

Copyright 2006 The Chronicle Publishing Co.
All Rights Reserved

THE SAN FRANCISCO CHRONICLE (California)

April 16, 2006 Sunday
FINAL Edition

SECTION: BUSINESS; LAZARUS AT LARGE; Pg. J1

LENGTH: 883 words

HEADLINE: Piracy eludes solution

BYLINE: David Lazarus

BODY:

As President Bush prepares to sit down at the White House this week with Chinese President Hu Jintao, the 800-pound panda in the room will be, as usual, China's inability (or unwillingness) to crack down on piracy.

Not that the Chinese haven't told American businesses time and again that they shouldn't worry their pretty heads.

A few weeks ago, for example, Yan Xiaohong, the deputy commissioner of China's National Copyright Administration, told U.S. Commerce Secretary Carlos Gutierrez during talks in Beijing that all Chinese computer-makers will be required to install only licensed software.

"The issues Secretary Gutierrez is concerned with are issues we also are concerned with," Yan said. "This year, we will work with the ministries of Information, Industry and Commerce to increase the usage of legal software among Chinese enterprises."

The U.S. software industry estimates that about 90 percent of all software in China is counterfeit and that this costs legitimate companies worldwide about \$3.6 billion annually.

Robert Holleyman, president of the Business Software Alliance, a leading industry group, told me he's encouraged by what he's hearing from Chinese officials. But he said the occasional government crackdown won't solve China's piracy problem.

"It's certainly not good enough," Holleyman said. "We clearly want to see more."

This has been a mantra from U.S. companies and business groups for decades. And they say some progress is indeed being made.

But it's difficult to see the upbeat declarations from Chinese officials as anything but lip service and the repeated warnings of trade sanctions from U.S. officials as anything but empty threats.

"If anything, the problem is getting worse," said Daniel Chow, a law professor at Ohio State University who specializes in international trade. "China says it's enforcing laws, but it's not creating any meaningful deterrence to piracy. People who get caught just pay a fine and then go back to business."

In some parts of the country, he said, the piracy rate for software and other intellectual property is as high as 100 percent.

"China profits from piracy because the economic benefits are so great," Chow observed. "There's no political will to crack down on piracy."

The Congressional International Anti-Piracy Caucus, a bipartisan group on Capitol Hill, said earlier this month that piracy in China was responsible for \$2.3 billion in losses to U.S. companies last year.

In 2004, two-thirds of all counterfeit goods seized at U.S. ports came from China, officials say.

It's common in most Chinese cities to see sidewalk merchants openly hawking pirated versions of American movies and CDs, often for less than \$1 each. Discs loaded with pirated software, including Microsoft's Windows operating system and other popular programs, are also readily available.

The Recording Industry Association of America estimates that U.S. recording companies lost more than \$200 million last year to pirated in China. About 85 percent of CDs sold in China are counterfeit, the association says.

"Demand for American musical recordings in China is enormous, as evidenced by the massive piracy of our products across China," Joseph Papovich, the association's senior vice president for international issues, told lawmakers in Washington last month.

"The result has been a colossal lost opportunity for American writers, performers and record producers to benefit from the fast-growing Chinese society and economy," he said.

The association's investigators say dozens of Chinese factories are churning out pirated CDs and DVDs, with total capacity of billions of discs per year. Those discs, in turn, are both sold domestically and exported to other countries.

The Motion Picture Association of America estimates that counterfeit copies of Hollywood films cost U.S. studios about \$300 million last year and nearly \$1 billion during the past five years.

In preparation for this week's summit meeting, trade officials from the United States and China met in Washington last week to hash out a variety of issues.

Along with reiterating their pledge to require computer-makers to use legal software, the Chinese side vowed to look even harder for all those factories mass-producing pirated CDs and DVDs.

Andrew Mertha, a professor of political science at Washington University in St. Louis who focuses on Chinese affairs, likened Beijing officials to college students who freely (and illegally) download tunes from the Internet.

"There's a real cavalier attitude among young people toward intellectual property," he said. "That approximates what you find in China."

As such, he and others say no one should expect a breakthrough, even though Bush and Hu almost certainly will declare this week that their two governments are committed to battling the scourge of piracy.

"The Chinese politburo might want to be seen as an international trading partner," Mertha said. "But local authorities in the Chinese countryside only care about whether the factory that makes counterfeit Ralph Lauren goods is paying its taxes and making side payments to keep working.

"That's the real problem," he said, "and it's not going to change soon." .

Programming note: This column will be gone fishin' for the next couple of weeks as it burns off some vacation time. Back in action May 1.

GRAPHIC: PHOTO

Chinese President Hu Jintao's visit to the U.S. is not likely to result in a meaningful accord on copyright infringement in China. / Liu Jiansheng / Associated Press

LOAD-DATE: April 16, 2006