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**IIPA Asks USTR to Designate Ukraine as a
Special 301 "Priority Foreign Country"**

Copyright Industries' Priorities for 2001 Include:

**TRIPS Implementation; Fighting Optical Media Piracy; Cracking Down on Piracy by Organized Crime;
Combating Copyright Piracy on the Internet; Ratification of the WIPO "Internet" Treaties;
Promoting the Use of Legal Software for Governments and Businesses Worldwide**

Washington — The International Intellectual Property Alliance (IIPA) today submitted its recommendations to U.S. Trade Representative Robert Zoellick in the annual "Special 301" review of copyright piracy and market access problems around the world. IIPA's submission discusses a total of 70 countries.

Priority Foreign Country

IIPA urged USTR to designate the Ukraine as a Priority Foreign Country under Special 301. Within 30 days of designating a Priority Foreign Country, the USTR may launch an investigation of the acts, policies, and practices of a country — potentially a major step toward trade sanctions against that country.

Ukraine has become the largest producer and exporter of illegal optical media product (CD's CD-ROMs, and DVDs) containing U.S. copyrighted works in all of Central and Eastern Europe and the CIS. Ukraine has failed to implement the three-part Action Plan it committed to in bilateral negotiations with the US government by the date promised. IIPA supports the January 19, 2001 decision by the USTR to designate Ukraine as a Priority Foreign Country if the Action Plan is not fully implemented by March 1, 2001. Ukraine has the capacity to produce over 70 million discs annually, significantly more than the expected legitimate demand for all of Central and Eastern Europe in all of the copyright industries. Ukraine's pirate material is flooding other countries and disrupting the already vulnerable markets throughout all of Europe. Losses to the music industry alone have been over \$200 million annually for the past several years. Ukraine must meet the above deadline or face the imposition of possible trade sanctions.

Continued monitoring of China and Paraguay

In addition, IIPA urged USTR to continue monitoring the compliance of the People's Republic of China and Paraguay, under Section 306 of the Trade Act, with their bilateral commitments on copyright and copyright enforcement and (for China) on its market access commitments. Under Section 306, failure to comply with these commitments can result in virtually immediate trade sanctions.

Priority Watch List

IIPA urged USTR to elevate Brazil, Costa Rica, Indonesia, Kuwait, Lebanon, Lithuania, Philippines, Saudi Arabia, Taiwan and Uruguay to the Priority Watch List. It also requested keeping Argentina, Dominican Republic, Egypt, Greece, Israel, Malaysia, Russia, South Korea and Turkey on the Priority Watch List.

Watch List

IIPA asked USTR to place 34 countries on the Watch List. This year IIPA recommended that the Bahamas, El Salvador, Estonia, Georgia, the Kyrgyz Republic, Slovakia and South Africa be added to the Watch List. It also supported moving Guatemala, India and Peru to the Watch List from the Priority Watch List and recommended that 24 countries maintain their current position on the Watch List.

Out-of-Cycle Reviews

IIPA requested that USTR conduct out-of-cycle reviews later this year on eight countries to evaluate their progress on the issues identified in its submission. From the recommendations for placement on the Priority Watch List, it requested that out of cycle reviews be conducted on the progress of Egypt, Malaysia and Uruguay. From the Watch List recommendations, it asked that out-of-cycle reviews be conducted for Italy, Macau, and Poland. Out-of-cycle reviews were also recommended for the Palestinian Authority and Jordan, which IIPA did not, however, recommend for specific placement on a list.

Review of Country Copyright Protection Practices under the Generalized System of Preferences (GSP) Program

Ongoing alongside the Special 301 process are reviews of whether countries adequately and effectively protect U.S. copyrighted works under the GSP Program which provides unilateral duty free trade privileges to many developing countries. An adverse finding can result in these, often substantial, trade benefits being withdrawn or limited. On January 10, 2001, USTR accepted GSP petitions submitted by IIPA to review the copyright protection practices of Brazil and Russia. GSP reviews initiated by earlier IIPA petitions of Armenia, the Dominican Republic, Kazakhstan, Ukraine and Uzbekistan have been ongoing since February 2000. A GSP review of Turkey has been ongoing since 1993.

Countries Discussed in the Submission but not Recommended for List Placement.

IIPA also named twelve additional countries that it would want USTR to pay special attention to this year. Though these countries do not appear in IIPA's recommendations for placement on a Special 301 list, the copyright industries have concerns in each. At least two of these countries, Namibia and Sweden, are violating their WTO/TRIPS obligations, and this requires immediate attention by USTR. The other ten countries (Bulgaria, Burma, Cambodia, Croatia, Hong Kong, Japan, Laos, Mexico, Singapore, and Slovenia) have special problems warranting careful monitoring by USTR over the next year.

The following table is IIPA's placement recommendations for 2001:

Priority Foreign Country	306 Monitoring	Priority Watch List	Watch List	Out-of-Cycle Review (unlisted)
Ukraine (GSP)	Paraguay People's Republic of China	Argentina Brazil (GSP) Costa Rica Dominican Republic (GSP) Egypt (+OCR) Greece Indonesia Israel Kuwait Lebanon Lithuania Malaysia (+OCR) Philippines Russian Federation (GSP) Saudi Arabia South Korea Taiwan Turkey (GSP) Uruguay (+OCR)	Bahamas Bolivia Chile CIS (10) ¹ Armenia (GSP) Azerbaijan Belarus Georgia Kazakhstan (GSP) Kyrgyz Republic Moldova Tajikistan Turkmenistan Uzbekistan (GSP) Colombia Czech Republic El Salvador Estonia Guatemala Hungary India Italy (+OCR) Latvia Macau (+OCR) Oman Pakistan Peru Poland (+OCR) Qatar Romania Slovakia South Africa Thailand Venezuela Vietnam	Palestinian Authority Jordan Countries Deserving Specific Attention Bulgaria Burma Cambodia Croatia Hong Kong Japan Laos Mexico Namibia Singapore Slovenia Sweden
1 Priority Foreign Country	2 306 Monitoring	19 Priority Watch List	34 Watch List	2 Out-of-Cycle Review 12 Countries deserving special attention

¹"CIS" in this filing denotes 10 former Soviet republics. Russia and Ukraine are treated separately from the CIS in this filing.

Copyright Initiatives and Challenges in 2001

In commenting on this year's Special 301 process, IIPA President Eric H. Smith noted: "The annual Special 301 process is a cornerstone of the U.S. government's effort to open foreign markets closed to the U.S. copyright-based industries by high levels of piracy or market access barriers that keep out the products of the U.S.'s most productive industries. It targets those countries which continue to condone high levels of piracy and other trade barriers that directly impact on U.S. jobs and economic growth. Besides discussion of these barriers and ranking the countries on the traditional Special 301 lists, IIPA's submission also identifies the other principal priorities for the creative industries in 2001."

Smith remarked that "over 80 developing countries are now fully subject to substantive and enforcement obligations under the WTO's TRIPS Agreement. Many of these countries – a number identified in our submission – do not meet those obligations, particularly by failing to provide effective enforcement against copyright piracy, causing \$20-\$22 billion in losses to the U.S. economy annually. These countries face dispute settlement proceedings and possible trade sanctions if they continue to fail to meet their responsibilities."

"In addition," added Smith, "governments throughout the world must pay more attention to the growing and dangerous role that organized crime plays in fostering piracy, particularly through the operation of optical media production facilities. Markets worldwide are being swamped by illegal CDs, CD-ROMs, DVDs, and similar optical media products that threaten to undermine many of the anti-piracy gains made in the last decade."

"Another critical priority is establishing the legal framework to fight Internet piracy and spur the continued spectacular growth of e-commerce in the next years by protecting valuable content as it travels instantaneously throughout the world. The ratification and implementation of the WIPO 'Internet' Treaties -- negotiated in Geneva in 1996 and already fully implemented in U.S. law – by all our trading partners is the first step in that process, to be followed by effective enforcement of these new laws. Governments need to devise focused and comprehensive strategies to stem the rising tide of Internet piracy."

Smith continued: "Too many governments also close their eyes to internal unauthorized copying of business software within their own agencies. Now, however, some governments (including the U.S.) have begun to issue top-level decrees mandating the use of legal business software by government agencies, contractors and suppliers. These decrees, when fully and effectively implemented, set strong examples against end-user piracy in the private sector as well. Solving this problem would do more than any single remedy to reduce business software piracy losses and to generate hundreds of thousands of jobs and millions of dollars in government revenue worldwide."

A table of IIPA's recommendations, including estimated trade losses and piracy levels on a country-by-country and industry-by-industry basis, is attached to this release.

About the IIPA and the Impact of the U.S. Copyright Industries on the U.S. Economy and Foreign Trade

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 over 1,450 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.

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