

**FOR IMMEDIATE RELEASE**

February 10, 2005
Washington, DC

CONTACT:

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

**Copyright Industries Release Report on Piracy in 67 Countries/Territories
and Press Their Global Trade Priorities for 2005**

**IIPA Asks USTR to Name Russia, Pakistan and Ukraine as Priority Foreign Countries and to
Commence WTO Consultations with the People's Republic of China**

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 copyright protection and/or enforcement problems in 67 countries/territories, of which it recommends that 42 be placed on an appropriate USTR list. Twenty-three of these countries/territories do not have a 301 ranking recommendation but do merit attention by the U.S. government. IIPA also identifies two countries where FTA dispute settlement proceedings should be initiated, if prompt resolution of outstanding issues is not reached. Finally, the submission describes six challenges and initiatives that define the industries’ collective agenda for the coming year.

As a result of the deficiencies in the copyright regimes of these surveyed countries/territories, IIPA reports that the U.S. copyright-based industries suffered estimated trade losses due to piracy in these 67 countries/territories of \$13.4 billion in 2004. On a global basis, however (that is, in all countries including the U.S.), IIPA conservatively estimates that total losses due to piracy were at very minimum \$25-30 billion in 2004, not counting significant losses due to Internet piracy, for which meaningful estimates are not yet available.

Priority Foreign Countries: Russia, Pakistan and Ukraine

IIPA recommends that USTR designate **Russia** as a Priority Foreign Country in 2005 and that Russia’s eligibility for GSP benefits be immediately suspended. Russia’s copyright piracy problem remains one of the most serious in the world. Piracy rates for most sectors are estimated at around 80% in 2004 and conservative estimated losses exceed \$1.7 billion. Despite the repeated efforts of industry and the U.S. government to convince the Russian government to provide meaningful and deterrent enforcement of its copyright and other laws against OD factories and all types of piracy—including some of the most open and notorious websites selling unauthorized materials in the world, such as www.allofmp3.com—little progress has been made over the years regarding this egregious situation. Meanwhile, piracy continues unabated in the domestic market and pirate exports continue to spread across both Eastern and Western Europe.

IIPA recommends again this year that **Pakistan** be designated as a Priority Foreign Country. The Pakistani government has largely ignored the growing production of pirated U.S. copyright products by illicit optical disc factories. Exports of these pirate goods continue to flood world markets. Efforts to persuade the Pakistani government to halt such pirate production and export have, to date, produced few results. Furthermore, the Pakistani government has failed to take adequate measures to stop rampant book piracy and commercial photocopying, which collectively decimate the market for legitimate publishers.

In addition, IIPA recommends that USTR keep **Ukraine** as a Priority Foreign Country and that trade sanctions should continue accordingly in 2005. This includes the continued suspension of Ukraine's duty-free trade benefits under the Generalized System of Preferences (GSP); those benefits were suspended in August 2001 due to Ukraine's copyright shortcomings. Ukraine has failed to effectively implement the 2000 Joint Action Plan signed by then-President Clinton and President Kuchma.

Priority Watch List: IIPA recommends that 15 countries be placed on the Priority Watch List in 2005: Argentina, Brazil, Bulgaria, Chile, Colombia, the Dominican Republic, Egypt, India, Indonesia, Kuwait, Lebanon, the People's Republic of China, the Philippines, South Korea, and Thailand.

With respect to the People's Republic of China, which has been subject to monitoring under Section 306 of the U.S. Trade Act since 1997, this year IIPA recommends that USTR immediately request consultations with China in the World Trade Organization, and that it place China on the Priority Watch List pending an out-of-cycle review to be concluded by July 31, 2005, at which time further appropriate multilateral and bilateral action, including the possible establishment of a dispute settlement panel in the WTO, would be determined.

Watch List: IIPA asks USTR to place (or maintain) 23 countries/territories on the Watch List.

Special 301 Monitoring of Paraguay: IIPA commends **Paraguay** for the efforts that it has made over the course of this past year, and recommends that USTR continue to monitor developments in Paraguay under Section 306 of the Trade Act of 1974.

Out-of-Cycle Reviews: IIPA requests that USTR conduct out-of-cycle reviews later this year of three countries to evaluate their progress on the issues identified in this submission: **Malaysia, the People's Republic of China, and the Philippines.**

FTA Dispute Settlement: IIPA identifies **Singapore** and **Jordan** as two countries where FTA dispute settlement proceedings should be commenced, if prompt resolution of outstanding issues is not reached.

Countries/Territories Discussed in the Submission But Not Recommended for List Placement: IIPA names 23 additional countries/territories to which it urges USTR to pay attention this year (in the Special Mention section of the submission). Though these countries do not appear in IIPA's recommendations for placement on a Special 301 list, the copyright industries have serious concerns in each case detailed in brief reports.

Review of Copyright Protection Practices Under the GSP Trade Program

U.S. government reviews are ongoing regarding whether particular countries adequately and effectively protect U.S. copyright materials under the GSP (Generalized System of Preferences) trade program, which provides unilateral duty-free trade privileges to many developing countries. An adverse finding can result in withdrawal or limitation of these substantial trade benefits. There are seven ongoing reviews, all based on petitions filed years ago by the IIPA: these include Brazil, Russia, Pakistan, Lebanon, Kazakhstan, and Uzbekistan.

The following table summarizes IIPA's placement recommendations for 2005:

PRIORITY FOREIGN COUNTRY	PRIORITY WATCH LIST	WATCH LIST	SECTION 306 MONITORING	FTA DISPUTE SETTLEMENT	OTHER COUNTRIES DESERVING SPECIAL MENTION
Pakistan (GSP) Russia (GSP) Ukraine	Argentina Brazil (GSP) Bulgaria Chile Colombia Dominican Republic Egypt India Indonesia Kuwait Lebanon (GSP) People's Republic of China + OCR Philippines + OCR South Korea Thailand	Bolivia CIS (5) ¹ Belarus Kazakhstan (GSP) Tajikistan Turkmenistan Uzbekistan (GSP) Ecuador Hungary Israel Italy Latvia Lithuania Malaysia +OCR Mexico New Zealand Peru Poland Romania Saudi Arabia Serbia and Montenegro Taiwan Turkey Venezuela	Paraguay	Jordan Singapore	Bahamas Bangladesh Bosnia and Herzegovina Burma Cambodia Canada CIS (2) Azerbaijan Georgia Croatia Cyprus Czech Republic Estonia Greece Hong Kong +OCR Iceland Kenya Laos Macedonia Nigeria South Africa Spain Switzerland Vietnam
3	15	23	1	2	23

IIPA's Copyright Initiatives and Challenges in 2005

IIPA has identified six global trade priorities for 2005: (1) Internet piracy, electronic commerce and the WIPO Treaties; (2) Optical disc piracy and its effective regulation; (3) Piracy by organized crime syndicates; (4) End-user piracy of business software and other copyrighted materials; (5) Piracy of books and journals; and (6) Improving copyright protection and enforcement, including through free trade agreements. In commenting on this year's Special 301 process, IIPA President Eric H. Smith noted:

"The annual Special 301 process is designed to shape U.S. policies to ensure the protection and expansion of U.S. jobs and U.S. economic growth through the effective protection of intellectual property. Those jobs and growth continue to be threatened when the countries highlighted in the report fail to take action to curb copyright piracy, including that perpetrated by criminal syndicates, which is a form of economic crime. The creative industries continue to face high levels of piracy in key markets throughout the world. These include China, where piracy levels remain around 90%, as well as in Russia, Pakistan, Brazil, Malaysia, Taiwan, Thailand, Ukraine and many others.

"The remarkable growth of e-commerce and the Internet brings both opportunities and challenges, especially for the copyright industries whose products are increasingly traded globally using this distribution technology. Unless we safeguard the Internet from the scourge of intellectual property theft, the medium will never reach its full potential to contribute to global economic growth and culture. For this reason, we call on the U.S. government to assist us in securing full implementation of the WIPO Internet Treaties by all countries/territories.

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

"IIPA and its members salute the efforts of USTR and the other agencies that are involved in seeking resolution of these issues. The dedication of the U.S. Government to these initiatives has been outstanding. Today's filing will hopefully help to direct continued U.S. Government efforts in this arena. We call upon the governments of all countries to halt the rapid spread of optical disc piracy and to fight collectively to bring to justice the organized criminal syndicates that control it. These syndicates generate billions of dollars in virtually risk-free profits. Markets worldwide are being swamped by illegal CDs, CD-ROMs, DVDs, "burned" CD-Rs, DVD-Rs and similar optical disc products that threaten to undermine many of the anti-piracy gains made in the last decade. IIPA is asking that countries or territories that harbor optical media pirate production plants pass strong optical disc regulations to enhance existing copyright laws to deal with this massive global piracy problem.

"IIPA also asks governments to adopt effective legislation and take aggressive enforcement action to deal with piracy of business software and other copyrighted materials within enterprises, which causes huge losses to the U.S. economy, and to combat book and journal piracy, as well as high levels of illegal commercial photocopying in many countries.

"Finally, we urge governments to finally bring their enforcement regimes into compliance with their WTO TRIPS obligations. The countries that are the focus of our report are responsible for huge losses to the U.S. economy—as well as to their own—caused mainly by weak enforcement regimes in these countries that lack effective deterrence against commercial pirates. The Free Trade Agreement (FTA) negotiations represent a systematic process for achieving higher standards of protection and enforcement to match changes in technology and new threats posed by pirates globally."

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 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 1,300 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, trade books, reference and professional publications and journals (in both electronic and print media).

In October 2004, the IIPA released its latest economic report, entitled *Copyright Industries in the U.S. Economy: The 2004 Report*, the tenth such study written by Stephen Siwek of Economists Inc. for IIPA. The latest data shows that in 2002, the U.S. "core" copyright industries accounted for an estimated 6% of U.S. Gross Domestic Product (GDP), or \$626.6 billion and the "total" copyright industries accounted for an estimated 12% of U.S. GDP, or \$1.25 trillion. The "core" copyright industries employed 4% of U.S. workers in 2002 or 5.48 million persons. Factoring out the difficult economic year of 2002, between 1997 and 2001, the "core" copyright industries' employment grew at an annual growth rate of 3.19% per year, a rate more than double the annual employment rate achieved by the U.S. economy as a whole (1.39% per year). Finally, in 2002, the U.S. copyright industries achieved foreign sales and exports estimated at \$89.26 billion, leading other major industry sectors such as chemicals and related products, motor vehicles, equipment and parts, and aircraft and aircraft parts.

###

IIPA 2005 "SPECIAL 301" RECOMMENDATIONS
IIPA 2004 ESTIMATED TRADE LOSSES DUE TO COPYRIGHT PIRACY
(in millions of U.S. dollars)
and 2004 ESTIMATED LEVELS OF COPYRIGHT PIRACY

	Motion Pictures		Records & Music		Business Software ¹		Entertainment Software ²		Books	Totals
	Losses	Levels	Losses	Levels	Losses	Levels	Losses	Levels	Losses	Losses
PRIORITY FOREIGN COUNTRY										
Pakistan (GSP)	12.0	NA	70.0	100%	9.0	83%	NA	NA	52.0	143.0
Russia (GSP)	275.0	80%	411.9	66%	751.0	87%	255.8	73%	42.0	1735.7
Ukraine	45.0	90%	115.0	65%	64.0	91%	NA	NA	NA	224.0
PRIORITY WATCH LIST										
Argentina	30.0	45%	41.5	55%	63.0	75%	NA	80%	4.0	138.5
Brazil (GSP)	120.0	30%	343.5	52%	330.0	63%	120.4	74%	18.0	931.9
Bulgaria	4.0	35%	6.5	75%	16.0	71%	NA	50%	NA	26.5
Chile	2.0	40%	24.8	50%	41.0	63%	37.9	70%	1.0	106.7
Colombia	40.0	75%	51.6	71%	34.0	50%	NA	NA	6.0	131.6
Dominican Republic	2.0	20%	10.3	75%	3.0	76%	NA	NA	1.0	16.3
Egypt	NA	NA	7.5	40%	35.0	68%	NA	90%	30.0	72.5
India	80.0	60%	67.3	50%	220.0	74%	59.5	86%	38.0	464.8
Indonesia	32.0	92%	27.6	80%	112.0	87%	NA	NA	32.0	203.6
Kuwait	12.0	95%	8.0	65%	24.0	68%	NA	NA	1.0	45.0
Lebanon (GSP)	10.0	80%	3.0	70%	15.0	75%	NA	75%	3.0	31.0
People's Republic of China (OCR)	280.0	95%	202.9	85%	1465.0	90%	510.0	90%	50.0	2507.9
Philippines (OCR)	33.0	85%	20.0	40%	38.0	70%	NA	90%	48.0	139.0
South Korea	40.0	20%	2.3	16%	263.0	46%	349.0	43%	42.0	696.3
Thailand	30.0	60%	24.9	45%	90.0	78%	NA	76%	30.0	174.9
WATCH LIST										
Belarus	NA	NA	26.0	71%	NA	NA	NA	NA	NA	26.0
Bolivia	2.0	NA	16.0	90%	7.0	78%	NA	NA	NA	25.0
Ecuador	NA	NA	20.0	95%	7.0	69%	NA	NA	2.5	29.5
Hungary	20.0	35%	11.5	38%	56.0	42%	21.5	59%	4.0	113.0
Israel	30.0	40%	34.0	40%	36.0	37%	12.4	88%	1.0	113.4
Italy	160.0	15%	45.0	23%	567.0	47%	NA	34%	23.0	795.0
Kazakhstan (GSP)	NA	NA	23.0	68%	NA	NA	NA	NA	NA	23.0
Latvia	NA	NA	12.0	85%	9.0	58%	NA	80%	NA	21.0
Lithuania	1.5	65%	15.0	80%	11.0	58%	NA	85%	NA	27.5
Malaysia (OCR)	36.0	50%	55.5	52%	74.0	63%	12.9	91%	10.0	188.4
Mexico	140.0	70%	326.0	60%	230.0	65%	132.2	76%	42.0	870.2
New Zealand	10.0	8%	NA	NA	12.0	22%	NA	NA	NA	22.0
Peru	4.0	75%	68.0	98%	18.0	67%	NA	NA	8.5	98.5
Poland	30.0	35%	36.0	37%	175.0	58%	109.3	94%	5.0	355.3
Romania	8.0	55%	18.0	78%	32.0	74%	NA	65%	2.0	60.0
Saudi Arabia	20.0	40%	15.0	35%	85.0	56%	NA	68%	14.0	134.0
Serbia and Montenegro	NA	85%	12.0	80%	NA	NA	NA	NA	NA	12.0
Taiwan	40.0	40%	49.4	36%	83.0	43%	123.0	63%	20.0	315.4
Tajikistan	NA	NA	5.0	81%	NA	NA	NA	NA	NA	5.0
Turkey	50.0	45%	15.0	70%	99.0	66%	NA	NA	23.0	187.0
Turkmenistan	NA	NA	7.0	85%	NA	NA	NA	NA	NA	7.0
Uzbekistan (GSP)	NA	NA	31.0	81%	NA	NA	NA	NA	NA	31.0
Venezuela	25.0	NA	31.0	80%	36.0	75%	NA	NA	NA	92.0
SPECIAL 306 MONITORING										
Paraguay ³	2.0	95%	127.8	99%	6.0	83%	NA	NA	2.0	137.8
FTA DISPUTE SETTLEMENT										
Jordan	2.0	80%	NA	NA	10.0	67%	NA	NA	NA	12.0
Singapore	10.0	12%	3.7	9%	57.0	44%	NA	NA	2.0	72.7
SPECIAL MENTION										
Azerbaijan	NA	NA	12.0	82%	NA	NA	NA	NA	NA	12.0
Bahamas	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.0
Bangladesh	NA	NA	NA	NA	NA	NA	NA	NA	6.0	6.0
Bosnia and Herzegovina	4.0	90%	NA	NA	NA	NA	NA	NA	NA	4.0
Burma	NA	NA	NA	NA	NA	NA	NA	NA	4.0	4.0
Cambodia	NA	NA	NA	NA	NA	NA	NA	NA	4.0	4.0

IIPA 2005 "SPECIAL 301" RECOMMENDATIONS
IIPA 2004 ESTIMATED TRADE LOSSES DUE TO COPYRIGHT PIRACY
(in millions of U.S. dollars)
and 2004 ESTIMATED LEVELS OF COPYRIGHT PIRACY

	Motion Pictures		Records & Music		Business Software ¹		Entertainment Software ²		Books	Totals
	Losses	Levels	Losses	Levels	Losses	Levels	Losses	Levels	Losses	Losses
SPECIAL MENTION (continued)										
Canada	NA	NA	NA	NA	486.0	36%	NA	NA	NA	486.0
Croatia	2.0	25%	NA	NA	22.0	55%	NA	50%	NA	24.0
Cyprus	8.0	50%	NA	NA	5.0	56%	NA	NA	NA	13.0
Czech Republic	10.0	25%	12.0	60%	58.0	39%	NA	NA	NA	80.0
Estonia	2.0	30%	6.5	60%	9.0	57%	NA	60%	NA	17.5
Georgia	NA	NA	8.0	80%	NA	NA	NA	NA	NA	8.0
Greece	10.0	15%	20.0	60%	48.0	62%	NA	70%	NA	78.0
Hong Kong (OCR)	28.0	20%	4.8	19%	56.0	52%	NA	NA	7.0	95.8
Iceland	0.2	12%	NA	NA	NA	NA	NA	NA	NA	0.2
Kenya	NA	NA	12.6	98%	10.0	83%	NA	NA	NA	22.6
Laos	NA	NA	NA	NA	NA	NA	NA	NA	3.0	3.0
Macedonia	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.0
Nigeria	NA	NA	50.0	99%	33.0	85%	NA	NA	4.0	87.0
South Africa	35.0	40%	NA	NA	91.0	37%	NA	NA	2.0	128.0
Spain	40.0	25%	90.0	24%	283.0	43%	103.6	46%	NA	516.6
Switzerland	14.0	20%	NA	NA	137.0	27%	NA	NA	NA	151.0
Vietnam	10.0	NA	NA	NA	27.0	92%	NA	NA	16.0	53.0
TOTALS	1800.7		2657.4		6448.0		1847.5		603.0	13356.6

Endnotes:

¹BSA's final 2003 figures represent the U.S. software publisher's share of software piracy losses in each country as compiled in October 2004 (based on a BSA/IDC July 2004 worldwide study, found at <http://www.bsa.org/globalstudy/>). In prior years, the "global" figures did not include certain computer applications such as operating systems, or consumer applications such as PC gaming, personal finance, and reference software. These software applications are now included in the estimated 2003 losses resulting in a significantly higher loss estimate than was reported in prior years. The preliminary 2003 losses which had appeared in previously released IIPA charts were based on the older methodology, which is why they differ from the 2003 numbers in this report.

²ESA's reported dollar figures reflect the value of pirate product present in the marketplace as distinguished from definitive industry "losses." The methodology used by the ESA is further described in Appendix B of this report.

³Paraguay: RIAA reports that its estimated losses to the records and music industry include both domestic piracy in Paraguay and estimated losses caused by transshipment.

"GSP" means that the U.S. government is reviewing this country's IPR practices under the Generalized System of Preferences trade program.

"OCR" means out-of-cycle review to be conducted by USTR.