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### China's Olympic Turnabout on Knockoffs

By Maureen Fan  
Washington Post Foreign Service  
Friday, June 13, 2008

YIWU, China -- At a city-size bazaar here in an eastern Chinese province, illegal replicas of the official Olympic mascots are being kept in broom closets and backrooms. Authorities seeking counterfeits, vendors say, could pounce at any time.



Counterfeit mascots are displayed at Beijing's commerce administration. (By Teh Eng Koon -- Agence France-press Via Getty Images)

"We don't know when they're coming," said a ponytailed woman, clutching a key chain bearing the likeness of Huanhuan the Olympic Flame, which she had pulled out of a locked drawer. "But I'm sure they won't come today."

The furtive trade in the five official, adorable Olympics figures -- including Huanhuan, Jingjing the Panda and others -- is part of an Olympic-size battle that has erupted between the keepers of the Games' lucrative symbols and an army of Chinese citizens who traffic in counterfeit versions of the world's most coveted brands.

For years, China has been known as the leading exporter of fake goods, from Louis Vuitton handbags and Patek Philippe watches to auto and jet engine parts. The underground economy, which according to U.S. trade officials costs American companies \$3 billion to \$4 billion annually, has been allowed to flourish by a Chinese government that seldom prosecutes intellectual property violations.

But the Olympics have mobilized China's piracy police like never before. Beijing, the host city, stands to receive up to 15 percent of all revenue from Olympic merchandise, a figure expected to easily top the \$62 million raised in Athens four years ago. Aside from the mascots, China is also reportedly collecting up to \$120 million each from Coca-Cola, McDonald's, Adidas and other companies that have qualified as the highest-level Olympic sponsors.

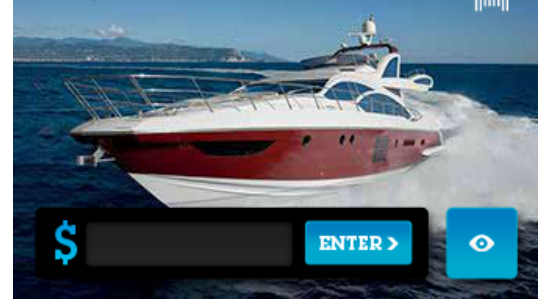
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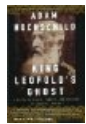
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up to the Aug. 8-24 Games, officials have moved to make sure counterfeit goods don't reflect poorly on the festivities. Fake Adidas clothing that was widely available at popular Beijing markets a year ago is now hard to find.

"It's a political mission, and the government doesn't want anything to ruin the quality of the Games," said Wang Hai, a Beijing-based advocate who has campaigned against fakes and worked with government officials to crack down on counterfeiters. "The

Olympics are about the country's image, so it has a priority."

Through stepped-up market raids and better interagency coordination, officials have demonstrated that they can reduce counterfeiting. But in doing so, they have forced the sale of fake Olympics mascots and other souvenirs onto the black market.

"They have moved some of the market more underground than they have before, but that hasn't stopped the activity," said Marc S. Ganis, chief executive of Chicago-based Sportscorp Ltd., a sports marketing firm. "It proves that China can do something about the problem when its own interests are aligned with the crackdown. . . . The reality is, just like in the U.S., people are going to do what they're going to do, which is make money."

More police have joined the fight against counterfeiting, which used to be primarily the domain of commerce and quality-inspection officials, Wang said. Companies are beginning to successfully sue markets for selling fake merchandise. And thresholds for the amount of illicit proceeds that constitute a crime have been cut in half, to about \$7,000 for individual suspects and about \$21,000 for companies.

The counterfeiting of Olympic products has cost other host cities, including Atlanta and Salt Lake City, millions of dollars. But the scope of the problem in China is particularly vast. At Yiwu market, for example, a major destination for Chinese wholesalers and tourists, there are tens of thousands of shops and more than 200,000 vendors.

"This has been a big problem for many years, and this will be a big problem for many years in the future," Wang said. "It's an issue of income rather than education. Most people who buy counterfeits don't care whether they're real or not, they just want very good quality and have very little income. This is all they can afford."

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At Yiwu, located south of Shanghai in Zhejiang province, unauthorized key chains, toys and cellphone lanyards are easily bought under the table; they can be shipped domestically or overseas. Searching online, buyers can find a host of fake Olympics merchandisers that can ship quickly and in bulk.



Counterfeit mascots are displayed at Beijing's commerce administration. (By Teh Eng Koon -- Agence France-presse Via Getty Images)

Those merchandisers are eager to sell. But many of them are now expressing greater caution.

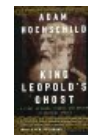
"We only deal with familiar customers because the government has increased their spontaneous inspections," said one shopkeeper here, inviting customers closer into her narrow stall as a package of mascot phone lanyards arrived. "These are just like the Olympics mascots, but their eyes are a little different. If you want it exactly the same, you have to order a large quantity."

Two floors below her shop, Wang Lichun, the owner of a local toy company, explained how easy it would be to make counterfeit mascots, even as he insisted that he wouldn't risk doing so. He said that Junyao, the Shanghai company authorized to make official Olympics mascot stuffed animals, cannot make enough of the toys itself.

"They don't have their own factory, so they subcontract, and if the subcontractor can't meet the three-month delivery deadline, he subcontracts to a third layer, giving them the molds and telling them how many to make," said Wang, answering calls in a shop filled with pink velour monkeys and leopard hand puppets.

Junyao cannot control how many stuffed animals its subcontractors make, Wang said. "When they have leftovers, if I am a vendor and I know someone at the factory, I can get the mascots. They're real, but they're not authorized."

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"If I want to, I can make the mascots even better than the originals, but I don't have the certificates guaranteeing their authenticity, so I'm not allowed to," Wang added. "They might fine me a lot, so it's not worth it."

Counterfeit mascots were produced almost immediately after the government unveiled the official versions in November 2005. For a time, fake versions of Beibei the Fish, Yingying the Tibetan Antelope and Nini the Swallow, as well as Jingjing the Panda and Huanhuan the Olympic Flame, were easily found at Beijing subway stops. Now, in the

capital, they are harder to spot.

"When the authorities feel more pressure from America, they can do it, they take it seriously," said Pedro Ren, the owner of an import-export company, whose business card is in English and Spanish.

Last month, the head of Beijing's intellectual property office said the agency was doing all it could to combat counterfeiters but admitted that online vendors of fake merchandise, who are harder to identify, pose a special challenge.

"For infringement, especially online, it's a daunting challenge faced by the whole world. Although we don't like it, it's a fact," said Liu Zhengang, director general of the office, speaking at a news conference. "We cannot guarantee there's no infringement, we can only just keep prosecuting cases."

Officials said they had stepped up the training of customs officers in identifying genuine labels and strengthened controls at China's ports.

Ren, the import-export trader, said officials were generally taking a greater interest in protecting intellectual property, in hopes of encouraging entrepreneurs to create their own brands while assuring them that those brands will be protected. But the Olympic Games provide another incentive.

"The Chinese government usually only manages during a crisis," Ren said. "When things reach a peak and they have to deal with it, they will."

*News researchers Julie Tate in Washington and Liu Liu in Beijing contributed to this report.*

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