

The Nightly Business Report
Counterfeiting – Big Business in China
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I was recently in China. A hot issue with US companies is the enforcement of intellectual property rights (IPR). Counterfeiting is big business in China – everything from pharmaceuticals, to handbags, to DVDs. According to the FBI, US companies lose between \$200 and \$250 billion in annual sales because of IPR violations, and China is a big offender.

In Beijing, I heard Commerce Secretary Carlos Gutierrez send a strong message. He said, “Intellectual property rights are not negotiable. Violation is a crime and we do not negotiate crimes with our trading partners.”

But China’s central government points to the IPR regime which is in place throughout the country, and they cite facts and figures to prove that there has been significant progress in enforcement. Our companies say they don’t see it and, they say, nothing much has changed. Some even want the US government to take the case to the World Trade Organization.

However, the next arena for action is the meeting of the US-China Joint Commission on Commerce and Trade. This brings together cabinet level people from both governments and meets in Beijing in July. One outcome should be a “roadmap” which identifies the enforcement milestones that China would aim for. If the two sides agree, this could go a long way toward lowering the tension around this issue.

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