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International Chamber of Commerce
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Long term impacts of counterfeiting and piracy on increased Foreign Direct Investment and employment in Kenya

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An ICC initiative
BASCAP
Business Action to Stop Counterfeiting and Piracy

Anti-Counterfeit Agency
Educate, Enforce, Eliminate

ICC works to promote a balanced and sustainable system for the protection of intellectual property. It believes that IP protection encourages innovation and the development of knowledge-based industries, stimulates international trade, and creates a favorable climate for foreign direct investment and technology transfer.

About BASCAP

Counterfeiting and piracy have become a global epidemic, leading to a significant drain on businesses and the global economy, jeopardizing investments in creativity and innovation, undermining recognized brands and creating consumer health and safety risks. In response, the ICC launched BASCAP to connect and mobilize businesses across industries, sectors and national borders in the fight against counterfeiting and piracy; to amplify the voice and views of business to governments, public and media; and to increase both awareness and understanding of counterfeiting and piracy activities and the associated economic and social harm. Visit BASCAP on the web at: www.iccwbo.org/bascap

About ACA

The Kenya Anti-Counterfeit Agency (ACA) is a State Corporation established under Section 3 of the Anti-Counterfeit Act, 2008, Laws of Kenya. The Agency was established to prohibit trade in counterfeit goods in Kenya. Specifically, the Agency has four major functions: to enlighten and inform the public on matters relating to counterfeiting; to combat counterfeiting, trade and other dealings in counterfeit goods in Kenya; to devise and promote training programs on combating counterfeiting; and to co-ordinate with national, regional or international organizations involved in combating counterfeiting. It is through the latter function that the Agency is collaborating with international institutions such as the BASCAP.

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Executive Summary

A core element of national economic development is a legal system that provides for the establishment and protection of intellectual property rights (IPR)— copyrights, patents, trademarks and similar intellectual property which drives a society's innovation and creativity. Protecting these intellectual property rights spurs innovation, gives large and small firms a range of tools to help drive their success, and provides consumers and society with a continuous stream of innovative, competitive products and services. Strong IPR protection is, therefore, a cornerstone of most modern economies. A strong IPR framework provides businesses with the assurance needed to invest in innovation and product development, secure in the knowledge that their intellectual property (IP) will be protected.

Strong IPR protection also prevents the emergence of an illicit economy based on IP theft that leaches jobs from the legitimate economy, siphons off tax revenues, forces workers into unsafe and unregulated employment and creates products that are unsafe, unregulated and endanger the health and safety of consumers.

A strong IPR framework is also a key component in a country's ability to attract Foreign Direct Investment (FDI). In an increasingly globalised market, countries must demonstrate to investors that they have put in place the right policies and infrastructure to attract FDI. Among these enabling conditions, IPR is a key element of a country's overall attractiveness as a destination for FDI.

FDI can be particularly beneficial to economic progress if it is high value added and technology-based. FDI of this type increases employment, skills, productivity, enterprise creation, domestic competitiveness and exports. This report has examined the benefits that improving Kenya's IPR regime could bring in terms of increased FDI and the economic benefits associated with the increased FDI.

The key findings are that:

- There is clear and significant scope for improving Kenya's IPR protection and enforcement regime. Kenya consistently ranks poorly in international indices of IPR enforcement.
- There is clear and significant scope for improving Kenya's FDI inflows. Currently, Kenya's performance is weak in terms of FDI inflows. FDI inflows in absolute terms were just US$335 million (1.04% of GDP) in 2011.[1] Kenya is the second poorest performer of the largest 15 African economies, and compares poorly against average African FDI inflows (2.5% of GDP).[2]
- A significant improvement in Kenya's IPR protection regime could result in a potential increase in FDI of between US$460 and US$630 million. This in turn would result in an increase in employment of between 135,000 and 185,000 workers. It would increase employment in Kenya by between 1.3% and 1.7%.
- A significant improvement in Kenya's IPR protection regime and associated increases in FDI could increase exports by between US$750 million and US$1.5 billion. This in turn would be associated with an increase in employment of between 220,000 and 440,000, an increase between 2.0% and 4.1%.

1. Introduction

Strong intellectual property rights (IPR) protection and enforcement is a cornerstone of most modern economies. A strong IPR framework provides businesses with the assurance they need to invest in innovation and new product development, secure in the knowledge that their investments and intellectual property will be protected. Business investment and innovation are key drivers of economic growth and will be a central element in returning the global economy to its pre-financial crisis health.

In addition to delivering economic benefits, strong IPR prevents the emergence of an illicit economy based on IP theft that competes against legitimate product, leaches jobs from the legitimate economy, siphons off tax revenues, forces workers into unsafe and unregulated employment and creates products that are unsafe, unregulated and endanger the health and safety of consumers.

For corporations looking to invest overseas, IPR is therefore critically important – both for creating a healthy, competitive environment for growth and for providing the assurance that intellectual property (IP) will be protected.

These parameters stipulate that strong IPR is also a key component in a country's ability to attract Foreign Direct Investment (FDI), especially in an increasingly globalised investment market. More so than ever before, countries must demonstrate to investors that they have put in place the right policies and infrastructure to attract FDI. And IPR is a key element of a country's overall attractiveness as a destination for FDI.

The economic benefits of FDI are not insignificant and therefore merit a country's attention to ensure that the proper investment conditions, including strong IPR protection, are in place. Attracting inflows of FDI can be critical to the economic progress of developing economies – in 2011 total global FDI flows reached $1.5 trillion, with more than half flowing to developing and transition economies.[3] FDI can be particularly beneficial to economic progress if it is high value added, technology-based FDI. FDI of this type is associated with increasing employment, skills, productivity, enterprise creation, domestic competitiveness and exports.

This report looks particularly at the potential benefits that improving the Kenyan IPR regime could bring in terms of increased FDI and the economic benefits associated with that FDI.

The remainder of this report discusses the following issues:

- The economic benefits of FDI;
- The challenge of attracting FDI and the key importance of an effective IPR regime;
- Kenya's comparative performance today and the scope for improvement; and
- The potential gains to the Kenyan economy from an improvement in its IPR regime.

2. The economic benefits of FDI

Countries compete for and value FDI because it brings a range of substantial benefits. For developing economies that are below their equilibrium full output and employment levels, the benefits associated with FDI include the employment, output and export effects associated with the investment stimulus. They can include increased productivity, which can result from increases in technology transfer, improvements in the education and skills of the labour force and improved competitiveness in the domestic economy.

The effectiveness of a country's IPR protection regime is critical for countries to reach their technological, creative, economic and societal potential. Putting in place an effective IPR regime is one of the most concrete ways to release the potential of inventors and creators, and empower them to transform ideas into high-quality products and services, jobs and economic growth.

- **Employment:** Perhaps the most significant direct benefit of FDI is the increased employment associated with the investment. In Kenya, for example, output per worker in Kenya is low at approximately US$3,600 per worker.[4] This suggests that every US$1 million of FDI could give rise to employment effects of up to 300 workers. With a labour force of over 18 million people, and unemployment at 40%, the direct impacts of FDI could be substantial.[5]

- **Increased exports:** FDI is generally associated with a significant increase in exports, as illustrated by Ireland where FDI has increased significantly and exports from multi-national companies now account for over 75% of Ireland's total exports.[6] Each country's experience will vary, depending on the scale and type of FDI investment, but clearly where FDI is associated with production of goods, export revenues go up.

- **Increased demand for indigenous firms:** FDI is also associated with increased demand for products and services supplied by indigenous firms in the domestic economy. As foreign firms invest, the demand for local suppliers increases across a wide range of businesses. Opportunities for local firms may start with construction and engineering firms and include raw material suppliers, input suppliers, construction, energy, telecoms, and a variety of service providers.

- **Increased productivity:** There is often a substantial gulf between the productivity of FDI firms and that of the economies in which they invest. In Kenya for example current output per worker is USD$3,600 per worker.[7]

  In the USA manufacturing output per worker is approximately USD$150,000 per worker.[8] FDI has the potential to help close this productivity gap and contribute to the economic growth and development of the host country. Key transmission mechanisms by which productivity is increased, include:

  - **Education and training:** FDI can improve the quality of the labour force in two ways. First, companies investing in developing economies may seek to improve the quality of the labour force directly by investing in training and education programmes. This may have spillovers to other firms, through labour movement (i.e. skilled labour moves from FDI firms to other firms in the economy). Second, governments seeking to attract and retain FDI tend to invest further in the quality of the country's labour force, through increasing access to education, improving second and third level training, developing niche sector skills and improving working health and safety conditions.

  - **Technology transfer:** When firms invest in developing economies, it is likely that they will license their IP and technology to their subsidiaries (for example, roughly 75% of global royalty payments are intra-firm, i.e., between subsidiaries and parent firms). This technology transfer improves the productivity of the host economy directly. Investing firms may also license their technology to other indigenous firms in the host economy (e.g. key input suppliers further up the production chain), which will have further productivity benefits for the host economy.

- **Competitiveness:** Finally, studies show that open economies typically outperform closed economies in terms of growth and productivity. By opening previously sheltered sectors of the economy, firms have strong incentives to achieve higher standards, reduce their costs and improve their productivity in order to remain competitive in a more open economy. This also has direct benefits for consumers who will benefit from greater choice and lower prices.

3. Attracting FDI and the role of strong intellectual property rights

The United Nations Conference on Trade and Development World Investment Report 2012, reports that global flows of FDI reached $1.5 trillion dollars in 2012. Inflows of FDI to Africa amounted to just $42.7 billion in 2011, or just under 3% of total FDI. FDI inflows to Africa are currently in decline, with total FDI inflows falling for the third successive year. Overall, there is quite an uneven distribution of FDI:

- Developed economies account for 49% of FDI.[9]
- Transition economies account for 6% of FDI.[10]
- Developing economies account for 45% of FDI.[11]

If African economies are to attract FDI and increase their share of global FDI, it is vital that they implement a range of policies that increase their attractiveness. Studies show that large MNCs making their location and investment decisions focus on a range of key criteria.[12]

- Political and macroeconomic stabilities are a pre-requisite for private investment;
- Adequate physical and social infrastructure are also essential. These include the quantity and quality of roads and communication systems, skilled labor, as well as the efficiency with which public services are delivered; and
- a sound policy and regulatory framework and efficient supporting institutions to enforce the relevant laws and regulations are also critical for FDI.

Within the third category of factors, a particularly important criteria in the investment and location decision is IPR.

The critical role of IPR in attracting FDI

A robust and well-enforced intellectual property rights legal and regulatory regime is a key requirement for MNCs making investment decisions. A company must have confidence that investments made in production will be returned and that investments in IP and innovation will not be undermined by counterfeit goods and IP infringements.

Academic evidence consistently supports the finding that strong IPR protection is essential for creating the confidence needed to attract FDI and that a positive correlation exists between stronger IPR enforcement and higher levels of realized FDI:

Javorcik (2002), in one of the key papers to have addressed this issue, found evidence that weak protection of IPR deterred foreign investment in a country.[13] Sectors that were technologically intensive, or required investor involvement with the local economy, were especially affected.

This work has since been developed in such papers as Park and Lippoldt (2008),[14] which demonstrated that strong IPR regimes were associated with high levels of technology transfer-wherein inward FDI was a key element of this technology transfer. Any increase in protecting property rights, through enforcing patents, trademarks and copyright was associated with an increase in inward FDI. This paper used internationally established indices for measuring IP protection, which we later draw from to investigate the potential for improving IPR in Kenya.

Branstetter and Saggi (2009) find that the level of FDI flows from developed to developing countries changes according to changes in the degree of IPR protection in developing countries.[15] As IP protection is strengthened, the rate of imitation goods in a country decreases. This can be interpreted as a decrease in the rate of counterfeit and pirated goods. This in turn leads to an increase in inward FDI flows. The increases in FDI are also found to lead to increases in workers real wages, to more than compensate for any loss in production with a decrease in the production of imitation goods and to lead to increases in domestic production and innovation.

Similarly, Glass and Saggi (2002) demonstrate how high levels of imitation in a country are a disincentive for FDI and innovation, which further hinders economic development of a country.[16]

Evidence from Awokuse and Gu (2010) demonstrates that improving IP protection in US trading partners has a positive impact on FDI.[17] On top of this, countries that were previously most likely to have high levels of imitation, were most likely to benefit from higher levels of US FDI with improvements in IP protection. Similarly, Du et al (2008) find that US business choice of FDI location depends on the level of IP protection in a given country or region.[18]

4. Kenya: performance today and scope for improvement

The sections above have set out many of the economic benefits associated with increasing foreign direct investment (FDI) in developing economies and how a strong IPR regime is critical to a country's prospects of attracting high levels of FDI in an increasingly competitive global environment.

In this section we explore the current performance of the Kenyan economy both with respect to IPR enforcement and with respect to FDI.

IPR protection and enforcement in Kenya

To assess Kenya's current performance in terms of IPR protection we have reviewed a number of sources. Overall, these suggest that Kenya performs poorly in relation to IPR protection:

- **US Trade Representative's report on Kenya 2011:** the report highlights that poor IPR protections act as a significant impediment to investment by US businesses;

- **International Property Rights Index (IPRI) 2012:** Kenya is ranked poorly both in absolute terms and relative to other African economies.

- **The 2010 Global Competitiveness Index (GCI)** ranks Kenya poorly in absolute and comparative terms; and data from Park and Lippoldt's academic paper for the OECD: finds that Kenya performs poorly as well.

US Trade Representative Report on Kenya

The purpose of the US Trade Representative's report is to set out a high level overview of key conditions and policies influencing the ease of doing business in Kenya. The report explicitly addresses IPR protection, and finds that:

> *"Kenya's lax enforcement of intellectual property rights (IPR) continues to be a serious challenge for U.S. firms. Pirated and counterfeit products in Kenya, mostly imported from Asia, present a major impediment to U.S. business interests in the country. Imported pharmaceutical drugs, shoes, textile products, office supplies, tubes and tires, batteries, shoe polish, soaps, and detergents are the most commonly counterfeited items."*

The report also referenced a number of studies which had identified significant issues surrounding IP infringements:

- A survey released by the Kenya Association of Manufacturers (KAM) in 2008, found that piracy and counterfeiting of business software, music, consumer goods, and pharmaceuticals in Kenya cost firms about $715 million in lost sales annually. Consequently, KAM estimated that the government of Kenya loses over $270 million in potential tax revenues per annum.

- The Pharmaceutical Society of Kenya contends that over 50% of anti-malaria drugs sold in Kenya are counterfeit.

- A survey conducted by the National Quality Control Laboratories and the Pharmacy and Poisons Board concluded that 30% of all drugs in Kenya are counterfeit.

The report also found that:

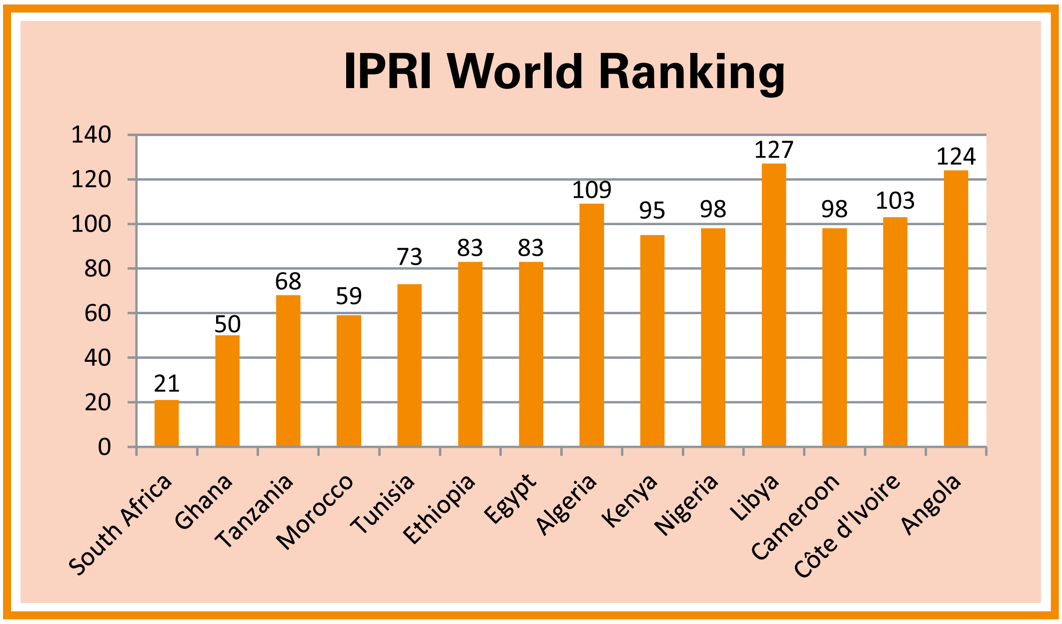
> *"The Kenya Copyright Board (KCB) has the authority to inspect, seize, and detain suspect articles and to prosecute offenses. The KCB is severely understaffed, with only three prosecutors and two police officers detailed to the organization. The KCB continues to work jointly with U.S. rights holders in conducting raids. Parliament passed the Anti-Counterfeit Act in 2008. Long sought by the business community, the law provided for the creation of an Anti-Counterfeit Agency (ACA), and strengthens the ability of law enforcement agencies to investigate and prosecute manufacturers and distributors of counterfeit and pirated goods. The ACA became operational in June 2010; however, it is poorly funded, receiving only half of its budget request for 2010. Implementing regulations meant to clarify and expand on the provisions of the Anti-Counterfeit Act have yet to be adopted."*

Other indicators of poor IPR performance

The US Trade Representative's report is supported by the rankings from key indices which measure IPR protection and enforcement.

Figure 1 below shows the global and regional rankings from the **International Property Rights Index (IPRI)** for the 15 largest African economies (Kenya is Africa's 10th largest economy). The figure shows that Kenya performs poorly, ranking 95 out of 130 countries on IPR enforcement. Even within Africa, Kenya ranks 9th of the 15 largest economies in terms of the index.

Figure 1. IPRI country rankings



Source: IPRI 2012

A Looking at the **Global Competitiveness Index 2010**, Kenya performs poorly, ranking 106 out of approximately 140 countries. Again, there are a number of leading African economies that perform substantially better on this index. This ranking includes support of property rights and demonstrates the overall environment within which business operates.

Figure 2. Global Competitiveness Index rankings

Source: World Economic Forum 2010

Finally, the academic work undertaken by Park and Lippoldt on behalf of the OECD demonstrates that Kenya's under-performance with respect to IPR has been long-standing. As outlined in Table 1, Kenya ranks poorly for levels of patent rights, copyrights, and trademark rights.

Table 1. Kenya Support of Intellectual Property Rights

Intellectual Property Rights	2000	2005
Support of Patents	69 of 122 countries	66 of 122 countries
Support of Copyrights	56 of 104 countries	59 of 104 countries
Support of Trademarks	46 of 70 countries	46 of 70 countries

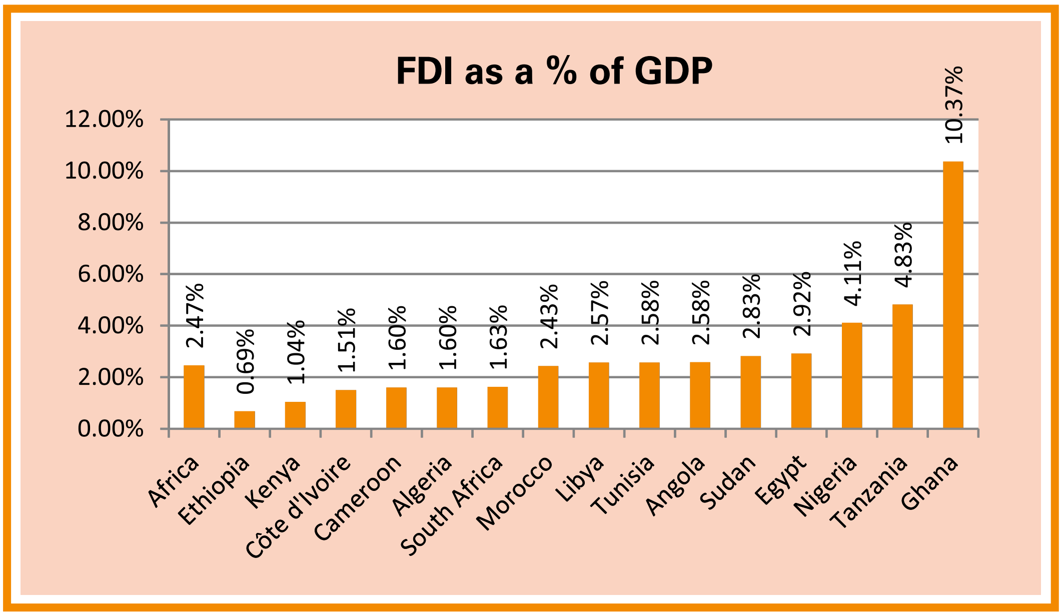
Source: Parks and Lippoldt, OECD, 2008

FDI in Kenya

Kenya is a relatively weak performer in terms of attracting FDI. In 2010, FDI inflows to the Kenyan economy amounted to just US$335 million. This is approximately 1.04% of GDP, and approximately 0.8% of total FDI in Africa. Even viewed in the context of generally poor FDI across Africa, the Kenyan share of FDI still represents a relatively weak performance.

Figure 3 below shows FDI as a percentage of GDP for the leading 15 economies in Africa and for Africa in aggregate. As can be seen from the chart, Kenya is the second worst performer in the group. Its FDI ratio of 1.04% of GDP is less than half of the African average of 2.47% and even worse in comparison to neighboring Sudan (2.83%) and Tanzania (4.83%).

Figure 3. FDI inflows in leading African economies as a proportion of GDP



Conclusion

This section has considered Kenya's performance in relation to both IPR protections and FDI. The key finding is that there is clear scope for improvement in Kenya both in terms of its IPR protection and in terms of its ability to attract FDI.

5. The potential benefits to the Kenyan economy of improved IPR and increased FDI

This final section of the report seeks to illustrate the potential benefits that could accrue to the Kenyan economy if the IPR regime and enforcement are significantly strengthened, and FDI is increased as a result.

In particular, we look at three key measures of benefit:

- Potential increase in FDI;
- Potential increase in exports; and
- Potential increase in employment.

Potential increase in FDI

We have used two approaches to estimating the potential increase in FDI in Kenya associated with an increase in IPR protection:

- Estimate the potential increase based on the relationship between IPR and FDI identified in the academic literature; and
- Estimate the potential increase based on Kenya becoming an average performer (see Figure 3) in terms of FDI.

With respect to the first approach, academic estimates suggest that FDI increases by up to 2% for every 1% increase in patent rights protection.[19] From the analysis above it is clear that there is substantial room for improvement in Kenya's performance in this regard. As a target for improvement, it is reasonable to consider Kenya aiming to become the leading African economy in terms of IPR protection. This would require a 70% improvement in its IPRI score. The academic evidence suggests that if Kenya were to achieve this level of improvement, it could increase FDI inflows by as much as $470 million.

Secondly, we consider the levels of FDI Kenya could achieve if it were to become an average African performer (as shown in Figure 3, average FDI inflows in Africa amount to 2.47% of GDP). Obviously, there are a range of factors that go into influencing a country's aggregate attractiveness for FDI. However, given the importance of IPR protection, it is not unreasonable to assume that if Kenya were to become a leading African economy with respect to IPR protection, it could achieve at least average levels of FDI. The average level of FDI as a proportion of GDP in Kenya is 2.47%. If Kenya were to achieve this level of FDI, it would result in an absolute increase in FDI of $460 million. The average for the leading African economies (excluding Kenya) is just over 3% of GDP. If Kenya were to achieve this level of FDI it would result in an absolute increase in FDI of $630 million.

Using the range established by both approaches, we estimate that a significant improvement in Kenya's IPR protection regime could be associated with an increase in FDI of between $460 and $630 million.

Potential increase in exports

As noted earlier in this paper, increasing FDI in developing economies is associated with a substantial increase in exports. This is both through direct channels (i.e. the multinationals invest in the economy produce output for export) and through the indirect channels of improved productivity, technology transfer and competitiveness.

Academic estimates report up to a 20% increase in exports as a result of tighter IPR controls and increased FDI.[20] Kenya currently exports approximately $7.4 billion per year. A 20% increase in exports would therefore increase the output of the Kenyan economy by $1.5 billion, or almost 5% of GDP. Even a more modest 10% increase in exports would be associated with a $750 million increase in output (2.5% of GDP).

Overall, therefore, we estimate that a significant improvement in Kenya's IPR protection regime and associated increases in FDI could be associated with an increase in exports of between $750 million and $1.5 billion.

Potential employment benefits

Increased FDI into the Kenyan economy and an associated increase in exports are likely to have substantial positive benefits for the Kenyan economy. As noted earlier in this document, Kenya has a large labour force of 18 million people, but a very high 40% unemployment rate.[21]

Current levels of labour productivity in Kenya are around $3,400 per worker. Assuming that labour productivity remains unchanged, then the increase in FDI and exports could be expected to have the following employment effects:

- **Increased employment as a result of increased FDI:** An increase in FDI of between $460 and $630 million would be associated with an increase in employment of between 135,000 and 185,000. This would increase employment in Kenya by between 1.3% and 1.7%.

- **Increased employment as a result of increased exports:** An increase in exports of between $750 million and $1.5 billion would be associated with an increase in employment of between 220,000 and 440,000. This would increase employment in Kenya by between 2.0% and 4.1%.

Conclusions

This paper has sought to examine the potential benefits to the Kenyan economy of increasing FDI inflows as a result of improving IPR protection and enforcement.

The key findings are that there is clear and significant scope for improving Kenya's IPR protection and enforcement regime. Kenya consistently ranks poorly in international indices of IPR enforcement, and the US Trade Representative has identified Kenya's 'lax enforcement' of IPR as a serious challenge for US businesses. We estimate that the Kenyan economy could gain substantially in terms of FDI, employment and export growth if it were to improve its IPR protection regime. These findings are presented in Table 2, below.

Table 2. Benefits associated with stronger IPR enforcement in Kenya

Potential increase in FDI	\$460 to \$600 million
Potential increase in exports	\$750 to 1,500 million
Potential increase in employment	355,000 to 625,000 jobs

The US Trade Representative's most recent report on Kenya identified a number of significant deficiencies in Kenya's current IPR regime. In terms of policy recommendations, therefore, it would appear that significant benefits could be reaped from urgently addressing these deficiencies:

- Substantially increase the staffing and resourcing of the Kenya Copyright Board (KCB);
- Increase the funding of the Kenyan Anti-Counterfeit Agency (ACA);
- Provide for the implementing regulations necessary to clarify and expand on the provisions of the Anti-Counterfeit Act.

[1]United Nations Conference on trade and Development (UNCTAD), "World Investment 2012"

[2]Ibid

[3]United Nations Conference on trade and Development (UNCTAD), *"World Investment 2012"*

[4]This figure is calculated by dividing Kenyan GDP by the number of persons employed in Kenya. Figures for Kenyan GDP and employment are taken from the CIA World Factbook 2012.

[5]CIA World Factbook 2012

[6]Irish Exporters Association, Annual Report 2012

[7]This figure is calculated by dividing Kenyan GDP by the number of persons employed in Kenya. Figures for Kenyan GDP and employment are taken from the CIA World Factbook 2012.

[8]American Enterprise Institute 2011

[9]Developed economies are defined as the member countries of the OECD (other than Chile, Mexico, the Republic of Korea and Turkey), plus the new European Union member countries which are not OECD members (Bulgaria, Cyprus, Latvia, Lithuania, Malta and Romania), plus Andorra, Bermuda, Liechtenstein, Monaco and San Marino

[10]Transition economies are defined as South-East Europe and the Commonwealth of Independent States

[11]Developing economies are defined as all economies not specified above. For statistical purposes, the data for China do not include those for Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) and Taiwan Province of China.

[12]See for example Xiaolun Sun (2002) "How to Promote FDI? The Regulatory and Institutional Environment for Attracting FDI"

[13]Javorick, Beata, The composition of foreign direct investment and protection of intellectual property rights: Evidence from transition economies, The World Bank, 2002

[14]Park, W.G., Lippoldt, D.C., Technology Transfer and Economic Implications of the Strengthening of Intellectual Property Rights in Developing Countries, OECD, 2008

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[16]Glass, A. and Saggi, K., Intellectual property rights and foreign direct investment, Journal of International economics (56), 2002

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[19]Cepeda, R., and Lippoldt, D., The Strengthening of IPR Protection: Policy Complements, WIPO Journal, 2010

[20]Branstetter et al (2007), "Intellectual Property Rights, Imitation, and Foreign Direct Investment: Theory and Evidence', NBER Working Paper 13033

[21]CIA World Factbook, 2012

The International Chamber of Commerce

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rules-setting, dispute resolution and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization, the G20 and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 120 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.

For information on how to join ICC, visit the ICC website (iccwbo.org) or contact the ICC Membership Department in Paris.

ICC
International Chamber of Commerce
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38 cours Albert 1er, 75008 Paris, France
Tel: +33 (0)1 49 53 28 28 Fax: +33 (0)1 49 53 28 59
E-mail icc@iccwbo.org Website www.iccwbo.org