

China as a Brand

Politics is known for making strange bedfellows, but U.S. trade representatives may be forgiven for not seeing this one coming -- a real breakthrough in the long and frustrating battle to halt rampant piracy of intellectual property in China may be on the horizon courtesy of some poisoned dog food, contaminated toothpaste and lead-laden children's toys.

Faced with a rash of embarrassing tainted-product recalls, China is now scrambling to protect the "Made in China" brand, marshalling scarce resources in an unprecedented campaign to crack down on shoddy manufacturing operations in its far-flung provinces.

And, as China moves forcefully to shore up its own brand, it may inadvertently be laying the foundation for a national oversight system that's capable of enforcing intellectual property rights protection for foreign brands, providing a golden opportunity for real progress in future trade negotiations.

For the first time in recent history, the world's longstanding problems with manufacturing in China have become a priority for China itself.

More than a massive headache for officials in Beijing, China's manufacturing misfortunes may strengthen the hand of U.S. negotiators by allowing them to establish a policy linkage between China's current response to the product safety crisis and ongoing U.S. insistence that China takes steps to remedy intellectual property enforcement climate.

Let me explain. As someone who has spent more than a decade researching Chinese manufacturing and trade issues, it's clear that the real reason China has been traditionally lax at enforcing intellectual property is that Beijing has always had more pressing problems (i.e., population, social stability, etc...) that would consume the scarce discretionary resources at its disposal.

Apart from two or three vitally important policy goals that would receive sustained attention and economic and political resources from the top leadership, most policy was implemented and enforced via China's gargantuan bureaucratic apparatus. Some bureaucracies are strong, some are weak, and this variation accounts for a great deal of variation in how policy is enforced in China. Traditionally, intellectual property rights was one of the issues handled by a set of bureaucracies that tended to be on the weak side.

However, the product safety crisis changes things considerably. My sense is that we have barely scratched the surface of the extent of this problem. And China is worried that global consumer buying patterns could hurt the Chinese economy in a way that no set of trade sanctions ever could. So, China is now amassing a considerable amount of extra resources to limit the damage of the product safety crisis.

And it is these same forces - poor regulation, corruption, inadequate resources for enforcement - which gave rise to this crisis are those that are at the root of China's poor intellectual property enforcement environment.

Moreover, some of the same bureaucracies - the State Administration for Industry and Commerce and the State Inspection and Quarantine Quality and Technical Supervision Bureau - are key players in both the product safety and the intellectual property policy areas.

Indeed, can argue that the goals of product safety share some of the principal goals as intellectual property protection: to build trust in and, by extension, increase the value of a given product. For U.S. intellectual property holders, this means the brands they produce and sell in China. For China, it is coming uncomfortably close to establishing a brand that no country wants: manufacturer of dangerous goods. Beijing knows this and is scrambling to fix this problem.

If we are serious about protecting our intellectual property in China, we should use this opportunity to fold our longstanding intellectual property concerns into China's current campaign to reassure consumer confidence in our talks with China. If China treats our intellectual property problem with the resources it is expending on the product safety crisis, it would have the double benefit of dovetailing our common interests while actually achieving results on the intellectual property front.