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BREAKS, FLOWS, AND OTHER IN-BETWEEN SPACES

Rethinking Piracy and Copyright Governance

CASES AND QUESTIONS

Case One—Development: Gray Markets in Emerging Markets

China, as well as other emerging markets¹ in Asia such as India, Taiwan, Thailand, and Malaysia, occupies a unique place in the economic and technological development continuum that makes it into not only a desirable market for pirated products, but also a production and export base. Technologically, these Asian countries have reached a level of sophistication to be able to efficiently produce pirated goods. Economically, much of Asia has seen the increase of overall standard of living, creating demands for pirated products, be they entertainment, software, or fashion. Additionally, the massive populations in China, India, and Indonesia create a natural market for pirated goods.² Table 1, for example, lists the countries with highest optical disc (all formats: CD, DVD, CD-R/W, DVD-R/W, CD Rom, DVD Rom, and Video CD) pressing capacity. International Federation of the Phonographic Industry (IFPI) reports that the pressing capacity of the top ten optical disc producing countries exceeds legitimate demand by over 20 times and that this overcapacity is feeding piracy (IFPI 2004b). Note that seven of these top ten countries are Asian and the top six are Asian nations, while all top ten nations are categorized as “emerging markets” (see later discussion). Table 2 further demonstrates the link between piracy level and degree of economic development, i.e., in general, the higher a nation’s economic development, the lower the demand.

Case Two—Spectacular Legitimate Theatrical Box Office Growth in Emerging Markets

Contrary to those allegations and complaints put forward by various trade associations about piracy’s negative effects on American films’ global theatrical performance (e.g., IIPA 2005a), Hollywood saw a “spectacular growth in emerging markets” in global box office revenues in 2004 (*Screen Digest*, 2005). Overall the world office box for Hollywood films increased by 8.9 percent in 2004, with international territories accounting for the majority of global box office revenue. China, in particular, was noted as “the world’s fastest growing theatrical market” with a 50 percent increase (in local currency) in one year alone. North America, on the other hand, saw a decline in box office revenue two consecutive years. It dropped 4.1 percent to represent a 49.2 percent of total global box office revenues in 2004. Table 3 ranks the percentage changes in box office revenues in 25 territories.

Table 1. Estimated Pressing Capacity 2003 (all formats)*

Territory	Estimated Capacity (M units)	Demand (M units)	Overcapacity (M units)
Taiwan	7,900	270	7,630
China	4,900	1,100	3,800
Hong Kong	2,500	140	2,360
India	1,900	400	1,500
Malaysia	1,860	60	1,800
Singapore	620	60	560
Brazil	630	140	490
Thailand	570	27	540
Poland	500	150	350
Russia	370	30	340
TOTAL			19,370

Total disc manufacturing overcapacity: 19.4 billion discs annually

*Formats include CD, DVD, CD-R/W, DVD-R/W, CD Rom, DVD Rom, Video CD.

Source: IFPI (2004d)

Table 2. Domestic Music Piracy Levels in 2003 (units)

<10%	10-24%	25-50%	>50%
Australia	Bahrain	Chile	Argentina
Austria	Belgium	Costa Rica	Brazil
Canada	Finland	Croatia	Bulgaria
Denmark	Hong Kong	Cyprus	China
France	Italy	Czech Republic	Colombia
Germany	Netherlands	Greece	Ecuador
Iceland	New Zealand	Hungary	Egypt
Ireland	Oman	India	Estonia
Japan	Qatar	Israel	Indonesia
Norway	Singapore	Philippines	Kuwait
Sweden	Slovenia	Poland	Latvia
Switzerland	South Korea	Portugal	Lebanon
UK	Spain	Saudi Arabia	Lithuania
USA	Turkey	Slovakia	Malaysia
	UAE	South Africa	Mexico
	Zimbabwe	Taiwan	Pakistan
		Thailand	Paraguay
			Peru
			Romania
			Russia
			Ukraine
			Uruguay
			Venezuela

Source: IFPI (2004d)