

February 23, 2000

## **An Open Letter In Support of China PNTR From America's Creative Industries**

America's creative industries strongly support Congressional approval of Permanent Normal Trade Relations (PNTR) for China.

We are writing in response to suggestions that China's alleged failure to live up to its commitments under the 1995 U.S.-China Intellectual Property Rights Agreement should disqualify it from membership in the World Trade Organization and from the benefits of full WTO membership treatment, embodied in PNTR.

In the 1990s, America's copyright industries took the lead in pressing the case against China's serious violations of U.S. intellectual property rights; in particular, the massive export of pirate and counterfeit optical media and other pirated products throughout the world. Widespread abuse of intellectual property rights was causing billions of dollars in losses each year to American creative industries and to the U.S. economy. Working with the U.S. Government, we spared no effort to bring about the 1995 bilateral intellectual property rights agreement, and to ensure that China abided by those commitments, which resulted in the 1996 China enforcement "Action Plan."

Having worked so hard in the last decade to force the issue of intellectual property rights protection upon a reluctant China, why do we stand united in support of PNTR for China today?

- Because we are convinced from our own experience that inclusion of China within the framework of multilateral rules and obligations embodied in the WTO is the single best instrument we have to ensure continuing improvement in China's protection of intellectual property;
- Because we know, first hand, that multilateral enforcement through the WTO offers a far more promising method of ensuring continued progress in China's intellectual property environment than does the threat of unilateral retaliation against China;
- Because China committed in the WTO negotiating process to bring its copyright (and other IPR sectors') regime into compliance with its substantive and enforcement obligations under the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS), and to do so immediately upon accession. We believe China has commenced its efforts to meet this commitment.
- While piracy remains very high within the domestic Chinese market, China met its principal commitment under the 1996 Action Plan -- to stem the flow of exports that were disrupting other developed markets on a global basis;
- Because the US copyright sector, so critical to America's economic strength today, will cede to our global competitors the massive opportunities America

has won at the negotiating table if the United States does not establish full WTO member treatment for China in the form of PNTR.

In spite of real progress on intellectual property protection since the 1996 agreement, problems in China remain, as they do in many countries with which the U.S. trades. Chinese companies themselves, an increasing number of which likewise depend upon intellectual property protection, are recognizing the importance of Chinese adherence to international standards of protection, as embodied in the TRIPS Agreement. This trend will only accelerate through PNTR and Chinese accession to the WTO. Looking ahead, America's ability to address China within the framework of the WTO is a vital tool for the preservation of our economic rights and the advancement of our national interests.

We are encouraged by the concern expressed about China's record on IPR enforcement and submit that the best way to drive improvements in Chinese performance is to approve PNTR, and to hold regular hearings to ensure that China is meeting its various obligations, including, in particular, the enforcement obligations that it will undertake pursuant to the TRIPS Agreement by which it will become bound.

The companies and associations most vigorous in insisting on improvement of China's intellectual property rights regime over the past decade are united in support of PNTR in the year 2000. We do not accept the suggestion that China's intellectual property track record since the signing of the 1996 bilateral agreement constitutes a justification for Congressional rejection of PNTR in the year 2000. Indeed, we believe that PNTR and the entry of China into the WTO will serve to advance the cause of intellectual property protection in China, a matter of considerable importance to America's creative workforce.

We strongly urge Congress to support China PNTR in 2000.

Sincerely,

Robert Holleyman, II  
President and CEO  
Business Software Alliance

Douglas Lowenstein  
President  
Interactive Digital Software Association

Kathy Morgan  
Chairman  
AFMA

Edward Murphy  
President and CEO  
National Music Publishers' Association

Hilary Rosen  
President and CEO  
Recording Industry Association of America

Eric Smith  
President  
International Intellectual Property Alliance

Patricia Schroeder  
President and CEO  
Association of American Publishers

Jack Valenti  
President and CEO  
Motion Picture Association of America

Ken Wasch  
President  
Software and Information Industry Association