



**FOR IMMEDIATE RELEASE**

December 20, 2001  
Washington, DC

**CONTACT:**

Eric J. Schwartz  
Counsel, IIPA (202) 833-4198

**IIPA Praises U.S. Government Action Imposing Trade Sanctions Due to Ukraine's Failure to Combat Optical Media Piracy**

**Washington** — The International Intellectual Property Alliance (IIPA) praises the action announced today by the U.S. Government to impose trade sanctions against Ukraine, in addition to action already undertaken to suspend General System of Preferences (GSP) benefits. This action is the result of the Ukraine government's failure to take any of the necessary and promised steps to combat rampant optical media piracy in Ukraine that is causing substantial damage to U.S. copyright based industries.

Today's action reflects the Ukraine's failure to enact an optical media regulation bill that was considered by the Ukraine Parliament (today) but failed to garner sufficient votes to pass; the Ukraine Government pledged it would adopt and implement this legislation in an agreement with the U.S. government in June 2000. We applaud Ambassador Zoellick for taking today's action in response to these failures to act. The U.S. government has worked closely with the copyright industries for the past several years, and in particular the recording industry, to try to bring an end to the rampant CD piracy production in Ukraine, unfortunately without success to date.

Eric Schwartz, Counsel to IIPA, noted that: "It is disappointing that bilateral trade relations between the United States and Ukraine have been reduced to trade sanctions and the removal of trade benefits when we should instead be working to open markets and improve our trade relations. But today's action is the result of Ukraine's failure to take appropriate steps against illegal production of materials in Ukraine that it pledged it would undertake over 18 months ago. In fact, this is the culmination of several years of unsuccessful efforts by the U.S. and European public and private sectors to get the government of Ukraine to take the proper steps to take some control over unchecked optical media piracy."

In June 2000, a very positive step was undertaken when the governments of Ukraine and the U.S. agreed to a Joint Action Plan – it was announced by Presidents Clinton and Kuchma in Kiev. That Plan set the right course for ending illegal optical media production in Ukraine. For several years, organized criminal optical media production in the region had been on the rise, swamping Central and Eastern European markets with illegal CDs, CD-ROMs, DVDs; Ukraine is the major producer of this material. Schwartz said "The US. government's formal investigative timetables ran their course, and frankly, their patience ran out as well. Ukraine has repeatedly failed over a year and half, to implement this Action Plan with appropriate legislation that could effectively stop this illegal piracy. By stopping this illegal production, Ukraine would not only benefit

its own economy, but would also significantly improve the economic climate for domestic and foreign copyright industries throughout Eastern and Central Europe. In addition, Ukraine must undertake significant legal reforms and effective enforcement actions in order to accede to the WTO; at present, it is falling far short of the necessary steps to accede. The IIPA regrets that trade benefits must be withdrawn or that trade sanctions must be imposed; we would rather see Ukraine properly implement the Action Plan it pledged to adopt in June 2000 and we would rather be lauding the successful stoppage of piracy. That is not the case today, but we hope it will be in the near future.”

### **About the IIPA and the Impact of the U.S. Copyright Industries in the U.S. economy**

The International Intellectual Property Alliance (IIPA) is a coalition of seven trade associations representing U.S. copyright-based industries in bilateral and multilateral efforts to open up foreign markets closed by piracy and other market access barriers. These member associations represent approximately 1,900 U.S. companies producing and distributing materials protected by copyright laws throughout the world — all types of computer software including business applications software and entertainment software (such as videogame CD's and cartridges, personal computer CDs and multimedia products); motion pictures, television programs, DVDs and home videocassettes; music, records, CDs, and audiocassettes; and textbooks, tradebooks, reference and professional publications and journals (in both electronic and print media).

According to Copyright Industries in the U.S. Economy: The 2000 Report, prepared for IIPA by Economists, Inc., the core copyright industries accounted for \$457.2 billion in value added to the U.S. economy, or approximately 4.9% of the Gross Domestic Product (GDP) in 1999 (the last year for which complete data is available). In the years since 1977, the core copyright industries share of GDP grew at an annual rate more than twice as fast as the remainder of the economy (7.2% vs. 3.1%). Employment in the core copyright industries more than doubled over the same time period to 4.3 million workers and grew nearly three times as fast as the annual rate of the economy as a whole (5.0% vs. 1.6%). In 1999, the U.S. copyright industries achieved foreign sales and exports of \$79.65 billion, a 15% gain from the prior year.

###