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Promoting Trade Liberalization in IT Products and Services Through Comprehensive, High-Quality Regional Trade Arrangements and Free Trade Agreements

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**Workshop on Identifying and Addressing
Possible Impacts of RTAs/FTAs Development on
APEC Developing Member Economies
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SUBMISSION BY THE BUSINESS SOFTWARE ALLIANCE

INTRODUCTION

Comprehensive, High-Quality RTAs/FTAs Will Accelerate APEC's Achievement of Free and Open Trade and Sustainable Development in the Asia-Pacific.

- The Business Software Alliance (BSA) applauds APEC's leadership in promoting the adoption of high-standard, comprehensive FTAs/RTAs throughout the APEC region and encourages all APEC members to utilize the *Best Practices for RTAs/FTAs in APEC* when undertaking such negotiations. At the 2004 meeting in Santiago, APEC Ministers acknowledged that Regional Trade Arrangements and Free Trade Agreements (RTAs/FTAs) play a constructive role in accelerating trade liberalization in the region and thus contribute to the achievement of the Bogor Goals. To ensure high-standard and comprehensive agreements, the Ministers welcomed the *Best Practices for RTAs/FTAs in APEC* as a meaningful reference for APEC members when undertaking RTAs/FTAs negotiations. These *Best Practices* acknowledge that RTAs/FTAs can best support the achievement of the Bogor Goals if they promote transparent, open and non-discriminatory regulatory frameworks and decision-making processes; are consistent with, and build upon, existing WTO obligations; explore commitments in areas not covered, or only partly covered by, the WTO; and are comprehensive in scope and provide for liberalization in all sectors. APEC can continue to play a critical role in promoting high-standard RTAs/FTAs and convergence among such agreements by developing model measures for RTA/FTA chapters on trade facilitation and other topics discussed further below.
- The Bogor Goal of free and open trade in the Asia-Pacific by 2020 reflects the critical linkage between liberalized trade and sustainable growth, equitable development and national stability throughout the region and the world. Trade liberalization is particularly critical to developing and least developed countries. Developing nations account for one-third of global trade and thus are increasingly reliant on exports for economic growth. According to recent studies, open markets are fueling economic growth and boosting incomes in developing nations, while helping to alleviate poverty –
 - Income per capita in developing countries that lowered trade barriers the most grew more than three times faster than in other developing countries in the 1990s.¹

¹ David Dollar & Aart Kraay, *Trade, Growth and Poverty*, World Bank Policy Research Working Paper No. 2615 (2001).

- Trade liberalization has injected \$200 billion into developing economies and helped lift an estimated 500 million people out of poverty.²
 - Trade liberalization could increase unskilled wages in developing countries by 7 percent, resulting in a 15 percent decline in poverty globally.³
- RTAs/FTAs are increasingly important to the world economy and its progress towards global trade liberalization. More than 200 such agreements are currently in force, representing a 600 percent increase in just two decades. Today more than one-third of global trade takes place between countries that have some form of reciprocal RTA/FTA.⁴ As RTAs/FTAs proliferate throughout APEC and the rest of the world, it is imperative that countries avoid the “spaghetti-bowl” effect of overlapping and inconsistent commitments that distort and complicate, rather than facilitate, global trade relations. Adherence to the APEC *Best Practices* will help ensure that RTAs/FTAs within the Asia-Pacific avoid the pitfalls of incomplete and inconsistent agreements and instead promote expanded trade and development.
 - High-quality, comprehensive RTAs/FTAs that embody the principles of the APEC *Best Practices* will accelerate trade liberalization and economic growth within the Asia-Pacific and particularly with its developing nations. For developing countries seeking to harness trade to their development strategy, regional agreements are an important complement to multilateral liberalization and offer the flexibility to pursue trade-expanding policies that are essential to development but difficult to address within the WTO architecture. Moreover, effective RTAs/FTAs can help motivate and reinforce broader reforms in domestic policy, reduce regional political tensions, exploit economies-of-scale in infrastructure provision, and, in general, create an environment that is more conducive to stability, investment and growth.⁵
 - U.S. experience with RTAs/FTAs attests to the benefits of state-of-the-art free trade agreements in developing economies. In Mexico, for example, exports to NAFTA partners increased by 232 percent between 1993 and 2001 and accounted for more than half of the increase in Mexico’s real national income. Fully half of the 3.5 million new jobs generated in Mexico between 1995 and 2000 resulted from growth in exports attributable to NAFTA, and employment in Mexico’s export sector pays 37 percent more than jobs in the rest of Mexico’s manufacturing sector. Significantly, these economic gains also benefited Mexico’s agricultural sector, with Mexican farm production increasing by 50 percent from 1993 to 2001 and Mexican agricultural exports to the U.S. increasing by 103 percent - eliminating what used to be an agricultural trade deficit with the United States.

² William R. Cline, *Trade Policy and Global Poverty*, Center for Global Development & Institute for International Economics (2004).

³ *Global Economic Prospects*, World Bank Group (2002).

⁴ *Global Economic Prospects*, World Bank Group (2005).

⁵ Id.

- Significantly, a World Bank report concludes that NAFTA has helped Mexico move closer to the levels of development in the United States and Canada, finding, for example, that Mexico's global exports would have been 25 percent lower without NAFTA, and foreign investment would have been 40 percent less.⁶ The World Bank predicts similar benefits for the Dominican Republic and Central American region following implementation of the DR-CAFTA. According to former World Bank President James Wolfensohn, "[t]he DR-Central American Free Trade Agreement (DR-CAFTA) offers opportunities for increasing trade and investment that will boost long-term growth and reduce poverty in Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua." A forthcoming World Bank report notes that previous efforts to reform trade policies in Central America, while important and unquestionably beneficial, have yet to transform the region's economies or radically reduce poverty levels because of inadequate progress in addressing non-tariff market access barriers, such as inflexible regulations, deficiencies in governance and financial market issues. The comprehensiveness of the DR-CAFTA and the fact that it commits each member to address the full range of tariff and non-tariff trade barriers ensures that trade liberalization will, in fact, yield increased exports and foreign investment, transparency in government processes, market efficiencies, increased innovation and ICT access and, perhaps most importantly, significant reductions in poverty levels. As noted by the World Bank, "DR-CAFTA commitments promise to lock in a number of the policy and regulatory changes implemented in recent years for the opening of previously protected sectors (e.g., telecoms, financial services, energy) and the modernization of key norms and procedures in areas such as government procurement, intellectual property rights and the treatment of foreign investors"⁷

Free and Open Trade in IT Sectors Will Increase Internet Penetration in APEC, Help Bridge the Digital Divide in Developing APEC Economies, and Encourage Investment in Domestic Innovation and IT Industries.

- Trade in Information and communication technologies (ICTs) is crucial to the world economy. According to the OECD, the ICT sector employed over 17 million people in 2004 - over 6 percent of business employment. Trade in ICT goods has grown at almost double the rate of merchandise trade, and trade in ICT services is growing even faster. Significantly, the ICT goods sector, once dominated by the United States, Europe and Japan, is globalizing rapidly and shifting towards China and other parts of Asia. China's ICT goods trade, for example, has grown 28 percent annually since 1996. The OECD reports similar shifts within the global distribution of IT and ICT-enabled services.⁸

⁶ Daniel Lederman, William F. Maloney & Luis Servén, *Lessons from NAFTA for Latin America and Caribbean Countries: A Summary of Research Findings*, World Bank Group (2003).

⁷ C. Felipe Jaramillo & Daniel Lederman, *Challenges and Opportunities of DR-CAFTA for Central America*, World Bank Group (2005).

⁸ *OECD Information Technology Outlook* (2004).

- The diffusion of ICT products and services facilitates the achievement of mainstream development goals -- for example, in areas of health, education and other public services -- and propels drive economic growth in developing countries. To achieve these benefits, however, it is imperative that APEC countries implement market-oriented and pro-competitive policies that promote access to ICT technologies and investments in essential infrastructures and innovation. As reflected in APEC's e-APEC strategy, trade liberalization in the ICT sector is a crucial element in leveling the ICT playing field between the developed and developing world.
- APEC has played a leading role in helping to drive free and open trade in the IT sector by spearheading the WTO Information Technology Agreement. By negotiating comprehensive RTAs/FTAs in accordance with the *Best Practices*, APEC economies can help eradicate any remaining tariff and non-tariff trade barriers limiting IT growth in the region. In doing so, APEC countries will signal to the rest of the world a strong commitment to e-commerce and the preservation of a liberal trading environment for emerging IT products and services. The region will, in turn, be better positioned to compete for foreign investment opportunities.
- Comprehensive, WTO-plus RTAs/FTAs are critical to trade liberalization within the information technology sectors because most of today's innovative IT products and services did not exist at the time of the Uruguay Round. By looking beyond WTO agreements to address the tariff and non-tariff trade barriers that impede access to the world's best technologies, RTAs/FTAs help to bridge the digital divide in developing economies, promote investment and job creation by foreign IT companies and foster growth of domestic IT industries. The software and IT industries employ more than 9 million people throughout the world, contribute hundreds of billions of tax dollars each year, and add nearly one trillion dollars annually to global economic prosperity. Thus, the industry gains that flow from fair and open trade yield important economic and social benefits for all APEC members, particularly developing economies attempting to build knowledge-based industries and an educated population and work force.
- Although the WTO has produced notable achievements in lowering barriers to trade in software and IT products, policymakers in APEC economies recognize the need to address the trade barriers faced by industry in APEC, including (1) uncertainty over the treatment of electronically-delivered software and other digital products; (2) inadequate commitments in IT-related service sectors; (3) high rates of software piracy and counterfeiting and the need for further refinement of intellectual property regimes; and (4) discriminatory procurement rules, technical standards and other policies that inhibit free trade. Consistent with the APEC Best Practices, RTAs/FTAs in APEC should seek to eliminate these tariff and non-tariff trade barriers by incorporating comprehensive, state-of-the art commitments (as described below) that build upon and strengthen the requirements of the WTO agreements, particularly in rapidly evolving areas such as electronic commerce that are inadequately covered by the WTO architecture. In doing so, the RTAs/FTAs will promote trade liberalization and economic growth within APEC and create momentum for similar progress in the WTO and throughout the world economy.

OVERVIEW OF PROPOSED RTA/FTA COMMITMENTS

Electronic Commerce:

- Since the conclusion of the Uruguay Round Agreements, the world has experienced exponential growth in Internet connectivity and the use of electronic commerce as a channel for international business. With the establishment of the Brunei Goals and e-APEC Strategy, APEC has assumed a leadership role in exploiting these emerging technologies to promote access to Internet-based information and services, global competitiveness, productivity and a better quality of life within the region. APEC's strong commitment to Internet development is quickly bearing fruit, with APEC economies rapidly outpacing the U.S. in broadband connectivity, speed and efficiency. South Korea, for example, has the world's greatest percentage of broadband users, and nearly all Japanese have access to high-speed broadband, with an average connection speed 16 times faster than in the United States.⁹ APEC thus has a huge stake in the continued expansion of global e-commerce.
- To ensure that APEC's investment in e-commerce yields economic growth and developmental gains, it is imperative that APEC move quickly to implement trade rules that create an environment in which IT products and services can be delivered electronically free of tariff and non-tariff barriers, consistent with the 20-economy APEC *Pathfinder on Trade and the Digital Economy*. IT products and services, once delivered only in physical form or in person, are increasingly delivered via the Internet, promising greater choice, efficiencies and flexibility for consumers and suppliers. A major challenge for the IT industry, however, is that WTO trade rules, which extend liberal trade treatment to IT products delivered in physical form, are unclear in their treatment of IT products delivered or accessed electronically via the Internet. Also of concern is the "bottom-up" nature of the WTO GATS architecture, which creates doubt as to whether evolving IT services are covered by a country's WTO commitments. This uncertainty in global trade rules governing IT products and services, unless clarified to preserve a liberal online trade environment, will slow the growth of electronic commerce and impede global access to the best software and IT products and services.
- Given the breakdown of e-commerce discussions within the WTO, RTAs/FTAs are essential to the achievement of near-term, comprehensive, WTO-plus commitments on electronic commerce in the region. Consistent with the principles of the *Digital Economy Pathfinder*, these commitments should ensure clarity and predictability in the international trade rules applicable to electronic commerce and prevent barriers to electronic commerce from arising. It is thus imperative that RTAs/FTAs contain commitments that preserve the current liberal trade environment for IT products and services delivered or accessed electronically. Regardless of the method of distribution, digital products that are made available on-line should receive market access, MFN and national treatment no less favorable than such products would receive when traded through physical delivery. Moreover, RTAs/FTAs

⁹ Thomas Bleha, *Down to the Wire*, Foreign Affairs, May-June 2005.

should contain a permanent prohibition on duties on the importation or exportation of digital products, including both the transmission and content.

IT Services:

- Services sectors are the fastest growing components of the global economy, and trade and foreign direct investment in services have grown faster than in goods over the past decade. According to the World Bank, the performance of APEC's services sectors can make the difference between rapid and sluggish growth. Studies comparing reduction of services barriers to reductions in barriers to merchandise trade find that services liberalization can provide benefits up to four times higher. For developing countries, the income gains from services liberalization are significantly higher than gains from merchandise trade reform.¹⁰
- Services liberalization is particularly crucial to the growth of e-commerce. A vast array of e-commerce services has evolved since the conclusion of the Uruguay Round, including data storage and management, web hosting, and software implementation services. Moreover, technology users increasingly purchase IT solutions and digital products as a combination of integrated goods and services. Thus, to preserve a liberal online trade environment throughout APEC, services commitments must keep pace with goods-related trade reforms and extend to all relevant sectors and modes of supply.
- Recognizing this critical linkage between e-commerce growth and services liberalization, the *Digital Economy Pathfinder* calls upon APEC economies to strengthen commitments in all sectors deemed critical to electronic commerce and to otherwise accord market access and national treatment with a minimum of exceptions. When negotiating RTA/FTAs, APEC members should therefore strive to make full commitments within the computer & related services sector and to eliminate progressively restrictions for related services, such as telecommunications, distribution and audio-visual. These commitments should be scheduled on a "top-down" or "negative list" basis to ensure broader coverage than the WTO GATS architecture and greater certainty for evolving e-commerce services.

Intellectual Property Rights:

- The information revolution attests to the importance of IT innovation to economic growth and development. IT and Internet-based technologies have, in less than a decade, helped realize APEC's vision of an integrated global economy capable of promoting stability and development throughout the world. Investments in Internet access, broadband deployment and increasingly powerful computers have laid the foundation for continued rapid innovation and creativity. Taking advantage of these opportunities, however, will require regional harmonization in key policy areas related to IT innovation and deployment. Of particular significance are intellectual property laws that encourage and protect investments in innovative technologies and a rich array of creative content. For IP-based industries,

¹⁰ *Global Economic Prospects*, World Bank Group (2002).

inadequate IPR laws and enforcement regimes are often the single most damaging trade barrier, effectively closing markets to legitimate products. Weak IP laws are equally harmful to developing economies, however, as they discourage investment in domestic knowledge-based industries and trigger a “brain-drain” of talented inventors and entrepreneurs. In China, for example, a modest ten percent reduction in software piracy rates could quadruple the size of its local software industry, according to a recent study by a leading ICT research firm.

- In 2004 the APEC Ministers emphasized that improved protection and enforcement of intellectual property rights contribute to the promotion of investment, innovation and economic growth. APEC economies have thus agreed to prioritize intellectual property reform in the region this year by strengthening IPR laws, implementing the WTO TRIPS Agreement and WIPO Copyright Treaties, promoting cooperation among enforcement agencies and advancing a bold APEC Anti-counterfeiting and Piracy Initiative. RTAs/FTAs can accelerate the achievement of these objectives by committing APEC countries to adopt harmonized, state-of-the-art intellectual property laws and enforcement procedures that adequately protect the full array of IT products and digital content that will fuel the region’s knowledge-based economy. Indeed, RTAs/FTAs will play an increasingly vital role in promoting strong intellectual property standards throughout the Asia-Pacific since this is not a goal of the current WTO Doha round.
- U.S. RTAs/FTAs highlight the benefits of WTO-plus intellectual property standards in developing economies. Jordan, for example, has witnessed 42 new innovative product launches since the signing of the 2000 FTA. The Jordanian drug industry has begun to develop its own innovative products, and regulatory reforms have led to an increased rate of approval for new drugs, promoting consumer access to life-enhancing and life-saving therapies.
- To strengthen intellectual property protection and enforcement in APEC, RTAs/FTAs should contain comprehensive, WTO-plus intellectual property commitments that address the escalating threat of Internet piracy, encourage investment in innovative inventions, and ensure effective, deterrent enforcement of IP rights in the region. Among other commitments, the RTAs/FTAs should include --
 - **Copyright protection of software and digital content:** Require accession to and implementation of the WIPO Copyright Treaties; provide right holders with an express right to control temporary copying, distribution and public communication of copyrighted works; prohibit circumvention of technical protection measures; create legal incentives for ISPs to take down infringing copies; and require government agencies to use only licensed software.
 - **Comprehensive patent protection:** Make patents available for any invention, subject to limited, TRIPS-compliant exclusions, and permit only limited exceptions to the rights conferred by a patent.
 - **WTO-plus enforcement and penalties:** Require proper valuation of damages and authorize pre-established damages at the option of the right holder; authorize seizure of pirated and counterfeit goods, as well as associated equipment and documentation;

provide criminal penalties for counterfeiting and piracy, including commercial end-user piracy; authorize *ex officio* actions with respect to border measures and criminal enforcement; and require that *ex parte* orders are acted upon in a timely manner.

Government Procurement:

- The government procurement sector represents a major market in developing countries, accounting for an estimated 9-13 percent of gross domestic product.¹¹ Thus, improvements in the public procurement system through the implementation of transparent and non-discriminatory rules have a direct and beneficial effect on the overall economy.
- There exists a direct correlation between government procurement and development. Most of the large-scale public requirements that must be met through public procurements are classic development needs, such as roads, railways, hospitals, and medical supplies. Public procurement thus provides the direct avenue for governments to meet their development challenges.
- Government procurement rules in developing economies often favor local suppliers. By limiting import competition, such domestic preferences produce effects similar to other protectionist measures, introducing distortions that limit choice, increase prices and discourage economic efficiency. Improved conditions for import competition play a crucial role in maintaining downward pressure on procurement costs, giving taxpayers value for money, improving the quality of government services and permitting better allocation of resources. Moreover, by avoiding wasteful spending, developing countries reduce their dependence on external loans and debt servicing commitments.
- Only a small number APEC economies have joined the WTO Agreement on Government Procurement (GPA), despite the importance of transparent and non-discriminatory public procurement to trade liberalization and development. The RTA/FTA process should thus ensure that more APEC members accede to the GPA and adhere to its disciplines. The GPA reflects the same principles as those set out in the APEC Nonbinding Principles on Government Procurement. In particular, it contains an important national treatment provision, as well as a requirement that technical specifications "shall not be prepared, adopted or applied with a view to, or with the effect of, creating unnecessary obstacles to international trade." RTA/FTAs in APEC should build upon and strengthen these obligations by ensuring that government procurement in the APEC signatory countries adhere to the following core principles:
 - Government procurement laws, regulations, procedures and practices should be transparent to all parties.
 - Products, services and suppliers of any other party should be accorded treatment "no less favorable" than the most favorable treatment accorded domestic products, services and suppliers.

¹¹ Wayne A. Wittig, *Public Procurement and the Development Agenda*, International Trade Centre (2003).

- Procurements should be based on the merit or performance of the product or service and not on the method or model of its development. Government procurement decisions should take into account the overall value of the product or service, based on price, terms and conditions, and service/product offerings.
- Procuring entities should not impose standards or technical specifications, including design or product descriptions (e.g., intellectual property licensing terms), that discriminate against another party's products, services or suppliers or otherwise create a direct or indirect barrier to the ability of foreign products or services to compete in the area of government procurement. Technical specifications should, moreover, be developed under an open, voluntary and consensus-based process and, where applicable, based on international standards.
- Given the importance and projected growth of electronic commerce in the APEC region, it is imperative that the government procurement commitments apply equally to the procurement of digital products and IT services.

Promoting Trade Liberalization in IT Products and Services through RTAs and FTAs

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June 28, 2005



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Business Software Alliance

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- A non-profit organization promoting a safe and legal digital world
- BSA educates consumers on software management and copyright protection, cyber security, trade, e-commerce and other Internet-related issues
- Founded in 1988
- Presence in 80 countries worldwide



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BSA Members



Benefits of High Quality RTAs/FTAs

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- BSA applauds APEC's leadership in promoting high standard, comprehensive FTAs/RTAs and encourages members to utilize the *Best Practices for RTAs/ FTAs* endorsed by ministers
- Per capita income in developing countries that lowered trade barriers the most grew over three times faster than in other developing countries in the 1990s
- Today over 200 RTAs and FTAs are in force and one-third of global trade takes place between partners
- Danger of "spaghetti-bowl" effect of overlapping and inconsistent commitments that distort and complicate trade rather than facilitate it
- Adherence to APEC Best Practices will help ensure that RTAs/FTAs maximize benefits and avoid these pitfalls
- BSA encourages APEC to develop model measures for RTA/FTA chapters on trade facilitation and IP protection



Global ICT Market

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- Globally, ICT sector employed over 17 million people in 2004 (6% of business employment)
- Trade in ICT goods growing at nearly double the rate of merchandise trade and trade in ICT services growing even faster
- ICT goods sector globalizing rapidly and so is distribution of IT and ICT enabled services
- Globally, IT industries, including software, employ over 9 million people, contribute over \$700 billion in taxes and add nearly one trillion annually to world economies
- In Asia Pacific, IT industry is a \$175 billion industry, employs 3 million, and generates \$95 billion in taxes



Free and Open Trade in ICT Sector

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- Trade liberalization in ICT sector a crucial element in leveling the ICT field
 - Increase Internet penetration
 - Help bridge digital divide
 - Encourage domestic and foreign investment in Innovation and IT industries
- APEC already playing a leadership role by spearheading the WTO Information Technology Agreement
- RTAs/FTAs in accordance with APEC's *Best Practices* can help eradicate remaining tariff and non-tariff barriers to ICT growth by looking beyond WTO



Electronic Commerce

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- Exponential growth in Internet connectivity and use of e-commerce
- APEC's commitment to Internet development yielding results but uncertainty in WTO trade rules a problem
- RTAs/FTAs should contain commitments to preserve current liberal trade environment for IT products and services delivered or accessed electronically
- Digital products made available on-line should receive market access, MFN and national treatment no less favorable than such products receive when traded through physical delivery.
- RTAs/FTAs should also contain permanent prohibition on duties on importation and exportation of digital products, including both the transmission and content



IT Services

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- Services sectors fastest growing components of global economy and for developing countries income gains from services liberalization significant higher than from merchandise trade reform
- E-commerce services rapidly evolved since conclusion of Uruguay Round. Trend for users to purchase IT solutions and digital products as a combination of integrated goods and services
- Drawing on *Digital Economy Pathfinder*, RTAs/FTAs should contain full commitments within the computer & related services sector to eliminate progressively restrictions for related services including telecommunications, distribution and audio-visual
- These commitments should be on a "top down" or "negative list" basis, unlike WTO GATS architecture



Intellectual Property Rights

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- Inadequate IP laws and enforcement regimes often single most damaging trade barrier
- Weak IP protection equally harmful to developing economies
- Research by IDC finds a 10 point reduction in piracy rate in China over four years could quadruple size of its IT sector
- RTAs/FTAs should contain WTO-plus IP commitments to address Internet piracy, encourage investment in innovative industries and ensure effective, deterrent enforcement
 - Accession to and implementation of WIPO Treaties
 - Comprehensive patent protection for any invention
 - WTO-plus enforcement and penalties



PC SW Piracy By Region

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| | 2004 | 2003 |
|----------------------|------|------|
| ▪ Latin America | 66% | 63% |
| ▪ Rest of Europe | 61% | 61% |
| ▪ Middle East/Africa | 58% | 56% |
| ▪ Asia Pacific | 53% | 53% |
| ▪ European Union | 35% | 37% |
| ▪ North America | 22% | 23% |
| ▪ Worldwide | 35% | 36% |



PC SW Piracy Losses By Region

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| | 2004 | 2003 |
|----------------------|--------|--------|
| ▪ European Union | 12,151 | 9,786 |
| ▪ Asia Pacific | 7,897 | 7,553 |
| ▪ North America | 7,549 | 7,243 |
| ▪ Rest of Europe | 2,313 | 1,937 |
| ▪ Latin America | 1,546 | 1,262 |
| ▪ Middle East/Africa | 1,239 | 1,018 |
| ▪ Worldwide | 32,695 | 28,794 |



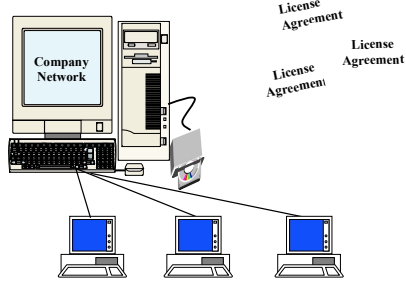
Organizational End-user Piracy

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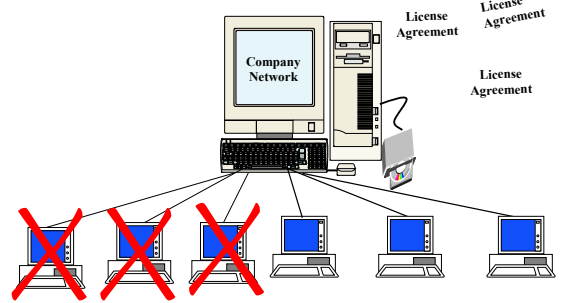
Organizational End-user Network Use



Legal Network Usage



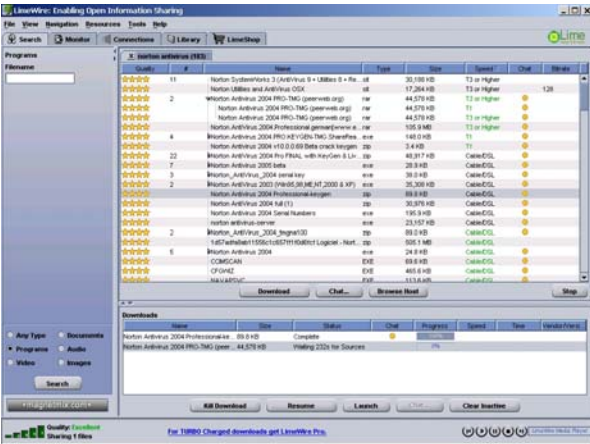
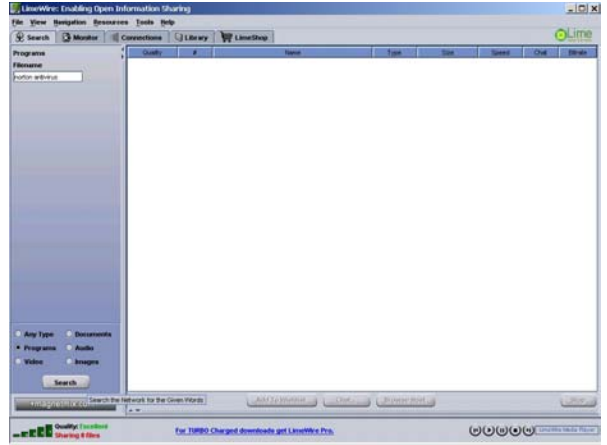
Organizational End-user Network Abuse



Illegal Network Usage



P2P filesharing - LimeWire



Government Procurement

- Government procurement sector estimated to account for 9-13% of GDP in developing countries
- Domestic preferences can produce effects similar to other protectionist measures by limiting choice, increase prices and discourage economic efficiency
- APEC economies should join WTO GPA, which reflects same principles as set in APEC Nonbinding Principles on Government Procurement
- RTAs/FTAs in APEC should build upon and strengthen these obligations by adhering to certain core principles, including
 - transparency in laws, regulations, procedures, practices
 - Products, services and suppliers of any other party should be accorded national treatment
- Procurements should be based on merit or performance of the product or service, not on method or model of development
- Procuring entities should not impose standards or technical specifications, including IP licensing terms, that discriminate against foreign products or services
- Technical specifications should be developed under an open, voluntary and consensus-based process, reflecting international standards where applicable
- Government procurement commitments should apply equally to procurement of digital products and services

THANK YOU



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