

ONE HUNDRED TENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

Majority (202) 225-5051
Minority (202) 225-5074

May 30, 2007

THE COMPETITIVE EDGE

Fair Trade: Intellectual Property Protections in China.

Every day Americans, work hard to build businesses and create jobs that compete effectively in – and take advantage of - the global marketplace. These Americans have one question for the federal government: Are you helping us or hurting us?

Each week *The Competitive Edge* will highlight one government policy or practice that makes it harder for American innovator to succeed in business. This week's topic is Fair Trade: Intellectual Property Protections in China.

The Problem:

According to the International Chamber of Commerce and other international organizations, roughly 7 percent to 8 percent involves counterfeit goods. And it's getting worse: According to the Department of Commerce, seizures of fake good at U.S. border points have doubled since 2001.

China, which continues to be the largest single source of counterfeit and pirated imports in the United States, has been on a U.S. "priority watch list" of countries that fail to adequately protect intellectual property rights, such as trademarks and patents. In 2005, the United States placed China on its "priority watch list" of countries that fail to adequately protect property rights. According to the U.S. Trade Representative, levels of piracy in China across all lines of copyright businesses reach 93 percent.

The Solution:

In April, the United States filed a complaint against China at the World Trade Organization (WTO) over the unacceptably high levels of piracy and counterfeiting of intellectual property. In addition, the Bush administration has stepped up activity through its

STOP (Strategy Targeting Organized Piracy) initiative, which unites nine federal agencies in a coordinated effort to disrupt criminal networks that traffic in fake goods. STOP halts counterfeit and pirated products from entering the country, blocks bogus goods from moving around the world and helps American businesses secure and enforce their rights in the global marketplace.

These are both important and effective tools to punish those who cheat the system. The administration must continue to work with international trading partners to develop a coalition of countries willing to target organized piracy. The administration and Congress must continue to apply pressure on countries such as China, with a history of violating intellectual property and patent protections, to enact and enforce laws governing intellectual property rights.

Why It Matters:

Reflecting on the challenges facing U.S. manufacturers U.S. Rep. Tom Davis (R-VA) said:

“There is no such thing as fair trade if your trading partners can break the rules with impunity. Counterfeiting and piracy pose a real threat to American firms and workers. These crimes cost the U.S. economy between \$200 and \$250 billion per year and up to 750,000 American jobs. Piracy hurts innovation, undercuts our ability to compete in foreign markets and exposes U.S. companies to massive liabilities. Moreover, it threatens public health and even helps to fund organized crime and terrorism. This is a problem that we cannot afford to ignore.”

The pressure the Administration has applied to countries like China is beginning to bear fruit. On April 5, 2007, the top court in China announced some tougher rules for punishing copyright pirates. This is a good first step, but countries such as China still have a lot of work to do. Those rules need to be made even stronger. China needs tougher rules for IPR violations generally, and China needs to put resources into enforcing those rules. And this Administration and this Congress should continue to apply pressure on the countries most responsible for the piracy and counterfeiting of intellectual property.

If you would like additional resources, the following reports provide a broader policy context on USG efforts to improve IPR enforcement in China and around the world:

2007 Special 301 Report:

http://www.ustr.gov/assets/Document_Library/Reports_Publications/2007/2007_Special_301_Review/asset_upload_file230_11122.pdf

2006 NIPLECC Report:

http://www.commerce.gov/opa/press/Secretary_Gutierrez/2006_Releases/September/2006%20IP%20report.pdf

About the Competitive Edge: The Competitive Edge is a weekly bulletin produced by the House Committee on Oversight and Government Reform. If this bulletin was forwarded to you, and you'd like to sign up to receive *The Competitive Edge* each week you can email us at Reform@mail.house.gov.