

China teems with makers, sellers of knockoffs

By KRISTI HEIM

KNIGHT RIDDER NEWSPAPERS

Three days before President George Bush's high-profile visit to China in November, a warning went out to vendors in Shanghai's sprawling outdoor market for counterfeit goods.

Shopkeeper Huang Jinlan and hundreds of other sellers at the Xiangyang market, world-renowned for fake designer goods, scrambled to clear out their vast array of Rolex watches, Callaway golf clubs and Louis Vuitton bags.

Bush was coming with another stern message to Chinese officials about the need to crack down on knockoffs of American products. One might have thought the message was being heeded as typically aggressive sellers stashed away their incriminating goods. "We're going to lose a lot of



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Chestnut roaster Chen Jiandong boasts that he paid \$20 for his fake Rolex watch in Shanghai, China. Thousands of small merchants make a living selling knock-off goods at the popular Xiangyang market.

business," said Huang, as she worked into the night to hide her Polo knockoffs.

The next morning, many shops were shuttered or half-empty when a dozen stern-faced

inspectors clad in blue uniforms and police-style hats walked the aisles, examined goods and checked licenses.

But thanks to the advance warning, the lackadaisical inspection was as inauthentic as many of the products at Xiangyang. By the next week, the fake designer goods were back on the shelves. Business for Huang and the others returned to normal.

TRADE PARTNER ANGRY

Counterfeiting has become deeply entrenched in China's economy as a source of income for both small-time hawkers and powerful local tycoons. With millions of jobs dependent on the counterfeit trade, many in China think cracking down would mainly benefit foreign companies. While authorities recently have strengthened anti-

piracy laws, economic and cultural forces will make change slow and difficult.

The U.S. trade representative claims that 90 percent of virtually every form of intellectual property in China is pirated. Intellectual property includes copyrights on creative works such as music and software, patents on inventions and formulas, and trademark for logos. China was the source of two-thirds of all counterfeit goods seized at American ports in 2004.

U.S. and other foreign companies complain they are losing billions of dollars as their ideas and inventions are copied for sale within China and for export across the globe. Those losses undermine innovation and cost jobs here. Some forms of intellectual-property theft — invol-

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VIPGift seeks U.S., global sales

Andalib invests in VoIP technology; company issues more than 2 million cards

By MIKE PARE

STAFF WRITER

A Chattanooga-based gift card business is expanding its global reach.

VIPGift, with help from BellSouth, has shifted to using voice over Internet protocol technology and an enhanced telecommunications system that will help the business to continue triple-digit growth, said chief executive Hamid Andalib.

"Our attitude is that we're going after global business," Mr. Andalib said.

Under the VoIP system, VIPGift is able to run data and voice over the same private network. It provides the company more capacity and security and permits the business to create its own internal computer applications.

"It positions us to deliver our product in a massive way anywhere in the world," Mr. Andalib said.

For example, he said, there could be managers of Dell Inc., which is a VIPGift customer, in the Middle East, Nashville and in Texas all on computers ordering cards at the same time.

Mr. Andalib said that since starting the company six years ago and later closing the Loft restaurant, VIPGift has issued over 2 million gift cards. This year, he said, the company expects to issue as many cards as in the last five years.

Mr. Andalib said that kind of growth required a voice and data communications system that expands the company's technology pipeline.

Dick Anderson, BellSouth's vice chairman, said the technology system VIPGift is using is "very much on the leading edge." He said less than 5 percent of BellSouth's business customers use VoIP systemwide.

"This is one of the more sophisticated and integrated," Mr. Anderson said.

Mr. Andalib declined to attach a dollar figure to the investment



STAFF PHOTO BY ASHLEE WHITE

From left, BellSouth Vice Chairman Dick Anderson, VIPGift owner Hamid Andalib and VIPGift Vice President of Development David Barber discuss the gift card production process at company offices in Chattanooga.

for the system, but he said that more than half of every dollar the company spends is focused on technology.

"It's sowing seed in good ground," he said.

VIPGift services companies, including Fortune 500 firms such as Dell, UPS and HCA, which often give gift cards to their workers as incentives or rewards.

Employees are issued a card or electronic number that can be redeemed for gifts, including catalog products, movie tickets, phone cards and pre-paid Visa or MasterCard gift cards.

Mr. Andalib said his goal is to

"Our attitude is that we're going after global business."

— Hamid Andalib

double the more than 40 people the company employs here over the next three to five years. The company has 10 employees in sales offices in Atlanta, Detroit and a handful of other cities.

Mr. Andalib pegged revenue

growth at more than 100 percent annually, though he wouldn't reveal numbers. The rapid rise has prompted the company to purchase a building near the former Loft restaurant structure, which itself has been reworked for the gift card business.

Also, the business owner said plans are to construct another building on the company's Cherokee Boulevard property.

Patsy Hazlewood, BellSouth's assistant regional vice president, said the system provided to Mr. Andalib's business provides quickness and flexibility.

"It's proven technology," she added.

The BellSouth system includes a call center software package and intelligent voice recognition technology.

"It connects our people (in the field) as if they were in the next-door office," Mr. Andalib said.

Mr. Andalib was in San Francisco at a meeting recently and was asked what part of "the valley" his company located, referring to the Silicon Valley.

"I said 'The Tennessee Valley.' They looked at me as if to say, 'What are you talking about?'" he quipped.

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