China and Intellectual Property

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George Washington University
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• Introduction
• Three Phases
• US initiatives
• Chinese initiatives
• The Problem with Enforcement
China and Intellectual Property

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• Three Phases
• US initiatives
• Chinese initiatives
• The Problem with Enforcement
Everything Old is New Again
Buying up the world
The coming wave of Chinese takeovers
The End of the Age of America
Share of World GDP (Purchasing Power Parity)

Data: International Monetary Fund, April 2011
Top Ten Countries by Global Competitiveness

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Data from World Economic Forum
http://www.weforum.org/issues/global-competitiveness
## U.S. Competitiveness Rankings, 2009 and 2010

<table>
<thead>
<tr>
<th>Competitiveness Measure</th>
<th>U.S. 2010-11 Rank</th>
<th>U.S. 2009-10 Rank</th>
<th>2010-11 vs. 2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basic requirements</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutions</td>
<td>32</td>
<td>28</td>
<td>Decline</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>40</td>
<td>34</td>
<td>Decline</td>
</tr>
<tr>
<td>Macroeconomic environment</td>
<td>15</td>
<td>8</td>
<td>Decline</td>
</tr>
<tr>
<td>Health and primary education</td>
<td>87</td>
<td>93</td>
<td>Improvement</td>
</tr>
<tr>
<td><strong>Efficiency enhancers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher education and training</td>
<td>3</td>
<td>1</td>
<td>Decline</td>
</tr>
<tr>
<td>Goods market efficiency</td>
<td>9</td>
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<td>Decline</td>
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<tr>
<td>Labor market efficiency</td>
<td>26</td>
<td>12</td>
<td>Decline</td>
</tr>
<tr>
<td>Financial market development</td>
<td>4</td>
<td>3</td>
<td>Decline</td>
</tr>
<tr>
<td>Technological readiness</td>
<td>31</td>
<td>20</td>
<td>Decline</td>
</tr>
<tr>
<td>Market size</td>
<td>1</td>
<td>1</td>
<td>Same</td>
</tr>
<tr>
<td><strong>Innovation and sophistication factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business sophistication</td>
<td>17</td>
<td>13</td>
<td>Decline</td>
</tr>
<tr>
<td>Innovation</td>
<td>8</td>
<td>5</td>
<td>Decline</td>
</tr>
<tr>
<td>Innovation</td>
<td>1</td>
<td>1</td>
<td>Same</td>
</tr>
<tr>
<td><strong>Overall Competitiveness Rank</strong></td>
<td>4</td>
<td>2</td>
<td>Decline</td>
</tr>
</tbody>
</table>

**US**

**GROWTH RATE**
Average annual growth rate, 1990-2008

2.8 percent
Projection for 2009: -2.7 percent

**NATIONAL DEBT**
Projection for 2009
$12.9 trillion
of which foreign debt comprises
$3.4 trillion (as of June 30, 2009)

**FOREIGN TRADE**
Exports to China, 2008
$69.7 billion
Trade deficit with China:
$268 billion

**CHINA**

**GROWTH RATE**
Average annual growth rate, 1990-2008

9.6 percent
Projection for 2009: 8.5 percent

**FOREIGN CURRENCY RESERVES**
September 2009
$2.3 trillion

**FOREIGN TRADE**
Exports to the US, 2008
$337.8 billion

Source: Census, IMF, US government, SAFE
Three Phases

US/China Memorandum of Understanding 1991

WTO Accession negotiations

Post-WTO Accession
US-China WTO Case

- States have ample discretion in implementing TRIPs
US Initiatives

- STEADY PRESSURE ON CHINA
- ANTI-COUNTERFEITING TRADE AGREEMENT
- TRANS-PACIFIC PARTNERSHIP AGREEMENT
Chinese Initiatives

- Interventions in TRIPS Council over ACTA
- Increased enforcement efforts
Chinese Initiatives

Indigenous Innovation Policy

Anti-Monopoly Law

Public investments in agricultural biotechnology; genetically modified crops; purchase of green technology firms
USCC: “a blueprint for technology theft on a scale the world has never seen before”
Enforcement
US Enforcement Agenda Unlikely to Succeed

- GAO United States Government Accountability Office Report to Congressional Committees

- INTELLECTUAL PROPERTY Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods April 2010
MADE IN

CHINA

POISONED PET FOOD
TOXIC TOOTH PASTE
DANGEROUS CARS
TOXIC TOYS (AQUA DOTS)
EXPLODING GAS GRILLS
CONTAMINATED Heparin
Chinese Initiatives

- Aggressive Patenting Strategy
Chart 1
Growth in Patent Filings

Index, 1995 = 100

Number of Patents Filed in 2008

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>456,321</td>
</tr>
<tr>
<td>China</td>
<td>289,838</td>
</tr>
<tr>
<td>Russia</td>
<td>41,849</td>
</tr>
<tr>
<td>India</td>
<td>37,452</td>
</tr>
<tr>
<td>Brazil</td>
<td>29,874</td>
</tr>
</tbody>
</table>

NOTE: 2007–08 data for Brazil and India are estimates extrapolated from 2006 numbers.

Conclusions

• China - US intellectual property friction not going away anytime soon
• China is playing a fast game of catch up
• Need a broader conception of enforcement and competitiveness
Thank You