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**IIPA Asks USTR to Designate Israel and Ukraine as
Special 301 "Priority Foreign Countries" in April 2000**

**Copyright Industries' Priorities for 2000 Include: TRIPS Implementation;
Fighting Optical Media Piracy; Cracking Down on Piracy by Organized Criminal Enterprises;
Combating Copyright Piracy on the Internet; Ratification of the WIPO "Digital" Treaties;
Promoting Legal Software Protection for Governments and Businesses Worldwide**

Washington — The International Intellectual Property Alliance (IIPA) today submitted its recommendations to U.S. Trade Representative Charlene Barshefsky in the annual "Special 301" review of copyright piracy and market access problems around the world. IIPA's filing discusses a total of 55 countries.

Israel and Ukraine

IIPA urges USTR to designate two Priority Foreign Countries under Special 301: Israel and Ukraine. 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.

- Israel's domestic markets continue to be overwhelmed by piracy. Israel continues to be a key locus of optical media piracy, producing, importing and transshipping pirate product in quantities that dwarf its modest legitimate domestic demand. Moreover, Israel's December 1999 copyright law amendments, while intended to bring Israel's law into compliance with TRIPS, do not fully satisfy TRIPS.
- Ukraine in the past two years, has surpassed every other country in Central and Eastern Europe as the largest producer and exporter of illegal optical media discs. Ukraine is now the region's number one pirate CD producing country. With at least five known plants, Ukraine was capable of producing over 70 million CDs last year, which is more than Bulgaria at the height of its production capacity. Losses to the music industry alone are estimated at \$210 million for the past year. Ukraine must take immediate steps to stop this illegal production and export into other countries in compliance with its international obligations, including a Bilateral Trade Agreement with the United States. Despite repeated warnings, the Ukrainian government has failed to shut down pirate plants and upgrade its laws.

Continued monitoring of China and Paraguay

In addition, IIPA urges USTR to continue Section 306 monitoring of the compliance of the People's Republic of China and Paraguay with their bilateral commitments on copyright and (for

China) market access for copyright industries. Under Section 306, the USTR monitors how countries are complying with their agreements with the U.S. — to ensure that countries are implementing the reforms to which they have committed themselves.

Priority Watch List

IIPA urges USTR to elevate Brazil, Czech Republic, the Palestinian Authority, Philippines, Poland, Saudi Arabia and South Korea to the Priority Watch List. IIPA also supports keeping Argentina, the Dominican Republic, Italy, Macau, Peru, Russia and Turkey on this list.

Watch List

Finally, IIPA ask USTR to place 37 countries on the Watch List. This year IIPA recommends that Malaysia, Estonia, Lithuania, Latvia, 10 countries in the C.I.S., El Salvador and South Africa be added to the Watch List. We also support moving India, Indonesia and Greece down to the Watch List.

Out of Cycle Reviews

IIPA also requests that USTR conduct “out of cycle” reviews later this year on five countries (Kuwait, Macau, Malaysia, Peru and Taiwan) to evaluate their progress on the issues identified in our submission.

GSP Reviews

USTR announced on February 14, 2000, that it accepted six petitions of IIPA to review the copyright protection practices of Armenia, the Dominican Republic, Kazakhstan, Moldova, Ukraine, and Uzbekistan under the Generalized System of Preferences (GSP) trade program. Hearings will be held in early April. A GSP review of Turkey has been ongoing since 1993.

The following table is IIPA’s placement recommendations for 2000:

Priority Foreign Country	306 Monitoring	Priority Watch List	Watch List	Out-of-Cycle Review
Israel Ukraine (GSP)	PRC Paraguay	Argentina Brazil Czech Republic Dominican Republic (GSP) Italy Macau Palestinian Authority Peru Philippines Poland Russia Saudi Arabia South Korea Turkey (GSP)	Australia CIS ¹ Armenia (GSP) Azerbaijan Belarus Georgia Kazakhstan (GSP) Kyrgyz Republic Moldova (GSP) Tajikistan Turkmenistan Uzbekistan (GSP) Colombia Costa Rica Egypt	Kuwait Macau Malaysia Peru Taiwan

¹ “CIS” in this filing designates 10 former Soviet republics. Russia and Ukraine are treated separately from the CIS in this filing.

			El Salvador Estonia Greece Hungary India Indonesia Kuwait Latvia Lebanon Lithuania Malaysia Oman Pakistan Qatar Romania Singapore South Africa Spain Taiwan Thailand Uruguay Venezuela Vietnam	
2 Priority Foreign Country	2 306 Monitoring	14 Priority Watch List	37 Watch List	5 Out-of-Cycle Review

Copyright Initiatives and Challenges in 2000

“Besides country placement rankings, the U.S. copyright industries’ submission also identified six issues for priority attention. As of the first of this year, over 80 developing countries became fully subject to substantive and enforcement obligations under the WTO’s TRIPS Agreement,” noted Eric H. Smith, President of IIPA. “Few of these countries are now in compliance, particularly in the area of providing effective enforcement of rights. These countries face dispute settlement proceedings if they fail to meet their responsibilities.”

“Another critical priority is ratification of the WIPO ‘digital’ treaties negotiated in Geneva in 1996 and recently implemented in U.S. law. These treaties provide the essential legal framework for the continued spectacular growth of e-commerce in the next years by ensuring that valuable content is fully protected from piracy on the Internet.”

“In addition,” added Smith, “governments throughout the world must pay more attention to the role of organized crime in 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 gains made in the last decade.”

Smith continued: “Too many governments 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 billions of dollars in government revenue worldwide.”

“Finally,” said Smith, “the rise of the internet has enabled copyright pirates to reach any part of the world quickly and easily. While new, on-line technologies and media offer great opportunities to the copyright industries, the threats of piracy are enormous. Governments need to devise focused and comprehensive strategies to stem the rising tide of internet piracy.”

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 in the U.S. economy

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 works protected by copyright laws throughout the world — all types of computer software including business software and entertainment software (such as videogame CD's and cartridges, personal computer CD's and multimedia products); motion pictures, television programs and home videocassettes; music, records, CD's, 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 1999 Report, prepared for IIPA by Economists, Inc., the core copyright industries accounted for \$348.4 billion in value added to the U.S. economy, or approximately 4.3% of the Gross Domestic Product (GDP) in 1997 (the last year for which complete data is available). The total copyright industries accounted in 1997 for \$529.3 billion in value added, or approximately 6.53% of GDP. The core copyright industries' share of the GDP grew more than twice as fast as the remainder of the U.S. economy between 1977 and 1997 (6.3% vs. 2.7%). Employment in the core copyright industries grew three times the rate of national employment growth between 1977 and 1997 (4.8% vs. 1.6%). More than 6.9 million workers were employed by the total copyright industries, about 5.3% of the total U.S. work force, in 1997. The core copyright industries generated an estimated \$66.85 billion in foreign sales and exports in 1997, an 11.1% gain over 1996 and larger than the foreign sales and exports of the food, tobacco, apparel, textile, and aircraft industries combined. Preliminary estimates for foreign sales and exports for 1998 is \$71.0 billion.

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