

Counterfeiting in China

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Overview

- MOST SERIOUS COUNTERFEITING PROBLEM IN WORLD HISTORY
- PRC ESTIMATES PUT COUNTERFEIT TRADE AT \$19-24 BILLION PER YEAR AND 8% OF GROSS NATIONAL PRODUCT
- U.S. INDUSTRY GROUPS ESTIMATE LOSSES IN THE BILLIONS TO TENS OF BILLIONS PER YEAR
- 15-20% OF WELL-KNOWN BRANDS OF CONSUMER PRODUCTS ARE COUNTERFEIT
- DIRECT OR INDIRECT INVOLVEMENT OF GOVERNMENT ENTITIES
- EXPORTS FROM CHINA MAKE THIS A GLOBAL PROBLEM

Origins

- GROWTH OF CHINA'S ECONOMY
- ROLE OF FOREIGN DIRECT INVESTMENT AND TECHNOLOGY TRANSFER
- PROBLEMS OF POLITICAL AND LEGAL REFORM: LOCAL PROTECTIONISM AND INADEQUATE ENFORCEMENT

Major Distributors and Manufacturers of Counterfeit Goods in China



Harm to U.S. Brands in China

Figure One: Beijing Case Study

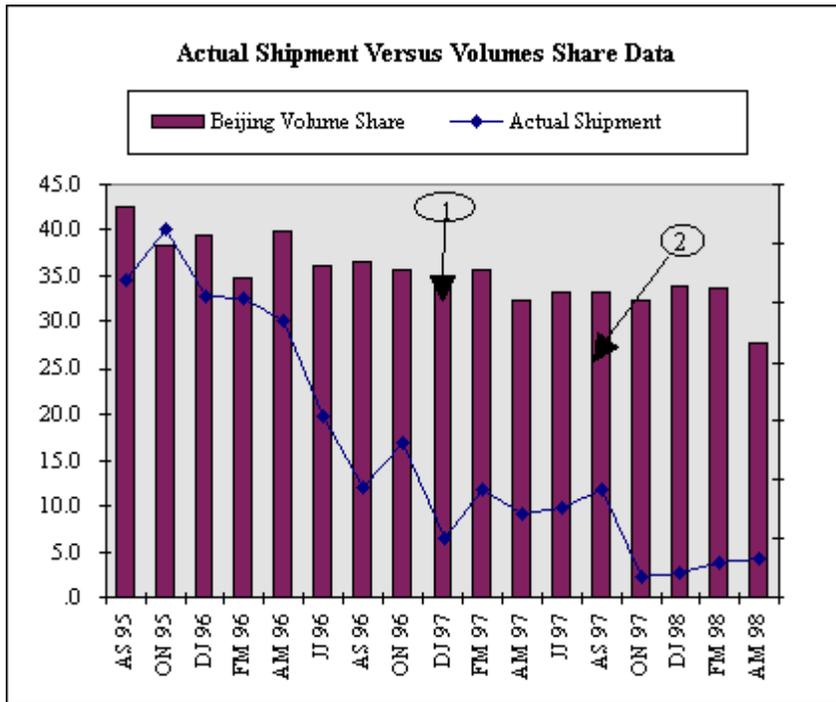
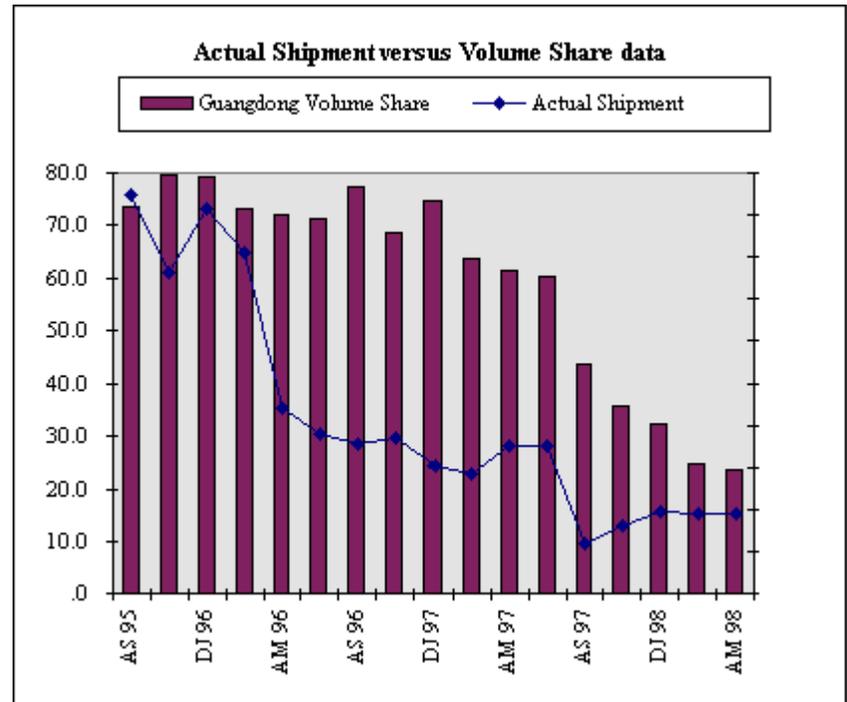


Figure Two: Guangdong Case Study



Administration of Industry and Commerce Trademark Enforcement Activity, 1997-2000

| Year | Cases | Avg Fine | Avg Damages | Criminal Prosecutions |
|-------------|--------------|-----------------|--------------------|------------------------------|
| 1997 | 15,321 | \$679 | \$40 | 57 total or 1 in 268 cases |
| 1998 | 14,216 | \$699 | \$41 | 35 total or 1 in 406 cases |
| 1999 | 16,938 | \$754 | \$40 | 21 total or 1 in 806 cases |
| 2000 | 22,001 | \$794 | \$19 | 45 total or 1 in 489 cases |

Source: State Administration of Industry and Commerce Annual Statistics

EXPORTS

- COUNTERFEITS FROM CHINA MAY ACCOUNT FOR 80% OF EXPORTS TO U.S. AND OTHER COUNTRIES
- COUNTERFEITS FROM CHINA SEIZED BY U.S. CUSTOMS IN 2003 VALUED AT \$62.4 MILLION
- SIGNIFICANT INCREASE IN EXPORTS OF COUNTERFEITS FROM CHINA STARTING 2004 BACKED BY SHARP RISE IN 2004 MID-YEAR SEIZURE STATISTICS

Future Trends

- POLITICAL WILL
- WORLD TRADE ORGANIZATION AND TRIPS