poisoning, organ damage, and even death.

In addition, substandard automotive parts, electrical appliances, or toys containing hazardous substances can trigger serious accidents, fires, or choking incidents.

(2) Economic Risks

NCIPs erode legitimate markets, undermining law-abiding companies. The consequences extend far beyond lost sales, encompassing the erosion of market share, damage to brand value, disruption of supply chains, and—crucially—a significant reduction in government revenues through tax evasion.

The tobacco sector offers a classic example: so-called Illicit Whites. These are brands legally manufactured in one country but smuggled across borders to evade tariffs and rules, and regulations, and then sold illegally elsewhere. According to the World Bank, illicit tobacco products result in an annual global tax revenue loss of approximately USD 40–50 billion, equivalent to around 10% of worldwide consumption (World Bank, 2019).

(3) Environmental Risks

NCIPs also generate significant environmental harm. The circulation of pesticides and chemical substances containing unverified or unapproved ingredients can lead to soil and water contamination, the degradation of marine and freshwater ecosystems, and serious harm to wildlife, including endangered species.

A report by the United Nations Environment Programme (UNEP) documents a case in the Caribbean where pesticide runoff from coffee plantations entered rivers and flowed into the sea, causing mass fish deaths. Such incidents underscore how illegal agrochemicals threaten not only ecosystems but also local livelihoods in fisheries and tourism.

(4) Security Risks

Behind the silent spread of NCIPs lies a sophisticated web of transnational organized crime. For criminal groups, NCIPs represent a “low-risk, high-return” business model: they exploit regulatory loopholes, minimize exposure to enforcement, and generate substantial profits. Moreover, the proceeds from these activities are frequently funneled through money-laundering schemes, meaning that ordinary consumers may unwittingly become complicit in sustaining illicit economies.

3. Three Barriers to Tackling NCIPs

NCIPs, illicit products wearing a “legal mask,” continue to erode society while posing grave risks to health, the economy, the environment, and security. Yet comprehensive

regulation and effective countermeasures remain elusive, largely due to structural challenges unique to NCIPs. This chapter examines three key “barriers” that have hindered meaningful progress in addressing this threat.

(1) Lack of Definition and Data

Systematic research and reliable statistical data on NCIPs are almost nonexistent. Even the term “NCIPs” is not an internationally agreed definition but rather a provisional label used in OECD discussions.

Some reports indicate that when consumers discover post-purchase that a product is illicit, they often refrain from reporting it out of a sense of personal responsibility. This perpetuates a vicious cycle in which the risks are underestimated, while policy responses remain slow and reactive.

(2) Black-Box Channels via Cross-Border E-Commerce and Free Trade Zones (FTZs)

The rapid expansion of cross-border e-commerce and small-parcel deliveries has made it easier than ever for consumers to purchase products from overseas vendors. However, these very mechanisms are being exploited to bypass customs inspections and domestic regulations, creating fertile ground for NCIPs. Moreover, lightly regulated Free Trade Zones (FTZs) (*3) are increasingly exploited as hubs for the production, storage, and re-export of NCIPs, further complicating international enforcement efforts.

In the digital sphere, cases of “fake advertising” have been reported in which corporate logos and images of legitimate companies are misused on social media to funnel consumers to online sales platforms. Yet the products delivered are often unbranded items with no trademarks. When combined with cross-border e-commerce and FTZs, these tactics significantly accelerate both the speed and reach of NCIP proliferation.

(3) Governance Without a Central Authority

Addressing NCIPs is a cross-cutting challenge that spans the jurisdiction of multiple ministries and agencies in Japan, including Customs, the Ministry of Health, Labour and Welfare, the Ministry of Economy, Trade and Industry, the Consumer Affairs Agency, and the Ministry of the Environment. However, because NCIPs are not predicated on intellectual property infringements, there is no clear lead authority responsible for coordinating the response. Greater information sharing and inter-agency collaboration are therefore urgently needed. This absence of a central coordinating body is not unique to Japan; it is a governance gap widely observed across the international community.

4. Global Dialogue Takes Off

The international community has begun to take concrete action to better understand NCIPs and develop policy responses. The turning point came when Business at OECD (BIAC), the OECD’s business advisory body, raised the alarm. Based on the rapid expansion of these products in global markets, Business at OECD identified NCIPs as a “priority issue requiring international action” and emphasized the urgent need for a new

framework to strengthen countermeasures at the global level.

I also had the opportunity to attend “the OECD Seminar on Countering Illicit Trade”, held in Tokyo in August 2025, where discussions brought together international organizations, national authorities, and private-sector representatives. The session highlighted several structural challenges: the absence of clear definitions and classifications for NCIPs, insufficient coordination among relevant authorities, and the exploitation of cross-border e-commerce, FTZs, and social media platforms. What struck me most were the case studies presented by companies. On the screen were images of products wearing a “legal mask”—masquerading as legitimate while luring consumers through deceptive advertisements and sales tactics. These examples laid bare a sobering reality: NCIPs are not a problem that individual companies can solve alone, but a systemic challenge requiring coordinated international action.

At the first international conference dedicated to NCIPs, the countermeasures emphasized by participants converged on three key priorities:

1. Awareness – raising public recognition of NCIPs and strengthening capacity-building,
2. Connectivity – enhancing information-sharing not only across countries but also among businesses, governments, and civil society, and
3. Collaboration – building coherent and harmonized international regulatory frameworks.

In sum, the discussions made it clear that confronting this emerging threat requires not fragmented, individual responses, but a comprehensive approach anchored in international cooperation and stronger governance.

5. Future Outlook

Looking ahead, the OECD plans to follow the Tokyo seminar with additional events in the United States and Europe. It will also intensify its analysis of NCIPs, with the aim of publishing a comprehensive report between 2026 and 2027. This report is expected to examine the scale of NCIPs, their social and economic impacts, and to provide concrete policy recommendations for governments.

The immediate priority is to enhance understanding of the actual scope of NCIPs and to raise public awareness of the issue. Building on this foundation, it will be essential to foster international policy dialogue grounded in robust data, while also developing regulatory and enforcement mechanisms capable of addressing emerging channels such as cross-border e-commerce and social media.

Given that the illegality of NCIPs is not easily apparent to consumers, their adverse effects—most notably health damage and declining tax revenues—tend to manifest only after they have already taken a serious and widespread toll on society. As a leading advocate for maintaining a fair international economic order, Japan cannot afford to lag behind in global discussions. To take proactive measures against these illicit products wearing a “legal mask”, Japan must pursue a three-pronged strategic approach:

1. Strengthening data collection and understanding of the actual scope of NCIPs,

2. Raising public awareness, and
3. Enhancing inter-ministerial and international coordination.

【Annotations】

- 1) CNN (<https://edition.cnn.com/2024/11/21/asia/australia-backpacker-dies-methanol-poisoning-laos-intl-hnk>)
- 2) Yomiuri Shinbun Online (<https://www.yomiuri.co.jp/national/20221214-OYT1T50047/>)
- 3) Refers to special zones where tariffs and regulations are relaxed. While originally intended to facilitate trade, their regulatory leniency can be exploited and turned into hubs for illicit products.

【References】

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