



FOR IMMEDIATE RELEASE

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**Copyright Industries Release Report on Piracy in 63 Countries
and Continue to Press their Global Trade Priorities for 2003 to Include:**

**Optical Disc Piracy;
the Increasing Involvement of Organized Crime in Piracy;
Internet Piracy, its Impact on Electronic Commerce and the Importance of Global Implementation of the
WIPO "Internet" Treaties;
Global Implementation of WTO/TRIPS "Enforcement" Obligations;
Improved Protection Through Negotiating Free Trade Agreements;
and Corporate End-User Software Piracy and the Use of Legal Software in Governments**

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 63 countries, of which it recommends that 56 be placed on an appropriate USTR List. Losses to the U.S. economy due to piracy in the 56 countries surveyed in depth in this submission were estimated at \$9.2 billion in 2002. IIPA further estimates global losses due to copyright piracy at \$20-\$22 billion, not including Internet piracy – a massive drain on the U.S. economy.

Priority Foreign Country

IIPA urges USTR to maintain Ukraine as a Priority Foreign Country under Special 301. The U.S. government 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. Ukraine has still failed to adopt and enforce an adequate law controlling pirate optical media production. IIPA recommends that these sanctions not be lifted until an adequate law is passed and is fully enforced, and until the Joint Action Plan agreed to by Ukraine in June 2000 is fully implemented.

Continued Monitoring of China

In addition, IIPA urges USTR to continue, under Section 306 of the Trade Act, monitoring the compliance of the People's Republic of China with its bilateral commitments to the U.S. on copyright and copyright enforcement and 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 the Bahamas, Bolivia, Kuwait, Lithuania, Pakistan, Poland, South Africa, South Korea and Thailand to the Priority Watch List. It also asks USTR to maintain Argentina, Brazil, Dominican Republic, Egypt, India, Indonesia, Israel, Lebanon, Philippines, Russia and Taiwan on the Priority Watch List, bringing the total to 19 countries.

Watch List

IIPA asks USTR to place 33 countries on the Watch List.

Out-of-Cycle Reviews

IIPA requests that USTR conduct out-of-cycle reviews later this year of five 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 Lebanon, Philippines, Russia and South Korea. From the Watch List recommendations, IIPA asks that an out-of-cycle review be conducted for Malaysia.

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

Reviews are also ongoing regarding 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 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 six other countries recommended by IIPA (Armenia, the Dominican Republic, Kazakhstan, Ukraine, Uzbekistan, and Turkey) are also ongoing. GSP petitions filed in 2001 by IIPA against Lebanon, Pakistan and Uruguay and by a coalition of copyright industries against Thailand will be considered for acceptance in 2003.

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

IIPA also named seven 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 following table summarizes IIPA's placement recommendations for 2003:

PRIORITY FOREIGN COUNTRY	SECTION 306 MONITORING	PRIORITY WATCH LIST	WATCH LIST	OTHER COUNTRIES DESERVING ADDITIONAL ATTENTION
Ukraine (GSP)	People's Republic of China	Argentina Bahamas Bolivia Brazil (GSP) Dominican Republic (GSP) Egypt India Indonesia Israel Kuwait Lebanon +OCR (GSP petition pending) Lithuania Pakistan (GSP petition pending) Paraguay Philippines + OCR Poland Russian Federation + OCR (GSP) South Africa South Korea + OCR Taiwan Thailand (GSP petition pending)	Bangladesh Bulgaria Chile CIS (10) ¹ Armenia (GSP) Azerbaijan Belarus Georgia Kazakhstan (GSP) Kyrgyz Republic Moldova Tajikistan Turkmenistan Uzbekistan (GSP) Colombia Costa Rica Czech Republic Ecuador Estonia Guatemala Hungary Italy Kenya Latvia Malaysia +OCR Peru Qatar Romania Saudi Arabia Serbia & Montenegro Sri Lanka Turkey (GSP) Uruguay (GSP petition pending) Venezuela	Cambodia Croatia Laos Macedonia Myanmar (Burma) Spain Vietnam
1	1	21	33	7

Copyright Initiatives and Challenges in 2003

In commenting on this year's Special 301 process, IIPA President Eric H. Smith noted: "The annual Special 301 process is all about protecting and expanding U.S. jobs and U.S. economic growth. It 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 – industries growing twice as fast as the economy as a whole, employing new workers at three times that rate, and creating trade surpluses as great 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 growth. No country can expect to grow within a global economy without fully protecting the creativity of its citizens."

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

"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. We also 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 to pass strong optical disc regulations to enhance existing copyright laws in dealing with this massive global piracy problem."

"IIPA is also asking 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 estimated losses to the U.S. economy of \$9.2 billion in 2002, caused mainly, as this report demonstrates, by feeble enforcement regimes which lack effective deterrence against commercial pirates."

"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. IIPA and its members applaud the extension of these higher standards to the new countries with which negotiations are about to begin and looks forward to their incorporation in a new Free Trade Agreement of the Americas. Finally, too many governments have not taken strong enough action to reduce piracy of business software in corporate enterprises or within their own ministries and 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 thereby generating 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 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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IIPA 2003 "SPECIAL 301" RECOMMENDATIONS TO USTR

IIPA 2002 ESTIMATED TRADE LOSSES DUE TO COPYRIGHT PIRACY

(in millions of U.S. dollars)

and 2002 ESTIMATED LEVELS OF COPYRIGHT PIRACY

	Motion Pictures		Records & Music		Business Software Applications ¹		Entertainment Software		Books	TOTAL LOSSES
	Loss	Piracy Level	Loss	Piracy Level	Loss	Piracy Level	Loss	Piracy Level	Loss	
PRIORITY FOREIGN COUNTRY										
Ukraine (GSP)	40.0	90%	150.0	80%	75.4	86%	NA	NA	NA	265.4
306 MONITORING										
People's Republic of China	168.0	91%	48.0	90%	1593.3	93%	NA	96%	40.0	1849.3
PRIORITY WATCH LIST										
Argentina	30.0	45%	26.0	60%	70.7	62%	NA	NA	NA	126.7
Bahamas	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Bolivia	NA	NA	15.0	85%	6.0	74%	NA	NA	5.5	26.5
Brazil (GSP)	120.0	35%	320.4	53%	317.0	55%	NA	NA	14.0	771.4
Dominican Republic (GSP)	2.0	60%	6.9	65%	2.9	61%	NA	NA	1.0	12.8
Egypt	NA	NA	8.2	41%	NA	50%	NA	NA	28.0	36.2
India	75.0	60%	6.6	40%	350.0	75%	NA	NA	36.5	468.1
Indonesia	28.0	90%	92.3	89%	102.9	90%	NA	NA	30.0	253.2
Israel	30.0	50%	34.0	50%	NA	39%	17.2	68%	1.0	82.2
Kuwait	10.0	95%	3.4	64%	NA	NA	NA	NA	2.5	15.9
Lebanon (OCR) (GSP petition pending)	8.0	80%	2.0	65%	NA	74%	NA	NA	2.0	12.0
Lithuania	NA	90%	12.0	85%	4.9	53%	NA	80%	NA	16.9
Pakistan (GSP petition pending)	12.0	95%	60.0	83%	NA	83%	NA	NA	44.0	116.0
Paraguay ²	2.0	80%	204.4	99%	4.3	69%	NA	NA	2.0	212.7
Philippines (OCR)	30.0	80%	20.9	40%	20.1	61%	NA	NA	45.0	116.0
Poland	25.0	30%	45.0	45%	78.4	50%	337.7	91%	5.0	491.1
Russian Federation (OCR) (GSP)	250.0	80%	371.9	66%	93.9	87%	NA	90%	40.0	755.8
South Africa	30.0	30%	NA	25%	NA	35%	NA	NA	14.0	44.0
South Korea (OCR)	27.0	25%	6.9	20%	121.4	50%	381.0	36%	36.0	572.3
Taiwan	42.0	44%	98.6	47%	NA	48%	596.1	56%	20.0	756.7
Thailand (GSP petition pending)	26.0	70%	30.0	42%	28.7	75%	47.3	86%	28.0	160.0
WATCH LIST										
Bangladesh	NA	NA	NA	98%	NA	NA	NA	NA	NA	NA
Bulgaria	3.0	20%	7.2	83%	7.0	72%	21.9	91%	0.3	39.4
Chile	2.0	40%	14.0	35%	59.4	51%	NA	NA	1.1	76.5
CIS (listed below)										
<i>Armenia (GSP)</i>	NA	NA	4.0	85%	NA	NA	NA	NA	NA	4.0
<i>Azerbaijan</i>	NA	NA	14.8	99%	NA	NA	NA	NA	NA	14.8
<i>Belarus</i>	NA	NA	22.0	73%	NA	NA	NA	NA	NA	22.0
<i>Georgia</i>	NA	NA	8.0	86%	NA	NA	NA	NA	NA	8.0
<i>Kazakhstan (GSP)</i>	NA	NA	23.0	78%	NA	NA	NA	NA	NA	23.0
<i>Kyrgyz Republic</i>	NA	NA	5.0	85%	NA	NA	NA	NA	NA	5.0
<i>Moldova</i>	NA	NA	6.0	77%	NA	NA	NA	NA	NA	6.0
<i>Tajikistan</i>	NA	NA	5.0	87%	NA	NA	NA	NA	NA	5.0
<i>Turkmenistan</i>	NA	NA	6.5	<90%	NA	NA	NA	NA	NA	6.5
<i>Uzbekistan (GSP)</i>	NA	NA	32.0	<90%	NA	NA	NA	NA	NA	32.0
Colombia	40.0	90%	56.3	65%	16.2	50%	NA	NA	5.3	117.8
Costa Rica	2.0	40%	7.0	50%	8.6	61%	NA	NA	NA	17.6
Czech Republic	9.0	12%	7.3	50%	NA	NA	38.3	89%	3.0	57.6
Ecuador	NA	NA	18.0	90%	5.5	59%	NA	NA	2.3	25.8
Estonia	2.0	30%	9.0	60%	5.7	52%	NA	NA	NA	16.7
Guatemala	2.0	60%	4.8	NA	14.5	67%	NA	NA	2.5	23.8
Hungary	18.0	30%	6.0	30%	22.2	47%	NA	NA	4.0	50.2
Italy	140.0	20%	42.0	23%	380.4	45%	215.4	55%	23.0	800.8
Kenya	NA	NA	NA	NA	NA	78%	NA	NA	1.0	1.0

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	Motion Pictures		Records & Music		Business Software Applications ¹		Entertainment Software		Books	TOTAL LOSSES
	Loss	Piracy Level	Loss	Piracy Level	Loss	Piracy Level	Loss	Piracy Level	Loss	
WATCH LIST (continued)										
Latvia	NA	85%	8.0	67%	7.9	57%	NA	NA	NA	15.9
Malaysia (OCR)	42.0	75%	110.2	70%	82.7	70%	NA	NA	8.3	243.2
Peru	4.0	50%	70.2	98%	10.3	58%	NA	NA	8.5	93.0
Qatar	0.3	15%	0.1	29%	NA	NA	NA	NA	0.2	0.6
Romania	6.0	55%	15.0	75%	16.4	72%	35.2	97%	2.0	74.6
Saudi Arabia	20.0	35%	16.0	42%	NA	47%	NA	NA	14.0	50.0
Serbia & Montenegro	NA	NA	14.0	95%	NA	NA	NA	NA	NA	14.0
Sri Lanka	NA	NA	NA	99%	NA	NA	NA	NA	NA	NA
Turkey (GSP)	50.0	45%	18.0	75%	NA	50%	NA	NA	25.0	93.0
Uruguay (GSP petition pending)	2.0	40%	1.4	60%	5.2	60%	NA	NA	1.5	10.1
Venezuela	25.0	65%	29.0	75%	27.1	52%	NA	NA	18.0	99.1
	1322.3		2142.3		3539.0		1690.1		514.5	9208.2

Endnotes:

¹ BSA's estimated piracy losses and levels for 2002 are preliminary, and will be finalized in mid-2003. BSA's trade loss estimates reported here represent losses due to piracy which affect only U.S. computer software publishers in this country, and differ from BSA's trade loss numbers released separately in its annual global piracy study which reflects losses to (a) all software publishers in this country (including U.S. publishers) and (b) losses to local distributors and retailers in this country.

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