



BASCAP

What is BASCAP?

- Connects business sectors and cuts across all national borders
- Global approach designed to support individual company and organizational efforts
- Vigourously petition local, national and international officials
- BASCAP develops products that explain the value of IP and harms of counterfeiting and piracy
- Central location for knowledge, data and other intelligence, generates messages to compel action and shares enforcement strategies across sectors





BASCAP

BASCAP quest for better information

Economic impacts of counterfeiting and piracy

- Better information on the scope, scale, costs and impacts of counterfeiting and piracy is critical to demonstrating the value of intellectual property to the economy and society more generally.
- Since counterfeiting operates outside the law, estimating the exact level of counterfeiting and the harm it brings is extremely challenging.
- For this reason, BASCAP has commissioned a number of expert groups (including this report by Frontier Economics) to examine the issue and to develop methodologies for estimating the economic and social impacts.
- No one report or approach will yield a complete diagnosis or provide all the answers, but BASCAP is committed to learning from as many sources of expertise as possible.





OECD provides a starting point

Taken together, the OECD has delineated four categories of losses, for which they provided estimates for one - counterfeit and pirated goods moving through international trade.

- Category 1: counterfeit and pirated goods moving through international trade.
- Category 2: value of domestically produced and consumed counterfeit and pirated products.
- Category 3: the significant volume of pirated digital products being distributed via the Internet.
- Category 4: broader economy-wide effects.





BASCAP

BASCAP efforts to fill the gaps

BASCAP has commissioned several expert studies to pick up where the OECD left off.

- Notably, at the end of 2009, the OECD updated their estimates for Category 1 – from US\$200 Billion to US\$250 Billion.
- Today's presentation addresses Categories 3 and 4.

- Category 1: counterfeit and pirated goods moving through international trade = US\$250 Billion.
- Category 2: value of domestically produced and consumed counterfeit and pirated products.
- Category 3: the significant volume of pirated digital products being distributed via the Internet.
- Category 4: broader economy-wide effects.





BASCAP

Category 3: Digital piracy

- BASCAP has commissioned Tera Consultants (Paris) to investigate the impacts of digital piracy on the creative industries of Europe.
- The study was launched in Brussels in February 2010 during a lunch hosted by MEPs.

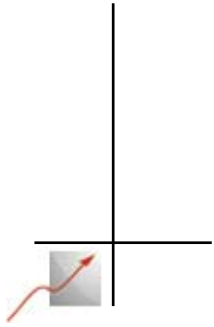


BUILDING A DIGITAL ECONOMY: THE IMPORTANCE OF SAVING JOBS IN THE EU'S CREATIVE INDUSTRIES



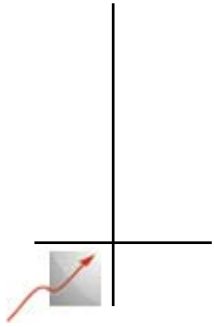
An ICC initiative
BASCAP
Business Action to Stop
Counterfeiting and Piracy

March 2010



The study focuses on three main questions :

- 1) *What is the contribution of the creative industries to the European economy in terms of GDP and jobs ?*
- 1) *What are the consequences of piracy on retail revenue and jobs ?*
- 1) *If current policies do not change in the EU, what will these losses be by 2015 ?*



Economic weight of the creative industries in EU27 (2008)

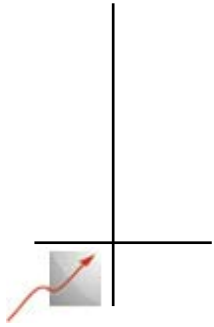
This study uses a more accurate and comprehensive definition of Europe's creative industries that:

- expands the EU definition of core creative industries to include: film, TV series, recorded music and software
- and also encompasses the economic contributions of non-core creative industries.

Creative Industries	VALUE ADDED		EMPLOYMENT	
	VA 2008 (billion €)	% of EU VA	Jobs (million)	% of EU employment
TOTAL creative industries	862	6.9%	14.4	6.5%

Source – TERA Consultants analysis

In the major national markets, the weight of the creative industries ranges from 9.6% of GDP (UK) to 5.6% (Spain), and from 2.7 (UK) to 1.2 (Spain) million jobs.

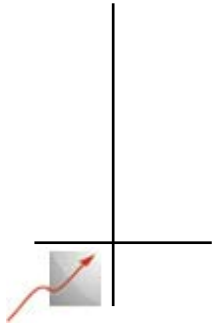


Piracy losses in Europe (2008)

	2008	2009	2010	2011	2012	2013	2014	2015
Retail losses (billion €)	10	12	15	19	22	26	30	32
Cumulative job losses	186 600	227 500	276 900	351 500	422 400	491 800	555 700	611 300

Source – TERA Consultants analysis

Based on data collected from Eurostat and WIPO, along with modest assumptions for substitution rates (less than 10% in most cases), losses to Europe's creative industries in 2008 are estimated.



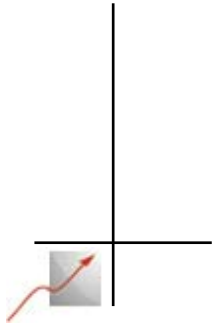
Piracy losses in Europe, **projected to 2015**

“File sharing” trend scenario

	2008	2009	2010	2011	2012	2013	2014	2015
Retail losses (billion €)	10	12	15	19	22	26	30	32
Cumulative job losses	186 600	227 500	276 900	351 500	422 400	491 800	555 700	611 300

Source – TERA Consultants analysis

In Scenario 1, the assumption is made that digital piracy activity will grow in line with file-sharing traffic, providing a conservative estimate of losses.

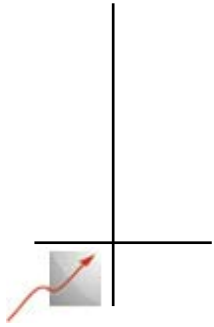


Piracy losses in Europe, **projected to 2015** “Consumer IP traffic” trend scenario

	2008	2009	2010	2011	2012	2013	2014	2015
Retail losses (billion €)	10	13	17	24	32	40	48	56
Cumulative job losses	186 600	253 800	345 000	490 200	655 100	834 800	1 027 000	1 216 800

Source – TERA Consultants analysis

In Scenario 2, the assumption is made that digital piracy growth will follow global consumer IP traffic: This scenario includes online streaming activity as well as file-sharing, thus providing an upper limit.



Key findings

- *Creative industries significantly contribute to GDP and employment in Europe: 860 € billion in value added, 14 million jobs.*
- *Creative industries have particular economic significance in the top five markets in Europe. (UK, Germany, France, Spain, Italy).*
- *Based on current projections and assuming no significant policy changes, the European Union's creative industries could expect to see cumulative retail revenue losses of as much as €240 billion by 2015, resulting in 1.2 million jobs lost by 2015.*



BASCAP

Category 3: Digital piracy

- Results from the Tera study are limited to Europe.
- BASCAP study currently under development indicates that global digital piracy digital piracy losses may be as much as three times higher on an annual basis:





BASCAP

Category 4: Losses to governments and society

- BASCAP has commissioned Frontier Economics (London) to investigate the impacts governments and consumers, e.g., tax, health, crime and investment.
- The study was launched in Cancun during the 5th Global Congress in December 2009.
- Findings are limited to G20 only.

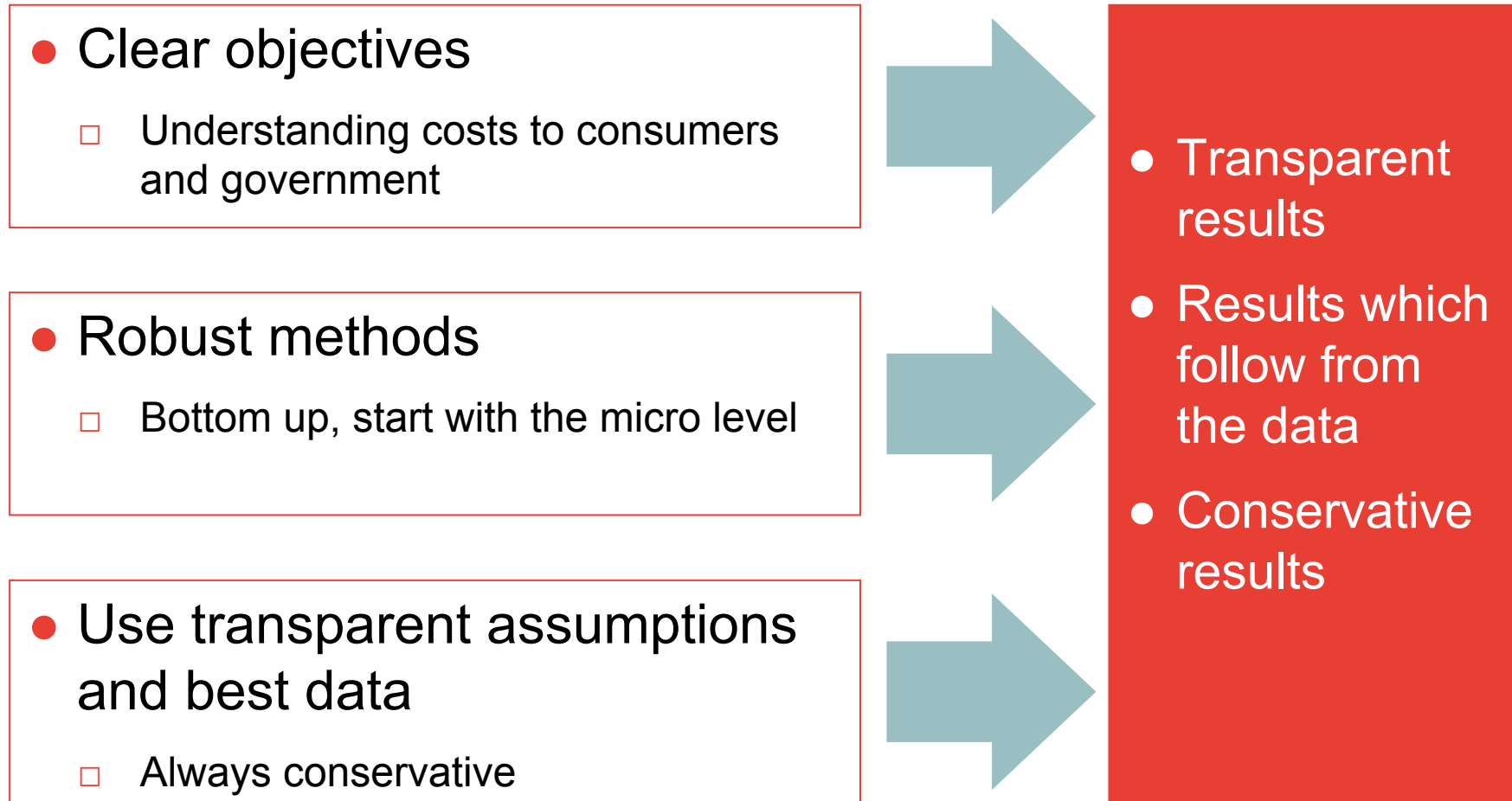




The economic impacts of counterfeiting

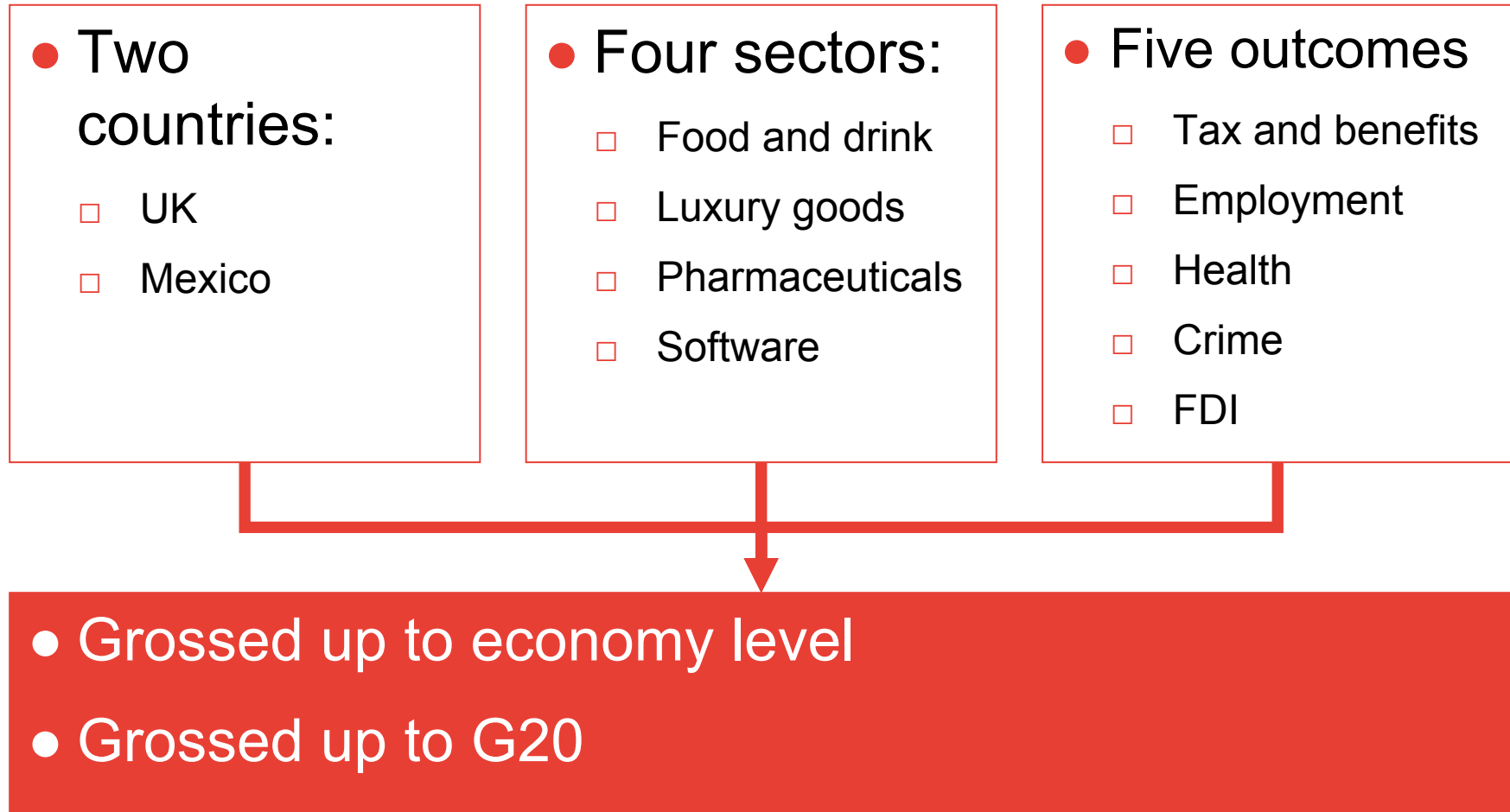
02 December 2009

Understanding economic costs is complex



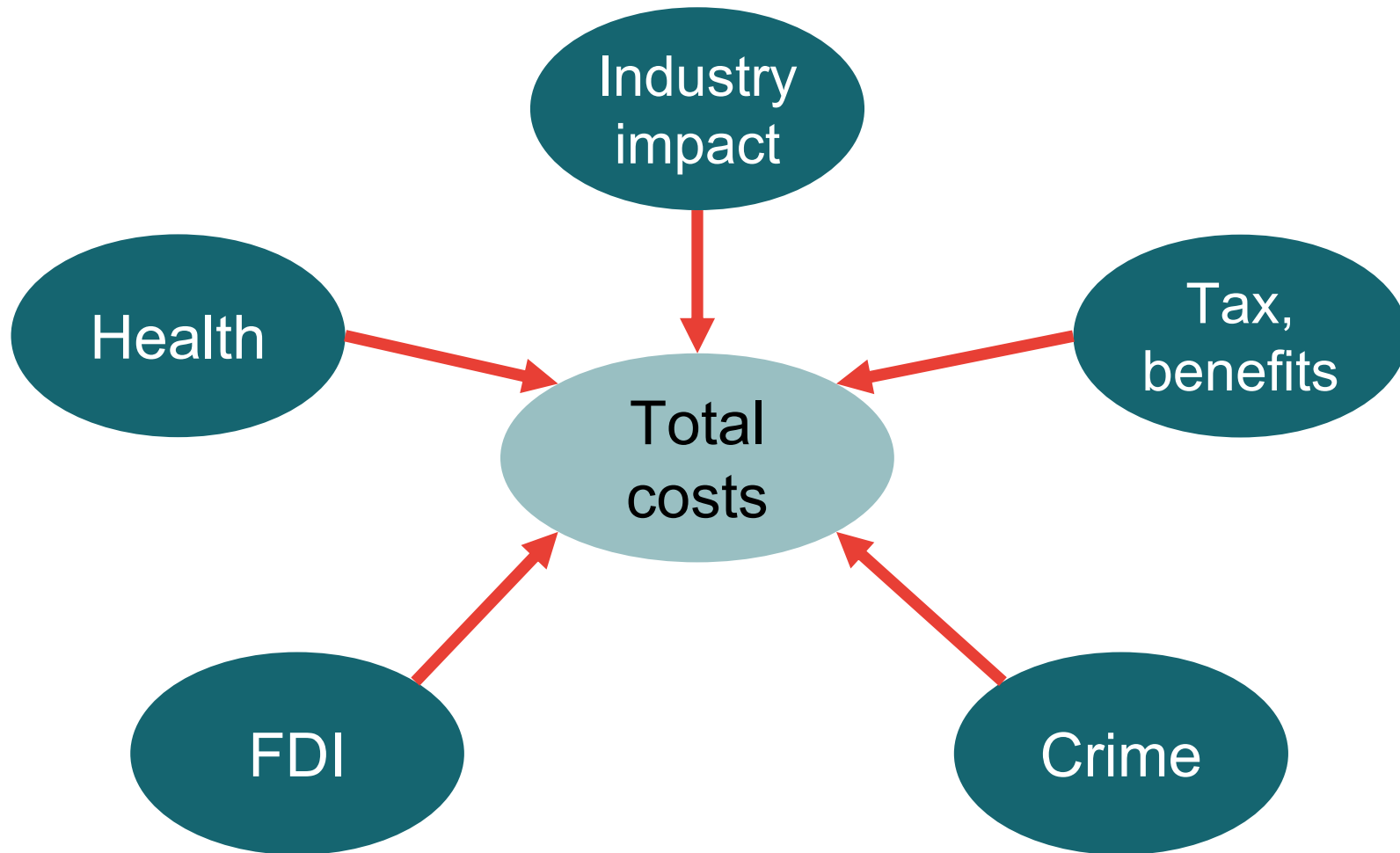
...we developed simple bottom-up model

Overall approach



...methods experimental, results preliminary

Five modules



... make up the economic model

UK and Mexico results

UK

- Four sectors:
 - €500 million in lost taxes
 - 15,000 jobs lost, 1,200 long term
- Economy wide
 - €4 billion lost tax
 - 380,000 jobs lost
 - 31,000 long term

Mexico

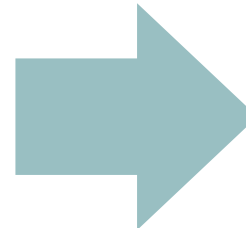
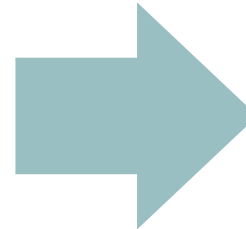
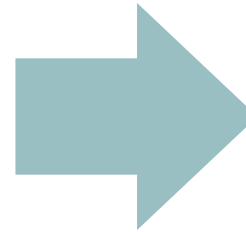
- Four sectors
 - €220 million lost taxes
 - 10,000 jobs lost, 500 long term
- Economy wide
 - €1.4 billion lost tax
 - 480,000 jobs lost, 26,000 long term
 - 520 million tax lost from lost FDI

Illustrative extrapolation to G20

- Extrapolate tax losses
 - With 50% discount
- Extrapolate employment losses

- €20 billion cost for every 1% increase in crime rate caused by counterfeiting

- Perhaps 3,000 lives lost from exposure to counterfeit food and medicines



- €60 billion lost in tax revenue
- 2.5 million jobs lost, 160,000 long term
- Very big economic costs of crime and health

A lot more still to do to understand economic effects





BASCAP

All this information and more can be found
on the BASCAP website:

www.iccwbo.org/bascap

Contact:

Jeff Hardy

BASCAP Coordinator

jeffrey.hardy@iccwbo.org

Tracy Faustin

tfn@iccwbo.org

