

**CHRISTOPHER H. SMITH**

4TH DISTRICT, NEW JERSEY

CONSTITUENT SERVICE CENTERS:

1540 Kuser Road, Suite A9  
Hamilton, NJ 08619-3828  
(609) 585-7878  
TTY (609) 585-3650

108 Lacey Road, Suite 38A  
Whiting, NJ 08759-1331  
(732) 350-2300

2373 Rayburn House Office Building  
Washington, DC 20515-3004  
(202) 225-3765

<http://chrissmith.house.gov>



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**"Will China Protect Intellectual Property?"**

Congressional-Executive Commission on China, September 22, 2010

Rep. Chris Smith, Ranking Member

Thank you, Mr. Chairman, and welcome to everyone this afternoon.

Mr. Chairman, the Global Intellectual Property Center estimates annual U.S. losses caused by intellectual property infringement of almost \$125 billion in the automotive, recording, pharmaceutical, and software industry industries alone, and we know that the Chinese government is the cause of most of the problem.

China tolerates—in some cases, probably, encourages—widespread infringement of American intellectual property rights, and then exports US-property rights infringing products right back to us. According to the U.S. Trade Representative's 2010 "Special 301 Report," 79 percent of infringing products seized at our border were of Chinese origin. I wonder how many jobs that translates into—how many American jobs would return if key foreign countries enforced the intellectual property agreements they signed?

I hope our witnesses address this question, as well as discuss the tools the executive branch has to take truly decisive action to protect American intellectual property—our workers and our economy. In the Trade Act of 1974, Congress provided the executive with all the authority it needs to remedy many trade injustices—injustices to our own workers as well as to foreign workers exploited in sweatshops. The executive branch has rarely made use of these—in fact, in 2006 then-Congressman Ben Cardin and I joined the AFL-CIO in a Section 301 petition to President Bush, which was denied, and I recently urged AFL-CIO leaders to petition President Obama under Section 301 of the Trade Act. In that petition the issue was the denial of the basic worker rights in China, and its adverse effect on American workers, and Section 301 provided WTO-consistent remedies. So we have two very serious issues here – the harm done to U.S. workers, and the exploitation of Chinese workers.

Mr. Chairman, our government has a responsibility to take action here. The unemployment rate was just reported as 9.6 percent in my state, New Jersey, and in fact is 9.6 percent nationally—and this means millions of people struggling to make house payments, to

feed their families. We need to ensure the President and the USTR are using all the tools they have to fix the problem.