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New Study Projects Significant Economic Benefits from Reducing Software Piracy

*Indonesia would gain thousands of IT jobs and related benefits;
Positive impacts even greater in emerging economies with high piracy losses*

Jakarta, January 24, 2008 – Reducing software piracy in Asia by just ten percentage points over the next four years could generate 435,000 new jobs, over US\$40 billion in economic growth, and over US\$5 billion in tax revenues above current projections, according to a new study released today by the Business Software Alliance (BSA).

In Indonesia, reducing software piracy by ten percentage points over the same period could generate an additional 2,200 new jobs, US\$1.8 billion in economic growth, and US\$88 million in tax revenues. There is further good news for local vendors, where the study also predicts an additional US\$1 billion in revenues to local vendors alone.

“The implementation of the Copyright Law No. 19 of 2002 in Indonesia, followed by the government’s focus in IPR education and law enforcement activities, has contributed to a steady decline in the rate of PC software piracy since then,” said Roland Chan, Director of Marketing, BSA Asia. “With the results of the IDC study announced today, the measurable economic benefits vindicates the government’s tough stand against software piracy. In fact, it may even encourage the government to do even more in its focus on enforcement and public awareness programs as the IT sector grows into a significant contributor to the country’s economy.”

While the Asia region has much to gain from reductions in PC software piracy, high-piracy emerging economies like China, Russia and India could experience some of the most positive impacts, the International Data Corporation (IDC) study suggests.

The study, commissioned by BSA and conducted independently by IDC, notes that the information technology (IT) industry is already a major contributor to Asian economies. In 2007, Asian economies spent over \$231 billion on IT goods and services including computers, peripherals, network equipment, packaged software and IT services. That spending supported more than 348,000 IT companies with 5.5 million IT industry employees, and helped generate \$167 billion in IT-related taxes.

Yet the IT sector's contribution to Asian economies would be even greater if the region's PC software piracy rate could be lowered by ten percentage points by 2011, the study said. Such an improvement would add highly skilled jobs to the labor force, support the creation of new companies, lower business risks, and fund government services without a tax increase.

Moreover, reducing software piracy has a "multiplier effect." According to IDC, for every \$1 spent on legitimate packaged software, an additional \$1.25 is spent on related services from local vendors such as installing the software, training personnel and providing maintenance services. Hence, beyond the obvious benefit to software copyright owners, the local IT sector including the software support and services group, would stand to gain even more from a software piracy reduction.

"In a global market that already has an installed base of over a billion PCs, it is not too difficult to see that the growth in the Asia Pacific's IT sector alone has already translated into significant benefits for the region's economies," said Chan "However, out of an estimated \$21 billion worth of PC software being employed in new computers in the Asia-Pacific region in 2006, \$11.6 billion was deemed to have been pirated. This study clearly shows the huge economic benefits that economies would derive from a ten-point drop in PC software piracy over the course of the next four years."

In 2007, IDC valued the Indonesian IT sector contribution to GDP at \$3.3 billion, employed 28,500 IT workers, and generated \$412 million in tax revenue to the government.

Positive Impact Greater in Countries with High Piracy Losses, Such as China and Russia

The study also reveals some surprising changes in the global IT landscape that could result from piracy reductions in emerging economies.

For example, a ten percentage point reduction in China's 82 percent PC software piracy rate could make that nation's IT workforce the largest in the world within four years, surpassing the number of IT workers in the United States. The number of IT jobs in China would grow by an additional 355,000 beyond those already projected, bringing the total number of IT jobs in China to almost 3.5 million by 2011. The improvement could increase IT spending growth from 10.3 percent per year to 13.7 percent per year between 2008 and 2011.

Likewise, a ten-point cut in Russia's 80 percent PC software piracy rate could help make the Russian IT sector larger than India's within four years, putting it among the top three fastest-growing IT markets in the world. By 2011, with reduced software piracy, Russia's IT sector would see annual growth in spending rise from 14.6 percent to 18.2 percent between 2008 and 2011, and valued at US\$33.9 billion by 2011.

In Indonesia, a ten-point PC software piracy reduction within four years would help boost IT spending growth from 9.5 percent to 13.6 percent annually, while IT employment could rise from 8.2 percent to 9.6 percent annually.

"The IDC data offer convincing evidence that countries with moderate and high piracy rates stand to gain the most from reducing piracy in terms of creating stronger local IT sectors — and stronger economies and societies overall," said Chan.

Speaking on behalf of IDC, Marcel Warmerdam, Research Director of IDC IT Markets said, "This study seeks to quantify the positive economic gains countries would likely benefit from their efforts to drive down software piracy. The encouraging numbers found in this study should serve as further incentive for governments to do even more to promote intellectual property rights protection in their markets."

"A strong IT sector can serve as a major contributor to domestic labor productivity and national economic growth. And because most of the benefits from a reduction in software piracy accrue to locally-based software services and channel firms, most of the benefits stay within a country," added Warmerdam.

Steps Governments Can Take to Reduce Software Piracy

BSA encourages all governments to reduce software piracy and reap the economic benefits by taking the following steps:

- Update national copyright laws to implement World Intellectual Property Organization (WIPO) obligations;
- Create strong enforcement mechanisms, as required by the World Trade Organization (WTO), including tough anti-piracy laws;
- Dedicate significant government resources to the problem, including national IP enforcement units, cross-border cooperation, and more training for local officers;
- Improve public education and awareness; and
- Lead by example by requiring the public sector to use only legitimate software.

"42 economies were included in this study, collectively representing 91% of the entire global IT sector. Of these, 11 were Asian economies whose IT sector represents 94% of the total IT sector size of the region," added Chan. "The lessons to be learnt here are clear and simple whether a country is included in this study or not – when economies take steps to reduce software piracy, everyone benefits. In an ever competitive global economy, there is no clearer confirmation for governments to act positively on the belief that the IT industry will be an increasingly significant component of its economic future."

The BSA-IDC study is available online at <http://www.bsa.org/idcstudy>. The cornerstone of the research is IDC's Piracy Impact Model (PIM) which takes inputs from IDC's market research around the globe on IT spending and software piracy, along with other information on IT employment levels and IT-related taxes.

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About BSA

The Business Software Alliance (www.bsa.org) is the foremost organization dedicated to promoting a safe and legal digital world. BSA is the voice of the world's commercial software industry and its hardware partners before governments and in the international marketplace. Its members represent one of the fastest growing industries in the world. BSA programs foster technology innovation through education and policy initiatives that promote copyright protection, cyber security, trade and e-commerce. BSA members include Adobe, Agilent Technologies, Altium, Andal Software, Apple, Autodesk, Avid, BEA Systems, Bentley Systems, Borland, Breault Research Organization, CA, Cadence Design Systems, Cisco Systems, CNC Software/Mastercam, Corel, Dell, EMC, Entrust, Frontline PCB Solutions - An Orbotech Valor

Company, HP, IBM, Intel, INUS Technology, McAfee, Microsoft, Mindjet, Minitab, Monotype Imaging, PTC, Quark, SAP, Siemens PLM Software, SolidWorks, SPSS, Sybase, Symantec, Synopsys, Tekla, The MathWorks and Trend Micro.

About IDC

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