IS CHINA STEALING OUR TECH? A LOOK INTO THE ROLE OF INTELLECTUAL PROPERTY RIGHTS IN US-CHINA TRADE RELATIONS

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INTRODUCTION

International organizations and multinational corporations take a country’s Intellectual Property Rights strength into account before entering their market. In China’s case, before 1980, there was never any substantial intellectual property rights for businesses. To expedite their entrance into the world economy, they had to develop IPR for both their domestic companies’ sakes and to meet international standards.

- The rights associated with intellectual property include copyrights, trademarks, patents, and trade secrets which prohibit all other individuals or companies to copy, recreate, or imitate your new idea or product for their own commercial gain.
- US surveys varying results suggest an economic loss due to Chinese IP theft upwards of $100+ billion.

This thesis aims to further the current literature about Chinese Intellectual Property Rights and analyze the impact they’ve had on domestic and foreign companies in China. Considering China’s growing economy, the current trade war, and the rising tensions between US and China, Intellectual Property Rights helps explain one aspect of this constantly evolving relationship.

MATERIALS & METHODS

Large-N Quantitative Cross-Country Analysis

- Independent variables:
  - Legal Environment Strength
  - IPR Strength
- Endogenous Variable:
  - Import
- Control Variables:
  - GDP
  - Region
  - Population
  - Political Rights
  - Civil Liberties

Cross-country data sourced from:
- Property Alliance IPR Index
- IV1 (Legal Environment) sourced from the “Legal & Political Environment” component in IPRI
- IV2 (IPR strength) sourced from “Intellectual Property Rights” component in IPRI
- World Bank Trade data
- UN Country

RESEARCH QUESTIONS

How does the strength of a country’s legal environment and IPR strength affect their imports?

HYPOTHESES

Hypothesis 1 (H1): In a comparison of countries, increasing the strength of the legal environment will result in an increase of imports to those countries.

Hypothesis 2 (H2): In a comparison of countries, increasing the strength of Intellectual Property Rights protection will result in an increase of imports to those countries.

RESULTS

Table 4: Multivariate Regression results

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<td>GDP</td>
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<td>Population</td>
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<td>Political Rights</td>
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<td>(0.040)</td>
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<td>(0.726)</td>
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Source: Author’s Dataset
Note: Robust, Standard errors are in parenthesis

*** p<0.01, ** p<0.05, * p<0.1

DISCUSSION

- My thesis aims to understand the US-China trade relationship through the lens of Intellectual Property Rights
- My conclusion is that IPR laws and the strength of a country’s legal environment both have a positive and statistically significant effect on a country’s imports.
- IPR has a larger effect than Legal Environment
- Future research can be done on industry specific or firm level case studies.

SUMMARY

- Chinese IPR and legal environment plays a role in the US-China trade relationship
- US pressure on China to increase their IPR strength could help to increase US imports in China
- Increases in imports could have different impacts on developing nations who might face unwanted competition from large and powerful international corporations

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