

China's piracy and counterfeiting: A double standard of Olympic size

Contributed by Sen. Byron Dorgan (D-N.D.)
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If you want to understand why our trade balance with China is so lopsided in China's favor, one place to start is the issue of piracy and counterfeiting.

In 2007, our merchandise trade deficit with China was a record-shattering \$256 billion. For every dollar of merchandise that we exported to China last year, the Chinese exported nearly six dollars of merchandise to our shores.

There are many reasons for this staggering trade imbalance, of course, but piracy and counterfeiting are one of the keys. Simply put: rather than buying American products, the Chinese are "reverse engineering" their design, stealing the American trademarks, and selling knock-offs in the Chinese market.

The U.S. trade representative recently found that Chinese piracy is taking place at "epidemic" levels. The U.S. Chamber of Commerce - which is a big proponent of trade with China - nonetheless has estimated that violations of U.S. intellectual property rights are costing U.S. industry an estimated \$200 billion per year, and that China is the biggest culprit.

But there is one trademark that the Chinese do seem to be able to protect. It's the logo for the 2008 Beijing Olympics.

That is because the Chinese government owns that logo and wants to protect it.

You can find all kinds of counterfeit U.S. brands in China - everything from DVDs to handbags. But it's far more difficult to find a counterfeit coffee mug, T-shirt or other trinket bearing the logo of the 2008 Beijing Olympics.

In 2002, the Chinese government passed a national law exclusively to protect the intellectual property rights of the Olympic symbol. In the first three years after the law protecting the logo went into effect, the Chinese government prosecuted nearly 2,300 people for violations, and destroyed nearly 2.5 million pieces of fake Olympic goods.

For the Chinese, there is big money at stake in their Olympic logo: In 2004, the Athens Olympic Games generated \$61.5 million in revenues from the sale of licensed Olympics merchandise, according to a report by the International Olympic Committee. The Chinese don't want anyone cutting into that revenue stream with counterfeit trinkets with the Olympic logo. So, this proves when they want to, they can shut down piracy and counterfeiting.

It's an entirely different story with U.S.-trademark products. In its 2007 report on trade barriers, the U.S. trade representative estimated "that levels of piracy in China across all lines of copyright business range between 85 percent and 93 percent," indicating little or no improvement over the previous year.

The Chinese say they are doing everything they can to enforce U.S. trademarks. But it is a stark contrast indeed between the Chinese government's aggressive crackdown on piracy of the Chinese Olympic logo and the timid and ineffective enforcement against piracy of U.S. products.

The fact is that the Chinese don't have much incentive to protect American products, because our trade officials repeatedly let them off the hook by looking the other way.

Take for instance the WTO. China is now a full-fledged member of the WTO, and should be abiding by all of its obligations under that agreement. So in May 2005, Senator Lindsey Graham and I introduced a resolution calling on the U.S. trade representative to pursue a WTO case against China on piracy issues.

In November 2006, after over a year of foot-dragging, the U.S. trade representative informed China that it would indeed be filing a WTO case on piracy issues. However, China asked the United States to delay that filing so that "further

bilateral discussions could take place" - and our trade officials agreed. Now, the WTO is finally getting around to considering the case - but don't hold your breath for quick action anytime soon.

In short: more talk, and no action. Meanwhile, U.S. producers continue to lose billions of dollars a year. Which translates, of course, into lost U.S. jobs and a lower standard of living for our country.

But rest assured that if you travel to Beijing for the Olympics, your souvenirs bearing the Chinese Olympic logo will be the real thing. That might not be the case with many of the other products you purchase.

Dorgan is a member of the Senate Commerce, Science and Transportation Committee.