



**RESEARCH PAPER**

**Effects of Intellectual Property on Economy: An Analytical Study**

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**ABSTRACT**

Intellectual property is also called incorporeal property or intangible property and it has no physical existence. It has always been debated whether intellectual property has a significant impact on the economy. Numerous writings have been written on it. Trademark, patent, copyright, registered designs are examples of intellectual property. This is the property of the person who registered it in his name. This paper is based on analytical research and concludes by examining the opinions of intellectual property experts and economists that the effects of intellectual property on the economy are numerous and it is impossible to deny the importance of intellectual property for the economy.

**Introduction**

This paper presents an analysis of intellectual property experts and economists on how they have viewed the effects of intellectual property on the economy. Lee and Mansfield (1996) observe that as far as the volume and composition of U.S FDI is concerned, a country's system of intellectual property protection plays a great role. Where there would be weak IPRs protection, it will definitely affect the U.S foreign direct investment. The weak safeguard of intellectual property rights and the strong counterfeiting ability are considered main obstacles in way of foreign exports to China. The effective patent rights increase foreign exports to China in patent-sensitive and high technology industries (Plasmans & Tan, 2004). The powerless patent privilege is an obstacle in way of American exports (Smith, 1999).

The effective foreign patent rights enhance United States affiliate sales and licenses especially in those countries that have sound imitative abilities. The United States knowledge transferred outside the country and firm is largely affected by foreign patent rights in comparison to knowledge placed within the

region and firm (Smith, 2001). After the adoption of patent law in 1993, it contributed nearly two-thirds of China's TFP growth (Fleisher & Zhou, 2010). The patent laws in China have been associated with formally captured innovation that has accompanied economic growth (Yueh, 2006b). The growth of foreign direct investment in China is inciting Chinese firms to file for more patent applications (Hu & Jefferson, 2009).

In countries, where the patent rights of Canadians are more preserved, they like to enhance their exports with those countries. Their exports are in greater number in high income nations in comparison with low income nations due to greater patent preservation (Rafiquzzaman, 2002). There is strong relation between IPRs and industrial technology growth in Brazil (Frischtak, 1989). The stronger intellectual property protection standards in the area could influence the Australian economy in a number of ways. More quick Asian growth should enhance the requirement for Australian exports, perhaps by as much as \$350 million per year. Moreover, the consumers of Australia could gain from imports of higher-quality Asian products. Australian firms also have a developing comparative advantage in providing designs, technologies and services to Asian partners (Maskus, 1998b).

The impact of patent system regarding British economy cannot be ignored (Taylor, Silberston, & Silberston, 1973).

Since the establishing of the Republic, a confidence in the strength of democracy and technology to increase the common good has defined American society. To promote the general welfare, the men gathered in Philadelphia and for them, it was self evident that ideas, inventions and democratic values were essentially related. In the very first Article of the U.S Constitution, the intellectual property clause was included, a document that clarified the law and behavior of a democratic society. The proposal was unanimously and without any debate approved because it was taken and viewed as prerequisite for development. The growth of science and literature coupled with intellectual property system was declared essential for protection of free constitution. The big mandate was given to congress of promoting science and useful Arts by securing exclusive rights of authors and inventors regarding their writings and discoveries (Khan, 2005).

Strong IP preservation can mostly be interpreted as an incentive allowed by South to encourage northern foreign direct investment (Lai, 1998).

Intellectual property plays a great role in upgrading technological innovation as well as in transfer and distribution of technology. The strengthening patent protection will lead to greater technology transfer in developing countries and in greater flow of foreign direct investment because protection of IP is a significant channel for technology transfer. It is point to be noted that simply enhancing patent safety does not increase FDI in Indian pharmaceutical sector;

other important factors play a significant role in greater flow of foreign direct investment (Rai, 2008).

Trademark can find out the improvement of market capacity and the development of rent-searching nature (Ramello, 2006). Even though the trade provisions are considered as the most important, TRIPS may prove to be the most cogent provision regarding economic growth (Yueh, 2006a). IP rights have greater effect on trade and foreign direct investment in different industries in Sub Saharan Africa (Adegoke, 2011). IP rights are considered a sound tool of economic development not only in developed nations but also in developing nations. But this influence is heavy in high income nations in comparison with middle and low income nations. Likewise, this influence is heavy in upper middle income nations in comparison with lower middle and low income nations (Sattar & Mahmood, 2011). IP dynasty has affected the overall economic growth and Indian economy. There is strong relation of intellectual property with the biotech and pharmacy sector. With growing appreciation of IP, the significance of IPR forums has been realized. Industries, universities want to protect their intellectual property rights. IP system must be developed for socio-economic well being (Rai, Singh & Sharma, 2009).

The majority of drugs used in West Africa are counterfeit which lead to serious injury and in some case cause death. IP enforcement can reduce the risk of death in West African countries. But lack of knowledge about IP, degree of poverty regarding drug prices, knowledge of only copyright law, insufficient training of judges, legislature, government officials are major hurdles in way of implementation of IP rights (Gassikia, 2014). In developing countries like Pakistan, IP system has much economic significance especially in the field of digitization (Saleem, 2011).

IPRs preservation boosts economic development not only in developed nations but also in developing nations. However protection level of IP in U.S.A and abroad is a significant public policy issue (Rozek, 1987).

The subject of intellectual property rights is considered as an important one regarding displacement, economic growth and globalization. There is need to strengthen the intellectual property rights in India regarding plant breeding field and its impact on agriculture. India's most population livelihood depends on agriculture. India is self dependent in wheat and paddy but not self sufficient in other products of agriculture. The R&D achievement is only because of patent (Singh, Rai & Chaudhary, 2010).

IP's role in the economic growth of a country is greater. Intellectual property violations such as counterfeiting and piracy affect the economy and society at large. The Council of European Union has placed IP piracy and counterfeiting in a position of high priority. New leading steps, such as enforcement of new law provisions will help the implementation community to face the challenges (Godart, 2010). For foreign direct investment in Vietnam,

intellectual property rights contribute significantly. The survey shows that FDI companies, especially large companies like Honda and Yamaha, etc. pay attention on intellectual property rights issues. The designs of these companies are frequently infringed and they have to face many problems. Without intellectual property rights, there would not be the concept of FDI and hence there would not be economic growth (Mai, Hung & Hung, n.d.).

There is a sound link between patent filings and economic development in Malaysia. The stronger intellectual property rights protection attracts more foreign direct investment inflows (Gee, 2007). IP is essential for offshore business operating in India. Many organizations have lost their position in market due to loss of IP. Indian companies give much significance to IPRs preservation and have taken steps regarding awareness, protection and promoting IP plan. The strict IPRs in India are beneficial for software companies as well as encourage foreign direct investment. Inflows of foreign direct investment, technology transfer and trade are also affected by intellectual property rights. Where there is strict intellectual property rights regime, the growth of economic development is higher. IP is a strong determinant of innovative activity (Verma, n.d.).

Intellectual property protection is much related with national economy in China. IPR safety is playing a vital role in open door policy in China and economic reform. From the previous years, national economy of China has been boosted and IPR law of China has been reformed and adjusted in line with international standards (He & Zhang, n.d.).

A link exists between IP structure and economic growth in Japan. IP system has played a major role in the economic success of Japan. TRIPS agreement has effected positively the economic growth of Korea. Vietnam's economy has also touched the top only because of IP based economic policy. In the economic success of Malaysia, the role played of IP based policy cannot be ignored. As far as the China and India are concerned, their economic success was impossible without acting upon the IP policy (Yasuda, 2007).

A significant contribution of intellectual property is there to boost up the economy of Canada (Putnam, 2001). The violations of intellectual property rights would have negative effect on Chinese economy. China is a major player in the economy of the world. If China wants to become one of the major economies, it should do a lot of work in the field of enforcement of IP (Cox & Sepetys, 2006).

Twenty percent innovation increased in India after efforts to implement intellectual property rights (Dutta & Sharma, 2008). The influence of IPRs preservation on Chinese economy is beneficial. Besides IPRs, other factors including market size and openness play a significant role to judge this effect (Villiger, n.d.).

The significance of intellectual property rights for American economy cannot be denied and it is well established (Shapiro & Hassert, 2005). Piracy of all forms of IP inclusive of patents, copyrights, trade secrets and trademarks causes billions of dollars loss to the creators, developers, owners, and manufacturers. The recent conflict between China and United States of America regarding piracy of IP is one of the examples of this among hundreds. Even various bilateral and multilateral agreements have been signed regarding theft but piracy is still a serious problem. Throughout the world, pirated computer software, videos, records, books, clothes watches, jewelry, clothes are made, distributed and sold (Lamb, 1998).

Chatprapachai (2011) investigates that in protecting developed nations' interests, IP rights have done a good job. The system of IP rights protection has been globalised due to WTO & TRIPS Agreement. However developing countries are facing some problems regarding enforcement and implementation of westernized IPR law. The research concludes by saying that there should be cooperative engagement between developed and developing nations to tackle problems regarding implementation of intellectual property rights. The developed nations should provide proficiency and finds to developing nations to solve these problems.

Hinchliffe (2016) observes the effect of IPRs on the development of African countries. According to the author, IP can perform a greater function in economic development of the African Countries but there is need to bring a sound enforcement mechanism.

Dixon (n.d.) explores in what ways the economic benefits can be achieved through preservation of intellectual property rights. The intellectual property brings economic benefits, helps in promoting innovation; helps SMEs and its benefits are countless for society and consumers.

Griffin (n.d.) examines the economic effects of copyright preservation and incentives of copyright limitations and exceptions and forwards recommendations that should be considered by policy makers while making copyright laws.

Chapman (2010) discusses the importance of IPRs. According to the author, IPRs are important part of the creative world and they should be given proper value and respect. They should not be disrespected by piracy and counterfeiting.

## **Conclusion**

Intellectual property plays a great role in upgrading technological innovation. IP rights are considered a sound tool of economic development not only in developed nations but also in developing nations. There is strong relation of intellectual property with the biotech and pharmacy sector. IP's role in the economic growth of a country is greater. Intellectual property violations such as counterfeiting and piracy affect the economy and society at large. Where there is

strict intellectual property rights regime, the growth of economic development is higher. IP is a strong determinant of innovative activity. The intellectual property brings economic benefits, helps in promoting innovation and its benefits are countless for society and consumers.

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