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Piracy Still Runs Rampant In China

Yet Industries Oppose Asking for Sanctions

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BEIJING—Pirated copies of the Chemical Abstracts aren't the kind of things that are hawked on street corners. That's why the publishers of the expensive magazine think it is a good litmus test of China's commitment to stopping the theft of intellectual property.

The weekly 2½-inch-thick compendium of important chemical research is a standard on library shelves of major universities, chemical research institutes and petrochemical industry laboratories—which in China are all run by the central government. Yet the American publisher of the journal says there are only nine subscriptions in all of China, a country with 1.3 million scientists, dozens of major universities and research institutions, several big chemical companies and many major municipal libraries.

"This isn't a guy knocking off Disney tapes in a back alley where the government is not enforcing the laws," said Bart S. Fisher, a lawyer representing the American Chemical Society, which has been negotiating with the Chinese government for two years. "This is where the government is the actor."

Nearly two years after a last-minute agreement between China and the United States averted a trade war over intellectual property-rights violations, the piracy of intellectual property is still an issue. Despite the 1996 accord, the value of pirated goods in China grew to an estimated \$2.3 billion in 1997 from about \$2.3 billion in 1996, according to the International Intellectual Property Alliance. As the U.S. trade deficit with China and Asia in general rises this year, the intellectual property issue could become contentious again.

Piracy of intellectual property in China is "far from dead and gone," said Tom Robertson, a Hong Kong-based lawyer for Microsoft Corp., which has doubled its anti-piracy staff in Asia.

And yet the software, publishing, movie and recording indus-

bootleg production are booming. While the bulk of the domestic market remains pirated, it has mostly halted the export of illegal discs.

One dimension of China's strategy has been to boost the availability of legitimate music CDs. In 1997, more than 1,200 foreign recording titles were allowed to be imported into China, 10 times as many as in 1995, when China enforced quotas on sound recordings.

Since the May 1996 agreement, Chinese authorities say they have seized 52 production lines capable of making illegal CDs, CD-ROMs and videodiscs from 33 factories, mostly in the southern province of Guangdong. China also has instituted a reward system that pays up to \$36,000 for information leading to the seizure of bootleg CD lines.

As a result of the crackdown, however, CD pirates have simply moved to Hong Kong and Macao, nearby Portuguese possessions. Industry officials say the number of CD and CD-ROM manufacturing facilities went from zero to more than 100 in two years in Macao. In Singapore, videodisc versions of "Titanic" were available less than two weeks after the movie's release in U.S. theaters.

As a result, China's anti-piracy efforts for CDs have shifted from raiding production plants to fighting importers and smugglers. Raids in Guangdong have netted several intermediaries. In December 1997, three men were given prison sentences of 12 years to life for smuggling 340,000 pornographic videodiscs and 383,000 other videodiscs into China.

The biggest losses to U.S. companies because of Chinese violations of intellectual property rights come in the entertainment computer software industry. "China continues to be the world's largest supplier of pirate cartridge-based video games," says the International Intellectual Property Alliance.

Part of the problem is that China slaps a 50 percent tariff on imported video games, making it nearly impossible for legitimate products to compete. As a result, the Interactive Digital Software Association estimates its annual losses at \$1.4 billion, with 96 percent of the Chinese market taken by counterfeiters.

Estimated losses to U.S. industry from the illegal use of computer business applications in China have soared to \$987.9 million and now representing about half the losses from piracy of business software worldwide.

Much of the theft is done by ordinary businesses, which copy software on all their in-house com-