



FOR IMMEDIATE RELEASE

February 14, 2002
Washington, DC

CONTACT:

Eric H. Smith
President, IIPA
(202) 833-4198

**IIPA Asks USTR to Keep Ukraine as a
Special 301 "Priority Foreign Country" Until it Passes and Enforces an Acceptable Optical Media Law**

**Copyright Industries Revise their Global Trade Priorities for 2002 to Include:
Internet Piracy; WIPO Treaties Implementation and Electronic Commerce; Optical Media Piracy;
Piracy by Organized Crime; Global Implementation of WTO/TRIPS "Enforcement" Obligations;
Improved Protection Through Free Trade Agreements; and Promoting the Use of Legal Software for
Governments and Businesses Worldwide**

Washington — The International Intellectual Property Alliance (IIPA) will submit its recommendations to U.S. Trade Representative Robert Zoellick tomorrow in the annual "Special 301" review of copyright piracy and market access problems around the world. IIPA's submission discusses a total of 64 countries. Losses to the U.S economy due to piracy in the 51 countries surveyed in depth in this submission were estimated at \$8.3 billion in 2001.

Priority Foreign Country

IIPA urges USTR to maintain Ukraine as a Priority Foreign Country under Special 301. The U.S. government has already removed Ukraine's Generalized System of Preferences duty-free trade benefits in August 2001 and on January 23, 2002 another \$75 million in trade retaliation was imposed. To date, Ukraine has failed to adopt and enforce an adequate law controlling pirate optical media production originating there. IIPA recommends that these sanctions not cease until an adequate law is passed and is fully enforced, and until the Joint Action Plan agreed to in June 2000 is fully implemented.

While, as a result of this trade pressure, some of the plants have moved to Russia and Belarus resulting in lowered plant capacity that can be devoted to piracy, the illegal distribution network remains and the environment is still ripe for Ukrainian producers of illegal material at any time to ramp-up to the once-high levels of illegal production. Even without production nearing last year's levels, the overall weak enforcement regime, especially at the borders, has resulted in Ukraine remaining a major destination for the shipment of illegal material (produced in Ukraine, Russia, and neighboring countries) to other countries in Eastern and Central Europe.

Ukraine's pirate product continues to disrupt the already vulnerable markets throughout Europe. Losses to the music industry alone have been close to \$200 million annually for the past several years.

Continued Monitoring of China and Paraguay

In addition, IIPA urges 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 to the U.S. 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 urges USTR to elevate Brazil, Kuwait, Turkey and Pakistan to the Priority Watch List. It also asks USTR to maintain Argentina, Costa Rica, Dominican Republic, Egypt, India, Indonesia, Israel, Korea, Lebanon, Philippines, Russia, Taiwan, and Uruguay on the Priority Watch List bringing the total to 17 countries.

Watch List

IIPA asks USTR to place 31 countries on the Watch List. This year IIPA recommends the additions of Bulgaria, Georgia, Kyrgyz Republic, Moldova, Czech Republic, Ecuador, El Salvador, Estonia, Qatar and South Africa to the Watch List. It also supports moving Hungary to the Watch List from the Priority Watch List and recommends that 20 countries maintain their current position on the Watch List.

Out-of-Cycle Reviews

IIPA requests that USTR conduct out-of-cycle reviews later this year on 7 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 progress made in Lebanon, Philippines and Taiwan. From the Watch List recommendations, IIPA asks that out-of-cycle reviews be conducted for Malaysia, Poland, Colombia, and Thailand.

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. In June 2001, IIPA filed GSP petitions against Lebanon, Pakistan and Uruguay (and a coalition of copyright industries filed against Thailand). These petitions have not yet been considered due to the expiration of the GSP Program in September 2001.

Countries Discussed in the Submission But Not Recommended for List Placement.

IIPA also named thirteen additional countries that it urges 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. The countries that have special problems warranting careful monitoring are Australia, the Bahamas, Cambodia, Croatia, Greece, Laos, Latvia, Macedonia, Mexico, Myanmar, Spain and Vietnam. IIPA mentions the Macau Special Administrative Region to commend the government there for the successful handling of the optical media piracy problem that plagued the peninsula for several years.

The following table summarizes IIPA's placement recommendations for 2002:

PRIORITY FOREIGN COUNTRY	SECTION 306 MONITORING	PRIORITY WATCH LIST	WATCH LIST	OTHER COUNTRIES DESERVING ADDITIONAL ATTENTION
Ukraine (GSP)	Paraguay People's Republic Of China	Argentina Brazil (GSP) Costa Rica Dominican Republic (GSP) Egypt India Indonesia Israel Kuwait Lebanon + OCR (GSP petition) Pakistan (GSP petition) Philippines + OCR Russian Federation (GSP) South Korea Taiwan + OCR Turkey (GSP) Uruguay	Bolivia Bulgaria Chile CIS (10) ¹ Armenia (GSP) Azerbaijan Belarus Georgia Kazakhstan (GSP) Kyrgyz Republic Moldova Tajikistan Turkmenistan Uzbekistan (GSP) Colombia (OCR) Czech Republic Ecuador El Salvador Estonia Guatemala Hungary Italy Lithuania Malaysia (+ OCR) Peru Poland (+ OCR) Qatar Romania Saudi Arabia South Africa Thailand + OCR (GSP petition) Venezuela	Australia The Bahamas Cambodia Croatia Greece Laos Latvia Macau Macedonia Mexico Myanmar Spain Vietnam
1	2	17	31	13

Copyright Initiatives and Challenges in 2002

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

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

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. Through this process, we ask the U.S. government to engage bilaterally with those countries that continue to allow high levels of piracy to flourish without taking effective action to reduce those levels through either law reform, or, more prevalently today, through adequate enforcement. Because these countries tolerate high piracy levels, there is an immediate and direct impact on U.S. jobs and economic growth. Jobs and growth in those countries also suffers commensurately."

"The remarkable growth of e-commerce and the Internet," Smith remarked, "brings new opportunities and challenges and has caused IIPA and its members to carefully review their key priority trade issues for 2002. For example, we are asking the U.S. government to give priority consideration this year to building the global legal and enforcement infrastructure to deal with the threat of Internet piracy through ensuring full implementation of the WIPO "Internet" Treaties, which will shortly enter into force as the new international standard of protection for copyrighted products. In addition, we are asking governments throughout the world to pay much greater 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. We are particularly troubled by the rapid expansion of pirate CD-R's, a phenomenon visible in most parts of the globe. We are asking that countries that harbor optical media pirate production plants to pass strong optical media regulations to enhance existing copyright laws in dealing with this massive global piracy problem. And now that over 80 developing countries are fully subject to the substantive and enforcement obligations under the WTO's TRIPS Agreement, we are asking, in particular, that they bring their enforcement regimes into compliance with those obligations. These countries do not now meet those enforcement obligations. The countries on which our report focuses cause estimated losses to the U.S. economy of \$8.3 billion. If all countries in the world were surveyed, IIPA estimates that the loss would come to \$20-\$22 billion annually – a massive drain on this economy and a threat to U.S. jobs and productivity. The WTO member countries identified in our report face dispute settlement proceedings and possible trade sanctions under the WTO if they continue to fail to meet their responsibilities. This is now true of two new members of the WTO – China and Taiwan.

"IIPA is also focusing this year on the Free Trade Agreement process as a tool to improve legal protections and enforcement in the affected countries. Finally, too many governments close their eyes to internal unauthorized copying of business software within their own agencies. Many governments (including the U.S.) have issued 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 six 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 1,100 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 discs and cartridges, personal computer CD-ROMs and multimedia products); theatrical films, television programs, DVDs and home video and digital representations of audiovisual works; 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. IIPA expects to release updated economic impact figures this spring.

###

IIPA 2002 "SPECIAL 301" RECOMMENDATIONS
IIPA 2000-2001 ESTIMATED TRADE LOSSES DUE TO COPYRIGHT PIRACY
(in millions of U.S. dollars)
and 2000-2001 ESTIMATED LEVELS OF COPYRIGHT PIRACY

	Motion Pictures				Records & Music				Business Software Applications ¹				Entertainment Software				Books		TOTAL LOSSES	
	Loss		Video Piracy		Loss		Piracy		Loss		Piracy		Loss		Piracy		Loss			
			Level				Level				Level				Level					
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
PRIORITY FOREIGN COUNTRY																				
Ukraine (GSP)	40.0	40.0	80%	99%	170.0	200.0	85%	95%	NA	23.7	NA	89%	NA	NA	NA	NA	NA	NA	210.0	263.7
306 MONITORING																				
Paraguay ²	2.0	2.0	80%	80%	253.6	200.0	99%	90%	11.5	8.5	79%	76%	NA	9.7	NA	99%	3.0	3.0	270.1	223.2
People's Republic of China	160.0	120.0	88%	90%	47.3	70.0	90%	93%	714.7	765.1	93%	94%	455.0	NA	92%	99%	130.0	130.0	1507.0	1085.1
PRIORITY WATCH LIST																				
Argentina	30.0	32.0	45%	45%	78.2	76.0	47%	46%	139.9	92.9	60%	58%	NA	141.4	95%	94%	8.5	8.5	256.6	350.8
Brazil ³ (GSP)	120.0	120.0	33%	33%	302.0	300.0	55%	53%	303.1	264.1	58%	58%	NA	248.2	99%	94%	14.0	18.0	739.1	950.3
Costa Rica	2.0	2.0	40%	40%	4.8	3.0	40%	40%	15.6	14.9	69%	68%	NA	0.2	NA	50%	NA	NA	22.4	20.1
Dominican Republic (GSP)	2.0	2.0	60%	60%	7.7	2.0	65%	80%	8.0	6.7	70%	68%	NA	6.0	NA	NA	1.0	1.0	18.7	17.7
Egypt	15.0	15.0	35%	35%	9.2	12.0	41%	48%	8.5	10.0	53%	56%	NA	14.9	90%	94%	32.0	30.0	64.7	81.9
India	70.0	47.0	60%	60%	NA	6.0	40%	40%	238.4	181.6	69%	63%	NA	NA	90%	80%	37.0	36.0	345.4	270.6
Indonesia	27.5	25.0	90%	90%	67.9	21.6	87%	56%	49.2	55.7	87%	89%	NA	NA	NA	99%	30.0	32.0	174.6	134.3
Israel	15.0	15.0	50%	50%	40.0	45.0	25%	30%	40.0	51.3	39%	41%	66.5	52.0	89%	NA	1.0	1.0	162.5	164.3
Kuwait	9.0	8.0	85%	85%	NA	3.0	50%	50%	NA	6.6	NA	80%	NA	NA	85%	NA	2.5	2.5	11.5	20.1
Lebanon (OCR) (GSP petition)	8.0	8.0	80%	60%	2.0	2.0	40%	45%	1.3	1.3	78%	83%	NA	1.5	NA	96%	2.0	2.0	13.3	14.8
Pakistan (GSP petition)	11.0	10.0	NA	60%	60.0	65.0	90%	90%	28.3	24.5	87%	83%	NA	NA	NA	NA	44.0	45.0	143.3	144.5
Philippines (OCR)	28.0	25.0	80%	70%	23.9	1.4	36%	33%	24.2	21.8	65%	61%	NA	41.0	99%	98%	44.0	44.0	120.1	133.2
Russian Federation (GSP)	250.0	250.0	80%	90%	285.0	250.0	64%	70%	92.7	89.0	83%	88%	173.6	NA	90%	94%	48.0	48.0	849.3	637.0
South Korea	25.0	20.0	25%	20%	4.0	7.0	14%	19%	134.2	177.2	47%	56%	487.7	157.0	63%	90%	35.0	39.0	685.9	400.2
Taiwan	35.0	30.0	30%	30%	51.7	60.5	48%	44%	107.0	123.9	52%	53%	119.4	319.3	70%	90%	20.0	20.0	333.1	553.7
Turkey (GSP)	50.0	50.0	40%	50%	3.5	4.0	35%	40%	58.9	78.6	64%	63%	23.7	116.2	90%	96%	27.0	28.0	163.1	276.8
Uruguay (GSP petition)	2.0	2.0	40%	65%	4.0	4.0	50%	35%	13.0	7.9	74%	66%	NA	16.3	NA	82%	2.0	2.0	21.0	32.2
WATCH LIST																				
Bolivia	2.0	2.0	100%	100%	15.0	15.0	85%	85%	3.0	2.8	79%	81%	NA	1.5	NA	NA	5.5	5.5	25.5	26.8
Bulgaria	3.0	3.0	20%	25%	3.0	NA	65%	NA	9.4	8.1	81%	78%	NA	NA	84%	NA	0.3	NA	15.7	11.1
Chile	2.0	2.0	40%	40%	12.2	5.0	35%	30%	35.0	33.1	49%	49%	NA	41.0	NA	80%	1.1	1.0	50.3	82.1
CIS (listed below)																				
<i>Armenia (GSP)</i>	NA	NA	NA	NA	4.5	5.0	85%	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.5	5.0
<i>Azerbaijan</i>	NA	NA	NA	NA	13.0	12.0	85%	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	13.0	12.0
<i>Belarus</i>	NA	NA	NA	NA	20.0	28.0	75%	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	20.0	28.0
<i>Georgia</i>	NA	NA	NA	NA	6.0	5.0	86%	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	6.0	5.0
<i>Kazakhstan (GSP)</i>	NA	NA	NA	NA	25.0	25.0	78%	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25.0	25.0
<i>Kyrgyz Republic</i>	NA	NA	NA	NA	8.0	10.0	85%	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	8.0	10.0
<i>Moldova</i>	NA	NA	NA	NA	5.0	6.0	86%	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.0	6.0
<i>Tajikistan</i>	NA	NA	NA	NA	3.0	3.0	83%	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	3.0	3.0

IIPA 2002 "SPECIAL 301" RECOMMENDATIONS
IIPA 2000-2001 ESTIMATED TRADE LOSSES DUE TO COPYRIGHT PIRACY
(in millions of U.S. dollars)
and 2000-2001 ESTIMATED LEVELS OF COPYRIGHT PIRACY

	Motion Pictures				Records & Music				Business Software Applications ¹				Entertainment Software				Books		TOTAL LOSSES	
	Loss		Video Piracy		Loss		Piracy		Loss		Piracy		Loss		Piracy		Loss			
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
WATCH LIST (continued)																				
<i>Turkmenistan</i>	NA	NA	NA	NA	NA	5.0	NA	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.0	5.0
<i>Uzbekistan (GSP)</i>	NA	NA	NA	NA	NA	30.0	NA	90%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.0	30.0
Colombia (OCR)	40.0	40.0	90%	90%	73.0	60.0	65%	60%	35.0	33.2	53%	53%	NA	39.0	NA	85%	5.3	5.0	153.3	177.2
Czech Republic	8.0	8.0	10%	18%	8.4	3.4	48%	35%	NA	36.2	NA	43%	54.8	45.0	90%	81%	3.0	4.5	74.2	97.1
Ecuador	NA	NA	95%	NA	18.0	NA	90%	NA	9.5	8.2	68%	65%	NA	NA	NA	NA	2.3	NA	29.8	8.2
El Salvador	2.0	2.0	30%	50%	5.0	5.0	40%	40%	9.8	9.7	78%	79%	NA	NA	NA	NA	1.0	1.0	17.8	17.7
Estonia	1.5	2.0	40%	60%	9.0	9.0	60%	60%	0.8	NA	69%	NA	NA	3.7	90%	98%	NA	NA	11.3	14.7
Guatemala	2.0	2.0	60%	60%	NA	4.0	NA	60%	13.4	12.3	75%	77%	NA	0.1	NA	60%	2.5	2.3	17.9	20.7
Hungary	18.0	18.0	40%	40%	4.5	3.0	30%	20%	NA	33.3	NA	51%	43.3	9.6	90%	86%	4.0	4.0	69.8	67.9
Italy	140.0	140.0	20%	20%	40.0	50.0	23%	25%	285.0	327.0	43%	46%	NA	NA	74%	65%	23.5	23.5	488.5	540.5
Lithuania	1.5	1.5	NA	80%	7.0	7.0	85%	85%	2.5	NA	76%	76%	NA	3.5	NA	98%	NA	NA	11.0	12.0
Malaysia (OCR)	40.0	41.0	80%	80%	148.9	15.6	70%	65%	63.0	75.4	62%	66%	56.4	NA	93%	98%	8.2	8.0	316.5	140.0
Peru	4.0	4.0	50%	75%	57.8	55.0	97%	96%	13.5	12.6	59%	61%	NA	3.8	NA	70%	9.0	9.5	84.3	84.9
Poland (OCR)	25.0	25.0	27%	25%	37.0	31.0	30%	30%	55.8	82.7	49%	54%	115.8	103.1	90%	85%	6.5	7.0	240.1	248.8
Qatar	0.5	0.5	30%	25%	NA	0.2	NA	25%	3.5	3.0	84%	79%	NA	NA	NA	NA	0.2	NA	4.2	3.7
Romania	6.0	6.0	65%	60%	14.0	11.0	70%	55%	NA	17.1	NA	77%	NA	6.9	95%	91%	2.0	2.0	22.0	43.0
Saudi Arabia	30.0	40.0	45%	65%	12.0	8.0	42%	40%	NA	17.7	NA	59%	115.7	28.0	83%	NA	14.0	14.0	171.7	107.7
South Africa	12.0	12.0	15%	10%	NA	11.0	NA	13%	67.5	44.2	55%	45%	26.1	22.4	57%	70%	19.0	21.0	124.6	110.6
Thailand (OCR) (GSP petition)	24.0	24.0	65%	60%	16.6	15.6	45%	45%	38.6	42.7	76%	79%	29.1	130.5	93%	98%	28.0	33.0	136.3	245.8
Venezuela	25.0	25.0	65%	65%	54.0	30.0	62%	62%	19.7	16.9	58%	58%	NA	47.0	NA	78%	20.0	22.0	118.7	140.9
	1288.0	1221.0			2034.7	1800.3			2653.5	2821.5			1767.1	1608.8			636.4	653.3	8379.7	8104.9

Endnotes:

¹ BSA estimates for 2001 are preliminary. BSA's trade loss estimates represent losses to U.S. publishers only, and differ from the BSA trade loss numbers generally released by that association which reflect losses to (a) all software publishers in that country and (b) losses to distributors/retailers in the country in question.

² Paraguay: RIAA reports that its estimated losses to the sound recording/music industry include both domestic piracy in Paraguay and estimated losses caused by transshipment.

³ Brazil: RIAA reports the 55% piracy level in Brazil for 2001 reflects an amalgamated rate; the level of audiocassette piracy is 99% and the level of CD piracy is 47%.