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Copyright Industries Release Report on Piracy in 56 Countries and Press their Global Trade Priorities for 2004

IIPA asks USTR to Name Pakistan a Priority Foreign Country for Uncontrolled Production and Worldwide Export of Pirate Optical Media Product and Rampant Book Piracy. China, Russia and Brazil are Highlighted for Continuing High Levels of Piracy and Lack of Effective Enforcement

Washington — The International Intellectual Property Alliance (IIPA) submitted its recommendations to U.S. Trade Representative Robert Zoellick today 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 a total of 56 countries, of which it recommends that 41 be placed on an appropriate USTR List.

Priority Foreign Country

This year IIPA recommends that **Pakistan** be designated as a Priority Foreign Country. The government of Pakistan has ignored the growing production of pirate U.S. copyrighted products by illicit optical disc factories. Exports of these pirate goods are flooding the world market. Efforts to persuade the Pakistani government to halt such pirate production and export have, to date, produced no 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.

IIPA urges USTR to maintain **Ukraine** as a Priority Foreign Country. In August 2001, the U.S. government removed Ukraine’s Generalized System of Preferences duty-free trade benefits, and on January 23, 2002, another \$75 million in trade retaliation was imposed. Since that time, Ukraine has failed to adopt the agreed-upon adequate laws to control pirate optical media production and distribution. IIPA recommends that these sanctions not be lifted until adequate laws are passed and fully enforced, that is, until the Joint Action Plan agreed to by Ukraine in June 2000 is fully implemented.

Continued Monitoring of China and Paraguay

IIPA urges USTR to continue, under Section 306 of the Trade Act, monitoring to ensure the compliance of the **People’s Republic of China** with its existing bilateral commitments to the U.S. on copyright and copyright enforcement. Under Section 306, failure to comply with these commitments can result in virtually immediate trade sanctions. Likewise, IIPA recommends that **Paraguay** remain subject to monitoring under Section 306 of the U.S. Trade Act of 1974 to ensure compliance with its bilateral commitments to the United States.

Priority Watch List

IIPA urges USTR to elevate **Bulgaria, Colombia, the Dominican Republic, Egypt, Israel, Kuwait** and **Thailand** to the Priority Watch List. It also asks USTR to maintain **Argentina, Brazil, India, Indonesia, Lebanon, Philippines, Poland, Russia South Korea, and Taiwan** on the Priority Watch List, bringing the total on this list to 17 countries.

Watch List

IIPA asks USTR to place (or maintain) 20 countries on the Watch List.

Out-of-Cycle Reviews

IIPA requests that USTR conduct out-of-cycle reviews later this year of six countries to evaluate their progress on the issues identified in this submission. From the recommendations for placement on the Priority Watch List, it requests that out-of-cycle reviews be conducted on progress made in **Philippines, Poland, Russia** and **Taiwan**. From the Watch List recommendations, IIPA asks that out-of-cycle reviews be conducted for **Malaysia** and **Saudi Arabia**.

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

Reviews are also ongoing regarding whether particular 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 withdrawal or limitation of these substantial trade benefits. In 2001, USTR accepted GSP petitions submitted by IIPA to review the copyright protection practices of **Brazil** and **Russia**. Reviews of four other countries recommended by IIPA (the **Dominican Republic, Kazakhstan, Lebanon, and Uzbekistan**), for which GSP petitions were accepted, are also ongoing. A GSP petition filed in 2001 by IIPA against **Pakistan** is still pending. The U.S. government held GSP hearings on October 7, 2003, and IIPA presented testimony in its six active cases against Brazil, Russia, the Dominican Republic, Kazakhstan, Uzbekistan and Lebanon. The IIPA submission details the reasons why GSP benefits should be suspended or withdrawn in each case.

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

IIPA also named 15 additional countries to which it urges USTR to pay special 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.

The following table summarizes IIPA's placement recommendations for 2004:

PRIORITY FOREIGN COUNTRY	SECTION 306 MONITORING	PRIORITY WATCH LIST	WATCH LIST	OTHER COUNTRIES DESERVING ADDITIONAL ATTENTION
Pakistan (GSP Petition Pending) Ukraine (GSP)	Paraguay People's Republic of China	Argentina Brazil (GSP) Bulgaria Colombia Dominican Republic (GSP) Egypt India Indonesia Israel Kuwait Lebanon (GSP) Philippines + OCR Poland + OCR Russian Federation + OCR (GSP) South Korea Taiwan + OCR Thailand	Bolivia Chile CIS (6) ¹ Azerbaijan Belarus Kazakhstan (GSP) Tajikistan Turkmenistan Uzbekistan (GSP) Ecuador Estonia Hungary Italy Latvia Lithuania Malaysia + OCR Peru Romania Saudi Arabia + OCR Spain Turkey	Bosnia and Herzegovina Cambodia Canada CIS (4) Armenia Georgia Kyrgyz Republic Moldova Costa Rica Guatemala Hong Kong Laos Serbia and Montenegro Singapore Uruguay Vietnam
2	2	17	20	15

Copyright Initiatives and Challenges in 2004

In commenting on this year's Special 301 process, IIPA President Eric H. Smith noted:

"The creative industries continue to face high levels of piracy in key markets throughout the world. These include China, where piracy remains over 90%, as well as in Russia, Brazil, Malaysia, Pakistan, Taiwan, Thailand, Ukraine and many others. This year, Pakistan has surfaced as one of the world's most egregious pirate nations, exporting millions of units of pirate product to countries throughout Asia, North America, the Middle East and to Europe. The annual Special 301 process is designed to shape US 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, which is a form of economic crime. Special 301 is a cornerstone of the U.S. government's effort to open these foreign markets otherwise 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. The copyright industries are growing twice as fast as the economy as a whole, employing new workers at three times that rate, and creating trade surpluses as great as or greater than any other major economic sector in this country. The global theft of intellectual property stunts that growth, not only in this country, but also in those nations that continue to tolerate high levels of piracy, making it nearly impossible for local creators to secure a fair return on their investments.

This is the Information Age, a time when creativity is the engine of economic success on a global basis. Effective protection of our copyrights, and the copyrights of all creators worldwide, is critical to energizing that

¹ "CIS" in this filing denotes 10 former Soviet republics for which separate country reports are grouped for the sake of convenience. Russia and Ukraine are reported on separately from and more completely than the CIS report.

growth. No country can expect to grow within a global economy without fully protecting the creativity of its citizens.

“We call upon our government and 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, 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 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 is also asking governments to take effective legislative and enforcement action to deal with piracy of business applications software within enterprises, which causes huge losses to the U.S. economy and to clamp down on book and journal piracy, including high levels of illegal commercial photocopying in many countries. We are asking these governments to ensure that they 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, caused mainly, as this report demonstrates, by feeble enforcement regimes which lack effective deterrence against commercial pirates.

“Furthermore, the remarkable growth of e-commerce and the Internet,” Smith remarked, “brings new opportunities and challenges, particularly for the copyright industries whose products will increasingly be traded globally using this new 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 new WIPO Internet Treaties by all countries.

“IIPA compliments the Administration, and Ambassador Zoellick in particular, for taking the lead in negotiating higher standards of protection and enforcement through the Free Trade Agreement process in Singapore and Chile, and for carrying those standards forward in the FTA with Central American countries and with Australia. The FTA is a critical, indeed virtually the only, process for systematically upgrading protection 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 & the Impact of the U.S. Copyright Industries on the U.S. Economy & 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 1,350 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 2002 Report, prepared for IIPA by Economists, Inc., the core U.S. copyright industries accounted for 5.24% of U.S. GDP or \$535.1 billion in value-added in 2001. In the last 24 years (1977-2001), the core copyright industries’ share of GDP grew at an annual rate more than twice as fast as the remainder of the economy (7.0% vs. 3.0%). Also over these 24 years, employment in the core copyright industries more than doubled to 4.7 million workers (3.5% of total U.S. employment), and grew nearly three times as fast as the annual employment growth rate of the economy as a whole (5.0% vs. 1.5%). In 2001, the U.S. copyright industries achieved foreign sales and exports of \$88.97 billion, a 9.4% gain from the prior year. The copyright industries’ foreign sales and exports continue to be larger than almost all other leading industry sectors, including automobiles and auto parts, aircraft, and agriculture.

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